Using Fuzzy Approach to Model Skill Shortage in Vietnam’s Labor Market in the Context of Industry 4.0

My Tien Ha Duong
Ho Chi Minh City Open University
my.dth@ou.edu.vn

Diep Van Nguyen
Ho Chi Minh City Open University
diep.nv@ou.edu.vn

Phong Thanh Nguyen
Ho Chi Minh City Open University
phong.nt@ou.edu.vn

Abstract—Human resource development is one of the main issues in the socio-economic development strategy and the transform of any region in the context of Industry 4.0. However, Vietnamese human resources have been poorly evaluated in the areas of quality, lack of dynamism, and creativity. Therefore, this paper presents a fuzzy logic approach to ranking seven skills shortage in Vietnam’s Labor Market, namely lifelong learning, adaptive capacity, information technology capacity, creativity and innovation capacity, problem-solving capacity, foreign language competency, and organizing and managing competency. The results showed that the problem-solving skill has the largest gap between an enterprise’s requirements and the actual response of employees.

Keywords—fuzzy logic; industry 4.0; human resources; skill shortage; Vietnam

I. INTRODUCTION

Theories of economic growth, especially the endogenous growth model, have recognized the role of human factors in economic growth. Author in [1] has shown with empirical evidence that human resources are a key factor in determining economic growth and reducing poverty. Thus, human resource development is one of the core issues in the socio-economic development strategy and the transformation of growth models of countries or regions, especially in the context of the Industry 4.0 [2-6]. Many studies have emphasized that higher education decides the quality of a country's human resources [7-12]. In Vietnam, the 11th Central Committee’s Meeting, 8th Session issued a resolution for fundamental innovation in comprehensive education and training, aiming to this goal. Authors in [13] suggested that a high level of education leads to high labor productivity and the higher the total education level of a country, the faster its economy will develop. However, globalization and technological progress have led to structural changes in the organization of businesses and the manner of work and, at the same time, changes in the demand for qualified employees and the professional profile of candidates [14, 15]. Cedefop in [16] confirmed the difficulty encountered by the employers in finding the candidates with the right skills when recruiting. The labor market in Vietnam is no exception. The World Economic Forum's 2017 [17] global human resource assessment showed that Vietnam's overall human resource index ranked only 64/130. In particular, the “competencies”, “development”, and “creativity” components in the rankings were 85/130, 67/130, and 120/130, respectively. Similarly, the assessment of the World Economic Forum's readiness to participate in the 4.0 revolution shows that the ranking of highly skilled human resources and labor in Vietnam was quite low, 70/100 and 81/100 [18]. This was also the reason for overall low labor productivity.

In three decades (1991-2022), Vietnam's labor productivity increased, but not significantly [19]. Vietnam's labor productivity is only higher than the ones of the group of low-income countries and is at the threshold of 50% of the low-middle income countries. From 2017 to 2022, Vietnam's labor productivity is double the average labor productivity of low-income countries, equal to more than 50% of low-income countries and 18.3% of middle-countries. In general, Vietnamese human resources have been poorly evaluated in the areas of quality, lack of dynamism, and creativity. The World Bank Report on the labor force in Vietnam also pointed the weakness of the Vietnamese workforce that lacks the necessary skills [20]. The survey results of the report show that 40% of skilled workers lacked the necessary skills. For technicians, this number was up to 80%. Skill shortages were also drivers of increased training expenditures and average labor costs [21]. Skills can be approached as a multi-dimensional concept, comprised of the quality of education, major areas of study, and previous working experience, otherwise serious bias in human capital evaluation may arise [22]. Besides, various types of skills can be noted, such as technical skills, cognitive skills, soft skills, etc. Also, the required labor market skills have dynamically changed to adapt to the technological innovations of Industry 4.0 [23-26]. For institutions of higher education, the optimal training for the labor market is strategically prioritized [27]. Therefore, it is essential that skill shortage criteria should be identified and ranked for efficient and effective remedy measures and Vietnamese higher education is not an exception. In recent years, the application of artificial intelligence in understanding the human thought process and its application in real environment has become a prominent theme. Fuzzy logic has paved the way for modeling human behavior and mathematically obscure concepts. This is the method preferred by researchers to solve evaluation issues and decision making, given its two advantages: i) objectiveness and ii) fuzzy
II. RESEARCH BACKGROUND

Skill shortages occur when employers fail to find candidates with the right skills [28-32]. In designing a new training program or redesigning an existing training program, determining the capabilities and competencies that university graduates must acquire during the educational process is one of the most important aspects of the process. Authors in [14] suggested that having a clear career orientation is expected to create educational needs at universities that integrate common core competencies so students can ensure full participation in the labor market upon graduation. To achieve this goal, universities need to know what business requires from university graduates, including their level of preparation, and what business believe that can be improved. However, answering the question of what is required for business is not simple. OECD conducted a Survey of Adult Skills (PIAAC) [33] which included questions about skills and designed an assessment exercise. The skill measure was derived from a combination of self-reported information and skill proficiency. Authors in [34] explored the PIAAC data and proposed a new measure of skill mismatching, categorizing laborers into three groups: matched, under-skilled and over-skilled. However, the PIAAC only included information on literacy and numeracy skills, which does cover very well the competencies required by the labor market. Previous studies have also focused on evaluating the capacity of the undergraduate laborers. Authors in [14] surveyed 872 enterprises in Spain and performed in-depth interviews with 40 business directors or individuals in charge of personnel. They pointed out that students needed to improve their interpersonal skills, teamwork, attitude and motivation toward work, lifelong learning, computer skills, and time management skills. Research showed that differences between the expectations of enterprises and the practical capacity of newly graduated university employees were substantial. New employees often needed up to a year to undertake the assigned jobs. Authors in [35] interviewed enterprises in New Zealand to discover whether a gap between the expectations of businesses and the proficiency of new accountants existed. The findings showed that employers appreciated some of the characteristics of newly graduated accountants, such as basic knowledge about the field of work, communication ability, teamwork skills, and lifelong learning capacity. However, they lacked other important competencies such as skills to apply knowledge in practice and the ability to grasp and handle jobs [36, 37]. Authors in [38] further clarified that employers required graduates to have qualifications such as research skills, teamwork, communication skills, flexibility, and time management skills. Nevertheless, there were still differences between employers’ expectations and the self-evaluated ability of students. Moreover, the perception of such differences also varied. For instance, many new graduates were satisfied with their time management, while employers were dissatisfied with this aspect of the work of the new employees.

In the 21st century, employees have had to meet new challenges in the skill requirements. Authors in [39] insisted that nowadays businesses required workers to be able to work effectively in a volatile economy. They also suggested that the characteristics of a new graduate were more important than the subjects they studied. Therefore, workers to work on soft skills such as their learning ability, adaptability, communication skills, problem-solving and decision-making, teamwork, and creative capacity. Furthermore, 309,000 vacancies in 169 professions of various professional levels in the United Kingdom (UK) was analyzed [40]. The research indicated that employers found it difficult to recruit suitable workers in 106,000 of these positions. The industries that encountered the labor shortages included nursing, computer programming, and human resources. The survey also found that the labor supply shortage at small- and medium-sized businesses was much more serious than at the larger ones. One of the main reasons for this deficiency was the “low number of applicants with the required skills”. Future employment trends in [16] implied that current job supply was structured around the records or functions that, in addition to the scientific and technical knowledge provided by the university, required the development of a wide range of skill demands such as customer interaction, product innovation, planning/organization, learning to learn, problem-solving, customer service, team working, communication, technical or job-specific, advanced ICT, foreign languages, and advanced literacy.

In general, most workforce studies have agreed that the practical capacity of the laborers has not met the requirements of the enterprises. Therefore, many businesses believe that university graduates need to improve their skills in the areas of creativity, problem-solving, foreign-language competence and information technology. Authors in [41] used a fuzzy analytic hierarchy process to rank the applicants’ profiles to determine the fittest applicant. This approach has proven to be helpful in complicated contexts in a fast-changing world. A similar approach was used in [42] in developing a competency model of undergraduate employees in the Vietnamese labor market. The findings confirmed the importance of the priority of critical thinking and problem solving, followed by organizing and managing ability, lifelong learning, adaptability, creativity and innovation, expertise and digitalization, and foreign language knowledge. Further exploration of the gaps between the actual and expected skills was made in the paper to guide educators as well as individuals in meeting the labor market demand.

III. RESEARCH METHODOLOGY

A two-part questionnaire was prepared to collect data: Part 1 consisted of information of the people and enterprises that participated in the survey. These included: (i) personal information (gender, title, year of birth) and (ii) information about the enterprises (headquarters, field of activity). Part 2 consisted of the evaluation criteria of enterprises on the ability to meet the job requirements of university-trained labor. Until recently in Vietnam, no unified set of criteria existed for assessing the quality of such labor. The criteria used to determine labor capacity in Vietnam were drawn from [42] and we were to create the enterprises’ survey questionnaire on the ability to meet job requirements of university graduates. These
criteria include: (i) lifelong learning, (ii) creativity and innovation, (iii) IT, (iv) adaptability, (v) critical thinking and problem-solving, (vi) foreign languages, and (vii) organizing and managing ability. These criteria were assessed on an 11-level scale (level 0 corresponding to completely disagree and level 10 to completely agree). In the questionnaire our commitment to use the information only for research purposes was expressed, along with the commitment to keep the information confidential to respondents. The questionnaire was sent to enterprises to determine their assessment on the actual capacity of workers. The research team used the following three criteria to select businesses: (i) development orientation of Ho Chi Minh City (HCMC), Vietnam, (ii) the importance of industry groups in socio-economic fields, and (iii) the location of the enterprises in Ho Chi Minh City. Based on these criteria, the study focused on businesses in the fields of IT, economics or commerce, transportation, finance or banking and insurance, health services, and tourism (see Table I).

<table>
<thead>
<tr>
<th>Location</th>
<th>Number of firms</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>District 1</td>
<td>18</td>
<td>30.00%</td>
</tr>
<tr>
<td>District 2</td>
<td>2</td>
<td>3.33%</td>
</tr>
<tr>
<td>District 3</td>
<td>6</td>
<td>10.00%</td>
</tr>
<tr>
<td>District 5</td>
<td>2</td>
<td>3.33%</td>
</tr>
<tr>
<td>District 7</td>
<td>1</td>
<td>1.67%</td>
</tr>
<tr>
<td>District 8</td>
<td>2</td>
<td>3.33%</td>
</tr>
<tr>
<td>District 10</td>
<td>3</td>
<td>5.00%</td>
</tr>
<tr>
<td>Binh Tan District</td>
<td>2</td>
<td>3.33%</td>
</tr>
<tr>
<td>Binh Thanh District</td>
<td>3</td>
<td>5.00%</td>
</tr>
<tr>
<td>Go Vap District</td>
<td>1</td>
<td>1.67%</td>
</tr>
<tr>
<td>Phu Nhuan District</td>
<td>6</td>
<td>10.00%</td>
</tr>
<tr>
<td>Tan Binh District</td>
<td>7</td>
<td>11.67%</td>
</tr>
<tr>
<td>Tan Phu District</td>
<td>7</td>
<td>11.67%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of firms</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information technology</td>
<td>9</td>
<td>15.00%</td>
</tr>
<tr>
<td>Economics and commerce</td>
<td>7</td>
<td>11.67%</td>
</tr>
<tr>
<td>Transportation</td>
<td>9</td>
<td>15.00%</td>
</tr>
<tr>
<td>Finance, banking, insurance</td>
<td>9</td>
<td>15.00%</td>
</tr>
<tr>
<td>Health service</td>
<td>6</td>
<td>10.00%</td>
</tr>
<tr>
<td>Tourism</td>
<td>9</td>
<td>15.00%</td>
</tr>
<tr>
<td>Others</td>
<td>11</td>
<td>18.33%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
</tbody>
</table>

There were 60 survey questionnaire responses from businesses. Table I provides the information of the enterprises in the sample. Specifically, most of these enterprises were located in District 1 (30%). District 1 is considered the economic hub of HCMC with the highest number of domestic and foreign enterprise offices. This is also the district with the largest shopping centers in HCMC. These enterprises mainly operate in the field of commerce and services, such as IT, transportation, finance, banking, insurance, and tourism (accounting for 15% for each sector). This is also a still developing area, and it made the biggest contribution to the economic growth of the city in 2019. Specifically, the three service sectors with the higher proportion of growth than the average included: wholesale and retail, transportation and warehousing, and finance and banking. Meanwhile, the IT sector contributed 4.44% to the city’s domestic products in 2019, and Ho Chi Minh City wants to have at least 1,000 more businesses in this field in the future. Notably, the percentage of females was slightly higher than that of males. Also, the respondents were mainly heads or deputy heads of departments of human resources and administration. Finally, to calculate the weights of critical skills shortage in Vietnam’s labor market, the fuzzy set theory based on analytic hierarchy process was adopted due to its advantage to deal with uncertainty, inaccuracy, and ambiguity of data input by experts [43-47]. For defuzzified the fuzzy weights, in this research, we applied the following CoA method [48]:

\[
BNP_w = \frac{\left( \sum_{j=1}^{n} \left( U_{ij} - L_{ij} \right) + \sum_{j=1}^{n} (M_{ij} - L_{ij}) \right)}{3} + L_{ij} \quad (1)
\]

where \( BNP_w \) is the Best Nonfuzzy Performance (BNP) value of the fuzzy weights of the \( j \)th criterion [49].

IV. RESULTS AND DISCUSSION

The research results are presented in Table II. Seven main criteria composed the hierarchical model. Among these skills, the ability to analyze, detect, and solve problems created the largest gap between an enterprise’s requirements and the actual response of employees. This reflects the common trend of industry 4.0 in the skills demand of labor forces [50]. Overall, enterprises required workers to meet at 8.1 points on average on the scale of labor capacity. However, enterprises assessed that the actual capacity of employees was only 6.0 points.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of people</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>29</td>
<td>48.33%</td>
</tr>
<tr>
<td>Female</td>
<td>31</td>
<td>51.67%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Number of people</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer - CEO</td>
<td>1</td>
<td>1.67%</td>
</tr>
<tr>
<td>Director/Deputy Director</td>
<td>15</td>
<td>25.00%</td>
</tr>
<tr>
<td>Head/Deputy Head of Department</td>
<td>44</td>
<td>73.33%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
</tbody>
</table>

Ranked second on the difference between the requirements of businesses and the employees’ ability in practice was the organizing and managing capacity. Specifically, enterprises sought, on average, for university graduates to reach 7.7 points, employees achieved only an average of 5.9 points. Therefore, the gap between the requirements of enterprises and the practical capacity of workers was about 1.8 points. In addition, the panel discussion also confirmed the higher decentralisation in managing capacity. This complies with higher process integration and cross-functional perspectives. Other indicators that also showed that the practical capacities of labor had not kept up with the requirements of businesses were adaptive capacity and creativity and innovation capacity. The average
requirement level of enterprises for these two indicators were 8.1 and 8.0 points respectively. However, businesses reported that employees only had 6.5 points for adaptive capacity and 6.6 points for creative capacity. The differences between the requirements of enterprises and the practical capacity of workers for foreign language and lifelong learning were quite small. On average, enterprises required employees to achieve 7.8 points for their ability to use foreign languages, and the actual capacity of workers was 6.6 points. Similarly, the indicators for lifelong learning ability were 7.4 points and 6.3 points respectively. The capacity with the smallest gap was the IT ability. This finding implies that the importance of continuous learning has been projected by higher education institutions in Vietnam to adapt to future qualification requirements derived from Industry 4.0 [51, 52]. According to the assessment of enterprises, employees were well equipped for this skill (reaching 7.2 points). Therefore, although the requirement for this indicator was quite high (8.2 points), the difference between the requirements of enterprises and the practical capacity of employees was only about 1 point.

V. CONCLUSION

This paper explored enterprise assessment of university graduates in Ho Chi Minh City to meet the job requirements. The results showed that some industries have surplus labor, some lack labor, while others have too many managers and not enough people to do the work. Furthermore, the quality of trained workers has not yet satisfied the requirements of employers. Specifically, the authors surveyed seven indicators, namely lifelong learning, adaptive capacity, information technology capacity, creativity and innovation capacity, problem-solving capacity, foreign language competency, and organizing and managing competency. It was shown that the practical capacity of employees is much lower than the requirements of enterprises. The difference was statistically significant. A skill shortage creates unemployment and productivity loss, which in turn impedes industry growth [53, 54]. The findings identified key areas of education and training needed to bridge the skill gap. Individuals also can strategize how to best invest in adult training to satisfy employers’ expectation, shield themselves against career interruptions and the changing skill needs due to rapid digitalization. This can benefit economies and firms as well as the unemployed and the under-qualified employed. Thus, to improve the ability of labor to meet the practical work requirements, coordination between the three major involved parties, i.e. authorities, training institutions, and businesses needs to be the focus of future investments.

ACKNOWLEDGMENT

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