



# Studying the Major Shortcomings in Vocational Training Development Investment in Vietnam and Solutions

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**Abstract:** This article analyzes the outstanding shortcomings in the Vocational training development investment in Vietnam today, thereby making an overall suggestion of appropriate solutions to raise funds for investment and vocational training development investment efficiency. The solutions are expected to be useful and meaningful in terms of theory and practice to build vocational training development investment strategies in the coming days.

**Keywords:** Vietnam, Vocational Training, Investment, Shortcomings, Solutions

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## 1. Introduction

Vocational training development investment is one of the basic features of the countries under the progress of economic – social restructuring. In fact, vocational training development and economic - social growth has a tight relationship. Therefore, developing countries consider vocational training development investment is a leading strategic task to strengthen the national power as well as enhance international competitiveness. As a developing country, Vietnam considers vocational training development investment is an important task in the technical human resource training strategy to support the process of economic restructuring. However, vocational training development investment in Vietnam in recent years has encountered many problems due to limited investment expenditure, unreasonable allocation of investment expenditure, backward and traditional investment budget allocation mechanism, etc. These shortcomings have limited the sustainable development as well as utilization of vocational education resources in Vietnam. Therefore, vocational training development investment in Vietnam should apply reasonable solutions to raise funds and improve the investment efficiency in the future.

## 2. Major Shortcomings in the Vocational Training Development Investment in Vietnam Today

In recent years, vocational training in Viet Nam has developed rapidly in both size of schools and quantity of enrollment. In the year of 2013, there were 162 vocational colleges, 302 vocational high schools and 875 vocational training centers [3]. Compared to 2007, in 2013 the number of vocational colleges has increased by 2.6 times, the number of vocational high schools has increased by 1.67 times, the number of vocational training centers has increased by 1.3 times. From 2011 to 2014, there were 1,755,542 new vocational learners enrolled on an average number [3]. The continuous increase in the scale of training, especially the Vocational Training Centers have made an important contribution to technical resources human training for the local economic social development. However, in contrast to the picture that is the current status of vocational training development investment with a limited total cost, an unreasonable mechanism of allocation and distribution of State budget for vocational training investment has seriously affected on the sustainable development of the vocational training system as well as limited promoting resource efficiency in the field of vocational training. Currently,

vocational training development investment in Viet Nam still suffers some outstanding issues below:

### 2.1. Lack of the State Budget for Investment

In recent years, the annual budget spent on Education and Training is maintained at 20% of the total State budget expenditure that makes the investment expenditure from the State budget for vocational training constantly increasing. In 2007, State budget expenditures for vocational training was VND 4,993 billion. By 2013, State budget expenditures for vocational training was VND 11,784 billion, an increase of

2.36 times compared to 2007. From 2007 to 2013, the average state budget expenditures for the annual vocational training increased over VND 1,000 billion. Especially in 2010, the State Budget expenditures for vocational training increased VND 2,067 billion to implement the vocational training project for rural workers. Although the State Budget expenditures for vocational training is constantly increasing, the expenditures invested from the state budget for vocational training is still limited and does not commensurate with the need to expand the scale of vocational training.

*Table 1. State budget spent on vocational training development from 2007-2013.*

In the years of	2007	2008	2009	2010	2011	2012	2013
State budget spent on vocational training (VND billion)	4993	5985	6870	8937	9800	10746	11784
Growth performance compared to previous year (%)	36	19.8	14.7	30.1	9.6	6.9	9.6
State budget spent on vocational training in GDP (%)	0.39	0.41	0.45	0.46	0.45	0.47	0.46
State budget spent on vocational training in the total state budget spent on Education and Training (%)	7.15	7.35	7.50	8.53	8.6	8.08	8.15

Source: General directorate of Vocational training, *Vocational training report -2013, 2014*, Labour and Social publishing House, Ha Noi, 2015, pp. 77.

2007-2013, investment expenditure from the state budget for the annual vocational training does not reach 0.5% of GDP (see table 1), and accounting for a limited proportion of total expenditure of the state budget for education and training by (6.70% - 8.6%).

The influence of traditional attitudes and psychosocial character preferring higher education to vocational education, declined economic growth, accelerated inflation in recent years have resulted in investment expenditure from the state budget for the vocational training more difficult. Limited investment budget for vocational training will seriously impact on the sustainable development of vocational training system later. Especially addressing the internal problems of vocational training such as the demand of salary raise of teachers forces, modernization of training equipment, equity issues in vocational training.

### 2.2. Low Investment from Apprentices

One of the features of vocational training is to train practical technical human resources to meet the requirements to Enterprises. Therefore, vocational training schools must be equipped with the advanced training equipment, the apprentices to gain the realistic practical skills during the training. In addition to, the apprentices must spend time to learn at workshops which consumption of raw materials, mechanical wear is also very large during the training course. Such requirements and consumption must be used from the investment expenditure. Therefore, the apprentices also incur a corresponding expense by tuition. Because the apprentices in Vietnam are mainly students who are originated from households with average income and low income, the tuitions will be a burden on them. As of the Decree No. 49/2010/ND-CP of Vietnam Government stipulating free tuition, reducing tuition, supporting costs and mechanism of collecting, using tuition for educational institutions under national education system from the academic years of 2010 – 2011, academic

years of 2014–2015 shows that tuition rate for the training fields of vocational high schools and vocational colleges have been increased yearly. In general, the tuition rate for vocational training in our country is still relatively low. Decree No. 49/2010/ND-CP in 2013 of the Government providing for the ceiling level of tuition for vocational colleges between VND 2,600,000 – VND 6,300,000/year [2]. Meanwhile, tuition rate of the same period of Beijing Financial Trading Vocational Institution is VND 20,700,000 /year, Wuhan Technical Vocational Institution is VND 17,200,000/year, Nanjing Engineering Vocational Institution is VND 14,300,000/year [1]. The analysis result shows that, the apprenticeship tuition rate is still low in our country and there is a large difference compared with overseas vocational training institutions, while the costs of training equipment and fuel consumption is basically equal. Limited state budget, low tuition rate will significantly influence on expansion of training scale, improvement of vocational training quality as well as implementing strategies to build vocational training schools meeting the regional and international standards.

### 2.3. Limited Investment from Social Forces

2012 - 2015, the scale of non-public vocational training schools tends to increase, accounting for 31.96% - 33.23% of the total number of vocational training institutions [3]. However, the development of non-public vocational training schools in Vietnam is still facing many difficulties. Firstly, the non-public vocational training schools ought to bear the investment costs which mainly relies on tuition revenue to maintain training activities leading to small-scale training; moreover the training of the fields with low investment costs, so it does not have strength enough to compete with the public schools. Secondly, the high vocational training investment costs and delay payback, so enterprises, individuals and organizations dare to venture investment.

Thirdly, lack of policies supporting socialization problems, vocational training. These causes have not promoted the positiveness of individuals, organizations and enterprises to invest in vocational training field training.

#### ***2.4. Unreasonable Distribution of Investment Expenditure***

Vocational training development investment in our country today is mainly focused on investment in industrial zones and big cities, places where practical technical human resources are lacking, while investments for rural areas, are still very limited. Data reported by Vietnam General Department of Vocational Training in 2012 show the distribution network of vocational training institutions, particularly vocational colleges is much different between mountain and plain, between urban areas and rural areas. In 2012, vocational colleges have not been available in 13 provinces throughout the country. The Red River Delta has 56 vocational colleges, while the Central Highlands has only 5 schools. Uneven distribution of investment expenditure for vocational training development among the sectors will significantly impact on economic - social development in the areas where economy is still difficult like Central Highlands and Northwest. These economic sectors will face difficulties in economic - social development by shortage of skilled labor force.

#### ***2.5. State Budget Allocation Mechanism for Vocational Training Investment Is Still Inadequate***

Because of the limited state budget, the State and the relevant authorities can only implement a short term state budget allocation mechanism for vocational training investment (per year), a medium term state budget allocation mechanism for vocational training investment cannot be implemented (3-5 years). This makes the appropriate authorities carrying out the plan of budget expenditure for vocational training extremely passive and a long-term objective for vocational training network development more difficult. Besides, the mechanism of annual state budget allocation for vocational training is based on the quantity of enrollment, but the training quality has not been cared. This also makes the authorities in charge of State Budget expenditures for vocational training only fund the capital to schools but not receive investment efficiency. The shortcomings in state budget allocation mechanism for vocational training have limited the investment efficiency as well as limited promotion of training competitiveness between vocational training schools.

### **3. Suggestions of Some Solutions to Improve and Perfect the Vocational Training Development Investment in Viet Nam**

In order that Vietnam vocational training can develop sustainably and stably and occupy an important position in the national education system, providing sufficient funds for

investment and development is one of the most important factors. Therefore, it is necessary to take effective measures to improve the investment costs and investment efficiency for vocational training, thereby expanding the scale of training, improving training quality to meet the requirements of practical technical human resource development to serve economic – social development. From shortcomings of vocational training development investment in Vietnam today, the article proposes some solutions:

#### ***3.1. Raising Investment Expenditure from the State Budget***

The State and the relevant authorities should gradually adjust reasonable ratio of budget expenditures for all levels of education in the national education system. Especially, rebalancing the state budget expenditure ratio for vocational training, technical secondary education and education of university and college, gradually increase the state budget expenditure ratio from 0.5% of GDP up to 1.0% of GDP to help the vocational training system developed. In order to raise investment expenditure from the state budget for vocational training, should focus budget allocation for vocational training development investment in the areas where economic and social conditions are still difficult.

#### ***3.2. Innovation of State Budget Allocation Mechanism for Vocational Training***

Innovation of State budget allocation mechanism for vocational training is one of the urgent tasks to improve and enhance the efficiency of investment. In which, it is necessary to gradually change State budget allocation mechanism for vocational training based on the quantity of enrollment with the budget allocation mechanism based on the training quality. That is based on the training effectiveness of the vocational training schools to enhance or reduce investment expenditure from the state budget. Besides, in order that vocational training system can achieve a long-term development goal, the state and the authorities need to continue to innovate the budget expenditure mechanism for vocational training from the budget expenditure mechanism yearly into a medium term budget expenditure mechanism (3-5) years or a long term budget expenditure mechanism (10 years).

#### ***3.3. Improvement of Policies Supporting Social Forces Investing in Vocational Training Field***

Going on modifying, supplementing and perfecting the content related to the policy supporting social forces in vocational training development investment. In which, policies supporting enterprises, individuals and organizations setting up vocational training institutions should be specific. The general or impracticable policies should be removed. Thereof, enterprises, individuals and organizations understand the responsibilities, rights and obligations to engage in vocational training development investment activities.

### ***3.4. Synchronously Implementing 2 Plans to Increase Tuition Rate and Lending Norm for Apprentices with Difficult Economic Circumstances***

Basing on the principle of sharing the costs of education, learner is one of the entities who can get the most efficiency from educational investment. Therefore, learners must also incur a corresponding investment expenditure. Because apprentices in our country mainly come from families with average income or low income, training expenditure is a burden on them. Therefore, should synchronously implement two plans of increase in tuition rate and lending norms for apprentices with difficulties from the Banks for Social Policies. In which, the tuition rate increase should be based on a specific calculation of consumption of each level of training, training field; increase in lending norms for vocational learners with difficulties should be based on defined incomes for poor families, families with difficult situations in each period as well as changes in the consumer price index increase (CPI). If the synchronous implementation of these two plans is successful, it can help apprentices enhance the sense of responsibilities. Schools must also continuous improvement and innovation to strengthen competitiveness in training.

### ***3.5. Developing a System of Non-public Vocational Training Schools***

Developing non-public vocational training is one of the best solutions to mobilize investment expenditure outside the state budget for vocational training system in the context of limited state budget expenditures for vocational training development investment. The government should continue to encourage social forces to participate in vocational training activities and should call for enterprises and international organizations to invest in establishing vocational training institutions. In order that the non-public vocational training institutions can develop effectively, the state should set up specific supporting policies, develop fair competition mechanism in the field of training between public and non-public schools for the enrollment regime, supporting policy for the development of teacher forces, the policies for students and should equitize public schools or change into private schools to reduce the burden of the State budget for vocational training, enhance the expenditures for vocational training development investment from the social forces.

### ***3.6. Forming a Supporting Fund for Vocational Training***

Supporting fund for vocational training is built from the contribution of enterprises, sponsors, individuals and organizations home and abroad. In which, enterprises' contribution plays the leading role. Because Enterprise is the beneficiary from vocational training efficiency, however, investment in vocational training field is still low. In order that the vocational training supporting fund comes into operation, the state should enact relevant legal policies, in which should contain provisions for enterprises using trained

employees to contribute a part of expenditure to the vocational training supporting fund by extracting a portion of salary from trained employees working in the enterprises. Then the vocational training support fund will use this fund to finance the vocational training institutions to enhance the funds for training activities.

## **4. Conclusion**

After studying the shortcomings in vocational training development investment in Vietnam today, some general conclusions can be shown as follows:

- Investment from the annual state budget for vocational training is limited and not commensurate with the scale of vocational training expansion.
- The traditional and unreasonable allocation mechanism of the State Budget for Vocational training affects investment efficiency as well as promotion of training competitiveness between training institutes.
- State budget distribution for vocational training development investment is not reasonable between economic regions.
- Investment from the apprenticeship through tuition rate is still low. It is not commensurate with the principle of cost-sharing in education and training while vocational training costs are relatively high.
- Social forces investing in vocational training development are still limited.
- Via the personal perspective, the article proposes six following solutions to raise investment expenditure as well as investment efficiency for vocational training in our country today:
- Continuing to strengthen the investment expenditure from the state budget for vocational training development investment.
- Innovation and improvement of the mechanism of state budget allocation for vocational training.
- Increasing tuition rate and increasing student credit norms.
- Perfecting socialization policies of vocational training to attract social forces investing in vocational training development.
- Expanding the system of non-public vocational training institutions.
- Forming supporting fund for vocational training.

Out of the six solutions mentioned above, enhancing investment funding from the state budget and reform of the state budget allocation mechanisms for vocational training play the most important position. In fact, investment in vocational training development needs much investment capital. Investment efficiency in vocational training development is not immediate but permanent and socialized so it does not attract investors. Therefore, the investment from the State budget should maintain the leading role in the total fund for investment in vocational training development and in order that investment in vocational training development is mostly efficient, the reform and improvement

of the State budget allocation mechanism for vocational investment is an urgent matter.

For the remaining solutions, synchronous implementation of 2 plans of increase in tuition rate and student credit norm is prior because the current tuition rate of vocational training is only formal and too low while costs of vocational training are too high. To improve the expenditures from investment efficiency, State budget and learners, the government should complete and promulgate reasonable policies to promote the socialization of vocational training, diversification of funding sources for vocational training development investment by expanding the non-public vocational training institutions and setting up vocational training supporting fund so that the vocational training system can have enough funds for investment and sustainable and stable development and the long-term development goal can be successful.

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