



The Relationship Between Inflation and Unemployment in Vietnam

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Abstract

Inflation and unemployment are two important macroeconomic issues with far-reaching impacts on all countries, and Vietnam is no exception. Inflation, defined as the continuous increase in the general value, reduces the purchasing power of money, while unemployment is the situation where workers are able to work but cannot find employment. The relationship between detection and unemployment is a complex topic and has been widely studied in economics. In the short term, this relationship is often described through the Phillips curve, showing the change between the likelihood of development and failure: as development increases, unemployment tends to decrease and vice versa. However, in the long term, the Phillips curve becomes vertical at the natural unemployment device, indicating no stable change between these two factors. In Vietnam, all detection and failure errors are modifiable by policymakers. The Vietnamese government has been implementing numerous measures to control inflation and reduce unemployment, including key monetary and fiscal policies, as well as measures to promote economic growth and create jobs. Maintaining macroeconomic stability, controlling inflation appropriately, and minimizing business failures are key objectives to ensure Vietnam's sustainable development.

Keywords: Inflation, Unemployment, Phillipian Curve, Sustainable Development, Vietnam

1. Introduction

Inflation and unemployment are two important macroeconomic issues that significantly impact a country's economic stability and development. Inflation is the phenomenon of continuously rising prices of goods and services over time, reducing the purchasing power of money. Unemployment, on the other hand, refers to a situation where a segment of the working-age population is capable of working but lacks employment. Both factors directly affect income, expenditure, investment, and economic growth.

The relationship between detection and failure has been studied and debated by many economists. In the short term, the Phillips curve indicates a shift in the likelihood of detection and failure: as speed increases, failure tends to decrease, and vice versa. However, in the long term, this relationship is no longer clear, and many other factors such as monetary and fiscal policy, economic integration, technological development, and shifts in the labor base all influence this variation.

In Vietnam, both leisure and unemployment are crucial components of the economy. The government has implemented various measures to control demand and create jobs through macroeconomic policies. In-depth research into the relationship between demand and unemployment not only helps to better understand economic trends but also provides appropriate solutions to maintain stability and sustainable growth.

2. Inflation

2.1. Concept

Inflation refers to the increase in prices of most every day or commonly used goods and services, such as food, clothing, housing, entertainment, smart transportation, and consumer necessities. Inflation measures the rate of change in the average price of a good or service over time. This finding reflects a decrease in the purchasing power of a country's currency.

For example, considering the purchasing power of the dollar, it's possible to observe that as the price of the dollar gradually increases and continues to rise, its purchasing power also gradually decreases over time.

If this observation occurs consistently over many years and decades, it can significantly impact your purchasing power and savings.

2.2. Classification

Three main types were identified, with varying degrees of severity:

- Moderate inflation
- galloping inflation
- Superinflation

2.2.1. Moderate inflation

Moderate inflation occurs with only a single digit, with detection rates typically below 10% per year. This moderate inflation level leads to moderate price fluctuations, during which the economy functions normally and workers' lives remain stable.

This situation is stable, deposit interest rates are not high, prices are rising slowly, and there is no mass buying and hoarding... Moderate detection helps people feel comfortable and secure during the labor and production process.

This is discovered when business organizations have stable income accounts, low risk, and are in a ready mindset for investment-oriented business products.

2.2.2. Galloping inflation

This inflation is implemented when prices increase quite rapidly, over a period of 2 or 3 years. This causes overall prices to rise, resulting in significant fluctuations in the economy or in only the digitized contracts.

During this period, people tend to hoard goods, gold, silver, or real estate, and lend money at abnormally high interest rates. If the spread of cryptocurrencies becomes widespread and frequent, it will cause significant impacts and serious structural changes to the economy.

2.2.3. Superinflation

Superinflation occurs when a battle escalates at a rapid pace, exceeding the limits of a normal surge; hyperexposure is like a deadly disease.

When prices rise rapidly and are unstable, the velocity of money circulation increases very quickly, the currency depreciates rapidly, and the real wages of workers are drastically reduced, market information becomes inaccurate, the market fluctuates, and business operations become chaotic. Fortunately, however, mega-entertainment events rarely occur.

2.3. Causes of the inflation in Vietnam

There are three main causes of the problem:

- production due to demand
- supply-side inflation
- Inflation according to the quantity theory of money (due to increased money supply)

Demand-Driven Inflation (Also known as Demand-Pull Completion):

Based on an increase in aggregate demand, the following measures can be taken:

- The private sector is important to the economy, so it should use automated standards and accelerate automation.
- The government increased the target.

- The bank is increasing the average amount of money it provides.
- Foreigners are increasing their purchases of domestic goods and services.

The result of shifting the AD curve to the right, in the short term, will lead to increased output, while prices will also rise and failure rates will decrease.

Supply-Driven Inflation (Also known as Cost-Side Inflation)

Exports from the domestic market decrease in aggregate supply, primarily due to rising production costs in the economy when:

- Increase wages while labor productivity remains unchanged.
- Increase taxes and interest rates.
- Natural disasters, crop failures, wars...
- Rising prices of key raw materials, etc.

Oil prices surged during periods of volatile oil prices in 1973, 1978, 2004, 2007, etc., causing production costs for goods and services in many countries to rise. This forced businesses to reduce their use of oil and oil products, leading to decreased labor productivity and reduced supply of goods and services.

2.4. The effects of inflation:

2.4.1. Negative impacts:

1. Interest Rates and Issuance

High and troublesome inflation in countries around the world negatively impacts all aspects of a nation's economic, political, and social life. The first consequence of this is the increase in interest rates.

We have:

$$\text{Real Interest Rate} = \text{Nominal Interest Rate} - \text{Inflation Rate}$$

Therefore, when the issuance rate increases, if the goal is to achieve a truly stable and positive real interest rate, the interest rate on deposits must increase proportionally with the rate of issuance. This increase in interest rates will lead to economic consequences such as recession and increased unemployment.

2. Inflation and Real Income

There is a relationship between the actual and defined inputs of a worker in terms of the detection rate. When the detection ability increases while the defined income remains unchanged, the worker's real income will decrease.

The discovery not only reduces the real value of non-interest-bearing assets but also erodes the value of interest-bearing assets, meaning it reduces real income from interest and dividends.

This is the government's tax policy calculation based on input data. When inflation rises, borrowers increase interest rates to offset the default increase in inflation, even though tax rates remain unchanged.

Therefore, the real income of borrowers by entering definitions unless the error detection rate decreases will have a significant impact on the socio-economic situation. Economic recession, increased unemployment, and a more difficult life for workers will reduce public trust in the government...

3. Inflation and Unequal Distribution of Income

When the potential for inflation increases, the value of the currency decreases, making it advantageous for borrowers to obtain loans to start earning profits. This further increases the demand for loans in the economy, driving interest rates higher.

High inflation also creates surplus money and wealth, which is used to hoard and accumulate goods and assets, stimulating speculation. This situation further exacerbates the imbalance between supply and demand in the market, causing commodity prices to skyrocket.

Ultimately, the already poor become even poorer. They don't even have access to essential consumer goods, while speculators hoard supplies and become even wealthier. Such a situation could cause disruption in the economy and create a large income and living standard gap between the rich and the poor.

4. Inflation and National Debt

High inflation benefits the government through tax revenue from the population, but it exacerbates foreign debt. The government benefits domestically but suffers from foreign debt.

2.4.2. Positive impacts:

The discovery doesn't always have negative consequences for the economy. Maintaining a growth rate of 2-5% in developed countries and below 10% in developing countries can bring several economic benefits, such as:

- Stimulating consumption, borrowing, and investment reduces unemployment in society.
- This allows governments to add the ability to choose the most appropriately sized tools for sectors that almost intelligently expand credit, helping to redistribute income and energy resources in society according to targeted goals and within a filtered timeframe. However, this is a difficult and risky undertaking, and without incentives, it could have negative consequences.

3. Unemployment

3.1. Key Concepts

A. Labor force

The labor force consists of people of working age, capable of working, currently employed, or seeking employment.

Part:

- **Employed people:** Individuals who are currently working and receiving a salary or income.
- **Unemployed:** People who are not employed but are actively seeking work.

Exclusions: Energy labor does not include:

- People who are not of working age.
- People who are unable to work (e.g., people with disabilities).

Those who are not participating in the labor market (e.g., students, housewives, retirees).

B. Unemployment

Unemployment refers to people of working age who are capable of working but are currently unemployed and actively seeking employment.

The labor force excludes those who do not participate in the

labor market, such as students, housewives, retirees, or those who are unable to work.

Businesses may face various reasons for this, including economic downturns, technological changes, or a mismatch between worker skills and market demands.

C. Labor force level (Employment rate – L)

1. Definition:

- The employment rate (L) measures the percentage of the working-age population who are employed or actively seeking employment.
- It shows the level of population parameterization in economic activity.

2. Meaning:

- A high employment rate indicates a well-functioning economy, with many people participating in the labor force.
- A low employment rate may indicate high unemployment or a lack of participation of a segment of the population in economic activity.
- This rate indicates the percentage of the working-age population who are actively engaged in economic activity.

3. Effects of influencing factors:

- **Economic Situation:** When the economy grows, the demand for labor increases, leading to a higher unemployment rate.
- **Government Policies:** Policies regarding education, vocational training, and unemployment insurance can affect employment rates.
- **Population Profile:** The age and gender profile of the population also affects the employment rate.
- **Culture and Society:** Cultural and social factors, considered to be limitations on women in the workforce, also influence employment rates.
- **Educational Level:** A higher level of education leads to more job opportunities.

4. Applications:

- The employment rate is used to assess the state of the labor market and the health of the economy.
- It is also used to compare labor productivity between countries or territories.
- Policymakers use business rates to inform labor and economic policy decisions.

D. Unemployment rate (Level – U)

1. Definition:

- The unemployment rate (U) measures the percentage of the workforce that is unemployed but actively seeking employment.
- It shows the level of usage that does not generate energy for the economy.

2. Meaning:

- High unemployment rates indicate that the economy is struggling, with many people out of work.
- A low unemployment rate indicates that the economy is performing well, with many people employed.
- This rate indicates the percentage of workers who are looking for work but are unable to find employment.

3. Effects of influencing factors:

- **Economic Situation:** When the economy is in recession, businesses cut jobs, leading to an increase in the unemployment rate.
- **Policies of the Primary Caste:** Policies on minimum wage, unemployment insurance, and labor regulations can affect the unemployment rate.
- **Economic Basis:** Changes in the database industry could lead to imbalances between labor supply and demand.
- **Technology:** The development of technology may reduce the demand for labor in certain professions.
- **Globalization:** Competition from other countries can affect jobs domestically.

4. Consequences:

For individuals:

- Loss of income, a slowdown in the pace of life.
- This can lead to stress, anxiety, and mental health problems.
- It diminishes work skills and experience.

For society:

- Having fun is a waste of energy.
- Strengthening the role of social welfare programs.
- This leads to social unrest and criminal prosecution.
- It reduces a country's GDP.

3.2. Forms of unemployment

A. Temporary unemployment:

This type of unemployment occurs when a worker is in the process of changing jobs, searching for a more suitable new job, or is new to the labor market.

B. Structural unemployment:

This type of failure occurs when there is a balance between a worker's skills and the demands of the job. Causes may include changes in technology, the economic base, or the decline of a specialized tool.

C. Cyclical unemployment:

This type of failure occurs due to an economic downturn, often during periods of recession or crisis. When the economy declines, demand for goods and services decreases, leading businesses to cut production and lay off employees.

D. Natural unemployment:

This is the economic uncertainty that an economy always faces, even when the economy is operating at its capacity. It includes both temporary unemployment and the unemployment base. This means that no matter how good the economy is, there will always be a segment of the workforce that is either actively seeking employment or does not meet the requirements of the labor market.

4. The Current Reality of Inflation and Unemployment in Vietnam

4.1. Current inflation status in Vietnam

Period 2011 – 2015

During this period, economic policies were implemented in a balanced manner. Specifically, monetary and fiscal policies were tightened, production was increased, exports were encouraged, and imports were controlled. This was very positive for the economy and helped reduce deflation.

The invention rate reached a record low of 0.63% in 2015. 0.63% is a surprising figure, the lowest invention rate since Vietnam began calculating invention rates. According to local statistics, the main reason for this low invention rate in 2015 was the sharp drop in global oil prices.

Period 2016 – 2020

The economy is tightly regulated, so the detection rate has remained stable at 4%. 2020 was a year of complex developments due to the Covid-19 pandemic, which strongly impacted the growth of various sectors and industries.

Period 2021 – 2023

In 2021, despite the impact of the Russia-Ukraine conflict and global supply chain disruptions during the Covid-19 pandemic, Vietnam's power generation capacity remained well-controlled. With a power generation capacity of 1.84%, Vietnam was a headwind in the global trend of high power generation. Currently, Vietnam is among the countries with an average growth rate of 4-6%. In 2023, the growth rate decreased slightly to 3.25%, achieving the set target.

Compared to the previous month, the CPI in January 2024 increased by 0.31% due to *several factors, including the implementation of price increases for healthcare services, EV's adjustment of the average retail electricity price, and the continued increase in domestic prices following export prices.* In February 2024, the CPI peaked at 1.04% due to the Lunar New Year (Year of the Dragon), leading to increased demand for goods and services; domestic prices and fuel prices also increased in line with world prices. In March 2024, the CPI decreased by 0.23% as demand decreased after the Lunar New Year, especially for food. From April to July 2024, the CPI continuously increased by 0.07%, 0.05%, 0.17%, and 0.48% compared to the previous month, mainly driven by increases in the prices of rice, pork, cooking oil, household electricity, and health insurance. In August 2024, the consumer price index (CPI) remained stable compared to the previous month. In September 2024, the CPI increased by 0.29%, mainly due to higher food prices in localities directly affected by typhoons No. 3 and No. 4 and their remnants. In October 2024, the CPI increased by 0.33% due to increases in domestic food prices, gasoline prices following world prices, and rental housing prices. In November 2024, the CPI increased by 0.13%, mainly due to the Vietnam Electricity Corporation adjusting electricity prices for household use, and increases in rental housing and housing maintenance materials. In December 2024, the CPI increased by 0.29% due to some localities adjusting medical service prices according to Circular No. 21/2024/TT-BYT, and increases in rental housing and fuel saving prices. In 2024, the average monthly CPI increase was 0.24% compared to the previous month.

In contrast to the upward trend of the months in 2023, the CPI for the first five months of 2024 compared to the same period of the previous year showed a gradual increase, from 3.37% in January to a peak of 4.44% in May. From July onwards, the CPI has shown a downward trend, from an increase of 4.36% in July 2024 to 2.94% in December 2024.

Overall in 2024, the CPI increased by 3.63% compared to the previous year. The main reasons were price increases in the food and food services group due to rising domestic prices following export price increases, natural disasters such as storms, increased consumer demand during holidays and Tet (Lunar New Year), along with rising pork prices; increased

prices in the housing, electricity, water, fuel, and construction materials group; and increased prices for medical services and health insurance based on wages.

4.2. The current state of unemployment in Vietnam

In the report "World Employment and Social Outlook: Trends 2024"^[1], the International Labour Organization (ILO) highly rated the resilience of the world economy in 2023 in the face of a challenging macroeconomic environment with increased control, rising interest rates and other geopolitical factors. In October 2023, international organizations simultaneously adjusted global GDP growth forecasts for 2023 upwards with an upward forecast of 0.3 to 0.4 percentage points. These factors helped the world labor market in 2023 to recover steadily with an increase in the number of employed workers, a decrease in the unemployment rate, and the average weekly working hours of workers almost returning to pre-Covid-19 normal levels in all regions of the world. Nevertheless, in this report, the ILO also affirms that the restart of the world economy in general and the labor market in particular remains very fragile. In fact, the world is facing many persistent risks and uncertainties, which will negatively impact the labor market in 2024, job growth is reported to slow down, and the unemployment rate will increase slightly from 5.1% in 2023 to 5.2% in 2024.

Domestically, the labor force (the number of people employed) in the first quarter of 2024 decreased compared to the previous quarter but increased compared to the same period last year. The official Lao formula still uses a larger proportion, approximately more than 3/5 of the total employed workforce nationwide. Average monthly income of workers increased compared to the previous quarter and increased compared to the same period last year. The unemployment rate among the working-age population decreased compared to the previous quarter and decreased compared to the same period last year. The underemployment rate among the working-age population increased compared to the previous quarter and increased compared to the same period last year.

Labor Force

The labor force aged 15 and over in the first quarter of 2024 was 52.4 million, a decrease of 137.4 million compared to the previous quarter but an increase of 175.8 million compared to the same period last year. The labor force situation has returned to the normal trend seen before the Covid-19 pandemic (the labor force in the first quarter typically tends to decrease slightly compared to the fourth quarter of the previous year but remains higher than the same period last year).

The labor force participation rate in Q1 2024 was 68.5%, a decrease of 0.4 percentage points compared to Q4 2023. The labor force participation rate in Q1 2024 was 62.6%, and the male participation rate was 74.7%. The labor energy parameter rate in urban areas was 66.1%, 3.9 percentage points lower than in rural areas. Observing by age group, the labor energy participation rate in urban areas was lower than in rural areas in very young and older age groups, with the largest differences observed in the 55+ age group (urban: 34.6%; rural: 49.2%) and the 15-24 age group (urban: 34.4%; rural: 42.8%).

The percentage of trained workers with diplomas and certificates in the first quarter of 2024 was 27.8%, an increase

of 0.2 percentage points compared to the previous quarter and an increase of 1.4 percentage points compared to the same period last year. Thus, currently, the whole country still has 37.8 million untrained workers. This figure shows that a significant amount of work is needed to improve the technical and professional skills of the workforce.

Employed Labor Force

The number of employed workers in the first quarter of 2024 returned to a normal growth trend similar to the period before the Covid-19 pandemic. In the first quarter of 2024, the number of employed people aged 15 and over reached 51.3 million, a decrease of 127 million (0.25%) compared to the previous quarter, but an increase of 174.1 million (0.34%) compared to the same period last year. Compared to the previous quarter, the decrease in employed labor was mainly in rural areas (down 1.77%) and among men (down 0.97%). The number of employed workers in the first quarter of 2024 returned to a normal growth trend similar to the pre-Covid-19 period. Following the normal trend before the Covid-19 pandemic (before 2020), the number of employed workers in the first quarter typically showed a slight decrease compared to the fourth quarter of the previous year, but remained higher than the same period of the previous year. This slight decrease was only observed in the first quarter due to seasonal factors and cultural festivals following the Lunar New Year. However, in 2020 and 2021 (a period affected by migration), the number of employed workers decreased sharply in the first quarter and showed erratic fluctuations in subsequent quarters due to the impact of the pandemic. The first quarter of 2020 began to record a sharp decline in employment (down 1.84% compared to the previous quarter and down 0.77% compared to the same period of the previous year). This slight decrease continued in the second quarter of 2020 (down 3.99%), the first quarter of 2021 (down 1.89%), and the third quarter of 2021 (down 5.20%). The period of 2022-2023 marked a recovery phase, with employment increasing in all quarters, creating a "compensatory increase" after the Covid-19 pandemic. By the first quarter of 2024, the number of workers decreased slightly compared to the fourth quarter of 2023 (down 0.25%) and returned to the trend seen in 2019.

Of the total 51.3 million employed workers, the service sector accounted for the largest proportion at 40.0%, equivalent to 20.5 million people, followed by the industrial and construction sector at 33.1%, equivalent to 17.0 million people. The agriculture, forestry, and fisheries sector had the lowest proportion, at 26.9%, equivalent to 13.8 million people. Therefore, compared to the previous quarter and the same period last year, the size of the workforce in the agriculture, forestry, and fisheries sector decreased by 3.1 and 65.4 people respectively; the workforce in the industrial and construction sector decreased by 196.4 and 336.4 people respectively; and the workforce in specialized services increased by 72.4 and 575.8 people respectively.

The total number of people with informal employment (including agricultural workers)^[2] in the first quarter of 2024 was 33.3 million people, a decrease of 195.8 people compared to the previous quarter and an increase of 240.1 people compared to the same period last year. The increase in the number of informal workers in the first quarter of 2024 compared to the same period last year was mainly due to the increase in the number of informal workers in the service sector (an increase of 696.3 people).

Although the number of employed workers has returned to its normal growth trend as before the Covid-19 pandemic, the informal employment rate remains high. The informal employment rate in Q1 2024 was 64.8%, a decrease of 0.3 percentage points compared to the previous quarter and an increase of 0.2 percentage points compared to the same period last year. By region, the informal employment rate in urban areas was 49.3%, an increase of 0.1 percentage points compared to Q4 2023 and an increase of 0.3 percentage points compared to the same period last year; the informal employment rate in rural areas was 74.4%, unchanged from the previous quarter and an increase of 0.6 percentage points compared to the same period last year.

Unemployed Labor Force

The unemployment rate in the first quarter of 2024 increased compared to the previous quarter and also increased compared to the same period last year. During Lunar New Year holiday period in Vietnam, so many businesses and production facilities often increase the recruitment of temporary seasonal workers or work overtime to meet business needs before Tet. However, after the holiday ends, the number of working hours and the number of workers usually decrease. As a result, the unemployment situation in this quarter is usually higher than in the previous quarter. This is a common phenomenon before the Covid-19 pandemic appeared ^[4]. The number of underemployed people of working age ^[5] in the first quarter of 2024 was about 933.0 people, an increase of 26.4 people compared to the previous quarter and an increase of 47.2 people compared to the same period last year. The underemployment rate in working age in this quarter was 2.03%, an increase of 0.05 percentage points compared to the previous quarter and an increase of 0.09 percentage points compared to the same period last year. The underemployment rate among the working-age population in urban areas in the first quarter of 2024 was 1.20% lower than in rural areas (2.58%).

Of the total 933,00 underemployed people of working age in the first quarter of 2024, the agriculture, forestry, and fisheries sector had the highest proportion of underemployment at 49.3% (equivalent to 459,500 underemployed people); followed by the service sector at 28.7% (equivalent to 268,000 people); and the industry and construction sector at the lowest rate at 22.0% (equivalent to 205,500 underemployed people). Therefore, compared to the previous quarter, the agriculture, forestry, and fisheries sector and the service sector saw an increase in the number of underemployed people of working age (an increase of 64,500 and 26,000 underemployed people, respectively), while the industry and construction sector saw a decrease (a decrease of 64,100 underemployed people). Thus, compared to the previous quarter, the underemployment situation of workers in the industry and construction sector has improved.

5. Measures to Reduce Inflation and Unemployment in Vietnam

5.1. Measures to Minimize Inflation in Vietnam

Based on Clause 1, Article 3 of the 2010 Law on the State Bank of Vietnam, controlling inflation is the responsibility of competent state agencies, by using tools and measures to restrain and stabilize the value of the currency.

On that side, as stipulated in Clause 5, Article 4 and Clause 2, Article 3 of the Banking Law, the duties and powers of the State Bank are to establish annual allocation targets for the

Government and the National Assembly to decide on annual allocation targets, to organize the implementation of consumer price index decisions, and to supervise the implementation of national monetary policy.

Specifically, as guided by Clause 4, Article 2 of Decree 156/2013/ND-CP, the State Bank of Vietnam will use tools and measures to control inflation, including: refinancing, interest rates, reserve requirements, open market operations, and other tools and measures to implement national monetary policy.

The following details some of the tools and measures that the central bank uses to control inflation.

- **Refinancing:** Refinancing can be used to control the money supply by regulating the money supply. Specifically, it can increase or decrease the amount of money in the economy to stabilize prices and control inflation.
- **Core principle:** Productivity can be used as a tool to control inflation. If inflation accelerates, banks can raise interest rates to reduce spending and investment, thereby decreasing the money supply in the economy. Conversely, if economic growth needs to be boosted, interest rates can be lowered to increase spending and investment.
- **Required reserves:** Required reserves are a measure that a central bank can take to control inflation. When the central bank requires banks to hold a minimum prescribed ratio of reserves to the total money supply, it can achieve inflation control priorities such as preventing a rapid increase in the money supply.
- **Open market operations:** Open market operations are a tool that the central bank can use to control inflation, whereby the central bank can buy and sell government bonds in the market to adjust the money supply.
- Thus, the central bank can use many tools and methods to control the use of economic instruments; however, the use of these tools and methods must be extremely cautious and carefully considered, as it can affect the entire economy of a country.

5.2. Solutions to Reduce inflation in Vietnam

Effective Career Guidance and Improved Quality of Education and Workforce Training

Education and training must be aligned with the requirements and realities of economic development. The education sector must constantly improve its programs, content, and teaching methods at all levels, paying particular attention to higher education and vocational training to meet practical needs. Vocational training should be based on economic development orientation, prioritizing companies in forecasting labor demand according to skill levels. Continuous international exchange is essential for learning from experience and enhancing knowledge. Workers should not only specialize in one profession but also possess comprehensive knowledge such as foreign languages, computer skills, and applied skills. Strengthening public awareness campaigns is crucial to encourage workers to seek opportunities for further education and skill development, ensuring job security, increased productivity, and product quality, thereby contributing to the professional development of businesses and socio-economic progress. In addition, career guidance and counseling for students are necessary. The duration of vocational training should be extended, and the average skill level raised. Training and capacity building

for the labor management system are also crucial, as is supporting businesses in creating opportunities for lifelong learning for their employees.

Workers Improve their Professional and Technical Skills

When conditions and opportunities arise, employees should proactively learn, acquire, and update their knowledge to improve their professional skills and expertise. This is how employees can increase their chances of finding employment and advancing in their careers, while also increasing their personal income.

Open Free Retraining and Vocational Training Programs

Given the low quality of the workforce, the State should organize retraining programs to improve subject and technical expertise, meeting the needs of the increasingly developing economy. Currently, many workers in our country remain untrained due to economic constraints or because they live in rural areas without access to education. The proposed solution is for the State, in collaboration with local authorities, to organize free vocational training programs for unemployed individuals without prior training and vulnerable workers nationwide.

Tax Exemption / Reduction

During the ongoing Covid-19 pandemic in our country, many workers and businesses were severely affected and therefore urgently needed assistance from the Government. The first thing the Government could do is alleviate the burden on businesses and workers by reducing income tax. At the beginning of 2021, the Ministry of Finance issued Circular 03/2021/TT-BTC guiding the exemption and reduction of corporate income tax for science and technology enterprises. However, no science and technology enterprises were affected by the Covid-19 pandemic, so the Government should consider and provide tax support for businesses in other sectors.

Expand job placement centers.

The government continues to expand job placement centers to connect labor supply and demand. This helps workers shorten their job search time as well as the recruitment time for businesses.

In 2020, the Prime Minister issued Decision 15/2020/QD-TTg on implementing policies to support people facing difficulties due to the COVID-19 pandemic, and to support workers whose incomes were drastically reduced and whose living standards were below the minimum living standard, with a rate of 62%. This government support helped more than 20 million workers affected by COVID-19. Currently, all detected F0 and F1 cases are workers in industrial zones in Bac Giang and Bac Ninh provinces. The enclosed working environment, high population density, and collective living and working habits create an ideal environment for the virus to spread. Therefore, the government and local authorities had to temporarily suspend operations in industrial zones and implement social distancing in some areas, meaning that workers there would face unemployment. Since the pandemic is likely to continue, the government must continue to develop policies to support the social livelihoods of workers in the epicenter of the outbreak, helping them to have an income account so they can reintegrate into the labor market after the pandemic ends.

6. Conclusion and Recommendations

6.1. Conclusion

Through theoretical and practical analysis, the study has clarified the key issues in the relationship between inflation and unemployment in Vietnam:

Inflation and unemployment have a complex relationship. In the short term, we can modify the Phillips curve model, but in the long term, this change does not exist.

In Vietnam, image dissemination is influenced by money supply, fiscal policy, fluctuations in global commodity prices, and domestic production conditions.

Businesses have tended to decline in recent years, but several factors remain, such as labor supply-demand imbalances, a shortage of skilled labor, and the impact of automation.

Economic policies need to be adjusted flexibly to ensure control while simultaneously creating jobs and supporting sustainable economic growth.

6.2. Recommendations

Based on the above conclusions, the study proposes several solutions to control and reduce unemployment in Vietnam:

Managing the Core Operations of the Currency

The State Bank of Vietnam needs to maintain a tight but flexible monetary policy, using interest rate tools and open market operations to control inflation without negatively impacting employment.

Proper money management is crucial to avoid a surplus of currency that could jeopardize issuance.

Upgrading the Workforce to a High Standard and Improving the Labor Market

Investing in education and vocational training is essential to meet labor demands in the context of digital transformation and high technology.

Implement programs to support workforce retraining in order to reduce structural failure rates.

Supporting Businesses, Especially Small and Medium-Sized Enterprises

Support for improving the business environment, providing access to loans, and reducing heavy taxes will enable businesses to expand production and create more jobs.

Promote policies that encourage investment in high-tech industries, high-tech agriculture, and industrial manufacturing.

Control the Prices of Essential Goods

The government needs to strengthen market management to control the prices of essential goods such as food, oil, electricity, and water to avoid inflation due to rising costs.

Establishing a strategic reserve system will ensure a stable supply of goods and reduce upward price pressure.

Strengthening Economic Integration and Sustainable Development

Utilizing Free Trade Agreements (FTAs) to supply export goods and reduce imports of raw materials contributes to price stability. Promoting sustainable economic growth through the development of green industries and reducing dependence on imported raw materials with volatile prices. If this solution is implemented consistently, Vietnam can effectively control and maintain a reasonable failure rate, ensuring sustainable economic development in the long term.

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