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*Comparing Human Resource Management in China and Vietnam:  
An Overview*

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# Comparing Human Resource Management in China and Vietnam: An Overview

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## Abstract

*This paper attempts to compare human resource management (HRM) in China and Vietnam. The main thrust of the paper is broadly interpretative, as well as analytical. First, it sets out seven dimensions relating to the evolution of people-management there, namely, historical, cultural, political, legal, economic, demographic and management. Next, it deals with a number of contemporary issues relating to the implementation of HRM in the two countries. Last, it presents a set of conclusions regarding the national differentiation of HRM models and the implications for management in Asia.*

**Keywords:** China, culture, HRM, management, unions, Vietnam

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## 1. Introduction

Why study China and Vietnam? In this paper, we will present an overview of the *People's Republic of China* (PRC) (*Zhonghua Renmin Gongheguo*) and the *Socialist Republic of Vietnam* (SRV) (*Cong hoa Xa hoi chu nghia Viet Nam*) in order to better understand their economic, management and people-management systems. We will ask the following questions:

*[i] What are the national characteristics that distinguish the one from the other?*

*[ii] In which ways can we compare and contrast the human resource management (HRM) systems in China and Vietnam in relation to the above?*

*[iii] What can be learned from comparing their management systems, particularly in the area of HRM in an Asian context?*

In doing so, we will set out seven dimensions to consider, namely, *historical, cultural, political, legal, economic, demographic and management*. In the paper, we will deal with HRM as essentially a *cross-cultural* phenomenon - in order to gain useful insights into the diverse paths it takes in different country-settings (see Jackson 2002; Harzing and Pinnington 2011; Warner 2013).

The main thrust of the paper is broadly *interpretative*, as much as *analytical*, aimed at a sketching out a plausible narrative. The *methodology* we deploy is comparative, institutional and qualitative, in order to tease out the similarities and differences between the economies, managements and HRM systems in the two countries considered. It builds on earlier empirical field research the present writer

has carried out with colleagues in recent years investigating transitional economies in East, North-East and South-East Asia (see Warner 2003a and b; Warner et al 2005; Zhu et al 2007; Collins et al 2012) plus secondary sources in the field. The upshot is a distillation of these primary and secondary research-routes to a holistic understanding of the two systems.

Both countries examined here have long-standing, as well as more recent, historical links with each other, namely with respect to their Confucian inheritance, Western imperialist influences, Marxist Leninist/Soviet overlays and closer to the present, the recent opening-up to Globalization.

We will attempt in the paper to compare the two countries in greater historical depth than previously attempted in the literature, particularly concerning the evolution of management in the two countries in general and with respect to HRM in particular. We will emphasize what the French historians call the *longue duree* (see Braudel and Matthews 1982) dealing with the time-dimension over the centuries. The recourse to history, we hope, will provide insights into the *differential* evolution of the two HRM systems under examination. Our approach involves an implicit 'path-dependency' model (Maloney 2000) resulting in what we called 'soft divergence' (Warner 2000) but one must be cautious about taking this too literally and imposing over-simplistic linear thinking onto the facts.

## **2. Background**

Since 1978, China has embarked on a new 'Long March', this time one of reform. In that year, *Deng Xiaoping* initiated the 'Open Door' (*kaifang*) and the 'Four Modernisations' (*sige xiandaihua*) policies (of agriculture, industry, defence, and science and technology) which took the PRC from a 'command economy' to a 'socialist market' one, albeit 'with Chinese characteristics' (*juyou Zhongguo tese*) (see Vogel 2011). It was thus better equipped to enter the competitive arena of the international economy,

and in time fulfil an ambitious export-led growth strategy, accumulate an impressive trade-surplus and acquire a vast foreign exchange reserve-fund in the course of so doing. In the last three decades, its economy has indeed grown by leaps and bounds, averaging close to 10 percent growth in GDP per annum over the years. By these means, China has now achieved 'economic superpower' status, replacing Japan as 'number-two' in the global economy rankings (see Warner 2013).

Similarly, Vietnam embarked on what it called its 'economic renovation' (*doi moi*) policy in 1986, declared by the Sixth National Congress of the Vietnamese Communist Party in the autumn of that year, which can be seen as having a 'family-resemblance' to the above Chinese example (see Zhu 2002, 2003, 2011). It allegedly did not acknowledge its debt to *Deng's* initiatives at the time (Gillespie and Chen 2010:8). But one writer (Fforde 2007:23ff) believes the Vietnamese embarked on a liberalized economic reform policy as early as 1981. The present writer, however, later encountered quite the opposite view in fieldwork-interviews with Vietnamese Ministry of Labour officials, who consistently bench-marked their own national labour and HR policy-initiatives vis-a-vis the Chinese experience and described them as directly inspired by their giant neighbour's example at a later date.

As in the case of the PRC, Vietnam described its new regime as a 'socialist market economy', in which the State has a 'guiding-hand' which allows the private and other sectors sufficient leeway to promote their activities. Here, Vietnam was not alone in seeking a 'transition' from the old-style socialist economy to a market-led one and this has been examined in an earlier publication (see Warner et al 2005). It had indeed been remarkably successful since it inaugurated the '*doi moi*' reforms; its economy had grown for some years at an impressive rate of over 7 percent, if a little less rapidly than its neighbour. But it did not explicitly take what the Chinese ideology dubbed the 'capitalist road' (see Vogel 2011); as a recent study points out: - '[s]imilar to China, it has developed a system *sui generis*... that seeks to combine socialism and the market' (Edwards and Phan 2013:1).

As a result of the economic reforms sketched out above, both China and Vietnam have achieved a shift in their people-management systems, at least on paper (see Collins 2009) from their respective versions of the Personnel Management (PM) model to newer HRM ones. In Chinese terminology, it evolved significantly from PM (*renshi guanli*) to HRM (*renli ziyuan guanli*) (see Warner et al 1998) and in Vietnamese, from PM (*quan ly nhan su*) one to HRM (*quan ly nguon nhan luc*) if somewhat more slowly over recent years (see Collins 2009:14-16), as we shall see in more detail later. However, in both cases, the ‘devil’ is always ‘in the details’, as the above is only an approximation of the reality on the ground.

HRM as a concept is said to be relatively novel in Vietnam (see Vo 2009) and was introduced in the 1990s by Foreign Invested Enterprises (FIEs), as well as appearing in MBA syllabuses (see Zhu 2011:155). But some, on the one hand, see HRM in Vietnam as still only in an ‘embryonic form’ and that ‘that the majority of SOEs have simply changed their personnel function to “HR” without any change in its administrative focus or the adoption of a strategic role’ (Cox 2013). Others, on the other hand, give credit to many co-existing hybrid examples of traditional modes, PM and HRM (Collins 2009; Zhu 2011; Edwards and Phan 2013).

We will now turn our attention to what we see as the three main stages in the evolution of HRM in enterprises, respectively: ‘*Nascent*’, ‘*Interim*’ and ‘*Mature*’. They cumulatively constitute in our opinion a significant representation of the diffusion of HRM in China and Vietnam. Each of these, we argue, coincides with a specific decade of economic reform and appears around the same time as new labour laws and people-management practices appear. We would not envisage that these stages are that neatly separated from each other, as we would argue that there may be overlaps between them. The main proposition we put forward is that both countries have passed through the *nascent* and *interim* phases but only China has as yet attained the *mature* stage of HRM (see Figure 1).

<u>STAGES</u>	<u>PERIOD</u>	<u>LAWS</u>	<u>REFORM</u>	<u>LEVEL OF HRM</u>
NASCENT	1980s	1984 and 1986	China: 'Economic Reforms' & Vietnam 'Doi Moi'	Lower, C & V
INTERIM	1990s	1994	China & Vietnam: Labour Legislation	Hybrid, C & V
MATURE	2000s	2008	China only: Labour Contract Law	Higher, C only

Figure 1: Evolution of HRM practices in China and Vietnam  
(Source: Adapted from Warner, 2011:5).

### INSERT FIGURE 1 ABOUT HERE

Both countries may thus be seen as economies 'in transition' (see Warner et al 2005; Warner 2014) although China has now significantly moved up the ladder of development and may be less easy to classify as such. Each of the respective countries appears to be a complex mix of Communism, Confucianism and Capitalism, not previously encountered in recent history (see Jacques 2012). Each is a blend of its own tradition and recently implanted modernism. Yet, it is hard to say if the upshot is socialism 'with capitalist characteristics' or capitalism 'with socialist' ones.

Is Vietnam the next China? One might say: - '[t]he obvious answer is no. Vietnam's population is less than 7% of China's. It is at best the next *Guangdong*', observes one news-source (The Economist, 2011b). Even so, the former country has made enormous strides in the last two decades and shows every sign of becoming a significant Asian 'mini-power' in the



coming years. It is for this reason, amongst others, that it is worth studying its HRM system vis-a-vis its giant neighbour's (see Collins 2009).

### **3. Seven HRM-Related Dimensions**

We will now deal with a number of dimensions relating to HRM in China and Vietnam.

These include:

*historical,*  
*cultural,*  
*political,*  
*legal,*  
*economic,*  
*demographic and*  
*management.*

#### **3.1 Historical**

The first dimension we deal with is *historical*, as the way societies manage people is deep-rooted in the distant past. Again, China and Vietnam have long-standing connections and the former has influenced the latter over many epochs in varying degrees. The Chinese Imperial dynasty dominated East Asia for millennia and Vietnam was very much in its shadow. The Chinese traditional model dates back to the 2nd Century BCE; it then spread across East Asia to Japan, Korea and Vietnam (see Woodside 1971, 1976, 2006). The last of these nations was very much influenced by the Chinese model, particularly in the north of the country but became independent from the 10<sup>th</sup> century AD onwards, with a later occupation, then gaining its own independent status until the French colonization in the mid-19th century. Then, with the Second World War, the Japanese occupation came and went. After this, France was unable to hold on to what was then called Indo-China after the Battle of *Dien Bien Phu* and left the scene. In 1954, the Geneva peace accords led to the

division of the country into two, creating North and South Vietnam, the former ruled by the Communists in *Hanoi*. Further struggles occurred with massive American military involvement and support for the *Saigon* regime in the South in what became known as the ‘Vietnam War’. However, by 1976 the country was re-united as the ‘Socialist Republic of Vietnam’ (SRV). Its hegemony provides the framework in which Vietnamese people-management takes place today and contributes to its differentiation from both the Chinese and Western models.

The historical dimension of HRM in both China and Vietnam is revealed in the apparent continuities of their respective bureaucratic traditions (see Woodside 2006). Recent books on people-management in Vietnam also refer extensively to historical influences (see for example, Collins 2009; Edwards and Phan 2013) but one may argue that there is an even stronger link with the past than many writers emphasize, as will be highlighted later. Indeed, in Woodside’s (2006) study, *Lost Modernities*, for example, we can very vividly see the lineage between past and present model of people-management. The author suggests that Western business schools’ management theories have pointed to the virtues of preindustrial East Asian personnel development techniques and even suggested that they had ‘surprisingly modern qualities’ (Woodside 2006:78). He sees this as an almost ‘managerialization’ of the Confucian administrative tradition (Woodside 2006:107ff). HRM in both China and Vietnam, we would argue, continue to be shaped by these deep-rooted and long-standing influences.

### **3.2 Cultural**

The second dimension we propose is *cultural* and flows from the historical influences noted above. China's cultural traditions derive from its historical past as we have described, particularly with respect to the influence of its ancient thinkers, such as *Confucius* (*Kongzi* or *Kongfuzi*, 551–479 BCE). Both the twin dominant belief-systems, Confucianism and

Legalism, left a significant legacy both with respect to their respective cultures, as treated here and to legal developments, to which we will turn shortly. Even today, *collectivist* values still appear to dominate over the *individualist* ones not only in China but also in Hong Kong and Taiwan but this may be changing with time, as the latter norms are coming to the fore with the younger generation (see Thang et al 2007; Lin and Ho 2009). Turning now to the core-values, specifically, *hierarchy*, *perseverance and thrift*, we might state that they are arguably amongst the central facets of the *Confucian* canon. They are furthermore held to be common values associated with economic performance in many other Asian contexts - but this view is not always accepted by those who have been critical of linking such entities together in terms of direct causality (see Warner 2013).

In terms of culture, too, China has had a significant influence on Vietnam and this continues up to the present, if only as a *residual* factor, both with respect to institutions and norms. Confucian traditionalism first came to the latter country in 111 BCE, when the former colonized it and it has persisted to the present day (Zhu 2003:254). Its emphases on *harmony*, as well as on *benevolence* through education, have been central parts of Vietnam's belief-system (Edwards and Phan 2013:11).

The degree to which this strand of culture continues to play a significant role on HRM in both China and Vietnam is an important one to stress. Its role in influencing societal values has been measured by many social scientists (see, for example, Ralston et al 1999; Hofstede 1980, 1991, Hofstede et al 2010). In his well-known research studies, Hofstede sets out scores for both China and Vietnam which are somewhat similar and approximate to what one would expect for East Asian countries. Both are high on 'hierarchy' and 'collectivist' values, similar on 'uncertainty avoidance', but China scores more strongly on 'long-term orientation'.

Such cultural influences may have had a significant impact on the evolution of HRM in their respective countries vis-a-vis the Western model to which they have adapted their own versions. Jamieson, in his

insightful book *Understanding Vietnam* (2005:11) sees its culture as operating on a *yin (am)* and *yang (duong)* duality, derived from the Chinese *Daoist* legacy which sees metaphors for the one as darkness and the other, as light. In his view, the Vietnamese *am* represents femininity, egalitarianism and flexibility, whilst *duong* emphasizes masculinity, hierarchy and orthodoxy. He claims that when the latter, harder values seem to be too dominant, there is a swing to the former, softer ones and social change takes place and cyclically *vice versa*. Interpreting the above in terms of Hofstede's (1980) values may be a little problematic but we might speculate that there may have been a swing from *yang (duong)* to the *yin (am)* in the trend away from the SOE/PM models to the HRM one. Again: - 'Inherent in the saying "*co tinh co ly*," Vietnamese are taught to judge people's behaviors in twin dimensions: both "*tinh*" (consideration of the circumstances under which the person being judged arrives at particular behaviors) and "*ly*" (looking at the logical and rational grounds) sides' (Thang et al 2007:119). There is also a tension with 'tradition', where networks (*quan he*) and affective relationship (*tinh cam*) figure strongly, as counter-points to 'modernity' (see Edwards and Phan 2013:96ff).

### **3.3 Political**

The next dimension of HRM is the *political* one. Here, family-resemblances between the two countries are also long-standing. We have seen in the historical background section above that the Chinese Imperial tradition dominated over the *longue duree*. Similarly, in more recent times, the influence of Marxist-Leninism has been a common factor influencing both nations' history, albeit in different versions. Both experienced foreign imperialism at first hand and occupation at different times. With the 'Liberation' in 1949, *Mao Zedong* set up the 'People's Republic of China' (PRC) and the Chinese Communist Party (CCP) still dominates Chinese politics. It has enjoyed six decades or so of power, with many changes of leadership. Yet, it is as yet too early to say if the new generation of leaders may be able to create more political 'space' for the citizenry, if not directly moving towards 'civil society' in the near

future. Whilst liberalization in the economy has proceeded apace in Vietnam, it has also been less the case in the political arena, as in China (see Cox 2013).

The political dimension of HRM, we argue, should be taken seriously in our comparative study, as it affects changes which take place within both countries where the Party/State plays a key role in the HRM arena. This phenomenon may occur through what is called in the PRC as the 'Party Organizational Department/ Committee' mechanism (*zu wei*), controlling over 70 million personnel appointments across China across a wide range of official capacities, down to the factory level. Top-level bosses who run state-owned 'big business' in China are moved around by the 'cadre rotation' system as part of the *nomenklatura* via the 'Party Organization Department' (Brodsgaard 2012:634-639). However, the CEOs of such key firms, like the top banks and strategic big corporations under the 'State-owned Assets Supervision and Administration Commission' (SASAC) which runs the marketized residue of the old state enterprise (SOE) system are said to be competitively selected from a pool of candidates (2012:634).

In Vietnam, the Party organizational committee (*phong to chuc*) system is similarly established in the State administrative apparatus from central level to provincial, city, district, and communal levels as well as in administrative bodies, schools, enterprises, political/social/professional organizations, army units and police forces. It assists in directing personnel appointments and manages the placing of cadres. At the same time, it runs the organizations and their leaders in charge of personnel work, as well as selecting competent cadres for posts in State agencies and enterprises (see Collins 2009:42ff).

The Party/State hangs on to the state-owned enterprise (SOE) system as it offers political control of business in the Vietnamese economy (see The Economist, 2011). But a new law came into being to reform the Civil Service (See Poon et al 2009) although progress towards competency-based norms has been slow and there is as yet little Human Resource

Planning there. In both countries' HRM systems, political influence remains important, whether direct or indirect.

### 3.4 Legal

The third dimension of HRM we now look at is the *legal* one. China's system of legislation has major affinities with the Vietnamese one. The former's laws derive from Imperial times based on Confucian norms and were later reformed in 1911 after the Republican Revolution, borrowing many German features from the Japanese incorporation into their own laws of the these earlier. Over time, Vietnam has borrowed many Confucian characteristics from China into its legal system, which were in turn blended with French civil law and the later Soviet-inspired legal ones. A useful comparison of the respective legal systems has recently appeared (see Gillespie and Chen 2010) and the book provides a robust account of reforms in both China and Vietnam, highlighting the factors that encourage change or resist the diffusion of the Chinese model. Vietnam is regarded as a 'test-case', in that it seems to be a likely candidate to emulate its large neighbour but the evidence suggests it is clearly not China 'writ small'. Since the '*doi moi*' reforms, the deference to the Chinese model of development has increased but at the same time the Vietnamese have also sought to learn from the rest of the world.

The legal dimension of HRM in both countries arguably constitutes an important influence on past forms of people-management, as well as the current model. There is a common strand, as noted, in that both have residual elements of the Imperial Chinese legal tradition, Western influence and the Soviet model, as well as recent WTO obligations. Where there are differences between the two countries, they relate to avoiding what the Vietnamese saw as Chinese mistakes and led them to perhaps go further in adopting legal practices from donor countries (Gillespie and Chen 2009:8). The main way the legal dimension directly as well as indirectly influences people-management is through labour law (*laodong fa* in Chinese, *lua lao dong* in Vietnamese). The recent legal

steps in setting a framework for the evolution of HRM in China and Vietnam have been, respectively the 1992 *Trade Union Law* and the 1994 *Labour Law* in the former (see Warner 1996) and the new 1990 *Trade Union Law*, the 1993 *Trade Union Constitution*, and the 1994 *Labour Code* in the latter (see Nicholson 2002).

A raft of new laws was introduced over the last three decades, which provides at the macro level the framework within which the individual enterprise may conduct its HRM at the micro level. More recently in the Chinese case, the 2008 *Labour Contract Law* was introduced in order to reinforce workers' rights which it was felt were being weakened by market forces. This law extends and reinforces written contracts to all workers, restricts the use of temporary labour and makes it harder to lay off employees (see Brown 2010:44-62). In Vietnam, the 1994 *Labour Code*, in its turn, sets out the rules vis-a-vis employee relations. As Section 1 specifies: - 'This Labour Code shall regulate the employment relationship between the wage earning worker and the employer, and the social relationships directly connected to this employment relationship' (Labour Code 1994:1). Any enterprise in Vietnam, with more than ten employees, may enter into a collective labour agreement (CLA). Normally, this may be negotiated and signed by the trade union. It can be specified to be binding for a period of one to three years (on a case-to-case basis) and thereafter may be renewed. Amendments dealing with the settling of industrial disputes were added in 2007. We will say more about collective contracts in a later section.

### **3.5 Economic**

The next dimension of HRM we consider is the *economic* one. Both the Chinese and Vietnamese economies have achieved a great deal over the last three decades (see Table 1). China's economy, for instance, has experienced rapid growth in most years after 1978, as noted above. Its economic growth rate has been one of the fastest recorded in Asia but now shows signs of slowing-down due to both external (shrinking export

markets) and internal factors (weak domestic aggregate demand) (see Warner 2014). Over the last three decades, living standards have risen significantly. But as the World Bank points out: 'China remains a developing country and its market reforms are incomplete. In 2011, China's gross national income per capita of \$4,940 ranked 114th in the world; and over 170 million people still live below the \$1.25-a-day international poverty line' (World Bank 2013:1). Even so, much has been achieved over the last three decades - if purchasing-power parity (PPP) is taken into account (see Warner 2014).

The Vietnamese growth rate also remains substantial but has been moving at a somewhat slower pace in recent years, now predicted to be down to just 5.3 percent this current year (see The Economist 2013). Between 1990 and 2010, Vietnam's economy had grown at an annual average rate of 7.3 percent. But the World Bank clearly sees Vietnam as a 'success story'. It notes that 'political and economic reforms (*doi moi*) launched in 1986 have transformed Vietnam from one of the poorest countries in the world, with per capita income below \$100, to a lower middle-income country within a quarter of a century with per capita income of \$1,130 by the end of 2010. The ratio of population in poverty has fallen from 58 percent in 1993 to 14.5 percent in 2008, and most indicators of welfare have improved' (World Bank 2013:1).

**China:**

Population

1,344,130,000

GDP

US\$7,318,499,269,769



GDP  
per capita, PPP,  
US\$8400

GNI per capita/Atlas  
Method  
US\$4940

GDP growth  
9.2%

Inflation  
5.4%

Gini-coefficient  
0.47, official (2012)

**Vietnam:**

Population  
87,840,000

GDP  
US\$123,600,141,396

GDP  
Per capita, PPP,  
US\$3412

GNI per capita/Atlas  
method

US\$1270
GDP growth 5.8%
Inflation 18.6%
Gini-coefficient 0.43, official (2011)

Table 1: Economic Overview, China and Vietnam (2011)

Source: World Bank, 2013

**INSERT TABLE 1 ABOUT HERE**

### 3.6 Demographic

The *demographic* dimension of HRM is presented next - as it significantly influences the quality of, as well as the quantity of, the labour supply and the way it is managed. China, to start with, was able to draw on vast reserves of labour in order to achieve high levels of economic growth, in line with the 'Lewis development model' (see Lewis 1954) but is now facing labour shortages. It has a huge population of over 1.3 billion people, which has been constrained at this level by the 'one-child' policy. Its workforce now numbers around 930 million, consisting of 37.1 percent in agriculture, 28 percent in industry and 34.6 percent in services. The migrant (*nonmingong*) inflow into the cities and towns numbers over 200 million, perhaps more but is now attenuating. Unemployment is officially estimated at 6.5 percent but may be higher. There is also a significant amount of 'despatch' or 'subcontracted' casual

labour these days. By 2020, it is estimated by the International Monetary Fund (IMF) there will be serious labour supply constraints. A decade after that it will possibly face a shortage of almost 140 million workers. This will clearly have far-reaching economic implications for both China and the rest of the world (Das and N'Diaye 2013).

Vietnam was similarly able to rely on a plentiful labour supply of migrants (*nhap cu*) from the rural sector, although this is now less the case. It has a population of nearly 88 million and a workforce of around 50 million. Its labour force consists of 48 percent in agriculture, 22.4 percent in industry and 29.6 percent in services. Unemployment is low, estimated at 2.3 percent.

### **3.7 Management**

The last dimension considered here is *management* - as it may be seen as providing a formative framework for the emergence of HRM in the two countries. China has long had a paternalistic management model, whether pre-war capitalist or later Soviet-inspired after the 'Liberation' (see Warner 2014). In the 1950s, it developed the 'iron rice bowl' (*tie fan wan*), lifetime employment system, a residual of which may still be found in the state-owned enterprise (SOE) sector. This has been largely replaced by a more market-related individual and collective contract system (see Warner 2003a). In the early socialist days, Vietnam also had a lifetime employment model, with a raft of permanent jobs (*bien che*). Since the economic reforms in 1986, jobs remain secure in the state sector, although on a short-term contract basis in the private one.

Vietnam also inherited a paternalistic management from its past and as one source put it: - 'many Vietnamese managers still displayed the authoritarian and familial styles of management. However, in the transition toward a market economy, there is high interest among the younger generation of managers, pioneered by those in joint ventures, to adopt and practice a participative style of management' (Quang and

Vuong 2002:40). Indeed, as Thang et al (2007) point out: - 'In high power distance cultures, people expect managers to lead and they become uncomfortable with delegation of decisions...In contrast, Vietnamese express a strong desire for self-control and self-dependence, perhaps more than the Chinese. This feature was evident in history, as mirrored in the attitude of the saying "*phep vua thua le lang*" ('King's rule is transcended by village's regulation')' (Thang et al 2007:121). In the last decade, management practices have been in turn further reformed (see Zhu and Verstraeten 2013).

#### **4. Contemporary Issues in HRM in China and Vietnam**

We will now deal with the number of contemporary issues that relate to HRM in China and Vietnam.

These include:

*employee relations,*

*labour mobility,*

*leadership and management,*

*management training and development,*

*managing professional employees.*

We will now explore each of the headings in turn.

##### **4.1 Employee Relations**

The systems of *Employee Relations* (ER) in both China (*gu yuan guan xi*) and Vietnam (*cong nhan quan he*) have a ‘family-resemblance’ in that both stem from a revolutionary past, have a Marxist-Leninist legacy and have been an adaptation to market socialism. The earlier name used was ‘labour-management relations’, *laodong guanli guanxi*, in the Chinese case and *moi quan he giua quan ly lao dong*, in Vietnamese. It is within the framework of ER that the implementation of HRM can take place, whether the former is either official or unofficial, depending on the extent of unionization in the respective countries.

As a recent report observed: ‘Unions in China and Vietnam are very different from their counterparts in the US: they are vestiges of the socialist era when the interests of workers, employers, and the government were seen as the same... In both countries employers fund unions with contribution of 2 percent of payroll, and only the official Communist Party union is allowed. But recently there have been changes – wildcat strikes have broken out in both Vietnam and China involving thousands of workers, because the cost of living has risen dramatically while wages have stayed the same’ (Quan 2011:1). It is difficult to get accurate statistics concerning such kinds of industrial conflict but unofficial disputes in China have clearly grown in number and have hit the headlines, particularly those in *Foxconn* and *Honda* (Zhu et al 2011). In Vietnam, waves of strikes also involving young workers have been prevalent in recent years (Cox 2013).

Both may be seen as moving towards a form of ‘Tripartism’, in which the Party/State, management and trade unions are enmeshed in the web of ER (see Warner and Zhu 2010). In the PRC, ‘collective consultation’ (*jiti xieshang*), if not necessarily ‘collective bargaining’ (*jiti tanpan*) is now quite common. Tripartism here, based on the evolving *tripartite relationship* encompassing the Party/State, the employers and the trade unions, is well-advanced. China has a monolithic trade union organization, called the ‘All-China Federation of Trade Unions’ (*Zhonghua quanguo zonggong hui*) (ACFTU), with a huge membership over 250 million members, at least on paper (ACFTU 2011). Since China began to

industrialize in the 1950s, it has by now a very large industrial 'proletariat'. However, its industry-based labour force has peaked as a percentage of the working population and service-sector jobs have continued to grow. Vietnam's workers are less well organized by comparison in the 'Vietnam General Confederation of Labour' (*Tong lien doan lao dong Vietnam*) (VGCL), with only 7.5 million members. Vietnam's late industrialization has clearly constrained the growth of its trade union membership (see Edwards and Phan 2008).

In the new *tripartite* China, the ACFTU represents the workers; the employers' equivalent, the 'Chinese Enterprise Directors' Association' (CEC/CEDA) speaks for the bosses; and the 'Ministry of Human Resources and Social Security' is the agent for the State. This arrangement attempts to simulate the tripartite requirements of the limited number of International Labour Organization (ILO) protocols the country has signed up to, although it is alleged that only 'lip-service' is paid to many of these.

The present writer, for example, is often asked the question: - does China have 'collective bargaining'? The answer given is that in the past, in Western terms, it did not - but on the ground today we may be seeing more leeway in terms of 'consultative mechanisms' of various kinds. However, this takes a different form in each country. According to the ACFTU, 23 out of 31 provinces, autonomous regions and municipalities in the Chinese mainland, the union claims, have encouraged a form of what is called 'collective negotiation', although some may refer to this as 'collective bargaining', Chinese-style. To date, this is said to encompass as many as 100 million employees, in 1.74 million firms (see ACFTU 2011:1).

However, Tripartism in Vietnam is in its early days. Although collective bargaining was enshrined in the *1994 Labour Code*, the first and only legislation on tripartite relations, Decree 145-2004, deals with the relationship between the State and the social partners vis-a-vis consultation on labour-related policies and coordination in employee relations activities. In 2010, the Vietnamese textile employers' association and the Vietnamese textile union inaugurated the first

sectoral bargaining agreement in the country (Quan 2011:1). Collective bargaining remains in nascent form in both state and private sectors. The International Metal Workers Federation, amongst others, has tried to provide assistance in this field, organizing workshops and so on (see IMF Metal 2011).

## 4.2 Labour mobility

China has seen massive migration from the countryside to the cities over the last three decades. It has led to many economic and societal changes resulting from productivity enhancements and the like. Under the ‘iron rice bowl’ system *de rigueur* from the 1950s onwards, Chinese workers were directed by the local labour bureaux as to where to go and work. Many then stayed put in the SOE work-unit (*danwei*) to which they were appointed - for life. After the 1978 economic reforms, what we can call a ‘nascent’ labour market appeared and job choices became feasible. Relatively high labour mobility is now linked to labour shortages in the PRC, resulting in pressures on the household registration (*hukou*) system, now on the Party’s agenda to be liberalized.

A similar Soviet-inspired lifetime-employment system (*bien che*) was established in Vietnam in the state sector, as noted earlier. Vietnamese SOEs were run very much like their Chinese counterparts (Collins 2009). Now, labour mobility is more apparent as a diversification of ownership forms took root after the *doi moi* reforms. But a tightening of the labour market is expected over the next decade in Vietnam as in the PRC, as economic growth outpaces the human resources supply: indeed ‘without a realignment of Vietnam’s training resources over the forecast period, too few workers with these qualifications will be available in the year 2020, leading to their wage-rates rising substantially’ (see Giesecke et al 2011).

## 4.3 Leadership and management

After 1949, China's model of leadership and management was based on the Soviet model. But 'managers' are now referred to as *guanli ren yuan* in Mandarin; they were previously 'economic cadres' and dubbed *jingji ganbu* in the Party-State hierarchical order in the pre-1978 reform days. The latter were bureaucrats in both their training and temperament. Only a few were highly capable; most just did their job; some may even have been dysfunctional. All had been brought up in the shadow of the command economy and its institutions. But China has experienced something of a 'managerial revolution' in the last few decades, at least in the broadest sense of the term, in that there has been a new wave of managers created (see Warner 2014). There are now many new forms of ownership and owners and hence a wide range of leadership styles and management models at hand (see Xie et al 2013; Warner and Rowley 2014).

Similarly, the way Vietnamese managers managed was similar to what had been the homogenous model in China but has now become relatively differentiated. According to one study based on research at the turn of the last century: - 'There was no single management style that cut across all the three types of enterprises in Northern Vietnam. Instead, it was revealed that the bureaucratic, familial, conservative and authoritarian styles of management were predominant in the state sector, where the heritage of a centrally planned system was still to be seen. The emphasis was on clear reporting relationships, formal communication and strict control. Such a management style has proven unsuitable for today's competitive environment. The 'familial' style was also widely accepted in Vietnamese enterprises, in the private sector, where businesses were developed from family workshops. The bosses used to treat their company as a big family and often showed a parental concern for their employees' (Quang and Vuong 2002: 52-53).

Later studies (Collins 2009; Edwards and Phan 2013; Cox 2013) have confirmed the above observations, *grosso modo*. It is clear that the Party



still remains the fulcrum of power and that the state sector is still central in the Vietnamese economy.

#### **4.4 Management training and development**

Both countries have evolved human resources and management training and development systems at both micro and macro levels. There were, for example, many 'in-house' management training programmes set up in large corporations in China, whether they were former SOEs, joint-ventures or wholly foreign owned firms (see Warner and Goodall 2009).

Looking at the micro-level, a recent Vietnamese study has noted: -'State owned and private enterprises have ...begun to design many training programmes for their companies' (Thang and Quang 2011:11).

In Vietnam, management training programs start with the very basics of business education in their curriculum. Overseas employers provide broad-based training for their staff as a foundation and further training is provided afterwards (see Cox and Warner 2013).

At the macro-level, China has pulled ahead of Vietnam in terms of management training and development. In modern China, the growth of management education and training has been remarkable since *Deng Xiaoping* introduced his economic reforms in 1978 (Warner and Goodall 2009). Officially, around 36,000 students were enrolled in China-based MBA programmes in 2010, according to data from the 'Academic Degrees Committee of the State Council'. A list of the top Chinese full-time MBA programmes, ranked by the earning power of their graduates, is set out below (in Table 2).

1. China Europe International Business School (CEIBS),  
*Shanghai*
2. BiMBA at *Peking University, Beijing*
3. *Guanghua* Management School at *Peking University, Beijing*
4. School of Economics and Management at *Tsinghua University, Beijing*
5. *Cheung Kong* Graduate School of Business (CKGSB),  
*Beijing*
6. School of Management at *Fudan University*

Table 2: The Six Top Chinese Full-time MBA Programmes, 2012 (see Warner 2014)

(Source: list compiled from the original link, <http://www.forbeschina.com/list/1819>).

**INSERT TABLE 2 ABOUT HERE.**

A number of Chinese universities were rated in the top 100 for Asia and the world, such as *Peking (Beida)* and *Tsinghua*. As for business schools, CEIBS was rated 15<sup>th</sup> in the FT top MBA list. In Vietnam, the National Economics University, Vietnam National University Hanoi School of Business, and the University of Economics Ho Chi Minh City are amongst the highly scored business schools. Among the overseas players, RMIT, Melbourne has been there since 1998 and has over 6,000 students at two campuses across the country. No Vietnamese universities or business schools were in the top 100 of any league tables for Asia, however, let alone on the global scene (see Warner 2013).

#### **4.5 Managing managerial and professional employees**

A major challenge for HRM in future years will be managing highly skilled and qualified people and managing professional employees in China (see

China Daily 2012) and this aspect appears to be just as problematic in Vietnam.

As one source puts it:

‘Employees in China [who] stayed in their jobs during the 2008-009 economic crisis are now looking to move into new positions.

Wages increased by 10 percent in 2011, but this average masks cases where professional employees have demanded and received raises of up to 20 percent. Local and foreign company employees rate career promotion opportunities as the top motivator for staying in a job’ (Raynaud 2012:1).

In Vietnam, a shortage of skilled employees at all levels, particularly managerial and professional has been a constraint. According to official estimates, the country requires 10,000 to 15,000 skilled employees each year, in fields such as information technology, tourism, management, finance and banking to cope with demand. However, with the present training capacity, Vietnam can only satisfy 40-60 percent of human resource needs. With increasing FDI to Vietnam, recruiting skilled employees for technical and management positions has become increasingly problematic. Due to cultural differences and the legacy of the command economy, the bulk of local workers in Vietnam are not well matched to the demands of Western companies. MNCs need personnel who have experience in Western business and can speak English. However, the pool of people at hand is rather limited - hence high salaries are often paid. Management and people-related skills remain a weakness of the Vietnamese labour market (Collins 2009; Vo, 2009; Cox 2013).

## **5. Discussion**

As can be seen in the above, we have tried to make a comparison between HRM in China and Vietnam step by step. Both similarities and differences have been observed. Each country has been influenced by global forces leading to comparable importation of exogenous practices

but they have responded to these in their own way through a process of *indigenous differentiation*.

Over the centuries, Vietnam has had an ambivalent relationship with China. As we have seen above, the larger neighbour has been a dominating influence on the smaller one. Vietnam was able to develop its own path and continues to do so. In the second half of the 20th-century, it fought its own battles with imperialism, albeit with both Chinese and Soviet support but only up to a point, going to war with the PRC in 1978. As far as HRM is concerned, we go on to argue that Vietnam has decidedly evolved its own model (see Zhu 2003).

At this stage, we can ask whether taking up ‘best practice’ from the West is likely to make a difference? Whilst China had a the major influence on the adoption of *doi moi* economic reforms in Vietnam, the way HRM was adopted was often via copying Western practices from FIEs by benchmarking (see Thang et al 2007; Collins 2009; Cox and Warner 2013).

We can now see there has been a process of transfer of exogenous influences on HRM involving five stages, as follows (in Figure 2).



Figure 2: Stages of transfer of exogenous influences of HRM.

## INSERT FIGURE 2 ABOUT HERE

Although the transfer of HRM to both countries *grosso modo* follows the above stages, the details with respect to the evolution of a model with national characteristics may be subtly different. As Thang et al point out: - 'In many respects, while showing their keenness to learn from, and import, other values and practices (e.g., for the benefits of management excellence), the Vietnamese often insist on their own formula of "adaptation" instead of "adoption" (*hoa nhap nhung khong hoa tan*). This reflects the typical Vietnamese way of dealing with challenges by avoiding head-on confrontation and being more willing for compromise whenever necessary for mutual and long-term benefits' (Thang et al 2007:125). This may not be surprising, given many of the historical and cultural differences which we have noted above.

## 6. Conclusions

The comparison of HRM in China and Vietnam points to a number of conclusions.

First, there is clearly a *time-lag filter-effect* involved when we are comparing countries' development paths. Vietnam lags behind China in the 1980s, for example but does eventually undertake reform relatively early. Even here, the accompanying people-management reform in the former, such as in the evolution of the stages of HRM, lags behind the latter. If the larger enterprises in China of different kinds of ownership have moved to a 'mature' or higher level of implementation (see Goodall and Warner 1998), this appears to be less the case in Vietnam (see Cox 2013). Its SOEs are still relatively unreformed and are holding back the economy (see The Economist 2013). China has taken the 'lead' here in Asia, at least as far as present or former 'socialist' economies are concerned. But others, such as Cambodia, Laos and Myanmar lag far behind. The PRC may move ahead to a greater degree under its new

leadership under *Xi Jinping*, with its plans to ‘liberalize’ the economy even further in the next half-decade (see Mitchell and Hornby 2013).

Second, there is a *cultural filter-effect* which differentiates the specific outcomes that occur. Although the cultural variables in both China and Vietnam have strong family-resemblances (see Hofstede et al 2010), there are specific differences as Jamieson (2005) amongst others makes clear as noted earlier. Both China and Vietnam are, in turn, culturally different from Japan and Korea, so it is hard to point to a single Asian management model.

Third, there is an *institutionalization filter-effect* which gives the ultimate national system its special characteristics. Both China and Vietnam have evolved their own institutional forms in terms of economic, managerial and social responses to globalization, particularly in the implementation of HRM (see Edwards and Phan 2013; Warner 2014). Each has its own development path, which makes generalizing about an Asian HRM model problematic.

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