

WAGE AND LABOUR REGULATION IN VIETNAM WITHIN THE POVERTY REDUCTION AGENDA

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Acronyms and Abbreviations

CPRGS	Comprehensive Poverty Reduction and Growth Strategy
GSO	General Statistics Office
HCMC	Ho Chi Minh City
HEPR	Hunger Eradication and Poverty Reduction
ILO	International Labor Organization
IMF	International Monetary Fund
MOLISA	Ministry of Labor Invalids and Social Affairs
MPI	Ministry of Planning and Investment
NGO	Non-Governmental Organization
PPA	Participatory Poverty Assessment
PRSP	Poverty Reduction Strategy Paper
PTF	Poverty Task Force
SOE	State Owned Enterprise
SRV	Socialist Republic of Vietnam
VLSS	Vietnam Living Standard Survey
WTO	World Trade Organization

Note: One US Dollar = 15 700 Vietnamese Dong (as at end of 2003)

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1. INTRODUCTION

Since 1986, Vietnam officially began its transition from a centrally-planned economy towards a market-oriented economy. In parallel to drastic economic reforms, the regulatory environment was improved and enhanced, in order to facilitate this transition. One of the most prominent challenges in a developing country such as Vietnam is the fight against poverty, which both influences and is influenced by the success of these reforms.

This paper analyses the extent to which current wage and labour regulations can help reducing poverty levels in Vietnam. Since Vietnam is planning to join the World Trade Organization (WTO) in 2005, this study timely coincides with the preparatory process. It identifies some of the remaining regulatory gaps necessary to protect the poorer segment of the population. The approach for this study is based on the belief in the human right to have decent employment, including adequate minimum wage and labour standards.¹ For this purpose, the paper evaluates the depth of infiltration of wage and labour regulations in the labour market, using commune level data on wages released in 1998.

The minimum wage is defined as the legal minimum level of payment for work performed. The purpose of minimum wage is to protect vulnerable low wage labourers from exploitation and poverty. It usually applies to unskilled adults and is legally enforceable. The minimum wage should be set such that it is sufficient to attain a basic standard of living.

However, two major factors play against the use of the minimum wage as a policy tool to combat poverty. The first is the level of under-employment and unemployment in the economy. The second is the extent of informalisation, as workers move out of the formal sector and into the informal sector. Therefore, this paper also identifies the extent of wage differentiation between sectors and genders, and the potential impact of wage and labour regulations on the poor.

The paper is organised into six sections. Following this introduction, the second section presents a background on trends in population and pattern of employment since 1990. Annexe A gives detailed indicators to complement this background. The third section reviews the wage and labour market regulations. The fourth presents the Vietnamese labour market in context and discusses the poverty alleviation strategy. The fifth presents the results the empirical analysis based on the Vietnam Living Standard Survey of 1998. The final section present the regulatory options to be explored and concludes on the extent to which they can be integrated into the poverty alleviation strategy.

2. POPULATION AND EMPLOYMENT SINCE 1990

Since 1990, the population growth rate has slowly been declining from 1.92 to 1.31 percent in 2002.² The total population of Vietnam nearly reaches eighty million and the labour force

¹ See Prasch and Sheth (1999) for an analysis of ethical issues related to minimum wage legislation.

² See Table 8 in Annexe A

participation rate is about 71 percent ILO (2001). This participation rate is amongst the highest in the Southeast Asian region.

During the last decade, the level of urbanisation, in terms of percentage of total population living in urban areas rose from 19.5 to above 25 percent.³ The agriculture share of employment has declined from 73 percent in 1990 to 67 percent in 2001, whereas the corresponding figures for industry increased from 11 to 13 percent and for services it increased from 16 to 20 percent.⁴ Due to the transitional process in Vietnam, this structural change process has been accelerating in the last five years, despite the impact of the Southeast Asian financial crisis.

The level of employment between the state and non-state sector shows that, since the financial crisis in Southeast Asia, the formal private sector has been expanding quickly, and account for nearly 2.5 million jobs, which is higher than the entire public sector (World Bank, 2003b).⁵ Moreover, Nicholson (2002) finds that there is an increased level of unionization in the state sector, whilst it is nearly inexistent in the private sector. This implies a different degree of wage inflexibility in both sectors.

The rate of unemployment in urban areas in Vietnam has maintained around six percent in the last five years, whilst the rate of working time in rural areas has been estimated as nearly 75 percent in 2001.⁶ This indicates a high level of underemployment in the rural areas. Since 1996, unemployment rates in urban areas have been highest in the Red River Delta and lowest in the Central Highlands, which is amongst the least urbanised region.⁷ Finally, the rural areas in the North West region of Vietnam has the lowest rate of working time with 71 percent, whereas the Central Highlands (the poorest region in Vietnam) has the highest rate of working, with nearly 78 percent.⁸ Complementing this background, the next section presents an overview of wage and labour regulation in Vietnam.

3. WAGE AND LABOUR REGULATION IN VIETNAM

The Vietnamese Labour Code of 2002 provides the regulatory framework for the rights and obligations of workers and employers, labour standards and labour utilisation. This overview of wage and labour regulation indicates some of the gaps and inconsistencies in the Labour Code. This section presents the most recent amendments to the 1994 Labour Code, focusing on regulation relating to minimum wages, to labourers on farms and to female labourers, which is especially relevant to combat poverty for day labourers.

In theory, the Labour Code applies to urban and rural labourers who have signed a labour contract or a labour agreement, or who have obtained a verbal agreement. However, the Labour Code does not directly impact all of the Vietnamese labour market. For example, labourers below the age of fifteen and labourers who have not signed a labour contract or agreement or a

³ In addition, according to the World Bank Indicators (2003a) for Vietnam, in 2002, the fertility rate was 2.1, life expectancy was nearly seventy years, and the level of illiteracy (in terms of percentage for individuals aged fifteen and above) was only 7.1 percent.

⁴ See Table 9 in Annexe A

⁵ As at 2003, there were nearly 5000 state-owned enterprises in Vietnam.

⁶ See Table 10 in Annexe A

⁷ See Table 11 in Annexe A

⁸ See Table 12 in Annexe A

verbal agreement, including most of the self-employed. These labourers usually form a large part of the vast informal sector in developing countries and are - more often than not - poor.

Recent Key Amendments to the 1994 Labour Code⁹

The 1994 Labour Code was amended in April 2002, to be effective from January 1, 2003.¹⁰ In particular, chapters on labour contract, collective labour agreement and wages were amended. The amendments partly reflect the new priorities and requirements arising from the transition towards a market economy. However, the Labour Code regulation on wages falls short of establishing a market-based system of wage fixing. Some of the key amendments for each chapter are analysed below.

Chapter IV on Labour contract, article 27, was supplemented with the definition of different kinds of contract, such as indefinite term, definite term and seasonal work. There was also an amendment on new contract after contract expiration. Article 37 was amended such that in case of insufficient employment for all existing employees, there will be a proposal for the utilisation of the labour force. If workers must terminate the labour contract as pursuant to that article, they shall be entitled to the allowance of work loss. Chapter V on Collective labour agreement, article 48 was amended such that the provincial labour authority shall have the right to declare collective agreement void.¹¹

Chapter VI on Wages, article 57 was amended such that, with consultation from Vietnam General Confederation of Labour and representatives of employers, the Government shall stipulate the principles for developing wage scales, wage tables and labour norms. The Government shall determine wage scales and wage tables for State-Owned Enterprises. When developing wage scales, wage tables and labour norms, the employers have to consult the Executive Committees of enterprise trade union and the wage scales and tables shall have to be registered. Article 61 was amended such that on public holidays and holidays with payment, workers shall be paid an amount at least equal to 300 percent. Finally, article 64 was amended such that grant bonuses to workers shall have to be based on annual results in production and business activities and workers' performance. The rule of bonus system shall be determined by the employers with consultation from the Executive Committee of the enterprise trade union.

Chapter X on separate provisions on women labourers, article 111 was amended to include provision for time off during pregnancy, maternity leave or when nursing a child under twelve months old. The female employee shall be exempt from unilateral termination of her labour contract. However, the Labour Code contains no such provisions applicable to male labourers nursing children under twelve months old.

Finally, Chapter XI on separate provisions concerning junior workers and other categories of workers, article 121 was amended such that the employment of junior workers in work and workplace which may give bad influence to their personality, as determined in a list issued by the MOLISA and the Ministry of Health. The next section focuses on minimum wage regulations in the agricultural, services and industrial sectors.

⁹ The following chapters were not significantly amended: (I) General Provision, (II) Employment, (III) Vocational Training, (VII) Working Time and Rest Time, (VIII) Labour Discipline and Physical Responsibility, (IX) Labour Safety and Labour Hygiene.

¹⁰ Labour Code of the Socialist Republic of Vietnam 2002, p. 110.

¹¹ Vietnam has not ratified the ILO conventions on collective bargaining, freedom of association and protection of the right to organize.

Farms Labourers

Labourers working on farms are also theoretically protected by the Labour Code. Based on Decree no 03/2000/NQ-CP dated February 2000, the MOLISA Circular No 23/2000/TT-BLDTBXH of September 2000 provides orientation on the application of policies towards labourers working on farms.¹² However, although the circular states that “The farm owner has the authorisation to recruit an unlimited number of labourers and without distinction of area of living of the labourer”(p. 536), there are inherent constraints to the migration of labour in Vietnam. For example, the migrant status comes with problems in access to basic services, and to social safety nets.

In addition, the circular states that “the Government encourages the farm owner to recruit labourer of peasant family, lack of work (unemployed), poor people, female labourer, with priority for local labourers” (p. 537). This prioritization, though not officially enforced legally, is supported by incentives which again contradict a free labour market. Moreover, these migrants are unlikely to be accounted for in census data or household data based on these censuses. This remains an unresolved and under-researched issue, as none of the household surveys collected information on the registration status of migrants. This means that there is likely to be an underestimation of poverty and inequality.

The World Bank (1999:12) estimates that between 1.5 and 2.5 million people migrate each year. Using the VLSS household data, Nguyen, Tran, Bui, Ngo and Vo (1999:197) conclude that nearly a third of the urban population was born in rural areas. Furthermore, it has recently been estimated that approximately one million individuals move into urban areas each year (World Bank, 2003a:122). Part of the reason for the different patterns of migration (including the gender-based migration) between the North and the South may be reflected in the wage differentials between regions, within the industrial and agricultural sectors, as discussed later

In addition, according to the circular, the farm owner and the labourer arrange the wage according to the workload, load of products, or arrange the level of wage according to daily, weekly or monthly wage, based on the kind of job and the complexity of the job. Relatively simple work in ‘normal’ work conditions, the circular states that “it is not permitted to pay under the minimum or common salary stipulated by the government. The minimum salary applied from January 2000 is 180,000 Dong per month.” (p. 538). This is the equivalent of 7500 Dong per day or less than twelve US Dollars per month and falls far below the level of subsistence, leading labourers to undertake multiple jobs.

Finally, with regards to working time and rest, the circular states that the maximum number of hours worked should not exceed eight hours per day. However, overtime can be arranged if it does not exceed four hours per day. Within a thirty day month, the circular indicates that working time should be six days work and one day rest. Moreover, if the duration of the job is one year or above, the worker is entitled to twelve days leave with wage per year worked. Problems related to enforcement of the Labour Code for this leave entitlement, especially in remote areas, can pose a serious challenge to the efficiency of the regulation in protecting the poor.

¹² Labour Code and Ordinance on the Procedure of Settling Disputes on Labour, 2001, pp. 536-541.

Minimum Wage Regulation in Enterprises

A decree of the government (No 03/2003/ND-CP) in January 2003 and effective since February 2003 was proposed by the Minister of Internal Affairs and Minister of Labour, War Invalids and Social Affairs and the Minister of Finance on adjusting salary and social subsidies and reforming the salary management mechanism. Article 1 stipulates that the minimum salary is raised to 290,000 Dong per month (up from 210,000 Dong from Decree 77/2000/ND-CP), applicable to persons who are entitled to salary and allowance financed by the State budget and employees working in enterprises, with exception of foreign-invested enterprises. This salary is based on a maximum of eight hours per day, six days per week and is equivalent to a daily salary of 12,080 Dong.

Decision No 708/1999/QD-BLDTBXH of June 1999 stipulates that the minimum wage levels applicable to unskilled/untrained Vietnamese labourers in foreign-invested enterprises would be no less than 626,000 Dong per month for foreign-invested enterprises located in urban districts of Hanoi and Ho Chi Minh City (HCMC), no less than 556,000 Dong for foreign-invested enterprises located in the rural districts of Hanoi and HCMC and urban districts of Hai Phong, Bien Hoa and Vung Tau cities. For foreign-invested enterprises located in urban and rural districts of other provinces and cities, the minimum wage level shall be no less than 487,000 Dong per month. Finally, foreign-invested enterprises located in difficult geographical areas with poor infrastructure, the minimum wage level shall be no less than 417,000 Dong per month.¹³

In sum, foreign invested enterprises are required to pay their employees minimum wages that are more than twice that of their domestic counterparts. Various macroeconomic factors can influence the level of competitiveness of industries, such as exchange rates and productivity levels. However, this dual wage system, which serves to protect domestic industries, can lead to pervasive government control of the labour market, and seriously challenge a smooth transition towards a market economy. The last section discusses the particular case of female and junior labourers in all economic sectors.

Female and Junior Labourers

Based on Decree No 23/CP dated June 1996, circular No 03/LD-TBXH-TT of January 1997 provides instructions on the execution of some articles stipulated toward female labourers.¹⁴ This circular states that female labourers should be at least fifteen years old, as in the case of male labourers (p. 288). According to the circular, female labourers working at home are also subject to the Labour Code. However, the current labour law stipulates that female labourers are prohibited to work night shift (p. 289). The usually higher wages for working night shift are thus reserved for their male counterpart.

Section I of Chapter XI of the 2002 Labour Code presents separate provisions concerning junior labourers. Under the Labour Code, junior workers consist of workers under eighteen years of age. The admission to work of children under fifteen years of age is prohibited, except in certain categories of occupations and works, as determined by the MOLISA (p. 56-57). This list was not available at the time of writing this paper. More importantly, it appears that the application of the Labour Code is unclear for workers between the ages fifteen to eighteen.

¹³ Nhan Dan newspaper, legal article on decision on minimum wage levels, August 21, 1999. Available at <http://www.nhandan.org.vn/english/legal/19990821.html>

¹⁴ Labour Code and Ordinance on the Procedure of Settling Disputes on Labour, 2001, pp. 288-295.

Thus, in theory, according to the Labour Code, wages should be agreed between the employees and employers (article 7). This suggests that female and junior labourers are entitled to market-based wage rates. However, that there is no reliable data on the economic variables taken into consideration whilst fixing the minimum wage rates. As discussed in the next section, the application of the Labour Code faces many significant challenges, mainly resulting from labour market imperfections. Moreover, the indirect impact of wage and labour regulation on the informal economy should also be considered, as part of the poverty alleviation strategy.

4. THE VIETNAMESE LABOUR MARKET IN CONTEXT

The regulation of the Vietnamese labour market has to be put in context. For this purpose, this section begins with an analysis of the imperfections in the labour market. Then, it presents the overall strategy for poverty alleviation in Vietnam. This will be used to explain how wage and labour regulation can and should be integrated in the long term strategy.

Labour Market Imperfections

Within the transitional process towards a market economy, pressures for greater access to free markets comes from various sources. For example, lack of funds invested in labour-intensive projects during the socialist period has led to declining income distribution which reinforced the need to reform the stagnating Vietnamese economy (Beresford, 1989:145). However, labour market imperfections reduce the scope of change brought by reforms and vary greatly between the formal and informal sectors.

Labour market imperfections may be due to lack of incentives, lack of labour mobility or lack of information. This may result in inadequate wages, underemployment and bad labour conditions. In Vietnam, the most vulnerable group is undoubtedly the large informal sector, with very little protection against economic downturns. This consists mainly of the self employed and small farmers, mostly engaged in subsistence agriculture, small trading and handicraft activities.

In contrast, as a result of state owned enterprises reform, most of the reduction of labour employment in the public sector was done in the first few years of the reform period between 1989 and 1992. State Owned Enterprise (SOE) labour force was reduced by nearly thirty percent, with over one million employees retrenched. In the early 1990s, when SOEs were able to formulate their own wage policies, wage scales were not increased but reduced (Lu, 1996:413). By 1998, Bales (2000) estimates that the state sector still accounted for about forty percent of all wage employment. This could be explained by relatively higher wage rates in SOEs. Indeed, Bales and Rama (2002) estimate that should SOE workers earn from the private sector, their total earnings would fall by over twenty percent.¹⁵

In Vietnam, economic growth is largely due to the intensification of labour production. However, the concerns over the sustainability of Vietnam's development and integration to the world economy lie in its growth pattern, where labour-intensive industry has declined in share from 58 percent to 51 percent in the last few years. Despite the migration of labour from agricultural sector to industry and manufacture, according to Bales (2000), one third of newly created jobs in the rural areas are in the agricultural sector. Yet, only eighteen percent of all wage

¹⁵ They also indicate that their results are likely to underestimate the extent to which SOE workers are overpaid (Bales and Rama, 2002:23)

jobs are in the agricultural sector. Consequently, there is a very high degree of underemployment in the agricultural sector, compared to other sectors.¹⁶ In addition, many new jobs in this sector do not necessarily ensure adequate living standards over time, as evidenced by household living standards data in Vietnam.

Poverty Alleviation Strategy

Although poverty has declined sharply over the last decade, nearly thirty percent still live under the poverty line according to the World Bank poverty line (World Bank, 2003b) Like in most developing countries, poverty in Vietnam is concentrated in the rural areas, where 35.6 percent of the population lives under the poverty line (World Bank: 2003:9). Amongst the most severely affected are ethnic minorities and residents of isolated areas, located mainly in especially in the Central Highlands, the Northern Mountains and the North Central Coast.

The Hunger Eradication and Poverty Reduction (HEPR) initiated in 2001, headed by the Ministry of Labour, Invalids and Social Affairs is one of the first attempts at providing concrete objectives for poverty alleviation for the period 2001-2010. The main objectives are to eliminate chronic hunger and falling back to hunger. One of its main components is to provide subsidized loans to the poor for income-generating activities without requiring collateral. However, a report (World Bank, 2000:75) indicates that only twenty percent of the loans have been disbursed to the poorest forty percent, whereas the better off forty percent received thirty percent of all loans, which highlights that the program is not pro-poor in its loan component.

In parallel, since 1999, governments in low-income countries receiving concessional lending from the World Bank through the International Development Association or from the International Monetary Fund (IMF) through the Poverty Reduction and Growth Facility must develop their own Poverty Reduction Strategy Papers (PRSPs). Written within a participatory process between governments and donors, the aim is to strengthen the coordination between partners to reduce poverty more effectively.¹⁷

More than eighty percent of the poor are farmers with low skilled with little access to productive resources. Hence, among the major policies of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) in Vietnam are to diversify agricultural production and increase investments in agriculture. It also calls for the development of labour-intensive industries using domestically produced inputs (SRV, 2002). The impact of these strategies on the poor are intrinsically linked with labour market imperfections discussed earlier, and need to pay close attention to the structure of employment in general and to the wage system in particular.

As part of the fights against poverty, the construction of the poverty profile in Vietnam is usually based on the Vietnam Living Standard Survey (VLSS) implemented since 1993. Based on the household data, Bales and Phung (2001:55-56) show that the share of employment in agriculture is 62 percent in 1998 (compared to 66% in 1993), and that 55 percent of hired labourers in agriculture still live below the poverty line, compared to 47 percent for self-employed farmers in 1998. These are the two sectors where poverty is most severe in Vietnam. Yet, when decomposing changes in poverty Bales and Phung (2001) find that between 55 to 60

¹⁶ Bales (2000:9) estimated that the number of hours worked in the agricultural sector is less than fifteen hours work per week.

¹⁷ So far, nearly thirty countries have developed their Poverty Reduction Strategy Papers, accessible at: <http://www.worldbank.org/poverty/strategies/index.htm>.

percent of the reduction in poverty between 1992 and 1998 was due to higher agricultural incomes.

Finally, Wiens (1998) argues that rural poverty is associated with lack of productive resources (land, savings, liquid assets and physical capital), low quality of basic infrastructure (irrigation and transport), lack of access to markets (especially to inputs, credit and off-farm markets), and a high number of dependents. He also concludes that “agriculture development is not the route out of poverty for the individual rural household” (Wiens, 1998:95). His research suggests that off-farm employment and non-farming enterprises are most likely to boost incomes and relieve poverty. He concludes that “Raising the productive capacity of the rural poor is not enough – the market for their goods and services must be expanded through regional development and labor-absorbing structural change in the rural economy. This strategy can be thought of as one of bringing the market to the poor, as opposed to bringing the goods and services of the rural poor to (a distant) market.” Wiens (1998:96)

In sum, the legacies for the centrally-planned years are still felt at various levels in the labour market. The historical development of the northern and southern regions of Vietnam meant that the development of a market-oriented economy has been achieved at different degrees.¹⁸ The recently available data on living conditions also includes commune level data that can shed some light on the degree of disparity between the northern and southern labour conditions. For this purpose, the following section provides some evidence of the differences in wages between the two regions and between genders for the agricultural and industrial sectors.

5. ANALYSIS OF COMMUNE LEVEL DATA

Valuable information on the agricultural informal sector can be obtained using the commune level data from the Vietnam Living Standard Survey of 1998. As a background on the larger socio-economic environment of these households, the community questionnaire includes over 200 general information questions on demography, the economy, basic infrastructure, education, health and agriculture in each rural commune (GSO, 2000). In the follow-up survey, separate school and health centers questionnaires were implemented to increase the quality of the community data. Few empirical studies have made full use of this community level information.

Vietnam Living Standards Survey Commune Data

This data is collected over a two-week period, based on interviews with various community leaders.¹⁹ Unfortunately, the community questionnaire was collected only for the 120 rural communes because it was considered that “many of the questions are more relevant for rural than urban areas”.²⁰ Due to this rural bias, it is not possible to include variables concerning community endowment when analyzing poverty in urban areas. Also, due to the relatively small sample size, it is not possible to disaggregate beyond the northern and southern regions. Note that the northern region includes the Red River Delta, North East, North West and North Central

¹⁸ For an in-depth discussion of the legacies from the past on the Vietnamese economy, see Brassard (2004).

¹⁹ Community leaders include: the chairperson, deputy chairperson, party secretary, chief or deputy chief of police, finance officer, statistical officer, head of cooperative, school director, health worker, women’s union cadre, farmer’s union cadre, fatherland front cadre or the village leader. See (GSO, 1997a).

²⁰ Quoted from the introductory notes for the VLSS Statistical Abstract 1997/1998, GSO (1997b:2).

Coast regions, whereas the southern regions covers the South Central Coast, the Central Highlands, the Southeast and the Mekong River Delta.

Inferential analysis is also done using independent and paired tests on sample means of particular aspects of the commune data. The statistical tests focus particularly on finding out whether significant differences exist between northern and southern communes in terms of wages, land use and commune budget. The two-sample tests of hypothesis on the difference between the means of two independent samples is given by

$$t = \frac{\bar{X}_n - \bar{X}_s}{\sqrt{s_p^2 \left(\frac{1}{n_n} + \frac{1}{n_s} \right)}} \quad \text{where } s_p^2 = \frac{(n_n - 1)s_n^2 + (n_s - 1)s_s^2}{n_n + n_s - 2} \quad \text{and } \bar{X}_n \text{ is the mean in the}$$

northern commune sample, \bar{X}_s is the mean in the southern commune sample, n_n is the number of communes in the North and n_s is the number of communes in the South and s_p^2 is the pooled estimate of the population variance. For example, independent t-tests are used when comparing *between* northern and southern regions.

In contrast, when the two samples are paired, the following t-test is used to test the difference in means and is given by

$$t = \frac{\bar{d}}{s_d / \sqrt{n}} \quad \text{where } s_d = \sqrt{\frac{\sum d^2 - (\sum d)^2}{n - 1}} \quad \text{and } \bar{d} \text{ is the mean of the difference between the}$$

paired observations, n is the number of paired observations and s_d is the standard deviation of the differences between the paired observations. For example, the paired t-test is used for comparisons between genders *within* the northern and southern regions. However, there are often less than thirty communes by category of answer so that these tests cannot always produce statistically significant results due to small sample sizes. Nevertheless, these descriptive statistics can provide insights concerning some of the legacies from the past on differences between the two regions affecting their economic development. The analysis presented below tests whether there are significant differences in salary between males and females in the agricultural and in the industrial sector, and between northern and southern communes for unskilled workers.

Agricultural Wages

Daily salary figures were obtained based on the average wage that a commune resident earns if he/she does a particular type of work (GSO, 1997d). Table 1 indicates the gender differences in daily wages *within regions* between the different types of agricultural work for the main staple food crop, namely, preparation of land, planting crops, tending crops and harvesting crops. According to the minimum wage regulation for farm labourers (discussed in section 3) the minimum daily salary is 7.5 thousand Dong. The mean daily salary received by these respondents is about double that amount and is incommensurate with the regulation.

Table 1: Daily Salary of Males and Females for Different Types of Agricultural Work for the Main Staple Food Crop (in Thousands of Dong)

Mean salary (standard deviation in parenthesis)	Males	Females	Paired t-test
Northern communes			
Prepare land (n=38)	15.60 (4.94)	14.73 (4.62)	3.045 **
Plant crop (n=32)	13.87 (4.33)	13.97 (4.36)	-0.680
Tend crop (n=25)	13.36 (4.29)	13.24 (4.39)	1.365
Harvest crop (n=49)	15.81 (4.68)	15.40 (4.74)	2.478 **
Southern communes			
Prepare land (n=41)	22.68 (7.38)	18.63 (7.13)	7.096 ***
Plant crop (n=47)	20.45 (5.73)	18.0 (6.35)	2.715 ***
Tend crop (n=49)	18.94 (5.24)	16.32 (4.13)	4.913 ***
Harvest crop (n=63)	24.57 (7.04)	20.22 (6.07)	7.452 ***

Source: author's calculation VLSS 1998

Note: ***, **, * Significant at the 0.01, 0.05, 0.1 level, respectively

In addition, in the northern communes interviewed, there is a statistically significant difference in daily salary wages between males and females for the land preparation and crop harvesting, but no significant difference for planting and tending crops. In comparison, the southern communes interviewed, there is a significant difference in salary between males and females for *all* types of agricultural work, and this difference is also statistically more significant than in the North. Part of the explanation may stem from the socialist legacy of the cooperative system, which included a relatively egalitarian system in the North.

In contrast, Table 2 indicates the differences in daily wages by gender and *between* regions for the different types of agricultural work for the main staple food. Once again, information on children relate to those under the age of fifteen. All results are statistically significant and suggest that in addition to gender differences shown in the previous table, there exist significant regional differences. The existence of a large seasonal labour surplus in the North may exert downward pressure on wages and explain these statistically significant differences in daily wages between regions.

Table 2: Daily Salary of Northern and Southern Communes for Different Types of Agricultural Work for the Main Staple Food Crop (in Thousands of Dong)

Mean salary (standard deviation in parenthesis)	North	South	Indep. t-test
Males			
Prepare land	16.75 (6.45) n=53	24.36 (7.25) n=61	-5.878 ***
Plant crop	13.87 (4.33) n=32	21.39 (5.93) n=58	-6.299 ***
Tend crop	13.36 (4.29) n=25	18.94 (5.24) n=49	-4.585 ***
Harvest crop	15.78 (4.58) n=51	24.57 (7.04) n=63	-7.682 ***
Females			
Prepare land	14.73 (4.62) n=38	18.63 (7.13) n=41	-2.856 **
Plant crop	14.75 (4.63) n=52	18.0 (6.35) n=47	-2.927 **
Tend crop	12.84 (4.04) n=33	16.68 (4.27) n=57	-4.183 ***
Harvest crop	15.33 (4.73) n=52	20.22 (6.02) n=64	-4.782 ***
Children			
Prepare land	10.00 (3.55) n=7	16.69 (9.71) n=16	-1.752 **
Plant crop	10.72 (4.47) n=11	13.0 (3.11) n=20	-1.663 *
Tend crop	9.611 (3.46) n=9	12.67 (3.92) n=18	-1.978 **
Harvest crop	10.28 (3.29) n=11	16.00 (5.39) n=22	-3.218 ***

Source: author's calculation VLSS 1998

Note: ***, **, * Significant at the 0.01, 0.05, 0.1 level, respectively

These results suggest that, in the northern part of Vietnam, wages tend to be more equal between males and females than in the southern part, except for work that require more physical strength, such as preparing land and harvesting. At the same time, average wages for these types of work are significantly lower than in the southern part of Vietnam. These results apply for all types of labourers, whether male, female or children. Children's wages in the North are about seventy percent of female wages in that region, compared to nearly eighty percent in the South.

More importantly, it appears from Table 2 that children's daily salary in the South for the preparation of land and harvesting are actually above those of adult males and females in the North. These two types of agricultural work are usually more physically demanding than planting and tending crops. These results suggest that there may be some extra incentives for poorer households in the South to send their children to work instead of school. Finally, the

additional income from the children's work allows for increased expenditure, used as a proxy for income. Therefore, this is likely to lead to an underestimation of the poverty level of households sending children to do agricultural work, mainly located in the South.

Table 3 presents similar statistics for the main industrial or fruit crop. Results show a highly statistically significant difference in wages between genders within the southern communes. However, there are no significant differences in wages between genders in the North. The sample size for northern communes is two-thirds smaller, but may suggest that the level of diversification in the northern communes is much lower. This may stem from the legacy of market orientation in the South and the fact that the southern part of Vietnam is more land-abundant than the northern part.

Table 3: Daily Salary of Males and Females for Different Types of Agricultural Work for the Main Industrial or Fruit Crop (in Thousands of Dong)

Mean salary (standard deviation in parenthesis)	Males	Females	Paired t-test
Northern communes			
Prepare land (n=12)	16.58 (8.54)	16.33 (8.66)	<i>1.393</i>
Plant crop (n=11)	14.09 (5.17)	14.0 (5.19)	<i>1.000</i>
Tend crop (n=11)	14.09 (5.30)	14.00 (5.31)	<i>1.000</i>
Harvest crop (n=11)	15.64 (6.78)	15.36 (6.87)	<i>1.399</i>
Southern communes			
Prepare land (n=30)	22.40 (5.29)	18.47 (4.09)	<i>5.745 ***</i>
Plant crop (n=33)	21.12 (5.05)	18.15 (4.02)	<i>4.400 ***</i>
Tend crop (n=41)	20.58 (4.19)	17.09 (3.87)	<i>5.635 ***</i>
Harvest crop (n=44)	24.20 (5.97)	20.34 (5.38)	<i>6.215 ***</i>

Source: author's calculation VLSS 1998

Note: ***, **, * Significant at the 0.01, 0.05, 0.1 level, respectively

Table 4 presents tests for whether wages for different types of agricultural work for the main industrial or fruit crop are significantly different between regions. Wages for children (under fifteen) are included even though the sample size is very small. They serve as a rough indication of the extent of the difference between adult and children wages.

Table 4: Daily Salary of Northern and Southern Communes for Different Types of Agricultural Work for the Main Industrial or Fruit Crop (in Thousands of Dong)

Mean salary (standard deviation in parenthesis)	North	South	Indep. t-test
Males			
Prepare land	16.58 (8.54) n=12	23.58 (5.77) n=41	-3.297 **
Plant crop	14.09 (5.17) n=11	21.8 (5.19) n=40	-4.361 ***
Tend crop	14.09 (5.30) n=11	20.58 (4.19) n=41	-4.31 ***
Harvest crop	15.64 (6.78) n=11	24.20 (5.97) n=44	-4.142 ***
Females			
Prepare land	16.33 (8.66) n=12	18.47 (4.09) n=30	-1.091
Plant crop	14.0 (5.19) n=11	18.5 (4.45) n=34	-2.798 **
Tend crop	14.00 (5.31) n=11	17.41 (4.14) n=43	-2.302 ***
Harvest crop	15.36 (6.87) n=11	20.34 (5.38) n=44	-2.593 **
Children			
Prepare land	10.20 (4.44) n=5	14.33 (3.42) n=12	-2.088 **
Plant crop	10.0 (4.19) n=6	12.84 (2.47) n=13	-1.87 **
Tend crop	10.17 (4.11) n=6	13.71 (3.51) n=14	-1.968 **
Harvest crop	10.40 (4.56) n=5	15.24 (3.23) n=17	-2.687 **

Source: author's calculation VLSS 1998

Note: ***, **, * Significant at the 0.01, 0.05, 0.1 level, respectively

Similar to the main staple food crop, the preparation of land and harvesting are associated with the highest wages, though the difference is slightly less statistically significant for the main industrial or fruit crop. This may be due to the relatively smaller sample size in the northern communes. But, there is again a similar pattern for children, where significant differences in wages are found between the two regions, for similar types of work.

Finally, data from Table 4 shows that children in the North earn less than seventy percent of female wages in that region. However, in the South, the proportion is only about 55 percent. This contrasts with the findings from Table 2, where children earn higher wages for work related to the main staple food crop. The smaller sample sizes also reflect the fact that children are less likely to do agricultural work for the main industrial or fruit crop. In order to understand these

differences further, the next section presents data analysis focusing on land use and land tenure between the two regions.

Industrial Wages

Monthly salary figures in different types of industries are obtained based on the average wage received by male and female adults in factories belonging to the state and private sectors, but outside the foreign sector. Table 5 shows the difference in salary *between* males and females and *within* regions for three types of industries: food and beverage, textile and garments and glass, ceramics and cement industries. Note that of all the communes interviewed in the North, none mentioned the presence of a food and beverage industry.

Recall from section 3 that according to the regulation, the minimum monthly salary in enterprises outside the foreign sector is 290 thousand Dong. According to Table 5, the average monthly salary in the textile industry in the Northern communes falls *below* this stipulated minimum threshold. For all other industries, including the southern textile industry, the average monthly salary is clearly above the stipulated minimum wage.

Table 5: Monthly Salary of Males and Females in Different Industries (in Thousands of Dong)

Mean salary (standard deviation in parenthesis)	Males	Females	Paired t-test
All communes			
Food and Beverages (n=40)	512.75 (209.21)	401.5 (194.34)	3.264 ***
Textiles and Garments (n=20)	331.5 (120.31)	314.5 (113.8)	1.952 *
Other non-metal mineral products (glass, ceramics, cement) (n=15)	496.7 (148.1)	410.0 (127.0)	4.516 ***
North			
Food and Beverages (n=0)	n/a	n/a	n/a
Textiles and Garments (n=13)	288.5 (79.46)	273.8 (62.4)	1.891 *
Other non-metal mineral products (glass, ceramics, cement) (n=13)	492.3 (159.2)	396.1 (131.43)	4.63 ***
South			
Food and Beverages (n=40)	512.7 (209.2)	401.5 (194.3)	3.264 **
Textiles and Garments (n=7)	411.4 (147.5)	390.0 (151.7)	1.000
Other non-metal mineral products (glass, ceramics, cement) (n=2)	525.0 (35.3)	500.0 (0)	1.000

Source: author's calculation VLSS 1998

n/a no valid pairs available

Note: ***, **, * Significant at the 0.01, 0.05, 0.1 level, respectively

Within the northern communes, the results indicate a statistically significant difference in monthly salary between males and females in the glass, ceramics and cement industry. Within the southern communes, the only significant difference in monthly salary between males and females is in the food and beverage industry. In other southern industries, the small sample size does not allow robust comparisons.

Finally, comparisons between genders in all communes reveal that all industries shows a statistically significant different salary between males and females, although this difference is less pronounced in the textile industry. Although the sample sizes are small, these findings suggest that rural industries hiring unskilled labour tend to provide significantly different wages between males and females. This has important implications for labour absorption and the increased income inequality resulting from the development of rural industries. These implications of these findings are discussed in more detail later.

In contrast, Table 6 shows the difference in salary *within* each gender for the three types of industries. The results indicate that the disparity within genders and regions in the textile and garment industry is most pronounced. This is important when considering the promotion of equitable income generation and diversification and when looking at the impact of foreign direct investment by sector. Although some results are not statistically significant due to the small number of observations, further research is required to determine the gap between salaries in the two regions. For example, it is not possible to draw conclusions for the food and beverages industry due to lack of data from the northern communes.

Table 6: Monthly Salary of Males and Females in Different Industries Between the Northern and Southern Communes (in Thousands of Dong)

Mean salary (standard deviation in parenthesis)	Food and Beverages	Textiles and Garments	Other non-metal mineral products (glass, ceramics, cement)
Males			
North	n/a	288.5 (79.46) n=13	492.3 (159.2) n=13
South	505.6 (196.7) n=48	411.4 (147.5) n=7	525.0 (35.3) n=2
<i>Independent t-test</i>	n/a	-2.45 **	-0.281
Females			
North	n/a	273.8 (62.4) n=13	396.1 (131.43) n=13
South	401.5 (194.3) n=40	390.0 (151.7) n=7	500.0 (0) n=2
<i>Independent t-test</i>	n/a	-2.44 **	-1.083

Source: author's calculation VLSS 1998

n/a no valid pairs available

Note: ***, **, * Significant at the 0.01, 0.05, 0.1 level, respectively

Table 7 compares the daily salary between adult males and females and children, focusing on the textile industry. It shows that there are statistically significant differences in adult male and adult female salaries between regions. Since the sample size for children is small,

it does not indicate significant differences in children's wages between regions. Compared with other industries (see Table 5), southern wages in the textile industry vary much more than in the North.

A possible explanation for the wider wage variability in the South is that the skills required within the southern textile industry are of higher levels and more varied than in the North. This is consistent with the use of more modern equipment and technology. However, further research is required to understand if there are other underlying causes and their effects.

Table 7: Daily Salary of Adult Males and Females and Children in the Textile Industry (in Thousands of Dong)

Mean salary (standard deviation in parenthesis)	Adult Males	Adult Females	Children
North	6.4 (4.3) n=5	8.6 (3.8) n=7	5.5 (5.0) n=6
South	20.0 (10.4) n=6	19.2 (10.7) n=6	5.0 (7.07) n=5
<i>Independent t-test</i>	-2.67 **	-2.46 **	0.136

Source: author's calculation VLSS 1998

Note: ***, **, * Significant at the 0.01, 0.05, 0.1 level, respectively

In addition, Table 7 indicates a large difference in mean daily wages between children and adults, where children are defined as individuals below the age of fifteen. The difference in daily wages between adults and children in the southern communes is much more significant than within the northern communes.²¹ Although daily salaries are quite low in the North, children tend to earn seventy percent of adults salaries, whereas in the South, children earn less than in the North, and only 25 percent of adult salaries. This might suggest the presence of a larger pool of semi-skilled labour in the South compared with the North, and hence, a smaller need for child labour. However, the validation of this finding requires further field research, since data on children's wages are sparse.

The questionnaire does not differentiate between male and female children. But given the difference between adult males and females, more research could be necessary to see whether there is also a gender differentiation between children. Finally, although the difference within regions and between genders is not large, when comparing between regions, the differences in wages for males and for females are highly significant in the textile industry. Two reasons for this disparity may be brought forward: the first is the use of female labour for less skilled jobs in the textile industry; the second is the failure to implement wage regulation for female labourers. These need to be taken into consideration when investing in rural industries, to understand the impact of wage regulation on female labourers. The policy implications of the results of this data analysis are discussed next.

²¹ Section I of Chapter XI of the 2002 Labour Code presents separate provisions concerning junior labourers. Under the Labour Code, junior workers are workers who are under eighteen years of age. Work by children under fifteen years of age is prohibited, except in certain categories of occupations, as determined by the MOLISA (SPH, 2001:56-57). However, this list was not available at the time of writing this thesis.

6. POLICY IMPLICATIONS AND CONCLUSION

Once Vietnam joins the WTO in 2005, the impact on employment will depend not only on sound regulation of minimum wages and labour conditions, but on their implementation between sectors and across regions. Despite the current limitations of the commune level data, the analysis reveals important trends at the regional level, which have relevance for policy makers. Indeed, analysis of the commune level data indicated significant differences in salary between males and females and between the northern and southern regions of Vietnam.

This can partly be explained from the varying degree of development of the market economy in both regions. Moreover, it also highlighted a disparity in the implementation of minimum wage regulation between the different regions. For example, it showed that the average wage in the textile industry in the northern communes is well below the minimum wage prescribed in the Labour Code.

It is often argued that minimum wage regulation as a policy tool for protecting the poor is ineffective as it only applies to the formal economy due to constraints on enforcement. On the other hand, weak enforcement means a small disemployment effect due to minimum wage regulation (Rama, 2003). In addition, there is a widely debated view that the minimum wage can become a 'trap' in local enterprises. However, this paper argues that, in order to ensure a minimum living standard, the poor must be protected from exploitation. More specifically, policy implications can be drawn at many levels, in the perspective of poverty reduction.

The importance of considering regional and sectoral characteristics in the labour market cannot be overemphasised. Priority should be set to provide incentives towards an increased formalisation of the agricultural sector, such that labour contracts would ensure protection of farm labourers. Linking pay with performance must be carefully balanced with the type of work undertaken. For example, as shown in Table 1, in the northern region of Vietnam, wage differentials are significantly larger for farm work requiring more physical strength. However, in the southern region, wage differentials between genders were significant irrespective of the type of work.

In addition to differing opportunities for work between the two areas, wage scales are significantly lower in the North, in both the agricultural and industrial sectors. Although the difference in price indices between the two regions is about six to seven percent (World Bank, 1999a:153), according to the independent t-tests, southern wages are significantly higher than northern ones. In addition, according to the paired t-tests, gender differences are particularly pronounced in the South, as wages for males are significantly higher than women in nearly all types of work.

In the agricultural sector, the wage discrepancy between genders is more significant in the southern area, although wages are generally higher. Within both regions, inequality is particularly high for more physically demanding work, such as land preparation and crop harvesting. In addition, although the commune data include only a relatively small sample of observations on children's wages, a similar trend can be identified.

Within the industrial sector, the commune data has also raised serious problems with the formulation and implementation of wage and labour regulation. According to the Labour Code, foreign invested industries and domestic industries are regulated differently. Foreign invested industries are subjected to a minimum wage that is more than double that of domestic industries. This particular example of regulation shows how regulation can play against policies aimed at fostering private sector development in Vietnam and reducing poverty.

In addition, in the domestic textile industry, the commune data indicate that adult labourers in the North (both men and women) tend to earn less than seventy percent of their counterparts in the South. However, within both regions, women's wages are about 95 percent of men's wages. Moreover, as noted before, the mean wages in the northern textile industry falls below the minimum wage stipulated in the labour code, itself insufficient to meet basic needs.

In the domestic food and beverage industry and non-metal mineral product industry, the gender difference in wages is more pronounced, as women tend to earn only about eighty percent of men's wages. These findings highlight the importance of considering regional and gender differences when analysing the impact of rising wages on the reduction of intra-household poverty and inequality.

Problems due to gender differentiation of wage income for similar type of work have great implications in the poverty alleviation strategy. In a recent study on gender wage differentials between 1993 and 1998, Liu (2003) concludes from the VLSS household data that improving the understanding of equity practices in the workplace and deregulation of markets to encourage the development of the private sector would encourage competitiveness and may lead to an increase in the cost of discriminatory practices.

In Vietnam, gender-related problems occur within and outside the household. Amongst the common problems mentioned by poor women are disproportionately heavy workloads, unequal decision-making power in the household and lack of access to and voice in institutions (World Bank, 1999). These problems deepen the issue of inequitable salary found in the commune level data analysis. Regulation and enforcement of regulation on equitable salary can have a significant impact on poor females but should not impede women's access to wage income in rural areas.

Lastly, child labour issues and the challenges to regulation also need to be addressed in Vietnam. According to the ILO definition, children under the age of eighteen who are working in areas that are exploitative, hazardous or detrimental to their schooling are considered as child labour. This includes underpayment, as widely seen in all sectors of the Vietnamese economy, based on the commune level data.

In conclusion, this paper demonstrates the extent to which regulatory tools can be used as part of the poverty alleviation strategy but also shows their limitations. Clearly, regulation can offer great opportunities to relieve poverty, including child poverty and gender discrimination and should be better integrated with the policies included in the CPRGS. Increasing access to wage labour is part of a sustainable solution to poverty, but the large informal sector, indirectly affected by these regulation, also requires protection.

This paper demonstrated some of the regulatory gaps and illustrated the unequal implementation of wage regulation using commune-level data from the Vietnam Living Standard Survey of 1998. Understanding the impetus for an accurate implementation of wage and labour regulation is one of the key to successful poverty alleviation. The central state, as legislator needs to collaborate with lower level governments in order to reduce inequalities at the regional level. The determination of minimum wages should involve the interplay of market forces and collective bargaining power at various levels in the economy. In parallel, civil society is required to monitor (even informally) the implementation of sound wage and labour regulation. Without such monitoring, efforts to improve the legislation will be ineffective.

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Annexe A: DEMOGRAPHIC AND EMPLOYMENT INDICATORS

Table 8: Demographic Indicators of Vietnam (1990-2002)

Year	Population (mill.)	Urbanisation (% of total population)	Growth rate
1990	66.02	19.51	1.92
1991	67.24	19.67	1.86
1992	68.45	19.85	1.8
1993	69.64	20.05	1.74
1994	70.82	20.37	1.69
1995	71.99	20.75	1.65
1996	73.16	21.08	1.61
1997	74.31	22.66	1.57
1998	75.46	23.15	1.55
1999	76.6	23.61	1.51
2000	77.64	24.18*	1.36
2001	78.69	24.74*	1.35
2002	79.73	25.11*	1.32

* Since 2000, some rural communes of provinces changed into precincts and towns
Source: GSO (2003) Statistical Yearbook 2002

Table 9: Employment Share by Sector (1990-2001)

Unit: Thous.pers

Year	Total	Agriculture	Industry	Service
1990	29412.3	21476.1	3305.7	4630.5
1991	30134.6	21907.3	3390.3	4837
1992	30856.3	22339.5	3473.9	5042.9
1993	31579.4	22755.5	3561.9	5262.0
1994	32303.4	23155.5	3654.6	5493.3
1995	33030.6	23534.8	3755.7	5740.1
1996	33760.8	23874.3	3887.7	5998.8
1997	34493.3	24196.4	4020.7	6276.2
1998	35232.9	24504.1	4157.1	6571.7
1999	35975.8	24791.9	4300.4	6883.5
2000	36701.8	25044.9	4445.4	7211.5
2001	37676.4	25304.9	4712.3	7659.2

Source: GSO (2003) Statistical Yearbook 2002

Table 10: Employment by sector and unemployment rate in rural and urban areas (1990-2001)

Year	Employment			Unemployment rate in Urban (%)	Rate of working time used by employment in rural area (%)
	Total (mill.pers.)	Of which State (mill.pers.)	Other (mill.pers.)		
1990	29.41	3.42	25.99	n/a	n/a
1991	30.13	3.14	26.99	n/a	n/a
1992	30.86	2.98	27.88	n/a	n/a
1993	31.58	2.96	28.62	n/a	n/a
1994	32.3	2.93	29.37	n/a	n/a
1995	33.03	3.05	29.98	n/a	n/a
1996	33.76	3.14	30.62	5.88	72.28
1997	34.49	3.27	31.22	6.01	73.14
1998	35.23	3.38	31.85	6.85	71.13
1999	35.97	3.43	32.54	6.74	73.56
2000	36.7	3.5	33.2	6.44	74.18
2001	37.67	3.6	34.07	6.28	74.26

Source: GSO (2003) Statistical Yearbook 2002 and MOLISA (2001)

Table 11: Unemployment rate in urban area by region (1996-2002)

By regions	1996	1999	2000	2001	2002
<i>Whole country</i>	5.88	6.74	6.44	6.28	6.01
Red River Delta	7.57	8	7.34	7.07	6.64
North East	6.42	6.95	6.49	6.73	6.1
North West		5.87	6.02	5.62	5.11
North Central Coast	6.96	7.15	6.87	6.72	5.82
South central coast	5.57	6.55	6.31	6.16	5.49
Central highlands	4.24	5.4	5.16	5.55	4.92
South East	5.43	6.33	6.2	5.92	6.31
Mekong river Delta	4.73	6.4	6.15	6.08	5.52

Source: GSO (2003) Statistical Yearbook 2002

Table 12: Rate of working time used by employment in rural areas (1996-2002)

By regions	1996	1999	2000	2001	2002
<i>Whole country</i>	<i>72.28</i>	<i>73.56</i>	<i>74.18</i>	<i>74.26</i>	<i>75.3</i>
Red River Delta	75.88	73.88	75.66	75.36	75.38
North East	78.3	71.72	73.01	73.05	75.9
North West		72.62	73.44	72.78	71.08
North Central Coast	73.43	72.28	72.12	72.52	74.5
South central coast	70.93	74.02	73.92	74.6	74.85
Central highlands	75.05	78.65	77.04	77.18	77.99
South East	61.83	76.2	76.58	76.42	75.43
Mekong river Delta	68.35	73.16	73.18	73.38	76.55

Source: GSO (2003) Statistical Yearbook 2002