The fifth Public Policy and Development Seminar on “The informal sector in Vietnam: new analysis and impact of the current crisis”

The fifth Public Policy and Development Seminar was held on 8th October 2009, which was entitled “The Informal Sector in Hanoi: New Analysis and Impact of the Current Crisis” and presented by Jean-Pierre Cling, Mireille Razafindrakoto and François Roubaud of the Institut de Recherche pour la Development (IRD).

Dr. Cling opens the seminar with a short overview of IRD in cooperation with various organizations in Vietnam. The speaker started the presentation on the informal sector with the introduction of new data on employment and the informal sector in Vietnam. Unlike most of the developed countries, labor income is the main source of income accounting for about 80% of total income in Vietnam. The speaker identified the important role of the informal household businesses (IHBs in Vietnam with special focus in Hanoi and in Hochiminh City) in creating jobs and contributing to revenues.

According to the IRD-DIAL/GSO-ISS project, this sector accounts for 30% of total employment, 35% of non-farm employment and 52% of private non-farm employment in Hanoi and similar number for HCMC. Despite of that, the sector has low wage rate, lower education level, highly insecure working conditions (no social security), and relatively cut-off from the formal business channels. People in this sector are on average older and mostly found in rural and peri-rural areas of the cities. The IHBs are concentrated mainly in trade and services sectors where self-employment is the rule. They do not have direct contacts with the formal sector (public or private) and the foreign sector of the economy.

Dr. Razafindrakoto continued the seminar with the comparison between the informal sector of Vietnam with some African countries. All countries considered share similar labor structure as well as demographic characteristics of the informal sector except that less young workers are employed in the informal sector in Vietnam. Also, the speakers showed that the informal sector expresses few needs in terms of bank loans, technical training and modern technology.

The speakers then discussed the effects of the current crisis on the informal sector especially on the employment prospect of Vietnam in the next few years. They concluded that the informal sector will expand to absorb the labor from other sectors and thus the
crisis will adversely affect the informal sector in terms of income and working conditions. They expressed their concerns that despite of the role and the conditions of the informal sector, it does not yet receive adequate attention from the government through targeted policies. They suggested vocational training, improved access to credits, simple taxation, better working environment, registration and migrant policy as measure to address the current issues in the sectors.

The discussion following the speakers’ presentation was in-depth and informative. Mr. Ngoc from DEPOCEN and Mr. Tuan from VIE and other participants agreed that the findings from the presentation are very useful and open up many new questions for further research and policy advice. The participants also discussed about the relation between the informal sector and migration issues, poverty reduction, micro financing and other development issues.

Dr. Nguyen Thi Thu Hang