OPPORTUNITIES, CHALLENGES AND RECOMMENDATIONS FOR INFORMAL LABOR IN VIETNAM IN THE DIGITAL ERA

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Abstract: ***Informal labor is one of the forces that plays an important role in the economic development of a country. Therefore, studying the issues of informal labor in Vietnam in the context of our country's increasingly deep integration into the world economy is very necessary, especially in the current digital age. In this article, the author focuses on the issues of opportunities, challenges and solutions for informal labor in Vietnam in the current digital age.***

• Keywords: *informal labor, digital era, international labor organization (ILO).*

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1. Introduction

Vietnam is currently experiencing a "golden population" period, because the working-age population is twice as large as the non-working-age population. Each year, the working-age population participating in the labor market accounts for a relatively high proportion, approximately over 75%. However, a significant portion of Vietnam's labor still accepts vulnerable jobs, without social insurance coverage and no labor contracts. These are informal jobs. For a country with a large population and a low level of economic development like Vietnam, informal labor is an indispensable component, playing an important role in addressing employment issues and generating income for labor. Although informal labor negatively impacts the income, safety, and health of labor, in many cases, they are compelled to accept informal jobs as an unavoidable choice to make a living, despite the given limited social welfare conditions or the insufficient income from their informal jobs.

2. Opportunities and Challenges for Vietnam's Informal Labor in the Digital Era

2.1. The Current Situation of Informal Labor in Vietnam

In recent years, "informal labor" and the "informal economy sector" have attracted increasing attention in socio-economic research and labor statistics in Vietnam. According to the International Labour Organization (ILO, 2021), identifying informal labor helps reveal sources of low-quality employment that contribute to poverty and weaken workers' social welfare. The ILO defines informal labor as employment in both formal and informal sectors that does not provide legal or social protection and is not adequately regulated by labor laws, taxation, social security, or employment benefit schemes. In Vietnam, the General Statistics Office (2017) defines informal labor as workers engaged in precarious, unstable, and low-income jobs, often without labor contracts or without compulsory social insurance, allowances, and other social benefits. Such work is commonly unregistered, temporary, short-term, or inconsistent with legal standards. Thus, informal labor can be understood as labor engaged in informal jobs.

Figure 1: The ILO's Model of Informal Labor by Employment Position and Sector of Activity

Sector	Types of jobs								
	Freelancers		Freelancers		Freelancers	Freelancers		Freelancers	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal Sector					1	2			
Informal Sector (a)	3		4		5	6	7	8	
Informal Sector (b)	9					10			

Source: Concept of informal labor in Viet Nam: summary definition and criteria for determination (April 2013, updated in January 2014)

According to the *2016 Informal Labor Report* by the General Statistics Office and the International Labour Organization (ILO, 2018), informal labor refers to employment in which workers do not participate in social insurance, particularly compulsory social insurance, and do not have labor contracts of three months or more. In this sense, informal labor is identified primarily by the absence of social insurance, regardless of whether the worker is employed in the formal or informal sector. Under Vietnamese law, workers without social insurance are generally not entitled to labor welfare and other employment-related benefits. As many informal workers also lack formal labor contracts, they are in a weak position when

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negotiating with employers over income and social insurance rights, and are not adequately protected under the Labour Code. Consequently, they do not benefit from risk-sharing mechanisms or retirement protection when they are no longer able to work. Even when registration and tax obligations are fulfilled, workers are still considered informal if they are not covered by social insurance. Thus, non-participation in social insurance serves as the key criterion for distinguishing informal from formal labor.

According to the latest report from the General Statistics Office (2025), the number of workers engaged in informal employment, including those in agricultural, forestry, and fishery households, reached 33.2 million. Although the decline remains modest, this indicates a positive improvement in the labor market as macroeconomic conditions have become more favorable across most sectors compared with the same period of the previous year.

Figure 2: Informal Labor in Vietnam in the last quarter of 2024 and Throughout 2024

Quarter IV/2024			Year 2024		
Number of individuals engaged in informal employment in general	Proportion of workers engaged in informal employment	Compared to QIV/2023	Number of individuals engaged in informal employment in general	Proportion of workers engaged in informal employment	Compared to QIV/2023
33.2 million people	63.6%	A decrease of 1.5 percentage points	33.5 million people	64.6%	A decrease of 0.5 percentage points

Source: The General Statistics Office (2025)

According to the General Statistics Office (2025), in 2024, informal workers accounted for 64.6% of total employment, down 0.5 percentage points from the previous year. Although lower than the averages of low-income countries (88.3%) and lower-middle-income countries (81.5%), this rate remained significantly higher than the global average (57.8%). Among informal workers, about 77.5% had no technical or professional qualifications. Informal employment was concentrated mainly in rural areas (74.1%, compared to 49.2% in urban areas) and remained high for both men (67.6%) and women (61.0%). The average monthly income of wage earners reached 8.7 million VND, up 9.2% from 2023; however, income disparities persisted by gender and residence, with men earning 9.1 million VND compared to 8.1 million VND for women, and urban workers earning 9.7 million VND compared to 7.8 million VND in rural areas.

In recent years, despite government efforts to expand the formal labor sector and create more jobs, the situation of informal and unstable employment has improved only modestly, especially after the severe impacts of the Covid-19 pandemic in 2020 and 2021. The General Statistics Office (2022) noted that informal labor in Vietnam exists not only in the informal sector but also substantially within the formal sector, and it continues to contribute significantly to national GDP. Vietnam's informal labor force is highly diverse, including workers in registered enterprises, cooperatives, household businesses, agricultural households, platform-based work, freelancing, domestic work, and other independent or low-skilled occupations.

In general, informal workers tend to have low and unstable incomes due to limited skills, even though income levels vary across occupations and regions. Workers in more developed areas often enjoy better income and working conditions than those in disadvantaged areas, but overall access to policy support remains low, incomes are still limited, and social networks are not strong enough to create significant opportunities for upward mobility. In terms of employment status, informal workers are mainly self-employed workers and family workers, with women more likely than men to engage in highly vulnerable jobs. Their wages are lower than those of formal workers in all employment positions, and most belong to the lower income groups.

Informal workers also face difficult living and working conditions. This group is highly diverse in occupation, age, and migration status, but many share common disadvantages such as cramped housing, insecure jobs, poor working environments, and limited labor protection. Informal employment is concentrated mainly in agriculture, forestry, fisheries, manufacturing, construction, and wholesale and retail trade, with about 90% of informal workers engaged in agriculture, forestry, fisheries, construction, and household-related work. By age, informal employment accounted for 83.7% among workers aged 15-19 and over 90% among those aged 60 and above.

Although informal labor plays an important role in the national economy, it is highly vulnerable to external shocks. Therefore, addressing informal labor has become a major policy priority in Vietnam's effort to build a more resilient, competitive, and sustainable economy in the digital age. However, as of 2024, more than 90% of informal workers were not covered by any type of insurance, while nearly 79% worked without a written labor contract or under only verbal agreements. This reflects both workers' limited awareness of social insurance and the insufficient attractiveness of current insurance policies. As a result, many informal workers remain exposed to job insecurity, weak bargaining power, limited access to welfare benefits, and inadequate working conditions.

2.2. Opportunities and Challenges for Informal Labor in Vietnam in the Digital Era

** Some Political and Legal Foundations for Reducing Informal Labor in Vietnam*

In recent years, the Party and the State have issued various guidelines and policies to protect the rights and improve the welfare of informal workers. Resolution No. 15-NQ/TW (2012) called for the development of policies encouraging farmers and informal workers to participate in voluntary social insurance, while also reviewing and supplementing regulations requiring employers to contribute to social insurance in accordance with the law. Resolution No. 21-NQ/TW (2012) further emphasized expanding State support for participants in social insurance and health insurance, especially voluntary social insurance for farmers and workers in the informal sector. Resolution No. 28-NQ/TW (2018) continued this orientation by setting targets to expand social insurance coverage, including greater participation by farmers and informal workers. The Documents of the 13th National Congress of the Communist Party also stressed the need to promote digital transformation, develop the digital economy and digital society, improve the quality of human resources, accelerate labor restructuring, particularly in rural areas, and reduce the proportion of workers in the informal sector. In the same direction, Decision No. 38/QD-TTg dated January 11, 2024, set specific targets for 2025, including expanding social insurance, unemployment insurance, and health insurance coverage, with particular attention to farmers and informal workers. Thus, along with economic development, informal labor inevitably exists in all economies, especially in developing countries such as Vietnam. However, in the current digital era, despite the country's large labor force, informal workers remain highly vulnerable to economic and social shocks.

** Some Fundamental Characteristics of the Digital Era*

According to a United Nations resolution (2014), the digital era has several key characteristics. First, it is driven by global digital transformation, which fundamentally reshapes modes of social development, lifestyles, and activities through digital platforms. Second, it has created a global virtual space that increasingly interacts with the physical world, with strong connectivity that transcends geographical boundaries. Third, the digital era is expected to have profound and long-term impacts on the development of nations, businesses, and individuals.

In this context, many countries have actively implemented strategies and policies to promote digital transformation, the digital economy, and international integration. In Southeast Asia, many countries have also introduced national strategies to advance the digital economy, while ASEAN has gradually promoted regional digital integration through related frameworks and initiatives. In Vietnam, deeper international integration and the expansion of trade agreements have brought both positive and negative impacts on the economy, including the informal sector and informal workers. Therefore, the digital era presents both opportunities and challenges for informal labor in Vietnam today..

- Opportunites

First, informal labor is expected to increase, along with commitments to acceptable working conditions for workers, thereby helping to raise incomes for informal laborers.

The newly signed agreements, combined with new policies, are creating employment opportunities with higher incomes for informal workers who possess technical expertise and strong labor skills. Therefore, informal workers must actively improve their skills, as this will be a prerequisite for seizing high-income jobs and accessing better social protection. The documents of the 13th National Congress of the Communist Party of Vietnam (2021) set out the general development goals for 2030: "The average annual growth rate of labor productivity will exceed 6.5%; the proportion of trained workers holding degrees and certificates will reach 35-40%; and the share of agricultural laborers in the total workforce will fall below 20%." Many forecasts also suggest that agricultural land area may be significantly reduced due to the integration process, causing many rural workers to lose their jobs. They will have to migrate to urban areas to seek employment, often accepting informal jobs, which would further increase the number of informal workers. Particularly in recent years, under the impact of the Fourth Industrial Revolution, new forms of the informal economy have emerged, such as the "circular economy," the "sharing economy," the "freelance economy," and the "Gig economy" — All based on online platforms (through technology applications) such as online shopping, delivery services (shippers), and ride-hailing services (Grab, Uber, etc,.). These are new types of employment based on technology applications, which are rapidly developing and significantly expanding the informal labor force in Vietnam.

Second, digital transformation will open up opportunities for many new industries and jobs that require fewer workers but demand higher labor quality. In the digital era, digital transformation will create unprecedented opportunities for vocational training activities targeting informal workers. Those who can

take advantage of digital transformation and acquire new skills through vocational training will be able to access higher-quality jobs, thus improving their productivity and income. For instance, in online sales, many workers who have completed vocational training courses at Employment Service Centers have started opening online stores on platforms such as Shopee, Facebook, Zalo, and GrabFood. This has enabled them to reach a broader customer base and significantly increase their revenue. In the field of digital content creation, some workers have learned how to produce tutorial videos, share knowledge, and manage content on platforms like YouTube, TikTok, and Instagram.

- Challenges

Firstly, maintaining a high rate of informal labor poses a significant challenge to achieving labor protection goals.

A persistently high level of informal labor makes it difficult for the government to monitor and manage working conditions, as well as workers' participation in social insurance schemes. Moreover, according to a forecast by the World Bank (2025), the incomes of informal workers may be improved, the rate of income growth will be much lower than that of workers in higher-income percentiles. The digital era is also transforming the labor market, eliminating many traditional and manual occupations, leading to job losses in various sectors worldwide. Notably, the informal labor sector is facing indirect pressure from the Fourth Industrial Revolution. Both globally and in Vietnam, the digital economy — characterized by the widespread use of the Internet, digital technologies, smart devices, and robotics - is increasingly replacing traditional roles, serving and fulfilling human needs across various fields.

Secondly, for informal workers themselves, an inevitable challenge is the increasingly fierce competition in the international labor market.

Limited technical expertise and professional qualifications may prevent informal workers from shifting to new jobs, even when their current jobs no longer guarantee a minimum standard of living. In particular, the new-generation trade agreements that Vietnam has recently signed play an important role in narrowing the informal labor market. For example, agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA) require Vietnam to pay greater attention to social development and environmental protection alongside economic growth. The European Union has clearly stated that the EVFTA will have profound impacts on Vietnam's economy, employment, labor standards, environment, and social cohesion.

3. Some Proposed Solutions for Informal Labor in Vietnam in the Digital Era

First, *strengthening training and retraining efforts, and improving the quality of human resources in a practical and effective manner, are essential to enhance the professional skills of Labor and enable their transition to formal employment.*

The State should introduce appropriate policies to create opportunities and favorable conditions for Labor in the informal sector to participate in training, retraining, and skills enhancement programs, in order to meet the occupational skill requirements of the labor market based on online platforms and technological applications. The State should continue to implement existing vocational education policies, focusing on equipping Labor in the informal sector with the capacity to transition into formal employment — where labor relations are regulated and better social security is ensured — with an emphasis on developing essential basic skills to adapt to the Fourth Industrial Revolution. It is necessary to supplement and complete policies to effectively manage employment risks and ensure more sustainable social security for Labor in the informal labor market. In addition, it is important to research and introduce policies to support informal Labor in developing vocational skills and accessing employment services (e.g., exemption or reduction of training fees and job placement service fees) so they can secure jobs through technological applications in the sharing economy, the Gig economy, etc., or transition into formal employment.

Second, *improving policy mechanisms to encourage Labor and employers to enter into labor contracts and participate in social insurance schemes.*

The State should establish mechanisms and policies to provide emergent social assistance from annually allocated budgets or from surplus funds of the Unemployment Insurance Fund; and to support health insurance purchases for poor and near-poor households. Research should be conducted to promulgate compulsory social insurance policies for Labor in the informal sector working in the sharing economy and Gig economy who earn high incomes, through income tax monitoring and a contributory-benefit mechanism using the "nominal individual account" model. There should be control mechanisms requiring employers to be responsible for signing labor contracts and paying social insurance contributions for workers. Furthermore, it is important to promote communication campaigns and provide clear guidance to workers about the importance and benefits of social insurance (SI), while expanding voluntary SI

options for the public. Strengthening the monitoring of the implementation of labor regulations in formal enterprises and business establishments employing labor is also essential.

Third, *focusing on local economic development and promoting labor structure transformation toward industrialization and modernization to create favorable conditions for attracting investment from large enterprises and generating more employment opportunities.*

It is necessary to expand the national employment service system, particularly in urban areas, to facilitate access to high-tech and online employment services. This expansion would provide labor market information, employment services, and labor supply-demand matching within the informal labor market segment, as well as connect the labor supply from the informal sector to the labor demand in the formal sector, thereby accelerating the transition of informal labor into formal employment where better social security systems are in place.

Fourth, *reforming administrative procedures based on the maximum application of information technology.*

It is crucial to continue simplifying administrative procedures at public service agencies, especially within the social insurance sector, to maintain efficient "one-stop-shop" transaction models. Maximizing the application of information technology in administrative transactions and continuously improving the quality of personnel will better meet the growing demand for voluntary social insurance participation among informal Labor. At the same time, related sectors such as Labor - Invalids and Social Affairs and Finance should study and develop support programs to encourage citizens' participation in voluntary social insurance. This includes assessing the participation capacity of workers in general and informal workers in particular to continue to improve the system of related policies to be more suitable and attractive to workers in participating in voluntary social insurance. Additionally, it is necessary to consider labor management through the use of a "Digital Labor Book," integrated with the national population database and other related databases, in order to design supportive and incentive policies for both high-skill creative jobs (such as insurance, finance, YouTuber, blogger) and general jobs (such as delivery services, online sales, etc.).

Fifth*, strengthening international cooperation in fields related to labor utilization.*

It is important to enhance international cooperation, particularly with organizations such as the International Labor Organization (ILO), the United Nations Development Programme (UNDP), the World Bank (WB), the Asian Development Bank (ADB), and international non-governmental organizations (NGOs) operating in Vietnam. Such cooperation would involve research, experience exchange, and technical support in training and conducting field surveys of the informal economy and the informal labor market, especially concerning new types of online platform-based economies and jobs (through technological applications) in Vietnam. These activities would serve as a basis for reaching a shared understanding and providing recommendations to the State for the supplementation and improvement of policies and laws to ensure social security for Labor working in this sector.

Conclusion

The informal labor sector is currently under indirect pressure from the Fourth Industrial Revolution. Vietnam is entering a digital economy era with the explosive development of the Internet, digital technologies, smart devices, robotics, and etc,. These technologies are increasingly being widely applied across labor sectors to better serve and meet human demands. As a result, the digital age will transform the labor market: many traditional and manual occupations will be eliminated, leading to widespread job losses, including among informal Labor. On the other hand, it will also open opportunities for many new occupations that require fewer workers but demand higher-quality labor. However, a common issue is that not all Labor are included in the social protection system or hold jobs protected by labor laws. This situation results in low labor productivity and low income levels among these groups not only within the informal sector but also in parts of the formal sector. Therefore, to seize opportunities and overcome challenges, it is crucial to effectively implement the aforementioned solutions to further enhance the quality and adaptability of informal Labor in Vietnam in today's digital era./.

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