

02

Pham Minh Thai
Laure Pasquier-Doumer

EVOLUTION OF THE INFORMAL AND HOUSEHOLD BUSINESS SECTORS IN VIETNAM IN A TIME OF GROWTH AND TRADE LIBERALIZATION

Following the Doi Moi policy and in a context of rapid growth of labour supply, the labour market has undergone important structural changes. The major changes came from the dismantling of cooperatives and the shrinking of the state sector following the restructuring of state-owned enterprises (SOEs). This led to a rapid expansion of labour in the household business sector, which has been the main job provider for two decades. The informal sector developed accordingly as part of the non-farm HB sector.¹

During the past decade, the Vietnamese economy has been marked by extensive growth and trade liberalization. The dual view of informal economy predicts that the informal sector should shrink as the economy grows (La Porta and Shleifer, 2014). The expansion of the formal sector leads to the decline of the informal sector in relative and eventually absolute terms. Informal household businesses disappear because they cannot compete with the much more productive formal firms and because the demand constraint for formal products is released with growth. In the meanwhile, most theories, especially the structuralist view, agree that globalization and the opening of markets in developing economies to trade should increase the size of the informal sector (Bacchetta *et al.*, 2009). The formal sector is triggering strong competition and it has reacted by outsourcing to the informal sector in order to reduce labour costs.

In addition to the change in the size of the informal and household business sectors, growth and trade openness could impact the working conditions in these sectors.

1. Before the first LFS conducted by the GSO in 2007, there was no clear definition of the informal sector in Vietnam, so it is difficult to trace it back statistically. But this is not the case for household businesses in general, which have long been used as a statistical category.

The expected effect of growth and trade openness on working conditions in the informal sector is still a highly-debated question, as evidence from other countries and theoretical predictions differ according to the context and the hypothesis. If the informal sector is completely disconnected from the formal economy as supposed by the dual view, wages and other working conditions will remain relatively unaffected by growth and trade reforms in the formal sector. If there is vertical linkage between the formal and informal sectors, the impact of growth and trade reforms in the formal sector on the working conditions in the informal sector will depend on the transformation in production modes and labour organization in the formal sector, on the flows of capital between the formal and informal sectors, and on the productivity in each sector (see Bacchetta *et al.*, 2009 for a review).

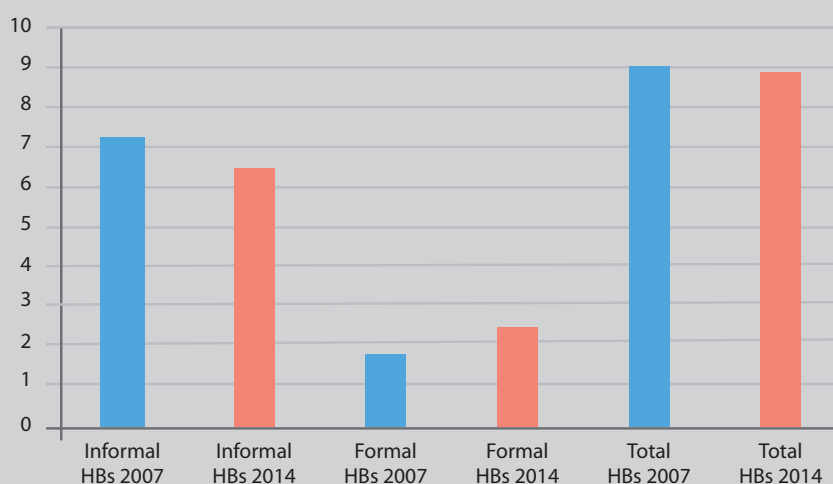
This chapter aims at analysing how the household business and the informal sectors have changed during the past decade. It relies on data from the labour force surveys (LFS) that have been conducted by the General Statistics Office (GSO) since 2007. These surveys are representative at the national level. They are the most suitable dataset to measure the size of the household business and informal sectors in Vietnam and to compare the main features of these sectors to the ones of other institutional sectors.

The first section analyses whether the growth of the economy has led to a decline of the household business and informal sectors as predicted by the dual view, or whether these sectors have grown due to trade openness. It shows that both of these effects may have taken place as the size of the informal sector has declined, although very slowly. Section 2 aims at highlighting the changes in the working conditions that have appeared during this period of growth and trade openness. It demonstrates that working conditions have improved in the informal sector, but this improvement has been less than in most other institutional sectors, meaning that the gap between the informal sector and other sectors has increased.

1. TOWARDS A FORMALIZATION OF THE VIETNAMESE ECONOMY?

Considering the absolute change in the size of the informal sector, as measured by the number of production units, it appears that the informal sector has slightly declined, from 7.2 million production units in 2007 to 6.5 million in 2014 (see Figure 2.1). During the same period, the number of formal household businesses rose from 1.8 million to 2.4 million, which left the size of the HBIS almost unchanged (9.1 million in 2007 compared to 8.9 million in 2014) and resulted in a reduction of the share of informal household businesses in the HB sector from 80 to 72 per cent. This result suggests a trend towards the formalization of the economy, although at a slow pace.

FIGURE 2.1.
NUMBER OF HOUSEHOLD BUSINESSES IN 2007 AND 2014 (MILLIONS)

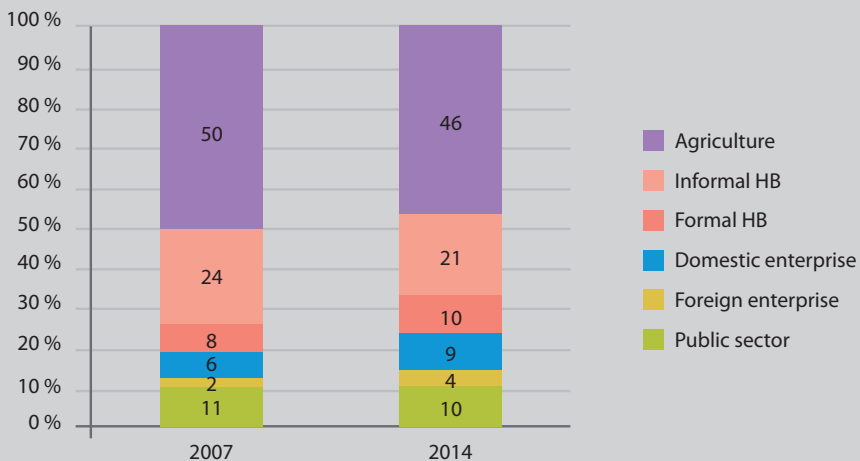


Source: 2007 LFS and 2014 LFS, GSO; authors' calculation

Tenuous formalization of the economy is confirmed when the size of the informal sector is considered in relative terms and measured by the number of jobs. Figure 2.2 shows the overall picture of the distribution of jobs by institutional sector in Vietnam in 2007 and 2014. In 2014, the Vietnamese workforce was around 53.7 million compared to 47.2 million in 2007. Although the informal sector still remains predominant as it is the second largest job provider after the agriculture sector, with almost 11 million jobs in 2007 and 2014, its relative size fell from 23 to 21 per cent of employment between

2007 and 2014². In contrast, the share of employment in the formal household business sector increased from 8 to 9 per cent during that period. The relative size of the other formal sectors has also grown, especially the domestic enterprise sector, with the exception of the public sector.³ Thus, the reduction of the informal sector is clearly observed in relative terms as well. However, the extent of the decline is particularly weak for a seven-year period. It is much lower, for instance, than the decline of the relative size of the agricultural sector during that period, which represented 46 per cent of the main jobs in 2014 compared to 50 per cent in 2007.

FIGURE 2.2.
DISTRIBUTION OF MAIN JOBS BY INSTITUTIONAL SECTOR IN 2007 AND 2014
 (PERCENTAGE)



Source: 2007 LFS and 2014 LSF, GSO; authors' calculation

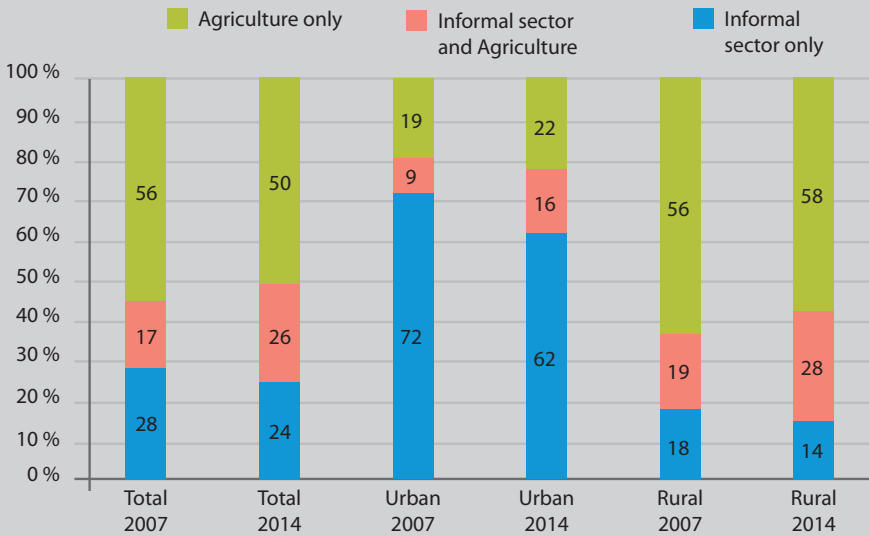
In addition, it appears that the reduction of the relative size of the informal sector and the agriculture sector was accompanied by a higher complementarity between these two sectors. At the household level and considering only households in which at least one member works in the informal sector or in agriculture, one fourth of all households were engaged in the agriculture sector and the informal sector at the same time in 2014 compared to 17 per cent in 2007 (see Figure 2.3). Thus, working in the informal sector is

2. When secondary jobs were considered as well, there were around 12 million jobs in the informal sector in 2007 and in 2014, and the relative size of the sector decreased from 23 to 19 per cent. This larger drop, compared to when only main jobs were considered, was due to a huge increase in the number of secondary jobs in agriculture between 2007 and 2014 (more than 3 million jobs).

3. The public sector includes government offices and agencies and state-owned enterprises.

a strategy of agricultural activity diversification for a non-negligible share of households, and this strategy is becoming more and more widespread. This suggests firstly that the transition from farm to non-farm activity at the household level is smoothed when these two kinds of activity are combined. Secondly, the decline of the informal sector may be slowed in the coming years by this diversification strategy employed by households. The demand for jobs in the informal sector may still be high for agricultural households in the coming years because of the low entry barriers in that sector (see Chapter 6).

FIGURE 2.3.
AGRICULTURAL ACTIVITY DIVERSIFICATION AND THE INFORMAL SECTOR AT THE HOUSEHOLD LEVEL IN 2007 AND 2014 (PERCENTAGE)



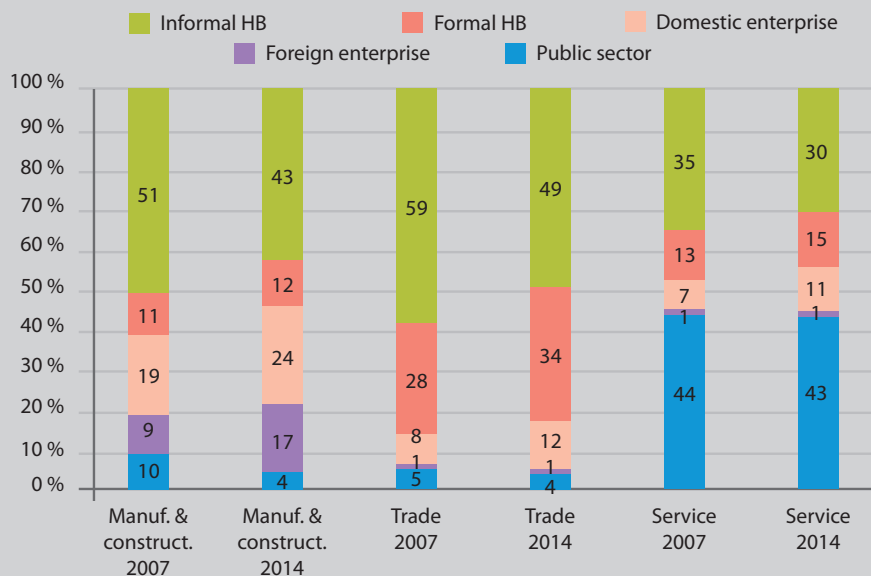
Note: The unit of observation here is the household, and only households in which at least one member worked in the informal sector or in agriculture were considered.

Source: 2007 LFS and 2014 LFS, GSO; authors' calculation

Another way to highlight the ongoing formalization process is to look at the changes in the structure of jobs by sector of activity. The question raised is whether all sectors of activity have experienced the ongoing formalization process uniformly or whether the extent of formalization varies across sectors of activity according to their exposure to trade openness and growth. Figure 2.4 shows that the formalization process has been the highest in trade activities. The relative share of the informal sector decreased by 10 points of percentage between 2007 and 2014. The formalization in this sector is mostly due to the development of formal household businesses, the relative share

of which grew by 6 points of percentage, and domestic enterprises, which grew by 4 points of percentage. The extent of formalization was almost the same for the manufacturing and construction sector, where the informal sector declined by 9 points of percentage between 2007 and 2014. However, this pattern of formalization is very different than the one observed in trade. The development of formal household businesses has played an insignificant role in that process. In contrast, the decline of the informal sector is largely explained by the development of foreign enterprises in that sector of activity. Their relative share increased from 9 to 17 per cent during that period. Finally, the service sector is where the formalization process was the slowest (a decrease of 5 points of percentage in the informal sector). One of the reasons could be that the informal sector is the least developed sector in the service sector, and it may be more difficult to reduce the residual informality. In addition, jobs in the service sector are mostly provided by the state, and this sector is then less exposed to trade openness. Furthermore, formalization in the service sector is mostly due to the development of domestic enterprises.

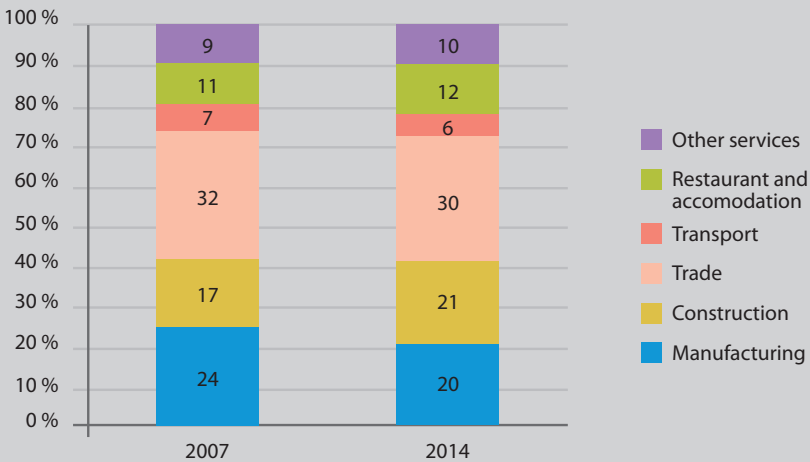
FIGURE 2.4.
DISTRIBUTION OF JOBS IN EACH SECTOR OF NON-FARM ACTIVITY
BY INSTITUTIONAL SECTOR IN 2007 AND 2014 (PERCENTAGE)



Source: 2007 LFS and 2014 LFS, GSO; authors' calculation

It is interesting to know whether the formalization of a sector of activity has modified the structure of the informal sector in terms of activity. This change would be the result of the difference in the extent of formalization across sectors of activity and the size of each sector of activity in the informal sector. Figure 2.5 shows that the distribution of jobs in the informal sector by sector of activity remained almost unchanged between 2007 and 2014. There was no change if the service sector is considered as a whole and if construction is aggregated to manufacturing. Some changes appear when the service and construction sectors are disaggregated.⁴ The share of construction activities increased, but only very slightly (by 4 points of percentage), and the share of manufacturing decreased by the same proportion. Trade was still the predominant sector of activity among workers in the informal sector, followed by manufacturing.⁵ Thus, if there has been a change in the structure of the informal sector, it cannot be observed at such a level of aggregation of the sectors of activity.

FIGURE 2.5.
DISTRIBUTION OF JOBS BY SECTOR OF ACTIVITY IN THE INFORMAL SECTOR
IN 2007 AND 2014 (PERCENTAGE)



Source: 2007 LFS and 2014 LFS, GSO; authors' calculation

4. The reason why restaurants and accommodation are included in this section instead of the service sector as a whole is because such service activities are commonly considered to be the main activity of informal HBs in Vietnam.
5. However, when construction is aggregated to manufacturing as in other parts of this book, this sector is clearly predominant.

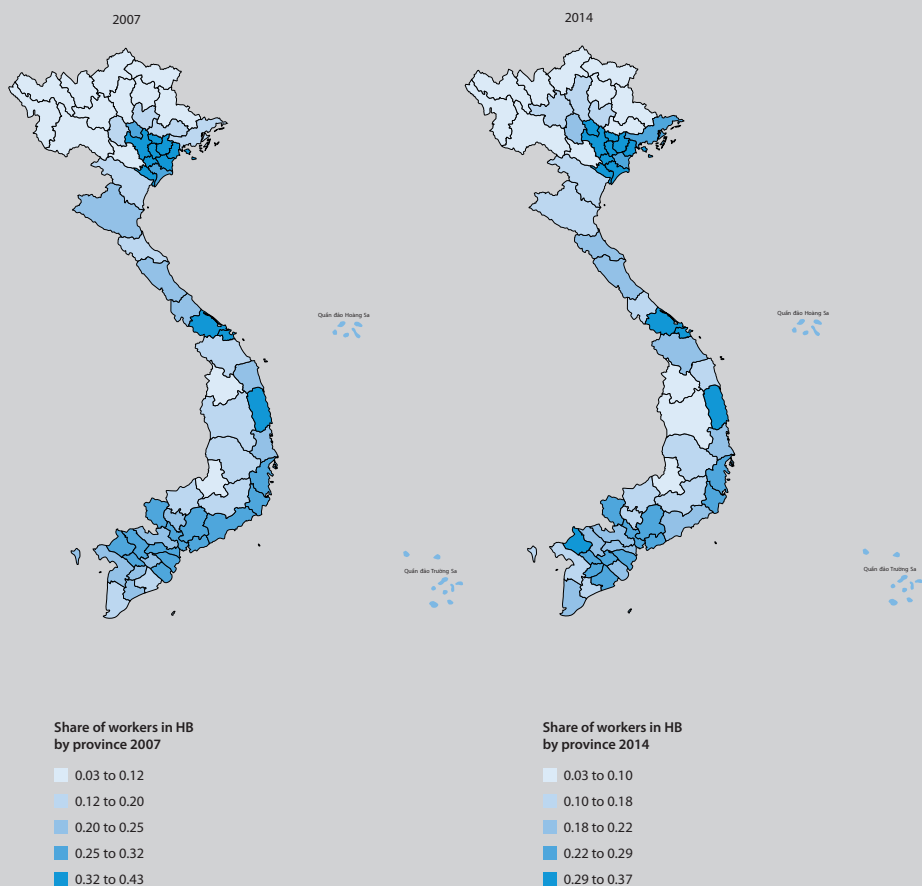
Whether the formalization process has occurred homogeneously in the whole country or it has been more concentrated in some provinces deserves some attention. The changes in the intensity of the informal sector in each province in Vietnam provide insight into that issue. The intensity of the informal sector is defined as the number of workers in informal household businesses in a province divided by the total number of workers in that province. A comparison of these intensities in 2007 and 2014 (see Figure 2.6) reflects the formalization process at the provincial level.

From 2007 to 2014 the intensity of the informal sector decreased in 41 of the 63 provinces, most of which are in the most developed economic regions. Thus, the formalization process has been the highest in the Red River Delta region (Bac Giang, Bac Ninh, Hung Yen, Thai Binh and Ha Nam), on the Central Coast (Quang Tri, Hue and Da Nang), in the Southeast region (Binh Duong), and in the Mekong River Delta region (Tien Giang and Dong Thap). This formalization process may be explained by the emergence of industrial parks in these provinces which employ a large number of formal workers in manufacturing factories.

On the other hand, other provinces experienced an increase in the proportion of workers working in IHBs from 2007 to 2014. Interestingly, the informalization process has appeared in the least developed provinces such as Tuyen Quang, Lai Chau and Phu Tho in the Northern Uplands region and in Vinh Long and Soc Trang in the Mekong River Delta region. For some of these provinces, like Lai Chau, Tuyen Quang and Phu Tho, an ongoing shift from agricultural activities to informal non-farm activities may be the main cause of this informalization process, as reflected by the very low intensity of the informal sector in these provinces in 2007.⁶ However, this explanation does not hold for two provinces where an increase in the intensity of the informal sector was observed, Nam Dinh and Hai Phong, although the share of the informal sector was already high in 2007. In addition, Hai Phong counts among the most developed provinces in Vietnam.

6. In addition, almost all the provinces with low intensity (below average) in the informal sector in 2007 have experienced an informalization process of their labour market or have remained stable in that aspect.

FIGURE 2.6.
INTENSITY OF THE INFORMAL SECTOR BY PROVINCE IN 2007 AND 2014



Source: 2007 LFS and 2014 LFS, GSO; authors' calculation

2. TOWARDS AN IMPROVEMENT OF WORKING CONDITIONS IN THE INFORMAL SECTOR?

Before looking at the trend in the working conditions in the informal sector, it is useful to recall the characteristics of the workers in this sector compared to other institutional sectors (see Figure 2.7) and how these characteristics changed between 2007 and 2014 (see Table 2.1).

After the agriculture sector, the informal sector is the sector with the highest concentration of workers in rural areas: Around two thirds of the workers in the informal sector were located in rural areas in 2007 and 2014.

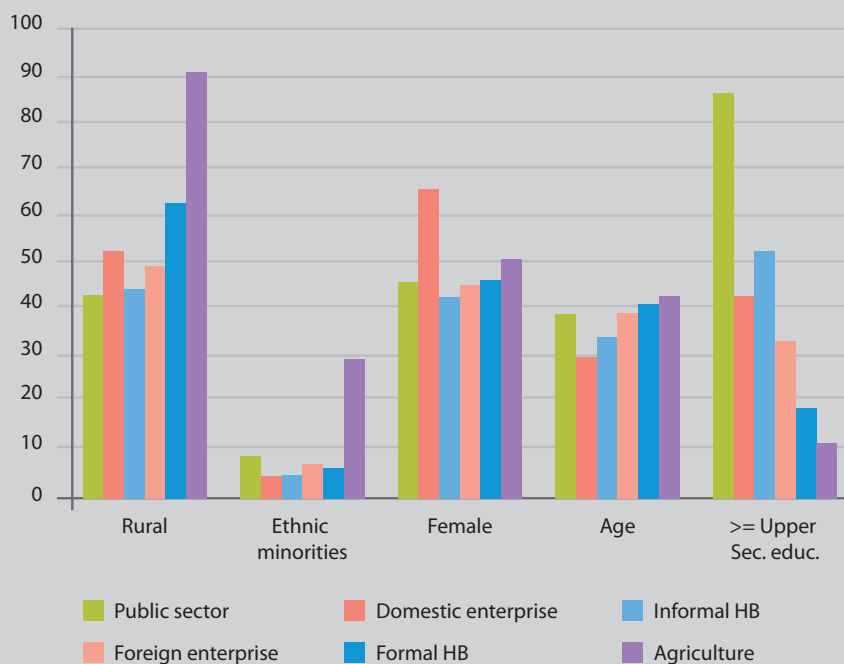
As in the other sectors, except the agriculture sector, ethnic minorities are poorly represented. In 2014 ethnic minorities accounted for 17 per cent of the labour force but only 6 per cent of the informal sector. The proportion of ethnic minorities in the informal sector slightly increased between 2007 and 2014, but the same trend was observed in all the institutional sectors (see Table 2.1).

The percentage of women in the informal sector (46 per cent) was just below the national percentage of women in the occupied population, which was 49 per cent. This goes against the common view that the informal sector is dominated by women. In contrast, the proportion of women working for foreign enterprises was very high (66 per cent). Most foreign enterprises are export oriented in labour intensive sectors such as garment/textile, shoes and electronics, and such enterprises mainly employ female workers. The percentage of women in the informal sector remained stable between 2007 and 2014.

Workers in the informal sector are older than workers at domestic and foreign enterprises, but they are almost the same age as those who work in the agriculture, formal household business and public sectors. Interestingly, the average age of workers in the informal sector increased from 38 to 41 years old between 2007 and 2014 (see Table 2.1). This suggests that the integration of young people into the labour market occurs less often through the informal sector than before, and it supports McGaig and Pavcnik's assessment (2015), which is based on the 1999 and 2009 population census, that the decline of informality is mostly explained by a shift toward formality among young workers.⁷

7. Note that informality is defined as the HB sector in their paper, but the comparison remains true as the average age of workers in the HB has increased from 37 to 39.

FIGURE 2.7.
SOCIO-DEMOGRAPHIC CHARACTERISTICS OF WORKERS BY INSTITUTIONAL
SECTOR IN 2014 (PERCENTAGE)*



*Reading: 43 per cent of the workers in the public sector work in rural areas; 91 per cent of the workers in agriculture are in rural areas; 8 per cent of the workers in the public sector are ethnic minorities. The “Age” column is the percentage of workers over the age of 35: 39 per cent of the workers in the public sector were more than 35 years old.

Source: 2014 LFS, GSO; authors’ calculation

In terms of educational level, workers in the informal sector are on average the least educated workers. They are only slightly more educated than agricultural workers. Only one fifth have completed high school, which is less than half of the percentage of high school graduates observed at foreign and domestic enterprises, and less than one quarter of the percentage of high school graduates in the public sector. In addition, the educational gap between workers at formal and informal household businesses was larger than the gap between workers in the informal sector and agricultural workers (see Figure 2.7). The level of education increased in the informal sector between 2007 and 2014. However, Table 2.1 shows the extent of the increase (3 points of percentage) was slightly lower than what was observed for the entire working population (an increase of 5 points of percentage).

To sum up, the main characteristics of workers in the informal sector have not really changed over the past seven years. With workers in the agriculture sector, they are still the least educated, and they are mostly located in rural areas. In addition, they are still most likely to be men. However, one remarkable change is the aging of the workers in the informal sector. The formalization process occurs as a result of less young people entering the informal sector. While the characteristics of workers in the informal sector have remained almost the same, have working conditions as well?

TABLE 2.1.
SOCIO-DEMOGRAPHIC CHARACTERISTICS OF WORKERS IN THE HB AND INFORMAL SECTORS IN 2007 AND 2014 (PERCENTAGE)

	Rural	Ethnic minorities	Female	Age	>= Upper Sec. educ.
Formal HBs					
2007	46.0	6.1	46.5	36.9	31.2
2014	49.1	6.8	45.1	39.1	33.4
Informal HBs					
2007	66.9	3.9	48.7	38.3	15.7
2014	62.8	5.7	46.3	41.1	19.1
All institutional sectors					
2007	75.2	13.8	49.4	38.2	23.1
2014	70.3	16.8	48.5	40.3	27.7

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

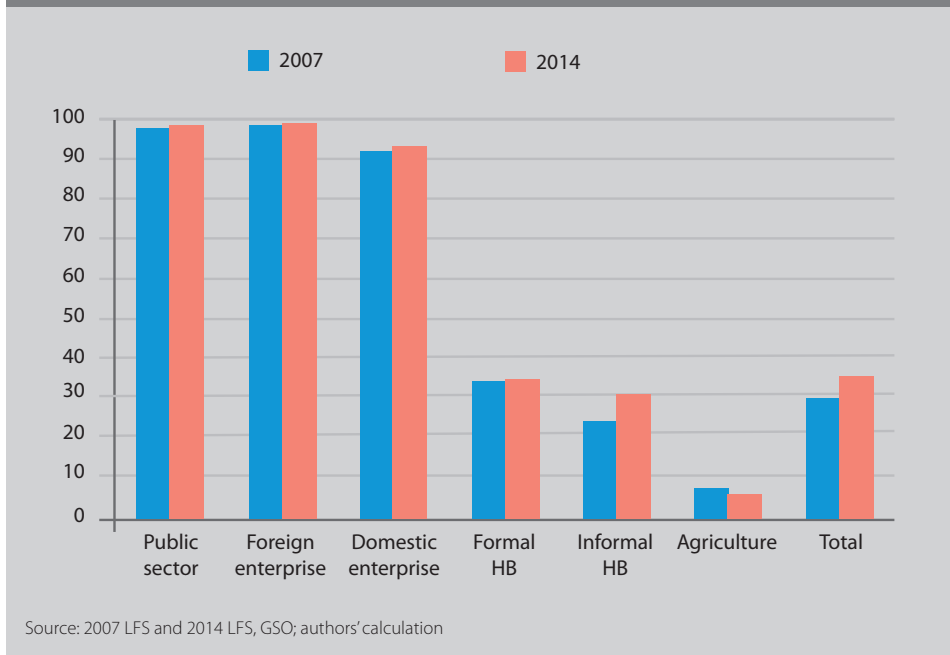
A first indicator of working conditions is the vulnerability of employment. According to the ILO (2015, KILM 3), the share of wage workers can be considered the reverse side of vulnerable employment that is constituted by self-employed and unpaid family workers. The higher the share of wage workers, the lower the incidence of vulnerable employment.⁸ As expected, the informal sector is where the share of wage workers is the lowest after the agriculture sector. Less than one third of the workers in the informal sector (30 per cent in 2014) are wage workers, compared to more than 90 per cent in the public sector and at private enterprises (see Figure 2.8).

The share of wage workers in the informal sector has remarkably increased compared to 2007, when it was 24 per cent. In addition, this increase constitutes the main contribution to the overall improvement of the rate of wage workers at the national

8. The share of employers is considered to be constant.

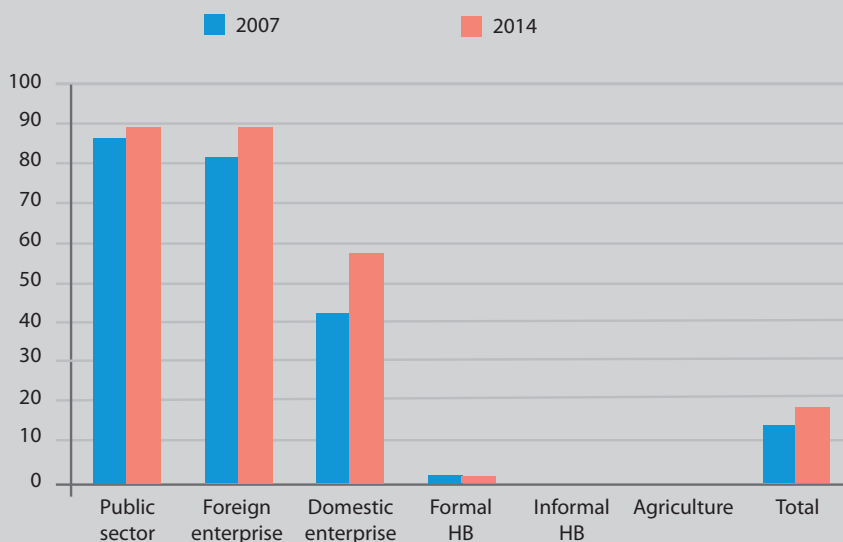
level (an increase of 5 points of percentage), as the share of wage workers remained almost stable in other institutional sectors. Consequently, the gap between formal and informal household businesses halved between 2007 and 2014 (from 10 points of percentage down to only five points of percentage). However, this change is mostly explained by the increase of wage workers in the construction sector. In that sector of activity, most of the workers were registered as wage workers (79 per cent and 87 per cent of the workers were wage workers in 2007 and in 2014 respectively). However, being a wage worker in the construction sector is not the same as being a wage worker in other sectors because most of them are somewhere between being self-employed and being a wage worker: They are temporarily contracted by employers and do not receive the guarantees that are usually granted to wage workers. They are closer to being self-employed by working for private households. By excluding the construction sector from the informal sector, the increase in the rate of wage workers in that sector becomes much lower, 12 per cent in 2007 and 15 per cent in 2014.

FIGURE 2.8.
SHARE OF WAGE WORKERS BY INSTITUTIONAL SECTOR IN 2007 AND 2014
 (PERCENTAGE)



Another indicator of working conditions related to decent work as defined by the ILO (2012) is the share of workers covered by basic health care provisions. For comparison, we consider here the proportion of workers in the informal sector who paid for social security, because a specific question about health insurance was not asked in 2007.⁹ Figure 2.9 presents the share of workers who paid for social security by institutional sector. It shows that almost none of the workers in the informal sector paid for social security in either 2007 or 2014. While there was almost no progress in the informal sector in that area, some improvement was observed at the national level (social security coverage rose from 14 to 19 per cent between 2007 and 2014) due to a sharp increase in social security coverage in the domestic enterprise sector (from 43 to 58 per cent) and in the foreign enterprise sector (from 83 to 90 per cent).

FIGURE 2.9.
SHARE OF WORKERS WHO PAID FOR SOCIAL SECURITY BY INSTITUTIONAL
SECTOR IN 2007 AND 2014 (PERCENTAGE)

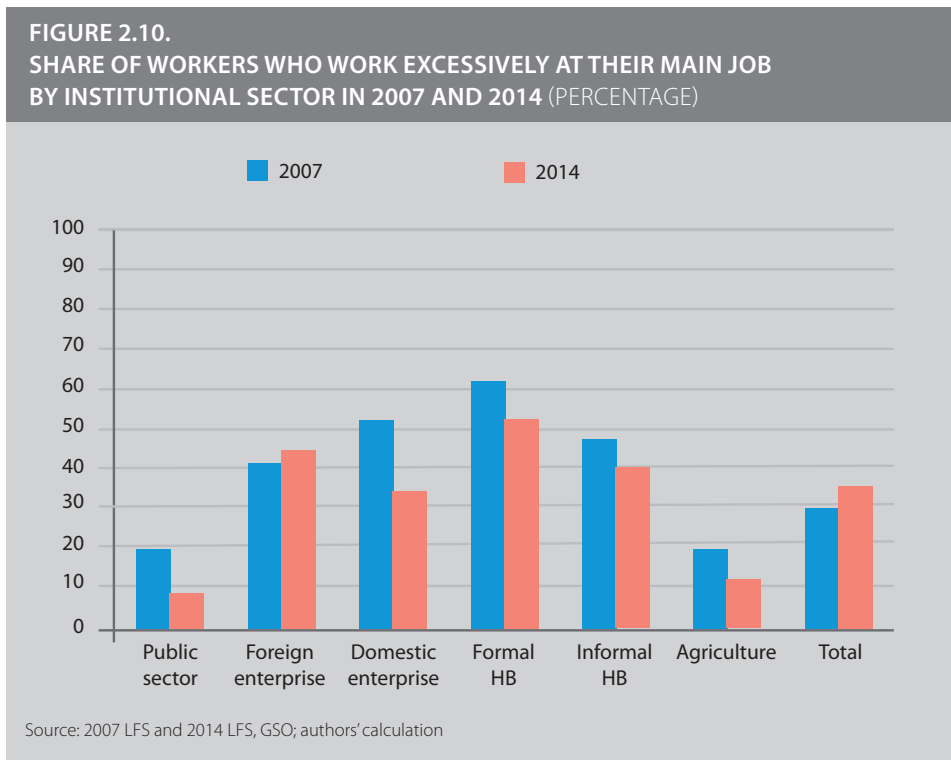


Source: 2007 LFS and 2014 LFS, GSO; authors' calculation

9. Social security includes health insurance, but health insurance can be provided out of the paid social security scheme. According to the 2014 LFS, 78 per cent of the workers in the informal sector who received a health insurance card with their job stated that they did not pay for social security. The reason why there was such a discrepancy between social security coverage and health insurance is that a high proportion of workers in the informal sector benefited from social assistance and did not have to pay for social security. In Chapter 9 we show that 45 per cent of the owners of informal household businesses who had a health insurance card got their card through social assistance.

An appropriate amount of working time is an essential part of decent working conditions. Working time could be unsatisfactory for the worker if he or she has to work too much or does not receive enough hours. Excessive working time damages the health and security of workers, and it is also upsets their work-life balance. Time-related underemployment (also called visible underemployment)¹⁰ means that the informal sector does not provide workers with sufficient working time to fully utilise their productive capacity and earn a living.

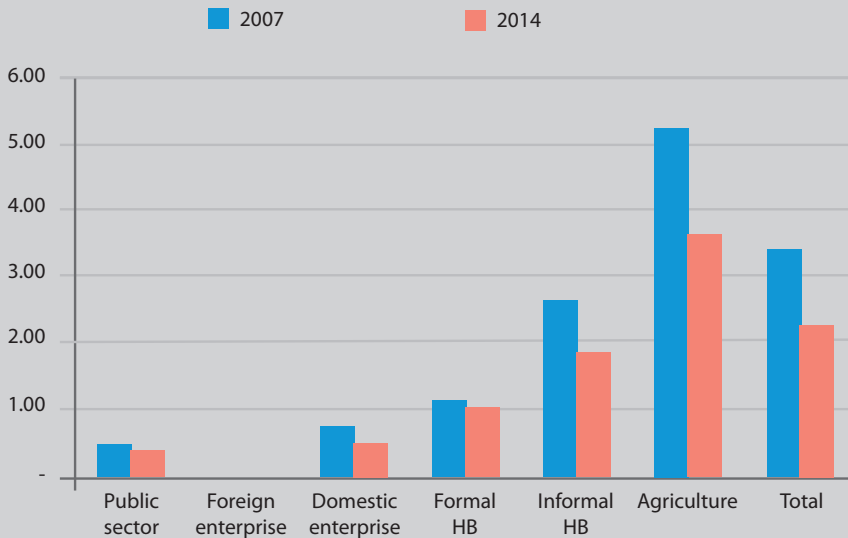
According to international standards, excessive working time is defined as working more than 48 hours per week. With almost half of the workers (41 per cent) working more than 48 hours per week in 2014, the informal sector is the sector where the proportion of excessive working time is the highest, after the formal household business sector and the foreign enterprise sector (see Figure 2.10). Like in other institutional sectors, except foreign enterprise, this percentage decreased between 2007 and 2014, but to a lesser extent than in other sectors.



10. According to the 16th International Conference of Labour Statisticians in 1998, visible underemployment relates to the number of employed persons whose hours of work in the reference period are insufficient in relation to a more desirable employment situation in which the person is willing and available to engage.

On the other hand, underemployment is very low in the informal sector and in the other institutional sectors. Figure 2.11 presents the rate of underemployment, which is the percentage of workers working less than 35 hours per week who want and are available to work additional hours divided by the occupied population. Only 2 per cent of the workers in the informal sector are underemployed, meaning that underemployment is not really a concern in that sector, or, more precisely, for the workers involved in that sector.¹¹

FIGURE 2.11.
UNDEREMPLOYMENT RATE BY INSTITUTIONAL SECTOR IN 2007 AND 2014
 (PERCENTAGE)



Source: 2007 LFS and 2014 LFS, GSO; authors' calculation

All things considered, the average number of working hours per week in the informal sector, 45 hours per week in 2014 (see Table 2.2), is the lowest after the agriculture and public sectors. On the contrary, this number is among the highest for the formal household business sector (49 hours), just below the foreign enterprise sector. How-

11. Indeed, underemployment is calculated using the sum of the time worked at each job a worker has. In Chapter 4, we show that 43 per cent of the workers in the informal sector worked less than 35 hours per week at their informal business. However, half of them had a secondary job and were then very likely to work more than 35 hours per week in total. Among those who worked less than 35 hours per week in the informal sector and did not have other jobs, a negligible proportion would have liked or was available to work more. As shown in Chapter 11, reconciling family life and professional activity is an important motivation for working in the informal sector.

ever, the gap in the number of working hours between formal and informal businesses decreased between 2007 and 2014 due to a larger decrease in the number of working hours at formal household businesses than in the informal sector.

TABLE 2.2.
NUMBER OF WORKING HOURS PER WEEK BY INSTITUTIONAL SECTOR IN 2007 AND 2014

	2007	2014
Public sector	44.4	40.5
Foreign enterprise	51.0	49.4
Domestic enterprise	51.5	48.0
Formal HB	52.4	48.8
Informal HB	47.5	45.1
Agriculture	39.5	34.1
Total	43.8	40.3

Source: 2007 LFS and 2014 LFS, GSO; authors' calculation

Finally, one of the most important working conditions is undoubtedly income. Unfortunately, the 2014 Labour Force Survey provides information on income only for wage workers. Thus, this analysis excludes self-employed workers, contributing family workers and employers. A more complete analysis is provided in Chapter 4.

Table 2.3 shows that the real value¹² of the average hourly income of wage workers in Vietnam almost doubled (from 14,600 to 24,200 VND) between 2007 and 2014. The real hourly income of wage workers in the informal sector also increased (from 10,700 to 17,400 VND), but this was less than the average increase. Relatively, the real income of wage workers in the informal sector improved by 61 percent compared to 65 percent on average. The income of wage workers in the informal household business sector was still the lowest after the agriculture sector, although it was very close to what was earned by wage workers in the formal household business sector (17,700 VND in 2014). The highest growth of hourly income was observed in the domestic enterprise sector, followed by the foreign enterprise sector and the public sector. The fact that the average working hours of wage workers at their main job decreased from 47.8 to 45.5 hours per week between 2007 and 2014 while the real income of those workers grew means that a positive adjustment in the Vietnamese labour market was at play during that period. A higher income and less working hours provided more leisure time for wage workers, which means that the quality of jobs for wage workers improved.

12. The nominal income was adjusted to January 2014 prices.

TABLE 2.3.
REAL MONTHLY AND HOURLY INCOME OF WAGE WORKERS BY INSTITUTIONAL
SECTOR IN 2007 AND 2014 (THOUSAND VND)

	Real monthly income		Real hourly income	
	2007	2014	2007	2014
Public sector	3,407	5,524	19.15	33.13
Foreign enterprise	3,112	5,144	15.28	25.58
Domestic enterprise	2,902	4,864	14.08	24.85
Formal HB	2,337	3,520	11.26	17.73
Informal HB	2,102	3,327	10.68	17.40
Agriculture	1,804	2,552	10.18	14.70
Total	2,787	4,489	14.59	24.21

Source: 2007 LFS and 2014 LFS, GSO; authors' calculation

CONCLUSION

This chapter has shown that the size of the informal sector decreased in absolute terms when the number of production units is considered and in relative terms when the share of jobs in the informal sector is taken into consideration. During this period of extensive growth and trade liberalization, a formalization of the Vietnamese economy has been at play. However, this formalization process has been tenuous, and the informal sector remains by far the main job provider in the economy after the agriculture sector. In addition, the formalization is mostly explained by an increase in the size of the formal household business sector, rather than by an increase in the size of the domestic enterprise or the foreign enterprise sectors as expected. The formalization process was the highest in the trade sector, mostly due to the development of formal household businesses. In the manufacturing and construction sector, the decline of the informal sector is largely explained by the development of foreign enterprises. The service sector is where the formalization process has been the slowest.

In addition to the moderate pace of formalization, the emergence of complementarity between the informal sector and the agriculture sector suggests that the reduction of the informal sector will remain low in the coming years. Farm households seem to smooth their transition from farm to non-farm activities by combining agricultural and informal activities. Thus, the decline of the informal sector may be slowed in the coming years by this diversification strategy employed by agricultural households and their demand for jobs in the informal sector.

Growth and trade openness has not really affected the main characteristics of the workers in the informal sector: They are still the least educated after farmers; they are mostly located in rural areas; and they are still most likely to be men. However, one remarkable change is the aging of the workers in the informal sector, which suggests that the formalization process is due to less young people entering the informal sector.

Finally, the favourable economic context has improved the working conditions of all the workers. However, this improvement has been more moderate in the informal sector compared to other non-farm institutional sectors. Workers in the informal sector still face the worst working conditions after the agriculture sector: The share of wage workers in the informal sector is small, especially when the workers in the construction sector are not taken into consideration; paid social security is almost nonexistent; excessive working time is widespread; and income is the lowest after the agriculture sector. These results call for an active policy towards the informal sector, in particular to guarantee those workers decent working conditions.



THE IMPORTANCE OF HOUSEHOLD BUSINESSES AND THE INFORMAL SECTOR FOR INCLUSIVE GROWTH IN VIETNAM

Laure Pasquier-Doumer | Xavier Oudin | Nguyen Thang



Nhà xuất bản Thế Giới



THE IMPORTANCE OF HOUSEHOLD BUSINESSES AND THE INFORMAL SECTOR FOR INCLUSIVE GROWTH IN VIETNAM

éditeurs

Laure Pasquier-Doumer | Xavier Oudin | Nguyen Thang

A co-publication of the Vietnam Academy of Social Sciences
and the French National Research Institute for Sustainable Development

NHÀ XUẤT BẢN THẾ GIỚI

Trụ sở chính:

Số 46. Trần Hưng Đạo, Hoàn Kiếm, Hà Nội

Tel: 0084.4.38253841 – Fax: 0084.4.38269578

Chi nhánh:

Số 7. Nguyễn Thị Minh Khai, Quận I, TP. Hồ Chí Minh

Tel: 0084.8.38220102

Email: marketing@thegioipublishers.vn

Website: www.thegioipublishers.vn

The Importance of Household Businesses and the Informal Sector for Inclusive Growth in Vietnam

Chịu trách nhiệm xuất bản

GIÁM ĐỐC – TỔNG BIÊN TẬP

TS. TRẦN ĐOÀN LÂM

Biên tập:

Vẽ bìa:

Trình bày:

Sửa bản in:

In 350 bản, khổ 16 cm x 24 cm tại Công ty TNHH Quảng cáo và phát triển thương hiệu Mê Linh

Địa chỉ: Số 10 lô TT2 khu tái định cư Phú Diễn, thôn Phú Diễn, xã Phú Diễn, huyện Từ Liêm, TP HN.

Số xác nhận ĐKXB:-2017/CXBIPH/06-04/ThG.

Quyết định xuất bản số:/QĐ-ThG cấp ngày tháng năm 2017.

In xong và nộp lưu chiểu năm 2017. Mã ISBN: 978-604-77-3038-4

THE IMPORTANCE OF HOUSEHOLD BUSINESSES AND THE INFORMAL SECTOR FOR INCLUSIVE GROWTH IN VIETNAM

This book draws on an original and innovative data collection to provide new evidence on household businesses and the informal sector in Vietnam. This 2014/15 HB&IS survey conducted in late 2014 and early 2015 is the first national survey ever on this sector in Vietnam with full coverage of its different components.

The purpose of this book is threefold. First, it aims at filling the knowledge gap as to the role of household businesses and the informal sector in the Vietnamese economy. Second, it provides new insights for policymakers to unlock household business potential by identifying the factors blocking their performance and productivity. Thirdly, it identifies the sources of worker vulnerability in household businesses and the informal sector to inform the design of a suitable policy to tackle this vulnerability.



The Nopoor project is funded by the European Union under the 7th Research Framework Programme (Theme SSH.2011.1) Grant Agreement No.:290752.

ISBN: 9786047725397



9786047725397