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**Master's Thesis of Public Administration**

**Evaluation of Viet Nam Public  
Servant Salary Reform for the period  
2001 -2010**

**베트남의 공무원 임금개혁에 대한  
평가(2001-2010 년)**

**August 2014**

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**Abstract**

**Evaluation of Viet Nam Public  
Servant Salary Reform for the  
period 2001 -2010**

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The purpose of this research is to evaluate the *Public Servants Salary Reforms* in Vietnam for the period of 2001 – 2010. Based on this evaluation and current trends, this research will also dictate several suggestions in order to improve overall public servant salary.

A research survey questionnaire was created for research purposes. This survey used a sample of 71 respondents who were public servant at different organization levels. These respondents were sampled randomly. The data was collected via prepared questions and personal interviews.

In addition, secondary sources of quantitative data were also used. This includes documents and data shared by the Vietnamese government,

international organizations and development partners. The data analysis was made through the use of SPSS.

This research indicated that the Public Servant salary Reform in Vietnam for the period 2001 – 2010 returned both positive. By increasing effort of the Vietnam government, the public servants salary was improved in order to reduce the gap between the real salary and cost of living and other factors.

Unfortunately, the reforms have been faced with a number of challenges. The government is too large for the functions that it is required to perform. Lower salaries come with the high head count. More importantly, effectiveness is severely lacking despite public servant minimum salary adjustment. The salary has been adjusted several times for the period 2001 – 2010. Evidence has shown there is no strong relationship between public servant salary and worker performance. Despite these increases, the corruption is still at high levels.

It was therefore recommended that the Vietnam government should downsize, while applying performance based pay with competitive salary.

**Keywords: Reform, Performance based pay, Vietnam.**

**Student ID: 2012 – 24**

## LIST OF ABBREVIATIONS

ADB	Asian Development Bank
CPV	Communist Party of Viet Nam
IMF	The International Monetary Fund
MoHA	Ministry of Home Affairs
MoLISA	Ministry of Labor, War Invalids and Social Affairs
MoFA	Ministry of Finance
PAR	Master Program of Public Administration Reform period 2001-2010
SOE	State Owned Enterprise
UNDP	United Nations Development Program
VND	Vietnam Dong (= Vietnamese Currency)  Currency equivalents: (Exchange Rate Effective as of Sept, 2013)  Currency Unit = Vietnam Dong  USD \$1.00 = 21,000 Dong

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# **CHAPER ONE: INTRODUCTION**

## **1. Vietnam public administration reform overview and research question**

Public administration refers to two meanings: first, it is concerned with the implementation of government policy; second, it is an academic discipline that studies this implementation and prepares civil servants for working in the public service. Public administration reforms were taken placed in most countries around the world with a view to improve the ability of governments to achieve their economic and social aims with limited resources are dependent upon the efficiency and focus of government.

As another country, Viet Nam began Public administration reform in the 1990s. Its aims were to improve the country's public administration system to make it responsive to the needs of increasingly effective governance. With Viet Nam is building its socialist oriented market economy, the need for an effective and efficient government has dramatically increased. The ultimate goal of the reform process is to build an efficient public administration system, which is democratic, clean, strong, professional, modernized, and efficient. A Socialist government ruled by law, a state of the people, by the people and for the people. A force of civil servants capable and qualified to fulfill assigned tasks, contribute to the development of a healthy and well oriented society. One that proactively serves the people's needs, and enforces the law in people's work and life. In order to achieve the reform goals and objectives, public administration

reform has been put in place as an objective requirement with a view to creating preconditions for and promotes economic reform. The Communist Party of Viet Nam and the State have paid special attention to public administration reform. The 8th Plenum of the Central Party Committee of the seventh Party Congress in 1995, insisted that public administration reform be a strategic political task to be fulfilled by the public administration system in Viet Nam.

Following a major Review by party-state experts in 2000, a government decision of September 2001 set out a “*Master Program on Public Administration Reform for the Period 2001-2010*”. Public administration reform for the years 2001- 2010 is comprehensive as it covers key metrics, including institutional reform, governmental structure reform, human resource development for the civil service, and public finance management.

During the period 2001 – 2010, *Master Program on Vietnam public administration reform* has achieved several results.

## **1.1 Institutional reform**

Viet Nam institutional reform guiding principles are to construct the legal basis for the operation of the socialist-oriented market economic mechanism and to build government based on “socialist rule-of-law”. And the institutional reform for the period 2001-2010 has four main aspects, including: Adoption of laws governing the market, the public administration system, and regulation of “relations between The State and People”, such as

citizen complaints and the state's role in the economy; Renovating the process of issuing legal documents; Strict and transparent law enforcement by public institutions; and Reform of administrative procedures. (Martin Painter, 2009, P: 320)

During the period of 2001 and 2010, institutional reform has achieved significant results. Many important legal and regulatory documents have been issued to create legal framework for the organization and operation of public administrative agencies at various levels, especially, The Resolution on Revision and Amendment of the Constitution 1992 in 2001, the Law on Organization of the Government, the Law on Organization of the People's Council and the People's Committee in 2003, the Ordinance on Public Officials and Civil Servants, the Decrees providing for functions, responsibilities, mandates and organization structures of ministries, ministry-equivalent agencies, Government-affiliated agencies. In addition, a number of laws have been formulated to create a reform structure. These laws include Corporate Laws, Investment Laws, The Civil Code, The Labor Code, The Construction Laws, Competition Laws, Bankruptcy Laws and many others. The "one-stop shop" mechanism introduced in the public service delivery has fundamental in the transformation of the handling of given tasks of administrative agencies and the relationships with citizens as well as businesses.

## **1.2 Government structure reform.**

On the one hand, government structure reform focuses on the functions of macro-execution and management on all aspects nationwide. This includes strategies, schemes, plans, institutions, policies, and monitoring and supervising the implementation of these arrangements. Government has accelerated the decentralization to Ministries, central agencies and People Committees at all levels. This decentralization has the greatest effect at provincial level. This includes the power of decision making and responsibility for specific areas. These areas include granting investment licenses, investment preferential treatment, budget management, organizational structure and staffing and other socio-economic areas. The improvement of operational mode of the Government has followed the orientation of unified macro-management of socio-economy nationwide by system of laws, policies, schemes, plans and other tools of macro-management. Minimizing the direct interference of the government administrative agencies on the activities and operation of markets and enterprises.

On the other hand, in terms of provincial authorities, the number of departments there was reduced from between 35 - 40 in the year 1986, to around 20-25 after 2001; rural districts from 20- 25 to 10-15. The size of government, as seen through the number of ministries, was reduced further in an exercise in 2007, down to 22.

### **1.3 Public Finance reform.**

Though the component - Public finance reform has been supplemented to the Public administration system during the past few years, and conclusive results have been obtained.

In December 2002, National Assembly approved The State Budget Law and coming into force in January 2004, specific results such as the decentralization on financial management, which has been implemented on the way spending units including those who have administrative functions, deliver their duties and services. It is clear that the State Budget Law makes a bold step in promoting fiscal decentralization to local executive and legislative authorities. In addition, together with other policy areas (planning and development investment, land, natural resources, State owned enterprises, organizational structure and staffing), state budget and governmental or administrative activities and public services have enjoyed the benefit of decentralization. Furthermore, the State Budget Law and its secondary documents paved the way for further strengthening transparency and accountability of spending units. On the other hand, the State Budget Law takes steps to further rationalize administrative functions between central agencies involved in the management of state budget, notably MOF, the Ministry of Planning and Investment (MPI) and the State Bank of Viet Nam (SBV). In finally, the SBL with its fiscal discipline and budgetary and financial incentives have helped move the civil service reform forwards with pay policies for civil servant closer to market alternatives.

#### **1.4 Human resource development**

The Ordinance of Public Officials and Civil servants (revised in 2003) is an assessment of the implications of the new *Law Public Officials and Civil Servants of 2008* which clearly classifies the contingent of civil servants within the whole political spectrum. This law serves as the basis for criteria and requirements. Its terms include qualifications, capability, assessment of quality of civil servants, as well as the mechanism for recruitment and management of civil servants. The law also covers relevant incentive policies which specifically include elected public officials, administrative civil servants, professional staff, SOEs' leaders, communal civil servants and other public officials.

The Public Administration Reforms Master Program has had some success. Most of technical human resource management functions have been decentralized to line ministries and local government. Policies and methods of recruitment have changed a great deal when compared with past standards. For example, civil servants, including commune officers, are recruited and promoted through competitive examinations following new regulations. Reforms have been made in remuneration which will lead to an eventual salary based structure. This structure will provide sufficient differentiation to motivate and reflect personnel capability and performance.

All administrative civil servants and cadres received basic training. The curriculum includes training and continual refresher courses in state management, as well as additional training curriculum for the chair of communal People's Committees. This training has been renovated to varying degrees.

Another important part of the human management resource reform includes civil service salary. On civil service salaries, the diagnosis was bleak, pointing to some fundamental, linked issues of state finances, civil service remuneration and corruption. Like most developing countries, the government of Vietnam has been facing issues connected to salary and merit. Therefore civil service salary reform is a key target of the Master Program on Public Administration Reform (PAR MP) for the Period 2001-2010. In Vietnam the public salary reform effort focuses on issues of poor performance (lack of effectiveness and efficiency) in public administration. (Government of Vietnam, 2001: p.3)

In accordance with the current reforms undertaken within public administration space, civil servants are expected to provide prompt and quality services and professional performance. In recognition of stellar performance, a civil servant should expect to get fair compensation for their performance. One of the aims of the public salary is merit increases as a key motivational factor for civil servants. With fair compensation, civil servants will become the major driving force for the public service system. In addition, merit increases will contribute to the quality of life, as cost of living increases.

During the period of 2001 – 2010, Vietnam government runs the civil servants salary reforms program gaining both several results. On the one hand, a reasonable salary scale was set up; and even through Vietnam salary public servant budget was limited however due to the strong effort of Vietnam government the public servants salary was improved in order to

reduce the gap between the real salary and living cost; and so on. On the other hand, because of the government machinery is too huge for the functions that it is supposed to perform so low salaries accompany the high head count and more important, effectiveness is severely lacking even through public servant minimum salary was adjusted several times for the period 2001 – 2010; and there are not strong relationship between public servant salary and their performance; as well as the corruption is still at high level.

Recognizing both positive and negative results of public servants salary reforms program in Vietnam for the period of 2001 – 2010, this thesis will cover the topic of *Public servants salary reform in Vietnam for the period of 2001 to 2010*. The topic will evaluate the consequences of this program. On the one hand, the purpose of this thesis is to discuss public salary reform in Vietnam under *Public Administration Reform Master Program* (2001-2010). However, this thesis would look not only at the legal terms and regulatory documents, but also real practices. On the other hand, this thesis will also review the spectrum of public service salary reform policy with suggestions for solutions to improvement of the public servants salary based system. The research topic question which will be addressed: *Has the civil service salary reform been effective thus far?*

## **2. Research Methodology and Scope of research**

### **2.1 Research Methodology**

#### **2.1.1 Data type**



Field work for this study consisted primarily of interviews with Vietnamese officials, former and current civil service employees. Secondary sources of quantitative data were also used, including documents and data shared by the Vietnamese government, international organizations and development partners (DPs).

### **2.1.2 Data Collection Methods and Tools**

In this study, three data collection tools were applied, namely, interviews, survey and documentary review. All these tools were applied to the sample with ultimate care so as to control ineffectiveness of any of these tools and to assure validity and reliability of data.

- ***Survey*** is probably the best method available to the social researcher who is interested in collecting original data for describing a population too large to observe directly (Babbie, 2010).
- ***Quantitative research interviews:*** Interviews were used by the researcher to collect various data. This entailed a face to face conversation between interviewer and interviewee. There are three fundamental types of research interviews: structured, semi-structured and unstructured. Structured interviews are, essentially, verbally administered questionnaires; in which a list of pre determined questions are asked, with little or no variation and with no scope for follow-up questions to responses that warrant further elaboration. Unstructured interviews do not

reflect any preconceived theories or ideas and are performed with little or no organization. Semi-structured interviews consist of several key questions that help to define the areas to be explored, but also allow the interviewer or interviewee to diverge in order to pursue an idea or response in more detail. However, in this study, semi – structure interviews only was used to solicit the views of both the management as key informants. (Britten N, 1999). This method employed closed and open-ended questionnaires. These tools were distributed to selected staff members located in various departments and its coverage involves supervisors/officers who work for public service. Closed questionnaires were used because they could provide direct answers and consume less time in responding and Open-ended questionnaires were used because they provided a wide room for respondents to explain issues in detail on matters concerning the study. These questionnaires were simple to administer and relatively inexpensive to analyze as explained by Kombo and Tromp (2006).

- ***Document reviews:*** Document review is a way of collecting data by reviewing existing documents. The documents may be internal to a program or organization (such as records of what components of an asthma management program were implemented in schools) or may be external (such as records of emergency room visits by students served by an asthma management program). Documents may be hard copy or

electronic and may include reports, program logs, performance ratings, funding proposals, meeting minutes, newsletters, and marketing materials. According to Creswell (2003), this method is useful because it can be accessed at time convenient to researcher; it represents data that are thoughtful in that the participants have given adequate attention to compile.

### **2.1.3 Data Processing, Analysis and Presentation**

The process of data analysis was preceded by editing, coding and cleaning the data. This is important so as to get good results, then, the coded data were entered into the analysis software known as Statistical Package for Social Science Research (SPSS-11.5). Once the data are entered into this software, the analysis followed. Some outputs from SPSS were exported to Microsoft Excel software - 2007 so as to draw charts and graphs. The outputs of the analysis were thereafter represented in the forms of, cross tabulation, frequency tables, charts and graphs.

## **2.2 Scope of research**

This thesis will focus only on public servants salary reform (not including SOEs employee, Army officer and police) under the Master Program of Public Administration Reform for the period of 2001 and 2010.

## **2.3 Validity and Reliability of Research**

This study ensured that the data collected are a good representative of the entire population and the problem in question. In order to achieve this, the tools were pre tested so as to assess their correctness in terms of the

answers that are provided by respondents .This was carried out among 30 respondents. The results of this pilot study were analyzed so as to help to improve the tools as suggested by Creswell (2003). In addition, the tools were evaluated in terms of assessing the reliability of it by assessing whether there is a chance to replicate the results by using the same methods but in different environment and with different respondents.

## **CHAPTER TWO: THEORICAL BACKGROUND**

### **1. Vietnam civil servant overview**

According to the Law on Public Officials and Civil Servants, public personnel in Viet Nam are grouped into public officials (Can bo), civil servants (Cong chuc) and commune officials and servants (Can bo, Cong chuc cap xa). In particular, public officials are those who are elected or assigned to a fixed term positions while civil servants work more or less on a permanent basis. Both public officials and civil servants can work for the Party, socio political organizations and administrative agencies. And commune officials and servants do not differ with public officials and civil servants but they work at the commune level. However, “public employee” (Vien chuc) group who work for public service delivery agencies is not included in this law and this group will be subject to another law.

There are no precise statistics of the number of public personnel. However, the estimated number of public officials and civil servants working at the central, provincial and districts levels is 300,000; the number of those who work in public service delivery agencies is 1,400,000 people and the number of commune officials and servants is 200,000 people.

Civil servants are also categorized into corps of “senior experts” (Group A), “principle experts” (Group B) and “experts” (Group C) and “below expert” (Group D). Advancement along this grade scale is mainly based on seniority and the results of corps promotional examinations. As a general practice it takes nine years to move from expert to principal expert

level and six years to move from principal expert to senior expert grade. Officers at commune level are divided into “elected” officers (e.g. chair and vice chair of the People’s Committee) and “appointed” officers (professional staffs).

In summary, the civil service in Viet Nam is largely organized as a career based system. Civil servants enter the civil service through a competitive recruitment process followed by a probationary period. After successful completion of the probationary period officers would generally expect to move up the grading scale. The achievement of a higher grade has great influence on career opportunities for management and leadership positions. For example, candidates for department directors must have principal expert level.

## **2. Concepts on salary in public sector**

Before we proceed, it is necessary to define some of the terms which will be used throughout the thesis. In general, there are several words that are normally used to refer to the wages or salaries paid to people at work including the terms like remuneration, compensation, pay and reward. Each term is used in connection with a payment such as harmonization and job assessment. However, for examining the public salary policy implementation in Vietnam in the following part we will focus on the term of salary only.

**Salary** is a type of periodic payment to an employee from an employer, which may be defined in an employment contract. It tends to be paid monthly and is usually expressed as annual salary. There are also likely

to have several supplementary benefits like transportation means, extra payment for added qualifications or luncheon vouchers, etc. From the organizational business point of view, salary can also be seen as the cost of achieving human resources for running operations, called salary expense or personnel expense. Salaried workers are either in managerial positions or tend to work closely with management and they identify themselves to be on a long career development with the peak of their income power gained relatively late in life as well as expected to have long-term job security.

**The minimal salary** is defined as being “fixed in accordance with living prices, ensuring that the laborer of the most simple job in normal working condition may supplement his/her simple labor force and partly accumulate reproduction of extended labor force, and used as a basis to calculate the salary level for other laborers” (ADB,2005: p.44)

Grade and salary structure policy normally outlines several components such as:

- Base salary: the fixed rate of salary paid to an employee by an employer that characterizes the rate for the job, into which salary is linked to service, competence or performance, may be combined. Policies on base salary will state the intensions of the organization on the level to be competitive and show the association between those salary levels and market rates.
- Contingent pay: pay for personalities that are contingent on service, competence, performance, skill or contribution.

- Variable pay: pay in the type of cash payments or bonuses which will be contingent on individual, organization or team performance.

### **3. Public civil service pay theory**

#### **3.1 Public civil service pay principles**

Nowadays, public sector has been moving toward market – based models. Governments and public employees realize that they need to reform their salary systems in order to be more effective and more efficient. In the light of those regulations public sector salary should reflect some of the following principles. (Klingner, D. and Nalbandian, J., 2003): p.131):

- Financial sustainability of the total public sector salary bill
- Focus of salary system in those factors of pay that are linked to the human capital demands of the position;
- Constancy in the competitiveness of total salary system across the human capital necessary by the country's public sector;
- Fairness and transparency in the principle of public salary, the salary of individual government officials as well as the overall structure and composition of salary system within the public administration.

#### **3.2 Alternative way of setting pay in public agencies**

Setting pay in the public sector has traditionally focusing on maintaining internal equity within organizations and ensuring external equity with alternative employment sectors. And one of the most politically charged



and attractive alternatives to traditional pay systems in the public sector are pay – for – performance (World Bank, 2007):

- *Traditional merit pay*: Merit pay is given to reward superior performance on the assumption that one rewarded the performance will be repeated.
- *Senior pay*: Are given on the assumption that seniority increase an employee's skill, and hence value to the agency.
- *Cost – of – living*: Allowances or market adjustments are given to employees to maintain external pay equity in the face of a competitive labor market.
- *Different types of performance- based pay*: While base pay and indirect pay influence attraction and retention of quality employees, variable pay is believed to affect an employee's motion and challenging of work forward organization goals and objectives. There are various types of pay for performance. Individual incentive, such as piece rate pay plans, continuous effective where output can be quantified.

**FIGURE 2.1: PAY FOR PERFORMANCE CLASSES**

Level of performance		
	Individual	Group
Added to base salary	(a) Merit plans	(b) Small group incentive

Not added to base salary	(c) Piece rates commission bonuses	(d) Profit sharing gain sharing bonuses
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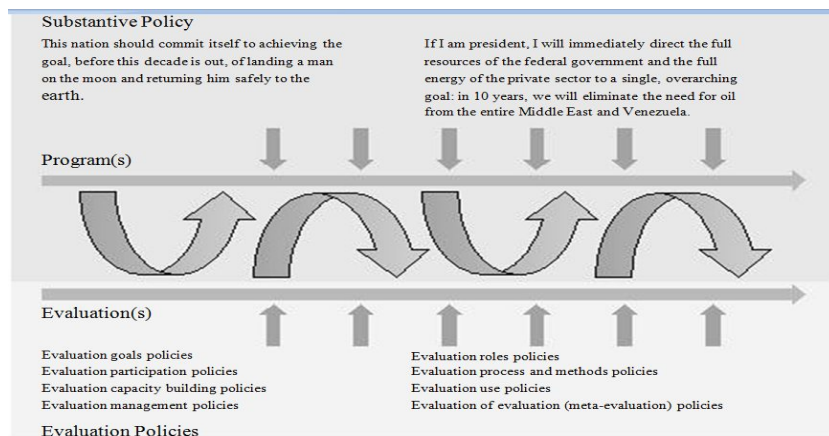
*(Source: Reprinted with permission from Pay for Performance, © 1991  
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Washington, DC.)*

#### 4. Policy evaluation theory

##### 4.1 Definition of policy evaluation

An evaluation policy is any rule or principle that a group or organization uses to guide its decisions and actions when doing evaluation (Klingner, D. and Nalbandian, J, 2003: p.131)

**FIGURE 2.2: The Relationship between Substantive and Evaluation Policy**



##### 4.2 The roles of evaluation policy

Evaluation policy is a very important process, and has several signaling roles as below:

Firstly, an evaluation policy can be thought of as a type of communication mechanism. It constitutes a signal to the entire organization and its stakeholders, communicating what evaluations should be done, what resources expended, who is responsible, how they should be accomplished, and so on. It can be an efficient way to communicate and encourage consistency in evaluation implementation.

In addition, evaluation policies help make evaluation a more transparent and endeavor. They constitute a public stance that an organization takes regarding evaluation. Because they are public, written policies, they can be known by everyone in the organization and thus criticized and challenged. Participation and dialogue can occur about which policies make the most sense under which circumstances.

Furthermore, evaluation policy is also a mechanism for broader learning about evaluation.

Another important role of evaluation policy is potentially an efficient mechanism for changing practice.

Finally, evaluation policy is important because many of the controversies in evaluation today are essentially about such policy (Trochim, W.M.K., 2009: P 17 – 18)

#### **4.3 An evaluation policy methodology**

According to Trochim (2009) offered an evaluation policy model that includes a taxonomy of evaluation policy types, a structure that depicts the interrelationships between policies and practices, and a set of principles that can be used in developing and managing policies.

However, the methodological framework offered here is only an initial, suggestive one. It has not itself been evaluated, although it is hoped that if it appears promising it will be subjected to extensive testing in practice. In addition, the examples that are given here are for the most part created for purposes of this explication. There is a paucity of good evaluation policy examples and relatively few that were identified for this work.

#### **4.3.1: The taxonomy of evaluation policy model**

Evaluations are complex endeavors that involve many variations, dimensions, and activities. Trochim (2009) gave draft taxonomy of evaluation policies as below:

- Evaluation goals policies
- Evaluation participation policies
- Evaluation capacity building policies
- Evaluation management policies
- Evaluation roles policies
- Evaluation process and methods policies
- Evaluation use policies
- Evaluation of evaluation (meta-evaluation)

policies

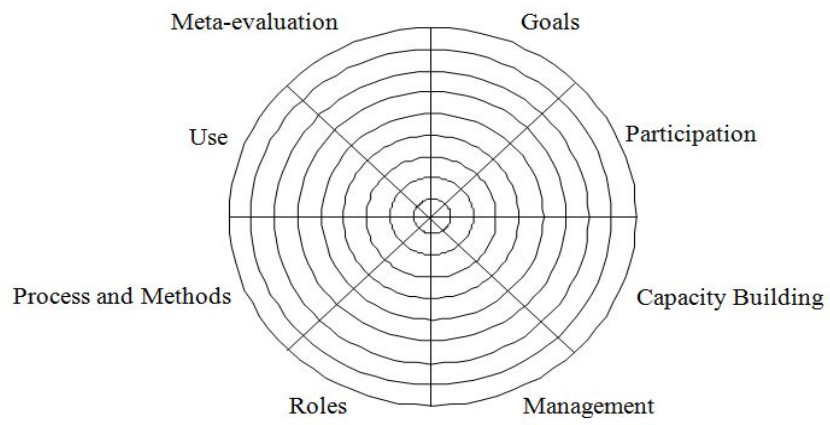
The taxonomy begins with policies that describe the *goals* of evaluation in the organization or context.

A second evaluation policy category involves *participation* in evaluation and could address how and when stakeholders are to be involved.

And three categories of policies on capacity building, management, and roles—are related to the organizational management, resources, and infrastructure that support evaluation.

A process and methods policy might be something like “Wherever feasible, mixed methods (qualitative and quantitative) will be used in evaluations” or “Evaluation data will be stored in a secure location for no less than five years following the issuing of a report.” The taxonomy includes a category for evaluation utilization, for instance: “Every evaluation must include a written plan for how results will be reported and used” or “Every evaluation should include an assessment of the utility of the results and recommendations for subsequent evaluations that eliminate approaches with low utility.” Finally, the taxonomy includes a category for the evaluation of evaluation, or meta-evaluation.

**FIGURE 2.3: The Evaluation Policy Wheel**



## **CHAPTER THREE: PUBLIC SERVANT SALARY REFORM**

### **1. Historical background of public salary reform**

Before the first salary reform in 1993, wage system is divided into nineteen different work categories, such as public administration, education, health, library, banking and so on. Each work category has different salary tables. And the nineteen salary tables have 36 salary scales corresponding to 186 occupational grades (some salary scales are the same for different occupational grades). Moreover, each scale consists of seven to sixteen steps. Finally, each step on a scale is allocated a wage coefficient, expressing the salary as a multiple of the minimum wage. Public employees are officially appointed and placed according to their work categories, while their location on the salary scale is in accordance with their educational background and experience. Most agencies have not developed detailed position descriptions based on job requirements. Establishments consist of hierarchies of positions denoted primarily by rank or grade (such as expert, principal expert and superior expert). With length of service, officials climb the steps to a stipulated maximum wage level. Only breaches of discipline can prevent this steady progression, in which the size of the increments is generally small. The movement from one scale to another occurs according to two criteria: first, length of service and second, qualification for promotion through attending an official training program and passing an examination.

Recognizing the important of salary issue therefore Vietnam government started to research on salary policy renovation since April 1990. And in early 1991, Vietnamese National Assembly reviewed and approved the overall frame of direction for salary reform. After that, in 1992 Vietnam National Assembly approved a comprehensive package and instituted in 1993.

This package was an public salary renovation because according to this package, almost rewards for public employees such as housing, health care, transportation and education (except primary) were monetized (GSC 2000d, 44). Moreover, a uniform, nation-wide set of salary scales was re-instituted. Finally, the public employment system was aligned with a new national minimum wage that aimed to protect basic living conditions across all sectors of the economy. At that time, the first minimum wage was set at 120,000 VND per month. A system of salary coefficients ranging from one (the minimum wage) to ten was developed as the basic template for designing the salary scales for different work categories.

One obstacle to institutionalization of a merit system has been the legacy of the 1993 reforms, when employees were assigned to the new work categories and grades in a manner that bore little relation to fitness and competency and more to political loyalty and personal ties.

**TABLE 3.1: Wage Allowances in the Public Employment Salary System of Vietnam**



<b>Type</b>	<b>Objective</b>	<b>Method of calculation</b>
Responsibility or position allowance	To reflect the job content or job requirements	Coefficient of minimum wage and ranging from 0.1 to 1.15
Regional allowance	Additional reward for working in less desirable areas	Coefficients ranging from 0.1 to 1.0 (7 levels)
Consumer price Index allowance	To provide compensation for higher living costs in some provinces.	Coefficients ranging from 0.1 to 0.3 (5 levels)
Regional Preferential allowance	To attract civil service to work in remote and mountainous areas	Calculated based on the level of basic wage; 4 levels ranging from 20% to 70%
Dangerous work allowance	To compensate for those working in dangerous conditions	Coefficients ranging from 0.1 to 0.4 (4 levels)
Night shift and	Extra compensation	Night shift premium

overtime	for working non-standard hours.	30-40% of the individual basic wage
Special industry allowance	Awarded for performing special tasks in specified industries (e.g. teaching allowance for academics)	In absolute value or calculated based on basic wage

Awareness of these weaknesses, in 1999 a resolution was found that paved the way for a principle for reform of the salary system, which introduced a 40 working hours per week (this can be seen as an increase in the daily salary and given more opportunity for extra job), as well as the need to reduce and/or make non-salary income more transparent and to increase a bonus system.

## **2. Salary reform**

### **2.1 Salary ratio reform**

The comprehensive salary reform was instituted in May 1993 with two Decrees by the Government No. 25/CP and 26/CP dated on 23 May 1993 on the temporary stipulations of the salary for public employees. However it posed some shortcomings and pitfalls such as the salary system had insufficient monetary incentives for promotion, which was infrequent

and took a long time. There was little monetary identification of performance and merit as the seniority was given precedence, with a mixture of monetary payments and non-monetized revenues such as gifts (in the form of money in envelope) on special occasions like New Year; attending meetings, etc, many problems arose. In addition, as the minimum salary did not keep pace with inflation and in comparison to another sectors salary in administrative organizations is the lowest. In terms of structure, the salary system was too broad and general, which combined too many grades, with focus on equality of income. The system was technically rather complex with 20 scales, 200 grades and 2000+ steps. The difference between grades is small, that cannot motivate civil servants to improve productivity and efficiency in their performance.

The allowance and bonuses system were together with the salary system which supposed to supplement parts that have not been fully covered in the salary. The allowance makes necessary compensation for people who work in special conditions and provides supplementary income to employees in administration system. The bonuses are stimulus for encouraging better performance in civil service system. However they did not work efficiently due to irrelevant and no rational designed.

To sum up, with those shortcomings and limitations, the existing salary of public servants did not perform as a mechanism to motivate them to perform better with their capabilities. It is the most important reason to explain the poor quality and incompetent services in the state administration.

In other hand, corruption in Vietnam is serious, complicated, and blatant occurring across many sectors, and at many levels. It is categorized corruption into 6 sectors: in the management of land and natural resources (take bribes to grant title deeds); in the finance banking sector; in construction (inflate building costs); in management of state assets (embezzlement, faking invoices); in human resource management (bribery for jobs, promotion); and in judicial sector (judges take bribes to alter verdicts).

It can be seen that low government wages combined with weak monitoring systems are a significant cause of corruption and misuse of public resources. In Vietnam, public servants' incomes are insufficient for living and are relatively low or perceived as unfair in comparison to private sector salaries. The average take-home pay of an ordinary government employee is barely enough to meet their periodic expenses. For this reason, in order to ensure their daily needs, some government officials and employees have committed corrupt acts.

The Vietnamese government aware the limitation of the existing civil service salary system, thus, the demand for the new system was seriously required.

Therefore, the new salary reform, degree No: 204/2004/ND-CP dated December 14th, 2004 on salary regime for cadres, public servants, officials, and armed force personnel is basically a amendment and partial reformation of the 1993 system, with coefficient modifications in many

cases including a slight decrease in the number senior scales and an enlarged spread between lowest and highest, the number of salary steps and some rationalization of the allowance systems.

Basically, the salary level in Vietnam is computed as given below:

$$Mtl = TLmin \times Ki$$

Mtl: salary level fit to the employees qualifications;

TLmin: minimal salary level decided by the Government for each period;

Ki: salary ratio as classified in salary schemes

Because the salary level of a worker depends on the two elements (the minimal salary level and the salary ratio) therefore reforming the salary for civil servants and public employees in consonance with the country's new socio-economic situation, the Government has taken into account three important things: (1) raise minimal salary; (2) develop salary schemes, allowances and enlarge salary ratios; and (3) combine the two measures (Nguyen, N.K and Bui, TV 2006).

TABLE 3.2: Salary able according to expertise and profession for cadres and civil servants working for State and Government office													
(Promulgated with the Decree 204/2004/ND-CP on December 14th 2004 by the Government)													
(Unit for calculation: 1,000 VND)													
No	Group	Level1	Level2	Level3	Level4	Level5	Level6	Level7	Level8	Level9	Level10	Level11	Level12
1	Civil servant type A3												
A	Group 1 (A3.1)												
	Salary ratio	<u>6.20</u>	<u>6.56</u>	<u>6.92</u>	<u>7.28</u>	<u>7.64</u>	<u>8.00</u>						
	Salary in reality as of Oct 1st 2004	1,798.0	1,902.4	2,006.8	2,111.2	2,215.6	2,320.0						
B	Group 2 (A3.2)												
	Salary ratio	<u>5.75</u>	<u>6.11</u>	<u>6.47</u>	<u>6.83</u>	<u>7.19</u>	<u>7.55</u>						
	Salary in reality as of Oct 1st 2004	1,667.5	1,771.9	1,876.3	1,980.7	2,085.1	2,189.5						

No	Group	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Level 9	Level 10	Level 11	Level 12
2	Civil servant A2												
A	Group 1 (A2.1)												
	Salary ratio	<u>4.40</u>	<u>4.74</u>	<u>5.08</u>	<u>5.42</u>	<u>5.76</u>	<u>6.10</u>	<u>6.44</u>	<u>6.78</u>				
	Salary in reality as of Oct 1st 2004	1,276.0	1,374.6	1,473.2	1,571.8	1,670.4	1,769.0	1,867.6	1,966.2				
B	Group 2 (A2.2)												
	Salary ratio	<u>4.00</u>	<u>4.34</u>	<u>4.68</u>	<u>5.02</u>	<u>5.36</u>	<u>5.70</u>	<u>6.04</u>	<u>6.38</u>				
	Salary in reality as of Oct 1st 2004	1,160.0	1,258.6	1,357.2	1,455.8	1,554.4	1,653.0	1,751.6	1,850.2				
3	Civil servant A1												
	Salary ratio	<u>2.34</u>	<u>2.67</u>	<u>3.00</u>	<u>3.33</u>	<u>3.66</u>	<u>3.99</u>	<u>4.32</u>	<u>4.65</u>	<u>4.98</u>			

No	Group	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Level 9	Level 10	Level 11	Level 12
	Salary in Reality as of Oct 1 st 2004	678.6	774.3	870.0	965.7	1,061.4	1,157.1	1,252.8	1,348.5	1,444.2			
4	<b>Civil servant A0</b>												
	Salary ratio	<u>2.10</u>	<u>2.41</u>	<u>2.72</u>	<u>3.03</u>	<u>3.34</u>	<u>3.65</u>	<u>3.96</u>	<u>4.27</u>	<u>4.58</u>	<u>4.89</u>		
	Salary in Reality as of Oct 1 st 2004	609.0	698.9	788.8	878.7	968.6	1,058.5	1,148.4	1,238.3	1,328.2	1,418.1		
5	<b>Civil servant B</b>												
	Salary ratio	<u>1.86</u>	<u>2.06</u>	<u>2.26</u>	<u>2.46</u>	<u>2.66</u>	<u>2.86</u>	<u>3.06</u>	<u>3.26</u>	<u>3.46</u>	<u>3.66</u>	<u>3.86</u>	<u>4.06</u>
	Salary in reality as of Oct 1 st 2004	539.4	597.4	655.4	713.4	771.4	829.4	887.4	945.4	945.4	1,061.4	1,119.4	1,177.4
6	<b>Civil servant C</b>												



No	Group	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Level 9	Level 10	Level 11	Level 12
A	<b>Group C1</b>												
	Salary ratio	<u>1.65</u>	<u>1.83</u>	<u>2.01</u>	<u>2.19</u>	<u>2.37</u>	<u>2.55</u>	<u>2.73</u>	<u>2.91</u>	<u>3.09</u>	<u>3.27</u>	<u>3.45</u>	<u>3.63</u>
	Salary in Reality as of Oct 1st 2004	478.5	530.7	582.9	635.1	687.3	739.5	791.7	843.9	896.1	948.3	1,000.5	1,052.7
B	<b>Group C2</b>												
	Salary ratio	<u>1.50</u>	<u>1.68</u>	<u>1.86</u>	<u>2.04</u>	<u>2.22</u>	<u>2.40</u>	<u>2.58</u>	<u>2.76</u>	<u>2.94</u>	<u>3.12</u>	<u>3.30</u>	<u>3.48</u>
	Salary in reality as of Oct 1st 2004	435.0	487.2	539.4	591.6	643.8	696.0	748.2	800.4	852.6	904.8	957.0	1,009.2
C	<b>Group C3</b>												
	Salary ratio	<u>1.35</u>	<u>1.53</u>	<u>1.71</u>	<u>1.89</u>	<u>2.07</u>	<u>2.25</u>	<u>2.43</u>	<u>2.61</u>	<u>2.79</u>	<u>2.97</u>	<u>3.15</u>	<u>3.33</u>
	Salary in reality as of Oct 1st 2004	391.5	443.7	495.9	548.1	600.3	652.5	704.7	756.9	809.1	861.3	913.5	965.7

***Salary scheme for elected position:***

The salary level ratios of cadres and civil servant are classified: (1) ratios of work complexity from 3.7 to 11, ratios of work conditions from 1.162. There are ten salary level ratios, from 4.3 to 13; (2) ratios of work complexity for professional and operational civil servants and public employees (leaders and managers will get professional salary plus position allowance) from 1.48 to 7.5, ratios of work conditions from 1.0 to 1.244. There are 56 salary level ratios, from 1.48 to 9.33 (MoF , 2005).

***Salary scheme for appointed leaders and managers:***

Appointed managers and leaders are professional civil servants and public employees who have competency and occupied stable jobs in the public organizations. The salary scheme for them includes: salary for professionals plus leading position allowance. Therefore, the leading position allowance is part of the salary paid to the employee during the period when he/she is in the position. The highest ratio of leading position allowance is 1.50 and the lowest is 0.15

***Salary scheme for administrative professional and operational cadres and civil servants:***

The salary schemes for administrative professional and operational cadres and civil servants are designed and applied for 21 different sectors. In each sector it is divided into corps of workers from the lowest to the highest.

Totally, these are 196 corps of civil servants. The salary scheme was designed based on sector's work conditions, complexity and priority was given to each sector. Each sector has a separate standard salary level; each corps has a different code that is connected to qualification aligned with the specialized criteria required.

Corps of civil servants connected to positions is grouped into four categories: A, B, C in correlation to educational qualification (ex: there is 11 corps in the salary scheme for administrative civil servants). There are seniority salary steps in each corps; each step correlates to a salary ratio (see appendix 2). The principles for designing the salary scheme for public employees working in public service delivery agencies are similar to those of administrative civil servants.

### ***Salary – related allowance***

The new policy reform has introduced a salary-related allowance system which estimates the minimum salary level as well as the grade, or post salary of civil servants; and it is based on the working situation of employees who work in extreme working conditions such as toxic, hazardous, and bad conditions. It has also established and implemented rules on bonuses granted to public servants for their excellent performance and other benefits added to salaries.

## **2.2 Adjust minimum salary**

Civil service public minimum salaries are adjusted several times during 2001 and 2010. Between 2001 and 2010, a joint Ministry of home

affair - MOLISA task force raised the minimum government salary from 180,000 dong to 650,000 dong, a 145% increase in real terms in order to reach the inflation rate.

**TABLE 3.3: Minimum salary between 2001 and 2010**

**Unit: 1,000 dong**

<b>Name of document</b>	<b>Year of increase</b>	<b>Minimum Salary (VND)</b>	<b>Percentage increase compared with the previous level (%)</b>
Degree No: 77/2000/ND-CP dated December 15th, 2000	2001	210	0
Degree No: 03/2003/ND-CP dated January 15th, 2003	2003	290	38
Degree No: 118/2005/ND-Sept 15th, 2005	2005	350	21
Degree No: 94/2006/ND-CP	2006	450	29

dated Sept 7th, 2006			
Degree No: 168/2007/ND-CP dated Nov 11st, 2007	2008	540	20
Degree No: 33/2009/ND-CP dated April 6th, 2009	May, 2009	650	20

Most of that increase occurred in the latter part of that period, and the average wage rose even faster than the minimum wage; it increased by a factor of 3.5 between 2001 and 2006. The rationale for the pay increases was that low minimum salaries created an incentive for corruption as well as inequities between employees in the private and public sectors. As of 2009, there were no official figures on how much these increases had affected civil servants' total earnings, given the income that civil servants obtained through allowances, project-specific funds and corruption. The consensus, however, even among MoHA officials, was that salary increases had very little effect on total income for most civil servants. The large increases in salaries were deceptive. Average salaries as a proportion of GDP per capita were still among the lowest in the region. Most important, salary was a relatively small portion of civil servant income. Agencies still paid non

salary allowances in cash, such payments were difficult to trace and tax; neither MoHA nor MOLISA tracked agency-specific allowances. Officials' access to project-specific funding made the task still more difficult. True pay reform would threaten the interests of those who distributed and earned large allowances, project funding, or bribes; the government had not attempted it. The salary increases of the past decade had, like Vietnam's other reforms, attempted to satisfy domestic and international pressure for reform without placing patronage networks at risk.

As the salary reform task force steadily raised wages for all public servants, the Ministry of Finance gave managers more budgetary autonomy, allowing them, in theory, to redirect administrative savings into wages for their most productive employees. Until 2002, the government funded agencies based on the number of employees and their salary grades; after that, they received a single sum, or "block grant," that they could allocate with significant flexibility. Some hoped that block grants would encourage managers to reduce the size of their staffs and to incorporate informal forms of compensation into salaries; managers could, in theory, directly allocate funds to wages that they formerly funneled through slush funds or personal accounts.

In addition, the minimum salary is reviewed on a yearly basis and made official through government decrees. Pay rise for civil servants is considered every three years, with formalistic performance evaluation results and seniority being taken into account. However, the official minimum salary is still regarded as very low and fails to satisfy basic living needs. This

means public officials must rely on other informal sources of income which are not necessarily illegal but means they deviate from their original public service duties and obligations and therefore reduce their efficiency.

In practice, the current remuneration regime is said to be one of the main reasons for civil servants to quit their state agency jobs. As widely discussed in Vietnamese media, a large number of talented civil servants and public employees have moved out of the public sector in recent years. However, the official salary is only a fraction of the income composition for public officials and civil servants.

## CHAPTER FOUR: EVALUATION

### 1. Characteristics of respondents

The previous chapter introduced the kinds of data resources as well as method to collect and analysis data. In order to evaluation of the public servants salary reforms in Vietnam for the period 2001 – 2010, in this part will provide the analysis of respondents deal with basic biographical information of the respondents who participated in the research. This part also found the multi of participants in the different categories such as gender, age, marital status, education and so on.

#### 1.1 Sex of respondents

The total number of employees which works for public service who were interviewed has a perception that public servants salary reforms were due to solve the problems which public servants are facing in their daily life.

This study found out that, the number of respondent of male who participated in this research is 40 or 55.34%; whereas 43.66% of the respondents who participated in this research are female since the total male exceeded the number of female in a small number.

**TABLE 4.1 Responses by Gender**

<b>Gender</b>	<b>Number</b>	<b>Percentage(s)</b>
<b>Male</b>	40	55.34%
<b>Female</b>	31	43.66%
<b>Total Respondents</b>	71	100%



It can be said that the figure of respondent's gender also indicates a balance representation of both male and females in the research.

## 1.2 Age of respondents

**TABLE 4.2 Responses by age of Respondents**

<b>Ages of Respondents</b>	<b>Number</b>	<b>Percentage(s)%</b>
<b>20 – 30</b>	24	33.8%
<b>31 – 40</b>	27	38.03%
<b>41 -50</b>	16	22.53%
<b>51 – 60</b>	4	5.64%
<b>Total Respondents</b>	71	100%

Table 4.2 shows responses by the age of respondents. On the one hand, it is clear that the largest amount of respondent is 38.03% between the ages of 31 and 40. On the other hand, the lowest amount of respondents is 5.64% between the ages of 51 and 60 in the table. Out of four categories of age, the respondents of ages of 20 and 30 were noticeably higher than the respondents of ages of 41 and 50, at nearly 33.8% and at 22.53%. The study further learnt that the majority of staff members were interviewed at 20-50. Since reforms started in 2001 to 2010, most of the employees were in the Public Service and the study shows that most of them responded that the public servant salary reforms were launched for the benefits of the public servant as well as for the development of nation such as to set up a reasonable salary scale with a view to reduce the gap between salary and

cost living; to improve the public servant compensation; to reduce corruption, to attract talent labor force as well as to improve the effectiveness of civil servant performance.

### 1.3 Marital status of respondents

**TABLE 4.3 Responses by marital status of respondents**

<b>Marital status of respondents</b>	<b>Number</b>	<b>Percentage(s)%</b>
<b>Single</b>	26	36.62
<b>Married</b>	40	56.34
<b>Others</b>	5	7.04
<b>Total Respondents</b>	71	100%

The data in the table 4.3 provides a breakdown about the number of responses by marital status of respondents. It is clear that married respondents had the highest percentage about 56.34% than in any categories. It was followed by the single respondents with 36.62%. In contrast, respondents with others marital status has lowest percentage, about 7.04% comparing with other categories. In conclusion, the majority of respondents were married and hence this could help to get more information on the impact of this public servant salary reform programs for the period 2001 – 2010 in the public servant salary satisfaction.

### 1.4 Dependents of respondents

The information about the dependents of respondents could help to get more correct opinion of interviewers responding to the current civil

servant salary reform for the period of 2001 and 2010 such as their satisfaction of current salary, or whether their current salary is enough to covering their standard living or not; as well as could they save from their currents salary.

**TABLE 4.4 Responses by dependents of respondents**

<b>Dependents of Respondents</b>	<b>Number</b>	<b>Percentage(s)%</b>
<b>0</b>	24	33.8%
<b>1</b>	25	35.21%
<b>2</b>	17	23.95%
<b>3</b>	5	7.04%
<b>4 and more</b>	0	0%
<b>Total Respondents</b>	71	100%

The data in table 4.4 illustrates the responds by dependents of respondents. Look at the table, the number of respondents don't have any dependents were 24 or 33.8%. And it is clear that 35.21% of respondents have 1 dependent and was the highest percentage comparing with other categories. In contrast, respondents have 4 or more dependents achieving lowest percentage were 0%. The number of respondents have 2 dependents were 23.95%. And finally, only 7.04% of respondents have 3 dependents. It can be said that majority of respondents were who don't have any dependents and who have 1 dependent.

### 1.5 Education of respondents

The information about education qualification is very important because public servants have different views basing on different education qualification and their positions therefore this information would help to get the correct answer of participants responding not only to the question of relationship between the performance and salary, but also to question of their salary satisfaction comparing with their education as well as the reason to working for their current public organizations.

**TABLE 4.5 Responses by level of education of respondents**

<b>Educational Qualification</b>	<b>Number</b>	<b>Percentage(s)</b>
<b>Under bachelor's Degree</b>	2	2.82%
<b>Bachelor's Degree</b>	39	54.93%
<b>Master's Degree</b>	25	35.21%
<b>Doctorate's Degree</b>	5	7.04%
<b>Total</b>	71	100%

The figure in table 4.5 reflects the number of responses by educational qualification of respondents. Analyzing the figure in the table 4.5, the number of servants hold Bachelor's Degrees is 39 or 54.93%; following by the number of servants hold Master's Degrees is 25 or 35.21%; while the number of servants hold Doctorate's Degree are 5 or 7.04%; and finally the number of servants hold Under Bachelor's Degrees is lowest by 2

or 2.82% comparing with other categories. It can therefore be said that, educational status of respondents were diverse and had a representation in each category however majority fell between Bachelor and Master's degree.

## 1.6 Grade of respondents

**Table 4.6 Responses by Grade/Rank**

<b>Grade/Rank</b>	<b>Number</b>	<b>Percentage(s) %</b>
<b>Junior Staff</b>	29	40.85%
<b>Senior Staff</b>	37	52.11%
<b>Management Level staff</b>	5	7.04%
<b>Total Respondents</b>	71	100%

The data in table 4.6 shows the number of responses by grades/ ranks of respondents. This study found out that there are 40.85% of the respondents falling within Junior Staff grade; while nearly 52.11% of the respondents are Senior Staff grade; and finally the remaining 7.04% of the respondents are within the management level. It is can be said that the major respondents are Senior Staff however the difference between the numbers of Senior Staff and Junior Staff is not great. This data is an indication that each level of grade was fairly represented in the research.

## 1.7 Years employed into the Civil Service of respondents

**TABLE 4.7 Responses by years employed into the Civil Service**

<b>No. of Years</b>	<b>Number</b>	<b>Percentage(s)%</b>
<b>1-5y rs</b>	27	38.03%
<b>6-10yrs</b>	25	35.21%
<b>11-15yrs</b>	9	12.68%
<b>16-20yrs</b>	7	9.86%
<b>21-25yrs</b>	3	4.22%
<b>Over 25yrs</b>	0	0%
<b>Total Respondents</b>	71	100%

The data in table 4.7 finally reflects responses by number of working years in the Civil Service. It can be seen that 38.03% of the respondents have been employed in the Civil Service for five years or less and achieving highest percentage comparing with other categories; following by 35.21% of the respondents have been employed in the Civil Service for between 6 and 10 years; Whereas 12.68% of the respondents have been employed in the Civil Service for between 11 and 15 years; and 9.86% of the respondents have been employed in the Civil Service for between 16 and 20 years; and only 4.22% of the respondents have been employed in the Civil Service for between 21 and 25 years. And finally, 0 % of the respondents have been employed in the Civil Service for more than 25 years. The study learns that all of public servants currently in this research have few years of working experience raking from 1 to 25 years working experience in public service sectors. It means that their answers could be helpful for this thesis due to

them were affected by Public servant salary reforms for the period of 2001 – 2010.

### **1.8 The awareness of civil servants salary reforms of respondents**

On the other question, the research intended to examine the perception of public servants on the awareness of civil servants salary reforms during the period of 2001 – 2010. This is an important indication of the research because respondent need to have knowledge about the public servants salary reforms for the period 2001 – 2010 in order to give the correct answers to the questions and also to suggest to improving the public servant salary reform programs. Analyzing the data of table 4.8, it is evident that all respondents know the civil servants salary reforms for the period of 2001 and 2010. There are about 49.2% of respondents answered “know very well” to the question: “Do you aware of civil servant salary reforms” and achieving highest percentage comparing with other categories; following by 38% of respondents have answer “ know well” and only 12.68% of respondents have answer “know a little”. And finally, there isn’t any respondents having answer “Not at all”.

**TABLE 4.8: Responses by the awareness of civil servants salary reforms during the period of 2001 – 2010**

<b>Awareness</b>	<b>Number</b>	<b>Percentage(s)%</b>
<b>Very well</b>	35	49.2%
<b>Well</b>	27	38%
<b>A little</b>	9	12.68%

<b>Not at all</b>	0	0%
<b>Total Respondents</b>	71	100%

## 2. Evaluation

Vietnam civil servants salary reforms during the period of 2001 and 2010 focused on several targets such as to *determine and implement a reasonable salary scale*; to *improve public servant compensation*; to *reduce corruption*, to *improve the effectiveness of civil servant performance*; to *attract a talent labor force*. In this part, Vietnam civil servants reforms during the period of 2001 and 2010 will be evaluated basing on the both primarily of interviews with Vietnamese officials, former and current civil service employees and secondary sources of quantitative data.

### 2.1 Positive results

Since the public servant salary reform for the period 2001 - 2010 has been carried out, the Vietnamese government has made a significant effort to achieve the objectives of the reform.

According to the thesis qualitative survey about the positive effects which the public servant salary reform program for the period 2001 – 2010 created on the nation, it can be seen that around 46.47% of respondents had ideas that the reform program has been improved public servants compensation whereas 29.58% of respondents answered “Determine and implement a reasonable salary scale”; following by 15.5% and 7.04% of respondents answered: “Reduce corruption” and “Improve the effectiveness



of civil servant performance”; and finally, only 1.4% of respondents answered “Attract a talent labor force” to this question.

**TABLE 4.9: Responses by positive results of public servant salary reform for the period of 2001 – 2010**

<b>Positive results</b>	<b>Number</b>	<b>Percentage(s)%</b>
Determine and implement a reasonable salary scale	21	29.58
Improve public servant compensation	33	46.48
Reduce corruption	11	15.5
Attract a talent labor force	1	1.4
Improve the effectiveness of civil servant performance	5	7.04
<b>Total Respondents</b>	71	100%

In the fact, there is a slight improvement of the salary system by adjusting the salary multipliers and coefficients in the salary scales such as reducing the number of steps in salary schemes, and increasing the ratio between the minimal, finally the average and the maximal salary level which has been increased to 1.0 – 2.34 – 10, and it was: 1.0 – 1.78 – 8.50. Moreover, it also distinguished administrative civil servants’ salary schemes from the public servants working in service delivery units for establishing different policies for each one.

Beside, the public servant salary reform also introduced the fully monetizing salaries and adjusting salary scales in accordance with salary allowance in civil service.

In addition, the extremely significant minimum salary increases signify a strong effort by Government in trying to move closer to the goal that salary be the major income source of public servants and driving force for the civil service system although the nation budget was limited. And the adjustment of minimum salary did not create a great change in the public servant compensation however it shown the effort of Vietnam government. It can be seen that since 2001, the Vietnam Government has increased the monthly minimum salary of civil servants several times. In particularly, the minimum salary of public servant amount has been hiked from VND 180,000 to VND 210,000 in 2001, and raised from VND 210,000 (about US\$10) to VND 290,000 (about US\$14) in 2003 or increased of 38.1 percent. In addition, in October 2004, it had been further hiked to VND 380,000 (about US\$18) and 20.7 percent in October 2005. Moreover, in October 2006, minimum salary was further increased by 28.6 percent and 20 percent in January 2008 to VND 540,000 (about US\$26), and going to increase to VND 650,000 (about US \$ 31) in May 2009.

Furthermore, the managers in public sector have been given much greater in terms of financial and personnel management right after the government introduced separate measures to administrative agencies and to revenue-raising or public service delivery units. As a result, in the end of 2004, around 5,900 (or 43%) of public service delivery agencies had applied

the Decree 10 mechanism. MoHA reported that average public servant income had been raised by 50-60%. As of end 2005, 840 (or 32%) administrative agencies at central and provincial/district levels had adopted the Decision 192 mechanism leading to the reductions of almost 8% of public servant; therefore the public servant salary funds was saved of about 20-30%, and salary extras averaged VND 130,000 per month (around 5-15 % of salary) was gained.

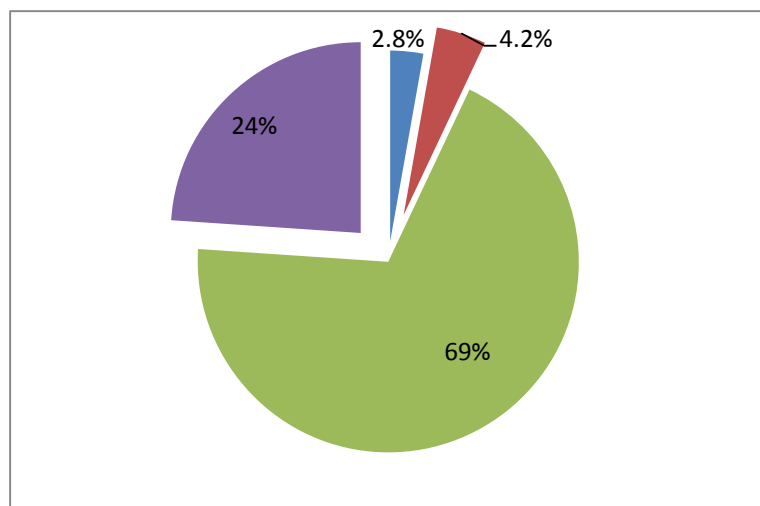
Finally, this kind of managerial devolution has potential attractions that a stronger set of interdependencies would be produced as a consequence between local managers and the central managerial and political bureaucracy. The motivation and rewards for managers are now stepped up to take a more ‘managerialist’ position vis-à-vis staffs in case of downsizing and efficiency gains, as well as developing civil servants’ performance and increasing their salary and supplements.

## **2.2 Negative results**

Beside some achievements in improving salary structure as well as creating mechanisms to support public servant salary reform and so on, the public servant salary reform for the period 2001 - 2010 is still very far from successful in achieving its objectives. It has been always remaining as a “hot topic” in political and public agenda which has been a major concern not only for policy makers, policy implementations, civil servants but also the whole society.

According to the thesis qualitative survey, it is clear that almost 69% of respondent answered “Not good” to the question: “*What do you think about public servant salary reform for the period 2001 – 2010?*” and achieved highest percentage comparing with other categories. Following by about 23% of respondents didn’t have their own opinion about the public servant salary reform. Whereas only 2.8% of respondents had the answer of very good and 4.2% of had answer of good to this question. Therefore, it can be said that the public servant salary reform for the period of 2001 – 2010 still has some limits.

**GRAPH 4.1 “What do you think about public servant salary reform for the period 2001 – 2010?”**



In addition, another result of the qualitative thesis survey also showed the negative opinion of respondents about public servant salary reform for the period of 2001 – 2010.

**TABLE 4.10: Should we maintain civil service salary reform system  
of the period of 2001 - 2010?**

<b>Answer</b>	<b>Number</b>	<b>Percentage(s)%</b>
Strong agree	2	2.82
Agree	5	7.04
Agree but adjust a little	17	23.94
Disagree	47	66.2
<b>Total Respondents</b>	71	100%

Analyzing the data of table 4.10 relating to the question: “Should we maintain civil service salary reform system of the period of 2001 - 2010?”, it can be said that around 66.2% of respondents have the answer of disagree to maintain the reform and achieving the highest percentage comparing with other categories. While only 2.82% and 7.04% of respondents answered “Strong Agree” and “Agree”. And finally, the remaining respondents have answer of “Agree but adjust a little”.

In conclusion, basing on the thesis qualitative survey and the secondary qualitative data, it can be said that public servants salary reforms also have some other unintended consequences:

### **2.2.1 Wage adjustments lagged behind the cost of living.**

During the period of 2001 – 2010, the monthly minimum salary of civil servants was adjusted several times in order to adapt to the increase of cost of living; to provide the public servant with higher purchasing power

and basing on a study of Vietnam Labor Union found that properly sustainable diet – which is defined as a diet of about 2,300 calories a day – cost approximately US\$42. As a result, Vietnam's average public servant minimum salary rates have risen by a fairly sizeable amount over the past years. The first time of adjustment was in 2001, the second time was in 2003; the third time was in October 2004; the fourth time was in October 2005; the fifth time was in October 2006. After that minimum salary was adjusted in January 2008 and final time was in May 2009. It can be said that the monthly minimum salary of civil servants was reviewed almost every year.

**TABLE 4.11: Minimum Wage Increases and inflation Rates (2001–2010)**

**Unit in calculation: %**

Minimum Salary			Consumer Price Index	
Year	Annual Increases %	Accumulated Increases %	Annual Increases %	Accumulated Increases %
2001	0	0	0.8	0.8
2002	0	0	4.0	4.8
2003	38	38	4.0	9
2004	0	38	9.5	18.83
2005	21	66.98	8.4	28.82
2006	29	115	6.6	37.32
2007	0	115	8.3	48.72
2008	20	154	22.97	82.88
2009	20	210	6.88	95.46

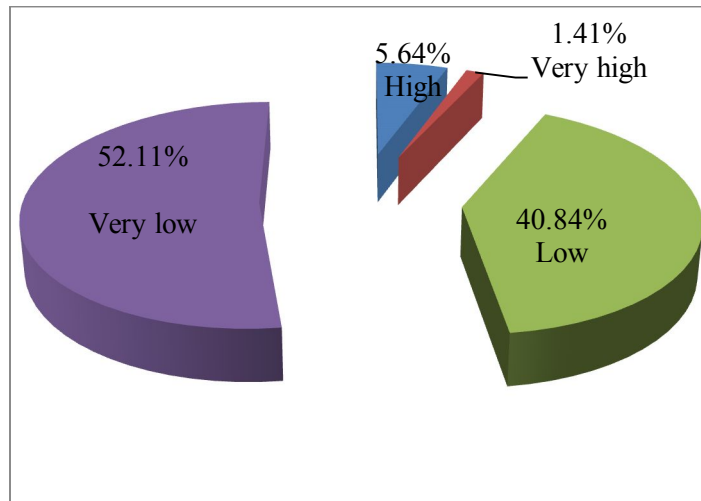
According to the 1994 Labor Code, the monthly minimum salary would be adjusted in line with movements in the Consumer Price Index, but the increases of monthly minimum salary came in periodic steps rather than incrementally.

However in the fact, in terms of increase monthly minimum salary, due to weak capacity of government management in market; the limit of salary budget and inflation rate, therefore once the salary increases, public servants are victims of raising price index as a result of the increase of price index rate is even higher than the increase rate of salary. In particularly, as other countries around the world, Vietnam was effected by global economic crisis therefore many items and services through the country have experienced price surges therefore from 2003 to May 2008 the average the price index increased to 82.88 percent whereas food price increased 113.82 percent. As a result, civil servants were paid more but their real economic situation is not good and even worse. It means that public servant minimum salary fail to meet the living cost.

Moreover, even public servants monthly minimum salary was increased almost 210% since 2001 up to 2010 however the result of research questionnaire survey relating on public servants monthly minimum salary dedicated that the monthly minimum salary is not high enough as the expectation of almost respondents. The result shown that around 52.11% of respondents had answer of too low and has achieved highest percentage comparing with other categories; following by 40.84% of respondents said that minimum salary was low. While only 5.64% of respondents said that

minimum salary was high. And finally, the remaining of respondents said that minimum salary was very high.

**GRAPE 4.2: Responds to monthly minimum salary**



### 2.2.2 Low salary

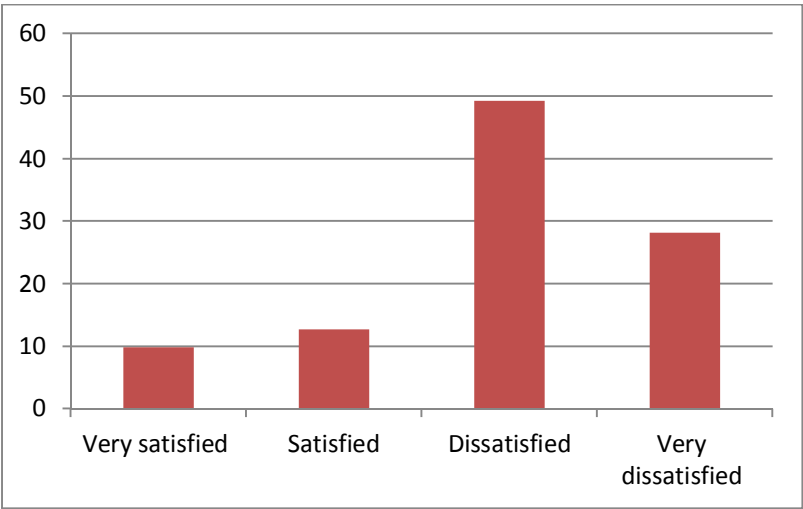
During the period of 2001 and 2010, not only public servant monthly minimum salary was increased several times but also salary ratio was reformed however salary was inadequate for civil servants as it did not ensure the average living standard for them. The gap between the official salary and real income was wider (due to price index rate increased higher than the compensation rate in the salary).

According to the result of research survey question relating to the satisfaction of public servants with their salary shown that only 9.86% of respondents have answer of “very satisfied”. Following by 12.68% of respondents are satisfied with their monthly salary. Whereas majority of



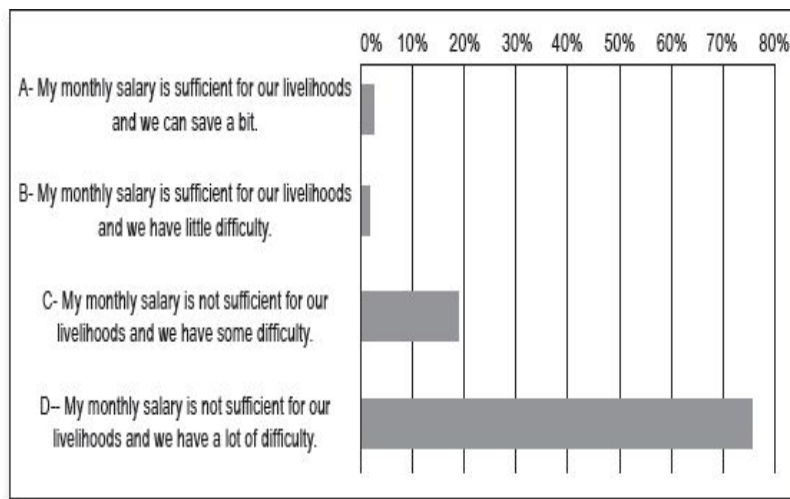
respondents (49.3%) are dissatisfied and nearly 28.1% of respondents are very dissatisfied with their monthly salary.

**GRAPE 4.3: Salary satisfaction**



In addition, according to other survey was made by an online policy forum of UNDP in Viet Nam, has attracted thousands of readers. What follows is a summary of online reader’s opinions about public sector salaries and typically perceived behaviors that public servants engage in to improve their incomes. ( Jairo Acuna Alfaro, 2012: p 13)

**GRAPE 4.4: How do you rate your monthly salary considering that you are a public servant that has worked in the civil service system for 10 years and your family has four members? (n=14,108)**

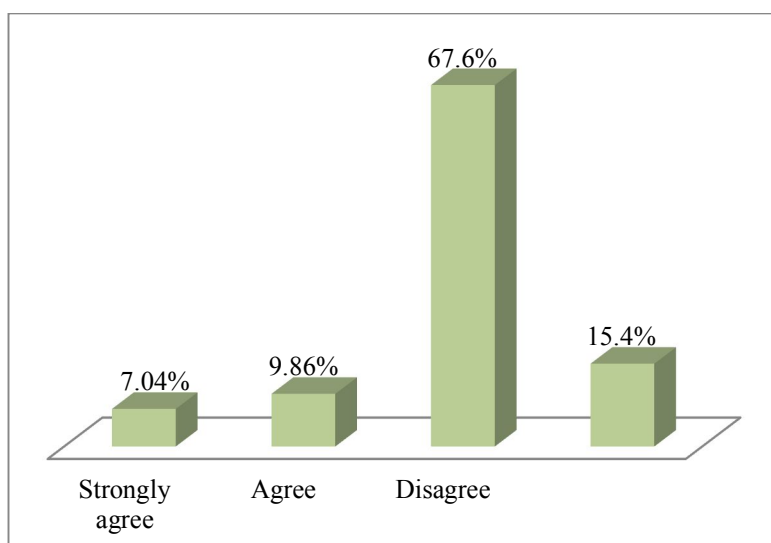


This question attracted 14,108 respondents. Analyzing the data in graph 4.4 it is clear that the majority of respondents (about 77%) believe that public servants' salaries are not sufficient to cover living expenses. Following by around 19% of respondents have opinions that public servants have some difficult and the smallest percentage of respondents (about 1%) think that they have little difficulty. This contrasts with the 3% who consider they can make savings from their salary.

It can be said that one of reasons leaded to the low salary was public servants salary system for the period of 2001 and 2010 didn't have strong relationship with performance. According to the reform public servants work at the positions, they will have same monthly salary without any performance evaluation.

The following is a summary of the respondents' answer to the research question: "Is there a current relationship between your work performance and your salary?"

**GRAPE 4.5: Is there a current relationship between your work performance and your salary?**



Based on the data of graph 4.5, it is clear that, on the average, majority of respondents (67.6%) disagree about the relationship between their salary and performance. While only 7.04% of respondents strongly agree and 9.86% agree.

It can be said that, although Vietnam government has done a lot of things to reform the salary of public servants in order to improve public servant compensation however the results are still limited.

**2.2.3. Moving from government sector to non – government sector.**

One purpose of public servants salary reforms for the period 2001 - 2010 is to attract a skilled labor force. Unfortunately due to low income and relationship between salary and performance is not strong enough during the 2003-07 periods, more than 16,000 public servants voluntarily terminated

employment with government agencies. Whereas the total figure for Ho Chi Minh City is 6,400 or 40%. In the fact within recent years, Vietnam economic developed rapidly and was one of the attractive place for foreign investors, organizations. As the result, the demand of labor force increase very quickly. Therefore the most competent public servants are leaving for private and foreign companies or organization where they are much better salary. In the past, the leaving people were often job entrants and low staff level. However, nowadays managers, even seniors managers, are the prime group who leave state agencies. Some government agencies such as the State Bank of Viet Nam, Ministry of Finance and the State Security Commission are the worst victims of the “brain drain” as the demand for skilled labor in the finance-banking area of the public sector in Viet Nam has been on the rise recently

Another report shown that in Vietnam social insurance area, during 2007 – 2011 periods, there was around 1,353 public servants quit their jobs due to the low salary.

Basing on other study relating to “public service career” which was took by the National Academy of Public Administration which surveyed a sample of 500 public servants working at the central and local levels. According to this survey, the main reasons for leaving government agencies of civil servants include ineffective remuneration and lack of incentives and opportunity for development. The most popular reasons for working as a public servant are the job itself and job security.

#### **2.2.4 Corruption and effectiveness of civil servant performance.**

In spite of improvements over the past years, corruption is still considered widespread throughout the country and Vietnam still lags behind other Asian countries in terms of control and most governance indicators. There are several reasons leading to corruption in Vietnam and one of those is low salary. According to data of the Vietnam Supreme People's Court, from 2008 to the first three months of 2010, the courts handled 690 cases at first instance, with 1,624 offenders committing crimes of corruption, in which:

- In 2008 there were 332 cases with 789 offenders;
- In 2009 there were 302 cases with 710 offenders;
- The first three months of 2010 there were 56 cases with 125 offenders.

Among the 1,624 offenders, the majority percentage of offenders (36%) were sentenced but placed on probation, following by 28% were sentenced to imprisonment for less than three years, 18% were sentenced to imprisonment for between three to seven years; 8% were sentenced to imprisonment for between seven to 15 years; and 2% were sentenced to imprisonment from between 15 to 20 years.

According to the breaking down of monetary benefits the government employees on average, salaries accounted for only 28 percent

that make up 45 percent of total monetary benefits for government workers (Mekong Economics, 2005: p.26).

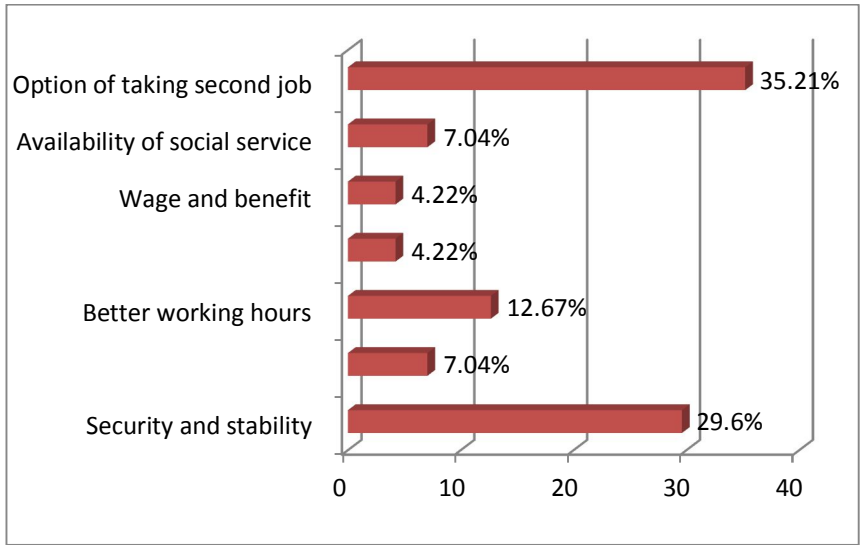
**TABLE 4.13: Structure of Total Monetary Benefits (%)**

	Government sector	Out – of government sector	Whole sample
<b>Official monetary benefits share</b>	<b>44.8</b>	<b>75.5</b>	<b>53.5</b>
Salary share	27.5	56.3	35.7
Allowance share	72.	2.1	5.8
Bonus share	53	9.0	6.4
Insurance share	47	8.1	5.6
<b>Unofficial monetary benefits share</b>	<b>55.2</b>	<b>24.5</b>	<b>46.5</b>
	14.5	7.1	12.4
Second income share (excluding consulting and family business)	1.8	0.3	1.4
Family share	17.8	11.5	16.0
Consulting income share	8.1	4.4	7.1
Business trip share	3.6	0.4	2.7
Envelope share	4.9	0.4	3.6
Pooling share	4.5	0.5	3.4
Gift share			
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Analyzing the data of table 4.9, on average, across the whole public employment sector, allowances contributed about one-third of the total salary but became a higher factor the more demanding the position. The total income of civil servants in Vietnam includes gross payment plus bonus all other “supplementary income” or employment-related income. There are some main “supplementary income” resources which public servants enjoy including receipts from organizations/agencies (service provided to other partners using the available resources, leasing space, equipment, facilities; gifts on special occasions like New Year; money for attending meetings, conferences, pay visit, etc); income from extra-job; self-employment; and proceeds of corruption as well.

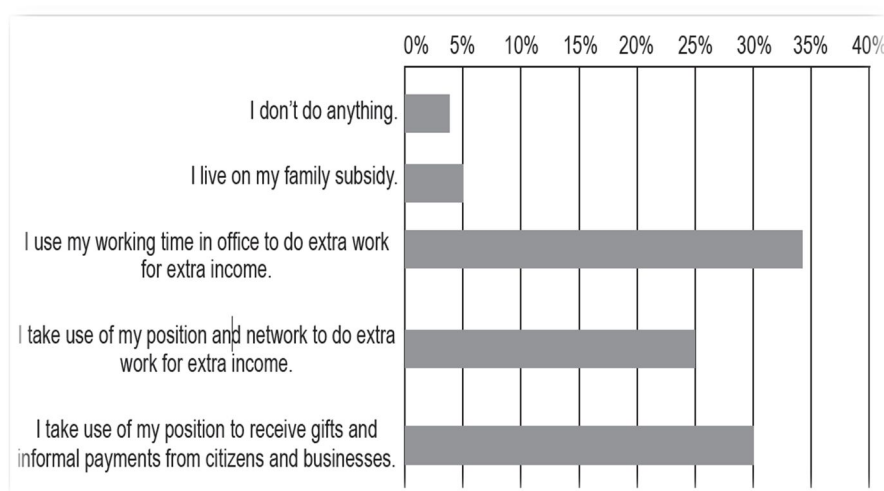
According to the thesis survey, around 35% of respondents work for public service because of chance to take second job and only 4.22% of respondents work for public service in order to get wage and benefit.

**GRAPH 4.6: What is reason you choose to work in this organization?**



In addition, another survey was made by an online policy forum of UNDP in Viet Nam, also shows that public civil servants can't live on their salary. (Jairo Acuna Alfaro, 2012- p 14)

**GRAPH 4.7: Given the civil servants' monthly salary that is viewed as insufficient for your livelihoods, what would you do to top up your limited income? (n=15,016)**



This question (see graph 4.7) had 15,106 respondents, of whom 35% suggested civil servants use their working time to do extra work for additional income, 31% that they take their positions to receive informal payments and 25% that they do extra work using their positions and networks.

Basing on the table 4.13, graph 4.6 and graph 4.7 it can be said that even through Vietnam government reformed public servants salary in order to make the effectiveness of civil servant performance but the result was not high enough as expectation. Nearly 25% of respondents in the graph 4.5 and



31% of respondents in graph 4.6 said that they take their position to do another job. Moreover, 31% of respondents in graph 4.6 used their working time in office to do extra work for extra income. It means that civil public servants don't concentrate on working at office.

In summary, it is evident from the table 4.9, graph 4.5 and graph 4.6 that Vietnam public servants salary reforms during the period 2001 – 2010 have not reached the target of reducing corruption and improving the effectiveness of civil servant performance.

### **3. Recommendation**

#### **3.1 Downsizing:**

The salaries expenditure for the whole public administration system in Vietnam (all cash payments, but not in kind payments and excluding pensions), was an approximated 3.8 percent of GDP, making up to an overall financial deficit of 5 per cent of GDP ^)

Staff downsizing has been initiated in accordance with salary reform which can be seen as a part of a larger attempt to reform civil service. The government's Resolution 16, dated October 8, 2000 that spelled out the scope, objectives, and key measures for implementation of payroll reduction in administrative units. The aim of the program was to decrease 15 percent of the direct payroll in administrative civil service that included about 300,000 staffs. By the year 2004 the number of employees had been reduced to only 25,000. The downsizing program could be seen as a failure program. In 2003 the Government established Resolution No. 09/2003/NQ-CP on

Rightsizing of Administrative and Public Service Delivery Agencies (19 June 2003) to block grants for administrative agencies which also helped increase civil servants' salaries. Through this mechanism, the number of employees in both administrative agencies and public service delivery units was reduced by 50,378 within 2003 and 2005.

Therefore, in order to increase salary of civil servants, government needs to have a strong downsizing plan.

### **3.2 Pay based- performance**

Basing on the result of thesis surveys, the survey was made online policy forum of UNDP in Viet Nam and other secondary qualitative data, thousand of civil servants works for government because they don't know where else they can work or just to fulfill their family expectation. Therefore, it needs to implement performance- related base and job-specific salary. In order to do so, it is essential to establish criteria for positions, job standards, and job requirements. Salary raises and promotion will be rested on efficiency and effectiveness of output. The seniority can be excluded in those criteria.

However, in order to do so, it is essential to establish criteria for positions, job standards, and job requirements. Salary raises and promotion will be rested on efficiency and effectiveness of output. The seniority can be excluded in those criteria.

### **3.3 Competitive salary**

Salary in civil service should be able to attract and retain talented employees so that it has to meet the severe competition with the private sector and in the whole society. Therefore, the government has to make regular adjustment and reviews of its salary policies that based on the studies on salaries in the private sector. Simultaneously, improve transparency, openness and publicly non-salary perquisites and benefits as well as establish clear conditions for eligibility to such perquisites and benefits.

### **3.4 Salary structure reform**

The structure of the salary system needs to be a flexible designed to provide favored treatment based on individual occupational groups and service in different periods of development and it must be easy to implement. It is very important to introduce workable criteria for the range of positions, occupational groups and service schedules.

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## APPENDICES

### Research Questioners

#### RESPONDENT CONSENT

*Dear Sir/ Madam*

I am a Master of Public Administration student of the Graduate School of Public Administration of the above-mentioned University conducting a research on “Evaluation of Vietnam public servant salary reform for the period 2001 - 2010”. Responses will be treated with utmost confidentiality and used for academic purposes only. You do not need to indicate your name or any form of identity on this questionnaire. Please feel free in responding to the questions and should you need findings of this research do not hesitate to send a request to: [Vutam278@gmail.com](mailto:Vutam278@gmail.com).

#### Data Quality Assurance Information

	Enumerator	Supervisor	Data Entry Clerk
Name			
Date (DD-MM-YYYY)			

#### Instructions to Enumerators:



The questions in this survey are for the **public servants**. Choose 71 public servants randomly from different offices. This information is confidential and will not be shared with anyone.

SECTION ONE: RESPONDENTS CHARACTERS	
1	What is your sex?  <input type="checkbox"/> Male  <input type="checkbox"/> Female
2	What is your age? (                      ) years
3	What is your marital status?  <input type="checkbox"/> Single <input type="checkbox"/> Married  <input type="checkbox"/> Other
4	How many dependents do you have?  <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3  <input type="checkbox"/> 4 or more
5	What is your education?  <input type="checkbox"/> High school graduate  <input type="checkbox"/> Bachelor's Degree  <input type="checkbox"/> Master's Degree <input type="checkbox"/> Doctorate' Degree



	<input type="checkbox"/> Improve public servant compensation  <input type="checkbox"/> Reduce corruption  <input type="checkbox"/> Attract a talent labor force  <input type="checkbox"/> Improve the effectiveness of civil servant performance
--	--

<b>SECTION 3: EFFECTS OF PUBLIC SERVANT SALARY REFORM FOR THE PERIOD 2001 - 2010</b>	
1	<p>Do you know the program of public service salary reform for the period 2001 – 2010?</p> <p> <input type="checkbox"/> Very well   <input type="checkbox"/> Well   <input type="checkbox"/> A little   <input type="checkbox"/> Not at all </p>
2	<p>What were the motivations of public service salary reform for the period 2001 – 2010?</p> <p> <input type="checkbox"/> Determine and implement a reasonable salary scale.   <input type="checkbox"/> Improve public servant compensation   <input type="checkbox"/> Reduce corruption   <input type="checkbox"/> Attract a talent labor force   <input type="checkbox"/> Improve the effectiveness of civil servant </p>

	performance
3	<p>What do you think about public servant salary reform for the period 2001 – 2010?</p> <p> <input type="checkbox"/> Very good  <input type="checkbox"/> Good  <input type="checkbox"/> Not good  <input type="checkbox"/> Neither not good nor bad </p>
4	<p>If you responded to above question negatively, please write your suggestions (if you have) to improve the salary reform?</p>
5	<p>What kinds of effect (positive) did this reform program create on the nation?</p> <p> <input type="checkbox"/> Determine and implement a reasonable salary scale  <input type="checkbox"/> Improve public servant compensation  <input type="checkbox"/> Reduce corruption  <input type="checkbox"/> Attract a talent labor force  <input type="checkbox"/> Improve the effectiveness of civil servant performance </p>
6	<p>What do you think about current minimum salary?</p> <p> <input type="checkbox"/> Very High  <input type="checkbox"/> High  <input type="checkbox"/> Low  <input type="checkbox"/> Very low </p>
7	<p>How satisfied are you with your salary?</p>

	<input type="checkbox"/> Very satisfied <input type="checkbox"/> Satisfied <input type="checkbox"/> Dissatisfied  <input type="checkbox"/> Very dissatisfied
8	If you responded to above question negatively, please write reasons for that.
9	<p>Is there a current relationship between your work performance and your income?</p> <input type="checkbox"/> Strongly agree <input type="checkbox"/> Agree <input type="checkbox"/> Disagree <input type="checkbox"/> Neither agree or disagree
10	<p>Should we maintain the current civil service salary system?</p> <input type="checkbox"/> Strong agree <input type="checkbox"/> Agree <input type="checkbox"/> Agree but adjust a little <input type="checkbox"/> Disagree

# 베트남의 공무원 임금개혁에 대한 평가(2001-2010 년)

Vu Thi Tam

행정대학원 행정학 전공

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본 연구의 목적은 2001 년부터 2010 년까지 기간 동안 베트남의 공무원 임금개혁을 평가하는 것이다. 이 평가결과와 제도 현황을 통해서 본 연구는 전반적인 공무원 임금체계를 개혁할 수 있는 대안을 제시하고자 한다.

이러한 연구목적을 달성하기 위해서 설문조사 문항을 설계하였다. 서로 다른 조직으로부터 공무원들의 응답을 받아 총 71 명의 응답자를 표본으로 하였다. 무작위 표본추출을 통해 표본을 선정했으며 자료는 사전에 준비한 질문지와 개별적인 인터뷰를 통해서 수집하였다.

또한 2 차적인 양적데이터 자료들도 활용하였다. 베트남 정부의 문서와 자료, 국제기구와 개발원조기관들의 자료도 활용하였다. 이렇게 확보된 자료는 SPSS 를 통해 분석하였다.

본 연구에 따르면 2001-2010 년 베트남의 공무원 임금개혁은 긍정적인 것으로 나타났다. 베트남 정부의 지속적인 노력에 힘입어 공무원들의 임금이 상승되었으며 실질 임금과 생활에 필요한 비용들의 차이 역시 줄어든 것으로 밝혀졌다.

그러나 공무원 임금개혁은 많은 도전과제에 직면해 있다. 베트남의 정부 규모가 실제 수행하는 기능에 비해 너무 크다. 공무원 임금이 낮은 것은 바로 공무원이 많기 때문에 초래되는 것이다. 또한 더욱 중요한 것은 공무원의 최저임금 수준을 조정했음에도 불구하고 효과성이 현저히 떨어진다는 것이다. 2001 년부터 2010 년까지 공무원들의 임금은 여러 차례 조정되었다. 그러나 임금 상승과 업무 성과에 강한 상관관계가 없다는 결과가 나타났다. 임금 상승에도 불구하고 부패 역시 여전히 높은 수준이다.

따라서 정책대안으로서 베트남 정부는 정부 규모를 축소해야 하고, 성과에 기반한 임금지급체계를 갖출 것을 제안하였다.

주요어: 공무원 임금개혁, 성과기반 임금, 베트남

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