

**Media title: Failing on most fronts**

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**Source:** Vietnam Economic Times dated 15 Aug 2015

## BUSINESS REPORT

**Vietnam's higher education sector fails to cater to demand and graduates students without the skills necessary to help the country's socio-economic development.**



# Failing on most fronts

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In June around 900,000 students sat their high school graduation exams and university entrance exams. These are the same students who took part in the PISA 2012 international tests, which for the first time involved Vietnamese students and whose results were released last December.

### A PLEASANT SURPRISE

So how did Vietnamese students perform compared to those of other countries? Fifteen to sixteen-year-old students from Vietnam ranked 17th in math, 18th in sciences, and 17th in literature (out of 65 countries), beating more developed countries like France, the UK and the US in each of these categories. Such results are quite remarkable, given the country's current state of economic development.

This outcome should not come as a surprise, however. Several indicators show that for quite a long time now Vietnam has been performing well in the basics of education. The literacy rate is very high and was already above 90 per

cent in the mid 1990s. By way of comparison, such levels were only reached by China in the early 2000s while India's literacy rate was only 63 per cent in 2012. The combination of a population that puts a strong emphasis on education and a government that has shown a historical commitment to improving education and making it available for a larger share of the population have been the key drivers of Vietnam's solid performance.

Expanding education in Vietnam has been a long-term objective of the central government. While still a poor country, Vietnam achieves very high enrollment rates in primary and secondary schools. In 2013 around 75 per cent of Vietnamese above 15 years old were taking their education to at least the high school level. These results are again quite impressive when compared to other countries in the region or at a comparable level of economic development. For example, in India 68 per cent of children from 15 to 17 enrolled in secondary education and in Cambodia only 38 per cent.

The PISA did not test the quality of Vietnamese higher education, though. Results of such tests may have been much less favorable, as the major challenges

regarding Vietnam's education sector lie in higher education.

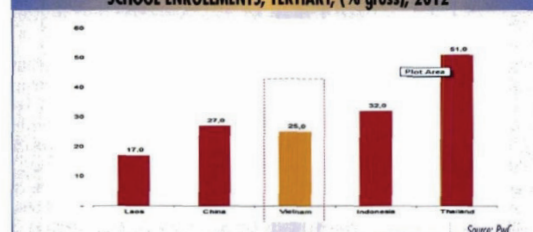
### HIGHER EDUCATION

The first issue is the enrollment rate, which remains low despite having grown quickly over the past years. As at 2013, 25 per cent of all Vietnamese of university age were enrolled in higher education. While the figures might seem honorable they are far from meeting the massive demand for higher education of the Vietnamese population. In 2013 a report released by research agencies of the Ministry of Education and Training claimed that 70 per cent of Vietnamese 12th graders said they would like to continue their studies in university. But places are very limited, as less than half of those who sat the exams in June will be accepted. Vietnam has only 400

colleges and universities for 90 million inhabitants, compared to over 4,400 in the US for 320 million inhabitants and nearly 500 in Malaysia for 30 million inhabitants. Vietnam's higher education supply is far below the country's massive demand, resulting in Ivy League-like selection rates for some Vietnamese universities.

Yet the supply shortage is a secondary issue compared to concerns regarding the overall quality of the teaching provided to students. Vietnam's higher education struggles to prepare its students for the requirements of their future employers. According to a study published by the World Bank in 2014, employers looking for workers with professional and technical skills estimated that more than 80 per cent of Vietnamese applicants were lacking the required

SCHOOL ENROLLMENTS, TERTIARY, (% gross), 2012



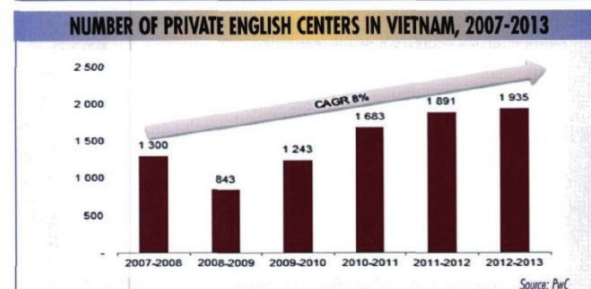
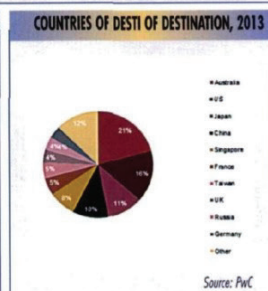
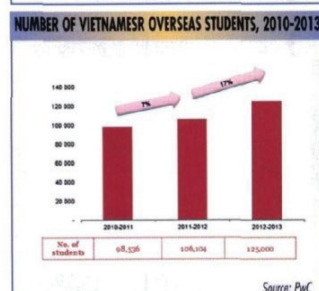
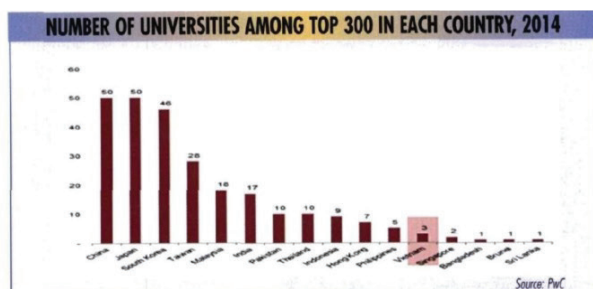


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skills to carry out the job. In particular, employers pointed out the poor technical and soft skills of university graduates. Vietnamese universities, despite their severe selection rate, are still poorly perceived by employers. This notion is reflected in the poor ranking of Vietnamese universities compared to their Southeast Asian counterparts. In 2014 Vietnam's own Ministry of Education and Training acknowledged the necessity to reform and improve higher education: "We estimate that only 30 per cent of our students receive the appropriate courses and graduate with the required skills to succeed in the corporate world." Stuck with a severe supply shortage and substantial quality issues, Vietnam's higher education system will have to adapt and transform in the future.

## NECESSARY BUT COSTLY TRANSFORMATION

Improving Vietnam's higher education is an absolute prerequisite for the further development of the country's economy. In its 2014 report on Vietnam, the World Bank reminded readers that "a skilled workforce is central to the success of Vietnam's economic and social transitions [...] as there is a shift of employment from the agricultural sector to wage employment in manufacturing, construction and services."

And this, inevitably, will come with a cost. The World Bank again, in another report published in 2010, estimated, for example, that the average cost per student for participation in higher education will at least be five to six times

higher by 2019 than it was in 2007. It is unlikely the central government and public universities will be able to handle these necessary transformations alone. Public universities still largely dominate Vietnam's higher education, yet over recent private structures have started to emerge and now account for 17 per cent of all Vietnamese students enrolled in higher education (still quite far from the ambitious target set by the Vietnamese Government in its Master Plan to have 40 per cent of students in private universities).

## STRUGGLE FOR PROFITABILITY

Vietnam will need private universities to help reform and improve higher education in the country as the demand remains strong among the Vietnamese population for high quality education. Still, private universities in Vietnam struggle to be profitable. In 2013, for the first time since 2000 the number of private universities fell. "It is true that some private universities have not been able to enroll enough students this year and may be forced to close," Deputy Minister of Education and Training Bui Van Ga said in 2013. More recently, in September 2014, Mr. Tran Vinh Du, President of the Vietnam American Training College, said: "From what I know, Vietnam has very few profitable private universities and colleges. Most private tertiary education institutions are facing tough challenges right now. Many will crumble and must exit the market in the very near future."

Paradoxically, while Vietnam desperately needs the private sector to modernize its higher education

the country has so far failed to establish a favorable environment for the development of private universities. Among the regular complaints from the industry are an absence of public support and high tax levels (25 per cent corporate income tax), which lead to them having to set very high tuition fees. Furthermore, the stringent limitations on student enrollment (private universities cannot accept students that have not reached the national basic level marks) often deter students from considering entering private universities.

## STUDYING ABROAD: THE NEW ALTERNATIVE

Additionally, these private universities must now compete with a rising willingness among Vietnamese students to complete their entire higher education abroad. Either directly or via the new programs and partnerships offered by public universities, the number of students going abroad has increased rapidly over the past few years.

Such trends have led to the multiplying of private English courses in Vietnam, with the country becoming a major growth market for companies to enter. While private universities have been struggling, these private

English course providers have managed to be quite successful, as evidenced by the substantial increase in the number of centers over recent years.

## THE NEXT PROMISING INVESTMENT AREA?

Vietnamese investors, in a recent study published in 2015 by Grant Thornton, selected education as the most promising industry for future investment. Indeed, Vietnam displays very favorable demographics (in 2013, 23 per cent of Vietnam's population was under the age of 14, according to the World Bank, compared to 18 per cent in China and 16 per cent in Singapore), while the very strong demand for high quality education adds to the solid underlying growth drivers for the market. Recent discussions seem to indicate the government is willing to change the regulatory context surrounding Vietnam's higher education. In 2015, for the first time, Vietnamese public universities will have autonomy in fixing their tuition fees, which is a first major step towards higher education liberalization in Vietnam. Such reforms are encouraging and might be a positive signal for future regulatory amendments for private universities in the near future.