

Conclusions and Recommendations
of the
MANPOWER MISSION
to
VIET NAM



U.S. DEPARTMENT OF LABOR
W. Willard Wirtz, Secretary

OFFICE OF THE ASSISTANT SECRETARY
FOR ADMINISTRATION

July 1966

June 16, 1966

Terms of Reference for
The Manpower Mission to Vietnam

The Problem

The US agencies and contractors performing work for the US government in Vietnam are facing a number of manpower problems: (1) shortages of engineers, medical personnel, managers and administrators, technicians and skilled craftsmen; (2) difficulties of recruiting Vietnamese workers; (3) lack of deferment of key personnel from military service; (4) inadequate data and information on labor supply and requirements; (5) proselyting of workers; (6) training and developing skilled workers, and (7) low wages in face of inflation and labor unrest and disputes.

General Goals of the Mission

1. To establish plans, programs, methods and machinery to most effectively mobilize and utilize Vietnamese manpower.
2. To assist the US agencies in Vietnam to establish and staff a US unit to develop policy and operating procedures to deal with manpower problems.
3. To assist the US agencies, to the extent it may be timely and feasible, in guiding the government of Vietnam in developing policy and administrative machinery to deal with manpower problems.

Specific Objectives of the Mission

1. To determine policy, program and organization to be recommended with respect to:
 - a. Labor supply and requirements.
 - b. Manpower allocation and employment stabilization.
 - c. Deferment from military service.
 - d. Recruitment and placement.
 - e. Manpower utilization.
 - f. Skill training and development.

- g. Wage administration to support manpower program goals within the overall efforts to achieve economic (including price) stabilization.
- h. Labor-management relations programs to support manpower program goals.
- i. Labor statistics programs to support manpower program goals.
- j. The administration of manpower by the GVN.

2. To determine the personal and professional attributes most desirable in a professional manpower generalist to head a manpower unit.

3. In the context of the most urgent needs in Vietnam, to determine the number and qualifications of persons required to staff the manpower function.

4. To monitor the application and effectiveness of policies, programs and organizations.

Saigon

July 10, 1966*

MEMORANDUM TO: The Ambassador

SUBJECT : A Manpower Program for Vietnam

The Manpower Mission to Vietnam (composed of the undersigned) has developed and presents a series of suggestions and proposed actions for your consideration.

Suggestions and proposed actions are presented on the following subjects:

1. A concept of a manpower program for Vietnam.
2. Determining labor supply and requirements.
3. Allocating manpower.
4. Deferring from military service.
5. Recruiting and placement.
6. Stabilizing Employment.
7. Utilizing manpower.
8. Training and developing manpower.
9. Conducting labor policy to support the manpower program.
10. Providing labor and economic statistics to support the manpower program.
11. Administration of manpower programs by the GVN.
12. Organization of the US staff to support the GVN administration of the manpower program.

Action documents have been prepared in those cases where it is practical to suggest that actions be taken by elements of the US Mission in Vietnam.

*Submitted to the Mission Council in Saigon on July 18, 1966

The members of the Manpower Mission have been impressed by the quality of the staff of the Embassy, AID, MACV and the contractors. They form a highly capable, extremely hard driving and intelligent group. For this reason, we make recommendations not in the sense of pointing out the deficiencies of individuals or groups or of bringing to bear superior intelligence or experience.

Our recommendations arise from the privileged position of being totally exempt from the punishing pace of the daily work of the staff. We have had the opportunity to hear the ideas of many informed people, and our recommendations reflect in large part - although not entirely - a synthesis of ideas expressed to us.

Recognizing the limitations of the members of the Manpower Mission and the fluidity and unpredictability of changes that may take place, arrangements have been made to make available on a continuing basis such technical advice as may be required.

- a. A group of technicians in the DOD, D/L, HEW, AID, OEP and SSS will be formed to follow developments and to deal with technical questions on manpower that may be raised by the US missions in Vietnam.
- b. The Manpower Mission as requested by The Special Assistant to The President (Mr. Komer) is prepared to return in 3 or 4 months to review progress and to deal with new developments if this is found to be desirable.
- c. Individual members of the Manpower Mission can be made available to return for short periods to review and deal with special problems if this is found to be needed.
- d. Individual members of the technicians group can be made available to deal with special problems if this is found to be useful.

cc:

The Special Asst. to The President
The Secy. of Defense
The Secy. of Labor
The Secy. of HEW
The Administrator of AID

Herbert Ihrig, Department of Labor
Charles Kidd, Federal Council for
Science Technology
Kermit Mohn, Department of Defense
John Thurston, Institute of
International Education
Leo R. Werts, Department of Labor

A Concept of A Manpower Program -- Item 1

Manpower is an essential economic resource like capital equipment, raw materials, land or facilities. However, the characteristics of people (aspirations, sense of values, and capacity to think) require that they be handled differently than other resource.

Manpower policies and programs must grow out of and be an integral part of policy and program plans for social and economic development and for defense mobilization. Specifically, the closer to a total mobilization situation, the more vital it is to consider manpower policy as an integral part of other policy sectors, particularly the military and economic.

The manpower program visualized to meet the situation in Vietnam includes several elements which must be closely integrated to achieve the maximum effectiveness:

a. Labor Supply and Requirements

Determining the labor supply that can be made available to meet the demands, determining the labor requirements of the military and related forces and the essential civilian activities, and determining the shortages and surpluses.

b. Allocation

Allocating labor supply among military and essential civilian activities in accordance with established priorities of essentiality.

c. Deferment

Deferring or releasing from military service those individuals with skills in short supply which are necessary to meet the requirements of essential civilian activities.

d. Recruitment and Placement

Recruiting labor supply from existing and new sources such as from among refugees, women, ex-service personnel, ex-VC, third-country nationals, and others and placing them to meet expanding demands in essential activities. This may involve moving workers and families from labor surplus areas to labor shortage areas.

e. Employment Stabilization

Stabilizing employment by preventing the pirating of employees by employers and the unnecessary movement of workers from job to job.

f. Utilization

Utilizing effectively the labor supply through such measures as arranging work, providing tools and conditions of work and following management practices that will utilize workers in their highest skills and that will achieve efficient production. Utilization also involves the motivation of workers, through incentives, to have pride in workmanship and in their role in economic and social development of their country.

g. Training and Development

Training and developing workers to perform the skills required to carry on essential activities.

h. Labor Policy

Administering wage, employment and labor-management relations policies in a manner that will support US operations in Vietnam, motivate workers and support manpower programs.

i. Labor and Economic Information

Providing data and information about wages, prices, employment, unemployment and related economic data necessary to decisions concerning broad manpower policies and programs.

j. Program Administration

Establishing an organizational arrangement that will provide an integrated and coordinated administration of the manpower activities and the integration of manpower programs with other social and economic activities.

MEMORANDUM TO: The Ambassador

SUBJECT : Determining Manpower Supply and Requirements ---
Item 2.

I. Statement of the Problem

To determine the current and prospective demands for manpower in Vietnam for both civilian and military functions, to assess the current and prospective supply of manpower, to assess the implications of the balance between demand and supply for strategic decisions, and to establish an administrative framework adequate to attain these ends.

II. Background and Assumptions

A number of organizations within the US Mission have recognized the need to develop information on manpower supply and requirements to guide their decisions, and have taken commendable initiative to secure and interpret the data. For example, the Joint Economic Section should continue to analyze the effects of manpower measures such as the repercussions wage changes on prices, new construction, etc. The Labor Division of AID is improving labor statistics, including such matters as establishment surveys, employment by occupation, etc. MACV has done a commendable job on analysis of RUNAF military manpower requirements and supplies.

The Labor Division of AID tends to stress the utility of rather detailed current surveys of various aspects of the labor market as a source of manpower data, while the Joint Embassy-AID Economic Section and J-1 of MACV tend to depend more on demographic data. Both approaches have their uses. However, the existing method of operation has some deficiencies. Information possessed by one group and relevant to another group is sometimes not made available to parties with legitimate needs. Some existing information is not exploited by any of the groups. There does not appear to be intimate and continuing cross discussion among staff groups of such questions as the validity of existing data, the proper interpretation to put on data, or the specific uses and limits of different approaches to securing data (such as surveys vs use of population and labor force data).

For example, it would seem to us useful to have the MACV estimates of manpower requirements and supply which provided the background for a total mobilization proposal discussed by expert staff from AID and the Joint Economic Section. Without questioning the outcome of the assessment, we believe that an effort should be made to quantify major factors that are not now explicitly considered because they cannot be precisely measured. We refer, for example, to the fact that current forecasts do not count deserters who join other units as additions to the manpower supply, and that no allowance is made for the effects of progressive pacification on manpower for the military manpower pool. Similarly, we believe that forecasts of contractor employment and of import of third-country nationals, now prepared by the Joint Economic Section, should be criticized by an informal group. In this connection, it seems to us that the various US governmental groups concerned with manpower have not been close enough to the contractors to maintain a realistic, current feel for the contractor employment outlook, and to have a shared common understanding of the contractor employment picture.

Some specific examples of lack of coordination can be cited. The Economic Section is using (tabulation dated May 16, 1966) an estimated 1967 total South Vietnam population of 16.7 million. The Revolutionary Development Progress Report (source of data revised as of June 25, 1966, and presented to the Manpower Team by J-1 of MACV on Wednesday June 29) uses a 1966 population figure of 15.6. The Economic Section indicated that estimates of the population living under secure conditions are not available, but MACV has such estimates. While there is often a margin of error in Vietnamese statistics which permits different and equally probable figures to be used, it is useful to know when imprecise basic data and when basic differences in assumptions and sources are the source of differences. It also tends to reduce confusion to agree upon standard basic data, particularly when figures are discussed at a policy level.

It is apparently possible for important policy papers with recommendations with respect to manpower and other matters based solely or to an important degree on interpretation of manpower data, to go directly to the Mission Council without prior staff discussion of the validity of manpower data and of conclusions drawn from them. In Part 12 we present recommendations which, if adopted, would result in such discussions.

We have not observed an effort to draw together a total picture of manpower supply and demand for Vietnam in a way which would permit the parts of demand for manpower and the parts of the supply picture to be cumulated to form a whole.

Such deficiencies as we have observed are not traceable to deliberate withholding of data or to lack of technical competence. Other matters have had higher priority within each part of the mission. Urgent operating requirements of the various units have forced them to concentrate on their own immediate problems. Moreover, there has simply not been enough staff time available so that the Ambassador's staff could provide the necessary leadership and coordination. In the face of these problems, the needs of each unit for better data are becoming more urgent, and staff resources to secure and analyze data are not going to expand rapidly, although we see a need for moderate staff expansion. All of these things place a premium on more effective use of existing staff resources, better exchange of data, better communication on sources of information, better assessments of emerging needs for data, and so forth.

III. Conclusions

1. In terms of organization, the manpower supply and demand efforts of various parts of the mission are inadequately coordinated. This results in less than optimum data, less than optimum use of scarce manpower resources in the parts of the mission, and to less than optimum quality of judgments derived from the data.

2. In terms of the substance of efforts directed to securing and analyzing manpower data, efforts to draw together a total manpower budget have not thus far been adequate.

IV. Recommendations

We recommend:

1. A Committee on Manpower Data should be established immediately as a sub-Committee of the Civilian Manpower Committee to provide a central point for coordination of manpower data and for preparing a manpower budget. (See Attachment A). Alternatively, this task might be made the responsibility of a person, with Attachment A as his job description.

2. That the manpower budget be viewed realistically as a useful planning device. It can be used to sharpen judgments on such general strategic questions as the ultimate feasible size of Vietnamese armed forces, or the degree of probability of general manpower shortage. On the other hand, it should not be viewed unrealistically as a device for providing precise answers to many urgent, detailed decisions (See Attachment B for a discussion of the values and limitations of a manpower budget).

3. That close attention be paid to specific changes in specific sectors of manpower supply and demand, (RVN armed forces, contractor employment and US agency employment and to their inter-relationships).

4. That manpower data be consistently viewed not as an end, but as a means. The end is to supply information in the detail and with the timing required to make it useful in making both policy and operating decisions.

5. That great stress be placed upon securing rough estimates from existing data, as contrasted with detailed data from new surveys.

6. That those responsible for data collection and analysis be linked effectively to the decision making process, so that they can have a secure feel for the kind of information that is actually called for in making decisions. Our recommendations on organizational matters relating to manpower are in Item 12.

7. The following division of effort for the collection and analysis of manpower data: MACV - preparation and analysis of studies relating to RVNAF military manpower requirements and manpower supplies, and the development of the civilian manpower requirements of the US military agencies and contractors. The Labor Division, AID - collection and analysis of current labor market data, and particularly information relevant to planning and execution of AID programs (such as current labor market surveys in relation to training needs and surveys of establishments and occupations); Joint Economic Section - preparation of an overall manpower budget, including both military and civilian supply and demand, and analysis of the major segments of manpower supply and demand on the civilian side. It is not possible to draw hard and fast lines between these categories. In addition, some data gathering and analysis functions are joint enterprises and some tasks cannot be foreseen in advance. These considerations highlight the significance of Recommendation 1.

Item 2
Attachment A
Page 1

Draft - July, 1966.

To : Members of the Civilian Manpower Committee
From : Counselor for Manpower
Subject: Establishment of a Committee on Manpower Data

It has become evident that many important mission decisions will be increasingly affected by the supply and demand for manpower in the military and civilian sectors and on the US and GVN sides. The soundness of these decisions will be strongly influenced by the accuracy of data and the soundness of the analysis of the data.

To strengthen the capacity of the mission to deal with this problem, there is hereby established a sub-committee on Manpower Data of the Committee on Civilian Manpower, with the function status and membership as described in the attached statement.

STATEMENT OF FUNCTIONS AND MEMBERSHIP OF A COMMITTEE

ON MANPOWER DATA

I. Functions

1. Coordinate the efforts of parts of the mission engaged in collecting and analyzing manpower data. (In this connection, the actual collection of data, and most of the analysis should remain decentralized.)

- Ensure that basic assumptions are common to all parts of the mission.

- Ensure that unnecessary duplication of effort is eliminated.

- Ensure adequate input of information from the agencies to the Committee, and adequate distribution of data from the Committee to all interested parties.

2. Provide a point for critical examination of data and analysis prepared in various parts of the mission.

3. Anticipate needs for manpower data, and assign responsibility for securing data.

4. Serve as the point of joint review for data and analysis relevant to more than one part of the mission.

5. Suggest and expedite the production of data relevant to the mission as a whole.

6. Review proposals for collection and analysis of manpower data made by parts of the Mission with respect to such matters as to need, utility, timeliness, coverage and burden on respondents. (This should not be a general veto power, but a means of securing an objective assessment of costs vs benefits.)

7. Provide the central staff point for preparation and analysis of a manpower budget.

8. Provide the means through which the priority needs of the members of the Mission Council for data are transmitted to the operating level.

9. Serve as central point of contact for GVN on civilian manpower data requested from GVN sources and as a central point at which GVN can secure manpower data of a comprehensive character.

II. Status

The Committee is advisory to the Manpower Counselor in his capacity as Chairman of the Civilian Manpower Committee.

III. Membership

The Committee shall be chaired by the Deputy to the Manpower Counselor and shall consist of not more than two representatives of AID, MACV, and a representative of the Joint Economic Section, to be named by the Manpower Counselor upon the nomination of the heads of the agencies concerned. Other agencies should participate as they find matters which they wish to bring to the attention of the Committee, or as the Committee may wish them to participate.

IV. Agenda

The Committee will establish its own agenda, based upon priority demands as worked out by the members and the Chairman. To indicate matters which might be dealt with by the Committee, the following suggestions are made:

a. Each major source of data (Economic Section, J-1 /of MACV and the Labor Division of AID) should brief other units in detail on its program - why data are needed, where the information comes from and gaps in information. These discussions should serve as the basis for exchange of information, judgments and more effective continuing collaboration.

b. A person or small group working under the general direction of the Committee should be given the responsibility for pulling together a total manpower budget projecting labor supply by major category and labor demand by major category through 1970. This budget should serve as the basis first for technical discussions of its adequacy and then as a means of presenting a general picture first to the Civilian Manpower Committee and then to the Mission Council.

c. In the absence of good data on many aspects of the Vietnamese labor market, what can be usefully derived from existing data on countries generally similar demographically to South Vietnam?

d. Has information available in the National Institute of Statistics been systematically exploited? (For example, data rough but useful - on the distribution of employment by industry are available but to our knowledge have not been used.)

A MANPOWER BUDGET

(The following pages are intended to present ideas relating to a manpower budget. Some of the ideas are debatable, and many of the figures are questionable. However, the ideas and figures are in general the ones that have to be debated and questioned as a manpower budget is prepared and revised. The ideas are truisms to those who have dealt with manpower and labor problems, but this document is addressed to a wider audience.)

I. The Meaning, Usefulness and Limitation of a Manpower Budget.

The number and characteristics of the Vietnamese population constitutes the supply side of a manpower budget. The needs of the armed forces, the civilian economy, the contractors and the GVN ministries taken together constitute the demand side of a manpower budget. Reasonably accurate projections of supply and demand shed light on some important policy questions such as:

- a. At what rate and to what ultimate levels can the armed services of all kinds expand?
- b. Are more third-country nationals needed for the US build-up?
- c. When can general shortages of manpower be expected to develop of the kind that might require allocation of manpower?

The limitations of a manpower budget must also be recognized. The summing up of total demand and supply will not in itself produce data answering detailed questions. For example, a manpower budget should not be expected to produce information with respect to training needs, or manpower needs in specific activities such as the docks. Moreover, the limitations of base data in Vietnam are so extensive that even general magnitudes and forecasts cannot be precise. The problem is not that the data are available in uncorrelated form. Many important chunks of information are non-existent, and will remain non-existent. Many assumptions underlying manpower budget forecasts are essentially the best guesses on the military and political situation two to three years in the future. Nevertheless, a manpower budget can and should be drawn up, reviewed and periodically revised. One of the prime values of preparing and revising

a manpower budget is to force assumptions into the open, as well as to force the attachment of quantities to the assumptions.

II. The Big Unknowns In Labor Supply and Demand

The imponderables on the supply side are important. These unknowns are actually of such magnitude that precise labor supply forecasts will not be forthcoming. The most important of these are:

- a. At what rate will pacification occur, and what will be the effect of pacification on producing new manpower for the war effort?
- b. At what rate will the non-agricultural labor force expand in the areas already pacified? (For example, the rate at which women will take jobs is not known; the rate at which agricultural workers will become available for non-agricultural employment is not known).
- c. At what rate will persons leave less essential employment (family enterprises producing consumer goods, construction workers used to build luxury apartments, clubs and bars, persons engaged in service vendors of all kinds, waiters, etc.) for more essential occupations?
- d. How many refugees and "open arms" recruits will become available for work directly related to prosecution of the war effort as pacification proceeds?
- e. At what rate will minority groups (such as the Chinese) be available and usable for war related work?

The imponderables on the demand side are also important. The unknown that affects all planning in Vietnam - the success of the military effort - obviously affects the demand for labor. In addition, the demand picture is clouded by construction priority schedules which shift rapidly with respect to geographical site and type of construction. Those complicate and to degree frustrate manpower planning.

Given the unknowns on both the supply and the demand side, a manpower budget for Vietnam which includes forecasts amounts to a quantification of assumptions rather than an assembly of facts. For this reason, it would seem advisable to prepare not a manpower budget, but alternative budgets based on various equally plausible sets of assumptions.

III. The Supply of Labor is Elastic.

From the questions above, it is clear that there is no such thing as "the" supply of labor, in the sense of a pool of people of finite size, either now or in the future. The supply of manpower depends very heavily on the actions of the US and GVN. The US and GVN are not requisitioning people from a fixed pool of "available". They are by their actions rapidly expanding the pool of available. To a great extent, each additional demand tends to generate an additional supply of manpower.

This fact must be borne in mind when considering such matters as the effects of high demands for labor on wages. High demands for labor in Vietnam in the non-agricultural wage economy, such as now prevail as a consequence of the US build-up, have as major effects (1) an increase in the total labor forces through such factors as entrance of women into employment and (2) expansion of the non-agricultural labor forces as agricultural family workers move into the wage economy. Although increased demand for labor undoubtedly exerts upward pressure on wages, this upward pressure is tempered by the large additions to the non-agricultural labor force. This consideration is mentioned to make specific the need for close collaboration among economists with various approaches in dealing with the wide implications of manpower problems.

IV. Effective Use of Manpower is Important

The labor force is not composed of homogenous units. The effectiveness of the labor force depends upon the mix of skills in relation to needs as well as to the numbers available. One of the prime observations which we have made with respect to the Vietnamese labor force is that there is no current labor shortage in the sense that physically and mentally capable people are not to be found. There are shortages, but they are shortages of people with specific skills.

The effectiveness of Vietnamese labor also depends on changing the fundamental **attitudes** of people with the deeply ingrained values of a static Asiatic agricultural culture.

Finally, the effectiveness of manpower depends upon the effectiveness of direct supervision and of management at higher levels. It is a common experience in all labor markets to find that what appear superficially as shortages of manpower are actually deficiencies in such matters as attention to the forces that motivate workers, materials scheduling and handling, production scheduling, carelessness or callousness in supervision, and efforts to overstaff because of anticipated manpower shortages. A manpower budget can take such factors into account, but not with great precision.

V. Checking The Implications of The Manpower Budget.

Even in the United States during the days of critical manpower shortage during World War II, the manpower budget was not relied upon to provide information relevant to detailed current operating decisions. The manpower budget provided general diagnostic data and reliable general forecasts. For example, it was possible to predict quite precisely the pool of manpower available for military service, and to assess with adequate reliability the gross distribution of manpower between the civilian and military sectors. But the data provided by the manpower budget were not particularly useful in connection with day to day operating decisions. It was necessary to build a system which provided more timely and detailed information. Accordingly, a complex set of labor market reports, special industrial studies and regional studies was developed.

The implication for Vietnam of **this** history, which was repeated in **principally** every advanced country during World War II, is that the manpower budget will be relatively of even less utility than in the advanced countries because the budget is quite imprecise for the reasons outlined above.

Conversely, the devices for assessing the current state of the labor market other than the manpower budget are relatively more important. These include such things as labor supply and demand and labor relations reports from the provinces, armed forces

demand and supply data broken down in detail wage and classification surveys, and estimates of labor supply and demand by industry and occupation. Attention to the preparation of manpower budgets should not divert attention from continuing study of the feasibility and utility of such data.

VI. The Practical Importance of Increments - Working on the Margin

In practical terms, manpower questions often relate not to total supply and demand and to how much more or less will be required or available for specific uses over six months to two years in the future. To be specific such questions as these are the ones that have direct and immediate operational meaning:

- a. How much, if at all, can RVNAF expand over the next two years?
- b. Given demands by RVNAF, when will the supply of militarily eligibles run out under existing ground rules?
- c. How many additional persons in what occupations?
- d. How many additional third-country nationals, with what skills, must be imported over the next six months or the next year?
- e. By how much will the employment of Vietnamese by US forces and contractors increase or decrease over the months ahead?

A total manpower budget provides only the general backdrop for such information. It provides a framework into which the facts can be fitted in order to assess the compatibility of the whole with the parts, and is therefore useful. It does not answer the questions themselves. Therefore, the construction of partial manpower budgets is as important as the construction of a total manpower budget. Good work has been done on such partial budgets. For example, the MACV studies of RVNAF requirements and supplies are sound guides to general decisions, even though the figures could be further refined. The work of the Joint Economic Section on total US generated employment is also a good beginning.

Any tabulation of anticipated changes in US civilian employment in Vietnam should be subject to general scrutiny by the parties concerned, so the responsible people will vouch for the validity of the data, and so that operating and policy questions can be - so far as is possible - anticipated. There is a large element of guess work in such a forecast, largely because construction schedules are to a substantial degree unpredictable. For example:

- a. Will almost as many third-country nationals as Vietnamese be hired over the next six months?
- b. Will contractor total employment go up by more than 20,000?

Saigon

July 10, 1966

MEMORANDUM TO: The Ambassador

SUBJECT : Manpower Allocation -- Item 3

I. Statement of the Problem

To determine whether a formal allocation of manpower between military and essential activities and among essential activities is needed now or in the foreseeable future; and to determine needed procedures for making allocations.

II. Background and Assumptions

Where manpower is in limited supply to meet anticipated requirements it may be necessary to allocate specific amounts of manpower to military forces and to essential government and civilian activities; in other words, to determine how the total available manpower is to be divided between the military forces and essential civilian activities, and also how to allocate manpower among essential civilian activities.

The analysis of Labor Supply and Requirements in Vietnam (see item 2) provides information on the total manpower requirements and the supply available to meet essential government and civilian activities. These overall requirements for manpower can be met from the labor force not in the draft age group 20 to 30 years of age.

The supply of scientific, engineering, technical and skilled craftsmen, not in the draft age group, will not be sufficient to meet the requirements of essential government and civilian activities.

Policies and procedures for allocating skills in short supply between the military and essential activities are dealt with in the paper on deferment (see item 4).

If the requirements of the GVN military forces are such as to require the enlargement of the draft age group to include parts of the 30 to 40 age group, the problem of allocating skills in short supply will become even more important and difficult.

If the requirements of the military forces can be met from the present draft age group (20-30), there will be no need to allocate total manpower among government and essential civilian activities.

III. Alternative Courses of Action

If the allocation of manpower among essential civilian activities becomes necessary a variety of procedures could be used to divide manpower among essential activities;

1. Procedures for allocating materials, land and facilities to essential activities and denying materials to less essential activities could be instituted. This procedure would limit the number of jobs in less essential activities and automatically channel workers to jobs created in essential activities.
2. Procedures for placing employment ceilings could be instituted, that is, placing a limit on the total employment or on each occupation that an employer is allowed to employ.
3. Procedures could be instituted, requiring all employers to hire new employees through a public employment service, thus permitting the service to channel workers to the essential activities and denying workers to less essential activities.
4. In order to guide the decisions on allocating materials and facilities, placing employment ceilings and for channeling workers, machinery will be necessary to determine essential civilian activities.
5. Occupations and skills in short supply must be determined in order that workers having these skills can be channeled to essential activities or employment ceilings placed. The list of shortage occupations is also needed in the process of determining deferments from military service.

At the present time the evidence available indicates:

- a. a reluctance on the part of the GVN to limit the number of licenses for new less essential enterprises or to restrict the use of materials for less essential activities;
- b. a lack of capability to administer a complex set of procedures as described above.

IV. Conclusions

1. Except for the deferment of a relatively few scientific, engineering, technical and skilled craftsmen, all men within the draft age can be made available to military forces.

2. Present information about labor supply and requirements indicates that there is no need to allocate manpower among essential civilian activities.

3. Machinery is needed for determining (a) essential government and civilian activities and (b) skills or occupations in short supply. The GVN has the administrative resources for making these determinations.

4. The GVN does not presently have the administrative resources for properly administering a system of allocating materials, facilities and land.

5. The GVN does not presently have the administrative resources for administering an employment ceilings procedure and the channeling of all workers to essential activities.

V. Recommendations

It is recommended that:

1. An appropriate representative of the US Mission suggest to the GVN that they establish machinery and determine (a) essential activities and (b) skills or occupations in short supply to assist in deferment decisions and also to guide the channeling of manpower to essential activities if this becomes necessary.

2. For the present no action is recommended with respect to allocating manpower or shortage skills among civilian activities.

August 8, 1966

MEMORANDUM TO: The Ambassador

SUBJECT : Deferments from Military Service -- Item 4

I. Statement of the Problem

To establish deferment and related policies and procedures which will provide adequate consideration of the overall national interest in the induction of men into the armed forces.

II. Background and Assumptions

Shortages of professional, technical and skilled manpower exist in Vietnam. The GVN has established policies providing for the deferment of men for "professional" reasons and actually grants deferments thereunder. There is evidence, however, which indicates that further consideration of the needs of the essential civilian economy should be provided since vitally important specialists such as physicians, teachers, engineers, project administrators, animal husbandry specialists, well-drilling technicians and others are being inducted.

This problem is intensified for two reasons:

(a) An almost total prohibition of deferments beyond the last year of liability for induction, and

(b) The absence of a policy for deferment by reason of fatherhood, dependency or other family reasons thereby obviating the possibility of persons with critical skills being deferred for such reasons.

Although the period of military service for practically all persons possessing skills in short supply is four years, there is evidence that some men in these categories have not been released upon completion of their normal term of service. Thus, there is no counterbalancing flow of men possessing such skills from military to civilian life.

A special problem exists among physicians and possibly other health personnel. About two-thirds of all physicians are in the armed forces. Very few are being released regardless of their length of service. Those physicians who are not in the armed forces are concentrated in Saigon and other highly populated areas.

Unlike policies for deferment for "professional" reasons, the GVN policies for student deferments are very liberal. Students are automatically deferred for the normal number of years necessary to obtain a degree, plus 1 or 2 years, depending on the length of the normal period, to allow for failures to pass. These policies are difficult to justify during a period of mobilization.

The Revolutionary Development Cadres are paramilitary forces with high priority missions. Members of these cadres, except those with a prescribed educational level and those about to enter their last year of liability for induction into the regular forces, are given automatic deferments. The induction of the above exceptions into the regular military forces is detrimental to the mission of the cadres. Further, it is wasteful of training effort since not only must the cadre replacements be trained but the members of the cadre who are inducted must be given regular military training.

The policy of not deferring men beyond the age of liability for induction is related to the basic concept that all men except those not physically-qualified should serve and a belief that such deferments would subject the government to charges of favoritism or chicanery thereby undermining public confidence and morale.

In some cases, the induction of men possessing skills in short supply was attributable to the fact that action to obtain deferments was not taken under the established procedures. Instead, efforts were made to obtain consideration through personal contacts or by telephone between employers and government officials. Also, there was some evidence that employers were not taking necessary steps to minimize the impact of the induction of men with critical skills by training of replacements, etc.

III. Conclusions

The present deferment policies should be modified to provide for further consideration of the overall national interest in the induction of men into the armed forces.

The US has a strong legitimate interest in attempting to secure more rational deferment policies. It is investing large amounts of money in projects for the economic development of Vietnam which have been or may be impaired through the induction of men with critical skills. The US is also investing large amounts of money to strengthen the GVN government, an effort which may be thwarted through the induction of key personnel.

IV. Recommendations

We recommend that:

1. The US Mission and the GVN jointly develop a list of critical occupations and a list of essential activities, together with a set of criteria and procedures, for considering deferment requests. After these lists, criteria and procedures have been developed, the GVN should publicize them for the guidance of individuals possessing critical skills and employers engaged in essential activities in obtaining appropriate deferment consideration.

2. For use in exceptional cases, the US Mission obtain agreement from the GVN to provide special consideration for a limited number of persons (probably not to exceed 200 per year) with critical occupations whereby such persons could: (1) be deferred beyond their last year of liability for induction, or (2) be assigned to their civilian duties in military status after an absolute minimum of military training, the selection of such persons to be made either by a joint US-GVN board or by the GVN in consultation with the US Mission.

3. The US Mission consider recommending to the GVN that it establish policies applicable to physicians, as follows:

(a) A ratio of physicians to military troop strength be established after consultation with appropriate elements of the US Mission and the GVN Ministry of Health, and that the number of physicians in the armed forces be limited by that ratio.

(b) All physicians within the ages of liability for induction be inducted.

(c) Those physicians not needed to meet the military requirements established under (a) above be assigned to

civilian duties in military status without undergoing military training on the recommendations of the Ministry of Health.

(d) Physicians be released from military duties, including civilian assignments under (c) above, after a fixed term of service, e.g., 5 years.

4. The US Mission request the GVN to limit the deferment of students to those who are making satisfactory progress in their studies which will result in the attainment of their degrees in the normal number of years. Further, the deferment of graduate students be limited to those who are majoring in professions appearing on the list of critical occupations.

5. The US Mission request the GVN to provide for the automatic deferment of all members of the Revolutionary Development Cadres, regardless of age and educational attainment level.

6. The US Mission re-emphasize the need for US employers to take timely action to obtain deferments within the regular procedures and to develop plans for replacing deferred persons or otherwise minimizing the impact of the eventual loss of deferred persons: Also, the US Mission request the GVN to issue similar guidance to its ministries and other employers.

D R A F T

July 11, 1966

MEMORANDUM TO: The Ambassador

SUBJECT : Recruiting and placing Manpower -- Item 5

I. Statement of the problem

To identify groups of workers in the labor force that are not being fully utilized on essential activity and to devise ways and means of recruiting and channeling them into high priority essential activity.

II. Background and assumptions

There are several groups in the labor force that can be recruited and channeled into higher priority essential activity. These groups include: (a) veterans, (b) refugees, (c) ex-VC, (d) women, (e) minority groups, (f) students, (g) marginal operators in commercial and service activities and (h) marginal operators in agriculture.

There are employers performing high priority essential activities in isolated areas such as US forces and construction contractors at Cam-Ranh Bay.

There are large new essential activities being constructed in areas where the local labor supply is not adequate to meet the requirements.

There are expanding essential activities in large population areas that must compete for labor with employers in lucrative commercial, service and recreational activities.

The Vietnamese worker traditionally is tied to his family and village and therefore is not usually willing to move from one geographic area to another.

However, the VC harassment of hamlets and villages has been such that many villagers are seeking the security of South Vietnam areas; ex-service men have experienced life in distant areas; ex-VC are often escapees from geographic areas to which they cannot return. These groups are therefore mobile for at least the period between now and the achievement of full security in their home village.

Other groups (women, operators in marginal and uneconomic activities and others) might be induced to accept employment in priority essential activities if they are made aware of opportunities and proper incentives are provided such as transportation, supplementary food, good supervision and appropriate wages.

The balance or degree of balance between labor supply and requirements in different areas and the differences in living conditions and community facilities indicates some variation in the total remuneration of workers (wages and fringes).

Although there may be persuasive reasons for having uniform wage rates throughout the country employment market or area conditions indicate the desirability and necessity for differentials in fringe benefits to provide the incentives to draw workers to meet manpower requirements.

There is a relatively large turnover of employees of construction contractors and of US forces. In many cases these employees who leave employment have been trained in the job and have acquired skills. Many leave employment to return to family and village. Many are induced to take employment with private sector employers.

Even with the best efforts to recruit Vietnamese and to develop skilled workers through training and experience in the job, many requirements for technical and skilled workers can only be met through recruiting third-country nationals.

Some production and construction is behind schedule or may get behind schedule because sufficient lead time is not given to employer personnel people by the contracting agencies. It is recognized that in emergency situations such as exist in Vietnam decisions on plans must of necessity change and that advance notice of production or construction schedules is not always possible.

III. Alternative courses of action

Assuming that the GVN will establish a list of activities that are essential and important to the war effort and to social and economic development, it would be possible for the Manpower Directorate of the Ministry of Labor to request the Information Ministry to publicize the need for workers and the relative importance of certain enterprises to the welfare of the nation.

Joint teams of US employers could be formed to establish recruiting offices in the local areas where groups of workers are located, that is, in camps where veterans are being released from the military services; in refugee villages; in city areas where workers are engaged in marginal economic activity.

Joint GVN-private sector employer teams could be established to recruit in camps where ex-VC are being reoriented and trained. Village leaders could be enlisted to recruit and refer villagers to nearby employers in essential activities.

The Ministry of Labor, Manpower Directorate recruitment and placement offices could be expanded and located to facilitate the recruitment of veterans, ex-VC, refugees, women and others. The Manpower Directorate could expand through the employment of additional staff. However, since hiring new employees at the government wage is difficult, consideration might be given to loaning the employees of other ministries to work in the Labor Ministry. For example, the Ministry of Agriculture with about 6,000 employees and the Ministry of Education with 37,000 have units in places where some of the groups of workers referred to above are located.

Relatively simple instructions would provide new employees or loaned employees with sufficient guidance to perform the recruitment and referral functions.

In order to provide incentive to workers to take employment in geographic areas away from their village, an appropriate level of fringe benefits should be established for each employment market area. The appropriate level of benefits (in addition to standard wages) would range from the standard fringe benefits to substantial additional benefits and a level or two in between the low and the high levels.

Refugee camps could be located near construction and other activities in areas without a sufficient labor supply.

IV. Conclusions

1. There are several groups in the labor force that could be recruited by special recruitment efforts and appropriate incentives.

2. Any substantial increase in requirements for technical and skilled workers can be met only through employment of third-country nationals.

3. An increase in positive recruitment should result in securing additional workers.

4. The present policy of arranging for the recruitment of third-country nationals only after allowing GVN an opportunity to recruit Vietnamese should be continued.

5. Differential fringe benefits (transportation, housing, medical services, supplementary food, schools and other special benefits) should be established for employment areas where the local labor supply is inadequate to meet requirements.

6. Longer periods of advance notice of production and construction schedules will facilitate necessary recruitment and will improve the utilization and management of existing work forces.

V. Recommendations

It is recommended that:

1. An appropriate representative of the US Mission explore with GVN the possibilities and the desirability of increasing organization and personnel resources of the Manpower Directorate to facilitate the recruitment and channeling of workers from new sources to essential activities.

2. An appropriate representative of the US Mission explore with GVN the idea of loaning the employees of the larger ministries or of activities of lower priority to the Manpower Directorate of the Ministry of Labor to speed the establishment of a more adequate recruitment and referral service.

3. US employers arrange a regular periodic (monthly) meeting with the Manpower Directorate to spell out by skills or occupations their requirements for manpower for future periods.

4. US employers provide recruiters to join with GVN recruiters to conduct positive recruitment among groups and in areas where workers are not fully employed on essential activities.

5. An appropriate representative of the US Mission suggest to the GVN that it:

(a) urge and encourage private sector essential employers to conduct positive recruitment in ex-VC camps and refugee camps;

(b) arrange to make greater use of village leaders to recruit manpower.

6. An appropriate representative of the US Mission explore with the GVN the desirability of establishing a joint GVN-US team of experts to (a) determine for each employment market area a fringe benefit level and mix of benefits that will facilitate recruitment for each particular area, (b) identify employment market areas where the location of refugee camps would provide needed manpower.

7. Whenever possible the US contracting agencies give several weeks advance notice of production schedules to facilitate recruitment of new workers and the utilization of existing work forces.

July 10, 1966

MEMORANDUM TO: The Ambassador

SUBJECT : Employment Stabilization -- Item 6

I. Statement of the Problem

US employers (in Vietnam) have occasionally induced workers to leave other US employers to take employment with them.

The GVN ministries report that they are losing workers of all levels of skills to the US government agencies and particularly to the contractors performing for the US.

The GVN ministries report Vietnamese employers in civilian activities complain that their employees are being induced to take employment with US contractors.

II. Background and Assumptions

The GVN wages and working conditions have not kept pace with the rising cost of living.

Since there are no wage controls, Vietnamese employers in the private sector are legally free to increase wages within their economic capacity to do so. Some have done so. Others have not done so early enough to hold their employees.

Employees may be induced to take employment with US employers because of the poor wages and working conditions of some Vietnamese employers and because of the higher take-home pay and fringe benefits provided by US employers.

Information available does not reveal that essential private sector employers are losing employees to US contractors.

Prior to the present period, GVN agencies did lose employees to the US employers. GVN still report the loss of employees but the US employers deny this.

It is possible that the VN private sector employers are hiring GVN employees; however, there is no objective data on this point.

III. Alternative Courses of Action.

The present practice of US employers not to hire employees of other US employers or of the GVN, from most reports, is working adequately. Another formal reminder of the required procedure may stimulate more compliance with the procedures.

If an effective public employment service was in operation it would be possible to require all employers to hire from among workers referred by the service. This procedure would assume that the public employment service would check prior employment and secure releases from essential employers or not refer the worker. It would also assume that verified employment with a less essential or low priority essential activity would be referred to employment without securing a release from the present employer. Since an effective public employment service does not exist this procedure cannot be considered for the present.

Although GVN employees are under "legal" obligation not to seek other employment without securing a release, the complaints of the GVN would indicate that employees do leave without a release.

The government of Vietnam could issue regulations, requiring private sector employers to employ only GVN employees with an appropriate release. Although there is no administrative machinery to enforce such a procedure it may have a determining affect particularly if the employment roles of selected employers were checked occasionally.

There is no evidence that essential production or service in the private sector are being handicapped by losing employees to less essential activities or to other private or to government sector employers.

IV. Conclusions.

1. Another reminder to US employers of the practice of not employing workers presently employed by GVN or other US employers is in order.

2. A directive from the GVN establishing a no-pirating of GVN employees procedure for private sector employers is in order.

3. No action is needed at this time to prevent pirating of employees among private sector employers.

V. Recommendations.

It is recommended that:

1. The Deputy Ambassador issue the reminder at Tab A after securing the advice of the Civilian Manpower Committee on the appropriate wording.

2. An appropriate representative of the US Mission recommend to the GVN that they may wish to consider issuing a directive to employers in the private sector prohibiting the hiring of GVN employees without an appropriate release.

Notice to US Employers and Other Employers
Performing Work in VN for the US Government

Purpose

It is the purpose of this Notice to remind US and other employers of the no-pirating procedures they are required to observe.

Policy

It is the policy of the US government that US employers and other employers performing work for the US government in Vietnam will not employ the employees of each other or the employees of the GVN without an appropriate release.

Procedures

When recruiting Vietnamese workers, US and other employers will take steps to assure themselves that the worker is not presently employed, nor was employed within the prior six-month period by another US employer or by the GVN.

If after employing a worker it is discovered that he was in fact employed, within the six-month period, by another US employer or the GVN, the employee will be released even though the losing employer is willing to provide a release.

A worker who has been released because of having been employed by a US or GVN employer during the prior six-month period, will be eligible for employment six months after his release if he has not returned to his employer.

Wm. Porter
Deputy Ambassador

July 12, 1966

MEMORANDUM TO: The Ambassador

SUBJECT : Utilization of Manpower -- Item 7

I. Statement of the Problem

How to improve the utilization of manpower to a level that will achieve production and performance adequate to meet the requirements of the military forces and the essential civilian activities including GVN and US Mission. In both the government and private sectors the problem is the utilization of manpower rather than total supply of manpower.

II. Background and Assumptions

(See Attachment A for a fuller statement.)

Improving manpower utilization in any society is a process of changing behavioral patterns and institutions.

The manpower mission has only superficial knowledge of the value system and power structure of the Vietnamese society. Therefore only tentative and preliminary ideas can be presented.

These points are noted:

- a. Some social institutions and the power structures often have a negative influence on manpower utilization.
- b. Management and supervision are more important than the availability of numbers of workers to achieving manpower requirements.
- c. Working and living conditions have an affect on production and utilization of manpower.
- d. Changes in the organization of work in commercial service and agricultural activities will free up substantial numbers of workers.
- e. The organization of paramilitary forces can result in inefficient use of manpower.

III. Alternative Courses of Action

Manpower requirements can be met through continued extensive recruitment with little attention given to the factors that affect utilization.

The influence of social institutions, value systems and power structure on manpower utilization can be recognized and efforts be made to deal with these factors so that they contribute to improved utilization of manpower.

The influence of management and supervision, and working and living conditions on manpower utilization can be recognized and steps taken to make these factors a positive influence for improving manpower utilization.

IV. Conclusions

1. More analysis of available information or additional research is needed on the:
 - (a) Vietnamese value system and power structure
 - (b) Cultural factors which lead to turnover and absenteeism and conversely what actions will lead to better attendance and extended attachment to the job.
2. The results of any analysis or research by experts on Far East culture should be tempered by and applied by experienced general and labor relations managers.
3. Management and supervision is a factor in manpower utilization and hence a factor in dealing with any manpower shortages.
4. The spelling out of the role and mission of paramilitary forces, which is now being done, is desirable and necessary and should lead to improved utilization of manpower.
5. No action is needed now with respect to improving manpower utilization in commercial, service and agricultural activities. This may be needed later.

V. Recommendations

It is recommended that:

1. An expert on Far East culture (sociologist, anthropologist or psychologist) be engaged to analyze available information and design additional studies concerning:

(a) The actions that can be taken and the conditions that should be provided to motivate workers to stay on the job and improve productivity;

(b) The Vietnamese power structures and managerial practices with a view to developing courses of action that will eliminate the negative influence on the management of government and industrial and commercial enterprises and lead to improvements that will increase productivity.

2. The role and mission of paramilitary forces be looked at from the point of view of how to improve manpower utilization.

Factors that Influence Manpower Utilization

Improving manpower utilization in any society is a process of changing behavioral patterns and institutions.

The process of bringing about change is difficult in the US whether it is changing work habits because of automation or other improvements in industrial processes. Improving productivity or bringing about change in the "bureaucracy" in business, medical, or labor practices is largely a matter of modifying the individual's or the group's vested interest. Change threatens the individual's or the group's security (of income and status).

Change in traditional behavior can more easily be accomplished if those affected participate in developing the new patterns and are provided a substitute role in the social structure that preserves status and security, to the extent it is consistent with social and economic goals.

The "Manpower Mission" has only superficial knowledge of the value system and the power structure of Vietnamese society. Therefore what is presented here can only be preliminary ideas that must be revised and extended after securing information from the experts on the society or after additional research on the value system, power structure and social institutions.

Preliminary observations include the following:

1. Negative Institutions

The traditional practice is for the foreign or Vietnamese elite to stake out a monopoly on a process, or service, a commodity or a privilege and then take a fee from those allowed to use the process or privilege and from those provided the commodity or service. An arrangement should be designed to provide income and security, through a substitute role, for those who now stand in the way of the efficient operation of an industry or activity to the extent it is consistent with social and economic goals.

2. Management and Supervision

The productivity of workers is less a matter of how hard they work than of effective work processes, tools, organization of work and supervision. If the utilization of manpower is to be improved, management and supervision need to:

- (a) lay out work in the proper sequence,
- (b) eliminate unnecessary steps in an operation,
- (c) see that proper tools are provided and adapted to the work process,
- (d) organize work groups to provide the right men of skills and the appropriate number of workers at each shop in the work process,
- (e) provide adequate orientation and instruction at the start of each new and different task to be sure that workers understand what is to be done.
- (f) provide supervision that takes into account the traditions, values and aspirations of workers.

Examples of management and supervision problems:

- (a) Saigon Port. The problem here is:
 - (1) the control of certain operations by vested interests who are not concerned about achieving GVN goals,
 - (2) lack of management capable of determining priorities and regulating the scheduling of unloading and loading of ships,
 - (3) an inadequate composition of longshoremen teams (recently corrected),
 - (4) inadequate work methods.

(b) Danang Port. Many of the same problems of the Saigon Port are present here in a lesser magnitude.

(c) Inadequate maintenance of buildings and equipment which cause breakdowns and lead to poor utilization of manpower.

(d) Recruiting and effectively utilizing manpower for construction by US contractors is hampered, in some degree, by the lack of sufficient advance notice of construction plans and priorities.

3. Lack of Commitment to Working and Living Conditions

(a) The habits of work of farmers, rural craftsmen and of tribal groups are quite different from the work habits required by construction and modern industrial systems. Regularity of work schedules and the precision of work processes requires a substantial change on the part of farmers and rural workers. It is not entirely clear how much of labor turnover and absenteeism is due to a lack of commitment to new work requirements and how much to separation from family or village environment.

(b) Working and living conditions in any economy have their affect on productivity and utilization of manpower.

(c) In Vietnam members of families are very close and will not be separated for indefinite periods, therefore housing, schools, access to food and other necessities need to be provided at reasonable prices near the worksite otherwise absenteeism and turnover will be excessive.

(d) Protection of family and self from the VC is essential if workers are to stay on the job. Safe working conditions and medical and health services at the job site are essentials.

(e) Supervisors who understand the aspirations and problems of workers and who have the capacity to motivate workers through demonstration and appreciation will improve productivity.

(f) Wages and working conditions described in the paper on Labor Policy (item 9) are relevant here.

4. Utilization in Commercial, Service and Agricultural Activities

The pattern of the organization of the private, commercial, service and agriculture sectors results in a very inefficient utilization of manpower.

If the military situation should require full mobilization, even though it would be most difficult to achieve, it may be necessary to:

(a) restrict the number of establishments and thus force a larger volume of business and service on fewer people and release workers for more essential activity. This could be done without seriously curtailing services to the civilian population,

(b) drain off large numbers of farm workers for construction and essential activities and the military forces. This can be done without seriously reducing agricultural production, providing those who make the decisions remain in the village and hamlet.

5. Utilization in Paramilitary

The same factors that cause turnover and absenteeism in civilian activities cause absenteeism and "desertion" in the military and the paramilitary forces. Means other than force or severe penalties may be more effective in preventing negative behavior.

There are a large number of paramilitary and security forces or cadres: Popular Forces, Regional Forces, Revolutionary Development Cadre, Political Action (PAT), C.I.D.G. Police, special forces, field forces, national system of local police. Most of these organizations were established to meet a current emerging problem without full consideration of the relationship to existing organizations.

Each of these organizations has a national headquarters and intermediate commanders or supervisors and local chiefs. Provincial governors concurrently have responsibility for the selection and management of Regional and Popular forces and Revolutionary Development Cadres and the coordination of the activities of other security forces.

Each of the organizations has its own training institutes and machinery for training enrollees and the leadership or command group.

A relatively large number of intermediate and high level professional and technical skills are required to provide training, management, technical services and leadership. The question is raised whether fewer units would bring about a better utilization of technical, managerial and leadership resources.

The variety of units with similar missions operating at the village and hamlet level as well as at the provincial level may cause duplication, frictions and utilize the time and energies of key people in dealing with jurisdictional problems rather than using time and energy on the operation. Fewer units may result in more efficient utilization of the total manpower in the units.

MEMORANDUM TO: The Ambassador

SUBJECT : Training and Developing Manpower^{1/} -- Item 8

I. Statement of the Problem

In its broadest terms the problem is to assure the training of Vietnamese in sufficient numbers in the skills necessary to meet the needs of activities which are directly related to the war, first of all; and secondly, to meet the current and projected needs of the economy in spheres which are essential now to civilian life and to support of the war, and which will in future be essential to a thriving and peaceful society.

II. Background and Assumptions^{2/}

An essentially rural, non-industrialized and under-educated population is being called upon to contribute to and participate in a war. In absolute terms, the demand upon the population in support of the non-military aspects of this war are limited. In relative terms, considering the paucity of training in the past, and the general character of that training, the demands are great.

The earlier development in Vietnam of skills useful today and the establishment of facilities and staff for such training and development have not been adequate to the demands of the present war situation. Many of these demands are immediate. Skilled workers in various categories are needed today especially by war-related contractors and will be needed next month and for several months thereafter.

Some of the needs of war-supporting aspects of the civilian economy are also urgent, but others, while essential, will not require equal commitment of available energies.

^{1/} This paper relates to the training of skilled manpower and not to the training of professional and sub-professional staff.

^{2/} See attachment A for a fuller discussion of Background and Assumptions.

The immediacy of some war-related needs is coupled also with the fact that many of them are short-term needs. While precise information is not at hand, it appears now, for example, that those construction requirements which have not yet peaked will do so within a few months to a year.

We are confronted with both short range and longer range aspects of the problem of skill development and training in Vietnam. These aspects overlap to a considerable extent and often may require similar if not identical treatment. This can lead to a blurring of objectives as between the immediate and the longer range plan for a peaceful future, and those who attack the training problem will be required to be alert to this possibility.

Fortunately, the solution of the immediate problem will at the same time operate to meet longer range needs. The electrician trained for RMK will help meet the needs of a peaceful Vietnam. But both long range and short range training programs share a common problem: the need for instructors. The provision of qualified training staff in adequate numbers will remain a problem requiring continuing attention, regardless of size and scope of the training program.

The lack of skilled Vietnamese available for work directly related to the war has required the use of large numbers of third-country nationals and their presence is primarily responsible for the relatively limited number of skill shortages now experienced. While employment of third-country nationals has been essential to the successful prosecution of the war, their use presents problems of various kinds. From the training point of view alone, third-country nationals offer both an opportunity and a challenge; an opportunity to use many of them as trainers of Vietnamese; and a challenge to reduce their numbers as promptly as possible through the utilization of newly trained Vietnamese.

III. Discussion of Alternatives

Various means and agencies are available to train Vietnamese for immediate and long range needs. These include on-the-job and job-related training by US contractors and missions, such as USAID, and the US Military establishments; the Government of Vietnam through the Ministries of Labor and of Education; and Vietnamese

employers in the private sector. It is also possible to contract for the service of a US concern to coordinate all existing programs and provide what additional training is needed. Another source of training could involve joint GVN-US Military arrangements to provide teams of instructors and training programs. Finally, the traditional vocational education and apprenticeship programs are available.

Each of these has had a place in programs for training in developing countries. Obviously each has advantages and disadvantages. It is equally clear that the urgency of the training need will have a bearing upon the choice of methods. Beyond this, consideration of the appropriateness of the training medium to the society, culture and overall needs of Vietnam should influence the type of training provided. Finally, the sophistication and capabilities of the administrative machinery available to implement training programs will often dictate choice of method.

IV. Conclusions

1. We conclude that skill training needs can best be met in the over-whelming majority of cases through on-the-job or job-related training programs operated by those responsible for production or construction, or in close conjunction with such employers.

2. In view especially of the fact that the absolute size and complexity of the training problem - in terms of numbers to be trained and claimants for trainees - is not great, we do not see the need for an all-inclusive, special apparatus for developing and executing training programs.

3. Vocational education institutions are, and should remain, an essential part of the overall skills training program in Vietnam. However, we do not see the need for any further US expenditure of funds for the construction of major additions to vocational education facilities in Vietnam at this time. We do believe that the US should assist in improving the quality of instruction in, and the fuller effective utilization of, existing institutions.^{1/}

^{1/} Replacing and modernizing facilities such as is contemplated at the Petrusky site can provide opportunities for improving training through application of the most effective instructional methods.

4. While the numbers to be trained are not great, the importance of meeting the training needs effectively and expeditiously will dictate the need for a very careful and continuing overview of training plans and accomplishments. We have seen little evidence that such a consistent overview has been undertaken.

5. It is not reasonable to assume that significant numbers of the remaining urgent training needs can be met in time by means of existing or proposed vocational education and training facilities operated through the GVN.

6. We have found as evidence that there is information in the Mission or GVN which will reasonably identify long range training needs. Nor do we believe that such information can at this time be adduced in Vietnam.

7. Training by various manpower claimants may result in some waste through duplication of effort and through turnover of trained men. We conclude that some of this "waste" is in reality an asset, since it has the effect of increasing the supply of manpower trained in skills and work habits which will be useful in the years ahead.

8. There is evidence of the need for greater coordination in the vocational training effort of the GVN. We conclude that, generally speaking, the Education Ministry should be responsible for the government's training program for school age children and the Labor Ministry for adults and those out of school.

9. Based upon our review of the job requirements for skilled manpower generated by the AID program for Fiscal Year 1967, we conclude that the majority of these skills can most effectively be achieved through on-the-job or job-related training. In our view, it is quite likely that this conclusion will apply with equal force to most of the programs supported by AID in future years.

V. Recommendations

We recommend that:

1. The office of the Manpower Counselor maintain a continuing analysis of training needs by war-related contractors

and programs to meet those needs. It is not necessary for this to be a detailed analysis which is burdensome to hard pressed contractors. It is, however, essential that the report reveal reliable (even though relatively gross) estimates of plans and progress. It is especially important that these reports reveal the effect which the lack of trained men may have upon the meeting of production or construction schedules.

2. All major contracts for war-related activities hereafter entered into by any US agency or mission carry a clause requiring the contractor to provide an adequate on-the-job training program, to the extent that such programs are essential to the successful completion of the contract.

3. A training officer be available to the proposed Counselor for Manpower and be assigned the responsibility for following up with contracting officers and with others as may be necessary to assure that all war-related establishments in need of Vietnamese manpower to fill vacancies or to replace third-country nationals have effective on-the-job training programs.

4. No new vocational education or training institute not now already programmed by AID or GVN be initiated, and that primary reliance for meeting skill needs should be placed upon on-the-job or job-related training programs supplemented by improved utilization of existing and programmed vocational education institutions.

5. One of the specific and priority objectives of on-the-job and other job-related training programs should be the replacement of third-country nationals by Vietnamese.

6. The US make a continuing effort to assist in improving the quality of vocational education instruction and on-the-job training in Vietnam through the adaptation of specialized training methods, materials and techniques developed by US corporations, training agencies and especially the US armed forces. We also recommended that the US offer to provide personnel to assist in training Vietnamese instructors in those methods, materials and techniques, as adapted for use in Vietnam.1/

1/ We believe that the new Petrusky vocational facility offers an outstanding opportunity to put into application the improved training methods referred to here.

Training and Developing Skilled Manpower

I. This is an unsettled economy, to say the least, and it is fruitless as well as unwise and no doubt wasteful to plan now for large scale vocational training during the next decade. It is entirely safe to assume that an increase of skills such as carpenters, electricians, machine repairmen, mechanics and the like will be required over the next several years. It is very doubtful however whether facts can be adduced at this time to support any expansion of present USAID plans for vocational training for skills through a large consortium or otherwise. 1/ Indeed, even the existing program has no doubt been developed on the basis of very sketchy information.

The fact that a vocational training program must be based upon questionable projections of need obviously does not mean that no steps be taken. It does mean, however, that prudence is required. This is particularly true of programs envisaging major outlays for extensive "US type" vocational training centers capable of turning out relatively large numbers of workers trained in the use of sophisticated processes and machinery.

Vietnam is an agricultural country which - as experience around the world demonstrates - will move toward industrialization at a very slow pace. We assume that it will, for the foreseeable future, remain overwhelmingly an agricultural country. Under these circumstances, especially when whatever movement toward industrialization which takes place will be sporadic and generally unpredictable, the wise course is to proceed with care in committing funds and human resources to the establishment of traditional vocational education centers and programs. 2/

1/ Expansion of training programs for certain skills, e.g. medical technicians, may be more easily supported.

2/ While agriculture is the major part of Vietnam's economy and society its requirements for skill training in the usual sense are limited. What is needed are agricultural "agents" or representatives to train farmers in new techniques, the development of new crops, the uses of new fertilizers and the like. Thus, the major training need in the agricultural field is to develop qualified agricultural representatives.

II. While long range training needs are difficult to assess, the immediate war-related needs are known. They are known to those who need the skills and who are seeking to hire workers. It is true that the aggregate of the immediate needs of all claimants is not known with useful precision by the US Mission, so far as we can determine; but, while this limits sound planning and action, and should be corrected, its effect upon war-related activities has been relatively minimal up to this time because the most important claimants - the contractors - and the US armed forces have met many of their own needs through on-the-job training.

This response by claimants is in our view, the soundest way to meet Vietnam's needs for vocational training and we believe that on-the-job training should remain the primary means of training. Many of the present skill shortages are in occupations for which future demand will probably be limited. They represent special needs and should be met by special means adapted to the present situation.

There are three key aspects of the present situation which dictate special measures. The first is the need to assure that skill shortages do not interfere with the war effort. The second is the inability of the GVN to move promptly and effectively in developing and executing more formal training programs. The third is the inability to estimate skill needs beyond a period of 6 months or so. ^{1/} It is basically for these reasons that we conclude that the major responsibility for war-related training should continue to rest with the contractors and the US armed forces. They know their needs, in terms of requirements and training. They can relate training to the jobs to be done. They can train large numbers of workers quickly and effectively. They can be charged with the responsibility and are susceptible to close supervision by contracting officers.

^{1/} It is well to recall here that this paper discusses non-professional needs. It is somewhat more possible to estimate the needs for physicians, nurses and the like.

It is not enough, however, to place training responsibility upon manpower claimants. It will be essential for contracting officers or other authorities to insist that well qualified training officers are engaged and that effective training programs are in fact established. Such commitments should be a part of the contractual relationship of all major contractors who are significant claimants of manpower and who face shortages of skilled workers. We have found that some claimants have put considerable, well-organized emphasis upon developing on-the-job training programs. Others have not. It is important now to assure that all major claimants have a high-quality, centrally directed and supervised program.^{1/} Even though the peak of the construction build-up appears to have been reached, training requirements will continue to be extensive.

III. It is apparent that the present skill needs for war-related activities cannot be met in time by available trained Vietnamese workers. It is entirely likely that, had on-the-job training programs - in coordination with careful job analysis and job breakdown - been undertaken a year ago, the current skill needs would be less than they are today. But this resort to hindsight is injected only as an added stimulus to improved planning for training in the future. The fact is that Vietnamese cannot be found and trained in sufficient numbers to meet all skill needs. Thus, the introduction of third-country nationals may continue to be needed, despite the political and social consequences of such action.^{2/} But their introduction to the economy should be conditioned by three factors. First, as the Civilian Manpower Committee has indicated it should be clearly understood that they are temporary and all concerned should be kept conscious of that fact. Second, training programs should be planned with the view clearly in mind that one of their primary purposes is to hasten the departure of third-country nationals. Too often in situations of this kind, the "temporary" infusion of outside labor comes to be considered a semi-permanent part of the local labor force, which only exacerbates an already difficult situation, and the government of Vietnam should continue to be

^{1/} The same requirements for training responsibility should apply to military claimants for skills as well as to civilian contractors.

^{2/} There is uncertainty as to the extent of the need for third-country nationals. The Embassy's Economic Section estimated at one time that 5000 more would be needed while RMK reports that some may soon be laid off.

reassured that a genuine effort is being made to reduce the need for foreign nationals. Third, the disparity in take-home pay as between third-country nationals and Vietnamese should be held to an absolute minimum and in all cases should be disguised where possible, e.g. as living allowances, special transport allowances and the like.

IV. Midst frequent assertions of skill shortages one is struck by an anomalous situation: There is little concrete evidence of failure to meet schedules. 1/ This could be due to poor-or elastic-scheduling but is quite likely due to the introduction of foreign nationals. The references to shortages appear to relate primarily to Vietnamese. Such shortages as do exist, and the need to use inadequately trained and less productive workers will inevitably result in more overtime, in short-cuts and improvisations, and in very heavy demands upon supervision. Ultimately, perhaps, such improvisations may leave their mark upon quality. But the fact still remains that as of this time lags in accomplishing goals appear to be minimal. This is an important fact and helps put the current shortage in proper perspective. It is no cause for complacency, however, and intensive training programs are clearly needed to assure that production goals continue to be met, that needs generated by high turnover are met, and that the need for foreign nationals is reduced as quickly as possible.

V. Precise evidence is not at hand as to the time when the major war-related skill training needs will have reached their peak. Available information suggests that some may already have been reached, and that others will be reached toward the end of 1966 or early 1967. On either assumption it is evident that the training need is an immediate one and this adds weight to the necessity for depending upon on-the-job training. It is quite possible, considering the burdens such a time-table may place upon the manpower claimants, that additional short term supporting training may be required. Special courses of one, two or three months duration may have to be established, utilizing out-of-plant facilities - including the technical schools and

1/ It is recognized of course that the armed forces own schedule is "as soon as possible".

rural trade schools. If this is required two essential factors should be controlling: The courses should be very clearly identified with and related to specific needs of specific manpower claimants; and second, the courses should - if at all possible - be operated entirely under the control of the contractor, USAID or other US unit. Even though GVN training facilities such as technical schools, are used the funding, course development and responsibility for operation should rest with US personnel. We recognize the political, practical and educational advantages in utilizing the GVN wherever practicable and freely endorse such a policy. There are however other means for implementing such a policy and we do not believe that a "crash" vocational education program for specific job needs should be one of these means.

VI. We have found no evidence that there is any adequate overview of the training function in Vietnam, and we have found evidence that such an overview would be helpful. The relationship of current training programs to known skill shortages and the relationship of skill shortages to production and construction goals should be under regular study. Such study or review should not entail extensive and detailed reporting and exhaustive analysis. What is needed is someone who will receive statements from persons able to speak for each major manpower claimant attesting to their training needs and attesting to the fact that training programs are in effect to meet those needs, either on-the-job or off-the-job. These statements should indicate the primary sources from which trained people are expected to come. They should also include explanations of reasons why an adequate training program is not underway, if such be the case. This should be the responsibility of the newly authorized Training Supervisor in AID's Labor Division, who should concentrate on immediate training needs for the next six months or so. In meeting this responsibility he should identify weaknesses and trouble spots in training and assume responsibility for following through to assure himself - and the Civilian Manpower Committee - that all feasible steps are being taken to overcome training deficiencies, and, if such steps are not being taken, to explain why. He should serve as an expeditor and need not be expected to develop training programs himself.

VII. Many of the essential but non-war-related activities in Vietnam need skilled workers, e.g. bus companies, repair shops. Here again, needs are not accurately known, but they are surely limited. Most establishments in Vietnam are small, many are family-related. It is most doubtful that any expanded organized program to meet the needs of essential civilian activities is required at this time. Except for isolated examples we have seen no evidence of a breakdown in essential civilian services. Certainly transport is overburdened but this has roots which extend beyond manpower.

We believe that much of the economy's need for trained civilian manpower is being met through turnover from war-related establishments, notably the construction jobs. In practical terms this often amounts to a training program and represents an important resource which tends to in some measure minimize the effect of the war upon the civilian economy. Through this unintentional effect, contractors are actually training, in a sense, workers in excess of their requirements, and no formal program of augmented contractor training for the civilian economy is indicated. This turnover is no doubt costly to the contractors - the US in most instances - but to the extent that it adds trained manpower to essential activities it is not wasteful. Whether it is more costly than expanding off-job training centers would be hard to ascertain, but is probably doubtful.

We are not, of course, endorsing a high turnover rate in war-related work and believe, indeed, that it is important that this rate should be reduced. In the meantime, the return to civilian activities of trained people represents a net addition to the overall strength of the country.

VIII. For the peaceful future we see a continued need for an emphasis upon on-the-job training as well as for other modern training programs. In essence we visualize a relatively limited, basic formal vocational education program in technical schools and institutes geared to the predictable minimal needs of the economy. This minimal program should be an adjunct to a much more extensive on-the-job training and other special programs. Such a planned combination of resources will permit the flexibility required in a situation in which training needs will for some time continue to be difficult to predict.

Great advances have been made in training techniques in the last 25 years, spurred largely by our own experiences and needs in World War II. We should help Vietnam take advantage of new advances, which have been shown to produce quality workers in a fraction of the time and often at a fraction of the cost required by other programs such as traditional apprenticeship plans. Beyond this, the newer techniques lend themselves to flexibility and can be adapted readily to the actual needs and conditions found in a developing country such as Vietnam; they make it possible to avoid the waste and ineffectiveness arising from an attempt to transplant methods geared to a mature and settled industrial economy such as ours to a vastly different economy such as Vietnam's.

The need for skill training in the future will be sharply influenced by the present training programs. Large numbers of Vietnamese will leave war-related activities equipped with new skills and will be able to fill many jobs in a peace-time economy. This will represent an important asset to the economy of Vietnam and will require consideration in the development of training program in the future.

MEMORANDUM TO: The Ambassador

SUBJECT : Labor Policy for US Agencies and Their
Contractors -- Item 9

I. Statement of the Problem

In the use of Vietnamese workers by US agencies and their US contractors, wage, employment and labor-management relations policies should be established and administered:

a. To provide a stable, efficient and economical local national labor force in support of US operations in Vietnam;

b. To minimize the possibility of labor-management disputes between US employers and their local national employees which could adversely affect inter-governmental, international and public relations in Vietnam.

II. Background

1. General

(a) Without the Vietnamese work force employed directly by US agencies and by their contractors, US objectives in Vietnam cannot be attained. It is therefore a matter of high importance that this essential resource be used effectively, and that it not be dissipated through slow-downs, strikes and excessive turnover. In a broader framework, civilian employment is the relationship in which over 50,000 Vietnamese and their families will form their assessment of the true nature of Americans, of the values that Americans actually uphold and the true attitudes of Americans towards the Vietnamese people. This working relationship represents to the Vietnamese the US as it is, and not the US as we idealize it. At a rock bottom minimum, the relationship should be carefully watched to avoid serious friction between the US and both the Vietnamese people and their government.

(b) The recent work stoppage over wages seems to have brought such considerations sharply to the attention of the US Mission. It points up the need to make relations with the Vietnamese employees a matter of continuing concern to the civilian and military leaders of the mission. Carelessness in dealing with this explosive area can have severe adverse consequences. Of all manpower-related problems none is more important.

(c) How intelligently US employers handle the wide gamut of those relationships -- wages, employment conditions and labor-management relations -- is a vital factor in molding the Vietnamese image of America. If wages and employment practices are fair and equitable and if foreign employers are able to overcome cultural barriers and discover what motivates their local national employees, a stable and efficient work force will result. Conversely, if the human factor is overlooked and labor is treated as a commodity, solely a factor in the economic equation, then labor unrest, work stoppages and lessened productivity will result. These symptoms of disaffection will have wider consequences. The reputation of the US as a wise and just ally will be undermined. A fertile source of enemy propaganda will be opened up. Further doubts as to our policies will be generated among our friends. The VC may discover that it is easier to shut down construction than to blow it up.

(d) US experience in employing local nationals elsewhere in Asia indicates that workers and their governments frequently see no difference between US direct hire employees and those of US contractors. They rightly hold the US to be the accountable employer for both categories. Differences in pay or treatment among the different categories is incomprehensible to them. Where one type of employee receives an advantage denied another, workers, their unions and the host government are antagonized. Such issues take time and effort to resolve and never fail to leave a residue of distrust and resentment.

(e) We do not advocate a policy of giving the Vietnamese workers everything they ask for. Not only will many demands be unrealistic and have their origin in irresponsible

agitation, but the realities of the economic situation and the threat of inflation have to be taken into account. The fact that we cannot and should not simply buy our way out of a difficult labor situation stresses further the importance of hard continuing work, including the investment of substantial staff time on labor relations -- on understanding what really bothers Vietnamese workers, what their real needs are, what their legitimate and imagined grievances are.

(f) When employment peaks are reached, approximately 250,000 Vietnamese (workers and their families) will be dependent upon the US for their livelihood. Whether or not these workers form labor unions, this bloc of citizenry may well emerge as a new political factor. They could become a force in the political arena capable either of helping overcome present instability or of exacerbating present factualism and disunity. In this sense the workers represent both a challenge and a threat.

2. Wages

(a) Wage System. The US uses three separate pay structures and wage levels. Efforts to attain parity have thus far been unsuccessful.

(b) Wage Setting Authority. All US agencies are required, in one way or another, to pay wages prevailing in the area. Details of the systems and methods of determining prevailing wage rates differ. The central point is there are several wage setting authorities in Vietnam, each with authority delegated from the parent department in Washington. There is no central point here where wages are set (See Attachment B), and there is no clear authority for the Ambassador to control decisions on wages to insure inclusion of political or international relations considerations. Neither is there a focal point of authority and responsibility to enforce a uniform application of prevailing rates for all official US employers.

(c) Weaknesses in the Application of Prevailing Wage Rates.

(1) The method of determining prevailing wages used is similar to that used by the Defense and civilian agencies in the US to determine "blue-collar" wage rates in various labor market areas: locality wage surveys of private firms excluding

those considered sub-standard. Whether the surveys give sufficient weight to the less modern, less industrialized employers whose productivity rates and wage rates are lower than US employers has been questioned. Furthermore when much of the unskilled labor force is recruited from rural areas the relevance of industrial wage starting rates for such workers may be questioned.

(2) A complex problem is created by a deep psychological difference, rooted in wide economic differences, between Vietnamese and American workers. American workers put great store by hourly rates, and this attitude is embedded in contracts, custom and law. It has been exported to Vietnam. But to most Vietnamese workers, the idea of hourly rates is strange and total take-home pay per week or month, regardless of hourly rates or hours of work, is what they understand. Although the US now pays some bonuses and allowances in accordance with local practice, it has not yet adequately modified its attitudes and practices to take all these differences into account.

(3) With inflation continuously eroding the real wages of workers, prevailing rates are constantly increasing, stalking close behind the rising cost-of-living index. Survey findings are soon overtaken by this rise. Thus the full application in July of what in February were determined to be locally prevailing rates would mean an appreciable lag behind rates actually prevailing in July.

(4) The Ambassador does have negative authority in the wage field. He has veto authority or he may postpone or reduce increases determined necessary by the various, semi-independent wage setting offices. Wage controls are the easiest part to enforce of any factor required in overall economic stabilization. Thus the Ambassador and his staff, having direct instructions in the economic stabilization field and no directly assigned responsibility to maintain prevailing wage rates, favor wage increase limitations. This could trigger strikes as well as creating poor employee morale, reducing worker efficiency and eventually drawing GVN criticism.

(d) Job Classification and Pay Rates. Neither the job classifications or the wage rates appropriate for continuing employment with the US forces or civilian agencies appear

appropriate for construction workers of US contractors. This is true in the same sense that in the US a pipe fitter in the construction industry gets more an hour than a civil service wage-board employee of the same classification. The former necessarily goes from job to job. His earnings while working must carry him over between jobs. The permanently employed civil service employee earns less per hour but probably as much or more per year. His work is steady not cyclical. This is also true for US contractor construction workers in Vietnam. It may not be as true as in America only because there is no reservoir of skilled labor on which to draw. RMK cannot lay off 100 asphalt paving workers and hire 100 masons or steel workers when one phase of construction ends and another begins. Certainly on all "forward area" construction projects the same work force, at least a part of which has been imported from Saigon, must learn and perform widely divergent duties. Thus they may move from unskilled to semi-skilled concrete workers, to unskilled to relatively skilled pipe fitters or steel workers. If properly classified according to US wage board techniques for each kind of work and each degree of proficiency, theirs would be an undulating, up and down, wage rate. Supervisors, job classifiers and payroll personnel would be in a continual state of flux and frustration and the workers could not but be confused and resentful as their pay rose and fell. Broad construction categories, entirely too broad for permanent wage board classification system purposes would be necessary to classify them properly.

3. Conformance to Local Labor Laws

(a) In the application of local labor law no one would argue that US agencies should provide employment conditions to their Vietnamese workers as close as is practical to those require under local law and granted as normal local practice. Yet there is no standard definition of "practical" in this context. And which of several laws are appropriate? Those governing civilians working for the Vietnamese armed forces? Laws applicable to regular public servants? Or those applicable to workers in private industry?

(b) Furthermore, labor laws do not only list protections to be accorded workers, they include enforcement procedures. The Embassy and AID operate under the umbrella of diplomatic immunity.

The US forces while providing most protections and benefits required by local law feel they should also enjoy immunity from local law enforcement machinery as instrumentalities of a sovereign government. But for the US forces does this mean the same, or should it mean the same, for Army employees at an ordnance depot as for workers in clubs and post exchanges?

(c) Even more fundamental is to insure that the host government and the US employers share the same understanding of the latter's relationship to local law and law enforcement machinery. Often US contractors feel that they are not under local laws and host governments contend that they are. In Japan, Korea and the Philippines disagreements over this issue became intergovernmental disputes with host governments acting aggressively in behalf of their citizens and with US agencies squatting under the umbrella of diplomatic or sovereign immunity.

(d) The problem of local custom and practice versus local law is another complex and cloudy one. Not only are legal protections often vague, but the host government's law enforcement machinery is usually inadequate. Consequently, practice frequently is at variance with law. There is also the question of "complying with" or being subject to local law enforcement machinery versus "conforming to" or paralleling the protections accorded workers under local law but not submitting to the jurisdiction of its enforcement machinery. These cannot be settled by broad interpretations. From experience, the US has found that in working out specific interpretations that detailed coordination among the various US agencies is necessary to establish an optimum US position on specific points of local law. Negotiations with the host government must then get agreement on how it will apply.

III. Discussion of Alternatives

1. Wages

(a) The US can maintain the status quo: three different wage levels all purporting to reflect prevailing wages in private industry.

(b) Wage increases can continue to be determined by balancing the disadvantage of pouring more plasters into the economy against employee pressures to maintain a constant

relationship between wages and the mounting cost of living. This practice can continue on an ad hoc basis. However, the practice undermines worker morale and productivity because (they have a valid point when take-home pay buys less and less each month) it also encourages collective bargaining pressures upon US employers and may well give prestige and power to anti-American labor leaders. As a technique of negotiations this costs less dollarwise but it invites strikes and keeps the US constantly off balance in its dealings with representatives of the workers and may reduce productivity and hence increase cost per unit of production.

(c) The US can continue the practice of conducting periodic prevailing wage surveys according to present techniques and thus maintain its relative relationship with prevailing wages in Vietnamese private industry. Automatic adjustments of US local national wages following, not leading, trends in the local economy, by using this technique would provide a "high point of ground" from which wage levels could be defended on the one hand against those in the US government and the GVN intent on holding increases to a minimum, and on the other hand against worker pressures for greater increases to meet increases in living costs brought about by inflation.

(d) New techniques for establishing prevailing wages can be devised, possibly relating US rates for its local national employees more closely to those actually prevailing in the Vietnamese economy and giving more consideration to total take-home pay, payments-in-kind and other fringe benefits.

(e) Recognizing the necessity of divergent wage and job classification practices among permanent direct hire employees of the US agencies and the US forces and the construction workers of US contractors (see Section 11, Paragraph 2 d), the US can achieve maximum practical uniformity of wages through:

(1) For the Embassy and US forces and US contractors' white collar wage systems: (a) Include clear and complete job definitions supporting job titles; (b) eliminate misclassification; (c) bring into full alignment the job classification and wage rates of the three systems.

(2) Pending establishment of new techniques for determining prevailing wages, wage change surveys be made establishing the trends of wages (just as was done by the US forces making parallel surveys in 1965 and 1966) to determine the movement of wages within a specific period; and US wages for all if Vietnamese workers' wages be adjusted at the same time according to average increases found prevalent each in the bottom, middle and top third of the wage rate range of surveyed firms. This would perpetuate any divergence between US wage rates and those in private industry but would be responsive to the movement of prevailing wages in the economy.

2. Conformance with Local Law

(a) The status quo could be maintained providing partial conformance with Vietnamese labor law by US agencies not actually subject to the jurisdiction of Vietnamese law enforcement machinery and providing partial compliance by US contractors who technically are subject to the local labor laws.

(b) Conformance to local law by US agencies and compliance with those laws could be increased to the maximum degree compatible with the basic management needs of US employers. Under this alternative the degree of conformance would be a unilateral decision of the US. Still a third alternative is possible; the US could seek GVN agreement of the degree which US agencies employing Vietnamese would meet local legal requirements.

(c) The alternatives suggested in the foregoing paragraph could be applied only for US agencies, and US contractors could be left to comply with local laws as they saw fit, or as they were forced to comply either by collective action on the part of workers or by Vietnamese law enforcement machinery.

3. Labor-Management Relations and Personnel Practices

(a) US personnel practices could be adopted and individual US employers could independently determine whether they would deal with employee or labor union representatives.

(b) US personnel practices could be adapted and modified to fit the Vietnamese cultural environment combining

proved, progressive US personnel techniques (grievance and reduction-in-force procedures, retirement plans, etc.) with Vietnamese custom and practice.

(c) US policy for dealing with employee or labor union representatives could be spelled out giving consideration to concepts applicable to US agencies in the US (Executive Order 10988).

IV. Conclusions

1. An urgent need exists to establish as a top level US objective that fair and equitable wage and employment practices must be maintained on a uniform basis for all local nationals employed directly or indirectly by the US government.

2. To accomplish this objective the following is necessary:

(a) A single focal point of authority in Vietnam to insure equity and a reasonable degree of uniformity among all US official employers;

(b) Labor policy guidelines bringing international experience of the US to bear on the situation in Vietnam in facilitating the accomplishment of the objective; and

(c) The organizational machinery through which labor policy may be implemented.

3. In Vietnam where overall US interests transcend the narrower objectives of individual US employers, the Ambassador should provide the focal point of authority and responsibility in carrying out US labor policy towards its local national employees. His authority vis-a-vis the several wage setting authorities is far from clear; neither is it clear he has full authority to insure appropriate degrees of conformance to local law or to insure a necessary degree to uniformity among all official US employers.

V. Recommendations

We recommend that:

1. The following concepts be promulgated by an appropriately forceful administrative instrument, an Executive Order if necessary, and that steps be initiated (see draft telegram Attachment A) to produce such an instrument.

(a) The following labor policy guidelines shall control the employment of Vietnamese by all US agencies and their US contractors:

(1) Wages and emoluments shall be equivalent to those prevailing in the local economy for similar skills.

(2) Conditions of employment shall be fair and equitable and conform to the maximum practical degree to local law, custom and practice.

(3) Wages and employment practices shall be uniformly applied.

(4) Local nationals will be utilized as extensively as practicable in order to reduce the need to import workers.

(5) US contractors shall conform to local law, custom and practice at least to the extent prescribed by US agencies for their own direct hire employees.

(b) The Ambassador is responsible for insuring implementation of US local national labor policy for Vietnam. This responsibility is direct and, where he determines necessary, supersedes the authority of the individual US agencies operating in Vietnam. To carry out this responsibility he is delegated authority to:

(1) Establish appropriate wage levels, including classification and pay systems, and fringe benefits.

(2) Insuring promulgation of uniform personnel regulations applicable to all US agencies and to US contractors. These regulations will, in each specific area of personnel administration, prescribe practices which conform as closely as feasible to pertinent Vietnamese labor laws for direct hire employees and which comply with local law in the case of US contractors' employees. It shall be the Ambassador's responsibility to determine the degree of conformance required by the US agencies.

(3) Provide labor policy guidance to, and surveillance of labor policy implementation over, all US employers of local nationals in order to minimize the chances of labor unrest

or disputes with the GVN arising from the employment of local nationals.

(4) Insure (a) that contracts contain provisions requiring local or third-country contractors to comply with Vietnamese law, 1/ and regulations, and requiring US contractors to consult with the Embassy labor attache (or the Manpower Counselor) with respect to existing labor laws and regulations and labor standards; (b) that no contracts be concluded with companies whose wages or employment practices are substandard or whose labor relations record is known to be poor.

(5) Establish impartial disputes resolution machinery to adjudicate disputes arising from the employment of Vietnamese by US agencies and their US contractors on all matters except wages. (Such machinery would be utilized only when the GVN had become involved in the dispute.) When considered politically feasible, such disputes resolution machinery should include equal representation by the US government and the GVN and be established by formal agreement with the GVN.

(c) In the exercise of the aforementioned authority, the Ambassador shall insure that the interests of all official US agencies and employers receive due consideration. Specifically where divergent positions exist those positions will be submitted to the Ambassador in writing prior to his making a decision on the issue in question.

2. The Ambassador, together with official US employers in Vietnam:

(a) Where local custom and practice does not provide guidance, incorporate progressive Western personnel practices in the uniform personnel regulations. Particularly valuable would be practices in the disciplinary and grievance procedures as well as policies and procedures for dealing with employee group or union representatives. (As employers, we should practice the kind of labor-management relations we preach.)

(b) Utilize military wage setting bodies in an advisory capacity in developing the best possible methods of determining prevailing wages.

1/ Specifically this would preclude US contracting officers entering into contracts which provide exclusively for the supply of labor.

(c) Consider the development of systems for either providing payments-in-kind or the subsidized sale of commodities essential to the daily existence of workers through the duty-free import of those commodities by the employers and/or the US government.

(d) As an action consistent with overall economic and political objectives, if prevailing wages are clearly below the cost of living, consider the establishment of a minimum wage to insure that even the lower grade Vietnamese employees of the US are provided a minimum standard of living.

(e) As a means of better understanding, motivating and communicating with local national employees, US employers be encouraged to employ high-level Vietnamese -- such as retired business men or college professors -- as special consultants to top management in dealing with personnel management and labor relations matters.

(f) Anticipating labor relations problems invariably arising during reductions-in-force, develop on a priority basis uniform policy and procedures for concluding reductions-in-force.

T E L E G R A M

FROM: Am Embassy, Saigon

TO : SecState, WashDC

1. Subject is labor policy for US agencies and their contractors in employment of Vietnamese. This message implements recommendations in item nine Werts Mission Report; contents concurred in by General Westmoreland.

2. Without Vietnamese employed by US agencies and their contractors, US objectives in Vietnam cannot be attained. It is therefore a matter of high importance that this essential resource be used effectively, and not be dissipated through slow-downs, strikes and excessive turnover. Furthermore, through their employment over 50,000 Vietnamese and their families are forming an assessment of the true nature of America. As a minimum, this relationship must be carefully watched. If in the eyes of the Vietnamese we treat our workers unfairly or arbitrarily, or give one type of employee an advantage denied another, we will antagonize our workers, their unions and the GVN. What initially may appear a minor personnel problem can too easily erupt into an inter-governmental dispute. Such disputes take time and effort to resolve and never fail to leave a residue of distrust and resentment. If the Vietnamese feel our wages and employment practices are fair and equitable, a stable and efficient work force will result. If that human factor is overlooked, labor unrest, work stoppages and lessened productivity will result. These symptoms of dissatisfaction will have wider consequences. The reputation of the US as a wise and just ally will be undermined.

3. An urgent need exists to establish as a high priority US objective the maintenance of equitable wage and employment practices for all local nationals employed directly or indirectly by the US. To accomplish this objective the following is necessary: (a) A focal point of authority in Vietnam to protect overall US interests by insuring equity and a reasonable degree of uniformity among all US official employers whose practices are now divergent. This would also enable the US to speak with a single voice in dealings with the GVN and unions as they emerge; and (b) A labor policy applicable to all US agencies and their US contractors bringing the international experience of the US to bear on the situation in Vietnam.

4. Overall US interests transcend the narrower objectives of individual US employers. It is only in the position of the Ambassador that a focal point of authority and responsibility can be maintained in carrying out labor policy. Yet my authority vis-a-vis the several wage-setting authorities is far from clear; neither is it clear I have full authority to insure appropriate degrees of conformance to local law or to insure the necessary degree of uniformity among all official US employers.

5. To insure effective consideration of the important and complex labor productivity, labor relations and international relations aspects of local national employment, I strongly urge the following concepts be promulgated by an appropriately forceful administrative instrument, an Executive Order if necessary:

a. The following labor policy guidelines shall control the employment of Vietnamese by all US agencies and their US contractors:

(1) Wages and emoluments shall be equivalent to those prevailing in the local economy for similar skills.

(2) Conditions of employment shall be fair and equitable and conform to the maximum practical degree to local law, custom and practice.

(3) Wages and employment practices shall be uniformly applied.

(4) Local nationals will be utilized as extensively as practicable in order to reduce the need to import workers.

(5) US contractors shall conform to local law, custom and practice at least to the extent prescribed by US agencies for their own direct-hire employees.

b. The Ambassador is responsible for insuring implementation of US local national labor policy for Vietnam. This responsibility is direct and supersedes the authority of the individual US agencies operating in Vietnam. To carry out this responsibility he is delegated authority to:

(1) Establish appropriate wage levels, including classification and pay systems, and fringe benefits.

(2) Insure promulgation of uniform personnel regulations applicable to all US agencies and to US contractors. These regulations will, in each specific area of personnel administration, prescribe practices which conform as closely as feasible to pertinent Vietnamese labor laws for direct-hire employees and which comply with local law in the case of US contractors employees. It shall be the Ambassador's responsibility to determine the degree of conformance required by the US agencies.

(3) Provide labor policy guidance to, and surveillance of labor policy implementation over, all US employers of local nationals in order to minimize the chances of labor unrest or disputes with the GVN arising from the employment of local nationals.

(4) Insure (a) that contracts contain provisions requiring local or third-country contractors to comply with Vietnamese law, and regulations, and requiring US contractors to consult with the Embassy labor attache (or the Manpower Counselor) with respect to existing labor laws and regulations and labor standards; (b) that no contracts be concluded with companies whose wages or employment practices are substandard or whose labor relations record is known to be poor.

(5) Establish impartial disputes resolution machinery to adjudicate disputes arising from the employment of Vietnamese by US agencies and their US contractors on all matters except wages. (Such machinery would be utilized only when the GVN had become involved in the dispute.) When considered politically feasible, such disputes resolution machinery should include equal representation by the US government and the GVN and be established by formal agreement with the GVN.

c. In the exercise of the aforementioned authority, the Ambassador shall insure that the interests of all official US agencies and employers receive due consideration. Specifically where divergent positions exist, those positions will be submitted to the Ambassador in writing prior to his making a decision on the issue in question.

Wage Setting Authority

1. The Embassy and AID are required under the Foreign Service Law to pay prevailing wages. Normally the Embassy surveys the better firms with whom it must compete for workers. If an increase is determined necessary and the Embassy has the funds to pay it, State Department approval is not necessary. If the Department must provide additional funds the increase cannot be implemented until there are funds to finance it. Other civilian agencies satellite the Embassy/AID wage schedule -- whether by directive or desire has not been determined.

2. The US forces are required to pay their direct hire local national employees (paid out of appropriate funds) wages prevailing for similar skills in the local economy (DOD Instruction 1400.10). This requirement is passed down command channels of the three services and through CINCPAC. Authority for making prevailing wage determination rests with the Army-Air Force Wage Board and the Navy's Office of Industrial Relations Wage Office in Pearl Harbor. Although responsibility has been delegated down command channels to the local commanders, that delegation could be rescinded by Washington and it obviously sets rates for but a part of the total US employer family in Vietnam. The Navy's Pearl Harbor Wage Office, operating outside regular command channels, covers direct hire local national employees and exercises a degree of responsibility for setting contractor wage schedules under "executive agency" responsibility which evolves on the Navy OICC. Both wage setting bodies, like the Embassy, survey local firms taking the regular pay (of persons whose jobs can be matched with one of those used by the US forces) and the monetary value of fringe benefits to create a per hour rate. These are averaged and as nearly as possible fitted into the US forces wage structure to become the new prevailing wage.

3. CINCPAC policy goes farther than DOD in requiring that policy, programs and practices for local national employees of non-appropriated fund activities be generally equivalent to those of appropriated fund workers. This policy did not evolve from an unrealistic urge to do good but from a realization that otherwise the US forces get into trouble. Often both groups belong to the same unions. Both groups consider the US government their employer; and host governments share this attitude. Work

stoppages of non-appropriated fund activity workers affect the entire US work force. If we do not insure that all US employees enjoy fair and equitable compensation and treatment, we open ourselves to charges by Communists and other anti-American elements that we are exploiting "cheap foreign labor."

4. DOD and the services prevailing wage policies do not uniformly cover US firms performing on contracts for the US forces. Neither do they cover employees of licensees or concessionaires.

Providing Labor and Economic Statistics
to Support the Manpower Program -- Item 10

This function is centered in the Joint Economic Section. From our observation, the statistical series are competently prepared, and are as good as one can expect given the basic weaknesses in the sources. We have no recommendations with respect to series prepared for other purposes, but which are relevant to manpower matters - such as cost of living indices and import data. Our recommendations on labor and manpower statistics appear in items 2 and 12.

July 13, 1966

MEMORANDUM TO: The Ambassador

SUBJECT : The Administration of Manpower Programs by
the GVN -- Item 11

I. Statement of the Problem

How to assist the GVN to:

- (a) improve the current administration of manpower programs,
- (b) expand its capability to administer current and new manpower programs.

II. Background and Assumptions

1. Principles of Administration

The GVN has not developed nor clearly spelled out goals to deal with national, political, social, economic and mobilization problems.

The Minister of Labor has not identified needs based upon an analysis of social and economic problems and not having clear overall national goals is unable to establish goals for his programs so that problems are dealt with and the achievement of goals will contribute to achieving national goals. There is no evidence that an attempt has been made to establish goals for ministry programs.

Minister for Labor has not followed a process of programming major courses of action and scheduling actions to achieve goals and deal with problems.

The budgeting and appropriation of money, personnel and other resources have not been related to goals and programming.

Managing and executing programs in accordance with programming and scheduling is not known to Labor Ministry administrator. Delegating authority and responsibility to execute approved programs with authority to obligate or commit funds is not practiced.

The Director General of Budget and Foreign Aid has authority to require prior approval of decisions to spend funds for approved programs.

The system of analyzing and reviewing production or performance results in relation to programming, schedules and estimated costs is not followed in the Ministry to determine whether social and economic problems are being solved.

The communication from headquarters to the field organization is slow and inadequate. This is partly due to the required clearance of certain instructions by the Director General of Budget.

Astronomy of provinces and traditional "provincialism" would defeat national programs requiring action at the local level unless traditional relationships between Saigon and province chiefs are altered or province chiefs are convinced and motivated to support national programs for benefits they see in them for themselves and their political strengthening.

2. Limitations in Traditional Patterns of Administration

The direction and supervision of the Vietnamese Government administration by colonial powers, over long periods of time, have developed a pattern, among the average government administrators, of avoiding responsibility for making decisions.

The tradition is to retain control at the top and to require approval at the top for each expenditure, small purchase and change in function or work procedure. The lack of delegation, the operating procedures and the unwillingness or inability of lower level government administrators to make decisions impedes action to the point of immobilizing programs.

The system which advances the professional, technician and administrator on the basis of educational level achieved and years of service is not conducive to effective performance.

3. Fragmentation of Manpower Functions

The manpower functions and responsibility in GVN are fragmented, overlap and are uncoordinated.

a. The Minister of Labor has responsibility for many of the manpower functions but has inadequate staff to administer manpower programs such as:

(1) Providing data and information on labor supply and requirements.

- (2) Allocating manpower.
- (3) Recruiting and placing manpower for essential activities.
- (4) Supervising employment stabilization.
- (5) Providing technical assistance and promoting manpower utilization.
- (6) Conducting skill training to develop skilled craftsmen.
- (7) Administering wage and labor relations programs so that they support the manpower programs.

b. The Minister of Defense administers the mobilization of manpower for the military forces with little consideration of the requirements of essential civilian activities for scientific, engineering, medical, managerial, technical and skilled craftsmen. Few objective criteria for deferment have been established.

c. The Minister for veterans affairs has responsibility for rehabilitating, training and placing war veterans and their dependent. There is no evidence that these activities are coordinated with similar activities of other Ministries.

d. The Minister or Administrator for ex-VC affairs has responsibility for reorienting, providing training in occupational skills and placing ex-VC. There is no evidence that these activities are coordinated with similar activities of other ministries.

e. The Minister or Administrator for refugee affairs has responsibility for relocating refugees from areas not secure from the VC, providing training and placing in employment. The location of refugee camps is related only on a hit or miss basis to labor demand areas. The training in occupational skills is being arranged with the Minister of Education rather than the Minister of Labor who has major responsibility in this area.

f. Traditionally, the Minister of Education has responsibility only for the vocational training of students in the education system. Now training in occupational skills is being established for adults including refugees from unsecured areas.

g. Part of the fragmentation may be caused by US technicians. These technicians should avoid imposing particular US forms and structures on the GVN where it makes little difference as to the desired end product of service.

4. Staffing the Ministry for Labor

The shortage of college and professionally trained personnel, the requirement that only persons trained in labor law are eligible, and relatively low salaries makes it difficult to staff the Ministry with qualified people. The relatively lower status of the Ministry of Labor also contributes to staffing difficulties.

The quality of the Ministry's staff at headquarters and in the field is good in most cases.

There is an encouraging effort on the part of the Ministry of Labor personnel to learn English and a few already handle English well. This will facilitate efforts to assist the Ministry.

5. GVN-US Coordination

The manpower functions and responsibility in the US Missions is only loosely coordinated with those of GVN. This is partly due to lack of capability on the GVN and partly due to limited coordination within the US Missions.

III. Alternative Courses of Action

Efforts to improve the Ministry of Labor could be made as an integral part of the whole assistance effort or could be initiated and pursued as rapidly as the Ministry is prepared to respond and absorb assistance.

The progress that can be made by the Ministry for Labor and other ministries in improving the administration of manpower programs will be limited by the overall policy and organizational environment in which they must work. Therefore a GVN council or committee could be established and composed of commissioner generals for:

- (a) Social and Cultural Affairs,
- (b) Defense,
- (c) Economy and Finance, and

(d) the Ministers under their supervision.

The function of the council could include:

- (1) identifying social, economic and mobilization problems,
- (2) recommending or establishing broad national goals including those for manpower,
- (3) determining essential activities, and
- (4) establishing priorities.

A joint GVN-US council could be established to exchange views on (1) the problems of social, economic and mobilization and (2) the policies and plans for dealing with them. Needed allied coordination could thus be achieved.

A subunit of the GVN council could be established of the ministries having manpower responsibilities. This subunit could:

- (1) Develop manpower policies and goals in the context of the overall national goals that can be maintained by the limited population and the economy.
- (2) Recommend or establish criteria for deferment.
- (3) Coordinate their activities to achieve a concerted approach to manpower problems.

A joint GVN-US manpower committee to exchange views on manpower policies and programs could achieve needed coordination of allied policy and action.

The training and placement of refugees, veterans, ex-VC, and the skill and occupational training of adults (performed by the Ministry of Education) could be consolidated in the Ministry for Labor to reduce organizational fragmentation and problems of coordination.

If left to the GVN initiative, improvements in administration of manpower programs will come very slowly.

An alternative to GVN initiative would be the negotiation of an agreement to provide and finance joint GVN-US administration of manpower programs. If joint administration is not acceptable or practical, an agreement might be negotiated (and financed by US) to exchange technicians and advisors between the GVN Ministry of Labor and the US Department of Labor and other agencies. US technicians and advisors would be located with each of the major GVN program units and the GVN would locate technicians and advisors in each of the major program units in the US.

A part of the agreement could be the development of a common understanding of programs, standards and techniques to be developed and applied in GVN. These programs, standards and techniques could be those developed and issued by the International Labor Organization to avoid any concern about imposing US programs and techniques.

Another part of the agreement could include provisions for establishing a special supplementary training of Ministry personnel in the National Institute of Administration or through other arrangements.

Still another part of the agreement (to be US-financed) could include provisions for the establishment of a pre-skill training institute through which the Ministry of Labor would train and prepare workers for on-the-job training. The Institute would be managed by GVN with US advisors and technicians.

It is possible that ministries that have large numbers of employees might be directed to make some of their employees available to perform some of the expanded manpower activities of the Ministry of Labor.

(The Ministry of Information has about 12,500 employees. The Ministry of Education about 37,000. The Ministry of Agriculture about 6,000. The Ministry of Labor about 400.)

IV. Conclusions

1. Arrangements are needed, now, in GVN to coordinate:
 - (a) the development of manpower and related policies, and
 - (b) the execution of policies.
2. Arrangements are needed, now, in GVN to:
 - (a) determine essential civilian activities and priorities and requirements for materials, facilities, and manpower.
 - (b) get compliance with established priorities and requirements.

3. An effective means needs to be found to effect immediate and long range changes in the GVN administration of manpower and related programs.

4. The better approach to bringing about more modern and effective administration in the Ministry of Labor and other manpower agencies is through an agreement to exchange technicians and advisors with the provision that technicians and advisors perform regular duties in the program unit where they are assigned. The US forces and USAID have such working arrangements and are achieving reasonably good results.

5. Moving civil service personnel from less essential GVN activity to the Ministry for Labor and other manpower agencies to perform some of the activities that need to be expanded could provide a means of providing resources in a reasonably short time for administration.

V. Recommendations

It is recommended that:

1. The Ambassador suggest to the Prime Minister:

a. A GVN council of Ministers to determine social, economic and mobilization policy and goals including manpower, as a counterpart to a comparable organization which the US may develop.

b. A joint GVN-US council to coordinate actions on social, economic and mobilization policy including manpower.

c. A GVN manpower committee to develop and recommend a national manpower policy and goals (an illustration of the contents of a national manpower policy is provided by the "concept for a manpower program").

d. A joint GVN-US manpower committee to coordinate actions on manpower policy and programs.

e. The consolidation of as many manpower programs in one ministry as possible. This could be in the Ministry for Labor or another appropriate ministry.

2. An appropriate representative of the US Mission suggest and work out an agreement with the Minister for Labor and other manpower agencies that would be financed by the US and would provide for:

a. The exchange of technicians and advisers between the GVN Ministry for Labor and the US Department of Labor and other US agencies who would be located in the major program units in the GVN and the US agencies and would perform regular duties related to the program of the unit.

b. Instructing Vietnamese in English and Americans in Vietnamese or French.

c. Adapting the most recently developed principles and techniques of administration to fit GVN conditions and requirements. The general principles of US government-wide planning, programming, budgeting and managing system can be adapted to be useable by a small GVN provincial labor office, a Directorate in the Ministry or the Ministry for Labor.

d. Training both Vietnamese and American technicians and administrators in the most recently developed principles and techniques of administration.

e. The establishment of jointly operated demonstration centers or projects in Vietnam in activities to be selected from among the following:

- (1) Employment market surveys and reports.
- (2) Determining shortage occupations for which training should be conducted.
- (3) Testing aptitudes and determining occupational skills or workers.
- (4) Selection, referral and recruiting of workers to meet employer requirements.
- (5) Training of workers for shortage occupations.

3. A project be developed that would be administered by the GVN Minister of Labor with the advice and assistance of US technicians, which would:

(1) Train instructors for training and developing skilled workers.

(2) Introduce the latest methods developed by US military and US employers for training and upgrading workers on the job and in supplementary classroom instructions.

MEMORANDUM TO: The Ambassador

SUBJECT : Organization and Staffing of the Manpower Function
for the US Effort in Vietnam -- Item 12

I. Statement of the Problem

To establish an organizational arrangement, a division of responsibilities and a staffing pattern that will provide an integrated structure for manpower activities, and for relating these with other mission activities.

II. Background and Assumptions

Unmistakable symptoms of trouble in the manpower field have emerged over the past few months - such as wage and job classification difficulties, strikes and loss of vitally needed skills to the armed forces, the prospect of shortages of the manpower pool for the military, and uneasiness over the validity and coverage of manpower data on both the supply and demand side.

The situation seems to be changing rapidly. Prospective shortages of labor of such magnitude as to seriously impede the US construction program have not in fact developed, and it appears unlikely that they will develop. Contractor on-the-job training of Vietnamese workers has produced remarkable results. On the other hand, recent events in the wage and job classification field, the prospect of further price increases and the prospect of some lay-offs by the contractors generate the probability that labor relations will emerge as the primary manpower problem over the next few months. For the long run - one to three years - the possibility of exhaustion of the manpower pool of the GVN armed forces and the need for more varied and stringent mobilization measures, and the progressive deterioration of the administrative capacity of GVN are somewhat ominous.

Various parts of the total US organization in Vietnam have attacked parts of the problem from their own points of view:

(a) MACV has studied manpower requirements for the RVN armed forces, and the sources of manpower to meet the requirements. Specific proposals on mobilization measures emanating from these studies have been made to the Ambassador.

(b) The Klein Committee has proposed broad program priorities on the civilian side which will on the one hand generate requirements for manpower and on the other hand produce manpower.

(c) The Joint Economic Section has prepared forecasts of US contractor and armed forces civilian manpower requirements, assessed the effects of alternative proposals for wage increases in terms of their potential effects on prices, and has suggested to the Mission Council that manpower ceilings on contractor employment be considered as a solution.

(d) With AID, the Education Division is expanding the capacity of GVN to train people for civilian occupations, looking to the long run development of the economy. The Public Administration Division is assisting the GVN to expand the capacity of civil servants to run the government. The Labor Division is concerned with such important matters as labor as human beings, and the contribution that organized labor can make to the development of a democratic society.

(e) The Labor Attache' as the Ambassador's advisors on labor matters has taken the initiative to concern himself with virtually all aspects of the manpower problem.

(f) The Civilian Manpower Committee and the Labor Division of AID have been concerned with such matters as the disparities in hourly rates and take-home pay among various US employers, means of reducing disparities, the pros and cons of importing third-country nationals to meet labor shortages, the possibility of extensive strikes and their implications, and how to get enough people trained quickly for the war effort. Proposals have been made to the Ambassador in the Mission Council on a number of these questions.

Each of the components of the total US organization has able people at work on the aspects of the total manpower problem. However their efforts are largely uncoordinated, and they do not work effectively together. Common basic assumptions have not been hammered out. Information is not adequately exchanged and discussed. Fundamental proposals affecting the entire US effort are advanced directly to the Mission Council and the Ambassador from a number of sources without prior consultation with others who have expertise and whose actions are affected by the proposals.

The primary administrative response to the challenge presented by these vitally important problems has been the creation of the Civilian Manpower Committee in February 1966. This group has served important functions. Many matters in the manpower field are now better understood and better handled as a result of the Committee's work. To mention a few: recruitment of third-country nationals, turnover of contractor employees, training requirements, disparities in practices among US employers, reporting of employment levels, and security clearances for Vietnamese employees. While these are details when taken one by one, the sum total of all the actions is significant.

The Committee has served as an advocate of a point of view. This point of view is essentially that greater attention should be paid to wages and working conditions of Vietnamese employees of the US government and its contractors in order to ensure that construction schedules will be met and that the United States be regarded as a fair employer. (See Item 9 for a discussion of the significance of this point of view.) Since this point of view leads to conclusions which generally point to more generous treatment of the employees, it runs directly counter to the equally significant objective of holding prices down.

The considerations which labor and manpower economists emphasize are different from those emphasized by economists who deal with such matters as factors influencing price levels. Both views need tempering by broader political considerations. Our observation is that this healthy and potentially useful juxtaposition of values has not yet been organized as to be of maximum benefit to the Ambassador. We conclude that as a general rule the unilateral formal judgments of those holding different views on these matters should not go directly to the Mission Council or the Ambassador. They should rather be considered and to the greatest possible degree reconciled at a high staff level.

III. Conclusions

1. The operating aspects of manpower (such as preparation of estimates of RVNAF supply and demand situation by MACV; the training programs of the US armed forces; AID training and labor activities of all kinds) should remain in the operating units.

2. However, manpower problems have become so significant that the capacity of the mission to deal with them separately, as a whole, and in relation to other vital problems should be increased. Because of its significance, and in order to expose for the policy makers differences in values and the full array of policy choices, manpower should be handled as a functional staff area in itself, and not encompassed within other broad functional staff areas such as politics and economics.

3. Manpower problems cannot be solved in isolation. Machinery is needed to ensure that manpower measures are consistent with actions in other areas, and that actions in other areas take manpower considerations into account. A general strategy and set of priorities encompassing both the civilian and military sectors are prerequisites to the effective resolution of manpower problems.

4. Although some additional staff in the manpower area is needed, a greater need is strong leadership and more effective use of the existing staff, and more effective staff cooperation and working relationships.

5. Additional high level staff is required to deal effectively with manpower problems. The Labor Attache', for example, necessarily has dealt in detail with a wide range of problems - many falling outside the normal duties of a Labor Attache' - that adequate attention could not possibly be paid to all of them. We have observed that the former Labor Attache' was covering, functionally, the jobs of both Counselor of Manpower and of Labor Attache'. We conclude that there are now more than full time jobs for two people.

6. We have concluded that the Joint Economic Section is not adequately staffed to handle manpower statistics adequately, and that there should be a stronger focal point for manpower matters in AID.

7. While we are sensitive to the dangers of over-structuring and proliferation of staff groups, we have come to the conclusions that the mission structure is defective and overly amorphous so far as manpower matters is concerned.

IV. Recommendations

We recommend that:

1. The manpower function be represented on the Mission Council by a newly appointed Counselor for Manpower. To indicate the substance of the function, specifications of this position are included (See Attachment A). The essential point is that the Ambassador be given a strong advisor who can speak with a voice that will be respected in the highest circles of the Mission.

2. The Manpower Counselor be a part of a small staff group concerned with the information of the total strategic objectives and plans - military and civilian - of the US Mission in Vietnam. This group could also serve as a forum at which divergent views on important matters are considered and either reconciled, or reduced to carefully presented alternatives for the consideration of the Mission Council or the Ambassador. However, such a group should not serve as a screen between those responsible for the major US operations and the Ambassador.

Alternative ways of stating the missions and composition of such a group are under consideration, and we have no firm recommendation on this point. However, we do suggest that the group have a broad encompassing military and civilian, economic, social and political objectives, that it be composed of senior persons who have the confidence of and who can speak for the heads of the major US agencies in Vietnam, and that it be chaired by a high official with responsibilities cutting across all major fields who reports directly to the Ambassador.

3. The Manpower Counselor must have adequate resources if he is to be effective. We recommend that he have a high grade deputy capable of working in all manpower fields, and of representing him. This deputy might be either on the Embassy or AID staff. In addition, the Manpower Counselor needs a staff assistant to work particularly but not exclusively on problems of wages, working conditions and terms of employment.

4. The Manpower Counselor must have easy working relationships with and easy access to the top of each of the major US operations in Vietnam. This can come about either informally

or through a formal mechanism. We recommend that the Ambassador the Director of USAID and the Commander of the US Military Assistance Command in Vietnam appoint senior staff members responsible for manpower matters to work with the Manpower Counselor, and that this group decide whether they should constitute a formal committee.

5. The Civilian Manpower Committee be continued and strengthened, but with a somewhat modified role. Its primary function and responsibility should be to reach decisions and initiate action on the complex operating problems in the manpower and personnel administration field by reaching a consensus among the agencies concerned. However, it should also be able to express views on policy matters in these fields. The Committee should have as its chairman the Manpower Counselor, and its actions, reached on the basis of consensus, should be taken in the name of the Chairman. The Chairman is responsible, as the Ambassador's representative, for deciding when proposals made by the Committee must be referred to the Mission Council. 1/ A statement relating to the functions of the Civilian Manpower Committee and a draft memorandum for the Ambassador's signature on this subject are attached (See Attachment B).

6. Effective administration of the manpower functions will require a careful definition of the manpower role of each of the major components of the US mission, and careful attention to relationships and staffing. Each existing major US agency should concentrate upon its central mission, and the Manpower Counselor should orchestrate these instruments of policy.

The Labor Attaché¹ should concentrate on the standard functions of this position, and in addition he should serve as the manpower counselor's primary agent on matters involving labor management relations.

A stronger focus for manpower matters in AID should be provided, and we recommend that this be done by giving the

1/ It is, of course, recognized that any member of the Mission Council retain his authority to face items on the agenda of the Council.

Assistant Director for Technical Services more explicit and emphatic authority to carry out for the Director of AID not only his existing authority with respect to manpower planning for AID, but also functional supervision over all AID activities relating to manpower, staff assistance to the Director on these matters, and participation in top staff groups concerned with manpower in the US Mission.

To the Joint Economic Section there should be added a highly qualified person, at about the FSR-3 level, responsible for strengthening manpower statistics.

Functions of the Manpower Counselor

1. Serve as the Ambassador's principal advisor on manpower as this factor affects our capacity to attain US - GVN objectives. In this capacity, the Counselor would act with the degree of authority and independence appropriate to this position.
2. Serve on the Mission Council to present for discussion and action specific proposals relating to manpower, and to advise on the implications of all major policy decisions for manpower, and to advise on the implications of all major policy decisions for manpower.
3. Serve as Chairman of the Civilian Manpower Committee with responsibility for making the Committee fully effective in performing the functions set forth in its charter.
4. Maintain close working relationships at the highest levels on matters relating to manpower with officials in the Embassy, AID (Saigon and Washington), MACV, the US contractors and GVN, and speaking for the Ambassador on manpower matters.
5. As the agent of the Ambassador, initiate actions relating to manpower to be carried out by operating agencies, operating to the greatest degree possible on the basis of consensus and with unimpaired access to the Ambassador on the part of the heads of operating agencies; exercise functional supervision over the execution of manpower activities; review policies and actions of operating agencies.
6. Act as the principal agent of the Ambassador on matters relating to the wages, working conditions, prerequisites and management labor relations for US, Vietnamese and third-country national employees.
7. Ensure that proposed actions relating to manpower by all agencies are both individually and reasonably consistent, reasonably compatible with general objectives as set by responsible officials, and attainable with available resources. When inconsistent, incompatible, or impractical proposals are put forward, it is the Counselor's responsibility to negotiate appropriate changes on his own initiative, or to propose a course of action to the Mission Council.

8. Provide a two-way link on manpower matters between the Ambassador and the agencies, contractors and GVN, and between them and the Ambassador. This function consists, first, of interpreting to the Ambassador the needs, problems and proposals of the operating units concerned with manpower. Second, it consists of interpreting to the operating units the philosophy, overall priorities, constraints, and directives of the Ambassador. This function provides a means of communication on manpower matters, but it should in no way inhibit either the Ambassador nor the heads of operating agencies in communicating directly on manpower matters.
9. Establish, either on his own initiative or with the concurrence of the Mission Council, such working groups or other organizational arrangements as are necessary to deal with manpower problems. Call on staff resources of operating agencies for staff assistance.
10. Establish and oversee the operation of a system for securing facts and analyses relating to manpower with the detail, precision and frequency needed to resolve policy and operating problems. This function ranges from ensuring the preparation of overall figures on the supply of and demand for manpower to promoting the preparation of data on wage rates in specific occupations. This function is a coordinating, stimulating, synthesizing, organizing role and not an operating role.

Re-emphasis of the Functions of
The Civilian Manpower Committee

The Civilian Manpower Committee should be continued, and the proposed Manpower Counselor should be Chairman of the group. However, the functions of the Committee should be re-aligned in the light of experience and in the light of changed circumstances since the Committee was established on February 1, 1966. It would be well to formalize the changes by issuance of a memorandum by the Ambassador (Tab A).

The Civilian Manpower Committee is now "responsible to the Mission Council." (All of the quotations relating to the functions of the Council are from the Ambassador's memorandum of February 1, 1966, Civilian Manpower Committee). The Committee "shall have jurisdiction over all questions directly or indirectly related to the recruitment and utilization of civilian labor (Vietnamese and Third-Country Nationals) by US agencies and contractors."

The Committee is now "charged with the responsibility of coordinating and regulating matters pertaining to the recruitment, training, and employment of civilian labor in Vietnam by the US." The Committee, under its existing charter, "shall from time to time issue directives which US agencies and contractors shall carry out . . ."

The establishment of a Manpower Counselor who serves on the Mission Council would make it unnecessary and awkward for the Civilian Manpower Committee also to be responsible to the Mission Council. It is therefore recommended that the Committee be responsible to its Chairman - the Manpower Counselor.

The establishment of the position of the Manpower Counselor who serves on the Mission Council makes it anomalous for the Committee to issue directives. Formal authority and responsibility would rest with the Manpower Counselor, and actions agreed upon by the Committee should be issued in his name.

To the greatest possible degree, the members of the Committee should be able to speak and act for their agencies, so that a consensus within the Committee could be followed by quick action.

The Chairman would have the authority to decide when any matter considered by the Committee should be referred to the Mission Council for decision, but any member of the Mission Council would of course be free to raise in the Mission Council any matter considered by the Civilian Manpower Committee.

Tab A
July 11, 1966

TO : All US Government Agencies, and
All US and Third-Country Private Enterprises operating
in Vietnam under US Public Contract Awards

FROM : Henry Cabot Lodge, American Ambassador

SUBJECT: Re-emphasis of the Functions of the Civilian Manpower
Committee - Revision of Memorandum of February 1, 1966

1. The increasing significance of manpower problems in relation to the US and GVN efforts, and the appointment of a Manpower Counselor, make it advisable to re-emphasize the functions of the Civilian Manpower Committee. The Committee is by this memorandum made advisory to the Manpower Counselor to strengthen the total capacity of the Mission to deal with the interrelated questions of manpower recruitment, training, allocation, utilization, classification and compensation. The realignment of the functions of the Civilian Manpower Committee are designed to make it more effective in the context of a stronger mission effort to deal effectively with manpower problems and to relate manpower matters more effectively to total mission objectives.

2. The Civilian Manpower Committee shall serve as the central staff group responsible for securing and analyzing facts, identifying problems and for proposing solutions in all areas directly or indirectly related to the recruitment and utilization of civilian labor (Vietnamese and third-country nationals) insofar as such labor is employed in, or recruited abroad for employment in Vietnam by:

A. United States Government departments and agencies.

B. All private corporate and individual enterprises, whether US or third-country in origin, if such enterprises are operating in Vietnam under a United States Public Contract Award, or if they are acting in Vietnam in any way as a subcontractor for such awards.

3. The Chairman of the Civilian Manpower Committee will decide when the recommendations of the Committee will be ratified by him as Chairman and when problems discussed by the

Committee will be placed on the agenda of the Mission Council. Any member of the Mission Council of course also retains the right to place such problems on the agenda of the Mission Council.

4. The Chairman of the Civilian Manpower Committee will be responsible for naming subcommittees to be responsible for specialized tasks, such as conduct of wage and classification surveys, collation, and analysis of existing data relating to manpower, reviewing proposals for collection of additional manpower data, recommendations as to sources of additional manpower, improved utilization of manpower, identification of training needs and means of meeting them.

5. The Civilian Manpower Committee shall consist of the Manpower Counselor who shall serve as Chairman, the Labor Attache 1/, a representative of the Economic Section of the Embassy, JUSPAO, appropriate representation from MACV, OICC, and USAID 2/. The Chairman may, with the concurrence of the Committee, designate observers.

6. The continuing staff of the Committee will be provided by the office of the Manpower Counselor, but the agencies will designate additional staff to perform ad hoc tasks for the Committee as required.

7. The existing Military Manpower Committee will continue to be responsible for all questions relating to uniformed military manpower needs. On questions of overall personnel utilization and requirements, the Civilian Manpower Committee and the Military Manpower Committee will meet in joint session and make recommendations that are approved by both committees to the Manpower Counselor.

1/ Since the Labor Attache has important general functions, such as reporting and analyzing labor matters for the Ambassador, it might be preferable if he were not a member and hence identified with Committee actions.

2/ The precise representation cannot be decided by the Manpower Mission.