

# What determines Multinational Enterprises to train their employees in Vietnam? A multilevel perspective

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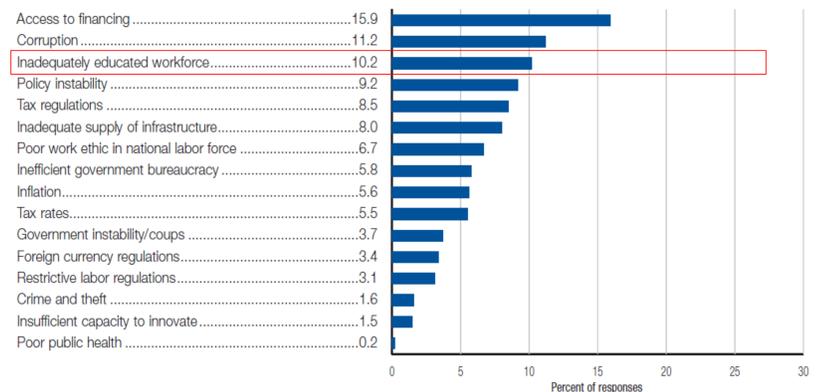
## Introduction and Research Goals

**Multinational Enterprises (MNEs)** in Vietnam are increasingly searching for workers with technical skills and soft skills such as team work or problem solving. Despite all reform efforts, Vietnam's education system is still lagging behind with industry's skill demand. Consequently, MNEs have to retrain most of their new employees. Although skill upgrading of MNEs has been widely discussed, there is a lack of theoretical underpinning and empirical evidence related to the role of skills and vocational training of industrial workers in Economic Geography (Boschma 2013; Fuchs et al. forthcoming).

This paper examines the impact of company-specific and provincial determinants on MNEs' training activities, by answering the following three research questions:

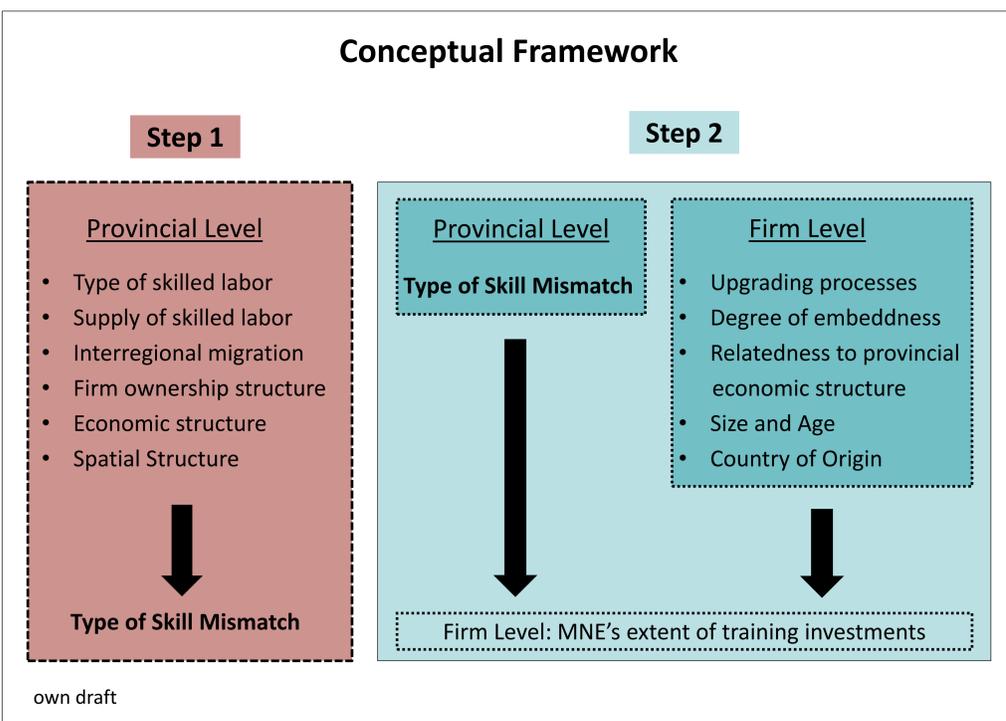
1. How does a provincial skill mismatch evolve?
2. Which provinces in Vietnam have a skill mismatch?
3. To what extent does a provincial skill mismatch influence a MNE's training investments compared to firm-specific factors?

## The most problematic factors for doing business



based on WEF 2014:384

## Conceptual Framework



## Theoretical Background

**Provincial** skill mismatches can be described through supply and demand concepts, derived from **labor economics**:

- MNEs from high-tech sectors demand better skilled workers; but a province's supply of such labor is proportionally shrinking with rising firm-specific technology requirements.
- Migration rates and informal networks of state-owned enterprises can shift the supply curve, thereby potentially enlarging the skill mismatch.

On the **firm level**, labor training efforts by MNEs can be elaborated by referring to the concepts of **embeddedness** and **related variety**:

- MNEs may upgrade their subsidiaries through labor training instead of closing them due to unique competitive advantages derived from trustful relationships with local suppliers and buyers.
- If a MNE is not technologically related to a province's economic portfolio, it likely has to invest into labor training since the required skills are too novel in its province (Storper & Walker 1989).

## Empirical Approach

Data are extracted from an enterprise survey based on a random sample undertaken by General Statistics Office (GSO) in Vietnam. The sample includes 2, 277 MNEs across 51 Vietnamese provinces in 2013.

Following statistical tools will be applied:

- **Cluster analysis** in order to identify groups of similar provinces according to spatial characteristic (urban, suburban, rural), enterprise structure (SOE, MNE, private domestic) and type of industry (low-tech, medium-tech, high-tech).
- **Multilevel analysis** for examining the impact of provincial and firm-specific determinants on a MNE's investment into labor training. Control variables are firm size, firm age, country of origin and economic sector.
- **Dependent variables**:
  1. MNE provides training for new employees: yes / no
  2. MNE provides training for permanent employees: yes / no
  3. Ø days of training for new employees in MNE
  4. Ø days of training for permanent employees in MNE

## Extent of a MNE's training investment for its employees

No.	Level of analysis	Hypotheses	Dependent Variables	
			MNE provides Training?	Ø days of training in MNE
H1	Province	Large supply of skilled labor	No	↓
H2	Province	High share of SOEs in provincial economy	Yes	↑
H3	Province	% Medium- High Tech sector in provincial economic structure	Yes	↑
H4	Firm	MNE's technical relatedness to province's economic structure	No	↓
H5	Firm	Technical upgrading of a MNE	Yes	↑
H6	Firm	High embeddedness of a MNE	Yes	↑

own draft

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