

**Implementation of Civil Service  
Legislation in Vietnam:**  
Strengthening Elements of a Position-Based System

Saskia P. Bruynooghe  
Trina Q. Firmalo  
Ann E. Futrell  
Jonathon A. Kent  
Rohan Mukherjee  
Isy Faingold Vigil

Princeton University  
New Jersey, USA

January 2009

## ACRONYMS

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
CS	Civil Service
CSR	Civil Service Reform
DP	Development Partners
EIU	Economic Intelligence Unit
EU	European Union
GoV	Government of Vietnam
IMF	International Monetary Fund
LGU	Local Government Unit
MTRC	Mass Transit Railway Corporation
MP	Member of Parliament
MOHA	Ministry of Home Affairs
MOFA	Ministry of Foreign Affairs
MOLISA	Ministry of Labor, Invalids, and Social Affairs
NA	National Assembly
NAPA	National Academy of Public Administration
NGO	Non-Governmental Organization
NPM	New Public Management
OECD	Organisation for Economic Cooperation and Development
PAR	Public Administration Reform
PM	Performance Management
UNDP	United Nations Development Programme
VCP	Vietnamese Communist Party
WB	World Bank
WTO	World Trade Organization

# TABLE OF CONTENTS

<u>ACKNOWLEDGEMENTS</u> .....	i
<u>EXECUTIVE SUMMARY</u> .....	ii
Research Problem .....	ii
Methodology .....	ii
Recruitment .....	ii
Performance Management (PM) .....	iii
Compensation/Incentives .....	iv
Conclusions .....	v
<u>INTRODUCTION</u> .....	1
Career-based vs. Position-based Systems .....	1
<u>DISCUSSION OF METHODOLOGY</u> .....	3
Qualitative data sources .....	3
Quantitative data sources .....	3
<u>RECRUITMENT</u> .....	5
Research Findings .....	7
Recommendations .....	9
Challenges .....	11
<u>PERFORMANCE MANAGEMENT</u> .....	13
Research Findings .....	14
Recommendations .....	17
Challenges .....	20
<u>COMPENSATION/INCENTIVES</u> .....	22
Research Findings .....	23
Recommendations .....	28
Challenges .....	31
<u>CONCLUSIONS</u> .....	33
<u>APPENDICES</u> .....	35
Appendix 1: Performance Measurement in the Public Sector in Southeast Asia .....	35
Appendix 2: List of Interviewees in Hanoi, Vietnam .....	37
Appendix 3: Interview Questions for Field Work .....	38
Appendix 4: Sample Salary Table .....	40
<u>REFERENCES</u> .....	43

## ACKNOWLEDGEMENTS

We are sincerely grateful to Mr. Jairo Acuna-Alfaro at the United Nations Development Programme in Vietnam for his assistance in our research and his receptiveness to our recommendations. We would also like to thank a number of individuals who contributed to this report by providing us with written material, contact information, and/or their valuable insights as recorded in our interviews. We are particularly thankful for the assistance provided us by our interpreter and translator Mrs. Thuy Do, and by Mr. Nghiem Phong Vu of the National Assembly. We are also grateful for the assistance provided by the Woodrow Wilson School alumni, faculty, and administrators, especially Melissa Lyles, whose assistance in working out travel arrangements made our fieldwork in Vietnam possible. We are also grateful to our peer review panel for their valuable feedback and comments. Lastly, we would like to offer many thanks to our workshop advisor Dr. Clay Wescott for his support, instruction, and guidance.

## EXECUTIVE SUMMARY

### ***Research Problem***

How can the Government of Vietnam (GoV) and other interested parties strengthen the position-based elements of Vietnam's largely career-based civil service (CS)? A career-based system is a closed system, where senior and mid-level positions are filled by promoting lower-ranked civil servants. A position-based system, on the other hand, is one in which the best-suited candidate is chosen for a specific position based on the candidate's experience and training relevant to the position's responsibilities. The Vietnamese system currently embodies elements of a mainly career-based system. This study explores avenues for strengthening the elements of a position-based system within the Vietnamese CS.

### ***Methodology***

Field work for this study consisted primarily of interviews with Vietnamese officials, representatives of donor agencies, former and current CS employees, members of civil society, Vietnamese scholars and other public and private sector employees with specific expertise in the field of civil service reform (CSR). Secondary sources of quantitative data were also used, including documents and data shared by the Vietnamese government, international organizations and development partners (DPs).

### ***Recruitment***

#### *Research Findings*

- Recruitment in the Vietnamese CS is predominantly career-based.
- There is a lack of transparency in recruitment procedures, and a lack of proper training of interviewers.
- Higher-level positions are filled almost exclusively from within the CS. Selection criteria at these levels are largely political.
- Rapid economic growth and market reforms have contributed to a “brain-drain” from the CS to the private sector.

#### *Recommendations*

- Attract high quality candidates
  - Develop programs that reinforce the perception of the CS as an elite work force.
  - Improve outreach using multiple channels of information such as mobile phones, radio, newspapers, the Internet, and additional media.
- Increase transparency
  - All recruitment information should be open to the public, in particular the criteria for evaluating candidates and the results of the process.
  - Improve the quality of the interviewing process.
- Carry out job analyses and create job descriptions
  - Develop job descriptions in a bottom-up and descriptive, rather than normative, manner.

- Improve training and retraining methods
  - These improve retention by increasing employee motivation and job satisfaction, and creating a positive work environment.
- Continue experimenting with lateral recruitment at senior and middle levels.

#### *Challenges*

- Human resource constraints
- Competition for talent with private sector
- Bureaucratic retrenchment and political resistance

### ***Performance Management (PM)***

#### *Research Findings*

- Three-tiered assessments of all civil servants are conducted regularly.
  - Self-assessment
  - Peer review
  - Evaluation by immediate superior
- Self-evaluations risk leading to an inaccurate representation of actual job content and individual achievements.
- Peer reviews do not function well in an administrative culture that values consensus more highly than voice.
- Formal appraisal criteria focus on character traits and compliance with general principles rather than job-specific targets.
- The need to avoid failing to comply with one's duties is emphasized rather than achieving or exceeding individual targets that are clearly linked to the broader goals of the work unit or agency.

#### *Recommendations*

- Delegate more performance management responsibility to the level of the agencies.
- Strengthen the link between employees and specific positions by using job descriptions as a baseline for PM.
- Strengthen communication and accountability between employees and their immediate superiors at all levels of the organization by means of participatory negotiated 'development contracts.'
- Strengthen the links between individual, group and organizational performance.
- Transform the self-assessment and peer review mechanisms into tools to monitor individual and group performance.
- Streamline responses to poor performance.
- Complement inspectorate visits with mechanisms that provide more positive incentives for good performance.

#### *Challenges*

- Developing relevant measures of organizational, group and individual performance that are meaningful, flexible and inexpensive.
- Possibility of goal displacement and use of gaming strategies that undermine agency objectives.
- The speed at which PM is expected to change behavior and culture is often overestimated.

- Designing tools and procedures that are appropriate and realistic in the context of the Vietnamese bureaucratic culture.

## ***Compensation/Incentives***

### *Research Findings*

- The salary scale for civil servants is such that a civil servant will receive a salary equivalent to the minimum wage for an ordinary worker/laborer, multiplied by a coefficient corresponding to his or her job categorization and scale.
- Mechanisms for promotion or performance-based pay increases are generally not transparent and not standardized.
- The current salary system emphasizes equality of income, at the expense of salary differentiation between grades.
- Gaps in living standards and expenditures between the public and private sectors are much narrower than gaps in earnings, with the following observations:
  - Living standards and expenditures in the private and public sector are comparable.
  - Many civil servants supplement their public sector income with other sources of income.

### *Recommendations*

- Conduct a study on possible wage scale decompression via coefficient adjustment to provide more incentives to stay in the CS and to work towards promotion.
- Continue efforts towards a sustainable and practicable increase in wages that is sufficient to meet the cost of living, balanced with other measures such as fully implementing rightsizing initiatives.
- Enhance the quality of the work environment.
- Establish mentoring programs to facilitate adjustment for new employees and build an *esprit de corps*.
- Promote public service motivation by emphasizing honor, prestige and other non-financial incentives.
- Establish group incentives tied to individual performance.

### *Challenges*

- Escalating share of the government wage bill in total government expenditure.
- Spillover effects of large increases in public sector wages on private sector wages contribute to a steady rise in inflation.
- Wage decompression is difficult in a society based firmly on egalitarian principles.
- Significant opposition to rightsizing is to be expected from civil servants and cadres.
- Opposition from vested interests who may have benefited from unorthodox methods of obtaining extra income in the past.
- The misperception of the wage gap between the private and public.
- Sorting out the legitimate sources of revenue for government agencies in the process of implementing structured compensation/incentive mechanisms.

## ***Conclusions***

Numerous steps can be taken to strengthen the Vietnamese CS, particularly in the areas of recruitment, performance management, and compensation. The importance of civil service reform in Vietnam cannot be understated. Not only is it an end desirable in itself, it also has positive externalities with regard to other objectives of the GoV, particularly the fight against corruption, economic reform, and increased citizen satisfaction. The above recommendations aim to support the reform program of the GoV by strengthening the position-based orientation of the Vietnamese CS, thus facilitating the transition to more efficient and effective public sector organizations.

## INTRODUCTION

The objective of this study is to provide analysis and recommendations on the strengthening of position-based elements in Vietnam's mainly career-based CS. This is a key objective identified in the Law on Public Officials and Civil Servants recently approved on November 13, 2008 by the National Assembly (NA) of Vietnam. The new law is the latest step in Vietnam's broader effort to reform its public administration, which has been an integral part of the policy of *Doi Moi*, a "policy of renovation" started in 1986 with the aim of transitioning from a centrally planned to a socialist-oriented market economy (Ives, 2000). Strengthening elements of a position-based system continues these reforms and is likely to help strengthen the merit principle in Vietnam's CS. It is important at the very outset, however, to frame the debate between career-based and position-based systems in order to determine their respective orientations and implications for Vietnam's CS.

### ***Career-based vs. Position-based Systems***

Merit-based civil services can be broken down into two types: career-based and position-based. Both systems have advantages and disadvantages that stem primarily from the different recruitment procedures, performance management systems, and incentives each system uses. The World Bank (2008) describes the career-based system as a closed system, where senior and mid-level positions are filled by promoting lower-ranked civil servants. A position-based system, on the other hand, is one in which the best-suited candidate is chosen based on the candidate's experience and training relevant to the position's responsibilities. This is done irrespective of whether that training or experience was acquired inside or outside the CS, often leading to the recruitment of external candidates into senior and mid-level positions.

A report by Analytica (2008) on introducing career-based systems asserts that career-based CS systems (such as Vietnam's) typically centralize recruitment for positions throughout the government in one agency. They use explicit and formal criteria, such as requiring applicants to pass an entrance exam. Successful applicants join as entry-level civil servants in virtually any department or agency. In the purely career-based system, prior work experience acquired outside the public sector does not receive consideration when determining what position the new recruit will occupy.

Position-based systems, on the other hand, ideally look to fill positions with the most qualified candidate without regard to whether the applicant has worked in other public sector positions. A report by the Organisation for Economic Cooperation and Development (OECD) on reforming senior civil service systems notes that in the position-based CS system, recruitment is typically decentralized, conducted by the agency offering the opening (OECD, 2003). Specialist skills are more highly valued, with relevant work experience given a high premium. External candidates are not restricted to entry-level positions but can apply for senior and mid-level positions as well. This

enhances the government's flexibility in filling CS positions by greatly increasing the size of the applicant pool. These different features of career- and position-based civil services are echoed in the OECD's, "Modernizing Government" (2005).

A presentation by the OECD and the European Union (EU) on human resource management in Western Balkans' civil services (2006) notes that an important limitation of position-based systems is that it can be hard to attract qualified applicants for specialized positions due to lack of experts in the market, low retention rates for the newcomers who may consider the CS as a training ground for other positions, and difficulty in preserving institutional memory. At the same time, extensive external recruitment can demoralize those already in the CS if the external recruits immediately move into management-level positions. One way of mitigating this may be to give preference to internal candidates in case an external and internal candidate are considered equally suitable for a given position.

Rexed (2007) analyzes the pros and cons of each system and notes that in practice, no country uses an entirely career-based or position-based CS but rather uses elements of both depending on the specific needs of the country at a given time and what is politically feasible. Civil services are therefore more appropriately conceptualized as existing on a continuum, with purely career-based or position-based systems occupying the (rarely practiced) extremes.

Countries such as France, Greece, Japan, Korea, and Spain have strong elements of career-based systems, while position-based systems have been more prevalent in countries actively engaged in CSR, such as Finland, New Zealand, Sweden, the United Kingdom, and Switzerland. Lately, the career-based systems that many countries had inherited from their former colonizers are on the decline in the developing world because such systems are now seen as less capable of delivering specialized skills and flexibility than position-based systems (OECD, 2005). Thus, while it is not desirable at this stage for Vietnam to adopt a purely position-based system, strengthening the position-based elements of its largely career-based system holds considerable potential for enhancing the positive effects of *Doi Moi* and the GoV's other reform objectives.

Although the above-mentioned literature describes the various elements of each system in great detail and suggests which system may be more appropriate in different contexts, there is little agreement on how those systems (or elements of such systems) might be effectively strengthened in order to promote efficiency and effectiveness in a CS system. The method for transitioning from one system to another has also not received much attention in the literature. This study will address such concerns and thus aims to help fill these gaps.

Strengthening elements of a position-based CS will involve exploring the possibilities of further developing existing recruitment procedures, performance management, and compensation/incentives mechanisms. It is hoped that successful reform in these areas will help to strengthen the merit principle in Vietnam's CS as well as make it more

flexible and effective in service delivery. Following an explanation of the methodology of this study, each of these areas will be discussed in further detail below.

## DISCUSSION OF METHODOLOGY

### *Qualitative data sources*

Field work for this study consisted primarily of interviews with Vietnamese officials, representatives of donor agencies, former and current CS employees, members of civil society, Vietnamese scholars and other public and private sector employees with specific expertise in the field of CSR (see Appendix 2 for the list of interviewees).

The questions in the interviews focused on both general aspects and particular aspects such as recruitment for central government, performance management, and compensation and incentives in the CS. The questions were based on a career-based vs. position-based framework (see Appendix 3 for a comprehensive set of interview questions).

In order to develop a better understanding of how the system is currently structured, questions were asked aiming to obtain a clear baseline view of the above-mentioned issues. Furthermore, there were questions inviting respondents to share their personal opinion on how the current system could be improved.

In addition, the interviews explored whether the transition to a partially position-based system was viable in terms of Vietnam's current political and economic context, as well as the level of public support such reforms would likely enjoy.

Other discussion topics included:

- The scope of proposed CSR legislation and implementation
- Priorities of GoV regarding CSR
- Cultural and historical considerations that might influence CSR implementation
- Key challenges regarding CSR implementation, especially with regard to introducing elements of a position-based CS
- Potential solutions for overcoming implementation challenges

### *Quantitative data sources*

- i. Government data and documents
- ii. HR records and documents provided by the Ministry of Home Affairs (MOHA)
- iii. Data provided by international organizations or DPs

During the visit, the team obtained data on remuneration in the public and private sector (from the WB and MOHA) in order to be able to make comparisons between civil servants and private sector workers in Vietnam, as well as between Vietnamese civil servants and those in comparator countries (such as China, Thailand, and the Philippines). The team did not find previous surveys on the attractiveness of the public sector in Vietnam and incentives for joining and remaining in the Vietnamese public sector but gathered anecdotal information on these subjects during interviews. With respect to salaries, the team also obtained information about entry-level salaries in the Vietnamese CS and salary progression over time from MOHA (see Appendix 4).

Data included both printed materials and Internet resources (IMF, UNDP, WB, ADB). The team requested official statistics on these topics from government officials, and any relevant studies and recent data from the DPs.

The researchers also analyzed the differences in wage and non-wage incentives between the public and private sectors for various positions. Comparisons were made between Vietnamese data and data available for the public sector in selected countries with similar characteristics.

The following sections review existing literature on the three principle areas of focus – recruitment, performance management, and compensation/incentives – and lay out the research findings and recommendations within each area.

## RECRUITMENT

Many scholars have written about the recruitment and selection process in CS systems from historical and comparative perspectives, including Brian Levy, Nghiem Dang, Dennis Dresang, and Salvatore Schiavo-Campo and Hazel McFerson. Levy (2007) identifies a widely held consensus that effective public administration should include a recruitment system underpinned by the principle of meritocracy. In order to attract and retain competent staff, pay and benefits must be competitive (see section on Compensation/Incentives), i.e. salary in the government must be comparable to the salary in the private sector. However, 'comparable' does not mean equal. In some cases, salaries in the government could be higher, particularly for those with technical skills that are also in high demand in the private sector. In other cases, salaries could be lower, with the stability and prestige typical of government positions compensating for lower remuneration. According to Schiavo-Campo and McFerson (2008, p. 184), "in international practice, the 'discount' on government work averages between 10 and 30 percent."

In terms of measuring competitiveness in recruitment and selection, Levy (2007) proposes three measures: the percentage of CS vacancies filled through advertised and competitive procedures, a comparison of the average wages in the public and private sectors, and the public sector's ability to attract qualified staff. To analyze this, Levy recommends observing the average number of qualified (long-listed) candidates per advertised CS opening.

Schiavo-Campo and McFerson (2008) also assert that recruitment should be based on the principles of nondiscrimination and merit. They consider that the recruitment process should follow these steps: (1) identify the post to be filled, (2) draft job descriptions and specifications (terms of reference), (3) publicize vacancies, (4) assess candidates and select the most suitable one. Some countries use examinations for civil servant recruitment, but these are unusual for recruiting more senior-level officials. Instead, senior-level officials are often recruited on the basis of years of relevant experience, interviews, references, and other qualifications. Finally, Schiavo-Campo and McFerson (2008, p. 203) recommend, "open competition based on clear criteria and transparent procedure" as the best way to recruit the best candidates.

A report from a recent workshop at Princeton University on international experiences with civil service reform (Proceedings, 2007) provides a good review of successful and unsuccessful international experiences in recruitment for the CS in developing countries. In comparing the "feeder institute" approach (e.g. France), the creation of Senior Executive Services (e.g. Argentina), and market competition for senior CS positions, the report concludes, "talent for the public service should be recruited from all sources, not just elite institutions. Insofar as possible compensation and responsibilities should be competitive with those in the private sector" (p. 74). Additionally, the report gives good examples of creative ways to attract highly qualified professionals to the CS, as Singapore has done with a scholarship program.

In the Vietnamese context, Nguyen (2008) states that in the transition from the pre-*Doi Moi* CS to a modern one, a main defect was the formalistic recruitment of public servants, which was tied to allocated staff quotas and focused heavily on diplomas and certificates—a tendency that only increased when the *Doi Moi* principles gained traction. This one-sided focus on formal certification led to a homogenization of the CS corps and poor performance. Other key criteria for selection included loyalty, ideology, and the ability to interpret the views of the leadership. Nguyen also considers the Vietnamese CS overly bureaucratic, rigid, relatively inefficient, and unresponsive to the emerging market economy.

According to the United Nations (2004), the recruitment of civil servants in Vietnam has been gradually reformed in line with procedures and routines first introduced in the CS systems of many industrialized nations. Recruitment procedures in the Vietnamese CS are now based on compulsory recruitment examinations. Most new civil servants have been recruited by the entry-examination method.

Gainsborough (2006) finds that even though CS appointments are in theory merit-based, “the majority of senior appointments are political appointments, and for lower-level appointments nepotism and the buying of positions are common” (p. 22). The “brain drain” to the private sector is making it increasingly difficult to attract the best students into the public sector and has a strong impact on the quality of the candidate pool for entry-level CS positions. One of the core elements of the ongoing Public Administration Reform (PAR) program in Vietnam is improving CS recruitment and performance through a focus on integrity, transparency, and good governance. In that sense, the GoV has started increasing civil servants’ salaries, although, according to Gainsborough, they are still low.

Despite a reasonably large body of literature on recruitment in Vietnam, certain key areas of this issue have remained under-studied. Chief among these are efforts to arrive at explanations of the causes of corruption in recruitment, as well as suggestions for how to tackle it. On the issue of the introduction of position-based elements in Vietnam’s public sector recruitment, no prior works were found. There is also a lack of research focusing on public opinion about recruitment in the public sector.

In moving to a more position-based system, the GoV will need to review its current recruitment criteria, which emphasize general qualifications and examination grades over more specialized knowledge and experience directly relevant for a given position. As in many other parts of the world, competition between the private and public sectors for human resources has intensified in recent years, with the former becoming increasingly attractive to recent graduates and young civil servants. The GoV may therefore need to consider how it can remain a competitive recruiter in an environment in which a dynamic private sector increasingly competes with the public sector for Vietnam’s top talent.

## ***Research Findings***

### *Entry-level recruitment*

Recruitment in the Vietnamese CS is predominantly career-based. At entry level, where almost all civil servants begin their careers, the recruitment process consists of a general examination as well as personal interviews. MOHA retains broad authority in this area. It determines a number of formal recruitment criteria, including age-related and educational requirements, and publishes detailed guidelines for how line ministries are to organize ministry-specific general examinations. Individual ministries may add specific requirements. The findings from the interviews suggest that in addition to these formal requirements, a number of informal criteria, including personal relationships, political affiliation, and policy preferences, play a varying role in recruitment decisions.

The nature of the Vietnamese CS system has a strong bearing on the content of its entrance examinations. These belie a relatively rigid conception of the intellectual qualities expected of a civil servant. For instance, in the Ministry of Foreign Affairs (MOFA), there are two rounds of examinations in the recruitment process for the CS. During the first round the candidate is required to submit a paper on a policy topic. The second round consists of an interview and an oral exam. To prepare for the second round, applicants are given a list of major issues that they may be asked about in the exam. This examination has been criticized as placing excessive emphasis on academic knowledge, and neglecting the practical skills essential to conducting diplomacy. Similar criticisms have been made of examinations in other agencies. Concern has also been expressed about the lack of professionalism in recruitment. Several of those interviewed stated that, in agencies that conduct interviews, interviewers are generally untrained in personnel recruitment and interviewing methods.

There appears to be a growing consensus that entrance procedures are geared to producing a highly educated but inadequately skilled CS. This in turn contributes to a consolidation of the career-based nature of the system, which tends to prize seniority and educational qualifications above professional expertise and practical skills. This is accentuated by the relatively opaque nature of the recruitment process, with the content of examinations, evaluation criteria and results not being openly communicated to the public. Given this information asymmetry, it is no surprise that good candidacy is defined mainly in academic terms, since academic qualifications provide the clearest signal of competence in a CS labor market where recruitment processes are not transparent and job descriptions poorly articulated or non-existent.

### *Recruitment into higher-level positions*

While recruitment into entry-level positions is open to everyone who meets the formal application criteria, higher-level positions are filled almost exclusively from within the CS. However, there are a few instances of external lateral recruitment in some specialized agencies, such as the Vietnamese News Agency (VNA). There have also been a handful of pilot projects in which innovative recruitment practices have been attempted. For

instance, the Ministry of Education recently experimented with opening the position of one of its Vice Ministers up to internal as well as external candidates. However, as of October 2008, the process was still ongoing, with reports that few outside applicants met the political criteria implicit in the hiring committee's evaluation. The pilot program had most recently shifted focus to recruiting more female candidates for the position. Similarly, another pilot program was recently implemented for the external recruitment of chief executive officers (CEOs) of a number of state-owned enterprises (SEOs) in Ho Chi Minh City. This process met similar obstacles and was likewise in limbo as of October 2008. Political issues aside, Vietnam's experimentations in open recruitment for senior-level positions seem to go against common practice in other countries (like the United States or China), where senior civil servants are more often politically appointed than at lower levels. Some contend, however, that in the Vietnamese context it is necessary to conduct these pilots at the senior level, as external recruitment for lower-level positions would not draw a sufficient number of qualified applicants.

Despite these challenges, the GoV continues its efforts to better articulate the merit principle in the recruitment of its civil servants, particularly through the Law on Public Officials and Civil Servants. In addition to merit, the government has tried to promote diversity in its CS, in particular with regard to gender. This has come about in large part due to measures in the labor law that promote affirmative action and address gender issues. Members of the donor community, while praising the GoV's success in its affirmative action initiatives, note that progress towards an explicit articulation of the merit principle in recruitment (and promotion) has been slow and minimal.

### *Retention*

Rapid economic growth and market reforms have contributed to a "brain-drain" from the CS to the private sector. Those leaving the public sector tend to be young (between ages 30 and 50), highly qualified, and well educated. Media reports suggest that over the last five years roughly 16,000 career civil servants have left for the private sector, including several holding high-level managerial positions (Vietnam News Agency, 2008). There is an ongoing debate over the reasons behind this brain drain. One school of thought argues that civil servant salaries are insufficient to support the standard of living expected by civil servants (further discussion is provided in the Compensation/Incentives section). Several interviewees reported that recent high inflation levels have aggravated this problem. Others argue that a more common cause of retention problems is the fact that civil servants are often discouraged by a poor working environment, feeling unable to effectively serve the public given the constraints of the Vietnamese bureaucratic culture. This leads to low job satisfaction and eventual transition to the private sector. That retention levels are not lower in the face of these challenges is due to job security and the social prestige of being a civil servant, according to many interviewees.

Table 1 shows that the number of civil servants employed in central government in Vietnam is higher than in China (often considered a comparator country) and the wage bill in Vietnam (as a percentage of GDP) is lower than that in comparator countries. This is an indication of the extent to which Vietnamese civil servants' individual wages are

depressed by the collective weight of their colleagues' wages in a system that clearly employs far more personnel than required.

**Table 1: Employment and Wages in Vietnam and other countries, early 1990s**

Country	Employment, million				Total Civilian Employment		Wages	
	Government Administration		Social Sectors				% of GDP	Multiple of PC GDP
	Central Government	Non-Central Government	Education	Health	No.	% of pop.		
Thailand	1.2	0.9	0.6	0.1	2.8	5%	5.2	4.2
China	0.1	1.6	0.9	0.2	2.8	0.20%	3.8	1.3
Philippines	1	0.4	0.7	0.1	2.1	3%	5.5	2.3
Viet Nam	0.4	1.3	1.1	0.4	3.2	4%	3	1.1
Indonesia	0.7	0.3	1	0.1	2.1	1%	3	1.6
Egypt	1.8	2.7	0.9	0.7	6.2	10%	8.4	4.7

*Sources: Schiavo-Campo and Sundaram, 2001: Appendices 1, 3.*

## ***Recommendations***

### *1. Attract high-quality candidates*

Attracting high quality candidates for CS positions is a difficult task for Vietnam as it is in several countries. We suggest two programs in particular for increasing the pool of qualified entry-level applicants. The first is development of programs by MOHA and supported by the individual government agencies that reinforce the perception of the CS as elite.<sup>1</sup> Recruiting with a focus on talented students, through competitive and prestigious scholarship programs for instance, may be one way of doing this. The second is to increase the number of qualified candidates seeking positions in the CS by improving outreach. This should involve advertising for CS vacancies using multiple channels of information such as mobile phones, radio, newspapers, Internet, and additional media as necessary.<sup>2</sup> This may make the recruitment process more accessible to the common aspirant and promote a sense of fairness at the initial stage where everyone is equally informed of opportunities in the CS.

<sup>1</sup> Although continuing with the centralization of recruitment in MOHA might lean more towards a career-based system, decentralizing recruitment would likely detract from the objective of reinforcing the perception of the CS as elite. A centralized recruitment mechanism not only creates a level playing field of sorts, it also reinforces the notion of the CS being a vertically integrated cadre of carefully recruited individuals engaged in public service.

<sup>2</sup> Mobile phones have become increasingly popular in emerging market countries (such as Indonesia) in relaying information, usually available via Internet, to the general population. See "Poorer Nations Go Online on Cellphones," *The Wall Street Journal*, December 5, 2008. Accessed at <http://online.wsj.com/article/SB122844530354182063.html?mod=djemITP> on December 5, 2008.

## *2. Increase transparency and improve the process*

Increasing transparency will improve perceptions of the CS and help to attract more qualified people to the public sector. MOHA should work to make recruitment information more available to the public, in particular the criteria for evaluating candidates and the results of the process.

To improve the overall process it is also important to improve the quality of the interviewing process. For instance, it has been suggested that interviewers are not sufficiently trained in interviewing techniques to make effective use of this tool. Greater use of more scientific and structured interviews as well as additional training in interview methodology and measuring outcomes may help in this regard.

## *3. Carry out job analyses and create job descriptions*

The lack of job descriptions in the public sector is a major obstacle to strengthening elements of a position-based system. Therefore, initiating a process of identifying individual responsibilities of each position is essential. Past efforts at creating job descriptions have taken their cue from what civil servants *should* be doing instead of what they *are* doing. As a result most descriptions end up being unrealistic and inapplicable by public sector managers who cannot hold their subordinates accountable for tasks they have traditionally not been doing. It is therefore important for job descriptions to be developed in a bottom-up, pragmatic manner so that they reflect the actual duties performed by civil servants, rather than in a top-down, normative manner. One way the government may go about this is by having the Ministry of Finance and the MOHA require agencies to provide detailed job descriptions when determining human resource requirements and budget authority before every fiscal year. Agencies applying for block grants are already responsible for identifying the number of employees they require. These agencies should be required to provide job descriptions for each of these positions as well.

## *4. Improving training and retraining methods to increase retention*

Training and retraining employees at the departmental or agency level is likely to increase their motivation to stay in the CS because most employees value the opportunity to improve their skills and knowledge throughout their careers, and the feeling that their organization is investing in their long-term development. This is key to improving job satisfaction and creating a positive working environment. It is also essential to offer regular retraining opportunities throughout a civil servant's career. In this regard, training modules should be developed in a decentralized manner by ministries or even individual departments, keeping in mind their particular needs.

## *5. Continue experimenting with lateral recruitment at senior and middle levels*

Although existing pilots seem to have yielded limited results, individual ministries should explore improved or alternative ways of experimenting with lateral recruitment at senior and middle levels. Possible strategies could involve opening up middle level positions with specific skill requirements (civil engineering, transportation systems management, financial management, etc.) to lateral recruitment, rather than broadly defined senior management positions like that of Vice Minister. Narrowly specified technical application requirements would be less amenable to ideological and political considerations, and hence likely to be more successful in attracting talented individuals from non-public sectors.

## *Challenges*

Vietnam will face many challenges in strengthening the position-based elements of its recruitment procedures. First, a lack of qualitative human resources may substantially limit one of the major advantages of a position-based CS, namely more flexibility in filling positions due to a larger applicant pool. As noted above, much of this is due to the low capacity of Vietnam's educational system. According to a policy brief by the UNDP (2008), it is "estimated that 60-70 percent of civil servants have not been trained on state management issues; 50 percent of staff in key positions at the communal level have only finished primary or secondary school; 79.2 percent of staff in key positions in communes have not received professional training in state management." This may substantially limit the pool of qualified applicants for entry- and mid-level CS positions.

Second, competition with the private sector is likely to constrain the pool of qualified applicants for CS positions and therefore further undermine one of the key advantages of the position-based CS. The ability to offer salaries far in excess of what can be justified for tax payer funded salaries is a challenge for civil services around the world and is particularly prominent in developing countries. The Vietnamese CS is no exception, facing fierce competition from the private sector (empowered by almost two decades of high economic growth) for an already limited pool of qualified applicants. As with the first constraint, this may make hiring for entry- and mid-level positions particularly challenging. It is worth noting however, that in the current global economic slowdown, stable CS employment and salaries may in the short-term appear more attractive relative to the private sector. This may be an opportunity for the CS to attract higher quality candidates to these positions than normally would be available.

Third, resistance (both bureaucratic and political) to non-career civil servants is most likely to affect hiring for senior-level positions. Those unfamiliar with the culture and structures of the bureaucracy will likely face resistance from career civil servants. Such is the case in nearly all countries that allow senior government positions to be filled by non-career civil servants. In Vietnam there is another factor that may make it challenging to build a position-based senior CS, namely the overlap of party and government at senior levels of the CS. Those in line for high-level CS positions are often prominent party members with significant political capital, this capital being a prerequisite for the senior

position. Lacking the necessary political capital, external candidates may find it very challenging to come into senior-level positions. The ability of outsiders to help positively change CS culture and go against the tendency of career-based civil services to insulate themselves, a key advantage of the position-based system, may not be as great as in other countries if party affiliation is maintained as a *de facto* recruitment or promotion criterion.

## PERFORMANCE MANAGEMENT

Modelled after private sector examples, systematic outcome measurement in government was introduced in the 1970s in a number of industrialized countries. In response to a growing dissatisfaction with public sector performance, the late 1980s and early 1990s witnessed a set of managerial reforms often termed 'New Public Management.' These reforms were largely driven by concerns that traditional models of public administration aimed only indirectly at individual and organizational performance and did not focus systematically on actual achievements. Since then, local and central governments, as well as international donor organizations, have shifted their focus more towards results. With international support developing countries are increasingly setting up their own performance management (PM) systems. Researchers such as Patria de Lancer Julnes, Joseph Wholey, Allen Schick, Geert Bouckaert, John Halligan, David Osborne and Ted Gaebler are among those who have contributed to the literature on PM in the public sector.

Performance *measurement* has been defined as "the regular and careful monitoring of program implementation and outcomes" through reliable data collection systems (de Lancer Julnes, 2008, p. xi). Performance *management* or 'managing for results' makes use of the data thus collected "to achieve and demonstrate measurable progress toward agency and program goals" (Wholey, 1999, p. 288). The main purpose of measuring performance is to improve it. All other purposes, such as enhancing accountability and communication with citizens, optimizing budget allocation decisions, and motivating personnel, are means to this end. In order to demonstrate performance, agencies often develop indicators to measure the progress of the organization and individual employees toward achieving their declared objectives.

Individual staff appraisal systems measure individual progress against agreed objectives, with the aim of monitoring and improving staff contributions to the achievement of organizational objectives. To some extent, measuring individual performance goes against the egalitarian trend pervasive in many bureaucracies, whereby individual staff assessment is viewed as intrusive and unfair. This has contributed to the widespread use of seniority systems in personnel administration, whereby all individuals in a given cohort are assumed to be equal and inherently better, based on their greater experience, than next year's cohort. With their emphasis on optimizing individual performance, managerial reforms have increased the use of lateral recruitment (rather than uniform recruitment at entry-level) and short-term appointments by contract (rather than life-long appointment), as well as contract termination in the case of unsatisfactory staff members (Hughes, 2008, p. 54).

From an initial set of radical, comprehensive reforms (such as the Financial Management Initiative launched in the U.K. in 1982), performance management in the public sector is beginning to adopt a pragmatic approach that uses what works in specific circumstances based on the need to demonstrate performance. Key situational factors and traditional

values underlying public administration need to determine the exact form PM takes in a given context.

Most of the literature on PM focuses on managerial reforms initiated in countries throughout Europe and the U.S. (see case studies in: Dresang 1984; Halachmi and Bouckaert 1996; and Bouckaert and Halligan 2008). While there has been empirical research about reforms in various countries in South East Asia, such as Cambodia, Thailand, and the Philippines (for an overview of performance management strategies in other South East Asian countries see Appendix 1), there is little to no literature on Vietnam. This study will factor in Vietnam's unique public service structure to determine appropriate ways to implement PM successfully.

In line with the GoV's intention to strengthen position-based elements in its CS, the current PM system will need to be modified to meet the requirements of Vietnam's PAR objectives. Current tools and procedures will need to be rethought to become more appropriate for effectively monitoring the performance of civil servants and better aligning individual targets and incentives with those of the organization. As stated in the PAR Master Program (Government of Vietnam, 2001), the GoV aims to build a strong, professionalized, modernized, efficient, and effective public administration system. This requires a clear and effective PM strategy that evaluates civil servants on the basis of their contribution to their organization's goals.

The Law on Public Officials and Civil Servants includes some language regarding the evaluation of individual civil servants' performance but it lacks a clear merit base and is not tailored to the specific nature and responsibilities of each position. More thought needs to be given to how the current PM system can be reformed to better meet the needs and tasks of each position. A further challenge is to ensure that this system can work successfully in the specific context of the Vietnamese CS.

## ***Research Findings***

### *Performance assessments<sup>3</sup>*

In the Vietnamese CS, three-tiered assessments of all civil servants are conducted on a regular basis.

- *Self-assessment*: The civil servant makes a personal assessment of his or her individual performance over the measurement period, in terms of goals achieved and progress made.
- *Peer review*: Self-assessments are discussed in a meeting where all colleagues are present; they review and vote on each other's performance. This peer vote is not anonymous and tends to favor consensus-based assessments.
- *Evaluation by immediate superior*: The immediate superior has the final word on the assessment of his or her subordinates. In cases where there are diverging

---

<sup>3</sup> The MOHA guidelines on performance management are described in Decree 117 (Oct 10, 2003).

opinions on an individual's assessment, the superior will make the final decision. Respondents suggested that typically consensus is sought and superiors rarely feel compelled to contradict the outcomes of the self-assessment and peer review.

The frequency of assessments is determined by each agency; typically, assessment rounds are conducted biannually or annually. Guidelines on how to conduct performance assessments are documented by MOHA and are not agency-specific. Based on the outcomes of the self-assessment and the peer review; the superior decides which rating to attribute to each subordinate. In the case of some agencies, the distribution of ratings is determined on the basis of a quota system which stipulates what proportion of employees in the agency should be given a grade A, grade B, or grade C rating (in which A is the highest and C the lowest). Lower ratings can lead to a reduction of an employee's material non-wage benefits. The provisions of Vietnam's Civil Service Ordinance of 1998 stipulate that repeated low ratings can lead to an employee's firing, though in practice this seldom occurs. The quota system, which seems to have been introduced to ensure that satisfactory ratings are not systematically given to all, has not entirely prevented all abuses of the rating system. Instances of manipulation of the quota system were reported by some of the interviewees, whereby lower ratings were assigned in consultation with employees who were already selected for promotions or were going to leave the department soon and to whom a good rating was thus of less consequence.

#### *Criteria of performance management*

The formal evaluation process, as guided by the evaluation forms used, largely focuses on general principles (e.g. compliance with rules) and character traits (e.g. diligence, speediness) rather than on carrying out specific tasks or achieving pre-established work targets. Informal considerations in an employee's assessment as reported by interviewees are seniority, political considerations, and his or her personal and professional networks. As Painter (2006, p. 329) notes, most government agencies have not developed detailed position descriptions based on job requirements on which individually tailored performance criteria could be based.

Many of the interlocutors conveyed a sense that the current PM system is not effective. First, given that employees have an incentive to represent their own achievements in a positive light, the self-evaluations do not usually reflect their work accurately and thus are not the most appropriate base for a realistic performance appraisal. Second, peer reviews do not facilitate accurate performance appraisals in an administrative culture that values consensus among colleagues more highly than "voice," i.e. the opportunity to express one's personal opinions and judgement. Third, the criteria for the appraisal of individual employees' performance and managers' accountability are not specific. Formal appraisal criteria focus on character traits and compliance with general principles rather than job-specific targets. Although generic appraisal criteria may be sufficient in a career-based system, they are not appropriate for a system where appointment decisions are made based on candidates' suitability for specific positions.

Fourth, the quota system that determines the distribution of ratings is problematic for a number of reasons. First, it is not a very appropriate tool for conducting differentiated reviews of individual performance. A very high percentage of employees tend to receive a grade A rating, with interviewees reporting that the proportion of grade A ratings is set between 80 to 95 percent. Grades B or C ratings are typically only given out in case of an outright breach of the law. A number of cases of ‘damage reduction’ were reported, whereby grade B ratings were given to staff who, for various reasons such as their transfer to another agency, did not need a positive rating and were thus (voluntarily or involuntarily) ‘scapegoated’ by means of a B or C rating in order to reduce the damage to all other employees’ assessments (and hence their long-term career prospects). Furthermore, the quota systems lacks transparency since the process of allocating ratings is decided behind closed doors, with no obligation to communicate the rationale behind rating decisions to employees.

Finally, given that negative appraisals are very rarely given, and typically only in cases of a legal infraction by an employee, the current PM system tends to emphasize the need to avoid failing to comply with one’s duties rather than aiming to achieve or exceed certain individual targets that are clearly linked to the broader goals of the work unit or agency. The allocation of uniform ratings and invariably positive reviews undermines incentives for individual employees to perform beyond satisfactory levels. The lack of opportunities to distinguish oneself likely discourages initiative and creativity, thereby contributing to a low-quality work environment and ultimately low long-term retention rates in CS agencies.

### *Promotions*

The current system of promotions is closed, i.e. typically only internal candidates are considered. Candidates for promotions need to meet a specific seniority requirement and pass a grade promotions examination. However, Painter (2006) observes that many promotions and appointments in practice breached these formal requirements.

Although an employee’s performance may be part of the informal decision-making process on promotions, the link between promotions and performance is unclear. Painter (2006, p. 330) cites the Research Institute for Asia and the Pacific’s (RIAP) assessment of the official system of advancement and promotion as “formulaic and largely detached from considerations of job fitness or performance.” Several respondents contended that performance carried more weight in lower-level promotion decisions than in higher-level ones. In higher-level promotions, the most significant criteria, as reported by interviewees, were seniority, political considerations, and personal networks. Some instances were reported in which promotion decisions were used to strengthen one’s personal and professional networks by means of the exchange of favors.

### *Compliance*

The Government Inspectorate conducts inspections with the aim of detecting cases of noncompliance and legal infractions in the CS, and initiating disciplinary action against

the employees involved. The Inspectorate's limited mandate, with the emphasis on detecting and dealing with legal offenses such as corruption is indicative of a systemic one-sided focus on employee compliance rather than their commitment to reach certain targets and positively contribute to the furtherance of the agency's goals.

Even if identified, bad performers are hard to fire, even though the 1998 Ordinance includes this option. Only a few cases were mentioned in the interviews, and a blatant legal infraction by the employee in question was always the basis. Several interviewees mentioned that immediate supervisors do not have the independent authority to fire subordinates but rely on indirect mechanisms (e.g. deterring or discouraging employees by taking away responsibilities) to incite employees to leave the agency, often by requesting a transfer.

The PM tools currently used are not designed to meet the specific needs of a position-oriented CS, do little to strengthen the merit principle in the CS and in the long run may be an obstacle to increasing its effectiveness. If elements of a position-based system are to be strengthened in the Vietnamese CS, it will become increasingly important to overhaul the current tools in order to allow for more effective PM which reflects the need to assess individual performance based on concrete, job-specific targets.

## ***Recommendations***

### *1. Delegate more performance management responsibility to the level of the agencies*

Currently, the centralized system of PM directed by MOHA guidelines has limits in terms of making PM meet the needs and exigencies of each agency. The system should be reformed so that, under MOHA guidance, each agency will be responsible for designing a PM strategy in line with its specific organizational goals and with the requirements and nature of its work. This will also help bring the current career-based PM system more in line with position-based principles.

### *2. Strengthen the link between employees and specific positions by using job descriptions as a baseline for PM*

The lack of job descriptions in the CS is a major obstacle to introducing a position-based PM system.<sup>4</sup> Every agency should describe in detail and comprehensively the responsibilities and tasks of each position in the organization. Where possible, the level of workload and responsibility should be quantified into a position-specific rating and linked to a corresponding salary level for the position. While the aim is to develop similar descriptions and ratings for similar positions across agencies, sectors, or organizations, specific criteria would need to be used as necessary. A uniform and equitable procedure for developing and approving all job descriptions should be determined.

---

<sup>4</sup> A similar argument and recommendation have also been made in the case of recruitment (see above).

Each job description should be translated in individual work plans or ‘contracts’ that will form the basis for communication between employees and their supervisors about individual performance (see below).

*3. Strengthen communication and accountability links between employees and their immediate superior at all levels of the organization by means of participatorily negotiated ‘development contracts’*

If performance assessment criteria are clear, unambiguously communicated, and jointly agreed upon, the chances of satisfactory performance may increase. It is proposed to set up a system of negotiated contracts whereby employees and their immediate superiors in a participatory manner develop and agree on a number of individual annual or biannual targets derived directly from the goals of the agency and the work unit. The content of the contract needs to be revisable and revised regularly, in order to account for the possibility that circumstances require an employee to take on unexpected duties. Where possible, indicators to measure progress towards these targets should be quantifiable and, if possible, complemented with clear qualitative indicators. The exercise of developing adequate indicators for measuring progress towards individual and organizational targets can build upon the work that UNDP Vietnam has already done in this area.

Developing such ‘contracts’ needs to be a participative, consensus-based process between the employee and his or her superior. The contract should not only define the employee’s responsibilities and duties, but also identify the employee’s needs in further developing his or her skills and knowledge. Thus, the contract should have a developmental component in which concrete opportunities for retraining are described and tailored to the needs of the employee. Such negotiated ‘development contracts’ would tie in seamlessly with the need for a flexible and realistic PM system dictated by a position-based system. They would provide a personalized tool for measuring and rewarding individual performance based on a job-specific work analysis, with goals and indicators specifically designed for each position.

Monitoring performance at regular intervals increases the chances of delivering final results. In the course of the year, immediate superiors should set up a number of meetings to discuss individual progress, and concrete measures to address delays or lags where necessary. At the end of the ‘contract period’, each employee should be evaluated on the basis of activities over the course of the contract. Thus, individual evaluations would be based on the employee’s actual achievements over the contract period, as measurable by the progress towards the pre-established targets, and his or her individual capabilities. Managers should be held accountable for employee evaluations that do not accurately reflect an employee’s performance (see recommendation 7 below).

*4. Strengthen the links between individual, group and organizational performance*

It is essential that employees at *every* level of the organization become bound by the above-mentioned contracts. Managers and heads of subunits should also negotiate an individual contract with their direct superior, up to the highest level of authority in the

organization. The contracts of managers and heads of subunits should directly reflect the biannual or annual goals of the organization or subunit and will serve as a tool to hold leadership directly accountable for each agency's or subunit's results.

The contract of the most senior manager in the agency should take the form of an annual work plan that sets the broad goals of the organization and describes realistic and detailed ways of achieving these goals. It is advisable that this agency work plan be drafted first, as it offers a comprehensive overview of the agency's key targets and activities. As such, the agency work plan provides a baseline document from which the job description of every subunit and individual employee can be logically derived. As with job descriptions discussed in the section on Recruitment, the agency work plan and consequent individual job descriptions should be based on what actually goes on rather than what should take place, in order to ensure maximum applicability to the daily workings of an agency. On the whole, this derivation exercise (from agency plan to individual plan) serves to preserve the logical links between group activities and targets.

#### *5. Transform the self-assessment and peer review mechanisms into tools to monitor individual and group performance*

In line with recommendations 3 and 4, the current system of self-assessments and peer reviews should be overhauled to become an integral part of the chain of accountability established by the work plans negotiated at each level of the organization.

It is proposed that all members of a subunit meet to draft a biannual or annual work plan for the subunit that derives its targets directly from the agency work plan and will provide the basis for individual employees' contracts. Peer review meetings are thus transformed into team meetings where such biannual or annual group plans are designed, agreed upon and progress towards these group targets is monitored and discussed inside the work unit. The existing self-assessment procedure can then become the exercise by which the employee prepares for a team meeting to discuss subunit work goals or for the one-on-one discussion of his or her individual contract with the immediate superior.

#### *6. Streamline responses to poor performance*

Regular monitoring should allow for the timely detection of unsatisfactory performance before the end of the 6- or 12-month 'contract period.' This should enable a superior to detect, report, and act upon instances of inadequate performance early. The intermediary monitoring meetings provide an opportunity to discuss ways of redressing performance inadequacies with the employee in question. It is essential that the immediate supervisor be given sufficient authority to issue formal warnings for unsatisfactory performance and, if such performance continues, to initiate a procedure that can eventually, via a clear chain of formal approval, lead to dismissal. In case of a conflict between an employee and his or her immediate superior, it would be necessary to activate secondary channels of authority between an employee and his or her superior two levels up.

### *7. Complement inspectorate visits with mechanisms that provide more positive incentives for good performance*

The current inspection visits, which are used to detect breaches of the law and cases of corruption, usefully complement the efforts of the PM process in the organization and, by bringing in a team of independent inspectors, can serve to enhance its objectivity. However, in order to ensure a culture of excellence, the outcome of inspections should be used not only to identify offenders but also to single out good performers. In addition, each organization can create a number of ways for distinguishing outstanding group and individual performance, by means of a feature article in one of the agency's internal or external communication channels (agency newspaper or internet site), an 'employee/team of the month' award, a competition for individuals or teams to submit the best proposal for improving a specific process in the agency, etc.

### ***Challenges***

Implementing a successful position-based PM system in the Vietnamese public sector is subject to a number of challenges. First, it can be challenging to develop relevant measures of organizational, group and individual performance that are meaningful, flexible, and affordable. The risk of indicator overreach, i.e. designing indicators that are too broad and go beyond the scope of one single actor, group or agency, is always present. Also, it can be challenging to balance quantitative and qualitative indicators well to accurately measure performance in the public sector. On the one hand, using quantifiable elements prevents excessive subjectivity and abuses. However, a measurement system built up exclusively with quantifiable elements is unlikely to adequately capture all key government activities, since some core tasks of government, such as policy formulation, are largely intangible in nature and may not naturally lend themselves to straight-forward quantitative measures.

Second, in terms of implementation, one must consider the risks of goal displacement and the use of gaming strategies. The possible perverse psychological effects of performance monitoring are well known,<sup>5</sup> and their occurrence in the context of the Vietnamese CS is not unimaginable. These challenges will need to be addressed appropriately. First, clear communication on the rationale, objectives, and procedures of reform will go a long way, especially if it highlights what every individual civil servant stands to gain (i.e. the opportunities for self-improvement and retraining, individual and team rewards for good performance, etc.). Specific measures can further help dilute the incentives for gaming behavior and abuse, for instance ensuring comparability of the contracts of employees in similar positions across units, optimizing the use of team planning and peer pressure, and rewarding individual and team excellence appreciably. Ultimately, the success of the

---

<sup>5</sup> Examples include the 'ratchet effect' (whereby employees restrict their performance to a level well below the production possibility frontier with the objective of setting next year's performance target to an incremental advance over what is presently achieved), 'threshold effects' (whereby targets based on average performance may incentivize top performers to reduce their performance to what the target requires), and the outright manipulation of performance reports.

reform will require striking a workable balance between reliance on key strengths of the current system, which values integrity and honor highly, and adequate monitoring to ensure that individual, team and organizational goals are aligned.

Third, it is important to bear in mind that the speed at which PM is expected to change behavior and culture is often overestimated. In reality, the introduction and comprehensive reform of PM systems tends to provoke strong initial resistance and can lead to an initial decrease in staff morale. David Osborne and Ted Gaebler (1992, p. 152) argue that “this pattern – adoption of crude performance measures, followed by protest and pressure to improve the measures, followed by the development of more sophisticated measures – is common wherever performance is measured.” It is only over time and to the extent that performance management becomes part of the institutional culture and individual public servants perceive it as an opportunity for rewarding excellence, that performance-based reforms can fully realize their institutional change potential.

A fourth challenge for implementation of a position-based PM system is designing tools and procedures that are appropriate and realistic in the context of the Vietnamese bureaucratic culture. The proposed PM system requires a fundamental shift away from the notion of a ‘humanistic bureaucracy,’ in which the civil servant is to be rated not only in his capacity as a worker (specific work-related achievements) but also as a man (the employee’s behavior and integrity, also in his/her private life). In the Vietnamese bureaucratic tradition, which grants considerable autonomy to individual agents, the viability of the administrative system has traditionally depended heavily on the integrity and values of its administrators. From this perspective, there is hardly a need for a formal compliance or evaluation system, for “true control rests in the conscience of the public official; it is up to him to decide his own attitude regarding the qualities of honor, conscientiousness, probity, devotion to the accomplishment of his daily tasks” (Dang, 1966, p. 321). Ultimately, the GoV will need to decide whether it wants to maintain this putatively self-regulating system or move to a more explicit, position-based, and task-oriented system for managing performance.

Lastly, a number of elements of Vietnam’s administrative culture may hinder the negotiation and monitoring of individual and group work plans in a participative manner. Both peers and superiors may have difficulties reporting accurately on individual performance if they value respect for authority and smooth interpersonal relationships more highly than the opportunity to express their voice, resulting in identical, satisfactory ratings for all. Participation will also fail if superiors do not have the necessary skills to guide this process aptly. Clear communication to all civil servants and adequate training for superiors at the onset of this reform will be key to facilitating its success.

## COMPENSATION/INCENTIVES

There is a consensus in the CS literature about the role compensation has in achieving public organizational effectiveness and ensuring the survival of the organization. In analyzing compensation, studies have looked at its impact with regard to recruitment, retention, motivation, and/or performance of employees. In contemporary thinking, compensation has been increasingly viewed as an intervening variable in the achievement of public purposes. There are theoretical frameworks for public sector compensation that have held sway at various points in history. Equal pay for equal work was one of the first to emerge as a proposed basis of fair compensation of public employees. Other frameworks that have been utilized include pay for knowledge, prevailing market rates or parity with other employees, merit pay or pay for performance, and comparable worth or pay for work of equal values (Siegel, 1992).

Gilbert Siegel (1992) underlines the need for consistency between compensation objectives and pay design/administration. For example, he differentiates between the objectives of membership (seniority) and performance; paying for membership will encourage long-term employment while paying for performance may lead to opposite outcomes (p. 15). At the same time, when designing compensation structures, other environmental and organizational variables also need to be taken into account, such as the status of labor markets and the economy, as well as human resource quality, attitudes, and values.

The WB and other multilateral donors have emphasized the need to look at the whole package – including allowances, benefits, and in-kind incentives - when talking about compensation and when assessing the adequacy of motivators set within a pay system. In many developing countries, a large proportion of civil servants' real earnings are not monetized and many benefits are not captured by the salary allocation in the budget (WB, 2000).

Most of the literature on compensation has been concerned about the “necessary” levels of compensation that would attract, retain, and motivate high quality civil servants (Siegel 1992; Acuna-Alfaro 2008). It is clear from the evidence that a clear structure of appropriate remuneration must be in place for the proper recruitment, retention, and motivation of civil servants. However more often than not, studies and reports have focused almost singularly on benefits/incentives. In-depth studies on how the CS system in place can impact incentive structures, and vice-versa, are lacking. To answer best the question of how to strengthen features of a position-based system, there has to be an examination of the current incentive structure within the socio-political framework in which it is found.

In terms of compensation and incentives, to successfully implement elements of a position-based system into the CS and to encourage greater efficiency in public service delivery, the GoV will need to give adequate consideration to incentives offered to civil servants. Having a proper incentive system in place would facilitate the entry and

retention of qualified and skilled personnel. These incentives may include salary raises, promotions, and other non-financial benefits. In addition to encouraging greater efficiency and better performance, reforms should also encourage initiative and creativity.

There has been some contention over whether there is a need to monetize benefits or retain in-kind incentives as part of public sector compensation. According to some advocates, such as the WB (2000a), monetization, which entails the conversion of non-financial benefits and incentives into cash payments, would engender transparency and cost-effectiveness, remove perverse incentives, and improve comparability. However, in the Vietnamese context it may be difficult to fully or accurately quantify some benefits and incentives. Also, monetization can lead to a faster devaluation of civil servants' earnings in countries where pay is not adjusted for inflation. There has been no in-depth empirical research into monetization's real effect on CS compensation, particularly in countries with relatively high inflation levels.

Another issue within the public compensation sphere is wage compression, wherein the ideal proposed in much of the recent literature is a pay grade system with substantial salary differentials between grades so as to motivate civil servants to work towards promotion and strive for a long-term career in the service. Some proponents advocate for pay increases on a percent basis, in order to maintain the original pay spread and to continue pay differentials and work incentives, especially for those serving in leadership positions and at senior management levels (McCarthy, 1969, p. 19). This section attempts to identify factors relevant to resolving each of the above issues and to offer recommendations in the Vietnamese context.

## ***Research Findings***

### *Salary scale and wage composition*

Vietnam's Civil Service Ordinance of 1993 (subsequently revised and amended in 1998 and 2003) contains detailed tables of employment categories and their ranks. Education or professional background primarily determines one's class and rank, and salary is provided on the "pay-in-person" principle according to individual qualification, rank, and length of service. A civil servant's salary is based on his/her respective job grading and a multiplier related to the current cost of living.

Based on MOHA's Decision 78 (released November 3, 2004) on the salary composition and structure of public servants and civil servants, civil servants are classified into the following 5 categories:

- Senior Civil Servant (10 scales) – including public officials
- Major Civil Servant, and equivalent (12 scales)
- Civil Servant, and equivalent (14 scales)
- Staff (10 scales)

- Ordinary Employee (17 scales)

The salary scale for civil servants is such that a civil servant will receive a salary equivalent to the minimum wage for an ordinary worker/laborer, multiplied by a coefficient corresponding to his or her job categorization and scale. There is a salary structure that regulates salary coefficients (see Appendix 4 for a sample Salary Table). Every three years, one's salary is reviewed and the civil servant receives a raise based on a higher coefficient. Entry-level wage for college graduates is calculated using a 2.34 coefficient. After three years, the coefficient is increased by 0.33 to a total of 2.67. 15 years after entry into the CS, and contingent on satisfactory performance, a college graduate can reach senior civil servant status. Taking and passing a test can allow a civil servant to jump to a higher level or scale. If a civil servant performs well, he or she can receive a salary increase one year earlier.<sup>6</sup> However, according to interviews, mechanisms for promotion or giving better pay to individuals based on their performance within the current pay structure and job classification system are generally not transparent or standardized.

There have been quantitative studies (IMF 2007, Schiavo-Campo et al 1997, WB n.d.) which have used country data and regional data to determine norms and averages, as well as to make comparisons in terms of wages, pay grades, public sector wage expenses, public sector wage expenses as percentage of GDP, and employment percentages. According to 2003 IMF data (cited by Painter, 2006), wages for civilian government in Vietnam in 1997 were 3 percent of GDP (which is low compared to the Asian average of 4.7 percent). However, despite comprising a smaller percentage of total employment in the past few years, wages and salaries for civil servants as percent of government expenditure have been rising (33 percent total recurrent expenditure in 2002, up from 21 percent in 1997 [IMF 2003, in Painter]). More recent IMF data (2006) on wages as percent of government expenditure, coupled with data on GDP, population, and MOHA data on size of civil service, show that the average wage as a multiple of per capita GDP was 4.3 in 2006, up from 2.1 in 2001, and higher than regional comparators Philippines and Indonesia.

It is also useful to look at wage ratios between the highest- and lowest-paid civil servants. In 2004, a slight decompression of the salary scale was undertaken, such that the ratio between the highest-paid and the lowest-paid civil servants increased from 8.5:1 to 10:1 (Vietnam News, July 19, 2004, in Painter 2006, p. 341). Based on the salary scale structure obtained from MOHA in October 2008, the current ratio was 6:1. However, this only reflects formal salaries and not overall income associated with CS positions. If the latter is taken into consideration, the ratio is likely to be higher.

Internationally, the compression ratio (the ratio of the midpoint of the highest salary grade to the midpoint of the lowest) varies widely, from highs of 30:1 or more, to lows of 2:1 - with an average of around 6 or 7 to 1 (Schiavo-Ocampo et al, 1997, p. 44). A 1988 report, "A Policy Framework on Cadres and Salaries," by the Administrative Reforms Committee presented data on the ratio of top to bottom salaries in six Asian nations. In

---

<sup>6</sup> Decree 204, released December 14, 2004, contains more information on salaries.

Singapore, the ratio is 62:1; in Malaysia, 25.4:1; in Pakistan, 19.4:1; in India and Bangladesh, 12:1; and in Sri Lanka, 7.5:1 (Lindauer, 1988, p. 26).

Government reports such as the 2000 report of the Vietnamese Government Steering Committee for PAR (cited in Painter, 2006) assess the current salary system as being too broad with emphasis on equality of income, with the salary differential between grades being too small. There may be an ideological component behind the compressed wage structure (i.e. relatively small differences between coefficients attributed to lower- and higher-level positions). The small differentials between position levels may be due to a socialist orientation where equality is given premium.

Since its accession to the World Trade Organization (WTO), Vietnam has adhered to the WTO guideline that public sector wages have to be pegged to the minimum wage in the market/private sector. Currently, the minimum wage in the private sector is four times that of the minimum wage in the public sector. Wage comparisons between the public and private sectors are difficult to make because until recently, Vietnam did not have a substantial private sector.

**Table 2: Minimum Wage Increases and Inflation Rates (1994-2003)**

Year	Minimum Wage			Consumer Price Index	
	Per Month (000 VND)	Annual Increases %	Accumulated Increase %	Annual Increases %	Accumulated Increase %
1994	120	.0	.0	14.2	14.2
1995	120	.0	.0	12.9	28.9
1996	120	.0	.0	4.5	34.7
1997	144	20.0	20.0	3.6	39.6
1998	144	.0	20.0	9.2	52.4
1999	180	25.0	50.0	.1	52.6
2000	210	16.7	75.0	-.6	51.7
2001	210	.0	75.0	.8	52.9
2002	210	.0	75.0	4.0	59.0
2003	290	38.1	141.7	4.0	65.4

Source: Government of Vietnam General Statistics Office (2003).

Source: Government of Vietnam General Statistics Office (2003) in “Sequencing Civil Service Pay Reforms in Vietnam: Transition or Leapfrog?”. Martin Painter, 2006.

As of October 2008, the minimum wage was VND514,000 per month (roughly US\$31 per month). According to MOHA, the minimum wage is based on the amount that ensures that a person can meet the minimum living standard. There have been several increases over the past several years in order to meet the rising living costs in many parts of Vietnam. It was learned from interviews that as of October 2008, MOHA and MOLISA had a pending proposal with the Cabinet to raise the minimum wage to 610,000VND per month. There have been substantial increases in the minimum wage since 1999. From 2003, the minimum wage was increased by 38 percent to VND290,000 a month, followed in October 2004 by a further increase of 30 percent (*Vietnam News* July 19, 2004, in Painter 2006, p. 336). Table 2 above shows that there have been

substantial increases in the minimum wage (which increases the wages of all civil service employees by virtue of the salary scale with coefficients) vis-à-vis the increases in living standards and expenditures (as represented by the Consumer Price Index). This needs to be considered in the context of perceptions that current public sector wages are still inadequate.

In fact, as Table 3 shows, while considered low, the average salary in government is still higher than the average salary out of government (these figures may exclude undocumented informal jobs). However, among professionals, the average salary in the government is lower.<sup>7</sup>

**Table 3: Pay in the Civil Service and Elsewhere (in thousands of VND per year)**

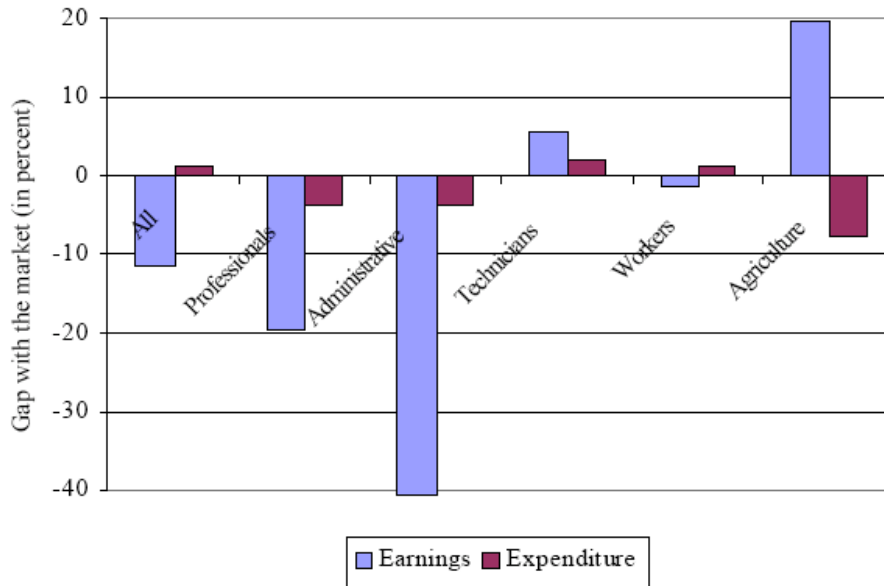
	Total Employment		Various Areas			
	In Government	Out of Government	SOEs	Private Firms	Foreign enterprises	Self-employed
All	9568	3099	10572	5143	11993	1788
Professionals	10107	13539	13737	14581	21201	4532
Administrative	5971	11515	10016	9025	13770	12088
Technicians	9574	6483	10244	6457	10099	4864
Workers	6095	2206	6915	4013	9853	1598
Agriculture	7230	3981	8173	5767	6000	3412
Employment Share (%)	5.8	94.2	4.7	22.2	0.7	66.5

Source: Vietnam Development Report 2005: Governance, Joint Donor Report to the Vietnam Consultative Group Meeting.

Gaps in pay and living standards are shown in Figure 1. Civil servants are covered by old-age pension and have more stable earnings. There are substantial differences between private and public sector employees in the professional and administrative sub-sectors. Another observation is that the gaps in living standards or expenditures are much narrower than gaps in earnings, which point to two observations for professional and administrative employees in the public sector: 1) living standards and expenditures in the private and public sector are comparable; and 2) many civil servants seem to supplement their income derived from their public sector job with other sources of income.

<sup>7</sup> Salaries and cash benefits are included in the figures. Farmers and unpaid family workers are excluded from the analysis.

**Figure 1: Gaps in Pay and Living Standards**



Source: Vietnam Development Report 2005: Governance, Joint Donor Report to the Vietnam Consultative Group Meeting. Based on data from 2002 VHLSS.

Note: Alternative pay is estimated using a standard earnings function including education, experience, gender and region of residence as explanatory variables. Alternative earnings are estimated based on the same characteristics, plus family characteristics such as its size, age composition and gender of the household head.

### *Non-wage incentives and benefits*

A salient feature of the compensation structure of the Vietnamese CS is that income is not equal to salary. Jobs in the CS have been described as low-salary, high-income positions. Civil servants usually receive benefits and incentives worth more than their salary. Allowances are attached to positions, especially those at the middle or top level. Auxiliary allowances are received when a civil servant is given an additional post or task. Allowances are also given to those working in dangerous/risky jobs or those working in certain locations, notably cities, where prices are higher (i.e. pricing allowance), and remote areas, where living conditions can be basic and transportation difficult.

Civil servants also receive other forms of non-salary benefits: health insurance, lunch allowance, per diem, travel, accommodations, etc. Particular civil servants can receive housing subsidies or other honor-related benefits such as interment in a state cemetery. Within their own agency, civil servants can also be awarded a certificate of merit, which has prestige and a small sum of money attached to it.

The salary system in the Vietnamese CS has been reformed in the past decade via full monetization of salaries, with a salary-related allowance scheme and a system of bonuses for “excellent services” (Painter, 2006). While many benefits are now monetized, as previously mentioned, there are still some benefits (particularly honor-related) that may be given in-kind.

Stability seemed to be the top non-financial incentive attached to government employment, as retrenchment does not commonly take place in the Vietnamese

government. Even the downsizing reform during the early implementation period of PAR was gradual, and until now incomplete.

Reputation was also commonly cited as an incentive for going into and staying in the government. It was commonly mentioned in interviews how in Vietnamese culture, someone is held in high moral esteem by their community if he/she is in government. This honor and prestige reflect well on a civil servant's family. Being in government also provides one with a certain degree of power, which can yield particular benefits such as privileged access to state resources. Opportunities for corruption have been recognized as a strong incentive for staying in the government (Gainsborough, 2006). PAR's anti-corruption component and GoV's recent initiative to set up a specialized department for preventing and combating corruption attest to how prevalent corruption is in the government.

### *Other sources of income*

The norm seems to be that many civil servants look for extra work, alternative sources of income, or supplemental income. Extra work can come in the form of sidelining with other government agencies or for the private sector. Some civil servants use their government positions to acquire supplemental income. There have been cases of civil servants accepting bribes or issuing informal/unofficial charges (so-called "white envelopes") for government services.

A lot of the academic literature coupled with interviews seems to point to inadequacy of CS wages (even with the non-wage benefits and compensation factored in) as the primary reason why many civil servants seek alternate sources of income outside of their CS job. However, this needs to be considered in light of the commonly observed misperceptions of the differences in wages between the public and private sectors (as seen in the above tables and charts).

## ***Recommendations***

### *1. Conduct a study on possible wage scale decompression via coefficient adjustment*

A possible key motivator for retention is decompressing the wage scale by adjusting coefficients. The current compensation system in the Vietnam CS can be adjusted to move towards strengthening elements of a position-based system and to address the problem of increasing attrition. Specifically, the ratio between the wages of the highest- and the lowest-paid civil servant could be increased. Even with constrained resources for compensation, wages at the top of the scale can be raised relative to lower levels so as to attract more qualified people and concentrate scarce skills in strategic areas (World Bank, 1997, p. 96).

Vietnam can learn in this regard from the experiences of other countries. In many countries the wages of higher-level civil servants are allowed, often for political reasons,

to erode by more than those of the lower echelons; this wage compression makes it even harder to attract and retain high-quality staff at the vital senior levels (World Bank, 1997, p. 95). Conversely, in countries such as Singapore and Malaysia, where the wage compression ratios are quite high, the CS is able to attract highly qualified people and provide sufficient incentive for these people to stay in the service and to work towards promotion.

## *2. Continue efforts towards a sustainable and practicable increase in wages that are sufficient to meet the cost of living*

Although data suggest that often public sector wages are higher than private sector wages, this is not true across the board. Moreover, there is a strong aspirational component to the often-repeated claim that public sector wages are lower than private sector wages. If not addressed in the near term, this could evolve into a serious problem of motivation in the CS. Therefore along with possible wage decompression, it is recommended that the GoV conduct an updated assessment of living standards, and formulate a phased plan on increasing the public sector minimum wage based on the results of the assessment and to the extent permissible by fiscal constraints, in order to make civil servants' salaries adequate to meet average living expenses. As seen in Figure 1, civil servants seem to look for other sources of income (via other work or corruption) in order to meet their living expenses. Adjusting wages to realistically meet living standards may serve to reduce corruption, improve CS morale, and make the CS a generally more attractive place to work in.

However it must be emphasized that wage increases not accompanied by simultaneous efficiency measures like rightsizing will result in a bloated and inefficient CS. Table 1 in the section on Recruitment has shown that Vietnam already has a civil service that is the same size as China's. This suggests a bloated public sector that might be contributing to a high wage bill with low productivity returns to increases in the minimum wage. Therefore efforts must be made to simultaneously eliminate positions that are unproductive and superfluous to the work of agencies. Such a course of action no doubt entails political risks but is necessary in order to streamline the CS and improve the salaries of those that perform well. Individual job contracts as recommended in the section on Performance Management can be utilized to develop concrete performance-based criteria for rightsizing.

One way of minimizing the political fallout of the above steps would be to carry out pay reform in conjunction with complementary measures discussed in previous sections of this paper such as merit-based recruitment and promotion, performance management, and the like (World Bank, 1997, p. 96). A stronger merit-based orientation provides a better basis for justifying rightsizing than a system based on highly subjective performance evaluations and personal networks.

## *3. Enhance the quality of the work environment*

Incentives can be created for employees to improve their performance by giving them opportunities to distinguish themselves from colleagues, thus increasing motivation levels and improving morale. However, performance-related pay schemes have not proven to work under all circumstances; moreover they are fiscally not feasible for the GoV until substantial downsizing has happened. Therefore this measure can be reserved as medium-term goal to be pursued once other reforms have taken place.

In the intermediate period, steps could be taken to provide incentives for entire agencies or work units to improve their work environment. Possible incentives could include ministry-level contests for the best working environment, best practices in the workplace, or successful workplace innovations in human resource management. Other incentives such as a formalized mechanisms for early pay rises, certificates of merit that come with financial reward, and training opportunities (particularly abroad), can act as motivating factors.

The quality of the working environment can also be improved by imbuing other functions of a department or agency with the overall objective of motivating employees to perform better and stay longer in public service. This could cover integrated coaching throughout a civil servant's career, training opportunities linked to the development contracts recommended in the section on Performance Management, objective PM criteria that will contribute to sense of fairness and equality, a cooperative and participatory approach to workplace codes of conduct and anti-corruption measures, and transparent communication about PM/promotion decisions.

#### *4. Establish mentoring programs*

Individual ministries should establish mentoring programs to guide new recruits into the CS. This would help to build camaraderie within agencies and encourage a general *esprit de corps* that can act as a powerful incentive for good performance and retention.

#### *5. Place emphasis on honor, prestige and other non-financial incentives.*

Aside from salary, it is important to emphasize non-financial incentives in the CS, like the honor and prestige associated with public service. An emerging branch of research on public service motivation finds that public sector employees often possess high levels of "intrinsic motivation" to engage in 'prosocial behavior,' i.e. behavior that benefits society (Perry and Hondeghem 2008, p. 8). This kind of intrinsic motivation tends to be dampened by strictly imposed extrinsic rewards or sanctions, but can be usefully enhanced and channeled through the promotion of positive values associated with public service. The promotion of a public service culture can be facilitated through extensive media campaigns that highlight the positive value added to society by the work of outstanding civil servants. Moreover, in publicizing its recruitment processes, the government should stress the moral aspects of being a public servant. Lastly, it is important to add more non-financial benefits to the package of incentives provided to civil servants, possibly by establishing institutions like officers' clubs, providing

privileged access to state-sponsored events, expedited delivery of public services to families of civil servants, etc.

#### *6. Establish group incentives tied to performance.*

As mentioned in the section on Performance Management, it is important to tie the performance of individual civil servants to the performance of their work units or agencies. Tying the incentives of individual employees to their unit helps to build the foundations of collectivity in a work team and may help to increase an individual's loyalty to and affinity with the agency in particular and the CS at large. This can be done by identifying performance targets for the organization in a group setting and then conducting periodical progress reviews in similar settings. In addition, group benefits or rewards (e.g. retreats, off-site events, and team-building exercises) can be provided to reward good team performance.

### ***Challenges***

The most pressing challenge for the Vietnamese government in implementing wage reform is the escalating share of the government wage bill in total government expenditure. The IMF (2007) calculates that wages and salaries as a percentage of Current Expenditure were 28.5% in 2004 and 41.9% in 2006, this despite steady increases in current expenditure during this period. An increasing share of wages in government expenditure has the effect of crowding out recurring expenditure on other activities of government. Moreover, the IMF (2006) also concludes that large increases in public sector wages have had spillover effects on private sector wages, thus contributing to a steady rise in inflation. Both these trends imply that that the GoV will have to very carefully chart out a future course of salary increases for its CS, especially at its current numbers.

The above problems further complicate prospects for decompressing the public sector wage scale in a context where the fiscal and political feasibility of decompression already appears challenging. In a society based firmly on egalitarian principles, it can be difficult to raise the salaries of senior civil servants without raising those of junior ones. In order to achieve decompression the GoV would require across-the-board salary increases, with greater nominal increases at higher levels – a proposition that is not only expensive, but also politically problematic. Thus, salary reform by way of decompression is a path fraught with financial and political risks that must be navigated with utmost care and transparency.

Rightsizing is likely to be another thorny issue. The GoV has at various points in the past tried to rightsize its CS, but with relatively little progress. In 2000, the GoV announced a target of 15% across-the-board staff payroll reductions by the end of 2002. Agencies were instructed to submit individual downsizing plans. However, the process resulted in average reductions of only about 3% (World Bank, 2002, p. 94). Nonetheless Vietnam is doing well according to another measure, which is the size of the civil service as a

percentage of population. This has declined from 4% in the 1990s (Schiavo-Campo and Sundaram, 2001) to 1.8% in 2006 (based on MOHA data). This puts Vietnam in line with comparators like the Philippines and Indonesia, and is a positive trend for the future. While the departure of many civil servants for the private sector might be beneficial for the state budget, its positive aspects are much diminished when one realizes that it is often the brightest and most entrepreneurial who leave the public sector for the private sector. Despite the progress made so far, there is a real need therefore to adopt a hard-nosed approach to the problem of size in Vietnam's CS, and the GoV would need to expend considerable political capital to follow through on its rightsizing objectives, which are no doubt likely to encounter significant opposition from civil servants and cadres.

Politically, finding a consensus on methods to improve public sector compensation and incentives may be difficult to achieve. Reform in this area faces a myriad of challenges and opposition from vested interests who may have benefited from unorthodox methods of obtaining extra income in the past (such as sub-contracting to agency officials who supplement their income as 'consultants' offering advice or other services for a fee) (Painter 2003, p. 265).

The misperception of the wage gap between the private and public sector remains an inevitable challenge while considering efforts to redesign the compensation/incentives structures in the CS. In addition, the limited availability of statistical data in Vietnam on wages and the public perception of wage levels further complicate the reform prospects. Thus, there is a need to improve the availability of information on wages and the standards of living (Ives, 2000). Without accurate public information on wages and standards of living, it may be difficult to resolve the public-private wage debate in Vietnam. Continuous support from GoV officials and donor agencies on sustainable wage increases may also be impacted by external factors, such as the state of the regional and global economy, and therefore sustained commitment is required to see this reform through.

Further, the difficulty of disentangling legitimate from illegitimate sources of revenue in the CS has the potential to create obstacles to real reform, particularly in the face of firmly rooted practices and interests in the system. Painter (2003, p. 265) refers to a culture of "beg and give" where agencies are encouraged to seek funds for their operations through fees and rents. Furthermore, he quotes the GoV's PAR review in saying, "the state is unable to control the real income of public servants and cadres" (*Ibid.*). Such entrenched practices may be difficult to streamline across agencies by means of a more structured compensation system.

It is important to recognize that reform in the areas of compensation and incentives cannot be done in isolation from other reform areas (i.e. recruitment, performance management, as well as administrative and budgetary reforms). Thus, in order for CS reform to be effective, the GoV must take a holistic approach (World Bank, 2008).

## CONCLUSIONS

The above sections have outlined the existing features of the Vietnamese CS with regard to recruitment, performance management, and compensation/incentives. Current drawbacks in the system are identified and corresponding recommendations are formulated. Strengthening the position-based elements of the Vietnamese CS is viewed as an important way of enhancing its efficiency and effectiveness. Ensuring that the right persons are matched to the right jobs can significantly increase individual, group, and agency performance in the public sector. By using better recruitment practices, assessing and rewarding performance successfully, and offering a more attractive compensation package, the GoV can enhance its competitive position as a recruiter and retainer of talent relative to the private sector.

The importance of CSR in Vietnam cannot be understated. Not only is it an end desirable in itself, it also has positive externalities with regard to other objectives of the GoV, particularly economic reforms, the fight against corruption, and increased citizen satisfaction.

Existing levels of corruption, particularly in recruitment and compensation practices, act as a major barrier to better performance and more efficient output in the public sector. The GoV has taken a firm stance on the fight against corruption, yet like most anti-corruption efforts in East Asia and in other parts of the world, the tools at its disposal are rather blunt. Implementing reforms that *indirectly* impact corruption in these areas without directly targeting it can have considerable benefits for the government's anti-corruption efforts. Greater transparency in recruitment, participatory performance contracts, clear guidelines on what constitute legitimate sources of additional income, and measures to increase public service motivation are likely to reduce avenues for corruption.

Economic growth and public sector reform are priority areas for the GoV. Yet Vietnam's economy in some respects has been held back from achieving its full potential by the slower pace of reform in its public administration system. Indeed some interviewees in Vietnam suggested that the recent global financial crisis could have been better managed by the GoV had top officials of the Finance Ministry and Office of Government not quit to join the private sector. Therefore, as Vietnam's economy and private sector surge ahead, there is a pressing need for its public sector to not only catch up but play an important role in guiding the economy along socialist principles. The reforms suggested in the preceding sections would have the effect of greatly professionalizing the functioning of the CS and of attracting the best talent for managing the economy. Moreover, without CSR, Vietnam will find it difficult to maintain its competitiveness in the global market. As Vietnam integrates further into the global economy through its membership of the WTO and the Association of Southeast Asian Nations (ASEAN), the case for progressive reform becomes stronger and stronger.

Lastly, in the long run, investments in a position-based system with features that improve recruitment, performance management, and incentives, will pay off in terms of decreased leeway for nepotism, patronage, and corruption in promotion decisions and sustainable increases in efficiency of service delivery. This may contribute to increased political stability based on high citizen satisfaction levels. For a government whose legitimacy is largely based on its economic performance and representation of the people's will, the economic and public satisfaction implications of CSR are enormous. The GoV would be well advised to engage in sustained reforms that strengthen the position-based elements of its civil service in order to make it more professional, more efficient, and more effective at managing economic change and serving the people of Vietnam.

## APPENDICES

### ***Appendix 1: Performance Measurement in the Public Sector in Southeast Asia***

Within the Southeast Asian region there is considerable variation in practices of performance measurement in the public sector. At one end of the spectrum are Singapore and Hong Kong, who have over the last two decades gradually embraced the concept of performance management for better public service delivery. At the other end are countries like Vietnam and China, with no explicit and systematic performance evaluation tools and where civil services operate in a rather discretionary manner that risks allowing for patronage politics and political interference. In between are a range of countries including Cambodia, Thailand, and the Philippines, which are at various stages of experimenting with performance- and result-oriented practices to improve the quality of their civil services.

In the case of Singapore, Jones (2001) outlines existing practices in measuring performance and using the data collected in this manner to improve service delivery. Performance measurement in Singapore is a four-step process that involves developing relevant indicators, setting quantifiable targets based on the indicators, measuring performance on these indicators and lastly evaluating results against the set targets. Four main types of indicators have been developed for this purpose. They measure output volume, output quality, efficiency and effectiveness respectively. In an innovative move, the government of Singapore has linked performance measurement to its program of “Budgeting For Results (BFR)” by, among other things, making budgetary allocations to individual departments contingent on their performance.

Hong Kong’s Mass Transit Railway Corporation (MTRC) provides an example of the utility of rigorously collected performance data. Schiavo-Campo and Sundaram (2001) describe performance measurement as the pivotal first step towards benchmarking. The MTRC established a global consortium of twelve major metropolitan railways called the Community of Metros (CoMET) and applied a jointly constructed set of 18 performance indicators in order to determine ways in which it could improve its own performance, which it went on to do successfully (Ibid, p. 666).

Wescott and Jones (2006) discuss three major initiatives taken by the government of the Philippines in recent years. The first is a concerted effort to develop results-based budgets, similar to the initiative in Singapore. The second is performance measurement of Local Government Units (LGUs). For this purpose the Department of the Interior and Local Government (DILG) uses a Local Productivity and Performance Measurement System (LPPMS) that is based on technical and normative criteria. The resulting data are used to compare local governments across the country in a form of national benchmarking. Well-performing LGUs are rewarded while weaker ones are given the capacity-building attention they need. The success of this system has influenced other departments and the LGUs themselves to develop databases to measure their own

performance. Third is the creation of a Citizen Satisfaction Index System (CSIS) that uses citizen feedback to evaluate service delivery at the local level.

Lastly, Wescott and Jones (2006) highlight Cambodia's achievements specifically in the field of education where the government has set national targets for school performance, teacher assessment, gender equity, and student enrollment. Provincial demand forecasting is used to ensure the uninterrupted supply of education. Wescott (2003) briefly discusses the role of the National Audit Commission (NAC, previously the office of the Auditor General) in Thailand in auditing public agencies for financial compliance and performance. The NAC is required to report audit findings to Parliament and the public.

In conclusion, Vietnam's neighbors have initiated interesting experiments in the area of performance measurement from which Vietnam can derive lessons for monitoring and ultimately improving the quality and performance of its own public sector.

## ***Appendix 2: List of Interviewees in Hanoi, Vietnam***

- Asian Development Bank
  - Dao Viet Dung, Reform Officer
  - Do Xuan Truong, Independent Consultant
- Embassy of Belgium
  - Patrick De Bouck, Minister Counsellor
- Embassy of Sweden
  - Christian Lien, First Secretary, Development Cooperation Section
- Embassy of the United States of America
  - James D. O'Connor, Political Officer
- Institute of State and Law, Vietnam Social Science Academy
  - Bui Nguyen Khanh
- Ministry of Foreign Affairs
  - Vu Quang Minh, Director General, Economic Affairs Department
- Ministry of Home Affairs
  - Tran Van Ngoi, Deputy Director General, Institute on State Organizational Science
  - Le Anh Tuan, Deputy Chief of Department, Institute on State Organizational Science
- Ministry of Labor, Invalids and Social Affairs
  - Nguyen Manh Cuong, Director General for Labor Relations
- National Academy of Public Administration
  - Nguyen Trong Dieu, President
  - Vo Kim Son, Dean, Faculty of Organization and Personnel Management
- National Assembly
  - Nghiem Phong Vu, General Officer
  - Nguyen Si Dzung, Vice-Chairman
- Swiss Agency for Development and Cooperation
  - Dao Minh Chau, Senior Programme Officer
- UNDP
  - Jairo Acuna-Alfaro, Policy Advisor, PAR&AC
  - Trinh Tien Dung, Assistant Country Director, Head of Governance Unit
- US-ASEAN, Business Council, Inc.
  - Thanh T. Vu, Chief Representative
- USAID
  - Jim Winkler
- Vietnam National University
  - Nguyen Quoc Viet, College of Economics
- Vietnam News Agency
  - Le Quoc Minh, Acting Director, News Department for Foreign Service
- The World Bank
  - James Anderson, Senior Governance Specialist
  - Maria Delfina Alcaide Garrido, Governance Specialist

## ***Appendix 3: Interview Questions for Field Work***

### **General Questions**

1. What do you think is/should be the primary characteristic of a civil servant?
2. From your experience, is promotion mostly based on seniority or achievement?
3. Is specialization of skills encouraged in the Vietnamese CS, and if so, how?
4. Do you have any estimates on CS attrition rates?
5. Would experience or qualifications such as educational attainment be more highly weighted in terms of promotion in the CS?
6. Why was there a need for a Civil Service Law to replace the Ordinance on CS? In your opinion, what was the biggest change in the law?
7. What perceptions do the general public hold on CS remuneration, size, recruitment and effectiveness? Are these views different between younger and older generations?

### **Recruitment for Central Government**

1. Roughly what proportion of entry- and mid-level CS positions are non-career (position-based)?
2. Are efforts being made to include underrepresented groups? What is your perception of the trend of women's participation in the CS?
3. Does the government advertise openings for positions (entry, mid, senior) to the general public? If so, what sort of media does the government use?
4. How much consideration is prior work experience in recruiting for various positions?
5. Is party membership a factor in being recruited into the CS?
6. What criteria are used in recruiting?
7. To what degree do agencies do their own recruitment versus a centralized recruiter?
8. What do the entry examinations consist of? How are the results presented to the CS and the candidate? Are the results made public? What is the weight of the score or ranking in the final decision to hire/promote a candidate? What other factors are considered?
9. Are candidates interviewed for positions? What is the content of the interviews? Are there notes kept during the interview? Does the candidate have knowledge of the decision-making process for their results?
10. According to the law, promotion requires taking an exam. Is this being done at present, and what is the content and who chooses it?
11. Are there some factors that make CS positions more attractive than the private sector? What measures has the government taken to make CS recruitment more competitive with the private sector?
12. How often do people in the private sector move into the public and for what reasons?
13. Are there age limits for any positions?
14. In reality, does the buying of positions take place?
15. Are the majority of senior appointments political appointments or career bureaucrats?

### **Incentives**

1. Where can we find information on the current pay system and grade classification?
2. What are the allowances being paid? What are the in-kind benefits? Do these vary across agencies?

3. How are pay raises decided/implemented? Are they annual and/or based on performance?
4. In your opinion, has pay in the CS gone down relative to the private sector?
5. Roughly speaking, how do pensions for civil servants work?
6. Is there a difference between non-financial incentives and salary for permanent and contractual employees with the same rank? Is the wage scale flexible enough to accommodate people coming from the private sector?
7. In your opinion, how much of an incentive is promotion for civil servants relative to other financial and non-financial incentives?
8. In your opinion, is the current compensation package sufficient for recruiting, retaining and motivating employees with the right qualifications, particularly with respect to private sector compensation?
9. In your opinion, do you feel that wage compression is occurring (the difference between the highest and lowest salary is decreasing)?
10. How is the calculation for the minimum wage for civil servants derived? In your opinion, is the minimum wage sufficient?

### **Performance Management**

1. Could you please describe how the government currently manages performance? Does the system work differently for contractual employees?
2. What are the current performance measurement metrics? Is there flexibility in adapting the content of the performance evaluation to the specific agency? Might individual agencies be able to choose their own metrics?
3. Are the results of the performance measurement of contractual employees used to renew their contracts?
4. Can contractual employees become permanent employees based on their performance?
5. Is the performance measurement part of a broader monitoring exercise of the employees' performance? Is it done quarterly, annually, biannually?
6. Do performance evaluations affect promotion prospects or pay, and if so, how?
7. Do two consecutive bad ratings lead to firing (as the Civil Service Law proposes)?
8. In your opinion, how do employees and supervisors view performance management?