The Anatomy and Dynamics of Small Scale Private Manufacturing in Vietnam

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Abstract:
The private manufacturing sector has been called upon to play a key role in the transformation and development of the Vietnamese economy since the launching of market oriented reforms a decade ago. Drawing on a comprehensive survey in 1997 of some 500 non-state manufacturing enterprises in Vietnam, the present study provides an in-depth analysis of the economic and operational characteristics of the enterprises in this sector. Their development track and growth constraints, linkages with other sectors of the economy, and role as a source of employment and income generation are among the aspects examined in particular detail. The analysis of the dynamics of this sector is based on a comparison of the results of the present survey with those of an almost identical survey undertaken in 1991.

Keywords: small scale industries, private sector development, Vietnam

JEL-Classification: J31, L11, L60

Preface

The origin of the present study goes back to 1991 when the first major survey ever of the non-state manufacturing sector in Vietnam was undertaken as a collaborative effort between the Asian Regional Team for Employment Promotion of the International Labour Organisation (ILO-ARTEP), Institute of Labour Studies and Social Affairs (ILSSA) of the Ministry of Labour, Invalids and Social Affairs in Vietnam and the Department of International Economics and Geography at Stockholm School of Economics, with generous funding from the Swedish International Development Authority (SIDA).[1]

Apart from providing a wealth of information on this sector, the survey also provided a benchmark against which subsequent development could be judged. In 1996, on the initiative of SIDA, it was decided to repeat the survey undertaken in 1991. The new survey was designed and undertaken jointly by a team at ILSSA led by Dr. Do Minh Cuong and by Dr. Per Ronnås at Stockholm School of Economics. The new survey had two components: (i) a repeat survey of the same enterprises that had been covered by the 1991 survey, and; (ii) a survey of a random sample of not previously surveyed enterprises in the same locations as in 1991, and using the same methodology and questionnaire.

The present study is the first in a series, presenting the results from this survey. Its focus is on the results of the survey of the not previously surveyed enterprises.

A result of collaborative work, the present study incorporates contributions from a wide range of people in varying, but equally vital capacities. The research team at the Institute of Labour Studies and Social Affairs in Hanoi had the main responsibility for the implementation of the survey. The high quality of the survey data is a testimony of the professionalism and dedication which characterised all aspects of their difficult work. The many discussions held with individual members of this team in the course of the preparation for the survey and the editing of the data greatly contributed to our understanding of the nature of the private manufacturing sector in Vietnam. Equally important was the generous financial support provided by the Swedish International Development Authority (SIDA) and the enthusiastic support of many of its staff members.

[1] The survey results were published in Per Ronnås, *Employment Generation through Private Entrepreneurship in Vietnam* (New Delhi: ILO-ARTEP/SIDA, 1992), subsequently also published in Vietnamese under the title *Doanh Nghiep Nho o Viet Nam* (Hanoi: Nha Xuat Ban Khoa Hoc Va Ky Thuat, 1993).

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1 Introduction

Disenchantment with the Soviet inspired development strategy which was adopted after independence in 1954 and extended to the whole country after the liberation of the South in 1976 led in the second half of the 1980s to an increasing awareness within the political leadership in Vietnam of the need for economic reform and a redesign of the country's development strategy. This strategy, which aimed at modernisation and socio-economic development through development large-scale state owned industry within the frame of a centrally planned economy, was clearly ill-suited for the capital-starved, but labour-abundant largely agrarian economy of Vietnam. The rigid system of central planning was somewhat loosened through reforms in the 1980s as enterprises were given certain room for horizontal contacts and to act outside the plan.[2]

The shift to a more market-oriented economy took a major step forward through a land law passed in December 1987, which paved the way for a *de facto* collectivisation of agriculture and the transfer of long term user rights to tillers.[3] At the same time the regulations on state procurement of agricultural produce were changed in favour of the producers. Soon afterwards the non-agricultural private sector was brought out of the grey zone of semi-legality as its right to a legitimate place alongside the state sector was recognised through a resolution in 1988.[4]

However, it is the comprehensive reform package launched in early 1989 in response to the acute macro-economic imbalances which generally is seen as the most decisive step towards addressing the economic malaise. It was also this reform which made *doi moi* – the wind of change – the catchword of the day and opened the eyes of the outside world to the fact that the economic scene was changing in Vietnam.

The reform amounted to a bold attempt to apply a macro-economic shock therapy at a time when the concept had yet to be invented by Western advice-dispensers to former socialist countries.[5] The reform package included a sharp increase in real interest rates which made both borrowing and lending rates positive in real terms. Government expenditures were severely curtailed and the practice of covering the budget deficit through increases in the money supply stopped. The credit squeeze affected state enterprises as well as their budget constraints were, at least for the time being, hardened. On the external side, the Dong was devalued from 425 to 4,500 Dong per US Dollar, which effectively wiped out the black

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[2] Adam Fforde and Stefan de Vylder. 1988. *Vietnam: An Economy in Transition.* Stockholm: SIDA.
[3] Politburo resolution (No. 10/NQTU) on 'the renovation of economic policy in agriculture'.
[4] *Nghi quyet so 16/NQTW ngay 16-7-1988 cua Bo Cinh tri ve doi moi chinh va co che quan ly doi voi cac ca so san xuat thuoc cac thanh phan kinh te ngoai quoc doanh* (Resolution No. 16/NQTW, 15 July, 1988, by the Politbureau on renovation of management policies and the mechanisms towards non-state economic sectors).
[5] For a Vietnamese perspective on the reforms, see Per Ronnås and Örjan Sjöberg, editors. 1990. *Doi Moi – Economic Reforms and Development Policies in Vietnam.* Stockholm: SIDA.

market in foreign exchange. Foreign trade restrictions were substantially reduced at the same time as further liberalization of the domestic economy took place.

The effects of the reforms were immediate and dramatic. The hyperinflation was brought to a halt, empty shop shelves were suddenly filled with a wide variety of goods and open air markets mushroomed. Seldom have the effects of economic reforms been more immediate and visible. The remarkable success of the reforms clearly had a psychological impact. It created a momentum to push forward, which was fueled by the international community as the perception of Vietnam changed from that of an outcast to an attractive target for investments and assistance. In retrospect, it seems clear that the general euphoria also harboured dangerous seeds of complacency; a belief that the basis for sustained high growth had essentially been laid in one stroke and that fine tuning rather than further fundamental and painful reform was all that was needed to keep Vietnam on the right track. Very high growth rates and an improvement in all the main macro-economic indicators underlined the impression that Vietnam had at long last broken out of stagnation and embarked on the same road to prosperity as much of the rest of the region.

This does not mean that the need for economic restructuring was not recognised by the Vietnamese leadership. The importance of small scale enterprises and the private sector, not least as a source of employment and income, was explicitly recognized in key documents such as the Socio-Economic Strategy up to the Year 2000 adopted at the 7th party congress.[6]

Employment creation was a main concern as Vietnam charted the course ahead in the new economic environment created by the reforms in 1989. The past provided little comfort. Despite concerted efforts to industrialise since the unification in 1976, the share of the industrial sector in the total labour force increased by less than one percentage point between 1980 and 1990; from 10.4 to 11.2 per cent, while the share of the labour force in a agriculture increased from 70.7 to 71.6 per cent.[7] The state sector employed a mere 15 per cent of the labour force.[8] From the point of view of creating a socialist society, these achievements were clearly disappointing, while from an employment perspective they were quite alarming. Apart from the long term impossibility of absorbing close to three fourth of the 800,000 net annual labour force increase in agriculture, where the population pressure on land was already exceedingly high, the return of large numbers of migrant labour from Eastern Europe and the Soviet Union and the demobilization of soldiers following the withdrawal from Cambodia gave a sense of urgency to the employment problem.

It was against this backdrop that the Institute for Labour Studies and Social Affairs (ILSSA) in Hanoi and the Asian Regional Team for Employment Promotion of the

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[6] *Communist Party of Vietnam 7th National Congress. Documents.* Hanoi: Foreign Languages Publishing House, 1991). See also Per Ronnås and Örjan Sjöberg, editors. *Socio-Economic Development in Vietnam: The Agenda for the 1990s* (Stockholm: SIDA, 1991).

[7] Per Ronnås. 1992. *Employment Generation Through Private Entrepreneurship in Vietnam.* New Delhi: ILO-ARTEP / SIDA. P. 2.

[8] Adam Fforde and Stefan de Vylder, *op. cit.* p. 51.

International Labour Organisation (ILO-ARTEP), with financial support from the Swedish International Development Authority (SIDA) embarked on a large scale survey of non-state small-scale enterprises in 1990. It was the first survey of its kind to be carried out in Vietnam in modern time.

The 1991 survey

The survey, which was undertaken in the summer of 1991, covered a total of 903 enterprises almost equally divided between the southern and northern parts of the country and between rural and urban areas.[9]

The urban survey was carried out in Ho Chi Minh City (252 enterprises), Hanoi (150 enterprises) and Haiphong (101 enterprises). For practical reasons, the survey was confined to four quarters in Ho Chi Minh City and Hanoi, respectively, and to three quarters and a small town in Haiphong (Table 1.1). The samples were drawn from a complete lists of enterprises in the selected quarters. A stratified sampling procedure was used to ensure the inclusion of an adequate number of enterprises with different ownership forms in the sample. Altogether the urban sample included 117 household enterprises, 124 private enterprises, 177 partnership enterprises and 94 cooperative enterprises. In addition 51 small state enterprises were selected for comparative purposes. An upper ceiling of 50 workers was imposed on the private, partnership and cooperative

Table 1.1
Ownership and regional structure of the 1991 survey, sample size

	Total	House-hold	Private	Partner-ship	Co-op.	State
Urban areas	503	117	124	117	94	51
- Hanoi	150	35	35	35	30	15
- Haiphong	101	25	26	21	19	10
- Ho Chi Minh City	252	57	63	61	45	26
Rural areas	400	232	159	6	3	0
- Ha Son Binh	70	41	22	5	2	0
- Vinh Phu	65	50	15	0	0	0
- Quang Ninh	66	58	7	0	1	0
- Long An	99	46	52	10	0	0
- Cuu Long	99	37	62	0	0	0
All areas	903	349	283	123	97	51

enterprises both in urban and rural areas. For the state enterprises the ceiling was initially set at 100 workers, but was subsequently raised to 200 workers to ensure a sufficiently large sample population. In the few cases where it was found after the enumeration that the enterprise exceeded the employment ceiling, the enterprises was still retained in the sample.

[9] For details on the survey and the survey results, see Per Ronnås. 1992. *Employment Generation Through Private Entrepreneurship in Vietnam.* New Delhi: ILO-ARTEP/SIDA.

The rural survey was undertaken in the provinces of Ha Son Binh, Vinh Phu and Quang Ninh in the north and Long An and Cuu Long in the south. It included altogether 400 non-farm enterprises; 232 household enterprises, 159 private enterprises, six partnership enterprise and three cooperative enterprises. In addition, 100 purely agricultural households were surveyed for comparative purposes. The small number of partnership and cooperative enterprises in the sample was due to the very small number of such enterprises in the selected survey areas. The selection and sample procedure in the rural areas was similar to that in the urban areas. Three districts with a high density of non-farm enterprises were selected in each of the provinces Ha Son Binh and Vinh Phu an two districts in Quang Ning. The district towns and some other small towns in the selected provinces were included in the sample area to ensure a sufficiently large sample population and because these towns have an agro-industrial base and for all practical purposes are part of the agricultural dominated rural economy. The rural economy in the Mekong delta, where the two selected provinces in the south were locate, is more diversified than in the north and there is a much larger number of non-agricultural enterprises. The survey in Long An province, which at the time had more than 1,200 non-agricultural enterprises, covered two districts. In Cuu Long province, the survey was confined to the districts of Long Ho and Vung Liem with a total of approximately 700 non-agricultural enterprises.

Table 1.2
Distribution of sampled enterprises in 1991 by main types of activities

	A	B	C	D	E	F
Urban, non-state	2.5	87.0	3.6	0.9	1.1	4.5
- Hanoi	3.1	90.1	2.3	0.0	1.5	3.1
- Haiphong	1.1	78.7	6.7	4.5	3.4	3.4
- Ho Chi Minh city	2.7	88.4	3.1	0.0	0.0	5.8
Urban, state	3.9	72.5	3.9	3.9	2.0	13.8
Rural, total	26.5	37.4	10.8	4.4	3.9	17.0
- Ha Son Binh	0.0	95.5	0.0	0.0	0.0	4.5
- Quang Ninh	25.0	26.6	3.1	4.7	3.1	37.5
- Vinh Phu	7.7	33.8	30.8	4.6	9.2	13.9
- Long An	36.6	17.2	10.8	6.5	4.3	24.7
- Cuu Long	48.5	2.3	10.1	5.1	3.0	6.1

A: Agro-processing; B: Manufacturing; C: Repair shops;
D: Trade & commerce; E: Restaurants, cafes; F: Other.

The focus of the survey was non-manufacturing enterprises (Table 1.2). Thus, 98.5 per cent of the surveyed non-state enterprises in the urban areas had manufacturing as their main activity. Of these, only 2.5 per cent were primarily engaged in the processing of agricultural produce. The distribution was more or less the same in the three cities. The focus on the manufacturing sector was reduced in the rural survey in view of the scarcity of genuine manufacturing enterprises in the countryside. Altogether 63.9 per cent of the surveyed rural enterprises had manufacturing as their primary activity. Of these, 26.5 per cent were engaged in agro-processing. An additional 10.8 per cent were repair shops. Restaurants, cafes and other trading enterprises made up 8.3 per cent of the sample and various other and mixed categories 17.0 per cent.

The survey revealed that in 1990 the average urban private enterprise provided employment for 13.7 persons and produced a total value added of 12,600 USD or 813 USD per worker. It's total assets averaged slightly more than 30,000 USD. The average urban household enterprise, which by definition is smaller, employed 4.8 persons, 3.7 of whom were unpaid household members, and generated a value added of 3,600 USD or 648 USD per capita. Partnership enterprises had roughly the same average size as private enterprises. Co-operatives tended to be considerably larger than private and partnership enterprises, particularly in terms of employment, but had lower labour productivity. Because of the skewed size distribution – with a small number of very large enterprises – the median size of the enterprise was much smaller than the average size. Thus, half of the private and partnership enterprises in the three main cities produced a total value added of less than 5,400 USD and a value added per worker of less than 500 USD in 1990. The majority of the household enterprises were very small. In the urban areas half of the household enterprises produced a total value added below 1,610 USD in 1990 and had less than 2,590 USD in total assets. The capital/labour ratio and labour productivity in these enterprises at the bottom of the scale was very low. Half of the urban household enterprises had less than 623 USD in total assets per worker in 1990 and produced a value added of less than 380 USD per worker. The differences in size and economic performance between the non-state enterprises in Ho Chi Minh City on the one hand and Hanoi and Haiphong on the other hand were very large. Value added per worker as well as total value added was on average 2.5 to 3 times larger in Ho Chi Minh City than in the two northern cities. Virtually all urban non-state enterprises used electricity and the vast majority also made use of power-operated machinery. Even among the urban household enterprises two thirds used some power-operated machinery and only 17 per cent relied on hand tools exclusively.

Rural non-state enterprises were much smaller and under-capitalised than urban, irrespective of the type of ownership. The average rural private enterprise employed 10.4 persons compared to 13.6 in the average urban private enterprise, but produced on average only half the value added of the urban enterprise. For the household enterprises the difference was even larger. The average capital base of the rural enterprises was only a fifth of that of their urban counterparts, while the difference in the average capital/labour ratio was in the order of one to three. This was also reflected in a much lower level of mechanisation in the rural areas. Almost half of the rural enterprises covered by the survey used hand tools only. The value added per worker in the rural household enterprises was only 55 per cent of that in the urban household enterprises. Almost half of the rural household enterprises produced a value added per worker of less than 200 USD in 1990 and less than a quarter of the enterprises produced a value added per worker in excess of USD 500. Clearly, a large number of rural household enterprises were nothing more than ”distress industries”, owing their existence to a want for other sources of incomes and yielding an income much below the subsistence level.

Many urban enterprises had a history that went well beyond the introduction of *doi moi* and no less than 60.5 per cent were established before 1988. In rural areas the agrarian reform in 1987 had acted as a catalyst on entrepreneurship and as a consequence most rural enterprises were quite young.

The survey results showed that access to capital determined who became an entrepreneur and who did not. It also determined, to a large extent, the scale of the enterprise. In household and private enterprises own capital and interest free loans from friends and relatives made up over 95 per cent of the total invested capital at the time of the establishment of the enterprise in the urban areas. For the rural enterprises the share was marginally lower. Bank loans and other forms of capital played a totally insignificant role as a source of capital. The average starting capital was very much determined by availability rather than need. Differences in access to capital also determined who set up a household enterprise and who could start a private enterprise.

Half of the private enterprises in the three largest cities started with more than 6,380 USD in capital, while less than half of the household enterprises had a starting capital in excess of 900 USD. The more limited access to capital in rural areas was reflected in much smaller initial investments in enterprises. Half of the rural household enterprises started with less than 300 USD and a similar proportion were established with less than 1,000 USD in capital. In view of this, it comes as no surprise that shortage of capital was stated as the main constraint at the time of the establishment of the enterprise by the majority of the enterprise managers.

The enterprises continued to operate in a pronounced cash economy after their establishment. The vast majority of them had no debts whatsoever. At the time of the survey, a mere eight per cent of the urban and two per cent of the rural enterprises had loans from banks and credit co-operatives. Transactions between enterprises were as a rule also on a cash basis and credit was seldom received or given. Lack of access to external sources of capital was also by far the most frequently cited constraint to growth. Two thirds of the urban and 55 per cent of the rural enterprises stated shortage of capital as the main constraint to the growth of the enterprise (Table 1.3).

Most of the urban enterprises were found to act primarily on the local market and to depend on a personalised and informal network of backward and forward linkages. The vast majority of them procured all their inputs locally and sold exclusively on the local market. Approximately a third of all inputs were procured from individual households, while the state sector and other non-state enterprises supplied 27 per cent each of the inputs. By and large the forward linkages resembled the backward ones in this regard. However, while the urban household enterprises depended primarily on individual households for their market, private, partnership and co-operative enterprises had strong links with the state sector. Approximately a third of the production of the private enterprises was sold to the state sector. Enterprises producing intermediary goods for other enterprises often had a close relationship with the purchasing enterprise. Production on advance order and sub-contracting arrangements was very common.

Rural enterprises could be divided into two broad categories: those selling primarily on the local market and those producing mainly for the market in the large cities. Altogether about two thirds of all sales were local, while large cities accounted for slightly less than a fifth.

Table 1.3
Main constraints to growth of enterprises

	Urban	Rural
Shortage of capital	54.9	65.7
Cannot afford to hire wage labour	3.8	2.2
Lack of skilled workers	3.6	2.2
Lack of technical know how	7.3	4.5
Limited demand for current products	23.1	23.6
Too much competition	16.0	13.2
Lack of marketing/transport facilities	27.8	19.2
Lack of raw material	14.0	4.2
Lack of energy	17.1	7.2
Interference by local govt. officials	0.7	3.7
Government policies uncertain	10.7	9.5

Remark: The enterprise managers were requested to list a maximum of three main constraints.

The poorly developed marketing and information channels and the fragmented and localised markets inevitably affected both the ease with which inputs were procured and the marketing of the enterprise’s own produce. About a third of both the urban and the rural enterprises experienced difficulties with the supply of raw material, although relatively few claimed that these problems were a main constraint to the growth of the enterprise. The supply of electricity was a more serious problem, particularly in the south. In Ho Chi Minh City over 70 per cent of the urban enterprises suffered from unreliable and inadequate supply of electricity. For enterprises in Hanoi and Haiphong this problem was much less acute. Rural enterprises were found to be severely disadvantaged vis-a-vis urban enterprises in terms of electricity supply. Only a third of the rural enterprises covered by the survey had the physical and/or economic possibility of using electricity, and of those who did 42 per cent complained about inadequate or unreliable supply.

Second to shortage of capital, market constraints were the most frequently cited impediment to growth. These took two forms: (i) competition from other enterprises and (ii) lack of distribution and marketing channels and of information resulting in an inability to sell beyond the local area, by consequence, a fragmentation of the economy into a large number of small local markets. The survey results clearly suggested that it was the second of these two forms of market constraints that posed the greatest problem for the non-state enterprises. Thus, ‘limited demand for current products’ and ‘lack of marketing and transportation facilities’ were much more frequently cited constraints to the growth of the enterprise than ‘too much competition’ was. The problem of poor marketing and distribution channels and market fragmentation was more severe in the north than in the south and much more severe in rural areas than in urban areas. They also affected small enterprises more than large enterprises.

The vast majority of the non-state enterprises covered by the survey provided full time employment on a regular basis for its work force. Broadly speaking, the first three or four workers were unpaid members of the owner household and all additional labour was wage labour. Thus the share of wage labour in the labour force was a function of the size of the enterprise: higher in urban than in rural areas and much higher in private than in household enterprises. However, even in rural areas casual and seasonal labour was rather insignificant. Approximately a third of the labour force was female in both urban and rural areas, although in rural areas female wage labour was relatively less common. The age structure of the enterprises mirrored their growth pattern over time. Household enterprises tended to have a comparably older labour force as enterprises were seldom founded by young people and as these enterprises employed little wage labour. The wage labour force in the non-state enterprises was quite young and concentrated to the 20-39 age bracket, reflecting the fact that most workers were recently recruited and that they tended to be recruited young. The type of development of the non-state enterprises obviously had considerable implications on the pattern of employment generation. Development of the non-state sector through growth of existing enterprises created wage employment opportunities for primarily young people. Development through proliferation of new enterprises resulted in self-employment for middle-aged workers in particular and for their family members. The lack of a formal capital market reinforced this situation, as in the absence of external capital few young people would have the resources required to establish their own enterprise.

The importance of the non-state enterprises as a source of employment of urban youth was underscored by the fact that their educational requirements tended to be less than those of the state enterprises. Thus, they were found to create job entries for youth with middle level education only, who in most instances would not meet the formal requirements for state employment.

Wage levels and patterns in the urban non-state enterprises were quite similar to those in the small state enterprises. Both mean and median wages were roughly the same as in the small state enterprises, despite the generally lower educational level of the work force in the non-state enterprises. However, variations in wage levels between enterprises in the non-state sector were larger than for the state enterprises, no doubt because of a higher correlation between labour productivity and remuneration in the non-state enterprises. Wages were found to be closely related to labour productivity and the economic performance of the individual enterprise. Among urban enterprises the correlation between the average value added per worker and the average wage ranged between 0.71 and 0.85. In the rural enterprises the correlation was weaker – 0.35 on average – but still significant. It would appear that in rural areas the levels of income in agriculture created a general wage floor. From the point of view of policy making this was an important observation as it indicated that improved labour productivity and economic performance of the enterprises was likely to be directly translated into higher incomes.

Table 1.4
Main types of government assistance desired by enterprise managers

	Urban	Rural
Removal of bureaucratic obstacles	6.7	17.2
Provision of premises, power & other infrastructure	41.6	19.2
Provision of easy credit	32.9	24.4
Restriction of imports	16.7	2.7
A more liberal import policy	10.0	3.7
Distribution of raw material	6.9	5.7
Assistance with technical knowhow	6.7	1.0
Provision of training facilities for workers	0.0	0.0
Assistance with marketing	9.6	0.5
Clarification of long term policies	23.1	18.4
Improved macro-economic policies	13.1	5.7
Other	21.6	29.4

The study concluded that active promotion of the private sector in both urban and rural areas would be a most efficient means of promoting employment and income generation. The capital labour ratio in this sector was very much lower than in the state enterprises and thus much more in tune with the relative scarcity of productive resources in Vietnam. Yet, wages and incomes in the non-state enterprises were *at par* with those in the state enterprises. Furthermore, production factors were more efficiently and fully utilised in the non-state enterprises than in the state enterprises. There was little slack in the use of production factors in the non-state enterprises and production growth in these enterprises could safely be assumed to result in an immediate expansion in employment and incomes. The close relationship between value added per worker and wage rates also suggested that increases in labour productivity would be directly translated into higher incomes for the work force.

Shortage of capital stood out as by far the most frequent and serious constraint to the development of the enterprises in the non-state sector. The financial system in Vietnam has traditionally been geared towards serving the needs of capital allocation within the frame of a centrally planned state economy and was in 1990 still ill-equipped to meet the need for efficient intermediation of capital in a multi-sector economy. From the point of view of economic efficiency it was clearly unsatisfactory that there were no mechanisms for channelling capital to those who needed it most and where it would have given the best returns. A number of factors lead to the conclusion that no single measure would contribute more to increasing employment and income generation than the creation of a financial system serving the non-state enterprises with credits on a strictly commercial basis. Thus:

- Lack of capital exercised a severe constraint on the growth of enterprises as investments were governed by the availability of own capital rather than by market opportunities and profitability.
- Growth of existing enterprises could be expected to be highly beneficial to employment and income generation, not least by creating wage employment opportunities for young people who lacked the means of becoming entrepreneurs themselves. The survey results also showed that labour productivity increased with the size of the enterprise as well as with the capital/labour ratio. Therefore, externally funded growth and consolidation of existing enterprises would not only increase employment but also labour productivity and, as a result, wags. At the same time, there was hardly any indication that capital replaced labour.
- Capital shortage slows down technological development, with a detrimental effect not only on labour productivity and incomes, but also on competitiveness and long term viability of enterprises.
- There were indications that lack of access to formal sources of credit had repercussions on employment practices. Thus, it had become common practice among urban enterprises to require workers to make a contribution in cash or kind to the enterprise at the time of recruitment. Such practice were likely to bar poor people from obtaining wage employment.

Provision of physical infrastructure, such as premises for enterprises and secure power supply was another area where government assistance was found to be needed. Inadequate physical infrastructure was a particularly severe problem in the rural areas. Lack of physical premises was a major constraint to the establishment of new enterprises in urban areas, in particularly in Hanoi, while inadequate supply of electric power was a major constraint to industrial development in Ho Chi Minh City and in rural areas in general.

The absence of an institutionalised labour market was found to be a less acute problem than the lack of a capital market. Yet, it was concluded that a gradual development of adequate labour market institutions would nevertheless be required to prevent inefficient labour intermediation from becoming a bottleneck to employment generation.

Poorly developed marketing and distribution channels and inadequate instruments for disseminating marketing information were found to hamper the growth of potentially successful enterprises at the same time as inefficient enterprises were shielded from competition. To some extent these are teething problems of a nascent market economy and could be expected to abate as markets become more developed. However, the Government could play an active role in reducing these problems by offering its services as an intermediary between customers and sellers. The frequent linkages between state enterprises and urban private enterprises implied that the fate of many private enterprises was linked to that of state enterprises and that the economic problems afflicting many state enterprises could have repercussions on many private enterprises.

Lastly, it was concluded that special attention needed to be paid to enterprises in rural areas. Rural non-agricultural enterprises were found to have an extremely important role to play as a means of diversifying the rural economy and labour market, providing an exit for surplus labour in agriculture and contributing towards a reduction of rural - urban differences in incomes and standards of living. Yet, the rural enterprises were on the whole ill-equipped to shoulder this role. Compared to urban enterprises they were small, economically weak, technologically backward and hamstrung by poor physical infrastructure and remoteness from markets. It was concluded that there was a real risk that large numbers of rural enterprises would be forced out of business as markets opened up and competition from other than local enterprises increased and that surviving enterprises would be marginalised and become 'second class' enterprises with antiquated production methods, low productivity and incomes. Government support to rural enterprises should in particular focus on the areas of capital, infrastructure, marketing and technology.

Developments in the 1990s

The success of the reforms initiated in the late 1980s has been most obviously manifested in a sharp increase in economic growth. The gross domestic product increased by an average rate of 7.9 per cent between 1990 and 1996, reaching well over 9 per cent in 1995 and 1996.[10] At the same time, inflation was brought under control, as it declined from over 67 per cent per year in 1990 and 1991 to less than five per cent in 1996 and 1997.[11] However, the high rates of economic growth have not translated into any substantial increase in non-farm employment opportunities and have done little to address the country's fundamental employment predicament.

Despite a fall in the share of agriculture in total GDP from 39.2 per cent in 1991 to 32.5 per cent in 1996, the share of the labour force in agriculture changed only marginally from 72.3 per cent to 70.7 per cent over the same period. Put differently, while manufacturing has accounted for well over a third of the growth in the GDP between 1990 and 1996, it has absorbed a mere 9 per cent of the increase in the labour force (Table 1.5). In the same period agriculture, more or less by default, absorbed three quarters of the increment in the labour force, although its contribution to the growth of the GDP was only 20 per cent. As a result the gap in labour productivity between agriculture and manufacturing has further widened.

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[10] Ari Kokko. 1997. *Vietnam 1997: Managing the Transition to Free Trade -- Vietnamese Trade Policy for the 21st Century.* Macroeconomic Report 1997:4 (Stockholm: SIDA) pp. 2-4.
[11] *Ibid.* P. 5.

Table 1.5
Structure of labour force and GDP by main economic sectors

	1990	1991	1992	1993	1994	1995	1996
Labour force, 1000	30,286.0	30,974.0	31,815.2	32,718.0	33,663.9	n.d.	36,097.6
% agriculture	72.3	72.6	72.9	73.0	72.8	n.d.	70.7
% industry	11.2	11.0	10.8	10.8	10.7	n.d.	10.4
% other	16.5	16.5	16.2	16.2	16.5	n.d.	18.9
GDP	n.d.	31,286	33,991	36,735	39,982	43,797	47,888
% agriculture	n.d.	39.2	38.6	37.1	35.4	33.9	32.5
% industry	n.d.	19.3	20.4	21.1	21.9	22.8	23.9
% other	n.d.	41.5	41.0	41.7	42.6	43.3	43.6

Remark: GDP in billion dong at 1989 prices. Labour force figures for 1996 are based on labour force survey and are not entirely compatible with earlier figures.
Sources: *Nien Giam Thong Ke 1995* (Statistical Yearbook 1995). (Hanoi: Statistical Publishing House, 1996). Pp. 29 and 59; *Nien Giam Thong Ke 1996* (Statistical Yearbook 1996). (Hanoi: Statistical Publishing House, 1997). P. 15; *Truc trang Lao Dong - Viec Lam o Viet Nam 1996* (Status of Labour - Employment in Vietnam). 1997. (Hanoi Statistical Publishing House, 1997) P. 405.

Table 1.6
Development of employment and production in manufacturing, by ownership form

	1990	1991	1992	1993	1994	1995	1996
Labour force, total	3,392.0	3,394.0	3,450.0	3,521.8	3,603.7	n.d.	3,759.9
- state sector	807.3	696.2	683.3	702.7	724.0	745.4	774.7
- non-state sector	2,584.7	2,697.8	2,766.7	2,819.1	2,879.7	n.d.	2,985.2
Production, total	6,631.2	7,228.0	8,242.0	9,324.0	10,631.0	12,114.0	n.d.
- state sector	4,111.4	4,589.8	5,332.6	6,125.9	6,931.0	8,007.4	n.d.
- non-state sector	2,519.8	2,638.2	2,909.4	3,198.1	3,700.0	4,106.6	n.d.

Note: Labour force in thousand employees, and production in billion dong at 1989 prices. Manufacturing includes construction. Non-state sector calculated as residual between total employment and state employment.
Sources: Nien Giam Thong Ke 1995 (Statistical Yearbook 1995). (Hanoi: Statistical Publishing House, 1996). Pp. 29 and 59; *Nien Giam Thong Ke 1996* (Statistical Yearbook 1996). (Hanoi: Statistical Publishing House, 1997). P. 31; *Truc trang Lao Dong - Viec Lam o Viet Nam 1996* (Status of Labour - Employment in Vietnam). 1997. (Hanoi Statistical Publishing House, 1997) P. 405.

The failure to translate economic growth into increased non-farm employment and income opportunities casts doubt on the sustainability of the present development pattern. Pressure on land is already very high in most parts of Vietnam and agriculture and a continued reliance on agriculture as the main source of employment creation will inevitably result in depressed labour productivity and incomes in this sector and in a widening gap in incomes between those fortunate enough to have a wage job and the vast majority of the population who continue to depend on agriculture for a living. With regard to the industrial sector, two tentative conclusions can be drawn from the above picture. Firstly, the effect of the sharp increase in foreign direct investments, mainly in the form of joint ventures with state enterprises, on employment and income generation has been relatively small. Secondly, despite economic liberalisation private small and medium scale manufacturing does not seem to have emerged as a forceful vehicle for employment generation.

A closer look at the manufacturing sector suggests that its dual nature with large state enterprises accounting for much of the industrial production but generating little employment on the one hand and small private firms which are much more important in terms of employment than in terms of production on the other hand has changed little in the 1990s.

While production in the state manufacturing sector almost doubled at constant prices between 1990 and 1995, employment actually declined by some 13 per cent in the same period (Table 1.6. This somewhat striking development may perhaps be seen as evidence of a successful restructuring of previously highly inefficient and over-staffed state enterprises and as such has not necessarily been a negative phenomenon. However, it also highlights the inability of the state enterprises to serve as a vehicle for employment generation at the same time as they are weaned of state support and subsidies and forced to operate under hard budget constraints. By contrast, in the non-state sector growth in production has been accompanied by a growth in employment, albeit at a slower rate. However, the magnitude of the development of the non-state manufacturing sector has barely been sufficient to offset the employment decline in the state sector and inadequate to serve as a major vehicle for employment and income generation.

Non-state and small and medium scale enterprises

There is not yet in Vietnam any authority specifically responsible for the activities of the, primarily non-state, small and medium size enterprises (SMEs), nor is the concept yet clearly defined. Among the definitions in operation, the following may be noted:

- Vietnam Industrial and Commercial Bank regards SMEs as those which have a labour force below 500 persons, a maximum registered capital of ten billion dong, a working capital of no more than eight billion dong and a monthly revenue of less than 20 billion dong.
- The Ministries of Labour, Invalids and Social Affairs and of Finance consider SMEs to be enterprises with a maximum of 100 workers, an annual revenue of less than ten billion dong and a registered capital of no more than one billion dong.
- A UNIDO-project on small and medium sized enterprises in Vietnam makes a distinction between small and medium sized enterprises. The former are those with no more than 30 workers and a registered capital of no more than one billion dong. The latter have a labour force between 31 and 200 workers and a registered capital below four billion dong.
- The fund for SME Development in the Vietnam - EU programme has set a lower as well as an upper limit and assists SMEs with 10 - 500 workers and a registered capital of 600 - 3,600 million dong.
- The fund for rural development of the State Bank regards SMEs as those with a total capital of no more than two million USD and a labour force of less than 500.

According to a survey by the General Statistical Office of some 1.9 million enterprises in 1995, 88.2 per cent of all enterprises have a total capital of less than five billion dong and 96 per cent have a labour force below 200. Using the former as criteria for defining SMEs, some 66 per cent of the state enterprises, 97 per cent of the collective and co-operative enterprises, 42 per cent of the share holding companies, 95 per cent of the limited liability companies, 34 per cent of the enterprises with foreign capital and virtually all private enterprises would fall into this category. However, these enterprises accounted for only about 20 per cent of the total registered capital in all enterprises, and only slightly more than half of these 20 per cent were in non-state SMEs. Thus, non-state enterprises and SMEs are not synonymous. There are state enterprises which are best described as medium sized, if not small, enterprises, at the same time as there are non-state enterprises which no longer can be classified as SMEs. In particular the share holding companies are generally too large to qualify as SMEs.

Since the launching of *doi moi* a number of laws have been enacted putting all forms of enterprises on an equal footing as far as rights and obligations are concerned. A law on private enterprises[12] and a law on limited liability companies and share holding companies[13] were enacted already in 1990 and were subsequently amended in 1994, while a new law on co-operatives was passed in 1996.[14] Other recent legislation pertaining to the operation of enterprises include a law on bankruptcy from December 1993, a law to encourage domestic investment from June, 1994, a new law on state enterprises from April 1995 and a law on value added tax and on business income tax from May, 1997.

Apart from this general legislation, a number policy decisions have been taken providing selective support to various types of enterprises and activities. Thus, a decision from 1995 provide tax exemptions and reductions for enterprises located in areas classified to be in need of special development efforts.[15] A decision from 1996 relates to the privatisation of small and medium sized state enterprises. Several schemes providing credit and other support to non-state SMEs are run by the Government as well as in the form of technical assistance projects by international and bilateral donors. The main purpose of these schemes is to promote employment and income generation.

In terms of sheer numbers, the development of domestic non-state enterprises has been quite impressive. The number of household enterprises more than doubled from 840,000 in 1990 to 2.2 million 1996, while the number of private enterprises increased from a very small base to 20,000. In the same period there was a net establishment of some 8,300 limited

[12] The Law on Private Enterprises was approved by the National Assembly of the Socialist Republic of Vietnam on December 21, 1990 and was subsequently amended by the National Assembly on June 22, 1994. *Luat Doanh Nghiep Tu'nhan* (Law on Private Enterprises). Hanoi: The National Political Publishing House, 1994.

[13] The Law on Companies was approved by the National Assembly of the Socialist Republic of Vietnam on December 21, 1990 and was subsequently amended by the National Assembly on June 22, 1994. *Luat Cong Ty* (Law on Companies). Hanoi: The National Political Publishing House, 1994.

[14] *Luat Hop Tac Xa* (Law on Co-operatives). Hanoi: The National Political Publishing House, 1996.

[15] Such as areas inhabited by ethnic minorities, mountainous areas and some coastal areas.

liability companies and 190 joint stock companies.[16] It would appear that the growth in non-state manufacturing has taken place primarily through an increase in the number of non-state enterprises rather than through a growth of the size of these enterprises. Thus, the average output per household enterprises in the manufacturing sector increased by a mere 22 per cent, from 8.3 to 10.1 million dong between 1990 and 1994. Among the "individual & mixed" enterprises the increase appears to have been higher; 37 per cent.[17]

The 1997 survey

The crucial role of private entrepreneurship and enterprise development in the current phase of Vietnam's development and, not least, the fact that a dynamic non-state manufacturing sector is a precondition for attaining the twin targets of successful restructuring and slimming state enterprises and expanding non-farm employment and income opportunities have prompted a need for more in-depth knowledge of the development of this sector in the 1990s and of economic and operational characteristics today. In particular, the ability of small-scale enterprises to survive and to grow is of crucial importance, not only as a means of employment creation, but also as a main component in a strategy for sustainable economic development and a more equal distribution of incomes. Yet, there is virtually no empirically based information available on the factors and conditions which determine whether or not new small scale enterprises survive and develop or the pattern and characteristics of their development.

To address this need of knowledge and in view of the possibility to use the successful survey undertaken in 1991 as a baseline it was decided in 1996 that the Institute of Labour Studies and Social Affairs together with the Stockholm School of Economics and with financial assistance from SIDA should undertake a new survey along the same line as the survey undertaken in 1991. The high quality of the previous survey, which was undertaken only a few years after the launching of *doi moi,* and the possibility to undertake a repeat survey of the same enterprises under virtually identical conditions – using the same survey methodology, the same team of researchers and enumerators in the field etc. – provided a unique opportunity to generate crucial information on the nature and pattern of development of small scale private manufacturing enterprises during the transition process as well as on their ability to generate employment and incomes, and on the factors which influence this ability. It was decided that the new survey should include a repeat survey of enterprises surveyed in 1991 as well as a survey of "new", that is not previously surveyed, enterprises,

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[16] Raymond Mallon. 1997. *Mapping the Playing field: Options for Reducing Private Sector Disincentives in Vietnam.* Mimeo. The figures refer to all non-farm enterprises.

[17] *Nien Giam Thong Ke 1995* (Statistical Yearbook 1995) pp. 173-174. (Hanoi: Statistical Publishing House, 1996). Pp. 29 and 59; *Nien Giam Thong Ke 1996* (Statistical Yearbook 1996). (Hanoi: Statistical Publishing House, 1997). P. 124-125. The source does not make clear exactly what "individual and mixed economy" enterprises include.

which were to be sampled and selected in the same manner as in 1991. Thus, the new survey would be able to address three core issues:

- What are the economic, operational and employment characteristics of private manufacturing enterprises today and how to they compare with those prevailing in 1991?
- What are the main factors determining the success or failure of small private manufacturing enterprises?
- What are the nature, pattern and employment implications of endogeneous development of small private manufacturing enterprises?

The new survey was undertaken in same three main cities as in 1991, that is Hanoi, Ho Chi Minh City and Haiphong and in two of the rural areas also covered by the 1991 survey, namely Ha Tay (formerly Ha Son Binh) in the north and Long An in the south. The survey had two components: A repeat survey of enterprises surveyed in 1991 and a survey of randomly selected other private manufacturing enterprises in the same locations.

Table 1.7
Distribution of repeat enterprises by location and form of ownership in 1990

	Urban			Rural		Total
	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An	
Total	60	80	87	72	72	371
In operation	42	62	50	46	42	242
-Household	5	16	17	30	16	84
-Private	14	22	11	15	26	88
-Partnership	10	9	8	1	-	28
-Collective	11	13	8	-	-	32
-State	2	1	6	-	-	9
-Other	-	1	-	-	-	1
Closed down	18	17	38	26	30	129
-Household	5	7	8	12	16	48
-Private	3	3	9	7	13	35
-Partnership	4	1	7	4	1	17
-Collective	5	4	11	2	-	22
-State	1	2	3	-	-	6
-Other	-	-	-	1	-	1

The repeat survey depended critically on the ability to identify the previously surveyed enterprises and matching them with the same enterprises today. During the 1991 survey each surveyed enterprise was given a unique numeric code. This code was attached to the other information on the enterprise in all the data files containing the survey results, to make it possible to merge variables from different files case by case. However, the actual name and address of the enterprise was not included in the data files. Thus the questionnaires completed in the field by the enumerators were the only means of linking the numeric codes with the names and addresses of the enterprise. As at the time of the 1991 survey there had been no thought of a repeat survey later, the questionnaires used had not been systematically preserved. After a fair amount of detective work almost 500 of the 713 questionnaires from the cities of Ho Chi Minh, Hanoi, Haiphong, Ha Tay and Long An were retrieved. From the two of the other three rural locations included in the survey in 1991, Cuu Long and Vinh Phu, only a small number of questionnaires could be retrieved, while it was decided to exclude enterprises in Quang Ninh (which had been one of the five provinces covered by the 1991 survey) altogether as the enterprises covered by the survey in this province in 1991 had been largely in the tertiary sector. After visits in the field to physically identify the repeat enterprises and deletion of purely agricultural households in the rural repeat sample and state enterprises in the urban repeat sample as well as some enterprises for which an absolutely certain match between the 1991 data and the present enterprise could not be made, the repeat sample was reduced to 356. In addition, some 15 state enterprises covered by the 1991 survey in the three main cities were also included in the repeat survey. Thus, in Hanoi 58 of the 135 non-state enterprises covered by the 1991 survey were included in the repeat sample, in Ho Chi Minh City this proportion was 79 out of 226, in Haiphong it was 81 out of 91, in Ha Tay 72 out of 72 and in Long An 72 out of 100. Approximately two thirds of the surveyed repeat non-state enterprises, 233 out of 356, were found to be still operating, while the remaining 123 enterprises had closed down operation for various reasons. Among the state enterprises covered by the survey 9 out of the 15 were still in operation.

In order to maximise the possibilities of comparison, ”same procedure as last time” was a guiding principle in all aspects related to the design and implementation of not only the repeat survey, but also the survey of ”new” enterprises. Thus, the questionnaire used for the repeat as well as the new survey was essentially the same as the one used in the 1991 survey, as were the definitions and concepts used in the questionnaire and to interpret the questionnaire. The sampling procedure, detailed below, was also identical with the one used in 1991, as was the mode of implementing the actual survey through personal visits and interviews. Most importantly, with a few exceptions the same enumerators who carried out the survey in 1991 also carried out the survey in 1997. This factor was considered as crucial in ensuring that the 1997 survey was undertaken in the same manner as the 1991 survey. It also facilitated and enhanced the result of the repeat survey as the enumerators often could remember the whereabout of the enterprises covered in the 1991 survey and could determine on the spot if the present enterprise in fact was the same enterprise as the one surveyed in 1991 or if the enterprise on the same premises today was a different one from the one surveyed in 1991.[18] Similarly, coding and data entry was essentially made by the same people as in 1991.

[18] Enterprises which had changed owner through inheritance, sale or privatisation of running firms were treaded as enterprises still in operation. Similarly, enterprises which had changed location, but not owner and line of business, were also treated as still in operation. However, which had changed owner while the enterprise was not operating or following bankruptcy as well as enterprises which had been closed down a year or more or which

Table 1.8
Main area of activity in 1990 of enterprises covered by the repeat survey

	Hanoi	Haiphong	Ho Chi Minh City	Ha Tay	Long An	All areas
In operation						
Agro-processing	1	1	1	0	13	16
Manufacturing	38	37	58	43	7	183
Other	3	11	3	1	19	37
Unknown	0	1	0	2	3	6
Total	42	50	62	46	42	242
Closed down						
Agro-processing	2	0	1	0	11	14
Manufacturing	15	33	13	22	3	86
Other	1	5	2	2	12	22
Unknown	0	0	1	2	4	7
Total	18	38	17	26	30	129

The greatest challenge posed to the principle of undertaking a survey which in all important respects was similar to the survey undertaken in 1991 was the transformation of the whole private sector which took place in the 1990s as a result of the market oriented reforms and overall development in the country. Thus new categories of private enterprises – joint stock companies and limited liability firms – had appeared on the scene, while the nature of cooperatives had changed fundamentally. In 1991 cooperatives were still synonymous with socialist collective enterprises. By 1997 the nature of these enterprises had changed entirely. The old type of collective enterprises had all but disappeared through closure, privatization or transformation into market oriented genuine co-operatives. These and other changes had to be taken into account in the design of the 1997 survey to ensure that the survey would results would reflect the actual picture. Thus, a few changes were made in the design of the 1997 survey. The most important of these refers to the stratification of the sample. In 1990 the survey in the urban areas had been stratified into four ownership categories; household enterprises, private enterprises, partnership enterprises and cooperatives. In addition a sample of 50 small state enterprises was surveyed in the three cities. For the 1997 survey it was decided to change the stratification somewhat. While the household enterprises and private enterprises were retained as individual groups, partnership were combined with cooperatives into one group.[19] In the rural areas the overwhelming predominance of household and private enterprises and the near absence of other types of enterprises had made stratification difficult in 1991. Thus, the 1991 rural survey covered almost exclusively household and private enterprises. In 1997 household and private enterprises were retained as two separate ownership categories for the purpose of stratification, while partnership, cooperative and

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had been formally declared bankrupt after 1991 were treated as enterprises no longer in operation, irrespective of whether an enterprise was operating in the same location at the time of the 1997 survey or not.

[19] In the subsequent analysis it was decided to analyse co-operatives and partnership enterprises in the urban areas separately as they were found to still display quite distinctive features.

limited liability enterprises were lumped together in a third category. At the outset of the survey it was decided to have a sample of 120 enterprises in each of the two largest cities – Hanoi and Ho Chi Minh City – and a sample of 100 in Haiphong. It was also decided to aim to include at least 30 enterprises of each of the three main ownership categories in the sample in each of the cities. In the rural areas the total sample set was set at 80 in each of the two provinces covered by the survey, with the provision that at least 30 household enterprises and 30 private and other forms of non-state enterprises should be included in the sample in each of the provinces. As can be seen from Table 1.9 these targets were by and large met. In Ho Chi Minh City the target of 30 household enterprises was not met, apparently because many small enterprises which, judging by their small size and limited use of wage labour, would normally be considered household enterprises, but were registered as private enterprises.

Table 1.9
Distribution of new enterprises by location and form of ownership in 1996

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An	All locations
Household	41	24	33	46	49	193
Private	3	35	26	20	28	112
	(350)	(1,767)	(85)	(112)	(368)	
Partnership	15	11	13	13	1	54
Collective	25	12	20	2	3	62
	(267)	(317)	(171)	(59)	(12)	
Limited liability &	34	35	9	1	2	81
share holding	(979)	(2,069)	(140)	(20)	(18)	
All forms	119	117	101	82	83	502
Agro-processing	14	10	16	3	28	71
Manufacturing	105	107	85	79	55	431

Note: Figures in parentheses refer to total number of enterprises as of July, 1995. The total number of enterprises for co-operatives includes partnership enterprises. For household enterprises no information about the total number was available. Limited liability includes share holding/joint stock companies.

Other criteria for determining and delimiting the population of eligible enterprises for the survey were:

- The enterprise should primarily be engaged in manufacturing or agro-processing. In the 1991 survey this rule was somewhat relaxed in the rural survey due to the lack of manufacturing units. However, this was not the case in the 1997 survey.
- The size ceiling was set at 100 employees, which coincided with the de facto ceiling applied in 1991. However, it was determined a priori to use this ceiling for sampling purposes only and not to subsequently disqualify enterprises if in the course of the survey it was found that the number of employees marginally exceeded 100.
- The enterprise should have at least one full time permanent worker, whether paid or unpaid. This corresponds with the rule applied during the 1991 survey.

- The enterprise had to belong to the private sector. Thus, no state enterprises were included. In the 1991 survey some 50 state enterprises had been included in the survey for comparative purposes. This was not the case in the 1997 survey.
- Enterprises providing only labour and no other inputs of their own were excluded.
- Only enterprises established prior to January 1, 1996, were included as for most variables the reference in the survey was the calendar year of 1996.

Table 1.10
Stratification of enterprise sample in 1991 and 1997

Year	Area	Stratified sample categories
1991	URBAN	Household enterprises
	Hanoi	Private enterprises
	Haiphong	Co-operatives
	Ho Chi Minh	Partnerships
	RURAL	Household enterprises
	Ha Son Binh	Private enterprises
	Quang Ninh	Co-operatives
	Vinh Pu	Partnerships
	Long An	
	Cuu Long	
1997	URBAN	Household enterprises
	Hanoi	Private enterprises
	Haiphong	Ltd. liability & share holding companies
	Ho Chi Minh	Co-operatives and partnerships
	RURAL	Household enterprises
	Ha Tay	Private
	Long An	Co-operatives and partnerships

Note: 1991 excl. state enterprises. Ha Son Binh in 1991corresponds roughly to Ha Tay in 1997

Within each of the three urban areas and the two rural areas, the survey was carried out in the same urban quarters and rural districts as the 1991 survey.[20] Only in cases where the total number of eligible enterprises in the quarter/district proved to be insufficient was the survey extended into a neighbouring quarter/district. As in the previous survey, the official lists of registered enterprises were used to obtain the population of enterprises. As household enterprises register with the local precinct/commune authorities, while all other types of enterprises have to register with the city/province authorities, the lists of enterprises had to be obtained from several different sources. Information on household enterprises was obtained from the precinct/commune authorities, while information on the other types of enterprises was obtained primarily from the Departments of Industry and Handicraft at the district level, but also from the Departments of Industry and the Departments of Labour at the city/provincial level. After excluding the repeat enterprises already surveyed in 1991 from these lists as well as enterprises which did not meet the criteria listed above, the revised lists

[20] For administrative purposes the three large cities are divided into quarters and provinces are divided into districts.

were used as a basis for selecting the sample. The sample was selected at random, while adhering to the principle that the stratification criteria should be met. In order to allow for discrepancies between the enterprise lists and reality and for incidences of absence of the owner or manager of the enterprise or refusal to cooperate in the survey the sample drawn was 30 per cent larger than the desired sample size. In the event approximately 25 per cent of the sampled enterprises could not be covered by the survey for various reasons. In about a third of the cases this was due to a refusal by the owner or manager to cooperate, while in the remaining two thirds of the cases it was due to the absence of the owner or manager or because it was found that the enterprises did not actually belong to the survey population, for instance because it did not engage in manufacturing or agro-processing.

The survey was carried out in several steps. Following the design of the draft questionnaires and the survey methodology a pilot survey of some 40 enterprises was organised in Hanoi and Ha Tay in June and July, 1997. The experiences of this pilot survey were analysed and discussed at an informal workshop in Hanoi in August, 1997. On this occasion minor revisions of the questionnaire and of the instructions to the enumerators were also made. Following the workshop a training course was held with the enumerators. This provided an occasion to identify, clarify and iron out remaining ambiguities and possible sources of misinterpretation. As the enumerators had considerable prior experience, the training course also took the form of a discussion and yielded much valuable feedback. The actual survey was undertaken in two stages. During the first stage, the enumerators went to the survey areas to identify the repeat enterprises and to obtain the complete lists of enterprises from the local authorities. The identification of the repeat enterprises was an important and time consuming task. In many cases the enterprises had changed location or owner since the survey in 1991 and determining if the enterprises were still in existence and their whereabout often involved considerable detective work. On the basis of these visits updated lists of the repeat enterprises were prepared and random samples of the new enterprises to be surveyed were drawn. During the second stage the actual survey was undertaken. The survey was launched in October, 1997, and was completed 1 ½ months later. An initial checking and cleaning of the data was undertaken in the field. Following data entry a second round of data cleaning was undertaken and the data files for the repeat enterprises were merged with the data files from 1991 survey.

2 General Characteristics[21]

Size and efficiency

The biggest firms in this survey are found in Ho Chi Minh City, where, each firm has on average 24 persons in the work force, 22 of whom are wage workers (Table 2.1). This is in sharp contrast to manufacturing enterprises in the rural areas, but also higher than in Hanoi, where the average work force is made up of about 17 people, and much higher than in Haiphong where the labour force is approximately 12 persons on average. [22]

Table 2.1
Main economic characteristics 1996, by location

	Hanoi	Ho Chi Minh City	Haiphong	Long An	Ha Tay
Total income	798,439	1,846,500	334,848	272,745	316.568
Value added	225,164	554,865	112,484	84,699	124,207
Wage cost	88,470	177,889	46,862	24,442	42,240
Profit	70,614	141,725	34,360	36,708	31,176
Taxes	24,455	101,086	9,465	9,371	3,590
Assets	749,947	979,455	468,794	175,882	330,714
Debts	58,747	63,301	24,204	1,392	31,592
Labour force	17.2	23.6	12.4	6.9	13.1
- full time	15.7	22.7	10.4	5.1	11.2
Wage workers	15.8	22.3	10.1	4.7	10.3
- full time	14.2	21.4	9.2	3.0	8.8
Value added/worker	11,664	23,368	8,330	12,259	7,814
Assets/worker	42,602	48,630	33,586	23,548	18,022
Value added/asset	402	833	463	911	592
Debt/asset	3.3	3.5	3.9	2.1	3.6
Wage cost/worker	5,447	8,323	4,241	5,704	4,344
% wage workers	80.1	92.9	72.2	54.6	42.3
% profit/own assets	13.9	21.9	18.6	49.9	20.7

Note: Five per cent trimmed mean figures. Monetary data in thousand dong.

Small firms in Ho Chi Minh City are in fact quite distinctive from other Vietnamese undertakings in this survey, practically regardless of what factor is used to measure size. In terms of total income, the average Ho Chi Minh City business presents figure close to two billion dong, more than twice that of Hanoi, and at least five times that of Haiphong (Table 2.1). Quite illustrative is the comparison that while about 25 per cent of the enterprises in Hanoi have total incomes exceeding 1.2 billion dong, about half of the surveyed firms in Ho

[21] This and subsequent chapters refer to the survey of not previously surveyed enterprises. For details on the structure of the sample, see Table 1.9 Except where otherwise stated, all monetary figures refer to Vietnamese dong at end-1996 prices. At the time of the survey, one USD was approximately 11,600 dong.

[22] There were no limited liability or share holding enterprises in the 1991 survey, thus such data is missing in comparisons on ownership basis between 1991 and the present survey. The group 'other' in rural areas contains partnership enterprises, co-operatives etc., which are too few to constitute own groups, but which still contribute to a more comprehensive picture of the rural enterprise structure. There were no such group either in 1991, hence making comparisons impossible.

Chi Minh City report figures above that line, and in Haiphong, the proportion is one out of ten (Table 2.2). The average level of value added for enterprises in Ho Chi Minh City, 555 million dong, describes the average for Hanoi only when divided in half, i.e. about 225 million dong, and this sum can, in turn when halved once more illustrate the average at 112 million dong for Haiphong. More than half the surveyed Haiphong and Hanoi undertakings have value added levels below 100 million dong, while this can not even be said for 10 per cent in Ho Chi Minh City. Also in terms of asset values, Ho Chi Minh City hosts the largest of the surveyed enterprises, approaching one billion dong on average. Here, the differences between the cities are not of the same magnitude, but there is still a 250 million gap down to the average value of assets among the surveyed firms in Hanoi, and another 300 million down to the Haiphong average at 469 million dong. And if about one fourth of the small businesses in Ho Chi Minh City have assets below 300 million dong, the share is about the double in Hanoi, and 64 per cent in Hai-phong.

Table 2.2
Size structure of enterprises 1996, by location

	Hanoi	Ho Chi Minh City	Haiphong	Long An	Ha Tay
Percentiles					
Total income					
25	122,950	416,250	67,500	56,000	17,181
50	248,400	1,091,615	160,000	151,000	62,290
75	1,210,000	2,561,515	593,750	300,000	423,068
90	3,200,000	6,429,355	1,296,970	1,132,520	1,570,000
Value added					
25	50,000	179,558	29,036	26,800	9,461
50	94,800	354,000	70,078	55,440	31,052
75	351,927	726,530	152,532	122,000	129,716
90	801,349	1,659,180	439,040	273,408	536,021
Total assets					
25	130,000	283,200	100,000	19,200	24,750
50	312,000	565,000	210,000	113,500	56,500
75	1,306,500	1,301,143	709,750	260,000	358,378
90	2,390,000	3,116,000	2,084,000	634,000	1,539,400

Note: All figures in thousand dong.

This implies that changes of quite impressive magnitudes have taken place in the past six years in the size of enterprises in Hanoi and Ho Chi Minh City (Tables 2.1 and 2.3). The average level of income among enterprises in Hanoi was 238.5 million dong in 1990, and that of assets 759 million dong, hence, the growth rate of small scale enterprises in these terms in Hanoi exceeds 200 per cent, and that of value added is slightly less than 190 per cent. The increase in income and assets in Ho Chi Minh City is somewhat less, about 140 per cent, but 155 per cent in terms of value added, up from 218 million. The average small undertaking in Hanoi has grown from approximately 19 million dong to 225 million, or 186 per cent, when value added is used as reference. There has been some change in the use of labour as well, but not at all at the same rate as income, or capital. The average labour force was 12.4 people in

Hanoi in 1990 and 17.2 in 1996, hence the growth rate is less than 40 per cent. Also in Ho Chi Minh City, there is a gap between growth of labour and capital, but not as large as in Hanoi: the average labour force consisted of some 13 people in 1990, and the 1996 level of 24 people implies a growth rate of 77 per cent. But while the enterprises are growing in Hanoi and Ho Chi Minh City, they seem to be shrinking in Haiphong. The average level of income in 1990 was 356 million dong, to be compared with 335 million in 1996, and the value of assets was higher as well in 1990, implying a standstill or a rate of decline of about five per cent over six years. The average labour force has been cut with five persons, or close to 30 per cent, since the survey in 1991.

Table 2.3
Main economic characteristics 1990 in 1996 prices, by location

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay
Total income	238,557	758,400	355,931	76,866
Value added	78,739	217,865	110,447	35,763
Assets	244,093	422,370	494,831	24,957
Labour force	12.4	13.3	17.3	9.5
Assets/worker	17,595	35,382	26,165	2,348
Value added/worker	6,968	16,274	6,443	3,946

Note: Five per cent trimmed mean figures in thousand dong. To recalculate 1990 figures to 1996 year prices, figures referring to monetary flow (income, value added, costs, taxes and profit) were inflated 3.85 times, while figures referring to stock at end of year were inflated 2.79 times.

Small enterprises in Ho Chi Minh City are relatively impressive not only in 'quantity', but in quality as well. Among the surveyed enterprises in Hanoi, for instance, each worker has, on average, 88 per cent of the assets of a worker in Ho Chi Minh City at his or her disposal (Table 2.1). Yet, value added per worker in Hanoi is only 50 per cent of that of Ho Chi Minh City on average, while wages are about 65 per cent. The surveyed firms in Haiphong have less capital at their disposal on average, 33.6 million dong on a per worker basis, resulting in a value added of 8.3 million, or about 36 per cent of that in Ho Chi Minh City, while Haiphong average wages correspond to some 51 per cent.

Also when comparing the state of the small scale enterprises on a per worker basis, in 1990 and in 1996, it is obvious that the businesses in these urban areas differ in present state as well as direction. In Hanoi, average capital per worker was 17.5 million dong, thus a growth of 142 per cent over the six years to 1996 (Tables 2.1 and 2.3). However, per employee value added has grown less than 70 per cent, from about 7 million in 1990 to 11.7 million dong in 1996. The establishments in Ho Chi Minh City show a more coherent development. Here, the average value of capital per worker was approximately 35 million dong in 1990, resulting in a value added on a per worker basis of 16 million. Six years later, these indicators have grown 37 and 44 per cent on average, and the relative relationship there between is practically unaltered. Rather encouraging is how the enterprises in Haiphong show higher levels of value added per worker, on an average basis, than in 1996, up from 6.4 million dong, quite in contrast to diminishing total incomes and assets. The growth in value added per worker is, however, 29 per cent over a six year span and hence not too impressive. This increase has also been accompanied by a growth in average assets per worker, up 28 per cent from 26 million dong in 1990.

The size of the labour force appears to differs rather much between the rural areas: on average seven in Long An and 13 in Ha Tay (Table 2.1). But at a closer range, these figures reveal rather little about the true relative size of the rural enterprises in the survey. In Long An, not one single firm has a work force of more than 40 people, while in Ha Tay the maximum is about 90. Still, in both areas half of the enterprises surveyed have five or less persons in the labour force. Also the number of wage workers as given in Table 2.1 is misleading. More than half of the firms in Ha Tay have only one person or less employed on a wage basis, hence, actually less then in Long An where half the businesses included in the survey have three wage workers, or more.

This calls for a closer screening also of other indicators in Ha Tay. The average level of total income, some 14 per cent lower in Long An, should be complemented with how half of the enterprises here are found on either side of the 150 million dong line, while the share below this level in Ha Tay is 65 per cent (Table 2.2). The difference in average value added is almost 40 million dong, 32 per cent, but while half of the firms in Long An present a value added of more than 55 million dong, the limit has to be lowered to slightly less than 30 million dong in order for as large a proportion of the undertakings in Ha Tay to be included. To the apparently higher asset values in Ha Tay needs to be added that in Long An, 50 per cent of the surveyed undertakings have assets worth at least one billion dong. In Ha Tay, only 15 per cent of the enterprises can present such high values. It is thus not a too daring conclusion that the smallest proportion of enterprises in Ha Tay is even tinier than the smallest share of surveyed firms in Long An. But on the other hand, the biggest enterprises in Ha Tay are larger than the biggest in Long An. A comparison with the survey made six years ago is unfortunately useful only for Ha Tay[23], but reveals a growth in asset value ten times over (Tables 2.1 and 2.3). Average total incomes have grown by more than 300 per cent over these six years, up from 77 million dong, while value added has increased by almost as much, slightly less than 250 per cent. While digesting these findings, what has been said above about the wide range in the Ha Tay sample should be kept in mind.

When comparing the present state of the two rural areas on a per worker basis, it is the small enterprises in Long An which look more impressive. With 23.5 million dong in assets per worker on average, they produce a value added, per worker, of 12.3 million (Table

[23] This is due to the high rate of repair shops and other small service undertakings located in Long An at that time, undertakings which accordingly had very little equipment, and for which levels of value added etc. do not really say anything when put in relation to 1996.

2.1). The staff in Ha Tay has on average 76 per cent as much capital per head, and get just as high a proportion of Long An wages, but produce on average 63 per cent, or 7.8 million, of the value added. And in fact, Long An is the only area which, on an average basis, can measure up with Ho Chi Minh City. Long An workers have approximately 48 per cent of the assets per worker in Ho Chi Minh City, but produce 52 per cent of the latter value added per worker. And, to be noted, they get on average 69 per cent of the wages of Ho Chi Minh City workers.

As mentioned already, the Long An sample did not allow a comparison between 1996 and 1990, but for Ha Tay, the contrast, on a per worker basis, reveals that efficiency has not managed to keep up with the earlier mentioned impressive changes. Each worker had, on average, 2.3 million dong worth of capital in 1990, resulting in value added per worker levels of 4 million dong (Table 2.3). Assets per worker in 1996 is 18 million dong, enabling average value added levels per worker of 7.8 million (Table 2.1). This means that the latter indicator has increased by 12 per cent per year approximately, or almost doubled over the six year span. However, each worker got, on average, 700 per cent worth of new equipment over the same time.

The same kind of enterprise, that is in terms of ownership, looks very different depending on whether situated in an urban or a rural area. Household enterprises in the rural areas have an average labour force of less than four people, and more than half of the establishments do not have any employees what so ever (Table 2.4). Household firms in the cities have a staff of about six people, and only one fifth of the establishments have no employees. The average proportion of wage workers in the labour force is also of quite different magnitudes between these forms of enterprises. The average level of income is 62 million dong for rural household enterprises, yet, half of them do not even reach above 40 million (Table 2.5). The urban equivalence in terms of income is 209 million, but not more than one third of the undertakings in the cities surpass this level. In terms of assets, household undertakings in urban areas are, on average, about three times as large as their rural counterparts, 152 million as compared to 46 million, but both averages are slightly high, and reached by only 35 per cent within the respective area. The rural average value added level, 28 million dong, is a fairly good indicator of the structure of the household industry, but the urban average, 69 million, is too high for 65 per cent of the urban household enterprises.

The difference between rural and urban private enterprises is not of the same magnitude as that within household industries. About 22 persons are working in the urban private enterprises and 17 in the rural ones, but in the former, a higher share, 89 per cent, work for wages while the proportion is 77 per cent in the rural private enterprises. Average total income for the surveyed urban private firms is 1,274 million dong, about 1.5 times that of rural private enterprises. The urban-rural difference is of a higher magnitude when value added is concerned, 216 million dong in rural areas compared to 428 million in urban, and half of the rural ones do not even reach 115 million dong in value added. In terms of assets, rural private enterprises have approximately 40 per cent, 434 million dong, of that of urban private undertakings, and again, about one half of the former do not have machinery and equipment worth more than 250 million dong, a level exceeded by some 75 per cent of the latter.

Table 2.4
Main economic characteristics 1996, by ownership form

	Urban					Rural		
	House-hold	Private	Partner-ship	Co-opera-tives	Ltd. & share hold.	House-hold	Private	Other forms
Total income	208,797	1,273,722	322,269	1,061,546	2,680,609	62,113	868,500	1,521,963
Value added	69,469	428,378	125,780	313,701	702,404	27,841	216,321	416,506
Wage cost	21,729	156,852	51,210	137,018	208,187	5,449	71,165	141,717
Profit	28,906	93,250	35,395	80,765	220,077	15,214	77,989	74,771
Taxes	6,733	65,326	17,527	40,473	108,750	929	16,998	31,158
Assets	152,143	1,091,977	322,687	741,351	2,104,457	45,933	433,697	1,479,978
Debts	899	72,533	556	76,661	220,071	404	26,875	136,162
Labour force	5.7	22.5	10.8	26.0	31.9	3.5	17.2	30.0
- full time	5.3	21.6	10.6	21.4	29.7	3.0	14.1	24.7
Wage workers	3.6	20.7	9.8	24.3	30.5	1.2	14.5	27.4
- full time	3.4	20.0	9.6	21.1	28.3	1.0	11.2	22.8
Value added/worker	10,982	17,455	10,934	12,006	21,322	7,699	13,656	14,545
Assets/worker	28,015	51,759	29,276	30,299	71,453	12,565	29,022	50,709
Value added/asset	608	577	707	541	442	1,024	608	377
Debt/asset	0.7	5.4	0.3	7.5	7.4	1.5	3.7	7.0
Wage cost/worker	6,027	7,253	5,165	4,837	6,875	5,136	5,250	5,091
% wage workers	53.6	88.8	91.5	95.5	94.6	25.7	76.7	87.4
% profit/own assets	32.3	16.9	17.1	13.1	13.7	65.6	26.8	9.2

Note: Five per cent trimmed mean figures. Monetary figures in thousand dong.

Urban partnership enterprises fall somewhere in between urban household and rural private enterprises in terms of size. The labour force is not more than 11 people, but the share of wage workers is rather high, 92 per cent, thus approaching the levels of the limited liability and share holding companies. That is, on the other hand, the only aspect in which these two enterprise forms resemble each other. Partnership undertakings have incomes of 322 million on average, but a few large observations distorts this indicator, and only 30 per cent have such high incomes. After costs, this results in an average value added of 126 million, still slightly too biased to include the majority of the sample. Co-operatives are also a rather dispersed lot, where the fourth with the lowest incomes are below 162 million, while the 25 per cent with the highest incomes are above 1.5 million dong. The average work force is 26 people, but about half of the surveyed co-operatives have a staff of 13 persons at the most. Limited liability and share holding companies is an even more scattered group in terms of size, where the smallest undertaking has five and the largest 215 persons in the work force. The average income of 2.7 billion dong is surpassed by one third of the surveyed firms sorting under this category, while about half have incomes exceeding 1.5 billion. The average value added at

702 million dong is by far the highest for all ownership forms, but then again, the work force has a total asset value of more than two billion on average to produce such results.

Table 2.5
Size structure of enterprises 1996, by ownership form

	Urban					Rural		
	House-hold	Private	Partner-ship	Co-opera-tives	Ltd & share hold.	House-hold	Private	Other forms
Percentiles								
Total income								
25	67,825	346,200	152,880	162,000	567,893	20,800	158,500	323,463
50	122,425	780,646	215,000	450,000	1,554,725	42,000	315,000	790,000
75	333,500	2,024,025	375,022	1,560,575	3,386,250	91,000	1,156,875	1,657,763
90	655,464	4,289,363	1,199,000	4,153,234	10,811,645	173,704	4,200,000	10,951,755
Value added								
25	21,071	117,105	63,733	75,889	192,638	10,000	76,058	120,435
50	49,555	317,540	87,542	117,283	503,540	22,400	117,875	269,950
75	111,635	666,678	198,829	533,275	911,139	41,024	302,067	533,375
90	203,208	1,507,759	318,810	953,158	2,280,635	71,600	760,341	1,808,466
Total assets								
25	48,300	281,250	90,600	196,790	495,500	12,700	133,400	334,000
50	121,555	644,500	202,000	653,000	1,331,643	31,000	260,000	847,500
75	230,375	1,520,642	493,350	1,122,000	2,688,389	64,000	640,000	2,050,000
90	472,820	3,830,000	1,045,000	1,908,340	6,969,000	141,680	1,504,600	5,179,000

Note: All figures in thousand dong.

A small comparison deserves to be made in terms of efficiency between the different ownership forms as well. Using urban private enterprises as a basis might be the most useful since these are not too small, like household firms, to be completely unable to attract capital from banks, and not too big, like limited liability and joint ventures, to constitute ‘islands’ with very few link with the rest of the Vietnamese economy. Their urban location gives a somewhat more true picture of the performance of the enterprise as such, less restrained by infrastructural deficiencies. In urban household and partnership enterprises, workers have slightly more than half the assets per worker when comparing with urban private enterprises, but manage to produce about 63 per cent of the value added. Limited liability and joint ventures, on the other hand have 71 million, or 138 per cent, of the assets per worker of urban private firms, and the average value added per worker is 122 per cent. Rural household enterprise workers have 22 per cent of the urban private firm worker’s assets at hand, but produce 44 per cent of the average worker’s value added. Wages do, however, not follow value added per worker very strictly, at least not on average terms. Wages in urban household and partnership enterprises are 83 per cent and 71 per cent of that of urban private enterprises respectively. Limited liability and joint ventures pay 95 per cent on average, while rural household enterprises give their workers slightly more than 70 per cent of what urban private firms pay.

On average 98 per cent of the owner families of household and private enterprises in Ho Chi Minh City derive most of their income from the enterprise (Table 2.6). The share is about the same everywhere, fluctuating somewhere around 95 per cent in urban as well as rural areas, except for the somewhat lower 75 per cent in Hanoi. In general, private enterprises seem to be the main source of income to a somewhat greater extent than household firms, in the cities as well as on the countryside (Table 2.7). About two members of the family are occupied full time in the business, slightly fewer in urban than in rural areas, and approaching three among rural private enterprises when screened by form of ownership. Hardly any family member works on a part time basis though, irrespective of type of enterprise or location.

Table 2.6
Ownership characteristics, by location

	Hanoi	HCM City	Hai-phong	Long An	Ha Tay
Household members working in enterprise[a]					
full time	1.7	1.9	1.6	2.0	2.2
part time	0.4	0.1	0.3	0.2	0.6
Enterpr. main income[b]	74.4	98.3	96.5	96.1	92.2
Change househ. inc.					
declined 1989-90	21.4	43.8	17.3	12.2	27.5
declined 1990-96	27.9	5.1	1.8	19.7	12.5
no change 1989-90	34.3	19.0	38.5	22.4	13.0
no change 1990-96	39.5	6.8	17.5	22.4	4.7
increased<=25%	7.0	61.0	28.1	25.0	31.3
increased 26-50%	11.6	22.0	15.8	13.2	21.9
increased 51-100%	7.0	3.4	22.8	14.5	9.4
increased >100%	7.0	1.7	14.0	5.3	20.3

a) Averages.
b) Enterprise is main source of income to the owner household (applies to household and private enterprises only).
Figures in shaded areas refer to the 1991 survey.

In Hanoi, where the family business is the main income for a lesser share than in other areas, as much as two thirds of the owner families have experienced a decline or stand still in income since 1990 (Table 2.6). In Ho Chi Minh City, the share in the equivalent position is 12 per cent, and some 60 per cent have seen household incomes grow less than (or at the most) 25 per cent. Haiphong has almost one fifth with no change or a decline in income, but on the other hand more than half have experienced growth rates exceeding 25 per cent over the past six years, and more than one third mention rates above 50 per cent. Since 42 per cent in Long An, but only 17 per cent in Ha Tay report incomes at the same level as, or even less than, in 1990, it is difficult to find any patterns or trends as for rural or urban, northern or southern areas. However, in terms of ownership, a higher share of household than private enterprise owner families have seen their income decline or remain at the same level as it was six years ago, both in urban and rural areas (Table 2.7). Relating this to the answers given in the previous survey, at that time concerning the change in income from 1989, things are looking bright for most entrepreneurs. The exceptions are Hanoi and Long An, where somewhat growing shares are experiencing declining or unchanged incomes (Table 2.8), but when screened in terms of ownership, the only negative tendency is the higher share among urban household enterprise owners for whom incomes have not grown (Table 2.7).

Table 2.7
Ownership characteristics, by ownership form

	Urban		Rural	
	Household	Private	Household	Private
Household members working in enterprise[a]				
full time	1.8	1.8	1.8	2.7
part time	0.4	0.1	0.4	0.2
Enterpr. main income[b]	85.6	100.0	92.6	97.8
Change househ. inc.				
declined 1989-90	26.7	9.0	39.6	24.6
declined 1990-96	15.5	1.6	18.9	11.1
no change 1989-90	17.6	10.4	31.5	24.6
no change 1990-96	28.9	4.8	13.7	15.6
increased<=25%	26.8	46.8	33.7	15.6
increased 26-50%	11.3	25.8	14.7	22.2
increased 51-100%	12.4	9.7	10.5	15.6
increased >100%	5.2	11.3	8.4	20.0

a) Averages.
b) Enterprise is main source of income to the owner household.

Operational conditions and equipment

The physical prerequisites for small scale entrepreneurship appears to have improved considerably in the 1990s, especially in rural areas. In every area covered by the survey, rural as well as urban, a majority of the enterprises are located in premises mainly devoted to non-residential use (Table 2.8), and it is only when categorisation in ownership forms are added that a 57 per cent of rural household industries are found to be in buildings which primarily serve as the owners' residence (Table 2.9). For Ho Chi Minh City, this is a rather significant change, compared to the survey six years ago. Then, close to 30 per cent of the small firms were still occupying a part of the owners' house, compared to five per cent in the 1997 survey (Table 2.8). Haiphong is, on the other hand, experiencing more of a standstill. A slightly higher share of the 1997 survey enterprises are located in owners' residence home, and a few less are located in only non-residential premises than was the case in 1990, but indeed the changes are very small. Viewed from the angle of ownership, the major shift has occurred among the household firms, which to more than 70 per cent were located in the owners home premises in 1990 but less than 50 per cent in 1996 (Table 2.9). Urban partnership enterprises are instead located 'at home' to a somewhat greater extent today than was the case six years ago.

Table 2.8
Premises and equipment, by location

	Hanoi	HCM City	Hai-phong	Long An	Ha Tay
Premises					
mainly res. 1991	37.6	28.3	20.0	-	-
mainly residential	27.7	5.1	21.8	33.7	49.4
mainly non-residential	40.3	38.5	33.7	53.0	18.3
only non-residential	31.9	56.4	44.6	13.3	31.3
Premises, ownership					
100% by entrepreneur	58.8	37.6	65.3	80.7	74.7
partly by entrepreneur	15.1	6.8	22.8	4.8	13.3
rented 1991	17.3	43.8	21.1	-	-
rented	26.1	53.8	11.9	14.5	19.8
other	0.0	1.7	0.0	0.0	1.2
Facilities					
tap water 1991	90.2	90.2	76.7	0.0	14.1
tap water	98.3	98.3	99.0	48.2	68.7
electricity 1991	96.2	93.4	96.7	48.4	33.7
electricity	100.0	100.0	100.0	98.8	98.8
public grid	26.9	27.4	46.5	71.1	80.7
public grid & 3 phase	67.2	39.3	46.5	16.9	4.8
telephone 1991	24.8	44.7	20.0	1.6	0.0
telephone	92.4	97.4	81.2	55.4	36.1
fax	11.8	33.3	4.0	2.4	0.0
mobile phone	21.8	38.5	6.9	1.2	6.0
Equipment					
hand tools 1991	13.8	4.9	13.6	53.6	43.8
hand tools	5.9	4.3	6.9	15.7	21.7
manually op. machinery	10.9	2.6	2.0	10.8	2.4
power driven machinery	25.2	17.9	4.0	18.1	22.9
man. & power dr. mach.	58.0	75.2	87.1	55.4	53.0
Access to road*	72.3	90.6	74.3	47.0	60.2

* Here 'road' implies such quality that motor vehicles can use them.
Note: Figures in shaded areas refer to the survey in 1991. Figures on premises were not specified for rural areas in the 1991 survey.

As small scale industries are moving out of the owners' houses, it is becoming more common to move into rented premises, but there are rather big differences between areas, as well as ownership forms. In Ho Chi Minh City, more than half of all small firms are now situated in rented space, and enterprises in Hanoi are heading the same way, even though the share in the latter area is not as high (Table 2.8). Meanwhile, about twice as many of the Haiphong establishments in the 1991 survey used rented premises as in the 1997 survey.

When the answers are split on ownership form, it is only among limited liability and share holding companies that rented premises is the most common mode of securing space, and it has actually become less common within all forms of ownership, with the exception of partnership enterprises and there the change is rather marginal (Table 2.9). Thus, many small enterprises appear to be moving out of the owners home, but they are still found on his property.

Table 2.9
Premises and equipment, by ownership form

	Urban					Rural		
	House-hold	Private	Partner-ship	Co-opera-tives	Ltd. & share hold.	House-hold	Private	Other forms
Premises								
mainly res. 1991	71.4	29.7	11.4	1.1	-	-	-	-
mainly residential	45.9	7.8	17.5	1.8	3.8	57.3	27.1	4.5
mainly non-residential	40.8	39.1	42.5	24.6	39.7	35.4	45.8	18.2
only non-residential	13.3	53.1	40.0	73.7	56.4	7.3	27.1	77.3
Premises, ownership								
100% by entrepreneur	75.5	51.6	55.0	47.4	30.8	89.6	70.8	40.9
partly by entrepreneur	10.2	18.8	7.5	21.1	15.4	2.1	14.6	27.3
rented 1991	23.2	31.3	35.1	36.6	-	-	-	-
rented	13.3	29.7	37.5	29.8	53.8	8.3	14.6	27.3
other	1.0	0.0	0.0	1.8	0.0	0.0	0.0	4.5
Facilities								
tap water 1991	79.5	75.0	83.3	78.5	-	8.2	11.4	-
tap water	98.0	100.0	95.0	98.2	100.0	46.9	75.0	72.7
electricity 1991	99.1	94.5	92.1	94.6	-	55.7	63.8	-
electricity	100.0	100.0	100.0	100.0	100.0	97.9	100.0	100.0
public grid	55.1	31.3	32.5	21.1	15.4	86.5	64.6	54.5
public grid & 3 phase	39.8	45.3	52.5	56.1	66.7	11.5	8.3	13.6
telephone 1991	9.8	28.9	34.2	67.7	-	0.0	6.0	-
telephone	77.6	96.9	90.0	94.7	100.0	19.8	81.3	81.8
fax	1.0	23.4	2.5	7.0	46.2	1.0	0.0	4.5
mobile phone	3.1	31.3	17.5	15.8	50.0	1.0	2.1	18.2
Equipment								
hand tools 1991	17.1	7.9	2.7	8.8	-	55.3	36.3	-
hand tools	11.2	6.3	2.5	5.3	0.0	26.0	8.3	9.1
manually op. machinery	6.1	4.7	5.0	3.5	6.4	9.4	2.1	4.5
power driven machinery	18.4	7.8	15.0	14.0	23.1	13.5	33.3	22.7
man. & power dr. mach.	64.3	81.3	77.5	77.2	70.5	51.0	56.3	63.6
Access to road*	61.2	87.5	85.0	82.5	89.7	38.5	64.6	95.5

* Here 'road' implies such quality that motor vehicles can use them.
Note: Figures in shaded areas refer to the survey in 1991. Figures on premises were not specified for rural areas in the 1991 survey.

The signs are very encouraging in terms of infrastructural developments and the share of firms with access to basic facilities has grown rather impressively. Almost every urban enterprise now has access to tap water, which in 1990 was supplied to 90 per cent of the Hanoi and Ho Chi Minh City enterprises and 77 per cent of those in Haiphong (Table 2.8). And while none of the enterprises in the earlier survey had access to tap water in Ha Tay (Ha Son Binh) the share in 1996 is close to 70 per cent, thus even passing Long An in this regard. Those enterprises still waiting for such facilities are mostly rural households, but taking into consideration that eight per cent of this category had tap water in 1990, a remarkable progress has been achieved. The share of private rural firms with tap water is, in the 1997 survey, as high as it was among their urban equivalents six years ago. The distribution of electricity in the urban areas was very well developed already in 1990, and at least nine out of ten firms in the cities had access to power. In the 1997 survey the figures are even more encouraging, as enterprises in rural areas show a remarkable catch-up, from one third or half of all in Long An and Ha Tay respectively in 1990. Even close to all household enterprises have been blessed with this facility. The extended access to electricity has, in none of the areas included in the survey, come as a result of investments by the enterprises in own generators. As a matter of fact only a minor share have such equipment, and those that do are ‘other’ firms in rural areas (still less than ten per cent) and also a few rural private enterprises (less than five per cent). The number of small businesses having access to own generators is somewhat higher in Ha Tay than in Long an, but the shares are still only four and one per cent respectively.

With better electricity facilities comes an extended use of power driven machinery, mostly in a combination of manually and power driven equipment. Ho Chi Minh City is the place that to the greatest extent has put hand tools to rest, just as in the earlier survey, but use of strictly power driven machinery is actually more common in Hanoi and, surprisingly, also in Ha Tay. It turns out, when classified into ownership groups, that even though hand tools are more common among household firms than among other enterprises in urban areas, this is also where the highest share of power machinery users is found (except for limited companies). And a higher share of rural household and private firms are using exclusively power driven equipment than their urban equivalents do.

Among small scale industries in Long An, the share having access to a telephone, 55 per cent, is even higher than that having access to tap water, but this is the only surveyed area where this is the case. Ho Chi Minh City offers close to all undertakings telephone facilities, while the share is about 80 per cent in Haiphong. And even though it is the household sector that is lagging somewhat compared to other urban forms of ownership, one can hardly say they have been discriminated against since not even 10 per cent had access to telephone six years earlier. Rural household industries have, unfortunately, not seen the same progress in terms of this facility, and some 80 per cent of these are still waiting for the world to come closer. It is also quite a telling description of the globe today, that there are more enterprises with access to mobile phones than to fax machines, irrespective of category and locations.

The growing access to telephones might very well be needed in Long An, since the share of firms having access to roads suitable for motor vehicles has decreased. The change might not be as worrying when looked at in terms of location, as the decrease is very small and concentrated to one area. But when a screening by ownership is undertaken, it is found that household industries on the countryside are falling behind quite clearly. While more than half of these enterprises had access to motorable roads six years ago, the share in 1996 is down below 40 per cent. Even though the enterprises included in the two surveys are not the same, and hence a strict comparison can not be done between the two surveys, this is still not an encouraging sign.

Almost all small enterprises in the survey fully own the machinery used in the business. In Hanoi, Long An and Ha Tay, the equipment has mostly been bought new, while in Ho Chi Minh City and Haiphong, some 45 per cent of the firms have bought the machinery second hand (Table 2.10). Purchasing used equipment is otherwise not as common today as it was six years ago, the exceptions in terms of location being Haiphong and Long An and that in terms of ownership form being rural private enterprises, in the latter case only a marginal decrease (Table 2.11). Other privately owned firms are the main source of supply, now as was the case in 1990, but the share coming from state enterprises has actually increased among rural as well as urban household enterprises, and also among rural private firms. This must be due to the development in Ha Tay, where close to 40 per cent, compared to less than 10 per cent in 1990, get their machinery from state enterprises. The proportion of imported machinery has grown to about ten per cent in Hanoi and 18 per cent in Ho Chi Minh City, private enterprises and limited liability and share holding companies mainly being accountable for this development, while imported equipment is still very uncommon in rural areas. The share of self-constructed equipment is rather modest everywhere, but higher in the cities, for instance 18 per cent in Ho Chi Minh City, than in the rural areas, and in terms of forms of urban establishments more common in urban private and partnership enterprises. Among these forms, the shares of self-constructed equipment are actually higher today than in 1990, and so is the case in Ho Chi Minh City and Haiphong.

Table 2.10
Details on machinery and equipment, by location

	Hanoi	HCM City	Hai-phong	Long An	Ha Tay
Possible production increase, existing machinery					
not at all	6.3	18.0	8.5	12.9	4.6
no more than 10%	6.3	27.9	4.3	7.1	10.8
10 - 25%	29.5	23.4	12.8	14.3	20.0
26 - 50%	44.6	18.9	28.7	32.9	38.5
51 - 100%	9.8	9.9	29.8	28.6	24.6
more than 100%	3.6	1.8	16.0	4.3	1.5
Machinery ownership					
own all	99.1	99.1	98.9	97.1	98.5
hire all	0.9	0.9	1.1	2.9	1.5
Machinery acquisition					
purchased new 1991	31.6	24.1	56.8	73.9	66.7
purchased new	67.6	38.7	44.1	68.6	84.6
purchased second hand	20.7	43.2	47.3	30.0	13.8
self-constructed 1991	29.1	12.3	6.8	2.2	13.3
self-constructed	11.7	18.0	8.6	1.4	1.5

Machinery supply, source					
private enterprise	59.5	72.0	69.6	90.0	59.4
state enterprise 1991	31.8	8.9	33.8	20.8	6.5
state enterprise	25.2	6.5	19.6	8.6	39.1
co-operative	0.9	0.0	3.3	0.0	0.0
import	9.9	17.8	3.3	1.4	1.6
other	4.5	3.7	4.3	0.0	0.0
Owned assets*	547,526	1,046,828	215,387	84,766	277,047

* Present value of machinery in use, thousand dong. Figures in shaded areas refer to the 1991 survey

Some 18 per cent of the surveyed small scale industries in Ho Chi Minh City can not, with the equipment they currently have access to, increase production at all (Table 2.10). By contrast, less than five per cent of the surveyed enterprises in Ha Tay are in the same situation. Hence, Ho Chi Minh City firms seem to be the ones having grown into, or in some cases even out of, their current suit, but one might of course also say that they are the ones using their present assets most efficiently. About half of the surveyed firms in Ho Chi Minh City operate on at least 90 per cent capacity utilisation. The equivalent share in the other cities is 13 per cent, while in the rural areas it is marginally higher, 15 per cent in Ha Tay and 20 per cent in Long An. In Haiphong, the existence of unused equipment is of such a magnitude that 16 per cent of the enterprises could double their production, and another 30 per cent could increase production with between 50 and 100 per cent without having to undertake further investments. Most firms, regardless of ownership form, are obviously fluctuating somewhere close to 50 per cent of their maximum levels (Table 2.11). The possible increase is somewhat less for urban households, partnerships and limited liability/share holding companies, and somewhat more in urban private enterprises and in rural areas in general.

Table 2.11
Details on machinery and equipment, by ownership form

	Urban					Rural		
	House-hold	Private	Partner-ship	Co-opera-tives	Ltd. & share	House-hold	Private	Other forms
Possible production increase, existing machinery								
not at all	8.0	10.0	15.8	11.1	12.8	5.6	18.2	0.0
no more than 10%	17.2	16.7	5.3	7.4	14.1	9.9	9.1	5.0
10 - 25%	21.8	15.0	34.2	16.7	26.9	16.9	15.9	20.0
26 - 50%	26.4	31.7	31.6	42.6	26.9	38.0	27.3	45.0
51 - 100%	14.9	20.0	10.5	13.0	17.9	26.8	27.3	25.0
more than 100%	11.5	6.7	2.6	9.3	1.3	2.8	2.3	5.0
Machinery ownership								
own all	100.0	100.0	97.4	100.0	97.4	97.2	97.7	100.0
hire all	0.0	0.0	2.6	0.0	2.6	2.8	2.3	0.0

Machinery acquisition								
purchased new 1991	29.5	28.3	27.9	45.8	-	64.4	69.6	-
purchased new	40.2	48.3	36.8	50.0	71.1	81.7	68.2	75.0
purchased second hand	47.1	33.3	42.1	40.7	21.1	16.9	29.5	25.0
self-constructed 1991	16.8	16.7	16.2	13.3	-	6.7	3.3	-
self-constructed	12.6	18.3	21.1	9.3	7.9	1.4	2.3	0.0
Machinery supply, source								
private enterprise	79.3	64.3	63.2	58.5	61.8	82.9	72.7	55.0
state enterprise 1991	7.6	20.4	17.4	35.9	-	14.2	18.7	-
state enterprise	11.5	16.1	26.3	28.3	11.8	17.1	27.3	35.0
co-operative	0.0	1.8	2.6	0.0	2.6	0.0	0.0	0.0
import	2.3	14.3	5.3	9.4	21.1	0.0	0.0	10.0
other	6.9	3.6	2.6	3.8	2.6	0.0	0.0	0.0
Owned assets*	31,908	511,702	121,352	321,327	1,927,473	13,586	182,010	908,623

* Present value of machinery in use, thousand dong. Figures in shaded areas refer to the 1991 survey.

Far from all of the small businesses included in the survey were able to operate continuously throughout 1996. In Ho Chi Minh City, this share was 87 per cent, while in Long An, only 55 per cent were able to avoid standstills in production (Table 2.12). The share of firms with less than continuous operations is higher in rural areas, and more common among household enterprises, irrespective of rural or urban (Table 2.13). The differences are large between, for instance limited liability/share companies, where about ten per cent experienced difficulties, and household enterprises where the share is more than 40 per cent. And there are great variations in the period of closure as well. In Ho Chi Minh City, the closing periods were on average shorter, in most cases limited to two months or less (Table 2.12). In Hanoi and Haiphong, the period was slightly longer, in Hanoi actually 5-6 months in some cases. It is mostly among household industries that the longer interruptions occur, while partnership enterprises and co-operatives answer for the two month closures (Table 2.13). In rural areas, Long An might be worst effected in terms of shares of enterprises having to stop production, but on the other hand more of the firms in Ha Tay experienced long interruptions, some five to six months (Table 2.12). It is among the ‘other’ group that these longer periods of closure appear, while among those private and household enterprises which have been forced to halt production interruptions lasting 3-4 months have been more common (Table 2.13).

Table 2.12
Continuity of operations, by location

	Hanoi	HCM City	Hai-phong	Long An	Ha Tay
Operations all 1996	79.5	87.0	74.3	54.9	68.7
Period of closure					
1 month	0.0	4.3	2.0	1.2	0.0
2 months	6.0	5.2	12.9	15.9	6.0
3-4 months	8.7	1.7	9.9	18.3	12.0
5-6 months	5.1	0.9	1.0	9.7	13.2
more than 6 months	0.9	0.9	0.0	0.0	0.0

Reasons for closure					
lack of raw material	0.8	1.7	0.0	10.8	1.2
lack of demand	13.4	10.3	20.8	16.9	22.9
shortage of labour	0.0	0.0	0.0	2.4	1.2
other reasons	6.7	3.4	5.9	26.5	9.6
Days worked/week					
less than 5	3.3	7.7	5.9	3.6	3.6
5	12.6	7.7	6.9	14.5	3.6
6	61.3	73.5	42.6	26.5	20.5
7	22.7	11.1	44.6	55.4	72.3
Hours worked/day					
less than 8 hours	12.6	6.9	21.8	39.7	26.4
8-12	74.8	77.0	76.3	49.3	65.0
more than 12	12.5	16.4	2.0	10.8	8.4
No. of shifts/day					
1	85.7	80.2	89.0	87.8	84.1
2	12.6	15.5	9.0	7.3	12.2
3	1.7	4.3	2.0	4.9	3.7

By far the most common reason for halt in production is lack of demand. Only among enterprises in Long An, are other reasons, not related to raw material or labour, the most frequently mentioned problem (Table 2.12). As will become evident later, this could be an indication of capital shortage prevailing in this area. To note is also that rural private enterprises, as the only category, seem to regard lack of raw material as far more troublesome than lack of demand (Table 2.13). Nowhere is labour a major bottleneck.

In Hanoi and Ho Chi Minh City, most of the enterprises operate six days per week, while operations every day of the week is the most frequent way of running a business in rural areas, and in Haiphong (Table 2.12). In the urban areas, it is only among household enterprises than seven days of operations are more common (Table 2.14). Everywhere, eight to twelve hours is the most common length of work per day, though 40 per cent of the industries included in the survey in Long An, 26 per cent of those in Ha Tay and 22 per cent of those in Haiphong do have less than eight hours workdays. These somewhat shorter days

Table 2.13
Continuity of operations, by ownership form

	Urban					Rural		
	House-hold	Private	Partner-ship	Co-opera-tives	Ltd. & share	House-hold	Private	Other forms
Operations all 1996	72.4	87.3	71.8	80.4	89.6	58.6	79.2	59.1
Period of closure								
1 month	3.1	3.2	2.6	0.0	1.3	1.0	0.0	0.0
2 months	6.1	4.8	15.4	10.7	6.5	14.6	2.1	13.6
3-4 months	13.2	4.8	5.1	7.2	0.0	19.8	10.4	4.5
5-6 months	4.1	0.0	5.2	0.0	2.6	10.4	8.3	22.7
more than 6 months	1.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0

Reasons for closure								
lack of raw material	1.0	1.6	0.0	1.8	0.0	0.0	14.6	13.6
lack of demand	21.4	7.8	25.0	14.0	6.4	27.1	2.1	27.3
shortage of labour	0.0	0.0	0.0	0.0	0.0	1.0	0.0	9.1
other reasons	6.1	4.7	5.0	7.0	3.8	20.8	14.6	13.6
Days worked/week								
less than 5	6.1	7.9	5.0	7.0	2.6	5.1	0.0	4.5
5	11.2	9.4	17.5	7.0	3.8	11.5	6.3	4.5
6	40.8	57.8	57.5	70.2	79.5	19.8	27.1	31.8
7	41.8	25.0	20.0	15.8	14.1	63.5	66.7	59.1
Hours worked/day								
less than 8 hours	28.5	6.2	12.5	12.4	1.3	49.0	14.6	4.5
8-12	66.4	82.8	72.5	77.2	83.3	50.0	62.6	77.2
more than 12	5.1	11.0	15.0	10.6	15.4	1.0	23.1	18.2
No. of shifts/day								
1	93.9	84.4	87.2	80.4	75.6	97.9	74.5	59.1
2	6.1	9.4	10.3	19.6	19.2	1.0	19.1	27.3
3	0.0	6.3	2.6	0.0	5.1	1.0	6.4	13.6

are accounted for by household enterprises, in urban as well as rural areas, although the share is slightly less than 30 per cent among urban household enterprises, but closer to 50 per cent among the rural ones. On the other hand, close to one fourth of private enterprises in rural areas operate more than twelve hours per day, the highest share among all ownership forms in all areas. Shift work is not very common. In limited liability companies and co-operatives, and in rural private enterprises, the share of enterprises with two shifts approaches 20 per cent. In the rural 'other' category, 40 per cent of the firms operate more than one shift per day.

Growth prospects and constraints

In terms of how the entrepreneurs view the main constraint to growth of their enterprises some very interesting development has taken place in since the survey done six years ago. At that point in time, capital was the single worst bottleneck in all areas, urban as well as rural, and among all forms of ownership. This is, however, no longer the case. Only in Haiphong, among the cities, is capital still the most frequently mentioned constraint, but while two thirds mentioned it in the 1991 survey, about half do so today (Table 2.14). Meanwhile, a quarter of the small businesses there seem to experience a limited demand for their current output, compared to less than six per cent in 1991. In Ho Chi Minh City more than half of the firms now point to the sharp competition as the main problem, to be compared with only 17 per cent in 1991, while the share with capital shortages is about half as high today, as it was in 1991. Capital is still the main constraint to 24 per cent of the establishments in Hanoi, but limited demand is the single most common answer, given by approximately 30 per cent as, and more than one fifth point to heavy competition. Both these latter shares have thus grown somewhat since the earlier survey.

Even though capital was the single most frequent constraint in rural areas in 1991, the share mentioning it, approximately one fourth, was not as high as in the cities (Table 2.15). Today, on the other hand, capital is more of an obstacle to establishments in the countryside, and while the increase is relatively marginal in Ha Tai, more than half of those in Long An mention shortage of capital as the single most important barrier to growth. Enterprises in Long An have much less trouble with limited demand today than was the case six years ago, but are instead fighting off heavy competition more today than they used to. The entrepreneurs in Ha Tay are not as lucky. If the share facing limited demand was 20 per cent in 1991, it has grown to the double in the present survey, and difficult competition is mentioned by 17 per cent in the current survey, compared to less than 3 per cent in 1991. What seems to have improved is market channels, and transport facilities.

Table 2.14
Main constraint to growth among urban enterprises, by location

	Hanoi 1991	Hanoi	HCMC 1991	HCM City	Haiphong 1991	Hai-phong
Shortage of capital	43.5	23.5	32.6	17.1	67.5	49.5
Lack of skilled labour	0.8	0.0	0.5	0.9	0.0	0.0
Lack of technical know-how	2.4	3.4	0.5	0.9	2.2	0.0
Limited demand current output	21.8	29.4	15.1	6.8	5.6	25.7
Too much competition	12.9	21.8	17.0	51.3	4.5	9.9
Lack of marketing/transport	5.6	0.0	6.4	4.3	4.5	1.0
Lack of modern machinery	1.6	0.8	5.0	2.6	6.7	1.0
Lack of raw material	3.2	0.0	3.7	1.7	1.1	1.0
Lack of energy (power, fuel)	0.0	0.0	7.8	0.9	0.0	0.0
Interference by local officials	0.0	0.0	0.0	0.0	0.0	1.0
Uncertain government policies	1.6	5.9	1.8	0.0	0.0	3.0
Inadequate premises/space	-	3.4	-	6.8	-	2.0
Difficult get licences etc.	-	0.8	-	0.0	-	0.0
Other factors	3.2	1.7	8.7	3.4	6.7	2.0
None	-	9.2	-	3.4	-	4.0

Note: The entrepreneurs were to rank three options at the most. Where marked '-' for 1991, this was not mentioned as an alternative in that survey. An option at that time was 'cannot afford to hire wage workers', stated by very few then and not mentioned by anyone in the present survey, hence excluded. Figures in shaded areas refer to the 1991 survey.

Table 2.15
Main constraint to growth among rural enterprises, by location

	Long An 1991	Long An	Ha Tay 1991	Ha Tay
Shortage of capital	24.6	50.6	27.7	31.3
Lack of skilled labour	0.9	0.0	0.0	0.0
Lack of technical know-how	0.0	0.0	0.0	1.2
Limited demand current output	19.3	4.8	20.5	41.0
Too much competition	13.2	20.5	2.4	16.9
Lack of marketing/transport	0.0	0.0	10.8	1.2
Lack of modern machinery	1.8	6.0	1.2	1.2
Lack of raw material	3.5	3.6	0.0	0.0
Lack of energy (power, fuel)	0.9	0.0	0.0	0.0
Interference by local officials	2.6	0.0	0.0	0.0
Uncertain government policies	6.1	0.0	0.0	3.6
Inadequate premises/space	-	3.6	-	1.2
Difficult get licences etc.	-	0.0	-	0.0
Other factors	6.1	6.0	21.7	0.0
None	-	4.8	-	2.4

Note: The entrepreneurs were to rank three options at the most. Where marked '-' for 1991, this was not mentioned as an alternative in that survey. An option at that time was 'cannot afford to hire wage workers', stated by very few then and not mentioned by anyone in the present survey, hence excluded. Figures in the shaded area refer to the 1991 survey.

Table 2.16
Main constraint to growth, by ownership

	Urban					Rural		
	House-hold	Private	Partner-ship	Co-opera-tives	Ltd. & share	House-hold	Private	Other forms
Shortage of capital	25.5	31.8	22.5	32.1	32.5	35.4	41.7	63.6
Lack of skilled labour	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Lack of technical know-how	1.0	0.0	7.5	1.8	0.0	0.0	0.0	4.5
Limited demand current output	30.6	13.6	22.5	19.6	13.0	28.1	14.6	18.2
Too much competition	24.5	34.8	25.0	26.8	31.2	20.8	18.8	9.1
Lack of marketing/transport	0.0	3.0	0.0	5.4	1.3	1.0	0.0	0.0
Lack of modern machinery	0.0	0.0	0.0	3.6	3.9	4.2	4.2	0.0
Lack of raw material	1.0	0.0	0.0	0.0	2.6	0.0	6.3	0.0
Lack of energy (power, fuel)	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Interference by local officials	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0
Uncertain government policies	1.0	1.5	7.5	1.8	5.2	1.0	2.1	4.5
Inadequate premises/space	5.1	6.1	7.5	1.8	1.3	3.1	2.1	0.0
Difficult get licences etc.	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0
Other factors	2.0	3.0	5.0	1.8	1.3	3.1	4.2	0.0
None	9.2	3.0	2.5	5.4	5.2	3.1	6.3	0.0

Note: The entrepreneurs were to rank three options at the most.

In terms of ownership forms in the cities, it is among the co-operatives and limited liability enterprises that lack of capital is still perceived as the thorniest issue (Table 2.16). Household undertakings are more concerned with limited demand for their current products, while private and partnership enterprises are more worried about the tough competition. In particular, the change in terms of how this is perceived among private enterprises should be noted, since not even ten per cent mentioned it six years ago, while now it is the main obstacle for more than one third of the small business in this category. Shortage of capital continues to be the most common hindrance to growth among all rural forms of establishments, and the situation has become worse for household enterprises, the share pointing to capital shortages as the main problem having grown from 25 to 35 per cent since the earlier survey, while remaining at about the same level as in 1991 for private enterprises. The percentage fighting difficult competition is about twice as high among rural private enterprises today compared to six years ago, and also among rural household firm has this share grown, approximately by nine percentage units. In sum, competition has increased among all forms of establishments, in the cities as well as on the countryside, while capital has become less of a bottleneck for urban businesses, but more so for rural undertakings.

But while facing these difficulties, the small businesses included in the survey are still very uninterested in receiving assistance from the authorities. In Ho Chi Minh City, for instance, as many as 76 per cent of the enterprises claim they want no assistance what so ever and the shares are almost as high in the other areas (Table 2.17). The most frequently mentioned mode of assistance wished for in the cities six years ago was provision of premises and infrastructure, but since close to every enterprise in these areas now has access to such facilities (Tables 2.8 and 2.9), these shares are very small today. Access to credit in urban areas was another troublesome issue in 1990, especially in the northern areas, but as has become evident earlier in this survey, this is less of a problem today (Table 2.14), and hence the share wanting such assistance has shrunk as well. Though, more than one fifth of the establishments in Haiphong are still today interested in receiving credit support from the government, but the proportion was, on the other hand, close to 60 per cent in 1991. In addition, what deserves to be pointed

Table 2.17
Assistance desired from authorities by urban enterprises, by location

	Hanoi 1991	Hanoi	HCMC 1991	HCM City	Haiphong 1991	Haiphong
Remove bureaucr. restrictions etc.	8.8	6.7	5.2	8.5	6.0	0.0
Provide premises, infrastruct. etc.	32.5	1.7	50.5	6.0	19.0	4.0
Provide easier access to credit	19.3	5.9	7.1	3.4	57.1	22.8
Restrict competition from imports	10.5	5.9	11.3	1.7	2.4	1.0
Liberalise import of inputs	1.8	1.7	3.8	0.0	0.0	0.0
Provision of raw material	1.8	0.0	1.9	0.0	0.0	0.0
Technical know-how assistance	4.4	0.0	0.9	0.9	2.4	0.0
Training facilities for workers	0.0	0.0	0.0	0.0	0.0	0.0
Assistance with marketing	0.0	1.7	0.0	0.9	0.0	2.0
Clarify long-term govt. policies	11.4	4.2	11.3	1.7	2.4	0.0
Improve macro economic policies	0.0	1.7	0.5	0.9	0.5	0.0
Other	2.6	0.8	4.7	0.0	3.6	2.0
None	-	69.7	-	76.1	-	68.3

Note: The entrepreneurs were to rank three options at the most. Where marked '-' this was not mentioned as an option in 1991. Figures in shaded areas refer to the 1991 survey.

out is the lack of interest in engaging in projects in general with the government as counter-part. Even though capital is a bottleneck, very few want *the government* to step in as rescuer, but would probably be interested in dealing with a private loan facilitator. Regarding the uncertainty about government long-term policies, which obviously was not too worrying even six years ago as only 10 per cent mentioned it and this in the midst of deregulation, the mist seems to have cleared even more today.

A higher share of the entrepreneurs in rural than in urban areas would appreciate assistance from the authorities with credit, still, not even in the countryside are the percentages as high as those mentioning shortage of capital as the main constraint to growth. This is, in fact, the only thing around which a tangible share, 13 per cent, gather in Long An (Table 2.18). The ten and 12 per cent which in 1991 wished for removal of bureaucracy and raw material distribution respectively have no sympathisers today. The need for long-term policy clarification, mentioned by so many in Ha Tay in the earlier survey, is completely gone. Only to a minor extent has this been replaced by calls for credit or assistance with marketing, the latter an issue hardly mentioned at all six years ago, even in the cities.

Table 2.18
Assistance desired from authorities by rural enterprises, by location

	Long An 1991	Long An	Ha Tay 1991	Ha Tay
Remove bureaucr. restrictions etc.	12.1	0.0	1.2	9.6
Provide premises, infrastruct. etc.	4.8	1.2	1.2	8.4
Provide easier access to credit	4.8	13.4	3.6	14.5
Restrict competition from imports	2.4	1.2	0.0	0.0
Liberalise import of inputs	3.2	0.0	0.0	0.0
Provision of raw material	10.5	0.0	0.0	1.2
Technical know-how assistance	0.0	0.0	0.0	0.0
Training facilities for workers	0.0	0.0	0.0	0.0
Assistance with marketing	0.0	6.1	0.0	15.7
Clarify long-term govt. policies	4.0	2.4	43.4	0.0
Improve macro economic policies	0.8	0.0	1.2	0.0
Other	8.9	0.0	4.8	7.2
None	-	75.6	-	43.4

Note: The entrepreneurs were to rank three options at the most. Where marked '-' this was not mentioned as an option in 1991. Figures in shaded areas refer to the 1991 survey.

In terms of ownership forms, not even 20 per cent of the urban household firms want assistance from the authorities, and as 69 per cent of their equivalents in the countryside are just as sceptical, household entrepreneurs prove to be the most suspicious ones (Table 2.19). To note is that not a single one of those in this category situated in the cities mentions premises or infrastructure today, compared to almost 40 per cent in the earlier survey. Meanwhile, some 13 per cent of the rural ones would like some help with marketing, an item not mentioned at all in the countryside six years ago. Rural enterprises sorting under 'other' are the least negative to assistance from the authorities, but limit their wishes to capital or removal of bureaucracy.

Table 2.19
Assistance desired from authorities, by ownership form

	Urban					Rural		
	Household	Private	Partnership	Co-operatives	Ltd. & share	Household	Private	Other forms
Remove bureaucr. restrictions etc.	1.0	9.1	2.5	8.9	6.5	5.2	0.0	13.6
Provide premises, infrastruct. etc.	0.0	4.5	5.0	10.7	2.6	1.0	12.8	4.5
Provide easier access to credit	10.2	15.2	7.5	8.9	7.8	8.3	12.8	40.9
Restrict competition from imports	3.1	1.5	2.5	5.4	2.6	1.0	0.0	0.0
Liberalise import of inputs	0.0	1.5	0.0	0.0	1.3	0.0	0.0	0.0
Provision of raw material	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.5
Technical know-how assistance	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Training facilities for workers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assistance with marketing	2.0	1.5	0.0	0.0	2.6	12.5	12.8	0.0
Clarify long-term govt. policies	0.0	0.0	2.5	1.8	6.5	1.0	0.0	4.5
Improve macro economic policies	0.0	1.5	2.5	1.8	0.0	0.0	0.0	0.0
Other	1.0	0.0	2.5	0.0	1.3	2.1	4.3	9.1
None	81.6	65.2	75.0	62.5	68.8	68.8	57.4	22.7

Note: The entrepreneurs were to rank three options at the most.

Old versus new enterprises

There are essentially three ways in which the private manufacturing sector, or for that matter any economic sector, can expand and grow:

a) through an increase in the number of enterprises, so called horizontal expansion;
b) through growth of existing enterprises or vertical expansion; and
c) through the establishment of new enterprises that are larger than existing ones.

In principle, it would be possible to imagine a situation in which existing enterprises do not grow at all, but the entire growth of the sector takes place through an increase in the number of enterprises. Vietnamese national statistics show clearly that a considerable expansion of the number of non-state enterprises has taken place in the 1990s. Thus, for example, the total number of household enterprises increased from 840,000 in 1990 to 2.22 million in 1996, while the number of limited liability companies increased from scratch to 8,900 in the same period. The growth in the number of enterprises strongly suggests that this mode of growth has contributed considerably to the overall growth of the non-state manufacturing sector. However, it is beyond the scope of the present study to examine this type of growth in any detail.

It is possible to imagine a situation in which no new enterprises are created, but the entire expansion of the manufacturing sector takes place through the growth of existing undertakings. Private small scale enterprises are often believed to have an advantage in their flexibility and strong market orientation. Under the conditions of economic reforms and an increasing overall market orientation of the economy, it is therefore reasonable to assume that these enterprises would have an advantage through their ability to adjust to new situations and take advantage of new opportunities. There are therefore good reasons to believe that many, although obviously not all, small scale enterprises have grown in the past decade.

The third type of growth takes place if newly established enterprises are larger than the existing ones. At least theoretically, it is possible to imagine such a development without any increase in the total number of enterprises, if small firms are closed down at the same rate as new and larger ones are established. A more likely situation would be one in which existing enterprises grow slowly or not at all, while the growth of the average size of enterprise takes place through the establishment of new and larger firms. Such a development pattern would imply that it is not the individual firms which are flexible and dynamic, but the private manufacturing firms as a group. In other words, it is the ease with which enterprises can be established and be closed down which creates the flexibility.

The repeat survey of enterprises already surveyed in 1991, which was an important part of the overall survey in 1997, makes it possible to analyse the second type of growth in great detail.[24] However, the possibility that the third type of growth has characterised the

[24] This is done in a separate study

development in Vietnam also deserves to be examined. A comparison of the results from the 1997 survey of not previously surveyed enterprises with those of the 1991 survey suggests that considerable changes have taken place with regard to the size structure and operational characteristics of the non-state manufacturing enterprises. Although comparisons between the two data sets need to be made with some caution as both of them are based on survey data, the changes which appear to have taken place are large enough to warrant further investigation.

By and large, the average size of the surveyed enterprises was much larger in 1996 than in 1990, both with regard to incomes and value added as well as with regard to production factors such as assets and labour force (Tables 2.1 and 2.3). Both in terms of gross income and value added the enterprises in Hanoi and Ho Chi Minh City were on average more than twice as large in 1996 as in 1990. In Ha Tay the difference was even more spectacular. While the enterprises surveyed in this province[25] on average had a value added of 35.8 million dong in 1990[26], the firms covered by the survey in 1997 produced on average a value added of 124 million dong in 1996, that is 3.5 times as much. The difference with regard to the capital base, measured as assets, is even larger than the difference with regard to production value. In Hanoi the average value of assets was more than four times higher in 1996 than in 1990, in Ho Chi Minh City it was more than three times higher and in Ha Tay a stunning 13 times higher. The labour force was also larger in the enterprises in 1996 than in 1990, although the difference was much smaller than for assets, indicating a higher capital intensity in 1996 than in 1990. Still, the average size of the labour force had more than doubled in Ho Chi Minh City, while it had increased by over 50 per cent in Hanoi and Ha Tay.

In 1990 the level of indebtedness among the surveyed enterprises had been almost negligible. By 1996 it had increased considerably, although it was still at a low level. In Hanoi it had doubled from 1.6 to 3.3 per cent, while in Ho Chi Minh City in had increased from 0.9 to 3.5 per cent. However, the seemingly large increases in debts, should not obscure the fact that both in absolute and relative terms the level of debts was still very low in 1996. The only exception to the rule were the enterprises in Haiphong, where the average incomes, assets and value added were more or less the same in 1996 as in 1990. In Haiphong the capital base of the enterprises was larger in 1996 than in 1991, although the difference was much smaller than in the other areas. On the other hand, the average labour force among the enterprises in Haiphong was smaller in 1996 than in 1990, suggesting that the enterprises in Haiphong, as elsewhere had become more capital intensive.

The enterprises in 1996 were not only larger than in 1990, but also displayed somewhat different characteristics. The increase in capital intensity has already been noted above. The capital/labour ratio, measured as assets per worker, among the enterprises in Hanoi was twice as high in 1996 as in 1990. In the other two cities covered by the survey the increase

[25] The present province of Ha Tay corresponds roughly to the previous province of Ha Son Binh
[26] Recalculated to 1996 prices.

was smaller. In Ha Tay it was a staggering 7.7 times higher in 1996 than in 1990, suggesting that a fundamental restructuring of the enterprises in this province must have taken place between 1990 and 1996. As might be expected, labour productivity was generally much higher in 1996 than in 1990. This is a logical development considering the sharp increase in capital intensity. On the other hand, capital productivity, measured as value added per unit of asset, was much lower in 1996 than in 1990.

As both the survey in 1991 and the one in 1997 were stratified by ownership form of the enterprises in the same manner, the large differences in size and operational characteristics between the enterprises in the two surveys cannot be explained by changes in the ownership structure of the non-state enterprises. A comparison by ownership types between the two surveys in the urban areas shows that the average size of both household and private enterprises increased over the period, although the increase was much stronger for the private enterprises than for the household enterprises. Among the urban private enterprises the average value added was 428 million dong in 1996 as against 177 million dong in 1990, for the urban household enterprises the same values were 69 and 52 million dong, respectively.[27] Similarly, the average asset base more than doubled among the urban private enterprises, from 466 million dong to 1,092 million dong, while it increased by slightly less than 50 per cent - from 106 to 152 million dong - among the urban household enterprises. Similarly, the average labour force in the urban private enterprises increased from 12.3 to 22.5, mainly through an increase in the number of wage workers. In the urban household enterprises the increase in the average labour force was much more modest; from 4.6 to 5.7. To a certain extent the increase in assets was made possible through an increase in debts. In 1990 few private and almost no household enterprises had any debts. By 1996 the average level of indebtedness, measured as debts per unit of asset, had increased from 3.2 to 5.4 per cent among the private enterprises and from 0.2 to 0.7 per cent for the household enterprises. Despite this increase, it is clear that the growth in assets had mainly taken the form of an increase in own capital. Both capital intensity, measured as assets per worker, and labour productivity increased considerably in the urban private firms; the former from 35.2 to 51.8 million dong per worker and the latter from 13.8 to 17.5 million dong per worker. In the household enterprises these increases were much more modest.

[27] All values are in 1996 years prices.

Table 2.20
Main characteristics of enterprises, by period of establishment and location.

	Income	Value added	Assets	Debts	Labour force	Value add./ worker	Assets / worker
Hanoi							
before 1991 (A)	470,941	140,069	457,132	15,861	13.8	9,741	33,216
1991 and after (B)	1,559,153	413,849	1,304,538	173,261	22.7	14,454	56,133
B as % of A	331	295	285	1,092	164	148	169
Ho Chi Minh City							
before 1991 (A)	1,503,955	449,792	639,323	35,782	20.7	22,120	32,019
1991 and after (B)	2,161,715	619.633	1,343,784	97,694	25.4	24,266	59,312
B as % of A	144	138	210	273	122	110	185
Haiphong							
before 1991 (A)	234,153	85,322	332,327	7588	10.2	7,936	30,783
1991 and after (B)	415,729	134,229	545,394	39636	14.1	8,590	33,810
B as % of A	178	157	164	522	138	108	110
Ha Tay							
before 1991 (A)	256,630	77,744	282,085	7,580	9.7	7,945	17,945
1991 and after (B)	394,866	159,100	393,755	50,889	15.8	7,840	18,283
B as % of A	154	205	140	671	163	99	102
Long An							
before 1991 (A)	153,888	61,584	144,246	1,515	5.6	10,491	23,609
1991 and after (B)	453,209	115,484	224,802	1,442	8.2	13,758	24,098
B as % of A	294	188	156	95	146	131	102

Note: All figures refer to 5 per cent trimmed means. Output, assets, debts and value added are expressed in thousand dong. The percentage of enterprises with debts was 15.9 and 34.0, respectively, in Hanoi, 26.2 and 22.7 in Ho Chi Minh City, 29.5 and 41.1 in Haiphong, 19.4 and 38.0 in Ha Tay and 25.7 and 17.0 in Long An.

In order to determine whether the much larger size of the enterprises in 1996 than in 1991 was primarily due to internal growth of enterprises over time or to the establishment of increasingly larger enterprises, the enterprises surveyed in 1997 were divided into two groups; those established prior to 1991 and those established in 1991 or after. Table 2.20 reveals a striking difference between the two categories of enterprises. Generally speaking the newer enterprises are much larger than the older ones. In Hanoi the more recently established enterprises had, in 1996, on average about three times larger production and more assets than the older enterprises and 64 per cent more labour.[28] Labour productivity was also almost 50 per cent higher in the newer enterprises in Hanoi. In Haiphong and Ho Chi Minh City, too, the newer enterprises are considerably larger than the older ones. However, the differences in labour productivity between the two categories of enterprises are less pronounced in these two cities.[29]

[28] Hence, the capital/labour ratio is much higher in the more recently established enterprises, particularly in Hanoi and in Ho Chi Minh City

[29] For the urban survey as a whole, the differences in size between the two age groups of enterprises were statistically significant. A t-test shows that the differences with regard to income, assets, labour force, debts and value added were significantly different between the two groups at the 1 per cent level, while the difference in value added per worker was significant at the 7 per cent level.

The large differences in average size between the newer and the older enterprises are also found in the rural areas covered by the survey. In both Ha Tay and Long An the more recently established enterprises produced almost twice as much value added on average as the older enterprises. They are also about 50 per cent larger in terms of both size of capital and labour. However, in contrast to the situation in the urban areas, the newer enterprises in the two rural areas were on the whole not more labour intensive than the older ones. There was virtually no difference in labour productivity between the two categories of enterprises in Ha Tay, while in Long An labour productivity in the newer enterprises was about 30 per cent higher than in the older enterprises.

Table 2.21
Enterprises by main age groups and location (per cent)

	Hanoi	HCM City	Haiphong	Ha Tay	Long An
Before 1991	58.0	35.9	44.0	38.3	42.7
1991 and after	42.0	64.1	56.0	61.7	57.3

Table 2.22
Enterprises by main age groups and ownership form (per cent)

	Urban					Rural		
	House-hold	Private	Partner-ship	Co-opera-tives	Ltd. & share	House-hold	Private	Others
Before 1991	55.1	27.0	60.0	84.2	5.1	47.3	35.4	22.7
1991 and after	44.9	73.0	20.0	15.8	94.9	52.7	64.6	77.3

Table 2.23
Main characteristics of urban enterprises, by period of establishment and ownership form

	Income	Value added	Assets	Debts	Labour force	Value added/ worker	Assets / worker
Household enterpr.							
before 1991 (A)	171181	60,676	134,243	979	5.2	10,522	25,475
1991 and after (B)	260316	80,897	182,880	967	6.3	11,589	33,649
B as % of A	152	133	136	99	121	110	132
Private enterprises							
before 1991 (A)	728,517	300,839	1,016,777	43,304	15.8	16,155	71,250
1991 and after (B)	1,549,046	486,906	1,011,248	86,120	25.6	18,332	40,850
B as % of A	212	162	99	192	161	113	57
Partnerships							
before 1991 (A)	398,718	143,820	371,585	1,250	11.7	11,951	31,553
1991 and after (B)	133,503	67,032	165,081	0	7.9	8,670	22,267
B as % of A	33	47	4	0	68	73	71
Co-operatives							
before 1991 (A)	1,255,710	356,238	786,728	73,483	27.0	14,468	30,191
1991 and after (B)	337,308	153,314	558,572	94,444	22.5	8,041	32,349
B as % of A	27	43	71	129	83	56	107
Ltd. & share ent.							
before 1991 (A)	...	...	...	...	...	...	...
1991 and after (B)	2,457,213	682,351	2,063,660	240,044	31.0	21,234	72,700
B as % of A	...	...	...	...	...	...	...

Note: All figures refer to 5 per cent trimmed means. Output, assets, debts and value added are expressed in thousand dong. The percentage of enterprises with debts was 14.8 and 15.1, respectively, among household enterprises, 23.5 and 41.3 among private enterprises, 12.5 and 0.0 among partnerships, 37.5 and 55.6 among co-operatives and 35.1 among the limited liability firms. As there were only four limited liability firms established before 1991 in the sample, figures for this category were not included.

This picture strongly suggests that the establishment of increasingly large enterprises rather than endogenous growth of existing enterprises has been a main factor behind the general increase in the size of enterprises between 1990 and 1996. The increasing size of newly established enterprises is also reflected in the age structure of the various ownership types of the enterprises. Generally speaking the private and limited liability enterprises covered by the survey tend to be more recently established than, in particular, the partnerships and co-operatives. In the urban areas almost three out of four private enterprises had been established after 1990, as against less than one out of every five partnership and co-operative enterprises (Table 2.22). Among the urban household enterprises slightly more than half had been established after 1990. In the rural areas the proportion of newer enterprises was slightly lower than in the urban areas (Table 2.22). Approximately two out of every three private enterprises and half of the household enterprises had been established since 1991. Somewhat surprisingly, among the other types of enterprises in the rural areas (primarily partnerships and co-operatives) the vast majority were new.

In terms of location, it may be seen that Ho Chi Minh City had the highest proportion new enterprises, followed by Ha Tay, Long An and Haiphong, while in Hanoi the majority of the enterprises had been established before 1991 (Table 2.21).

Table 2.24
Main characteristics of rural enterprises, by period of establishment and ownership form

	Output	Value added	Assets	Debts	Labour force	Value added/ worker	Assets / worker
Household enterpr.							
before 1991 (A)	62,055	30,127	53,755	580	3.9	7,559	13,428
1991 and after (B)	63,748	26,669	40,470	335	3.3	7,906	12,034
B as % of A	103	89	75	58	120	105	90
Private enterprises							
before 1991 (A)	821,713	193,895	530,216	42,353	13.8	13,680	40,233
1991 and after (B)	909,684	233,856	420,726	30,287	19.1	13,700	23,714
B as % of A	111	121	79	72	138	100	59
Other forms							
before 1991 (A)	653,221	223,969	1,125,669	8,333	28.7	10,743	46,856
1991 and after (B)	2,002,717	512,035	1,630,565	192,549	30.6	16,466	52,339
B as % of A	307	229	149	2,311	107	153	112

Note: All figures refer to 5 per cent trimmed means. Output, assets, debts and value added are expressed in thousand dong. The percentage of enterprises with debts was 18.2 and 14.3, respectively among the household enterprises, 35.3 and 32.0 among the private enterprises and 80.0 and 58.8 among the other types of enterprises.

However, the increasing predominance of private and limited liability firms among newly established enterprises does not entirely explain the larger size of new enterprises. An examination of the average size of enterprises by age group and ownership form in the urban areas reveals that both among the household and the private enterprises the newer enterprises tend to be larger than the older ones (Table 2.23). Thus, the more recently established household enterprises produced on average 33 per cent higher value added than the older household enterprises in 1996. Among the private enterprises the difference was even larger; 62 per cent. It is interesting to note that among the private enterprises the average labour force was much larger in the newer enterprises than in the older ones, while there was hardly any difference between the two groups with regard to assets. This suggests that the newer private enterprises are rather more labour intensive than the older ones. Yet labour productivity was on average 13 per cent higher in the newer enterprises, indicating that they are more efficient. Among the urban household enterprises the picture is somewhat different, both the capital stock and the labour force is on average larger in the newer than in the older enterprises, as is labour productivity and capital intensity. Thus, it would appear that these two types of enterprises are not only rapidly increasing in number, but that the size of the newly established enterprises has also increased over time.

Among the partnership as well as the co-operative enterprises in the urban areas the picture is exactly the reverse of that of the household and private enterprises.[30] The older partnership and co-operatives tend to be much larger than the more recently established ones. The magnitude of the difference is more than one to two with regard to value added and even more with regard to total income. The older enterprises also tend to have a larger labour force than the younger ones, although the difference is not as pronounced as with regards to assets. It is interesting to note that the labour productivity, measured as valued added per worker, is also considerably lower in the more recently established partnership and co-operative enterprises than in the older ones. Indeed, it is also much lower not only than the labour productivity in the private enterprises, but also than in the household enterprises. While this might be interpreted as an indication that partnership and co-operative enterprises grow rapidly after they have been established, a more likely interpretation is that the very nature of these enterprise forms has changed in the 1990s and that the size at the time of establishment has become much smaller than it used to be. The relative importance of these types of enterprises has declined considerably in the past decade and the number of new establishments has been quite small.

The enterprises in the rural areas present a quite different picture (Table 2.24). Among both the household and the private enterprises in the rural areas the capital base is on average larger in the older than in the newer enterprises. The more recently established rural private enterprises produced somewhat more value added on average than the older enterprises did in 1996, while among the rural household enterprises the picture was the reverse. Further-more, there was hardly any difference in labour productivity between the younger and the older household and private enterprises in the rural areas. Among the other forms of enterprises in the rural areas, it may be seen that the younger enterprises were much larger in terms of production and assets, but not labour force, than the older enterprises. However, it is difficult to draw any firm conclusions from this as the enterprises found in this category are quite diverse.

Table 2.25
Indebtedness, by period of establishment and location

	Hanoi		HCM City		Haiphong		Long An		Ha Tay	
	-1990	1991-	-1990	1991-	-1990	1991-	-1990	1991-	-1990	1991-
Average debt	15,862	173,261	35,782	97,694	7,588	39,636	1,516	1,442	7,581	50,889
Share with no debt	84.1	66.0	73.8	77.3	70.5	58.9	74.3	83.0	80.6	62.0

Note: Average debt in thousand dong.

Lastly, it may be noted that among the urban enterprises in general and the urban private enterprises in particular the size of debts is much larger among the more recently

[30] The comparisons for the partnership and co-operative enterprises should be interpreted with some caution as there were only eight partnership and nine co-operative enterprises established since 1991 in the sample.

established enterprises than among the old ones (Table 2.25). This suggests two things. Firstly that bank loans have increasingly become available to non-state manufacturing enterprises and, secondly, that loans are predominantly taken at the time of establishment. It should be noted that the debts among the newer enterprises are on the whole not larger than among the older enter-prises, but that the difference in indebtedness is explained by a higher proportion of firms with debts among the more recently established enterprises. It is noteworthy that the difference in debts between newer and older enterprises is largest among the private enterprises, which in the past had very little access to formal credit. Among the household enterprises the level of indebtedness is generally very low. In the rural areas the level of indebtedness is actually lower among the newer than among the older enterprises, raising concerns that the availability of credits in rural areas may actually have deteriorated for household and private enterprises.

It is enlightening not to divide an analysis along urban or rural lines only, since in some aspects, like type of industry, there are rather important differences between the cities, and also between the rural areas. In Hanoi, the small scale industrial structure has become more diversified since 1991, to judge by the sample. Here, light engineering and consumer goods and the cloth and garment industries have seen few new establishments, when compared to the number of enterprises in the sector established before 1991 (Table 2.26). While twenty-five firms, of the older ones, were engaged in the production of light engineering equipment, only ten of those established in 1991 or after chose to get into this sector, hence a 16 percentage decrease. And while none of the older firms produced bricks or tiles, three new establishments within this sector have taken place in 1991 or there after.

Table 2.26
Branch structure of urban enterprises, by period of establishment

	Hanoi		Ho Chi Minh City		Haiphong	
	-1990	1991-	-1990	1991-	-1990	1991-
Agricultural processing	11.6	14.0	19.0	13.3	27.3	13.3
Chemicals	0.0	0.0	2.4	6.7	0.0	6.7
Machinery & parts	5.8	8.0	7.1	6.7	6.8	6.7
Ceramics	0.0	2.0	0.0	0.0	0.0	0.0
Bags & covers	2.9	6.0	7.1	16.0	0.0	16.0
Carpentry & furniture	11.6	14.0	7.1	9.3	25.0	9.3
Light eng. & cons. goods	36.2	20.2	23.8	25.3	25.0	25.3
Medicine & med. equipm.	2.9	4.0	2.4	4.0	0.0	4.0
Bricks & tiles	0.0	6.0	0.0	0.0	0.0	0.0
Paper & other stationary	4.3	8.0	7.1	2.7	0.0	2.7
Arts & handicrafts	4.3	6.0	16.7	5.3	9.1	5.3
Cloth, garment & access.	14.5	4.0	4.8	5.3	6.8	5.3
Heavy engineering	0.0	2.0	0.0	1.3	0.0	1.3
Services	2.9	2.0	2.4	4.0	0.0	4.0
Constr. & building mtrl	2.9	4.0	0.0	0.0	0.0	0.0

But while Hanoi is letting go of the light engineering sector, at least in terms of new establishments, Ho Chi Minh City is the home of many such enterprises. There were ten such small firms before 1991, and 29 in 1997 (Table 2.26). Of six chemical enterprises in Ho Chi Minh City, five have been established later than 1990, as have twelve of the fifteen small scale undertakings producing bags and covers. Arts and handicraft makers are, on the other hand, becoming more rare in terms of new establishments, not only in Ho Chi Minh City, but also in Haiphong. Half as many firms are dealing in the agricultural processing business among the young ones, six of those registered after 1990 as compared to twelve of the older ones. But carpentry and furniture has seen more establishments since 1991, in Haiphong as well as in Ho Chi Minh City.

Long An had relatively more small firms in agricultural processing than Ha Tay already before 1991, and the development since then has reinforced this trend (Table 2.27). While the number of young firms is as high as the number of old ones in Ha Tay, twenty-six firms in the sample have been established since 1990 in Long An, compared to ten before. Ha Tay is instead becoming the home of more small firms within arts and handicrafts, as well as cloth and garments, while hardly any such firms are included in the survey for Long An. The two enterprises in Long An within the latter type of production were both established before 1991.

Table 2.27
Branch structure of rural enterprises, by period of establishment

	Long An		Ha Tay	
	-1990	1991-	-1990	1991-
Agricultural processing	28.6	55.3	12.9	8.0
Chemicals	0.0	0.0	3.2	2.0
Machinery & parts	11.4	2.1	3.2	0.0
Ceramics	2.9	0.0	0.0	2.0
Bags & covers	0.0	2.1	0.0	0.0
Carpentry & furniture	14.3	14.9	41.9	24.0
Light eng. & cons. goods	28.6	17.0	12.9	8.0
Medicine & med. equipm.	0.0	2.1	0.0	0.0
Bricks & tiles	0.0	2.1	0.0	0.0
Paper & other stationary	2.9	0.0	0.0	0.0
Arts & handicrafts	2.9	2.1	16.1	34.0
Cloth, garment & access.	5.7	0.0	9.7	22.0
Heavy engineering	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0
Constr. & building mtrl	2.9	2.1	0.0	0.0

The enterprise generates the main income for almost all owner families, among ‘old’ as well as ‘new’ establishments, and while some of the differences are marginal, it is a question of *increasing* importance in those areas where the distinctions are of some magnitude, like in Hanoi where the gap is 20 per cent, or in Ha Tay where it is ten per cent (Table 2.28). Regarding the use of family labour, the changes are very marginal, and only in Long An can a clear difference, an increase among ‘new’ businesses, be noticed. And while the family enterprise is becoming the main source of income to a greater extent in rural areas, the change in family income is also leaning more to the positive side. In Long An as well as in

Ha Tay, a lesser share among 'new' businesses families have experienced a decline or a standstill in income, while a higher share has seen an increase of up to 25 per cent. It is true that somewhat fewer emerge in the 26-50 segment among the 'new' firms, but the improvements are, on the other hand, of the 51-100 magnitude in Long An, and of more than 100 per cent Ha Tay. The situation looks rather hopeful also in Hanoi and Haiphong with higher growth rates in the latter area, and although the share of families experiencing a decline in income is actually higher among new establishment families in the former area, an even higher percentage have moved from standstill to growth rates of 25 or 50 per cent. The only case that is somewhat worrying is Ho Chi Minh City, where a higher share of newer undertaking families have seen a stagnation in income, however, to some extent balanced by a higher percentage of families in the 26-50 per cent segment.

Table 2.28
Ownership characteristics, by period of establishment and location

	Hanoi		HCM City		Haiphong		Long An		Ha Tay	
	old	new	old	new	old	new	old	new	old	new
Household members working in enterprise[a]										
full time	1.7	1.6	1.9	1.7	1.5	1.4	1.5	2.1	2.3	2.0
part time	0.3	0.4	0.0	0.0	0.4	0.1	0.2	0.0	0.6	0.5
Enterpr. main income[b]	67.9	87.4	100.0	96.3	95.8	96.9	93.8	97.7	90.0	97.0
Change househ. inc.										
declined	25.0	35.3	5.3	5.8	4.2	0.0	31.3	9.1	16.7	6.1
no change	53.6	11.8	0.0	9.6	16.7	18.8	25.0	20.5	6.7	3.0
increased<=25%	0.0	17.6	68.4	55.8	33.3	25.0	18.8	29.5	23.3	39.4
increased 26-50%	7.1	23.5	21.1	25.0	16.7	15.6	15.6	11.4	26.7	21.2
increased 51-100%	7.1	5.9	5.3	1.9	20.8	25.0	6.3	20.5	10.0	6.1
increased >100%	7.1	5.9	0.0	1.9	8.3	15.6	3.1	9.1	16.7	24.2

a) Averages.
b) Enterprise is main source of income to the owner household (applies to household and private enterprises only).

There are some aspects where the managers of enterprises started prior to 1991 and firms established after that differ quite markedly. For one thing, the owners of the new enterprises are, on average, younger (Table 2.29). This is true for all areas except Hanoi, but on the other hand, the gap in terms of age in the other areas is at least two years, in the rural areas more than three and in Haiphong the difference is more than four years. The share of female managers is about the same in the older as in the younger businesses, except in Haiphong, were female participation has decreased quite substantially. An encouraging sign is how the level of education has improved. The share of 'new' managers in Ho Chi Minh City with less than 7 years of formal education is less than 12 per cent, to be compared with 30 per cent among the 'old' managers. The other area with distinct improvements in terms of education among 'new' owners is Long An, hence, the southern areas have obviously taken a step forward in this regard. And not only basic education has improved in Long An, but the shares of owners/managers with more years in school is also higher among managers of young enterprises. In Ho Chi Minh City the percentage with 7-9 years has fallen somewhat, but the share with more than 10 years education is, on the other hand, much higher among managers of 'new' firms. The trend in Hanoi is the same as in Ho Chi Minh City, while in Haiphong and Ha Tay, most owners/managers are found in the 7-9 segment, more so than is the case among older businesses, and this at the cost of higher education unfortunately. Other training has, at the same time, become more unusual among 'new' managers in all areas except for Ho Chi Minh City, and in those cases that the managers/owners have participated in some other training in the rest of the areas, the length of the training is shorter among the managers of more recently established undertakings.

Table 2.29
Manager characteristics, by period of establishment and location

	Hanoi		HCM City		Haiphong		Long An		Ha Tay	
	old	new	old	new	old	new	old	new	old	new
Age of owner[a]	44.1	45.3	45.2	43.3	48.7	44.2	43.6	39.3	46.0	42.0
Sex of manager										
male	85.7	82.4	60.0	62.3	70.8	90.6	69.7	72.7	93.3	90.9
female	14.3	17.6	40.0	37.7	29.2	9.4	30.3	27.3	6.7	9.1
Managers education										
less than 7 years	3.6	5.9	30.0	11.5	8.7	6.3	51.6	21.0	13.3	12.1
7-9 years	35.7	17.6	15.0	9.6	43.5	50.0	15.2	39.6	46.7	54.5
10 years or more	60.8	76.5	55.0	78.9	47.7	43.8	33.4	39.6	39.9	33.3
Other training										
nothing	44.4	64.7	90.0	67.9	37.5	40.6	33.3	43.2	43.3	54.5
1-12 months	40.7	23.6	10.0	17.0	50.2	46.8	42.5	31.8	46.6	33.3
13-24 months	11.1	5.9	0.0	7.6	12.3	12.5	24.2	13.6	10.1	6.0
25 months or more	3.7	5.9	0.0	7.6	0.0	0.0	0.0	11.4	0.0	6.0
Previous employment										
wage, state enterpr.	28.6	64.7	15.0	23.5	54.2	34.4	18.2	27.9	26.7	15.2
wage, other ent.	17.9	23.5	35.0	27.5	29.2	37.5	27.3	20.9	26.7	24.2
self-empl. manuf.	39.3	11.8	5.0	13.7	0.0	0.0	6.1	11.6	16.7	3.0
self-empl. trade[b]	0.0	0.0	35.0	17.6	0.0	9.4	12.1	23.3	0.0	6.1
farm, own/collect.	10.7	0.0	0.0	2.0	4.2	3.1	24.2	11.6	23.3	45.5
other	3.6	0.0	10.0	15.7	12.5	15.6	12.1	4.7	6.7	6.1
Previous occupation										
A	10.7	35.3	30.0	30.8	25.0	28.1	18.2	25.0	10.0	15.2
B	7.1	11.8	10.0	19.2	4.2	9.4	3.0	13.6	10.0	6.1
C	3.6	17.7	25.0	28.8	4.2	9.4	3.0	15.9	3.3	6.1
D	7.1	5.9	0.0	0.0	0.0	0.0	30.3	15.9	10.0	21.2
E	57.1	17.6	20.0	11.5	54.2	40.6	42.4	20.5	60.0	42.4
F	14.3	11.8	15.0	7.7	12.5	12.5	3.0	9.1	6.7	9.1
G	0.0	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0

a) Averages.
b) Includes services as well.
A) Professional, technical and related; B) Administrative and managerial; C) Clerical, sales, services; D) Agriculture, animal husbandry, forestry, fisherman, hunter; E) Manual worker (manufacturing, construction, transport etc.); F) Other; G) Did not work.
Note: The data for new enterprises in Hanoi is based on less than 20 observations.

It is much more common among younger enterprise managers to have a background as a wage employee in a state enterprise, especially in Hanoi where close to two thirds of the new businesses have managers with such a past. However, in the other northern areas, Haiphong and Ha Tay, the trend is in the opposite direction. In Haiphong, it is instead more common among 'new' managers to have a history as wage employees in non-state enterprises, while in Ha Tay, more of the 'new' owners have a background within farming. In all areas, it is more common to have had some professional, technical or similar occupational background among 'new' managers, though the differences are of varying magnitude between areas (biggest in Hanoi and in rural areas). Administrative and managerial work is also more common among 'new', except for in Haiphong. And while such occupations are winning territory, it is becoming less common in all areas to have been employed as manual worker in manufacturing, construction or similar.

Then, what has been the motive when the owners/managers have started their enterprises? Could a difference here perhaps explain why the structure of the small businesses look so different after 1990 compared to undertakings started before then? Well, in all the urban areas included in the survey, the owner or manager's previous experience in the line of operation has been the main reason for engagement in the present sector (Table 2.30). However, though this is the most frequent reason mentioned also in the rural areas, the shares agreeing with it as *main* reason is not at all as high as in the cities. And even more interesting, among younger businesses, that is those established later than 1990, this reason is loosing out in importance in all areas except for in Haiphong. Here, as much as two thirds of the owners/managers of younger enterprises state this as the main reason. On the other hand, while the importance of imitation of successful entrepreneurs, that is seeing others do well in a specific line of business serving as the main reason for entering the same sector, has increased in general, it has declined in Haiphong. Local traditions of particular industries is becoming less of an incentive everywhere, the change being particularly noticeable in Long An where the share mentioning this as the main reason was 37 per cent among the older, but only 20 per cent among the younger undertakings. The earlier mentioned imitation strategy has had the strongest influence here among all areas. In sum, one might say that tradition is loosing out to obvious profits. Things such as own experience and history of the area have to give in to own observations of how other entrepreneurs have succeeded, and also to advice from friends.

Table 2.30
Main reason behind choice of line of business, by period of establishment and location

	Hanoi		HCM City		Haiphong		Long An		Ha Tay	
	old	new	old	new	old	new	old	new	old	new
Prev. experience	63.8	58.0	66.7	64.0	54.5	67.9	48.6	32.6	48.4	44.0
Local tradition	13.0	6.0	11.9	0.0	6.8	1.8	37.1	19.6	41.9	36.0
Others profits	5.8	16.0	2.4	8.0	15.9	7.1	0.0	19.6	3.2	10.0
Secure supply	5.8	8.0	7.1	10.7	2.3	3.6	0.0	15.2	6.5	4.0
Friends advice	1.4	2.0	4.8	9.3	6.8	7.1	8.6	13.0	0.0	2.0
Local auth. advice	1.4	0.0	2.4	0.0	9.1	5.4	2.9	0.0	0.0	0.0
Fin. supp. for idea	0.0	0.0	0.0	5.3	4.5	1.8	0.0	0.0	0.0	0.0
Other	8.7	10.0	4.8	0.0	0.0	5.4	2.9	0.0	0.0	4.0

Also the managers' experience in the enterprise line of production looks rather different between the older and the younger establishments (Table 2.31). Among the older, a prior engagement in the shape of sale or exchange in an informal manner is more common in all areas except Long An (the difference in Haiphong is too small to be a good indicator of a trend).The difference in the other areas is more than 11 per cent, in Ha Tay actually more than 30 per cent. And while informal sale of similar product is becoming less common, it is obvious that a higher share of managers/owners of younger establishments have a more formal connection to the sector in which they are now active. More of them have a background as former employees in other enterprises in the sector in all areas except Long An. Persons with no prior experience in their establishments' present line of production are also becoming a more common phenomena in both the rural areas surveyed, and in Ho Chi Minh City.

Table 2.31
Manager/owners prior engagement in production of similar goods, by location

	Hanoi		HCM City		Haiphong		Long An		Ha Tay	
	old	new	old	new	old	new	old	new	old	new
Own consumption	1.4	0.0	0.0	2.7	6.8	1.8	0.0	8.5	3.2	0.0
Informal exchange	39.1	28.0	47.6	34.7	29.5	30.4	34.3	40.4	67.7	36.0
Employee	30.4	44.0	19.0	22.7	36.4	44.6	37.1	14.9	12.9	24.0
Collective member	1.4	0.0	2.4	0.0	0.0	1.8	0.0	0.0	0.0	8.0
Other	2.9	4.0	7.1	9.3	0.0	0.0	5.7	2.1	3.2	16.0
No	24.6	24.0	23.8	30.7	27.3	21.4	22.9	34.0	12.9	16.0

Table 2.32
Main constraint to growth, by period of establishment and location

	Hanoi		HCM City		Haiphong		Long An		Ha Tay	
	old	new	old	new	old	new	old	new	old	new
Shortage of capital	17.4	32.0	23.8	13.3	42.2	55.4	48.6	53.2	28.1	32.0
Lack of skilled labour	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lack of technical know-how	5.8	0.0	2.4	1.3	0.0	0.0	0.0	0.0	0.0	2.0
Limited demand current output	29.0	30.0	0.0	10.7	26.7	25.0	5.7	4.3	50.0	36.0
Too much competition	23.2	20.0	52.4	50.7	11.1	8.9	17.1	21.3	9.4	22.0
Lack of marketing/transport	0.0	0.0	4.8	4.0	2.2	0.0	0.0	0.0	3.1	0.0
Lack of modern machinery	1.4	0.0	0.0	4.0	2.2	0.0	5.7	6.4	3.1	0.0
Lack of raw material	0.0	0.0	0.0	2.7	0.0	1.8	0.0	6.4	0.0	0.0
Lack of energy (power, fuel)	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Interference by local officials	0.0	0.0	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0
Uncertain government policies	4.3	8.0	0.0	0.0	6.7	0.0	0.0	0.0	3.1	4.0
Inadequate premises/space	4.3	2.0	11.9	4.0	0.0	3.6	2.9	4.3	0.0	2.0
Difficult get licences etc.	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other factors	1.4	2.0	2.4	4.0	4.4	0.0	8.6	4.3	0.0	0.0
None	13.0	4.0	2.4	4.0	4.4	3.6	11.4	0.0	3.1	2.0

Some distinctive patterns can be discerned when the main constraints to growth among enterprises established in 1991 or later are compared with how enterprises established before this perceive the obstacles to growth (Table 2.32). The answers look rather different, when comparing one city to another, or Ha Tay with Long An, hence the issue does not seem to allow for a comparison between urban and rural areas. In all areas except for Ho Chi Minh City, capital is a more common constraint among the younger enterprises. In Ho Chi Minh City on the other hand, a limited demand for the current output is mentioned by younger enterprises only, as are obstacles related to raw material, energy and machinery. Meanwhile, finding adequate space is less problematic for newer businesses. In Ha Tay, there is a clear distinction between older and younger small undertakings in that the former more eagerly identify limited demand for the current output as the main bottleneck, while the latter instead point to the tough competition to a greater extent. In Long An, only older firms are completely without obstacles to growth, while in Hanoi the share among older enterprises with such pleasant conditions is much higher than the troublefree proportion of younger firms. In the other areas, the differences in opinion between older and younger undertakings as for 'no constraints' are marginal.

Table 2.33
Main constraint to growth among urban enterprises, by period of establishment and ownership form

	Household		Private		Partnership		Co-operative		Ltd. & share	
	old	new	old	new	old	new	old	new	old	new
Shortage of capital	25.9	25.0	36.8	29.8	15.6	50.0	29.8	44.4	25.0	31.9
Lack of skilled labour	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Lack of technical know-how	1.9	0.0	0.0	0.0	9.4	0.0	2.1	0.0	0.0	0.0
Limited demand current output	25.9	36.4	10.5	14.9	21.9	25.0	19.1	22.2	0.0	13.9
Too much competition	25.9	22.7	31.6	36.2	25.0	25.0	25.5	33.3	75.0	29.2
Lack of marketing/transport	0.0	0.0	0.0	4.3	0.0	0.0	6.4	0.0	0.0	1.4
Lack of modern machinery	0.0	0.0	0.0	0.0	0.0	0.0	4.3	0.0	0.0	4.2
Lack of raw material	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.8
Lack of energy (power, fuel)	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Interference by local officials	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
Uncertain government policies	1.9	0.0	5.3	0.0	9.4	0.0	2.1	0.0	0.0	5.6
Inadequate premises/space	3.7	6.8	10.5	4.3	9.4	0.0	2.1	0.0	0.0	1.4
Difficult get licences etc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
Other factors	1.9	2.3	0.0	4.3	6.3	0.0	2.1	0.0	0.0	1.4
None	13.0	4.5	5.3	2.1	3.1	0.0	6.4	0.0	0.0	5.6

Note: These figures should in certain cases be interpreted with some caution due to the limited number of observations: less than 20 for old private enterprises, new partnership enterprises, old and new limited liability and share holding enterprises.

The view differs quite distinctly between ownership forms, and here suddenly depending on whether the business is a rural or an urban one (Table 2.33). Young household enterprises in urban areas are more concerned about the limited demand for their current output. There is a difference among old and new household enterprises in rural areas as well on this issue, but not as great a gap as that between what the competition looks like. In young rural household enterprises, the heavy competition is more of a threat than it is according to the older household firms. Comparing instead private enterprises, old urban undertakings are more worried about the lack of capital than the younger ones, while it is exactly the opposite among rural private enterprises. That is, here capital is more of an obstacle to younger firms.

Finding a market for the current production is perceived as much more difficult by old rural private enterprises, while space is more of an issue to older than to younger urban private enterprises. Among urban partnership enterprises, the older seem to have faced a more varied flora of problems than the young ones do, including premises, technical know how and govern-ment policies. The same dividing line can be made among urban co-operatives, while the list of obstacles is longer among the new urban limited liability and share holding undertakings than the old. More diverse problems are also stated by new rather than old rural businesses not sorting under household or private enterprises (Table 2.34).

Table 2.34
Main constraint to growth of rural enterprises, by period of establishment and ownership form

	Household		Private		Other forms	
	old	new	old	new	old	new
Shortage of capital	35.6	34.7	35.3	45.2	80.0	58.8
Lack of skilled labour	0.0	0.0	0.0	0.0	20.1	0.0
Lack of technical know-how	0.0	0.0	0.0	0.0	0.0	5.9
Limited demand current output	26.7	30.6	29.4	6.5	0.0	17.6
Too much competition	15.6	24.5	11.8	22.6	0.0	11.8
Lack of marketing/transport	2.2	0.0	0.0	0.0	0.0	0.0
Lack of modern machinery	4.4	4.1	5.9	3.2	0.0	0.0
Lack of raw material	0.0	0.0	0.0	9.7	0.0	0.0
Lack of energy (power, fuel)	0.0	0.0	0.0	0.0	0.0	0.0
Interference by local officials	0.0	0.0	0.0	0.0	0.0	0.0
Uncertain government policies	2.2	0.0	0.0	3.2	0.0	5.9
Inadequate premises/space	2.2	4.1	0.0	3.2	0.0	0.0
Difficult get licences etc.	0.0	0.0	0.0	0.0	0.0	0.0
Other factors	4.4	2.0	5.9	3.2	0.0	0.0
None	6.7	0.0	11.8	3.2	0.0	0.0

Note: These figures should in certain cases be interpreted with some caution due to the limited number of observations: less than 20 for old private enter-prises, old and new ‘other’ enterprises.

Summary

Vietnamese small scale enterprises are today no longer as ‘small’ as they were only six years ago. Factors such as income, capital and assets have all grown, among the urban as well as the rural enterprises. Furthermore, higher levels of value added per worker unveil growth not only in size, but also in efficiency. The increases in labour productivity are universal and in many instances remarkable. In Hanoi it has increased by as much as 70 per cent. This growth has been linked to a general increase in the capital intensity of the enterprises. Workers today have much more machinery and equipment at hand than six years ago. However, there are exceptions to the trend towards both larger and more efficient enterprises. In Haiphong enterprises today use less capital and labour and have lower levels of income than they did six years ago, although the value added produced per worker has increased. This suggests that restructuring in Haiphong has resulted in smaller as well as more efficient enterprises.

Most urban enterprises are located in premises which are fully owned by the owner(s) of the enterprise, yet separate from the living quarters of the owner family. In rural areas, particularly in Ha Tay, it is more common for the enterprise to be located in the same premises as the owner resides in. Virtually all urban enterprises have access to power, tap water and telephone. The provision of such facilities has also improved vastly in the rural enterprises since 1991, but it still fall short of the levels attained in the urban areas. It is particularly encouraging to note that the share of rural enterprises with electricity has increased from less than half in 1991 to almost 100 per cent in 1997.

The small scale enterprises generally provide the main source of income to the owner families. Only in Hanoi do about a quarter of the owner household derive most of their income from other sources. The proportion of owner household which claim to have suffered a decline in incomes in the past two years is also much higher in Hanoi than in the other two cities. In the rural areas, the incomes of the owner households have generally had a more positive development in Ha Tay than in Long An.

Managers and owners are generally younger, and the incidence of female managers is higher, in the south than in the north. Most mangers have at least ten years education, which is an improvement over the situation in 1992. The majority of the enterprise owners in Hanoi and Haiphong have a past as wage workers, usually in a state enterprise, while in Ho Chi Minh City a past as a state enterprise employee is somewhat less common. On the other hand, a past as self-employed is much more common in the south than in the north. In rural areas, too, the owners background is more frequently from the non-farm sector than in agriculture. Well over 40 per cent of the rural enterprise owners have a past as wage workers.

A majority of the enterprises state that they could increase production by ten to 50 per cent without any additional capital investment. The slack is higher in the rural and in the urban areas. Only in Ho Chi Minh City do most enterprises operate at the maximum capacity level. Intense competition is the most frequently stated constraint to growth of enterprises in Ho Chi Minh City, while lack of demand is more of a problem in Hanoi and Ha Tay. In Haiphong and Long An, shortage of capital is more commonly seen as the main constraint to growth.

There is a striking difference in size between the relatively newer enterprises established since 1991 and those established prior to this year. Generally speaking, the newer enterprises are much larger than the older ones, with regard as capital, labour and value added produced. They are also tend to have higher labour productivity. An analysis of the characteristics of the two age groups of enterprises strongly suggests that the establishment of increasingly large enterprises has been a main factor behind the general increase in the size of enterprises between 1991 and 1997. The increasing size of newly established enterprises is also reflected in the age structure of the various ownership forms of enterprises. Generally speaking, the private and limited liability enterprises covered by the survey tend to be more recently established than the partnership and co-operative enterprises. However, the increasing predominance of private and limited liability firms among newly established enterprises does not entirely explain the larger size of the new enterprises. Both among the household and the private enterprises in the urban areas do the more recently established firms tend to be larger than the older ones.

3 Origin and Development History

Urban Enterprises

In the discussion on origin and development history of urban enterprises, we consider the age of the enterprises; the profile of the entrepreneurs behind these units; motivating factors for private entrepreneurship; major constraints at establishment; the size of initial investments, and their sources, at start-up; any assistance from external agencies at the time of establishment; and if these enterprises have improved the household incomes of the entrepreneur. All these factors are of vital importance in understanding the factors responsible for proliferation of private sector industries as well as their sustainability over a longer period of time.

The natural tendency of private entrepreneurship growth under socialist and more liberal (*doi moi*) conditions is well reflected in the dates of establishment of our sample enterprises. Overall, the percentage of enterprises established after reunification in 1976 has steadily declined until the period 1986-90, where a sudden spurt (21.4 percent) is noticed (Table 3.1). This period coincides with the initiation of *doi moi* and the greater participation allowed for private sector in general. Except for a small percentage of 5 established in 1991, the period since 1992 has seen a fairly steady rate of establishment of enterprises, reflecting the strong performance of the Vietnamese economy as well as private sector growth in this period.[31]

This broad trend is seen in all three sample cities - Hanoi, Haiphong and Ho Chi Minh City - though we find distinct differences in the individual numbers. Hanoi has the highest number of old enterprises (16 percent set up before 1976), with the spurt of almost 23 percent occurring between 1986-90; followed by ups and downs in the period 1991-95; with about 11 percent of the enterprises in operation for at least one and a half a fiscal year, when the survey was conducted.[32] Haiphong follows the same pattern, and is distinctive with an even representation of the oldest and newest enterprises. About 11 percent of the enterprises were set up before 1976 and an equal number in 1995. Ho Chi Minh City has very few old enterprises (only 1 percent of the sample established before 1976) but the highest percentage of enterprises set up in the post *doi moi* era. The effects of *doi moi*, showing up in the spurt of almost 19 percent in the 1986-90 period has continued since, except for the decline in 1991. Overall, we find a small percentage (about 10) of pre-unification enterprises and a majority of the sample enterprises have been in operation only since the *doi moi* era. Only a quarter of the enterprises were set up before 1986, another quarter between 1986 and 1991 and almost half

[31] The overall growth rate has accelerated markedly since the early 1990s, to reach over 9 percent in 1995 and 1996. As a result, average GDP per capita has grown from about USD 140 to USD 300 over the same period. (Kokko, Ari in *Vietnam 1997. Managing the transition to Free Trade: Vietnamese Trade Policy for the 21st century* 1997:2, SIDA Stockholm)

[32] One of the sample criteria was to interview units which were established before December 31, 1995 and were in operation at the time of the survey in 1997.

the sample enterprises were 4 years old or less at the time of the survey. Next, the presumed effects of *doi moi* is more distinct in Ho Chi Minh City and Haiphong where a huge 83 and 80 percent of the enterprises, respectively, were established in the post *doi moi* era, in contrast to a relatively lower 65 percent in Hanoi.

Table 3.1
Year of establishment of urban enterprises, by location.

	Hanoi	Haiphong	Ho Chi Minh City	Total
Before 1976	16.0	10.9	0.9	9.2
1976-80	10.1	5.0	9.4	8.3
1981-85	9.2	5.9	6.8	7.4
1986-90	22.7	22.8	18.8	21.4
1991	2.5	9.9	4.3	5.3
1992	5.9	8.9	17.9	11.0
1993	16.0	14.9	12.0	14.2
1994	6.7	10.9	13.7	10.4
1995	10.9	10.9	16.2	12.8

The above mentioned trend in establishment history becomes more significant when we look at the forms of ownership of established enterprises. As one might expect, most of the cooperatives (about 70 percent) and only 1.3 percent of the share holding and limited liability companies were established before 1986 (Table 3.2). Partnerships seem to be the most common ownership form, after cooperatives, in the pre 1986 period, with more than 40 percent of these enterprises established then. About 10 percent of the private enterprises and 22 percent of the household enterprises are older than 1986. The major spurt for all ownership categories is seen in the period 1986-90, except for the limited liability and share holding companies for which it occurred in 1993. This trend is in conformity with the period of greater admissibility of the private sector. The non state sector after reunification was largely dominated by cooperatives and conditions for other private entrepreneurial forms were unfavorable. The admittance of private sector began with a proliferation of partnership and household enterprises, and only after the *doi moi* did the other private entrepreneurial forms grow explicitly. While private, household and partnership enterprises did exist in the pre *doi moi* era, conscious encouragement and policies for private entrepreneurship began after this, which has resulted in more forms as well as numbers of non-state enterprises. The pace of establishment of household enterprises has been weak since 1991 (about 44 percent of the sampled household units have been set up since 1991) relative to the private enterprises of which almost 72 percent were set up after 1990. This growth in the number of private enterprises also resulted from the change of ownership forms, mainly from household and cooperative enterprises. In our sample, about 33 percent of the enterprises have previously existed under different forms. About 20 percent of the private, 15 percent of the partnership and 7 percent of cooperatives were household enterprises earlier. Almost 30 percent of the limited liability and share holding companies were originally private enterprises and one of the share holding companies is a privatized state enterprise. The number of these enterprises which have moved to more complex ownership forms exceeds the number of enterprises that have moved in the other direction. Only one household enterprise was a private enterprise before, and five household enterprises were previously partnerships.

Table 3.2
Year of establishment of urban enterprises, by form of ownership.

	Household	Private	Partnership	Cooperatives	Share holding & limited liability
Before 1876	1.0	4.7	5.0	43.9	0.0
1976-80	10.2	1.6	17.5	17.5	0.0
1981-85	10.2	1.6	20.0	8.8	1.3
1986-90	33.7	20.3	37.5	14.0	3.8
1991	5.1	7.8	7.5	1.8	5.1
1992	7.1	23.4	0.0	1.8	17.9
1993	12.2	10.9	5.0	7.0	29.5
1994	9.2	14.1	5.0	0.0	19.2
1995	11.2	15.6	2.5	5.3	23.1

Table 3.3 presents the profile of the entrepreneurs of household and private enterprises. The overall picture that emerges is that of a middle aged male with ten or more years of education and previously employed in a position of responsibility, most probably in the state sector. A fifth of the entrepreneurs are women and there are very few entrepreneurs less than 29 years of age. In fact the age distribution of the owner-managers shows about 24 percent being older than 50 years. The level of education is quite high (almost 37 percent have more than ten years of education) and this correlates well with their previous experience in a position of responsibility. None of the respondents have been in local or high official cadres. When we combine the high age and education, it could probably have a positive impact on private entrepreneurship. However, it is found that almost 50 percent in the age group 40-49 years and 42 percent of the owner-managers in the age group older than 50 years are running household enterprises. The interpretations of this finding are two-fold: Firstly, middle aged, previously employed individuals are voluntarily starting their entrepreneurial careers with household enterprises. This constitutes a ‘pull’ factor into private sector entrepreneurship. The second interpretation, however, is not so positive. These middle aged new-entrepreneurs might have been forced to stand on their own after being relieved from positions of high responsibility, probably the state sector; and have taken to household enterprises as an immediate, alternative income source. We know (as shown in Table 3.4) that nearly 35 percent of the urban managers have experience in other informal business, and 63 percent of them list previous experience as the motivating factor for starting their business (Table 3.5). In all, only about 9 percent of the entrepreneurs said the main reason for establishing their business was ‘seeing others make profit’. Looking at household enterprises in particular, about 60 percent of the entrepreneurs have previous experience (Table 3.5) motivating them to

establishing their business, and nearly 36 percent of them have worked as employees in other enterprise (Table 3.4). It is difficult to discern if one or the other interpretation is valid, from this information. One thing we can be certain of, is the ease of establishing household enterprises. It appears from the data (especially in Table 3.5) that local traditions no longer play a major role in initiating private entrepreneurs. Experience gained in their previous employment (63 percent), seeing others making profit (9.4 percent), and security of supply or market (6.5 percent) are the three major 'push factors' into private entrepreneurship. This high percentage of previous experience coincides well with the high average age of entrepreneurs. The percentage of entrepreneurs starting enterprises at the starting point in their career is still small. (See Table 3.3).

Table 3.3
Characteristics of owner-managers of urban household and private enterprises.

	Hanoi	Haiphong	Ho Chi Minh City	Total Urban
Male	83.3	79.5	70.0	80.0
Female	16.7	20.5	30.0	20.0
Age				
Mean	45.00	45.44	38.20	44.4
-29 years	2.8	0.0	10.0	2.4
30-39 years	33.3	20.5	40.0	28.2
40-49 years	33.3	56.4	50.0	45.9
50- years	30.6	23.1	0.0	23.5
Education				
Up to 4 years	2.8	5.3	0.0	3.6
Up to 7 years	27.8	39.5	20.0	32.1
Up to 10 years	25.0	31.6	20.0	27.4
More than 10 years	44.4	23.7	60.0	36.9
Experience				
Local cadre	0.0	0.0	0.0	0.0
High cadre	0.0	0.0	0.0	0.0
War veteran	2.8	9.4	0.0	5.3
Other position of responsibility	97.2	90.6	100.0	94.7

Note: This table includes responses of owner-cum-managers of household and private enterprises only

Nearly 75 percent of the entrepreneurs have prior experience in production of similar products or services (Table 3.4). About 35 percent of them have experience in other informal business activity and an almost equal number have previously worked as an employee in another enterprise. Less than 1 percent have worked in a collective farm and a little more than 2 percent have engaged in subsistence activities prior to establishing their enterprises. This trend is true of all three cities, with minor variations. Haiphong has more than 40 percent previously employed in another enterprise; and Ho Chi Minh City has the highest percentage (about 28 percent) without previous experience and this corresponds to the lower average age of its entrepreneur (See Table 3.3).

Table 3.4
Percentage of managers with experience in production of similar products/services prior to establishment of enterprise, urban areas.

	Hanoi	Haiphong	Ho Chi Minh City	Total	Household	Private	Partnership	Cooperative	Share holding & Limited liability
Mainly for own consumption	0.8	4.0	1.7	2.1	4.1	0.0	2.5	1.8	1.3
Mainly for sale or exchange (informal)	34.5	29.7	39.3	34.7	28.6	40.6	42.5	36.8	32.1
As employee in other enterprise	36.1	40.6	21.4	32.3	35.7	28.1	22.5	29.8	38.5
As collective farm member	0.8	1.0	0.9	0.9	0.0	0.0	0.0	3.5	1.3
Other form of experience	3.4	0.0	8.50	4.2	2.0	4.7	10.0	3.5	3.8
Total	75.6	75.2	71.8	74.2	70.4	73.4	77.5	75.4	76.9

Table 3.5
Main reason for establishing present line of business, urban enterprises.

	Hanoi	Haiphong	Ho Chi Minh City	Total	Household	Private	Partnership	Cooperative	Share holding & limited liability
Previous experience	61.3	62.0	65.0	62.8	59.2	63.5	67.5	57.9	67.9
Local tradition	10.1	4.0	4.3	6.3	6.1	1.6	5.0	15.8	3.8
Seen others make profit	10.1	11.0	6.0	8.9	13.3	9.5	0.0	8.8	7.7
Secure supply/market channels	6.7	3.0	9.4	6.5	4.1	4.8	10.0	3.5	11.5
Advised by friends	1.7	7.0	7.7	5.4	7.1	9.5	0.0	1.8	5.1
Advised by authorities	0.8	7.0	0.9	2.7	0.0	1.6	5.0	10.5	0.0
Financial assistance for this business line	0.0	3.0	3.4	2.1	1.0	6.3	0.0	0.0	2.6
Other	9.2	3.0	3.4	5.4	9.2	3.2	12.5	1.8	1.3

Managers of household enterprises have previously been employees of other enterprises (36 percent) or engaged in other informal business activity (29 percent) (Table 3.4). A majority of private entrepreneurs, however have prior experience in similar informal business activity (41 percent) and fewer have moved from being employees of other enterprises (28 percent). This trend is also true of partnership and cooperatives. Close to 40 percent of the managers of the share holding and limited liability, however, have been employed in other enterprises before. It is interesting to note that collective farm members have moved on to share holding and limited liability companies, but none of the respondents in the other ownership forms have previously worked in a collective farm. Perhaps this is due to the fact that the individual's risk share is higher in smaller undertakings and hence prior experience in similar areas is absolutely essential. The share holding and limited liabilities, on the other hand, depend on collective decision making and hence the manager's share of risk is relatively smaller than the single entrepreneur who determines the fate of the household or private enterprise.

As noted earlier, the main reason for establishing their present line of business seems to be some amount of previous experience in the field. This is more so in Ho Chi Minh City, where 65 percent cited this reason, the comparable figures being 61 percent in Hanoi and 62 in Haiphong (Table 3.5). The next factor was the success of other entrepreneurs; 11 percent of Haiphong entrepreneurs, 10 percent in Hanoi and a lower 6 percent in Ho Chi Minh City went into business seeing other make profit. It is interesting to see the south, which is recorded as economically more successful in Vietnam, lag behind on this count. On the other hand, the importance of secure market environment is more clearly borne out in Ho Chi Minh City where over 9 percent of the entrepreneurs cited secure supply or market as their main reason. One possible explanation could be that the effects of secure environment is more directly visible in the south while in the north, they are inferred indirectly by seeing other success stories. In any case, it definitely points out to a more comfortable economic environment for private entrepreneurs. Local tradition seems to initiate the next highest percentage into their current line of business only in Hanoi. This trend is also found when we examine the motivating factors across the form of the enterprises. In addition to previous experience being the main reason across all ownership forms, households and private enterprises have a larger percentage emulating other successful entrepreneurs (13 and 10 percent) while limited liability and share holding rely more on the observation of more secure supply or market channels. That these forms of ownership (limited liability and share holding) are of a fairly recent origin in Vietnam would naturally exclude other successes as the main reason, in the first place. The cooperatives cite local tradition (16 percent) and advise by authorities (11 percent) too, highlighting their historical importance to local economy and stronger ties with the government, than the other forms which are newer. Individual entrepreneurs seem to rely on their informal ties, with over 7 percent of household and 10 percent of private enterprises going into business on the advise of friends. Important to note is the fact that finance for private entrepreneurs is not as readily available, since it is the motivating factor for the least percentage of enterprise (2 percent overall). This is the least consideration for partnerships and cooperatives, which is a matter of concern since we assume capital availability is a major factor to reckon with , when establishing more complex forms of industrial organization.

The point on financial assistance mentioned above, comes into the discussion once again while discussing the origin of our sample enterprises. It corroborates the finding in Table 3.6 where the highest number of urban enterprises (47 percent) list lack of capital as a severe difficulty at the time of establishment. Marketing has been difficult for about 18 percent, in addition to lack of suitable machinery and premises (14 percent). Raw materials have been no problem for most of the enterprises, since less than 10 percent cited this as the most difficult area; as also the easy availability of skilled labor, with less than 3 percent experiencing any severe difficulty. Backward linkages seem to be strongly developed, but forward linkages have posed severe difficulties for urban entrepreneurs. Finding a marketing outlet was the most difficult thing for almost 18 percent of the enterprises. Cumbersome government regulations, licensing procedures and unfavorable attitudes of officials do not seem to have been a severe problem for most of the enterprises. The high percentage of experienced entrepreneurs and high education have relegated technical know-how to a not so serious problem, and less than 6 percent have mentioned it.

The lack of capital is felt more by Haiphong entrepreneurs (62 percent), while only half and a third have cited this difficulty in Ho Chi Minh City and Hanoi respectively. Marketing outlets, raw material and premises, and machinery seem to be severe difficulties, in that order, for Hanoi's new entrepreneurs. In Haiphong, it is lack of suitable machinery, markets and then premises. For the southern entrepreneurs, finding premises, markets and machinery follow lack of capital as severe difficulties at the time of establishment. The lack of capital is less acute for enterprises in either ends of the spectrum of ownership forms. Less than 20 percent of household and limited liability/share holding companies experienced severe difficulty in this regard, though this has been the most common difficulty among all ownership forms. Lower capital needs of household enterprises and the relative non-dominance of the owner's own capital among share holding and limited liabilities might explain why this has not been a major problem. Apart from this observation, no trend is visible to explain the nature of severe difficulties across ownership forms. Understandably, over 10 percent of household enterprises find difficulties with marketing, since the scale of operations is small; private enterprises had difficulty in finding suitable premises; partnerships list raw materials and lack of suitable machinery while cooperatives mention marketing. As far as marketing success depends on the entrepreneurs' skills, households and cooperatives have more problems since households are dominated by low-risk, single entrepreneurs and cooperatives have historically not had much experience in having to look for markets. On the

Table 3.6
Severe difficulties experienced by urban enterprises at the time of establishment. Percentages.

	Hanoi	Haiphong	Ho Chi Minh City	Total	Household	Private	Partnership	Cooperative	Share holding & limited liability
Lack of									
Capital	31.8	61.8	50.0	46.5	17.3	23.4	20.0	31.6	19.2
Raw material	15.2	5.5	5.6	9.6	3.1	1.6	15.0	7.0	1.3
Market outlet	24.2	10.9	16.7	17.8	10.2	4.7	7.5	10.5	7.7
Technical know how	3.0	9.1	5.6	5.7	3.1	4.7	2.5	3.5	0.0
Suitable machinery	10.6	16.4	16.7	14.0	8.2	4.7	15.0	8.8	0.0
Suitable premises	15.2	7.3	22.2	14.0	9.2	6.3	5.0	3.5	6.4
Skilled labor	3.0	0.0	5.6	2.5	0.0	1.6	2.5	3.5	0.0
Government regulations	10.6	1.8	11.1	7.6	0.0	0.0	5.0	5.3	8.9
Attitudes of officials	1.5	0.0	2.8	1.3	1.0	0.0	0.0	0.0	1.3
Others	0.0	0.0	2.8	0.6	0.0	0.0	0.0	0.0	1.3

other hand, private enterprises are a scale higher than household, their investment and therefore, the risk, is higher and so is their requirement of greater entrepreneurial skills.

On the matter of scale, the average start-up investment of Ho Chi Minh City enterprises is higher than the other two (Table 3.7), which explains why half the enterprises there experienced difficulty in obtaining capital. The average Ho Chi Minh City enterprise is about two and a half times the size of the average enterprise in Hanoi and Haiphong. There is clearly a big scale difference across regions and ownership forms. Even though diverse ownership forms and therefore, capital needs, account for the variations, there are wide variations in the scale of operations of individual units. This accounts for less than 50 percent of the household units having invested 5 million dong, while the average household enterprise has invested over 21 million dong. This individual variation is true of all regions, ownership forms and nature of enterprises. The capital needs of more complex ownership forms increase, with the exception of the average investment of a private enterprise being larger than partnership and cooperatives. Further, average investments at establishment in agro-processing enterprises is only slightly lower than among manufacturing enterprise, which is a noteworthy finding. One interpretation would be that the degree of mechanization among manufacturing enterprises is significantly low, with the average being high due to a small minority of capital-intensive units. In fact, about 75 percent of manufacturing firms have investments of the average agro-processing units. The fact that many of the units have experienced severe difficulty in finding suitable machinery adds reason to the relatively low investment differences across agro-processing and manufacturing firms.

Table 3.7
Total investments at the time of establishment of urban enterprises. Thousand dong in 1996 prices..

	Mean	Median	25%	75%	100%
Urban areas					
Hanoi	194432	20000	1500	200000	450440
Haiphong	184296	10000	1350	100000	331000
Ho Chi Minh City	505928	120000	32500	350000	1000000
Household	21286	5000	1000	20000	50000
Private	197919	95000	18500	200000	350000
Partnership.	52461	24500	10500	71250	118400
Cooperative	76040	5000	0	90225	253800
Share holding & Limited Liability	1022557	400000	262000	977500	2152000
Agro-processing	237990	10000	1000	150000	604000
Manufacturing	308065	50000	5000	236250	500000

Yet another interesting and significant finding is that enterprises established after 1990 are substantially larger than the ones established before. Table 3.8 brings this out clearly. An amazing 58 percent of the enterprises established after 1990 have initial investments of 100 million dong or more, and a minority 5.5 percent have investments less than 1 million dong. This scale is tipped among enterprises established before 1990 when a majority of 30 percent of units have initial investments of less than 1 million dong and a minority 12.2 percent have 100 million or more. The distribution of investments in the intermediate sizes is more even among those established before 1990 when compared to the enterprises established in this decade, where a total of 37 percent is distributed in the intermediate sizes. Even among these, a larger percentage (22 out of 37 percent) has initial investments of more than 15 million dong. This pattern can be explained by two probable reasons: first, that a majority of the enterprises established after 1990 are non-household enterprises; second, there has been an increasing security and certainty in the overall economic environment of Vietnam which has been conducive to fostering this kind of enterprise growth. In fact, we could go a little farther and suppose that there has been a new dimension to private enterprise growth in Vietnam. That is, the volume of private sector investment has grown not just proportionally to the number of enterprises, but by the significantly larger initial investments of new private sector enterprises. Table 3.8 is ample proof of this pattern. Not only is this a healthy trend of growth for the macro economy, it is also very desirable for increasing individual household incomes and the propensity of these units for increasing employment. It remains to be seen if this increased size of the units is improving the labor demand elasticity for private sector as a whole, or much of it is going into capital intensive techniques of production.

Table 3.8
Size of initial investment by year of enterprise establishment.
Urban enterprises. Dong in 1996 prices.

	Year of establishment		
	Before 1990	1990 - 1995	Total
Less than 1 million	30.1	5.5	16.9
1.01 - 2.5 million	5.8	2.8	4.2
2.501 - 7.5 million	15.4	4.4	9.5
7.501 - 15 million	9.6	7.7	8.6
15.01 - 50 million	17.3	13.8	15.4
50.01 - 100 million	9.6	8.3	8.9
More than 100 million	12.2	57.5	36.5

An encouraging fact clear from Table 3.6 was that enterprises did not find cumbersome governmental regulations and official attitudes to be a severe constraint, for the most part. On the contrary, about 61.7 percent of the urban enterprises received some form of assistance from the government (Table 3.9). Of these, 33.8 percent received assistance with application and registration formalities and an almost equal number received some form of temporary tax exemption or reduction. This was more pronounced among enterprises established after 1993, which indicates a more cordial relationship between the government and entrepreneurs. Close to 67 percent of these enterprises received some assistance at the time of establishment compared to 59 percent of those established before 1993. Across the cities, an almost equal number of enterprises have taken official assistance in Hanoi and Ho

Chi Minh City (66 percent) and a lower 53 percent in Haiphong. The most common form of assistance is with official procedures in application, registration etc, followed by temporary tax exemptions and/or reductions. As high as 55 percent of Ho Chi Minh City enterprises have had help in this regard. This is similar to the situation in Hanoi where the most common assistance has been in filing applications etc. (32 percent), followed closely by temporary tax exemptions or reductions (31 percent). Haiphong enterprises have more frequently availed of tax concessions (35 percent) than with procedural assistance (12 percent). From the point of view of the government, giving tax concessions reflect greater flexibility with their budgets than in the case of assisting with procedural matters. While the latter plays a major role in reducing enterprise transaction costs, the former kind is more helpful in reducing enterprise production costs. It is clear from Table 3.7 that enterprises in Ho Chi Minh City have availed greater official assistance in multiple areas, when compared to their counterparts in Haiphong. Except for tax concessions, Ho Chi Minh City has the greatest number of enterprises that have availed of every kind of assistance. It can therefore be inferred that the relations between enterprises and officials are better developed in the South, both in terms of the variety of assistance as well as the accessibility to the greatest number of enterprises. Observing the pattern across ownership forms, we find that household enterprises have the lowest percentage of enterprises with assistance (57 percent) and cooperatives - again, for historical reasons - the highest (92 percent). Interesting to note is that 47 percent of the share holding and limited liability enterprises have reported obtaining official assistance with procurement of machinery. Almost 60 percent of the share holding and limited liability companies are newly established and 22 percent have previously existed as private enterprises. Combined with the fact that this category also has the largest number of enterprises that have taken assistance in multiple areas, this is a very encouraging development for the future of private sector entrepreneurship. Private enterprises have more often received recommendations on line of business (33 percent) and households with bureaucratic formalities (25 percent). Cooperatives follow share holding companies in their high percentage of enterprises, being assisted in more than one area. Most common among them are organization (39 percent); machinery procurement (35 percent); obtaining credit (33 percent) and in establishing contacts with state enterprises (30 percent). Overall, the typical urban enterprise has received most help from officials in matters of procedural formalities, temporary tax concessions and recommendation on line of business - in that order. Assistance in procuring machinery and other capital equipment is an area where the least number of enterprises have received any official assistance.

Table 3.9
Official assistance at the time of establishment, urban enterprises. Percentages.

	A	B	C	D	E	F	G	H	I
Total Urban	13.4	33.8	9.2	11.6	32.0	5.0	8.9	4.7	38.3
Hanoi	8.4	31.9	3.4	5.9	31.1	4.2	8.4	0.8	34.5
Haiphong	11.9	11.9	8.9	12.9	34.7	5.0	6.9	3.0	47.5
Ho Chi Minh City	19.7	54.7	15.4	16.2	30.8	6.0	11.1	10.3	34.2
Household	13.3	14.9	6.5	7.7	25.0	0.0	6.7	0.0	42.6
Private	33.3	21.9	12.9	15.4	18.5	17.6	20.0	31.3	20.2
Partnership	2.2	12.3	9.7	12.8	15.7	0.0	13.3	25.0	12.4
Cooperative	22.2	19.3	38.7	35.9	17.6	35.3	30.0	25.0	8.5
Share holding & Limited Liability	28.9	31.6	32.3	28.2	23.1	47.1	30.0	18.8	16.3
Enterprises established									
1993-95	18.3	40.5	8.7	10.3	34.1	7.1	7.9	2.4	33.3
Before 1993	10.5	30.0	9.5	12.4	31.0	3.8	9.5	6.2	41.0

A: Recommendation on line of business
B: Assistance with application, registration etc.
C: Assistance with the organization of the enterprise
D: Assistance with obtaining credits
E: Temporary tax exemption/reduction
F: Assistance with procurement of machinery etc.
G: Assistance in establishing contact with state enterprises
H: Other assistance
I: No assistance received

An important component of an enterprise's establishment is its financial capital resources. Table 3.10 shows the predominance of own resource funds as the capital base of the enterprises. It is clear that most entrepreneurs have put in their own savings in establishing the enterprise and this is the most important source of enterprise capital. External capital is conspicuous by its absence: less than 7 percent have obtained interest free loans and a little over 2 percent have availed of bank loans at start up. For all urban enterprises, about 91 percent of the enterprise capital comes from own resources, followed by interest free loans (3 percent) from friends and relatives, and less than 1 percent from bank funds. Workers contributions are features mainly of cooperatives. The figures are not very significantly different across the nation. Lack of reliance on external capital limits the scale of operations of enterprises to the savings of entrepreneurs and capital becomes a major constraint, a result confirmed by Table 3.6 where almost 47 percent of the enterprises mentioned lack of capital as the most severe constraint. That this number is not larger might be explained by the fact that capital needs of household and private enterprises have been modest. With a fairly new environment for private enterprises, the tendency toward low risk, own-capital entrepreneurship is bound to be high. There is need to develop formal credit sources lending credit for private entrepreneurs against restricting scale of operations to own funds as well as creating an atmosphere for higher risk investments to grow, and increase employment and productivity.

Table 3.10
Sources of capital at the time of establishment of urban enterprises by city.

	Hanoi		Haiphong		Ho Chi Minh City		All Urban	
	A	B	A	B	A	B	A	B
Own Capital	100.0	95.4	96.8	86.6	96.6	90.9	97.8	91.2
Interest free loan	7.4	3.7	9.7	4.0	4.3	1.7	6.9	3.1
Bank loan	0.9	0.3	3.2	1.2	2.6	0.9	2.2	0.8
Credit cooperative	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Worker's contributions	0.9	0.6	8.6	3.0	3.4	3.0	4.1	2.2
Loan from private person	0.0	0.0	6.5	2.9	1.7	1.2	2.5	1.3
Advance against sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sources	0.0	0.0	2.2	2.2	3.4	2.4	1.9	1.5

A: Percentage of enterprises that utilized this source of capital
B: Average contribution to total capital formation for all enterprises

While external capital remains the Achilles heel of Vietnamese private sector, an encouraging feature is the pattern of changes in household income for owner-managers of household and private enterprises. In their own estimation, almost 58 percent of the owner-managers note that their household incomes have increased, against 14 percent who report a decline. (Table 3.11) An additional 28 percent have had unchanged earnings, which, at least, is more desirable than a decline. It is important to note that all the decline has occurred in household enterprises. Private enterprises have, on the other hand, fared better, with almost 93 percent registering an increased income since 1990. That 57 percent of these private enterprises have been in existence since 1990 (see Table 3.1) or earlier points to favorable developments in terms of sustainability as well as growth in private sector entrepreneurship. Hanoi accounts for the largest number of households with reduced incomes (28 percent); Ho Chi Minh City has fared a little better at 10 percent and Haiphong has the most impressive growth trend among the cities with less than 3 percent estimating reductions in income since 1990. Again, while 43 percent of these enterprises were established after 1990, the fact that incomes have grown is a positive connotation to private sector entrepreneurship, since they do not, in this instance, constitute "distress industries".

Table 3.11
Estimated change in real income in 1990 for owner-managers of urban household and private enterprises. Percentages.

	Declined	Unchanged	Increased			
			25%	25-50%	50-100%	100- %
Total	14.1	28.2	20.0	12.9	14.1	10.6
Household	19.4	35.5	17.7	9.7	11.3	6.5
Private	0.0	8.7	26.1	21.7	21.7	21.7
Hanoi	27.8	38.9	8.3	11.1	5.6	8.3
Haiphong	2.6	17.9	30.8	10.3	23.1	15.4
Ho Chi Minh City	10.0	30.0	20.0	30.0	10.0	0.0

Summary

From the afore-detailed review of data on origin and development history, we can throw light on several aspects of private sector enterprise experience at establishment and subsequent development - at micro (firm) and macro (national private sector) levels. It appears that a majority of enterprises have been set up since the initiation of *doi moi;* the diversity of ownership forms have been greater; the typical entrepreneur has been a middle aged male with at least ten years of education and prior experience in similar fields in a position of responsibility. This prior experience, in fact, has been the motivating factor for undertaking independent entrepreneurial activity. On establishment, the most severe difficulties faced by them were mainly lack of capital and marketing outlets. Government regulations and bureaucratic procedures were not major constraints. On the contrary, a large majority of enterprises have availed official assistance during establishment period. There is a significant lack of external capital in investments of the firms and this is indicative of weak financial institutions and as yet, a still insecure economic environment for investments with high risk and volume. In our sample, Hanoi has the largest percentage of household enterprises and hence, the size of investments is small, in relation to the other cities. Enterprises established after 1990 are significantly larger than those that were established before, in terms of investments, employment, value added, revenues and propensity to avail external credit and official assistance. These factors describe an economic environment that is becoming increasingly favorable for private entrepreneurial growth and sustainability; yet a lot remains to be done for this growth to be stable.

Rural enterprises

Similar to their urban counterparts, rural enterprises in our sample display a distinct pattern in establishment rates. A sudden spurt of 23 percent in the period 1986-90, a decline in 1991 and a slow, but steady increase since 1992 (Table 3.12). In addition to *doi moi,* rural Vietnam witnessed widespread land reforms in 1987 and it is possible that some of the effects of this reform has translated into an increase in the number of enterprises. A substantial 82 percent of the enterprises have been set up since 1986 and less than 1 percent of them were set up in 1986 itself. This points to the strong correlation between the reforms and small enterprise growth. This trend is common to Ha Tay (in the north) as well as Long An, in the south. However, Long An has a slightly larger percentage of old enterprises and the oldest enterprise in our rural sample, one set up in 1937 is from Long An. Ha Tay saw a second spurt in 1992 with the establishment of 17 percent of enterprises, then two successive years of decline in establishment rates, and a recovery in 1995. In fact, Ha Tay has the largest number of newest enterprises (16 percent of the total). Overall, we find the smallest percentage of pre-unification enterprises, minor ups and downs until a big spurt in the period 1986-90, and a gradual increase since 1992. The reforms and a strengthening economy have resulted in the growth of rural enterprises.

Table 3.12
Year of establishment of rural enterprises.

	Ha Tay	Long An	Total
Before 1976	3.7	6.1	4.9
1976-80	6.1	9.8	7.9
1981-85	1.2	8.5	4.9
1986-90	28.0	18.3	23.2
1991	4.9	8.5	6.7
1992	17.1	6.1	11.6
1993	12.2	13.4	12.8
1994	11.0	15.9	13.4
1995	15.9	13.4	14.6

Intuitive expectations are confirmed, in our sample, with regard to a lack of diversity among forms of rural enterprises. Household and private enterprises seem to be the most dominant forms of rural enterprises throughout the period from reunification (Table 3.13). Partnership, cooperatives and limited liability companies constitute the category ‘other’ but a majority of these are partnerships. There are only 5 cooperatives in our sample, making up 3 percent, (see Chapter One) and 2 of them were established in the period 1976-80 and 3 in 1994. The number of limited liability companies is 3 (or 1.8 percent of the total sample) of which 1 was established in 1994 and the other 2 in 1995. Surprisingly enough, there are no cooperatives older than 1976. Further, more than 22 percent of the household enterprises have been operating for more than 13 years, and 7 percent have been in existence from pre-unification times. Their numbers have been steadily increasing since *doi moi,* though the rate declined slightly between 1992-1994. While there is indication that some of these household enterprises transform into larger and higher forms of ownership, (almost 65 percent of our private enterprises started out as household enterprises), a large majority seem to retain their initial forms. This is something in contrast to the urban scenario where a third of the enterprises had changed forms since 1990. Among the private enterprises two have been privatized from earlier state ownership and two have changed from partnerships. The fairly low degree of penetration of other forms points out to the still very small scale nature of rural industry. That a majority of the private enterprises started out as household enterprises points out to the importance and dominance of household industry as the starting points for rural entrepreneurs, but also act as indications that conditions have been favorable for growth since 1986, when most of the private enterprises were established.

Table 3.13
Year of establishment of rural enterprises by ownership form.

	Household	Private	Other
Before 1976	7.4	2.1	0.0
1976-80	10.6	2.1	9.1
1981-85	4.3	8.3	0.0
1986-90	25.5	22.9	13.6
1991	6.4	10.4	0.0
1992	13.8	10.4	4.5
1993	10.6	20.8	4.5
1994	7.4	18.8	27.3
1995	13.8	4.2	40.9

The profile of a rural entrepreneur is slightly different from the urban areas. Though on average, the rural manager is also male, and has previous experience in a position of responsibility, he has fewer years of formal education (7 years) and is younger (42 years old on average) than his urban counterpart (Table 3.14). The gender distribution is not different, with almost a fifth of the entrepreneurs being women (more of them in Long An than in Ha Tay). However, it is encouraging to note that more than 85 percent of these women entrepreneurs are managing fairly new enterprises - established since 1986. There is, thus, evidence of social change as well. Overall, a majority of the entrepreneurs are between 30-39 years of age, and there are about a quarter who are older than 50 years of age. This is more so in the north than in the south. Almost 87 percent in the age group 29 years or less are managing enterprises established since 1986 and the remaining are managing units established before 1976. It is quite possible that the latter group have taken over traditional family or household enterprises. More than 62 percent of the entrepreneurs 40 years or more are owning and managing household enterprises. Like the urban scenario, we cannot conclude assertively, if this is a healthy development; and it might either mean that these are individuals released (voluntarily) from the state sector and given the small capital needs of household industry, it has been the most attractive option in private entrepreneurship; or they been laid off from positions of responsibility and have taken to household enterprises as a ready alternative. In any case, this probable combination of 'push' and/or 'pull' factors is diversifying the base of the private sector. It remains to be seen if these will eventually grow into larger and higher forms of industrial organization. With greater certainty in the economic environment, we can only hope that there will be 'evolutionary growth' of private sector firms. Most of the respondents have previous experience in a position of responsibility (almost 67 percent), probably in the state sector. A minority (2 percent) have worked in high level cadres, less than 10 percent have worked in local cadres and 22 percent are war veterans. That 70 percent of private enterprises are managed by entrepreneurs who earlier worked in a position of responsibility indicates that they are more willing and, possibly, able to handle more complex organizational and managerial issues. The overall trend is similar in both Ha Tay and Long An, with minor variations. While Ha Tay has more entrepreneurs with upto 10 years of education, a majority of Long An entrepreneurs have upto 7 years of education only. This might explain why the average age of the entrepreneur in Long An is lower than in Ha Tay.

Table 3.14
Characteristics of owner-managers of rural household and private enterprises.

	Ha Tay	Long An	Total Rural
Male	90.0	69.0	80.4
Female	10.0	31.0	19.6
Age			
Mean	42.64	41.88	42.29
-29 years	12.0	11.9	12.0
30-39 years	34.0	33.3	33.7
40-49 years	22.0	35.7	28.3
50- years	32.0	19.0	26.1
Education			
Up to 4 years	8.0	14.6	11.0
Up to 7 years	32.0	36.6	34.1
Up to 10 years	36.0	24.4	30.8
More than 10 years	24.0	24.4	24.2

Experience			
Local cadre	10.6	0.0	9.8
High cadre	0.0	25.0	2.0
War veteran	21.3	25.0	21.6
Other position of responsibility	68.1	50.0	66.7

Combined with the high degree of prior experience in a position of responsibility is the fact that 78 percent of the respondents have experience in production of similar products (Table 3.15). Among these, a majority of 43 percent have dealt with business work routines and have experience in sales and marketing. This indicates that individuals who were used to business dealings in their earlier employment might have a greater propensity to self-employment in related areas. What is interesting is that about 26 percent of these 'experienced' entrepreneurs have this exposure at their own or collective farms and a majority of them are running household enterprises. Close to 45 percent of those who gained this sales experience as employees of state enterprises have gone on to establish private enterprises instead. This trend explains the experiences of 42 percent of household enterprises and 58 percent of private enterprises in informal sale and exchange, in Table 3.15. This trend is more prevalent in Ha Tay, with 49 percent of managers having indulged in businesses prior to their self-employment. The next overall common feature is the experience gained as employees of other enterprises in related areas. As many as 22 percent have this experience, with the proportion being greater in Long An than in Ha Tay. Across forms of ownership, both household and private enterprises have a majority with experience in informal sales, more so among the latter. Among other forms of ownership, experience as employees of other enterprises is more prevalent (32 percent) than other forms of experience.

Motivation for starting entrepreneurial activities goes a long way in describing the economic environment for firms, entrepreneur perceptions and also determines sustainability of firms in the long run. Among rural enterprises, previous experience has been the main reason for establishing firms. About 42 percent of the rural enterprises have replied thus, followed by local tradition for 34 percent (Table 3.16). It is interesting to note that 69 percent of those units who mention local tradition as the main reason have been in existence only since 1986. In conformity with expectations, as Table 3.16 shows, over 44 percent of household enterprises cite local tradition as the motivating factor behind expectations. There is, thus, reason to state that the *doi moi* has contributed to a revival of local traditional household industry. On further examination, it is found that local tradition and previous experience are the only factors motivating entrepreneurs younger than 29 years. Even though these are the main factors for all household entrepreneurs, 10 percent of those between 30 and 49 years have also mentioned successful experiences of others and secure supply and marketing channels; for those above 50 years, it is mainly local tradition. Combining the picture we get from Table 3.14 and its interpretations (noted earlier), it is likely that most of the entrepreneurs in the age group 40 years and above, who have mainly gone into starting household enterprises, are doing so by a dominance of 'pull factors' rather than 'push factors'. With so much previous experience, it is more probable that this group would have sought to establish other non-traditional industry, if the case was 'distress' industries.

Further, across regions, while previous experience is the common motivating factor, local tradition is more a feature of Ha Tay than Long An (Table 3.16). Emulating other success stories, on the other hand, is more commonly found in Long An, in addition to perceptions of secure environment and advice by friends. The scenario in Long An is that of a more developed system, with lesser reliance on tradition and more on other 'push' factors, including linkages with authorities, which is absent in Ha Tay. A significant point to note is that none of the entrepreneurs have gone into business for reasons of financial availability. This finding lends support to the point discussed earlier, that external credit for enterprises is one of the weakest institutions in the economic environment of firms. There is a lot of scope for improvement on this count. Across forms of ownership, as one might guess, local tradition is not the main motivating factor among non-household enterprises. An encouraging finding is that apart from previous experience, experiences of successful entrepreneurs have been motivating factors for 'other' enterprises, reflecting favorable entrepreneurial conditions. The information in Table 3.16 also indicates that financial non-availability is a feature common to all Vietnamese enterprises, irrespective of their size.

Table 3.15
Percentage of managers of household and private enterprises with experience in production of similar products/services prior to establishment of enterprise, rural areas.

	Ha Tay	Long An	Total	Household	Private	Other
Mainly for own consumption	1.2	6.0	3.6	4.2	2.1	4.5
Mainly for sale or exchange (informal)	48.8	37.3	43.0	42.1	58.3	13.6
As employee in other enterprise	19.5	24.1	21.8	23.2	14.6	31.8
As collective farm member	4.9	0.0	2.4	3.2	0.0	4.5
Other form of experience	11.0	3.6	7.3	6.3	4.2	18.2
Total	85.4	71.1	78.2	78.9	79.2	72.6

Table 3.16
Main reason for establishing present line of business, rural enterprises.

	Ha Tay	Long An	Total	Household	Private	Other
Previous experience	45.1	39.0	42.1	33.7	61.7	36.4
Local tradition	39.0	28.0	33.5	44.2	14.9	27.3
Seen others make profit	7.3	11.0	9.1	6.3	8.5	22.7
Secure supply/market channels	4.9	8.5	6.7	7.4	6.4	4.5
Advised by friends	1.2	11.0	6.1	5.3	8.5	4.5
Advised by authorities	0.0	1.2	0.6	0.0	0.0	4.5
Financial assistance for this business line	0.0	0.0	0.0	0.0	0.0	0.0
Other	2.4	1.2	1.8	3.2	0.0	0.0

In the development history of enterprises, constraints during establishment determine such important matters as investment scale, legality and their future success and growth potential. Among rural enterprises, not surprisingly, lack of capital was the most severe difficulty experienced at the time of establishment (Table 3.17). Although not as extensively as their urban counterparts, nearly 29 percent of rural enterprises cite this constraint. That the percentage is not higher might be due to the fact that the capital needs of these enterprises, dominated by household forms, have been modest and limited largely to the extent of whatever resources the entrepreneur had at the time of establishment. On the other hand, lack of marketing outlets has been slightly more frequent among rural enterprises. Being the second most common constraint, 19 percent of these enterprises experienced lack of marketing outlets as a severe difficulty. Since local tradition has been a major factor in establishing rural enterprises, technical know how does not appear to have been a common constraint. In fact, this might also explain why raw materials have also not figured as severe constraints, since local traditions and practices evolve in response to the relative abundance of one or more local resources. The degree of mechanization involved here is also fairly limited, with the result that suitable machinery has not been a major constraint. However, with quite a few enterprises involved, finding marketing outlets has naturally been a major constraint. These types of constraints are also due to the disadvantages of being very small scale. This situation is more common in Ha Tay with nearly 27 percent of enterprises experiencing marketing difficulties against 12 percent in Long An. That local traditional activities were found to be more common in Ha Tay may be reiterated here. Long An has a larger number of enterprises experiencing difficulties in finding suitable machinery (7.2 percent) and premises (6 percent). Observing across ownership forms, lack of capital and marketing outlets -in that order- are the most commonly felt difficulties for all enterprises. Relatively fewer private and other enterprises experienced marketing difficulties, compared to household enterprises. Finding suitable premises and labor has been a constraint for larger scale enterprises, mainly partnership and limited liability firms. It is also clear from Table 3.17 that government regulations have not been a severe difficulty for most enterprises, though the percentage is higher than urban enterprises. It has been a feature of private and other non household enterprise forms. Among all external constraints, capital and marketing deserve closer attention by policy makers in reducing the hurdles for starting private sector enterprises.

Table 3.17
Severe difficulties experienced by rural enterprises at the time of establishment. Percentages.

	Ha Tay	Long An	Total	Household	Private	Other
Lack of						
Capital	27.7	30.1	28.9	28.1	27.1	36.4
Raw material	4.8	3.6	4.2	5.2	4.2	9.1
Market outlet	26.5	12.0	19.3	26.0	10.4	0.0
Technical know how	1.2	3.6	2.4	2.1	4.2	4.5
Suitable machinery	1.2	7.2	4.2	2.1	8.3	9.1
Suitable premises	1.2	6.0	3.6	1.0	4.2	9.1
Skilled labor	2.4	1.2	1.8	0.0	0.0	4.5
Government regulations	0.0	3.6	1.8	0.0	4.2	0.0
Others	1.2	0.0	0.6	0.0	2.1	0.0

The nature and intensity of establishment constraints, as mentioned above, varies with the size of the firms. Table 3.19 presents the investment profile of the private sector enterprises. There is a very distinct scale difference across regions, in this regard. The average enterprise at start-up in Ha Tay is almost three times the size of that in Long An. This may be accounted by the fact that 96 percent of the enterprises are involved in industrial manufacturing in Ha Tay whereas agro-processing sector is larger, and hence the corresponding percentage is only 66, in Long An. This comes as a surprising result, since our earlier finding was that local tradition was a greater force in Ha Tay and it is common expectation that under the circumstances, the nature of activity is smaller scale, non-industrial manufacturing. However, the investment range is much more homogeneous in Long An, as Table 3.19 shows. The median investment value in Long An is 10 million dong whereas it is 5 million dong in Ha Tay, even though the average Ha Tay enterprise is much larger than its Long An counterpart. The result across ownership forms is hardly surprising, with average investments increasing substantially with more complex forms of ownership. The scale difference across agro-processing and manufacturing is also distinct - the average manufacturing firms are more than twice the size of the agro-processing firm. However, the investment differences between individual units is high, with less than 50 percent of the enterprises having invested 8 million dong while the average enterprises has invested 16 million dong. This variation is lesser among household enterprises than the other forms. Further, as in the urban scenario, rural enterprises established after 1990 are considerably larger in size than those established earlier. Over 63 percent of the enterprises established after 1990 have more than 7.5 million in initial investments, while the corresponding percentage is 25 for those older than 1990. Also, a majority of these larger units are non-household enterprises. Hence we see a duality: smaller scale household enterprises, which have not added too many to the number of private sector enterprises since 1990; and larger non-household enterprises that have been established in greater numbers since 1991. Correspondingly, the value added is also high in these latter cases (See Chapter Two). This diversification is a welcome feature for intensive and extensive growth of private sector entrepreneurship in rural Vietnam.

Table 3.18 illustrates the sources of capital for rural enterprises at the time of establishment. This strengthens the arguments made above that external credit has been conspicuous by its absence and the scale of investments has been limited to the entrepreneur's savings. Own capital formed part of the capital base for all enterprises (shown in Column A) and that it has been the most dominant part is shown by Column B. All rural enterprises utilized the entrepreneur's own capital, and it constituted a startling 90 percent of the total capital base for the average enterprise. Interest free loans from friends and relatives (9 percent) and bank loans (6 percent) were the other capital sources at establishment. The reliance on own capital is slightly less, though not significantly so, in Ha Tay than in Long An. For potential growth and development of private sector entrepreneurship, there is an urgent need for diversifying the capital base of enterprises and not limiting the scale of operations to entrepreneur savings. The number of household enterprises is large in the sample, and this is representative of all of rural Vietnam. With a bulk of the population living in rural areas, there is need to diversify the economic base in the region and develop a healthy non farm sector, by grooming the appropriate institutions.

Table 3.18
Sources of capital at the time of establishment of rural enterprises by province.

	Ha Tay		Long An		All rural	
	A	B	A	B	A	B
Own capital	100.0	89.7	100.0	90.8	100.0	90.3
Interest free loan	8.6	2.3	10.0	5.4	9.3	3.8
Bank loan	9.9	2.9	2.5	0.9	6.2	1.9
Credit cooperative	4.9	1.9	0.0	0.0	2.5	1.0
Local authority	0.0	0.0	1.3	0.6	0.6	0.3
Workers' contribution	2.5	0.2	0.0	0.0	1.2	0.1
Loan from private persons	6.2	2.9	3.8	1.8	4.9	2.3
Advance against sales	0.0	0.0	0.0	0.0	0.0	0.0
Other sources	0.0	0.0	1.3	0.6	0.6	0.3

A: Percentage of enterprises that utilized this source of capital
B: Average contribution to total capital formation for all enterprises

Table 3.19
Total investments at the time of establishment of rural enterprises. Thousand dong at 1997 prices.

	Mean	Median	25%	75%	100%
Rural areas	161880	8000	2000	50000	376800
Ha Tay	242434	5000	1000	51750	698400
Long An	80319	10000	3000	50000	192000
Household	6775	3000	1000	9500	19400
Private	125336	50000	10000	100000	434000
Other	888573	265000	36250	762500	4660000
Agro-processing	89261	30000	10000	100000	400800
Manufacturing	179197	5000	1425	31000	379000

Linkages with the government, at establishment, have been less prevalent among rural than urban enterprises. Table 3.20 shows that 58 percent of the rural enterprises did not avail of any official assistance at the time of establishment. One interesting point is that while urban enterprises have, on the whole, benefited more from official assistance, a larger percentage of rural enterprises have mentioned governmental regulations as a severe constraint (See Table 3.17). The major form of assistance among rural enterprises was with temporary tax exemption or reduction. More than a quarter of the enterprises have availed this benefit (Table 3.20). The next common form of assistance was assistance with bureaucratic formalities (18 percent) and assistance in obtaining credits (13 percent). In Long An, more enterprises have sought official assistance in application and registration formalities (22 percent), followed by tax exemptions (21 percent); while in Ha Tay the order is assistance with tax credits (33 percent), credit (18 percent) and official formalities (13 percent). The number of enterprises availing other forms of assistance has been significantly low. The differing linkages of enterprises with government across ownership forms is also clear from Table 3.20. Private enterprises have shown a greater propensity toward benefiting from official assistance compared to household enterprises, where 68 percent of enterprises have not availed any assistance. Also enterprises established since 1993 have availed assistance to a greater degree than those established prior to 1993. On the whole, the most common form of official assistance has been tax credits, followed by procedural assistance across regions, ownership forms and dates of establishment, with a few exceptions. Linkages with officials are not as strong in rural areas compared to their urban counterparts.

Table 3.20
Official assistance at the time of establishment, rural enterprises. Percentages

	A	B	C	D	E	F	G	H	I
Total Urban	4.2	17.6	1.2	13.3	26.7	0.0	2.4	2.4	58.2
Ha Tay	6.0	13.3	1.2	18.1	32.5	0.0	2.4	3.6	57.8
Long An	2.4	22.0	1.2	8.5	20.7	0.0	2.4	1.2	58.5
Household	4.2	9.4	0.0	7.3	20.8	0.0	1.0	0.0	67.7
Private	0.0	29.2	0.0	10.4	22.9	0.0	2.1	6.3	54.2
Other	13.6	27.3	9.1	45.5	59.1	0.0	9.1	4.5	22.7
Enterprises established									
1993-95	4.5	23.9	0.0	19.4	38.9	0.0	2.9	1.5	49.3
Before 1993	4.1	16.3	2.0	9.2	18.4	0.0	2.0	3.1	64.3

A: Recommendation on line of business
B: Assistance with application, registration etc.
C: Assistance with the organization of the enterprise
D: Assistance with obtaining credits
E: Temporary tax exemption/reduction
F: Assistance with procurement of machinery etc.
G: Assistance in establishing contact with state enterprises
H: Other assistance
I: No assistance received

So far, we have analyzed various factors determining origin and development of rural Vietnamese enterprises. Whether 'pull' or 'push' factors have determined their existence, it is clear from Table 3.21 that for 66 percent of the owner-managers of household and private enterprises, real incomes since 1990 have increased. Considering that almost 36 percent of entrepreneurs (who claimed an increased real income) have been running the same unit, the increased incomes point out to healthy growth and development patterns for rural enterprises. Though about 14 percent have unchanged earnings, almost a fifth of the entrepreneurs have reported a decline in real income. Most of the decline and unchanged income is seen in household industries, and in Long An. That most of the decline (91 percent) has occurred in manufacturing units as against agro-processing is disconcerting. However, private enterprises have fared better, with only 8 percent experiencing a decline and 28 percent experiencing a 100 percent increase. It is heartening to note that, despite the small size of enterprises and the fact that 60 percent of them were started after 1990, private sector enterprises have resulted in better incomes for most entrepreneurs and to that extent, have made significant contributions.

Table 3.21
Estimated change in real income in 1990 for owner-managers of rural household and private enterprises. Percentages.

	Declined	Unchanged	Increased			
			25%	25-50%	50-100%	100- %
Total	19.6	14.1	30.4	14.1	8.7	13.0
Household	23.9	14.9	32.8	11.9	9.0	7.5
Private	8.0	12.0	24.0	20.0	8.0	28.0
Ha Tay	14.0	4.0	34.0	16.0	12.0	20.0
Long An	26.2	26.2	26.2	11.9	4.8	4.8

Summary

The origin and development history of rural Vietnamese enterprises is, in many ways, similar to the urban enterprises. Since national macro economic conditions have been the same, and private sector industry is of a fairly recent origin, we find that entrepreneurial responses and perceptions have been similar, though rural Vietnam is less diverse than urban Vietnam. Household and private enterprises dominate the scene, (our sample is representative of reality), the typical rural entrepreneur is a middle aged male, with at least 7 years of education and previous experience in a position of responsibility. Local traditions have been major motivating factors, apart from this previous experience in establishment of enterprises. Lack of capital and marketing outlets are the most frequently cited, severe, constraints at the time of establishment; and many enterprises have not received any official assistance then. The scale of enterprise operations is limited mainly to entrepreneurial savings, with little (availability) and reliance on external capital. Despite this constraint, enterprises established after 1990 are significantly larger, and, therefore, belong to mainly non-household ownership forms. Further the enterprises in the north are much larger than those in the south, and manufacturing units are larger than agro-processing units. Overall, it appears that there is a healthy environment developing for rural private enterpreneurship and formal institutions are the most urgent need of the hour in determining their future success and growth.

4 Linkages with the Rest of the Economy

Backward linkages among urban enterprises

Non-state enterprises stand out as the single most important source of supply of raw materials and other inputs for the enterprises in all the cities included in the survey. In each urban area, non-state enterprises answer for, on average, more than half the total procurement of inputs, 55 per cent in Hanoi and as much as 63 per cent in Haiphong (Table 4.1). In Haiphong, more than half of the firms in the survey get *all* of their inputs from non-state enterprises, while in the other cities this is the case with one third of the enterprises. Second in importance are state enterprises, which supply, on average, one fifth of raw materials, and which, for instance, provide all raw materials for 8 per cent of the enterprises in Hanoi. Households are the third most important source, not far behind state enterprises. The difference between households and state enterprises as suppliers appears to be that the latter to a lesser degree provide all inputs needed, while households are used as the only source of supply somewhat more often. State agencies and collective farms feature only seldom as suppliers, and in each of the cities as much as 96 per cent of the interviewed businesses have no contact what so ever with undertakings of this kind.

Table 4.1
Type of suppliers to urban enterprises, by location.
Percentage share of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean
Hanoi							
households	73.1	5.0	1.7	5.0	1.7	13.4	18.9
non-state enterprises	26.1	4.2	15.1	10.9	10.1	33.6	54.7
state enterprises	59.7	10.1	6.7	13.4	1.7	8.4	22.5
other state agencies	98.3	0.8	0.8	0.0	0.0	0.0	0.5
collective farms	99.2	0.0	0.0	0.0	0.0	0.8	0.8
other	97.5	0.0	0.0	0.0	0.0	2.5	2.5
Ho Chi Minh City							
households	78.6	6.8	0.0	6.8	1.7	6.0	12.8
non-state enterprises	20.5	8.5	11.1	12.8	12.8	34.2	57.7
state enterprises	59.8	10.3	12.0	8.5	5.1	4.3	20.0
other state agencies	99.1	0.0	0.0	0.9	0.0	0.0	0.6
collective farms	96.6	2.6	0.0	0.9	0.0	0.0	1.0
other	88.0	1.7	2.6	0.9	3.4	3.4	7.9
Haiphong							
households	69.3	7.9	4.0	6.9	1.0	10.9	18.1
non-state enterprises	20.8	6.9	5.9	10.9	5.0	50.5	63.4
state enterprises	71.3	5.0	2.0	8.9	5.9	6.9	18.4
other state agencies	99.0	1.0	0.0	0.0	0.0	0.0	0.1
collective farms	99.0	1.0	0.0	0.0	0.0	0.0	0.1
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 4.2
Type of suppliers to urban enterprises, by ownership form.
Percentage share of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean
Total urban from							
households	73.9	6.5	1.8	6.2	1.5	10.1	16.5
non-state enterprises	22.6	6.5	11.0	11.6	9.5	38.9	58.4
state enterprises	63.4	8.6	6.8	10.4	4.2	6.5	20.4
other state agencies	98.8	0.6	0.3	0.3	0.0	0.0	0.4
collective farms	98.2	1.2	0.0	0.3	0.0	0.3	0.6
other	95.0	0.6	0.9	0.3	1.2	2.1	3.7
Household enterpr. from							
households	65.3	7.1	3.1	5.1	0.0	19.4	24.3
non-state enterprises	26.5	3.1	4.1	8.2	11.2	46.9	63.4
state enterprises	76.5	6.1	8.2	4.1	0.0	5.1	11.4
other state agencies	99.0	0.0	1.0	0.0	0.0	0.0	0.4
collective farms	99.0	0.0	0.0	1.0	0.0	0.0	0.5
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Private enterpr. from							
households	75.4	10.6	0.0	7.6	1.5	4.6	12.4
non-state enterprises	13.8	9.0	13.8	13.8	13.8	35.4	61.0
state enterprises	55.4	12.1	9.1	15.2	7.5	1.5	21.8
other state agencies	100.0	0.0	0.0	0.0	0.0	0.0	0.0
collective farms	95.4	4.6	0.0	0.0	0.0	0.0	0.9
other	93.8	0.0	1.5	1.5	3.0	0.0	3.8
Partnership ent. from							
households	62.5	7.5	0.0	10.0	0.0	20.0	27.0
non-state enterprises	37.5	5.0	12.5	2.5	10.0	32.5	46.9
state enterprises	65.0	10.0	0.0	7.5	2.5	15.0	23.6
other state agencies	100.0	0.0	0.0	0.0	0.0	0.0	0.0
collective farms	100.0	0.0	0.0	0.0	0.0	0.0	0.0
other	97.5	0.0	0.0	0.0	0.0	2.5	2.5
Co-operatives from							
households	71.9	0.0	3.6	8.9	5.3	10.5	21.6
non-state enterprises	26.3	7.1	14.2	12.3	5.3	35.1	52.8
state enterprises	61.4	8.9	1.8	14.3	5.3	8.8	23.1
other state agencies	100.0	0.0	0.0	0.0	0.0	0.0	0.0
collective farms	100.0	0.0	0.0	0.0	0.0	0.0	0.0
other	94.7	1.8	1.8	0.0	0.0	1.8	2.6
Ltd. & share hold. from							
households	88.5	7.8	0.0	2.6	1.3	0.0	3.4
non-state enterprises	16.7	10.3	15.4	16.7	9.0	32.1	56.0
state enterprises	48.7	10.4	11.7	15.4	6.4	7.7	28.6
other state agencies	96.2	2.6	0.0	1.3	0.0	0.0	1.2
collective farms	97.4	1.3	0.0	0.0	0.0	1.3	1.4
other	88.5	1.3	1.3	0.0	2.6	6.4	9.4
Agro-process. ent. from							
households	51.2	7.3	4.9	7.3	0.0	29.3	36.9
non-state enterprises	31.7	7.3	12.2	9.8	9.8	29.3	48.2
state enterprises	73.2	4.9	12.2	7.3	2.4	0.0	11.9
other state agencies	97.6	2.4	0.0	0.0	0.0	0.0	0.1
collective farms	87.8	9.8	0.0	2.4	0.0	0.0	2.9
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0

table 4.2 contd.

	0	1-24	25-49	50-74	75-99	100	Mean
Manuf. enterpr. from							
households	77.0	6.4	1.4	6.1	1.7	7.4	13.7
non-state enterprises	21.3	6.4	10.8	11.8	9.5	40.2	59.8
state enterprises	62.0	9.2	6.1	10.8	4.4	7.5	21.6
other state agencies	99.0	0.3	0.3	0.3	0.0	0.0	0.4
collective farms	99.7	0.0	0.0	0.0	0.0	0.3	0.3
other	94.3	0.7	1.0	0.3	1.4	2.4	4.2

The predominance of non-state enterprises as suppliers is valid, not only regardless of location as described above, but also among all ownership forms of the receiver. However, in this respect as well there is some variation as for the share supplied. Household and private firms buy on average two thirds of their raw materials and inputs from non-state enterprises, while the share among partnership enterprises is less than 50 per cent (Table 4.2). Households answer for more than one fifth of the average input supply, except for that to private and share holding enterprises. To these, households supply on average less than ten and five per cent respectively, but only as complement to raw materials from other sources. Basically no private or share holding enterprise relies fully on households for their supply of inputs. To private, partnership and co-operative establishments, state enterprises supply on average as high a share as households, that is 20 per cent. Share holding companies buy somewhat more, about 30 per cent on average, of their inputs from state enterprises, while the latters' relations with household customers are more limited, some 10 per cent.

Table 4.3
Location of suppliers to urban enterprises, by city.
Percentage share of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean
Hanoi							
same town	7.6	1.6	3.4	8.9	3.4	74.8	84.4
else, rural	84.9	2.4	3.3	5.0	0.8	3.4	8.6
else, urban	90.8	3.3	4.0	0.0	0.0	1.7	3.8
other	95.0	0.8	0.8	1.7	0.0	1.7	3.2
HCM City							
same town	5.1	6.2	5.3	4.4	3.6	76.1	84.1
else, rural	89.7	0.0	1.8	5.3	2.6	0.9	6.9
else, urban	89.7	3.6	4.3	0.0	0.0	2.6	4.7
other	94.9	0.0	0.0	0.9	3.6	0.9	4.2
Haiphong							
same town	3.0	1.0	2.0	2.0	2.0	90.1	93.7
else, rural	95.0	2.0	0.0	2.0	0.0	1.0	2.3
else, urban	94.1	1.0	0.0	3.0	1.0	1.0	3.5
other	99.0	0.0	0.0	1.0	0.0	0.0	0.5

Irrespective of form of supplier, the source and user of the input are mostly situated in the same town. In Haiphong, as high a share as 90 per cent get all of their inputs from suppliers located in the same town, while in Hanoi and Ho Chi Minh City, the share is some 75 per cent (Table 4.3). On average, sources in the same town provide about 85 per cent of the raw materials, while suppliers in rural areas answer for about half of what is left. Only in Haiphong is the share originating in other urban areas slightly higher than the share obtained from other rural areas. Thus, such local dependency for inputs applies regardless of ownership form of the receiving part. Nearby sources supply household and partnership enterprises and co-operatives to more than 90 per cent on average, and among the first two forms of establishment, nine out of ten depend completely on suppliers within the same city (Table 4.4).

Table 4.4
Location of suppliers to urban enterprises, by ownership form
(percentage share of total procurement)

	0	1-24	25-49	50-74	75-99	100	Mean
Household ent.							
same town	3.1	0.0	0.0	6.0	0.0	90.8	94.2
else, rural	93.9	0.0	2.0	2.0	0.0	2.0	3.9
else, urban	96.9	0.0	2.0	0.0	0.0	1.0	1.8
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Private enterpr.							
same town	6.3	6.3	4.7	4.8	3.2	75.0	83.2
else, rural	87.5	1.6	1.6	7.8	1.6	0.0	6.7
else, urban	87.5	3.2	3.2	1.6	1.6	3.1	7.0
other	95.3	0.0	0.0	3.2	1.6	0.0	3.1
Partnership ent.							
same town	2.5	0.0	2.5	2.5	2.5	90.0	94.3
else, rural	92.5	2.5	0.0	2.5	0.0	2.5	4.9
else, urban	97.5	0.0	2.5	0.0	0.0	0.0	0.9
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Co-operatives							
same town	0.0	1.8	5.2	3.5	7.1	82.5	92.3
else, rural	91.2	0.0	1.8	5.3	1.8	0.0	4.8
else, urban	89.5	8.9	1.8	0.0	0.0	0.0	2.0
other	98.2	0.0	0.0	1.8	0.0	0.0	0.9
Ltd. & share							
same town	12.8	6.5	6.5	7.8	3.9	62.8	73.9
else, rural	83.3	3.9	2.6	3.9	2.6	3.8	10.0
else, urban	85.9	2.6	5.2	2.6	0.0	3.8	7.5
other	88.5	1.3	1.3	1.3	3.9	3.8	8.7

When the entrepreneurs included in the survey select suppliers of inputs, price is the criteria ascribed most weight. Competitive prices is stated by two thirds of all urban enterprises and is the main criteria in all cities included in the survey, as well as for all forms of enterprise (Table 4.5). On an overall urban basis, this pattern has not changed much over the past six years. A somewhat greater share emphasise quality, and a somewhat smaller share stress price than was the case in the earlier survey, but the difference is limited to some five per cent. However, looking merely at the current results, there is great variation between the areas in the relative importance attributed to price. While more than 80 per cent of the undertakings in Hanoi mention a competitive price as being most important, the share is ‘only’ 58 per cent in Ho Chi Minh City and 61 per cent in Haiphong. Quality aspects are completely overshadowed by price as main criteria among those selecting suppliers in Hanoi, while 28 per cent of the firms in Ho Chi Minh City and 23 per cent of those in Haiphong actually put quality before prices. A secure supply of inputs is the third most frequently mentioned criteria in all three cities. Furthermore, it appears as if enterprises of different ownership forms emphasise different features when selecting supplier. For instance the percentage giving priority to price is much higher among partnership enterprises and co-operatives, where it approaches 80 per cent, while a secure supply is even rated as more important than quality among the latter category. By contrast, some 27 per cent of private and share holding enterprises rank quality as being the most important criteria when selecting supplier, as do slightly less than one fifth of the household firms.

Table 4.5
Main criteria and method among urban enterprises when selecting supplier.

	Hanoi	HCM City	Hai-phong	House-hold	Private	Partner-ship	Co-op.	Ltd. & share	Total urban	Total 1990
Main criteria										
competitive prices	82.4	57.8	61.0	67.3	61.9	79.5	77.2	59.0	67.1	73.7
terms of credit	0.8	1.7	3.0	2.0	3.2	0.0	0.0	2.6	1.8	0.0
quality standards	7.6	28.4	23.0	18.4	27.0	7.7	10.5	26.9	19.3	15.4
secure supply	5.0	7.8	6.7	8.2	6.3	10.3	8.8	5.1	7.4	4.5
know supplier pers.	0.8	3.4	6.7	4.1	0.0	0.0	3.5	1.3	2.1	1.4
located nearby	0.0	0.0	1.0	0.0	1.6	0.0	0.0	0.0	0.3	0.3
govt. agent	0.8	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.3	0.3
no choice	2.5	0.9	0.0	0.0	0.0	2.6	0.0	3.8	1.2	4.2
Method										
personal contacts	59.7	43.1	21.8	45.9	33.3	60.0	31.6	4.9	42.4	-
marketing by supplier	2.5	6.9	15.8	7.1	11.1	2.5	10.5	7.7	8.0	-
government agencies	7.6	0.0	5.9	2.0	1.6	2.5	10.5	6.4	4.5	-
own search process	30.3	45.7	55.4	43.9	50.8	32.5	47.4	38.5	43.0	-
other	0.0	4.3	1.0	1.0	3.2	2.5	0.0	2.9	1.8	-

Note: ‘Co-operatives’ is based on less than 20 observations as for mode of identification. Regarding method there was no similar variable calculated on a total basis in 1991.

In the search for raw materials the entrepreneurs in Haiphong are the most active among the urban ones. As much as 55 per cent of them have identified their suppliers through own search efforts, compared to 46 per cent in Ho Chi Minh City and one third in Hanoi (Table 4.5). Sixty per cent of the enterprises in the latter city have instead used mainly personal contacts, compared to 22 per cent in Haiphong and 43 per cent in Ho Chi Minh City. Screened on the basis of ownership, as much as 60 per cent of the partnership enterprises use mainly personal contacts in identifying suppliers. The equivalent among private enterprises or co-operatives, which to a greater extent have done some searching on their own, is about 30 per cent. Thus, based on these observations, one might draw the conclusion that the aspects of the inputs and raw materials that the entrepreneurs perceive as desirable do not seem to influence their mode of search in any straight forward manner. However, on the basis of all urban observations, that is not completely true. Among those establishments in urban areas that focus on quality, some 37 per cent use personal contacts mostly in order to find raw materials. The share of enterprises where price matters more use personal contacts more often, 46 per cent. The criteria does, however, not seem to have any greater impact on the *actual activities* undertaken by the purchasing part. Where quality is the main criteria, some 46 per cent have done some searching on their own, compared to 43 per cent among those caring mainly for a good price.

Neither does it appear as if the criteria used for selecting supplier has any greater effect on the geographical distance the purchasing part is prepared to go in order to find suitable inputs, at least not for the urban sample as a whole. Among those giving priority mainly to quality, on average 87 per cent of the inputs come from the same town, compared to 90 per cent among those focusing on price. However, it does have a mild influence on the choice of source of raw materials and inputs. Enterprises prioritising price buy 19 per cent of their inputs from households and only 18 per cent from state enterprises, while those using quality as criteria for selecting suppliers purchase 23 per cent of their inputs from state enterprises and only 12 per cent from households (Table 4.6).

Table 4.6
Type of suppliers to urban enterprises, depending on main criteria.

	Price	Quality
Households	19.3	12.6
Non-state enterpr.	59.9	57.0
State enterprises	18.2	23.8
State agency	0.6	0.0
Collective farms	0.3	0.8
Other	1.7	5.9

Note: Averages.

One might expect that the nature of the input itself would decide whether price or quality is most important, but the survey results give little indication of this. Here, the inputs being bought are much the same, irrespective of the relative importance of criteria, but the match is not complete. Timber, paper, steel, iron, wire and aluminium scrap belong to the most common inputs in both ‘criteria groups’, and make up about 35 per cent of the represented inputs. Meanwhile, those emphasising price buy more of bread flour, which might not be considered as a sophisticated input, but also various plastic goods. PVC plastics, polyethylene and polypropylene is what close to 20 per cent of those focusing mainly on price buy, while the share is less than 10 per cent where quality matters more.

Activities by the suppliers themselves can have a great impact on the selection of suppliers. Establishments with no marketing efforts will be difficult to find since few know they exist. Furthermore, non-state enterprises are more likely to undertake marketing efforts than individual households, as they have more resources to spend on advertisement and such. Indeed, the structure of backward linkages does look rather different among those having been approached by suppliers. Non-state enterprises represent the largest source of inputs for this group; 48 per cent on average (Table 4.7). State enterprises are almost as active, supplying some 42 per cent, while the share originating from households is less than seven per cent.

Table 4.7
Active suppliers and the resulting share of inputs from such sources to urban enterprises.

	0	1-24	25-49	50-74	75-99	100	Mean
Households	85.2	7.4	3.7	0.0	0.0	3.7	6.31
Non-state enterpr..	18.5	22.2	14.8	7.4	3.7	33.3	48.2
State enterprises	44.4	3.7	3.7	18.5	14.8	14.8	41.9

Not all entrepreneurs are satisfied with the current raw material situation, but the extent of dissatisfaction varies greatly between the cities. Very few establishments in Hanoi claim to have any difficulties at all in securing adequate quantities of raw materials, but those that do ascribe this to dependency on imports (Table 4.8). The inputs in short supply cover several categories without any clear pattern, and include timber, wires and oxygen. The shares are slightly higher in Ho Chi Minh City and Haiphong, about 15 per cent, and it is the erratic nature of supply that is the worst evil. In both these latter cities it is mostly wood products, cane bamboo and timber, that are difficult to procure. It appears to be private and share holding enterprises that suffer most from shortages, since 31 and 36 per cent belong to these respective categories in the group suffering from insufficient quantities of inputs, compared to 19 and 23 per cent in the whole survey. Household and private partnership enterprises seem to manage better with their supplies, and although they constitute 30 and 12 per cent of the

Table 4.8
Percentage of urban enterprises experiencing difficulties with supply of inputs.

	Hanoi	HCM City	Hai-phong	House-hold	Private	Partner-ship	Co-op.	Ltd. & share
Quantity wise (1991)	37.8	25.0	30.7	22.0	36.5	33.3	35.2	-
Quantity wise	5.1	15.5	14.9	7.1	19.0	2.5	8.8	18.2
import dependency	66.7	38.9	20.0	14.3	58.3	100.0	20.0	42.9
inadeq/erratic supply	16.7	55.6	53.3	85.7	50.0	100.0	40.0	28.6
no local suppliers	0.0	27.8	20.0	14.3	33.3	0.0	40.0	7.1
seasonal supply	16.7	27.8	26.7	0.0	25.0	0.0	20.0	42.9
poor transportation	16.7	0.0	0.0	0.0	0.0	0.0	0.0	7.1
bureaucr. difficulties	50.0	33.3	6.7	28.6	25.0	0.0	40.0	21.4
Quality wise (1991)	27.8	42.2	31.2	25.3	36.5	29.3	38.0	-
Quality wise	9.2	23.9	14.9	9.2	18.8	7.5	15.8	26.9
Insuff. power (1991)	17.7	42.2	14.2	-	-	-	-	-
Insufficient power	5.9	37.1	5.0	21.6	23.8	2.5	7.0	17.9

Note: The number of observations (firms with difficulties) regarding quantity 1996 upon which the above table is based is: six for Hanoi, 18 for Ho Chi Minh City and 15 for Haiphong, seven household enterprises, 12 private enterprises, one partnership enterprise, five co-operatives and 14 limited liability and share holding enterprises, hence the specification percentages should be interpreted with some caution. Where marked '-' this was not specified in the 1991 survey. Figures in shaded areas refer to the 1991 survey.

survey sample respectively, their share among the enterprises with difficulties is 18 and 3 per cent. Comparing the current situation with that persisting six years ago, one must say that the developments are very encouraging. Hanoi, the city with the greatest share of enterprises with problems finding sufficient amounts of inputs in 1991, hardly shows any such cases today. In terms of ownership, it is household and partnership enterprises that have experienced the greatest relief.

An examination of the enterprises with difficulties in securing inputs shows that about two thirds get all of their inputs from within the same town, and more than 80 per cent of them get no inputs what so ever from other areas, rural or urban (Table 4.9). What is encouraging about these figures is that they do show that outside sources have been used more often than is the case for the urban establishments in general, among which on average 87 per cent of inputs have been bought from within the town and where close to 80 per cent rely completely on such sources. Still they do leave some room for improvement. Judging by the nature of the inputs (wood based mostly), most of them are not perishable, but should be amenable to transport. Due to the difficulty in determining weight or size, the cost of transportation can not be fully excluded as an obstacle. However, wooden raw materials are generally refined relatively close to the source, but this line of reasoning is on the other hand contradicted by the fact that wood is supplied within the same town at all. Where, in Ho Chi Minh City, can timber be produced?

Table 4.9
Location of suppliers to urban enterprises with insufficient quantities of inputs. Percentage share of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean	All*
Same town	10.3	12.9	5.2	2.6	5.2	64.1	73.6	87.0
Rural areas	82.1	2.6	2.6	2.6	7.7	2.6	11.8	6.1
Other urban	87.2	5.1	5.1	0.0	0.0	2.6	5.9	4.0
Other	87.2	0.0	0.0	7.8	2.6	2.6	8.7	2.7

* Average for the whole urban sample

Enterprises experiencing problems in securing sufficient inputs tend to purchase relatively more than the enterprise at large from state firms, 33 as against 20 per cent, and relatively less from households, 10 and 16 per cent respectively (Table 4.10). Whether this

Table 4.10
Type of suppliers to urban enterprises with insufficient quantities of inputs. Percentage share of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean
Households	69.2	18.1	2.6	10.3	0.0	0.0	9.7
Non-state ent.	20.5	13.0	15.5	12.9	10.4	28.2	50.7
State enterprise	46.2	7.8	10.3	18.0	12.9	5.1	32.7
State agency	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Collective farms	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	87.2	2.6	2.6	2.6	2.6	2.6	7.2

pattern is a result of choice, accident, or force is difficult to tell, but just by comparing what is stated as inputs in shortage (for instance timber and metal scrap) with what is bought from households, it can be concluded that households should be able to be of service.

Enterprises having difficulties in securing enough inputs do not differ from the enter-prises at large with regard to the criteria for selecting suppliers. But as for the method used when selecting suppliers, a small difference is noticeable. About one third of those with insufficient supplies have used personal contacts in order to identify suppliers, compared to 42 per cent of all urban establishments. The have been somewhat more active, as 49 per cent have undertaken own search processes, while the share among urban establishments as a whole is 43 per cent.

Table 4.11
Type of suppliers to urban enterprises with insufficient quality of inputs.
Percentage share of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean
Households	63.0	11.3	7.6	9.4	1.9	7.4	19.1
Non-state enterp..	16.7	15.2	14.9	13.1	5.7	35.2	54.7
State enterprise	66.7	5.7	9.4	13.1	3.8	1.9	17.4
State agency.	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Collective farms	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	87.0	1.9	1.9	0.0	7.6	1.9	9.1

It is not always enough just to secure enough inputs: there are also quality aspects. The situation has definitely improved very much compared to the earlier survey, and the shares with such problems are, per location and per ownership form, at the most half today of what they were six years ago (Table 4.8). But just as was the case then, quality is obviously an area where entrepreneurs in Ho Chi Minh City meet great difficulties. Here, close to one fourth of the enterprises in the survey claim they have problems procuring inputs of sufficient quality. This problem is least frequent in Hanoi, where less than ten per cent of the establishments have such troubles. In terms of ownership, particularly share holding and limited liability enterprises are negatively effected. While representing some 23 per cent of all urban surveyed enterprises, they account for close to 40 per cent of those with experiencing problems with the quality of their inputs. By contrast, only 16 and 6 per cent of the enterprises with such difficulties are households and partnership enterprises respectively, although they make up 29 and 12 per cent respectively of the whole sample. Somewhat surprisingly, among the inputs of deficient quality are timber and flour, along with polyethylene and polypropylene powder.

In some aspects the purchasing pattern among the enterprises struggling with quality problems does not differ from that of the enterprises in general. Non-state enterprises answer for the bulk of supplies while households and state enterprises account for some 20 per cent each. However, in terms of from where the inputs are being supplied, there is some divergence. While the average share bought from sources within the city is 87 per cent among the urban sample in general, it is 75 per cent among those having quality problems (Table 4.12).

Table 4.12
Location of suppliers to urban enterprises with insufficient quality of inputs.
Percentage share of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean
Same town	9.3	13.2	5.7	1.9	1.9	68.5	75.0
Rural areas	85.2	0.0	1.9	5.7	5.6	1.9	10.6
Other urban	90.7	1.9	3.8	0.0	0.0	3.7	5.7
Other	88.9	0.0	1.9	0.0	7.6	1.9	8.8

As is the case of quantity problems, quality problems do not seem to influence the criteria for selecting supplier. Price is most important, stated by some two thirds within both groups. But in identifying suppliers, there are slight differences. Among the 'troubled' group, the share having done some own searching is slightly higher than for the sample in general, 50 per cent as compared to 43 per cent. The use of personal contacts is, on the other hand, somewhat less common where quality is a problem, 37 per cent, than among the urban enterprises in general, among which the share is 42 per cent.

Among the cities covered, Ho Chi Minh City reveals the greatest difficulties in energy supply (Table 4.8). Here, as many as 37 per cent answer that the supply of energy is inadequate, compared to less than six per cent in the other cities. There are in practice no differences, when comparing city by city, between those using at least partly power driven equipment and those that use manual tools only, hence this can not explain how Ho Chi Minh City can be worse off. The main problem is the uncertainty in the supply, that electricity is out from time to time and the interval in between can never be predicted. Even though this is a problem, it is obviously not one which makes the entrepreneurs life too difficult. Two thirds say the effect is negligible, while not even three per cent rate it as very serious.

Backward linkages among rural enterprises

In very general terms, the pattern as for how raw materials and other inputs are supplied does not differ much between the two rural areas. Non-state enterprises are the most important source in Ha Tay as well as in Long An, and households have a stronger position in rural than in urban areas, answering for on average 37 and 34 per cent in Long An and Ha Tay respec-tively (Table 4.13). However, state enterprises play a somewhat more important part in the supply to Ha Tay. While about 13 per cent of the establishments here have at least some business with state suppliers, no one in Long An has such linkages backward. On the other hand, collective farms do not feature at all as suppliers in Ha Tay, and even though their share is marginal also in Long An, those that do purchase from collective farms procure 75-99 per cent of their raw materials from them. Such a dependency, irrespective of the kind of

Table 4.13
Type of suppliers to rural enterprises, by location.
Percentage share of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Long An								
households	55.4	3.6	3.6	3.6	0.0	33.7	37.2	29.8
non-state enterpr.	37.3	0.0	0.0	8.4	2.4	51.8	58.6	64.2
state enterprises	100.0	0.0	0.0	0.0	0.0	0.0	0.0	6.7

other state agencies	97.6	1.2	0.0	0.0	0.0	1.2	1.3	0.0
collective farms	98.8	0.0	0.0	0.0	1.2	0.0	1.1	0.1
other	97.6	0.0	0.0	1.2	0.0	1.2	1.8	0.0

Table 4.13 continued

Ha Tay								
households	59.0	3.6	2.4	3.6	3.6	27.7	34.4	17.8
non-state enterpr.	30.1	8.4	3.6	4.8	3.6	49.4	57.6	72.9
state enterprises	86.7	2.4	1.2	4.8	4.8	0.0	7.5	6.8
other state agencies	96.4	2.4	1.2	0.0	0.0	0.0	0.6	1.0
collective farms	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
other	97.6	2.4	0.0	0.0	0.0	0.0	0.02	2.5

* Mean 1990 from the 1991 survey.

Note: The share procured from ‘households’ in the present survey is compared to ‘individual persons’ in the 1991 survey, while ‘other state agencies’ above are compared with the ‘state trading companies’ share.

supplier, is in general somewhat more common in Long An. Somewhat surprisingly, household suppliers appears to be the great winners, while non-state enterprises have seen their share diminish over the past six years, and in Ha Tay households have doubled their share of supplies since 1990. Meanwhile, state enterprises have completely disappeared form the Long An arena, but kept about the same position in Ha Tay as they held six years ago.

Table 4.14
Type of suppliers to rural enterprises, by ownership form.
Percentage share of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Total rural from								
households	57.2	3.6	3.0	3.6	1.8	30.7	35.8	30.5
non-state enterprises	33.7	4.2	1.8	6.6	3.0	50.6	58.1	58.5
state enterprises	93.4	1.2	0.6	2.4	2.4	0.0	3.7	8.0
other state agencies	97.0	1.8	0.6	0.0	0.0	0.6	0.9	1.1
collective farms	99.4	0.0	0.0	0.0	0.6	0.0	0.5	0.5
other	97.6	1.2	0.0	0.6	0.0	0.6	0.9	2.0
Household enterpr. from								
households	57.3	3.1	0.0	2.1	1.0	36.5	38.9	28.5
non-state enterprises	37.5	2.1	0.0	3.1	3.1	54.2	58.6	59.6
state enterprises	99.0	0.0	0.0	0.0	1.0	0.0	0.9	9.0
other state agencies	99.0	0.0	0.0	0.0	0.0	1.0	1.0	2.0
collective farms	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
other	97.9	1.0	0.0	1.0	0.0	0.0	0.5	1.7
Private enterpr. from								
households	47.9	6.3	10.4	8.3	0.0	27.1	36.1	31.5
non-state enterprises	33.3	4.2	4.2	14.6	4.2	39.6	53.8	54.6
state enterprises	87.5	2.1	0.0	6.3	4.2	0.0	7.4	9.8
other state agencies	95.8	2.1	2.1	0.0	0.0	0.0	0.8	0.0
collective farms	97.9	0.0	0.0	0.0	2.1	0.0	1.9	0.4
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2
Agro-process. ent. from								
households	25.8	6.5	3.2	3.2	0.0	61.3	64.8	28.6
non-state enterprises	61.3	0.0	0.0	6.5	6.5	25.8	35.3	61.3
state enterprises	100.0	0.0	0.0	0.0	0.0	0.0	0.0	6.8
other state agencies	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
collective farms	100.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manuf. enterpr. from								
households	64.4	3.0	3.0	3.7	2.2	23.7	29.1	32.1
non-state enterprises	27.4	5.2	2.2	6.7	2.2	56.3	63.4	56.6

state enterprises	91.9	1.5	0.7	3.0	3.0	0.0	4.6	7.3
other state agencies	96.3	2.2	0.7	0.0	0.0	0.7	1.2	0.6
collective farms	99.3	0.0	0.0	0.0	0.7	0.0	0.7	0.4
other	97.0	1.5	0.0	0.7	0.0	0.7	1.1	4.1

* Mean 1990 from the 1991 survey.
Note: The share procured from 'households' in the present survey is compared to 'individual persons' in the 1991 survey, while 'other state agencies' above are compared with the 'state
trading companies' share.

Also when comparing ownership forms in rural areas, a rather uniform pattern emerges. Non-state enterprises represent somewhat more than half of average raw material and input supplies, while households provide close to 40 per cent (Table 4.14). On a general rural level, it would thus appear as if households are taking over after state enterprises, while non-state establishments defend their position since the earlier survey. The contact between private and state enterprises, the latter then in the role of supplier, is somewhat more frequent than that between households and state firms. Furthermore, the share relying completely on one particular source of raw material is higher among household firms, where 37 per cent purchase all of their inputs from other households, and 54 per cent have a 100 per cent relationship with non-state undertakings. Among agro-processing enterprises household suppliers have a dominating role, delivering two thirds of average inputs, while non-state enterprises are in the same position when it comes to selling to manufacturing establishments. This is thus the industry where households have come to play a more important role, as suppliers of agriculturally based inputs, over the past six years, and completely taken over from non-state enterprises which accounted for the bulk of such inputs in 1990. Households' march forward in agro-processing far exceeds their withdrawal as suppliers to manufacturing enterprises.

On average, more than one third of the inputs to enterprises in Long An come from large cities, compared to one fifth in 1990 (Table 4.15). In Ha Tay, this share, that was about one third in 1990, is today slightly higher than 20 per cent, and it is instead nearby towns that supply about 30 per cent. In both rural areas, very little, less than one tenth, of raw materials are delivered from sources within the same village, but still more than in the earlier survey. It would thus appear as if the enterprises in Ha Tay are concentrating on closer surroundings today than in 1990 for their raw material and input needs. The establishments in Long An are kind of doing the same, but turning to large cities rather than nearby towns.

Table 4.15
Location of suppliers to rural enterprises, by area.
Percentage share of total procurement

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Long An								

same village	90.4	0.0	0.0	2.4	0.0	7.2	8.5	0.5
same commune	69.9	4.8	0.0	6.0	1.2	18.1	22.6	11.3
nearby town	75.9	4.8	1.2	2.4	0.0	15.7	18.3	62.0
large city	61.4	0.0	0.0	3.6	4.8	30.1	36.2	20.0
other	80.7	0.0	3.6	4.8	2.4	8.4	14.4	4.1
Ha Tay								
same village	84.3	4.8	1.2	2.4	1.2	6.0	9.1	2.7
same commune	68.7	8.4	3.6	2.4	4.8	12.0	20.0	18.2
nearby town	55.4	7.2	7.2	3.6	7.2	19.3	31.0	29.6
large city	65.1	9.6	2.4	7.2	4.8	10.8	21.7	34.1
other	69.5	8.4	3.6	6.0	7.2	4.9	17.3	15.8

* Mean 1990 from the 1991 survey.

Table 4.16
Location of suppliers to rural enterprises, by ownership form.
Percentage share of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Household ent.								
same village	83.3	3.1	0.0	3.1	1.0	9.4	12.1	4.3
same commune	67.7	6.0	3.1	3.0	2.0	17.7	23.0	17.8
nearby town	61.5	7.1	3.0	3.1	5.1	19.8	28.0	31.2
large city	67.7	2.0	0.0	3.1	3.0	23.9	28.7	31.2
other	88.4	1.1	2.2	4.2	2.2	2.1	7.3	16.2
Private enterpr.								
same village	97.9	0.0	0.0	2.1	0.0	0.0	1.1	1.4
same commune	70.8	6.3	0.0	8.4	2.1	12.5	19.1	19.5
nearby town	62.5	6.3	6.3	4.2	2.1	18.8	26.5	48.0
large city	68.8	6.3	0.0	6.3	2.1	16.7	23.3	26.1
other	58.3	2.1	8.4	8.4	8.4	14.6	30.0	3.7
Other								
same village	81.8	4.5	4.5	0.0	0.0	9.1	10.9	-
same commune	72.7	9.0	0.0	0.0	9.1	9.1	18.8	-
nearby town	90.9	0.0	4.5	0.0	0.0	4.5	5.9	-
large city	31.8	13.6	9.0	13.6	18.1	13.6	42.5	-
other	54.5	22.6	0.0	4.5	9.0	9.1	21.9	-

* Mean 1990 from the 1991 survey

Rural private enterprises, which, on average, get about as much today of their supplies, one per cent, as they did in 1990 from within the village, have not become more local. About one fifth only is supplied from sources in the commune, and more than half is provided from large cities, or areas beyond these (Table 4.16). The share procured from nearby towns is today about half of what is was in 1990. Household firms are instead moving in exactly the opposite direction from private enterprises, and have increased their local raw material supply, especially from sources within the village, over the past six years. There are, however, still rather frequent contacts also between rural household enterprises and sources in large cities, and these answer for close to 30 per cent of average raw material supplies, a share that has not changed much.

The criteria for identifying potential suppliers do, however, differ very much between Long An and Ha Tay. Enterprises in Long An are much more interested in the price issue, 72 per cent mentioning this as the main criteria, compared to 49 per cent in Ha Tay, and also whether the supplier might be able to give credit (Table 4.17). One third of the enterprises in Ha Tay state quality aspects as the main criteria for selecting suppliers, as against only 5 per cent in Long An. That raw materials can be supplied in a continuous manner, without unpredictable disturbances, is also of more weight in Ha Tay. A higher share of the enterprises in Long An, in fact more than half of them, than in Ha Tay have undertaken some own searching in order to identify suppliers. The rest have mainly used personal contacts. In Ha Tay, about 40 per cent have mainly used personal contacts, and an equal share have searched themselves for suitable suppliers. In Ha Tay, 12 per cent of the enterprises have identified their suppliers themselves as a result of the active marketing efforts of the supplier.

Table 4.17
Main criteria and method among rural enterprises when selecting supplier.

	Long An	Ha Tay	House-hold	Private	Other
Main criteria					
competitive prices	72.3	48.2	59.4	60.4	63.6
terms of credit	7.2	0.0	4.2	2.1	4.5
quality standards	4.8	33.7	15.6	25.0	22.7
secure supply	4.8	13.3	12.5	4.2	4.5
know supplier pers.	4.8	2.4	3.1	4.2	4.5
located nearby	3.6	1.2	4.2	0.0	0.0
govt. agent	0.0	0.0	0.0	0.0	0.0
no choice	2.4	1.2	1.0	4.2	0.0
Method					
personal contacts	44.6	44.6	37.5	57.4	40.0
marketing by supplier	1.2	12.0	5.2	4.3	20.0
government agencies	0.0	0.0	0.0	0.0	0.0
own search process	53.0	39.8	57.3	29.8	40.0
other	1.2	3.6	0.0	8.5	0.0

Note: The number of 'other' observations is eight. Furthermore, the distribution per ownership for the whole rural sample is 58 per cent household enterprises, 29 per cent private enterprises and 13 per cent sorting under 'other'.

Also among all forms of ownership price matters most in the selection of suppliers. About 60 per cent rate this as most important, followed by, although way behind in importance, the quality of the inputs (4.17). A secure supply is obviously not as much of an issue, and only among household enterprises do more than one out of ten select their suppliers according to this criteria. Private enterprises then use personal contacts mainly in order to identify suppliers, while household firms undertake own searches.

In the rural areas, it does seem as if the method of identifying supplier is influenced by the criteria that the delivery is supposed to meet. Among those prioritising a competitive price, more than half have used personal contacts mainly, compared to less than 30 per cent when quality standards is considered more important. The latter group has instead searched on their own in order to find suitable backward linkages. As much as 63 per cent have done so, compared to 35 per cent of those focusing on price (Table 4.18).

Table 4.18
Method used by rural enterprises when identifying supplier, depending on main criteria.

	Price	Quality
Method		
personal contacts	55.0	28.1
marketing by supplier	8.0	6.3
government agencies	0.0	0.0
own search process	35.0	62.5
other	2.0	3.1

Note: Averages.

In the cities, the criteria for selecting supplier did not to any greater extent influence from where the raw materials and inputs were purchased, but in the rural areas it does seem to matter. As the table below shows, hardly anyone focusing on quality buys inputs from sources in the village, and even if the percentage doing so among those mainly caring about com-petitive prices mainly is not astonishingly high, it is still more than every tenth entrepreneur (Table 4.19). The group prioritising quality seems to be prepared to look for suppliers more far away, and have higher shares throughout, the further from the purchasing part that the seller is located, with the exception 'other' areas, located beyond the commune border and not sorting under large cities.

Table 4.19
Type and location of suppliers to rural enterprises, depending on main criteria.

	Price	Quality		Price	Quality
Both areas			Both areas		
same village	12.2	1.0	households	38.6	20.4
same commune	18.5	24.7	non-state ent.	58.1	66.4
nearby town	24.9	29.8	state ent.	0.6	12.2
large city	28.1	33.6	state ag.	0.3	0.9
elsewhere	15.4	10.8	coll. farms	0.9	0.0
			other	1.5	0.0

Note: Averages.

Just as in urban areas, the form of establishment chosen as supplier is influenced by the criteria. Households are trusted with a higher average percentage of input and raw material supplies when price is what matters most, and their share is almost halved when quality issues are considered to be more important (Table 4.19). Non-state enterprises do take a step forward in the latter case as well, but the biggest change is that involving state enterprises. These supply close to nothing to those caring mainly for price, but grow to a 12 per cent share supplied to enterprises focusing on quality. It might be in order to look at the kind of raw materials that make price and quality respectively. Wood is represented in both categories, but while such inputs represent 47 per cent in the quality group, the share is 19 per cent where price matters more. In the latter degree, steel, iron, rice and maize figure as well.

A higher share of enterprises in Ha Tay than in Long An say they experience problems in the supply of raw material. In the former province 24 per cent out of the enterprises experience problems with the quality of inputs and 20 per cent with the quantity of the inputs, compared to one out of ten in Long An being discontent with the quantity, and 17 per cent with the quality (Table 4.20). There are some difficulties in interpreting this question, and answers, since if quality is important, and there are difficulties securing raw materials that meet with the requirements, then insufficiencies in quantity is bound to surface as well. While problems with supply in Long An invariably are linked to seasonal fluctuations, erratic supply is a worse problem in Ha Tay. The inputs most gravely in short supply are timber, and, in the case of insufficient quantities, also beverages. But these answers reveal something rather interesting. In terms of quantity, the situation has improved in both rural areas and for all ownership forms, but the problems are still worse in Ha Tay than in Long An. The quality of the inputs has instead become more of a problem than it was in 1991, irrespective of location or form of ownership, and also in this aspect, the establishments in Ha Tay are more discontent than those in Long An. One interpretation might be that quality was less important earlier, that entrepreneurs had to be content with whatever they were able to secure in terms of output. Now, when the number of suppliers and the variety of output is increasing, one can afford to start thinking of quality.

The enterprises which are unable to secure enough raw materials have a purchasing pattern that, geographically, differs somewhat from the average one. As mentioned before, while the entrepreneurs in Long An acquire inputs from larger cities, those in Ha Tay purchase from nearby towns. The establishments experiencing shortfalls in quantity do, however, rely mostly on sources within the commune (Table 4.21). The rural enterprises having difficulties finding sufficient raw material and rely on sources within the same village or commune for, on average, 40 per cent of raw materials, and one fifth of them get all of their supplies from within the commune. It should, however, at the same time be noted that their share bought from ‘other’ areas, i.e. outside the commune, nearby town and excluding larger cities, is higher than for rural enterprises in general. The distribution between ownership forms regarding troubles with amounts of raw materials follows the distribution of the rural sample in general, hence no special type of enterprise appears to be particularly affected.

Table 4.20
Percentage of rural enterprises experiencing difficulties with supply of inputs.

	Long An	Ha Tay	House-hold	Private	Other
Quantity wise 1991	26.6	44.6	40.7	35.0	-
Quantity wise	10.0	20.5	14.6	15.2	19.0
- import dependency	37.5	0.0	7.1	14.3	25.0
- inadeq./erratic supply	37.5	64.7	57.1	42.9	75.0
- no local suppliers	37.5	17.6	14.3	28.6	50.0
- seasonal supply	100.0	23.5	35.7	100.0	0.0
- poor transportation	12.5	5.9	0.0	14.3	25.0
- bureaucratic difficulties	12.5	29.4	28.6	0.0	50.0
Quality wise 1991	7.3	14.5	9.5	9.0	-
Quality wise	16.9	24.1	17.7	25.0	22.7
Insufficient power 1991	29.0	22.9	20.1	35.0	-
Insufficient power	26.8	3.9	15.6	15.2	18.2

Note: The number of observations (firms with difficulties) regarding quantity upon which the above table is based is: 17 for Ha Tay and eight for Long An, 14 household enterprises, seven private enterprises and four 'other' enterprises, hence the specification percentages should be interpreted with some caution. Figures in shaded areas refer to the 1991 survey.

Table 4.21
Location of suppliers to rural enterprises with insufficient quantities of inputs. Percentage of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean
Both rural areas							
same village	72.0	12.0	4.0	4.0	4.0	4.0	11.7
same commune	56.0	8.0	4.0	8.0	4.0	20.0	29.0
nearby town	64.0	8.0	8.0	4.0	8.0	8.0	21.8
large city	72.0	12.0	0.0	12.0	4.0	0.0	13.5
other	64.0	4.0	4.0	8.0	12.0	8.0	24.0

The entrepreneurs with problems finding enough inputs have about the same criteria for selecting suppliers as rural entrepreneurs in general, i.e. price is the most common answer, given by 52 per cent. However, the share among the former, even though a small group (25 enterprises), mentioning the importance of a secure supply is unusually high; 20 per cent. They have also used personal contact to a much greater extent, 68 per cent, in their search for supplier, while the reliance on own active searching is rather low, only 28 per cent.

Those faced with input *quality* problems are, as mentioned already, mostly located in Ha Tay. Private enterprises are somewhat 'overrepresented' in the category with such difficulties, compared to their share in the total rural sample (Table 4.20). With household enterprises, it is exactly the other way around, namely that while they constitute 58 per cent of the rural establishments in total, their share among those enterprises with input quality problems is 50 per cent.

The group with such problems appears to be reaching rather far in their search for inputs that meet their requirements. On average one fifth of materials are bought within the village or commune, 28 per cent form nearby towns and 30 per cent from large cities, thus a pattern quite distinct from both Ha Tay and Long An in general. This group is also quite apart from the rest with regard to the kind of establishment from which they get their inputs. As much as 75 per cent is bought from non-state enterprises, to be compared with a share less than 60 per cent for the rural areas in general (Table 4.22). The ones with quality problems buy about half as much from households, 19 per cent, as the average for the rural survey, but their criteria and methods when selecting suppliers do not differ much from the average. A somewhat lower share, 50 per cent compared to 60 per cent for the whole rural survey, mention competitive prices as the main criteria, and 17 per cent, compared to 9 per cent in general, think that a secure supply is the most important when choosing supplier.

Table 4.22
Type of suppliers to rural enterprises with insufficient quality of inputs.
Percentage of total procurement.

	0	1-24	25-49	50-74	75-99	100	Mean	All*
Households	76.5	2.9	2.9	0.0	2.9	14.7	18.8	35.8
Non-state enterp.	14.7	8.7	0.0	5.8	2.9	67.6	74.6	58.1
State enterprise	91.2	2.9	0.0	0.0	5.8	0.0	5.2	3.7
State agency	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
Collective farms	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Other	94.1	2.9	0.0	2.9	0.0	0.0	1.5	0.9

* Average for the whole rural sample.

Almost all enterprises in Long An and in Ha Tay have access to electricity. In Long An, some 71 per cent are connected to the public grid, while the share is 81 per cent in Ha Tay. However, many more of the establishments in Ha Tay than in Long An have problems securing adequate supplies of power, 27 per cent and 3 per cent respectively (Table 4.20). This difference is particularly striking as a higher share of the establishments in the latter area use machinery and/or tools that are at least partly power driven. Hence the need for electricity, or fuel to run own generators if no public grid connection exists, should be greater in Long An. Among those using at least partly power driven equipment, the share claiming to have problems securing electricity and/or fuel supply is some what higher in Ha Tay than for enterprises in that area in general, some 33 per cent compared to 26 per cent. The share is somewhat higher also in Long An, but the difference is only marginal, five per cent as compared to 3.9 per cent. It is mainly the erratic supply of electricity that causes the entrepreneurs headache. However, the problem does not seem to be too serious as at least half of those with insufficient electricity rate the problem as negligible.

Forward linkages among urban enterprises

Quite different from the respective structure of forward linkages in 1991, the enterprises in Hanoi and Ho Chi Minh City today have rather similar sales patterns (Table 4.23). Now, non-state enterprises are receivers of 35-40 per cent and individual persons account for some 32 per cent in both cities. But while the share going to state enterprises is slightly higher in Hanoi, 25 as compared to 17 per cent, Ho Chi Minh City has a higher share going on export, about ten per cent compared to three in Hanoi. In Haiphong not even one per cent of current sales goes on export. The undertakings in Haiphong are instead selling mainly to individual persons. Of average sales, 46 per cent goes to individuals, and about one third rely completely on this category of buyers. Approximately one fifth on average is destined for state enterprises, but very few in Haiphong rely completely on customers of this category. Among the urban enterprises as a whole, the output is rather similar, irrespective of buyer. Carpentry products, furniture and light engineering goods, are among the main products exported, but features prominently also in sales to individuals, non-state and state enterprises, although these latter also buy agricultural processed goods that do not appear in the foreign trade.

Table 4.23
Type of customers to urban enterprises, by location.
Percentage share of total sales of main products.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Hanoi								
individual persons	54.6	4.2	7.6	12.6	0.0	21.0	31.3	34.3
non-state enterpr.	38.7	7.6	10.9	18.5	2.5	21.8	39.3	18.1
state enterprise	63.0	5.9	4.2	8.4	4.2	14.3	24.7	29.1
other state agency	100.0	0.0	0.0	0.0	0.0	0.0	0.0	9.2
local authority	99.2	0.0	0.0	0.8	0.0	0.0	0.6	0.7
tourist	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
export	95.0	0.0	1.7	1.7	1.7	0.0	3.3	2.6
other	99.2	0.0	0.0	0.0	0.0	0.8	0.8	-
Ho Chi Minh City								
individual persons	41.0	20.5	6.8	5.1	6.8	19.7	32.9	38.4
non-state enterpr.	35.0	15.4	10.3	17.1	10.3	12.0	36.6	29.0
state enterprise	59.0	17.9	7.7	6.8	4.3	4.3	16.9	16.6
other state agency	97.4	0.0	0.0	0.9	1.7	0.0	2.1	16.6
local authority	98.3	1.7	0.0	0.0	0.0	0.0	0.1	0.8
tourist	99.1	0.9	0.0	0.0	0.0	0.0	0.1	-
export	85.5	1.7	0.9	3.4	3.4	5.1	10.8	5.2
other	98.3	0.9	0.9	0.0	0.0	0.0	0.5	-

Table 23 continued

Haiphong								
individual persons	38.6	5.0	6.9	11.9	4.0	33.7	46.2	38.4
non-state enterpr.	43.6	12.9	10.9	14.9	4.0	13.9	31.5	29.0
state enterprise	63.4	6.9	5.9	11.9	5.0	6.9	21.5	16.6
other state agency	99.0	1.0	0.0	0.0	0.0	0.0	0.2	8.3
local authority	99.0	1.0	0.0	0.0	0.0	0.0	0.1	0.0
tourist	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
export	98.0	1.0	1.0	0.0	0.0	0.0	0.5	0.0
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-

* Mean 1990, from the 1991 survey.
Note: For 'tourist' and 'other', there were no equivalencies in 1990.

This implies that non-state enterprises have become much more important customers, especially in Hanoi (Table 4.23). Their share of sales there is about twice as large today as it was in 1990. State owned firms have diminished somewhat in importance but the most remarkable change is that state trading companies have disappeared completely from the arena, not just in Hanoi but in all cities. In 1990 these accounted for 16 per cent of sales in Ho Chi Minh City and Haiphong, and slightly less than 10 per cent in Hanoi. Hence, state owned institutions overall play much less of a role today than six years ago. The share sold to foreign countries is growing, albeit from very low levels. The export share of average sales, 10 per cent, in Ho Chi Minh City is a 100 per cent increase over the 1990 level.

Table 4.24
Type of customers to urban enterprises, by ownership form.
Percentage share of total sales of main products.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Total urban								
individual persons	45.1	10.1	7.1	9.8	3.6	24.3	36.4	34.3
non-state enterpr.	38.9	11.9	10.7	16.9	5.6	16.0	35.8	23.8
state enterprise	61.7	10.4	5.9	8.9	4.5	8.6	21.1	23.8
other state agency	98.8	0.3	0.0	0.3	0.6	0.0	0.8	11.4
local authority	98.8	0.9	0.0	0.3	0.0	0.0	0.3	0.6
tourist	99.7	0.3	0.0	0.0	0.0	0.0	0.03	-
export	92.6	0.9	1.2	1.8	1.8	1.8	5.1	3.5
other	99.1	0.3	0.3	0.0	0.0	0.3	0.5	-
Household enterpr.								
individual persons	27.6	5.1	7.2	9.1	5.1	45.9	58.8	55.7
non-state enterpr.	49.0	8.1	5.1	11.3	5.1	21.4	35.5	32.2
state enterprise	91.8	5.1	1.0	0.0	1.0	1.0	2.8	4.1
other state agency	98.0	1.0	0.0	1.0	0.0	0.0	1.0	4.7
local authority	99.0	1.0	0.0	0.0	0.0	0.0	0.1	0.0
tourist	99.0	1.0	0.0	0.0	0.0	0.0	0.1	-
export	98.0	0.0	0.0	0.0	2.0	0.0	1.8	0.0
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-

Table 4.24 contd.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Private enterpr.								
individual persons	45.3	15.8	3.2	15.7	6.3	14.1	31.3	38.2
non-state enterpr.	26.6	18.8	12.6	17.3	7.9	17.2	40.8	23.1
state enterprise	53.1	17.4	9.4	11.1	6.4	3.1	20.7	18.8
other state agency	100.0	0.0	0.0	0.0	0.0	0.0	0.0	12.1
local authority	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
tourist	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
export	90.6	1.6	1.6	0.0	1.6	4.7	7.2	4.9
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Partnership enterpr.								
individual persons	45.0	10.0	5.0	12.5	0.0	27.5	37.1	27.8
non-state enterpr.	55.0	7.5	12.5	20.0	2.5	2.5	20.3	22.4
state enterprise	42.5	0.0	12.5	12.5	10.0	22.5	42.6	35.2
other state agency	100.0	0.0	0.0	0.0	0.0	0.0	0.0	9.1
local authority	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
tourist	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
export	100.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Co-operatives								
individual persons	59.6	5.3	8.8	7.0	1.8	17.5	26.4	12.9
non-state enterpr.	41.1	8.9	8.9	21.4	1.8	17.9	36.8	16.8
state enterprise	50.9	12.4	3.5	12.4	5.3	15.8	30.8	35.1
other state agency	100.0	0.0	0.0	0.0	0.0	0.0	0.0	21.0
local authority	98.2	1.8	0.0	0.0	0.0	0.0	0.1	1.2
tourist	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
export	92.9	0.0	3.6	1.8	0.0	1.8	4.1	8.0
other	98.2	0.0	0.0	0.0	0.0	1.8	1.8	-
Ltd. & share hold.								
individual persons	56.4	15.4	10.3	6.4	2.6	9.1	19.8	-
non-state enterpr.	25.6	16.8	16.7	19.3	7.7	14.1	39.3	-
state enterprise	48.7	15.4	7.7	14.1	3.9	10.3	26.1	-
other state agency	97.4	0.0	0.0	0.0	2.6	0.0	2.2	-
local authority	97.4	1.3	0.0	1.3	0.0	0.0	1.0	-
tourist	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
export	83.3	2.6	1.3	6.5	3.9	2.6	10.9	-
other	97.4	1.3	1.3	0.0	0.0	0.0	0.7	-

* Mean 1990, from the 1991 survey.
Note: 'Tourist' and 'other', were not specified in the 1990 survey.

Not surprisingly, household enterprises have the highest share of individual persons as clients (Table 4.24). On average 60 per cent of their sales has individual persons as recipients, and 46 per cent of the household businesses rely completely on this clientele. Share holding companies is the category selling least, 20 per cent, to individuals, while the equivalent shares from co-operatives, private and partnership enterprises are in the span 25 to 35 per cent. Non-state enterprises as customers answer for some 35-40 per cent of sales for all types of establishments, except for partnership enterprises. These are instead more tied up with state enterprises, and as much as 43 per cent of the sales of the average partnership enterprise is destined for state companies, the highest share among all ownership forms. Furthermore, partnership enterprises are also those which to the highest degree depend completely on state firms as clients. The latter do, for instance, hardly figure at all in the world of household enterprises, but are on the other hand receivers of 20 to 30 per cent of private, share holding enterprises and co-operatives sales. Co-operatives and share holding/limited liability companies show some similar features in their sales patterns, as non-state enterprises answer for the highest average share, about 37 per cent, of sales, followed by state enterprises and individual persons, in that order. Share holding/limited liability companies do, however, have a more outward profile, exporting a higher share of their output than co-operatives do. Also, they sell much less to individuals than co-operatives do, and the share relying on individuals completely is nine per cent, about half as much as that among the co-operatives.

Among other things, this means that forward linkages among co-operatives look rather different today compared to in 1990. Then, state enterprises and trading companies accounted for more than half of the average sales, and more than 40 per cent of the producing undertakings were relying fully on such customers (Table 4.24). Partnership enterprises, instead, have about as close a relation with state businesses today as in 1990, their connection to non-state customers has become marginally weaker, while individuals answer for about 10 percentage units more of average sales today. Household enterprises have not changed the structure of their forward linkages much, while private enterprises are focusing on quite a different clientele in 1996 than in 1990. Individuals and state undertakings were both more important in 1990, purchasing on average 38 per cent and 20 per cent respectively. These have thus stepped back in favour of non-state enterprises, which answer for almost twice as much of average sales today, up from 23 per cent in 1990.

Table 4.25
Urban enterprises destination of sales, by location.
Percentage share of total sales of main products.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Hanoi								
same town	19.3	0.8	6.7	18.5	5.0	49.6	66.6	73.8
rural areas	67.2	1.7	5.0	11.8	2.5	11.8	23.4	9.3
other urban	80.7	5.9	6.7	5.0	0.0	1.7	7.5	9.2
elsewhere	92.4	1.7	2.5	2.5	0.8	0.0	3.5	7.2
Ho Chi Minh City								
same town	18.8	9.4	12.0	17.9	11.1	30.8	56.8	78.7
rural areas	68.4	8.5	6.0	7.7	3.4	6.0	16.7	8.5
other urban	65.0	10.3	16.2	6.0	1.7	0.9	12.9	8.0
elsewhere	79.5	2.6	2.6	6.0	4.3	5.1	13.5	2.6
Haiphong								
same town	9.9	2.0	2.0	6.9	5.0	74.3	83.2	77.0
rural areas	83.2	5.0	3.0	2.0	5.0	2.0	9.0	4.0
other urban	84.2	5.9	2.0	5.0	2.0	1.0	6.7	13.0
elsewhere	95.0	4.0	1.0	0.0	0.0	0.0	1.1	6.8

* Mean 1990, from the 1991 survey.

Haiphong is the city, of those included in the survey, where the enterprises are most home bound; on average 83 per cent of their sales goes to firms or persons in the same city (Table 4.25). Close to 75 per cent of the enterprises here sell only within this city, and both these figures have increased since the 1991 survey. Then, about 60 per cent of the enterprises had all of their clients within the city area, and 77 per cent of average sales went there. Thus, the enterprises located there have a more ‘narrow’ structure of their forward linkages than used to be the case, now selling more locally and more to rural areas, while less to other cities and areas further away. Ho Chi Minh City is the other extreme in this respect, where customers within the town area account for about 57 per cent of sales, and where less than one third have confined themselves completely to the city itself. The Ho Chi Minh City enterprises thus show a directly opposite trend compared to six years ago. Then, close to 80 per cent of sales was destined for the city, and two thirds sold all their output within the town area. The establishments in Hanoi fall somewhere in between; 66 per cent sold within the city. They also sell remarkably much to rural areas. Close to one fourth of their sales is destined for such areas, compared to less than 10 per cent in 1990. At that time, three fourths of the sales in Hanoi were within the city. That rural areas have become a much more important market might be indicative of either outsourcing, i.e. ‘final assembly’ being taken care of by someone else, or how enterprises that earlier use to be situated in Hanoi now have been forced to move due to high costs of land and rent within the town area. The firms in Ho Chi Minh City aim even further, to other urban areas or beyond. On average almost 14 per cent of their sales is exported, in contrast to only one per cent in Haiphong (Table 4.25). The share of sales among establishments in Ho Chi Minh City to rural areas has doubled, that to other cities has grown by 50 per cent, and the share aimed for other areas, that is mainly exports, is four times higher today than it was in 1990.

Table 4.26
Urban enterprises destination of sales, by ownership form.
Percentage share of total sales of main products.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Total urban								
same town	16.3	4.2	7.1	14.8	7.1	50.4	68.2	76.9
rural areas	72.4	5.0	4.7	7.4	3.6	6.8	16.4	7.9
other urban	76.3	7.4	8.6	5.3	1.2	1.2	9.2	8.9
elsewhere	88.7	2.7	2.1	3.0	1.8	1.8	6.3	4.6
Household ent.								
same town	10.2	1.0	1.0	6.1	4.1	77.6	84.5	87.7
rural areas	82.7	4.1	3.1	4.1	0.0	6.1	10.0	7.5
other urban	94.9	0.0	1.0	3.1	0.0	1.0	3.0	3.5
elsewhere	96.9	0.0	0.0	1.0	2.0	0.0	2.4	0.0

Table 4.26 contd.

Private ent.								
same town	18.2	7.6	9.1	22.7	7.6	34.8	58.8	76.1
rural areas	71.2	4.5	6.1	10.6	7.6	0.0	15.3	7.5
other urban	57.6	15.2	12.1	9.1	3.0	3.0	17.3	9.5
elsewhere	84.8	4.5	1.5	3.0	1.5	4.5	8.6	6.5
Partnership ent.								
same town	12.5	2.5	7.5	10.0	7.5	60.0	74.4	76.2
rural areas	67.5	7.5	0.0	12.5	5.0	7.5	19.6	7.0
other urban	85.0	5.0	5.0	5.0	0.0	0.0	5.6	10.8
elsewhere	97.5	2.5	0.0	0.0	0.0	0.0	0.5	3.7
Co-operatives								
same town	25.0	3.6	5.4	19.6	3.6	42.9	60.2	66.7
rural areas	67.9	1.8	3.6	8.9	7.1	10.7	23.0	10.5
other urban	75.0	7.1	10.7	3.6	1.8	1.8	9.8	12.0
elsewhere	85.7	5.4	1.8	3.6	1.8	1.8	7.0	8.6
Ltd. & share								
same town	18.2	6.5	14.3	18.2	13.0	29.9	58.0	-
rural areas	66.2	7.8	9.1	5.2	1.3	10.4	19.0	-
other urban	64.9	11.7	15.6	6.5	1.3	0.0	11.4	-
elsewhere	79.2	2.6	6.5	6.5	2.6	2.6	11.6	-

* Mean 1990, from the 1991 survey.

Since most of the household enterprise clients are individual persons, a high share, 78 per cent, of the household businesses included in the survey sell all of their output in the same town (Table 4.26). Such nearby clients represent 85 per cent of average sales, and what little is left for other destinations is mainly accounted for by sales to rural areas, a pattern that has not changed much over the past six years. Share holding/limited liability companies have a structure of their forward linkages that has much in common with private enterprises, and although showing the most outward tendencies, these still sell close to 60 per cent within the city area. Private enterprises sell on average slightly less than limited liability firms to other urban areas, or places even more distant, but a slightly higher percentage of private enterprises than limited liability firms are completely depending on sales to such areas. Co-operatives today sell about as much within the city as private and limited liability firms, with the distinction that co-operatives sell more to rural areas and less to other urban areas and abroad. This seems to imply that while co-operatives and private partnership enterprises sell about as much within the closest surroundings today as they did in 1990, the decrease being two to six per cent on average sales basis, private enterprises today are reaching much further. The share among these relying completely on customers within the city is about half as large today as it was in 1990, and the shares going to other cities and rural areas has doubled over these six years. Meanwhile, partnership enterprises and co-operatives seem to be turning to other rural areas, increasing to around 20 per cent from levels about half as high, rather than to urban areas.

In Haiphong, 93 per cent of the firms included in the survey have more than ten clients, as against somewhat less than 70 per cent in Hanoi and slightly less than 80 per cent in Ho Chi Minh City (Table 4.27). The average number of clients is thus moving up generally in urban areas. The change is most remarkable in Haiphong, where the share having more than ten clients was 64 per cent in 1990, but also in Hanoi and Ho Chi Minh City, some ten to 15 percentage units more are in this position than was the case six years ago.

Table 4.27
Number of customers and mode of selling, urban enterprises.

	Hanoi	HCM City	Hai-phong	Total urban	House-hold	Private	Partner-ship	Co-op.	Ltd. & share
No. of customers									
one	1.7	0.9	2.0	1.5	1.0	1.6	2.5	1.8	1.3
two to ten	30.3	19.7	5.0	19.0	23.5	9.4	27.5	12.3	21.8
over ten	68.1	79.5	93.1	79.5	75.5	89.1	70.0	86.0	76.9
over ten in 1990	55.0	68.9	64.0	62.5	75.5	64.7	59.6	46.6	-
Produce on advance order									
never	19.3	29.1	16.8	22.0	40.8	18.8	7.5	12.3	15.4
sometimes	58.8	47.9	65.3	57.0	50.0	59.4	55.0	66.7	57.7
almost always	21.8	23.1	17.8	21.1	9.2	21.9	37.5	21.1	26.9
- in 1990	45.9	30.0	61.6	41.0	23.5	38.8	47.6	56.5	-

Note: Figures in shaded areas refer to the 1991 survey.

Production on advance order is rather common in all three cities. This is the way 23 per cent of the establishments in Ho Chi Minh City always work, but on the other hand also the way in which 30 per cent of them never work, thus making some extent of on order production more common both in Hanoi and Haiphong (Table 4.26). This implies rather great changes of the mode of production, in all three cities. Everywhere, production on order as the ‘normal’ mode of operation has become less common, but at the same time the shares never doing so have diminished, except in Haiphong but here the change is only five per cent. Thus, the enterprises still show a great degree of flexibility, producing on order at least occasionally if so requested. Among the establishments in Hanoi producing under these circumstances today, the agricultural processing and bags and covers industries are somewhat ‘overrepresented’ compared to the general industrial structure of the city, and the same applies for machinery and parts in Ho Chi Minh City.

More than three fourths of the enterprises, irrespective of form of ownership, have at least ten customers, and among those establishments that do not, all but one or two per cent have at least more than one client (Table 4.27). Among household enterprises the structure look about the same today as it did in 1990, but for the rest of the ownership forms the average number of customers has increased very much.

About sixty per cent had ten customers or more then, among co-operatives actually only 46 per cent. And not only the number, but also the 'structure' of customers relations have changed. Today, at least half of all, irrespective of enterprise form, undertake production on order from time to time. For all, except household enterprises, it is more common to almost always produce on order than to never do so (Table 4.27), and the most frequent on-order producing firms occur among partnership enterprises. Irrespective of form of establishment, it has become less common to limit operations to produce either always or never on order compared to how it was six years ago. For instance, about half of the partnership enterprises and co-operatives always did, while one fourth and 10 per cent respectively never did. Among households, 45 per cent never produced on order, while the equivalent among private enterprises was 24 per cent. Meanwhile, approximately three and two times as high a share as today among private and household enterprises respectively always did.

If production on advance order is common, participation in subcontracting agreements is not. Only in Haiphong does the share of enterprises engaged under such contracts exceed 10 per cent, and only in Hanoi does the number of counterparts exceed one in a majority of cases (Table 4.28).[33] This would imply a great decline in the use of such contracts over the past six years. Then, 21 per cent of the establishments in Hanoi, and 28 per cent in Ho Chi Minh City took part in such arrangements, usually with the counterpart being a state enterprise. The industries in which the subcontracting enterprises of today are active follow the general business structure quite well. Light engineering and consumer goods

Table 4.28
Subcontracting arrangements between urban and other enterprises.

	Hanoi	HCM City	Hai-phong	Total urban	House-hold	Private	Partner-ship	Co-op.	Ltd. & share
Subcontracting 1990	21.8	28.0	10.4	22.8	16.8	15.0	26.2	36.0	-
Subcontracting 1997	2.5	5.1	12.9	6.5	6.1	13.6	0.0	8.9	2.6
No. of counterparts									
only one	0.0	100.0	69.2	68.2	100.0	66.7	0.0	40.0	50.0
two	100.0	0.0	23.1	27.3	0.0	22.2	0.0	60.0	50.0
three	0.0	0.0	7.7	4.5	0.0	11.1	0.0	0.0	0.0
Counterpart									
non-state ent. 1990	34.5	46.7	28.6	50.0	52.9	47.1	37.0	38.2	-
non-state enterpr.	100.0	66.7	92.3	86.4	83.3	77.8	0.0	100.0	100.0
state enterpr. 1990	55.1	45.0	71.4	50.0	29.4	47.1	59.3	52.9	-
state enterprise	66.7	33.3	23.1	31.8	0.0	44.4	0.0	40.0	50.0
foreign company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
other enterprise	33.3	0.0	15.4	13.6	16.7	11.1	0.0	20.0	0.0

[33] The comparison is not exact as subcontracting was somewhat more loosely defined in 1991.

Table 4.28 contd.

	Hanoi	HCM City	Hai-phong	Total urban	House-hold	Private	Partner-ship	Co-op.	Ltd. & share
Assistance received									
raw material	66.7	0.0	30.8	27.3	16.7	22.2	0.0	80.0	0.0
capital/credits	0.0	95.0	23.1	13.6	0.0	11.1	0.0	20.0	0.0
lease machinery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
technology	0.0	0.0	7.7	4.5	0.0	0.0	0.0	20.0	0.0
management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
training workers	0.0	0.0	7.7	4.5	0.0	0.0	0.0	20.0	0.0
other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: Figures in shaded areas refer to the 1991 survey.

might be somewhat 'overrepresented' in Haiphong compared to the sample industrial structure, but due to the limited number of subcontracting observations, it is impossible to draw firmer conclusions. The establishments taking part in subcontracting agreements are, in terms of ownership, mostly private enterprises. While 14 per cent of these do so, not one single case emerges within partnership enterprises, less than three per cent of the share holding companies and six and nine per cent within the household firms and co-operatives respectively. Only among co-operatives does the majority of those with subcontracting dealings have two counterparts, otherwise it is limited to one. Comparing this with the situation in 1990, when partnership enterprises and co-operatives were the ones most frequently engaged in contracts of this type, 26 and 36 per cent respectively, it is quite obvious that the role of state enterprises has diminished, and with it large parts of the earlier business structure. This has especially effected the co-operatives and partnership enterprises, which were the ones with the closest relations to state enterprises. However, in 1990 some household enterprises, 17 per cent, had some kind of subcontracting agreement, for the most part with non-state enterprises, and still, very few claim to have such contracts in the present survey. Assistance from the partner is mostly a question of raw materials or credits, just as in 1990. The former is the most frequently mentioned form of support in Hanoi and Haiphong and the latter in Ho Chi Minh City. A minority also get some help with technology and training of workers, but this has only happened in Haiphong, where support otherwise is more uncommon than in the other two cities. In terms of ownership, receiving support is most common among co-operatives.

That liaisons of the above kind are not more common is actually rather strange, since questions about the degree of competition rather often are answered with 'severe'. In Ho Chi Minh City as well as in Haiphong, 58 per cent of the enterprises in the survey claim they face severe competition from at least one direction, here irrespective of the nature of the source (Table 4.29). In each of the cities, non-state enterprises represent the worst threat, and while mentioned by one fifth of the firms in Hanoi, the share is 44 per cent in Ho Chi Minh City and actually more than 50 per cent in Haiphong. Non-state enterprises are thus as much of a threat today as they were in 1990, except in Hanoi where as many as 38 per cent indicated difficult competition from non-state firms already six years ago. State enterprises are mentioned most frequently in Haiphong, and 24 per cent of the entrepreneurs perceive these as severe competitors, while in Hanoi they hardly figure at all. This implies that state enterprises are more of a threat in Haiphong and less so in Hanoi today than they were six years ago, when 10 and 14 per cent in the respective cities regarded them as severe competitors. The enterprises in Haiphong facing severe competition, irrespective of from where competition is perceived, are mostly in the business of light engineering and consumer goods, the same industries as those facing severe competition in Ho Chi Minh City, but in the latter case with the addition of furniture and carpentry. In Hanoi it is mostly within agro-processing but also light engineering that competition is severe.

Table 4.29.
Percentage of urban enterprises experiencing 'severe' competition.

	Hanoi	HCM City	Hai-phong	Total urban	House-hold	Private	Partner-ship	Coll.	Ltd. & share
Total	33.6	58.1	58.4	49.6	37.8	53.1	60.0	50.9	55.1
From									
non-state ent. 1990	37.9	52.2	44.4	46.5	52.3	35.9	54.4	44.1	-
non-state enterpr.	21.8	44.4	52.5	38.9	33.7	40.6	52.5	40.4	35.9
state ent. 1990	12.9	14.2	10.0	12.9	10.8	10.9	13.2	17.2	-
state enterprises	4.2	14.5	24.0	13.6	6.1	10.9	15.0	21.1	19.5
legal imports	5.0	8.5	19.0	10.4	3.1	9.4	15.0	15.8	14.3
illegal imports	4.2	9.4	14.0	8.9	5.1	6.3	15.0	14.0	9.1
others	2.5	7.7	0.0	3.6	2.0	4.8	2.5	1.8	6.5

Note: Figures in shaded area refer to the 1991 survey.

It is among partnership enterprises that the share facing such strong competition is the highest, reaching 60 per cent when each 'form' of threat is considered (Table 4.29). It is almost as bad among limited liability and share holding companies, where 55 per cent agree, followed in turn by private enterprises and co-operatives, where the share are 53 and 51 per cent respectively. Household enterprises have the 'easiest' position, and yet almost 40 per cent of them face severe competition. Irrespective of the form of establishment asked, non-state firms pose the worst threat, but more than 20 per cent of the co-operatives mention state enterprises as extremely tough competitors, as do as high a share of limited liability and share holding companies. That would mean that state enterprises have moved their positions somewhat forward against co-operatives over the past six years, when 13 per cent of partnership enterprises and 17 per cent of co-operatives thought of them as a severe threat, while the threat from non-state enterprises is about as troublesome today as it was six years ago. The change of the greatest magnitude has, however, occurred within household firms, to 52 per cent of which non-state enterprises were severe competitors in 1990, while the current share is 34 per cent. On average 10 per cent, irrespective of form of establishment, thought of legal imports as a severe threat in 1990, a share that has not changed much.. However, illegal imports are almost as bad a threat as legal imports today, thus implying a doubling of the share pointing to this threat over six years.

Hence, it should come as no surprise that several entrepreneurs think there are too many enterprises in the market. In Haiphong, as much as 66 per cent claim too many establishments are producing similar goods, an increase by 20 percentage units since the last survey (Table 4.30). In Ho Chi Minh City the share is slightly more than 60 per cent, and thus only a few percentages higher than in 1990. Meanwhile, more than half of the undertakings in Hanoi actually consider that the number of firms engaged in the same line of business as themselves is just right or even that there are too few, a situation that has even improved somewhat since 1990. As a consequence, relatively few enterprises, 21 per cent, in the capital have accumulated stocks of unsold goods, also this an improvement since 1990 (Table 4.30).

Table 4.30
Perception of market situation and accumulation of unsold goods among urban enterprises, by location.

	Hanoi	HCM City	Hai-phong	Total urban
Too many enterpr. 1990	48.8	55.4	45.5	51.6
Too many enterprises	44.1	61.5	66.3	56.8
Neither nor	40.7	28.2	25.7	31.8
Too few	13.6	9.4	6.9	10.1
No competitors	1.7	0.9	1.0	1.2
Unsalable goods in 1990	32.3	34.6	51.9	37.3
Unsalable goods	21.0	28.2	47.5	31.5
Main reason				
over supply 1990	45.2	35.1	38.5	38.5
market over supplied	66.7	54.5	72.9	65.7
low quality	8.3	6.1	4.2	5.7
sales channels 1990	21.4	27.0	17.9	23.1
poor sales channels	16.7	24.2	16.7	19.0
transport problems	0.0	0.0	2.1	1.0
price too high	0.0	3.0	2.1	1.9
other reason	8.3	12.1	2.1	6.7

Note: Figures in shaded areas refer to the 1991 survey.

Meanwhile, forty-eight per cent of those in Haiphong, where so many said there were too many enterprises in the same line of business, had stocks of unsalable goods, but still not as high a share as that considering competition as severe, or that regarding the market as overestablished, and, rather surprisingly, a slightly lower percentage than in 1990. This might indicate that even though the situation is more troublesome for entrepreneurs in Haiphong today, with more firms and more competition, they have learned how to handle it, at least in the aspect of adjusting their output to demand in order not to end up with shelves of unsold goods. Light consumer goods and agricultural processing are industries in which, irrespective of city, many of the troubled enterprises are found, while carpentry and furniture seems to be a difficult industry in Ho Chi Minh City in particular. In all three cities, the most common reason mentioned for not being able to sell all of the output is an oversupplied market, just as in 1990. The second most frequent reason is poor sales channels, ranked second also in 1990, but still mentioned by a few percentages less today than in the earlier survey.

Table 4.31
Perception of market situation and accumulation of unsold goods among urban enterprises, by ownership form.

	House-hold	Private	Partner-ship	Co-op.	Ltd. & share
Too many enterpr. 1990	60.4	41.8	51.8	53.3	-
Too many enterprises	70.4	51.5	50.0	51.8	51.3
Neither nor	23.5	34.8	40.0	35.7	32.9
Too few	6.1	13.6	7.5	12.5	11.8
No competitors	0.0	0.0	2.5	0.0	3.9
Unsalable goods 1990	34.7	37.5	37.9	38.2	-
Unsalable goods 1997	19.4	34.8	17.5	48.2	39.0
Main reason					
over supply 1990	42.1	45.5	27.5	40.6	-
market over supplied	84.2	30.9	100.0	61.5	53.3
low quality	5.3	4.3	0.0	3.8	10.0
poor sales channels 1990	36.8	22.7	22.5	9.4	-
poor sales channels	0.0	26.1	0.0	30.8	20.0
transport problems	0.0	0.0	0.0	0.0	3.3
price too high	0.0	0.0	0.0	0.0	6.7
other reason	10.5	8.7	0.0	3.8	6.7

Note: Figures in the shaded areas refer to the 1991 survey.

Even though the share among household enterprises experiencing severe competition is only 38 per cent (Table 4.29), twice as many, 70 per cent, say that the number of similar establishments is too high, the latter an increase by 10 percentage units since the last survey (Table 4.31). Among partnership enterprises on the other hand, 60 per cent claim to face severe competition, while 50 per cent, just as many as in 1990, think there are too many establishments in the market. This might be an indication of how there are many, but not too efficient, undertakings in the same line of business as household enterprises, while those competing with partnership enterprises are fewer but tougher. Be that as it may, most manage quite well to fight off competition. Only about one fifth of household and partnership enterprises have accumulated stocks of unsold goods, figures that were twice as high in 1990 (Table 4.31). By contrast, half of the co-operatives have unsold goods, which represents an increase by 12 percentage units since 1990. Still, some 13 per cent of the co-operatives, as well as private and limited liability enterprises think there the number of undertakings in the sector is actually too limited. Of all (that is irrespective of form of establishment) that have stocks of goods for which no buyers have been found, at least half state the reason to be an oversupply in the markets. Some co-operatives and private enterprises also have problems finding sales channels, but by no means as many as those who face oversupplied markets. It is interesting to note that not even 10 per cent of the co-operatives mentioned poor sales channels six years ago, while 37 per cent of household enterprises did.

Forward linkages among rural enterprises[34]

More than half of the establishments in Long An have individual persons as their main clients (Table 4.32). These account for about two thirds of the average sales, and more than half of the enterprises in Long An rely completely on this clientele. Individual persons are the most important customers in Ha Tay as well, but here slightly less than half of the sales are destined

Table 4.32
Type of customers to rural enterprises, by location.
Percentage share of total sales of main products.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Long An								
individual persons	22.9	8.4	3.6	6.0	3.6	55.4	64.5	50.1
non-state enterpr.	62.7	3.6	6.0	6.0	6.0	15.7	27.4	54.3
state enterprise	92.8	2.4	1.2	2.4	0.0	1.2	3.6	0.5
other state agency	95.2	1.2	0.0	1.2	0.0	2.4	3.1	0.0
local authority	96.4	2.4	0.0	0.0	1.2	0.0	1.5	0.0
tourist	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
export	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
other	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Ha Tay								
individual persons	34.9	14.5	3.6	4.8	1.2	41.0	47.5	44.5
non-state enterpr.	50.6	3.6	3.6	7.2	10.8	24.1	39.2	34.1
state enterprise	90.4	1.2	1.2	1.2	6.0	0.0	6.6	13.5
other state agency	95.2	0.0	0.0	1.2	1.2	2.4	4.2	1.8
local authority	100.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6
tourist	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
export	98.8	0.0	0.0	0.0	1.2	0.0	1.1	3.5
other	97.6	1.2	0.0	0.0	0.0	1.2	1.4	-

* Mean 1990, from the 1991 survey.
Note: 'Tourist' and 'other' were not specified in the 1991 survey.

[34] The comparison made on ownership basis should be interpreted with some caution. The 1991 survey included more areas than just Ha Tay and Long An, areas from which observations are included in the earlier survey among the respective forms of ownership. These observations are also included in all the general 'rural' tables for 1990, and where 'total' sums are calculated for 1990.

for such clients, and the share of the enterprises being completely dependent on this clientele is also less than in Long An. The firms in Ha Tay are, furthermore, somewhat more

connected to state enterprises and agencies, but the share is still only minor, as not even seven per cent of sales goes to such clients. This would imply that individual persons are becoming more, while non-state enterprises are less, important as customers in Long An. On average, sales were divided equally between these two types of clients in 1990, and not one single undertaking used to rely completely on individual persons to buy their output. In Ha Tay, non-state enterprises account for a higher share of sales as well, but this is at the expense of state enterprises rather than individuals, and the change is not as large. The share sold to state enterprises has thus been halved from the 14 per cent average level in 1990, and not one single undertaking in the survey relies completely on such clients today, compared to 9 per cent six years ago.

Table 4.33
Type of customers to rural enterprises, by ownership form.
Percentage share of total sales of main products.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Total rural								
individual persons	28.9	11.4	3.6	5.4	2.4	48.2	56.0	57.7
non-state enterpr.	56.6	3.6	4.8	6.6	8.4	19.9	33.3	33.6
state enterprise	91.6	1.8	1.2	1.8	3.0	0.6	5.1	5.8
other state agency	95.2	0.6	0.0	1.2	0.6	2.4	3.7	2.0
local authority	98.8	0.6	0.0	0.0	0.6	0.0	0.7	0.8
tourist	100.0	00	0.0	0.0	0.0	0.0	0.0	-
export	99.4	0.0	0.0	0.0	0.6	0.0	0.5	0.8
other	98.8	0.6	0.0	0.0	0.0	0.6	0.7	-
Household enterpr.								
individual persons	17.7	10.4	1.0	3.1	1.0	66.7	71.0	60.8
non-state enterpr.	69.8	1.0	1.0	3.1	10.4	14.6	25.5	31.0
state enterprise	97.9	0.0	1.0	0.0	0.0	1.0	1.4	4.5
other state agency	99.0	0.0	0.0	0.0	0.0	1.0	1.0	2.2
local authority	100.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
tourist	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
export	100.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
other	99.0	0.0	0.0	0.0	0.0	1.0	1.0	-
Private enterpr.								
individual persons	39.6	14.6	6.3	8.3	6.3	25.0	39.0	56.4
non-state enterpr.	41.7	4.2	8.3	10.4	8.3	27.1	44.9	36.4
state enterprise	87.5	2.1	2.1	4.2	4.2	0.0	7.3	5.5
other state agency	93.8	0.0	0.0	0.0	2.1	4.2	5.9	1.1
local authority	93.8	4.2	0.0	0.0	2.1	0.0	2.5	0.5
tourist	100.0	0.0	0.0	0.0	0.0	0.0	0.0	-
export	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
other	97.9	2.1	0.0	0.0	0.0	0.0	0.4	-

* Mean 1990, from the 1991 survey.
Note: 'Tourist' and 'other' were not specified in the 1991 survey.

Individual persons account for a much higher proportion of the sales of household enterprises, 71 per cent, than of private enterprises, 39 per cent (Table 4.33). Among the latter, a slightly higher share of the sales goes to non-state enterprises than to individuals. Compared to the 1990 survey, household enterprises are today selling some 10 percentage units more to individuals. By contrast, the importance of non-state enterprises in the sales portfolio of private enterprises has increased by 10 percentage units since 1990. Meanwhile, state enterprises have lost an already weak position at some five per cent of average sales. State trading companies are, somewhat surprisingly, receivers of a slightly higher share of private enterprise output than was the case in 1990, but the increase from one to six per cent is still marginal.

Hence, following upon the findings above, the enterprises in Long An have their customers somewhat more nearby. One third are located in the same commune and another 28 per cent can be found in a town nearby, and the share of local sales has increased over the past six years (Table 4.34). The share sold within the same village is somewhat lower today, but on the other hand, the commune and town shares have more than doubled while that to large cities is less than half of what it used to be. The businesses from Ha Tay are instead to an increased degree selling to more distant places. The share to large cities, on average 41 per cent, has grown since 1990, however mildly, while the 18 per cent to nearby towns is a fourfold increase over the 1990 level.

Table 4.34
Rural enterprises destination of sales, by location.
Percentage share of total sales of main products.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Long An								
same village	85.2	2.5	1.2	6.2	1.2	3.7	8.6	14.1
same commune	54.3	8.6	2.5	7.4	2.5	24.7	32.5	14.8
nearby town	59.3	1.2	2.5	22.2	2.5	12.3	27.5	8.4
large city	88.9	0.0	1.2	2.5	1.2	6.2	9.0	21.1
elsewhere	67.9	3.7	1.2	9.9	7.4	9.9	22.4	17.5
Ha Tay								
same village	83.1	3.6	3.6	3.6	1.2	4.8	9.43	11.5
same commune	79.5	4.8	2.4	2.4	2.4	8.4	13.3	15.5
nearby town	66.3	10.8	4.8	6.0	2.4	9.6	17.9	4.5
large city	49.4	7.2	1.2	2.4	12.0	27.7	41.0	38.6
elsewhere	74.7	3.6	2.4	3.6	7.2	8.4	18.3	13.5

* Mean 1990, from the 1991 survey.
Note: Sales within the same district was an additional alternative in the 1991 survey.

Some 40 per cent of household firm sales stay within the commune borders, while the share among private enterprises is 20 per cent (Table 4.25). Both ownership categories sell about one fourth to nearby towns, but while one third of average private enterprise sales is destined for large cities, the share is approximately half as big among household firms. This would mean that private rural enterprises have widened their markets substantially. Their average share to large cities has doubled since 1990, and that to nearby towns increased by more than 100 per cent. Household enterprises show a somewhat more dispersed pattern. Less stays in the village, while more is being sold within the commune, or to towns nearby, the latter share having increased from less than three to 23 per cent. At the same time, large cities received more than 20 per cent of average sales in 1990.

Table 4.35
Rural enterprises destination of sales, by ownership form.
Percentage share of total sales of main products.

	0	1-24	25-49	50-74	75-99	100	Mean	1990*
Total rural								
same village	84.1	3.0	2.4	4.9	1.2	4.3	9.0	12.3
same commune	67.1	6.7	2.4	4.9	2.4	16.5	22.8	21.3
nearby town	62.8	6.1	3.7	14.0	2.4	11.0	22.6	5.8
large city	68.9	3.7	1.2	2.4	6.7	17.1	25.2	18.8
elsewhere	71.3	3.7	1.8	6.7	7.3	9.1	20.3	12.8
Household enterpr.								
same village	83.3	2.1	2.1	4.2	1.0	7.3	11.4	13.4
same commune	63.5	4.2	1.0	5.2	4.2	21.9	29.1	20.9
nearby town	63.5	5.2	3.1	13.5	3.1	11.5	23.1	2.4
large city	79.2	4.2	0.0	2.1	4.2	10.4	16.0	21.2
elsewhere	68.8	4.2	3.1	9.4	5.2	9.4	20.4	8.8
Private enterpr.								
same village	83.0	4.3	4.3	6.4	2.1	0.0	6.9	8.1
same commune	72.3	6.4	6.4	6.4	0.0	8.5	14.5	21.7
nearby town	57.4	4.3	6.4	19.1	0.0	12.8	26.4	10.0
large city	59.6	2.1	4.3	4.3	4.3	25.5	32.9	16.6
elsewhere	76.6	2.1	0.0	4.3	8.5	8.5	19.4	14.9

* Mean 1990, from the 1991 survey.

Table 4.36
Number of customers and mode of selling, rural enterprises.

	Long An	Ha Tay	Total rural	House-hold	Private
No. of customers					
one	1.2	4.8	3.0	4.2	0.0
two to ten	13.3	54.2	33.7	44.8	10.4
over ten	85.5	41.0	63.3	51.0	89.6
over ten 1990	69.7	29.9	78.4	83.9	73.8
Produce on advance order					
never	69.9	24.1	47.0	47.9	58.3
sometimes	22.9	39.8	31.3	30.2	31.3
almost always	7.2	36.1	21.7	21.9	10.4
almost always 1990	14.3	56.0	25.1	22.2	24.0

Note: Figures in shaded areas refer to the 1991 survey.

As a consequence of having their customers somewhat closer, the establishments in Long An are able to handle a bigger number of clients. More than 80 per cent of them had over 10 customers, compared to some 40 per cent in Ha Tay (Table 4.36). Thus the average number of clients has increased over the past six years. Two thirds of the establishments in Ha Tay, and 30 per cent in Long An had between two and ten clients then, and in turn 30 per cent in Ha Tay and about two thirds in Long And had more than ten clients. The pattern is somewhat different when splitting the observations on forms of ownership. More than half of the household enterprises have at least ten customers, while the equivalent share among private enterprises is closer to 90 per cent. But while it is becoming more common among private enterprises to have at least ten clients, this share having grown by 15 percentage units compared to the earlier survey results, household enterprises have actually reduced their clientele compared to the earlier survey results. Then, more than 80 per cent of them had more than 10 customers among, while the share today is 50 per cent.

Production on order seems to be more common in Ha Tay, relatively speaking, where 75 per cent of the enterprises in engage in production on such terms at least occasionally, while about as high a share in Long An *never* do (Table 4.36). It seems as if the firms in Ha Tay are using on order production from time to time to a greater extent than before. In 1990, 56 per cent always used this mode of production, while about one fifth did so occasionally. In Long An, on the other hand, the share never producing on order has grown by 10 percentage units, while the share doing so occasionally, or always, has decreased. On order production is more frequently occurring among household enterprises, but as the conventional way of operating this is becoming less common. More than half of the household firms take part in such arrangements from time to time, while close to 60 per cent of the private enterprises never do, and the share always producing on advance orders has diminished compared to the earlier survey, while the share sometimes doing so has grown.

Table 4.37
Subcontracting arrangements between rural and other enterprises.

	Long An	Ha Tay	Total rural	House-hold	Private
Subcontracting	7.2	33.7	20.5	18.8	12.5
No. of counterparts					
only one	66.6	78.6	76.5	77.7	83.3
two	16.7	17.8	17.6	16.7	16.7
three	16.7	3.6	5.9	5.6	0.0
Counterpart					
non-state enterpr.	66.7	96.4	91.2	88.9	100.0
state enterprise	0.0	10.7	8.8	0.0	0.0
foreign company	0.0	0.0	0.0	0.0	0.0
other enterprise	33.3	10.7	14.7	22.2	16.7

Table 4.37 contd,

	Long An	Ha Tay	Total rural	House-hold	Private
Assistance received					
raw material	16.7	32.1	29.4	33.3	0.0
capital/credits	0.0	42.9	35.3	33.3	33.3
lease machinery	0.0	0.0	0.0	0.0	0.0
technology	0.0	3.6	2.9	0.0	0.0
management	0.0	0.0	0.0	0.0	0.0
training workers	0.0	0.0	0.0	0.0	0.0
other	0.0	0.0	0.0	0.0	0.0

Subcontracting was a phenomena which hardly figured at all in rural areas in 1990, but which has become more common over the past six years, quite apart from the present situation in urban areas. The surveyed enterprises in Ha Tay are more involved in sub-contracting than those in Long An. Among the latter ones, less than one out of ten is engaged in any such arrangements while the share is one third in Ha Tay (Table 4.37). Divided on ownership 19 and 13 per cent of household and private enterprises respectively have such arrangements. Irrespective of area or form of establishments, the majority have only one counterpart, but the share having as many as three is actually higher in Long An than in Ha Tay, these belonging to the 'other' category mostly. The counterparts are, in both areas and regardless of ownership form, non-state enterprises for the most part. It is more common that these counterparts provide some kind of assistance is more in Ha Tay than in Long An, and to the extent that the latter ones have been helped, it has been with supply of raw materials. No private enterprise has, however, received anything but credit, and in Ha Tay, assistance with credits is actually more common than supplying inputs and yet the share assisted with credits in Ha Tay, some 30 per cent, is twice as high as the equivalent share in Long An.

The share of enterprises experiencing 'severe' competition has grown as well. In Ha Tay, 57 per cent of the enterprises in the survey say they face severe competition from some source, irrespective which, while the share in Long An is 47 per cent (Table 4.38). In terms of ownership, private enterprises are somewhat worse off than household firms. Irrespective of location or form of establishment, this indicates a tremendous increase in the degree of competition perceived, compared to in 1990, and now, as before, non-state enterprises pose by far the worst threat to all forms of enterprises and in both rural areas. Even though the share of entrepreneurs pointing to severe competition from state enterprises is still rather limited, six or seven percent in both areas, the share has grown since 1990. Household undertakings are about as spared today as they were then, but among private enterprises some ten per cent experience state companies as severe competitors today. In 1990, this share was less than one per cent.

Table 4.38
Percentage share of rural enterprises experiencing 'severe' competition.

	Long An	Ha Tay	Total rural	House-hold	Private	Other
Total	44.6	62.7	53.6	47.9	58.3	68.2
From						
non-state ent. 1990	27.2	21.7	22.8	22.3	21.8	-
non-state enterpr.	44.6	56.6	50.6	47.9	50.0	63.6
state ent. 1990	0.0	1.7	1.6	2.3	0.7	-
state enterprises	7.2	6.0	6.6	2.1	10.4	18.2
legal imports	3.6	2.4	3.0	1.0	6.3	4.5
illegal imports	0.0	1.2	0.6	0.0	2.1	0.0
others	1.2	0.0	0.6	1.0	0.0	0.0

Note: Figures in shaded areas refer to the 1991 survey.

Part of the explanation to the experienced growing competition is won when the answers to the question of the number of similar enterprises in the market are screened. Some 70 per cent in Ha Tay and about 60 per cent in Long An regard the number of enterprises competing in the same line of business as too high, and 70 per cent of households and 60 per cent of private enterprises think the same (Table 4.39). These are figures which have increased most remarkably since 1990, when some 50 per cent in Ha Tay, and about 40 per cent in Long An considered it to be too many establishments in the market. Even more illustrative is that hardly any entrepreneurs in the present survey declare to be alone in their line of business. Six years ago, one third of those in Ha Tay and more than half in Long An, claimed they had no competitors what so ever, households being as spared as private enterprises. However, somewhat surprisingly, close to one fifth of the private enterprises perceive the number of enterprises in the same line of business as to few today, thus a slightly higher share than in 1990. These cover a wide span of industries, but carpentry and light engineering are the most frequently represented.

Table 4.39
Perception of market situation
and accumulation of unsold goods among rural enterprises.

	Long An	Ha Tay	Total rural	House-hold	Private
Too many enterprises (1990)	37.9	53.7	32.2	34.3	27.9
Too many enterprises	61.4	71.1	66.3	71.9	58.3
Neither nor	28.9	16.9	22.9	21.9	22.9
Too few	9.6	10.8	10.2	6.3	18.8
No competitors (1990)	52.9	33.3	47.9	47.2	50.0
No competitors	0.0	1.2	0.6	0.0	0.0

Table 4.39 contd.

	Long An	Ha Tay	Total rural	House-hold	Private
Unsalable goods (1990)	17.4	48.3	21.8	20.9	22.4
Unsalable goods	27.7	32.5	30.1	27.1	35.4
Main reason					
-market oversupplied (1990)	31.6	22.2	25.2	20.6	31.3
-market oversupplied.	66.7	50.0	57.8	60.9	56.3
-low quality	0.0	12.5	6.7	8.7	6.3
-poor sales channels	9.5	29.2	20.0	21.7	6.3
-poor sales channels (1990)	19.0	29.6	31.7	41.1	21.9
-transport problems	0.0	0.0	0.0	0.0	0.0
-price too high	0.0	4.2	2.2	4.3	0.0
-other reason	23.8	4.2	13.3	4.3	31.3

Note: Figures in the shaded areas refer to the 1991 survey.

As a result, slightly more than one third in Ha Tay, and slightly less in Long An, have accumulated goods which are difficult to sell, the share of private enterprises, 35 per cent, being somewhat higher than the 27 per cent among households (Table 4.39). This still means that the establishments in Ha Tay are doing much better today than they did six years ago in adjusting their output to suit buyers' demands, when close to half of them had stocks of unsold goods. The enterprises in Long An seem to be less capable of dealing with the increasing competition. These are instead somewhat worse off now, and currently some ten percentage units more have accumulated stocks. In both areas and regardless of ownership form, oversupplied markets are stated as the main reason, but the lack of proper sales channels is obviously perceived as just as much of an obstacle in Ha Tay today as in 1990, the difference between the two rural areas being even more obvious in the present survey than it was six years ago. In terms of ownership, sales channels are today, just as in 1990, more of an obstacle to household than to private enterprises. The difference is that sales channels was even more of an issue to household entrepreneurs in 1990 than market oversupply, and that the gap in importance between these to obstacles according to private enterprises has widened even more since the earlier survey.

Slightly more than one third in Ha Tay, and slightly less in Long An, have accumulated goods which are difficult to sell, the share of private enterprises, 35 per cent, being somewhat higher than the 27 per cent among households (Table 4.39). This means that the establishments in Ha Tay are doing much better today than they did six years ago in adjusting their output to suit buyers' demands, when close to half of them had stocks of unsold goods. Those in Long An are instead somewhat worse off now, and currently some ten percentage units more have accumulated stocks. In both areas and regardless of ownership form, oversupplied markets are stated as the main reason, but the lack of proper sales channels is obviously perceived as more of an obstacle in Ha Tay than in Long An. Still, the problem with sales channels in Ha

Tay has improved, since in 1990, this was actually a worse problem than oversupplied markets.

Summary

As for backward linkages, non-state enterprises provide the highest share of inputs and raw materials to the enterprises covered by the survey, in rural as well as urban areas. Households are more important suppliers to agro-processing enterprises than they are to manufacturing ones, while the roles of collectives and state agencies are marginal in general. For urban businesses, about 90 per cent of the inputs is bought locally, while there is a difference in the countryside between undertakings in Long An, securing more from large cities, and Ha Tay, using sources in nearby towns. Price is still the most important criteria, in urban as well as rural areas, when selecting supplier, but at least in urban areas, quality aspects are mentioned more often than they were in the 1991 survey. The methods used when selecting suppliers differ even within the respective areas; the enterprises in Hanoi and Ha Tay using personal contacts while those in Haiphong and Long An undertake own search efforts. It seems, however, as if those caring more for price, in cities as well as in the countryside, use personal contacts to a somewhat greater extent. Among the urban enterprises, household are used more seldom and state enterprises more often when quality is important. The same is true for rural enterprises, but in addition, the latter ones are prepared to go to sources further away in order to secure inputs meeting with quality requirements, and buy absolutely nothing from sources located within the village.

The share of enterprises with difficulties in locating sufficient quantities is coming down, in the cities as well as on the countryside. The share with quality problems has decreased as well in the urban areas, but increased in the rural ones, especially in Ha Tay, where still a higher proportion than in Long An has problems even finding the amounts of inputs required. The urban establishments with insufficient quantities buy somewhat more from state enterprises and less from households, use personal contacts more often, but do not search for suppliers very much on their own. The rural firms in the same position also use personal contacts to a greater extent, and care more about a continuous supply. When quality of the raw material and inputs is a problem, the buyers are prepared to buy somewhat more from sources located further away. The urban ones deal with this by searching more active for potential suppliers, while the rural ones buy a higher share from non-state enterprises.

Regarding forward linkages, non-state enterprises are the biggest clients for enterprises in Hanoi and Ho Chi Minh City, and sales here are geographically more dispersed today than in 1990. The establishments in Haiphong are instead more local today, and they have a higher share of individual persons as clients than the average firm in the other cities. State agencies, which accounted for more than ten per cent of urban sales six years ago, have completely disappeared form the arena, but the general number of clients has still increased. To always produce on advance order is not as common today as it used to be, and neither is engagement in subcontracting arrangements.

Competition is more severe in Hanoi and in Ho Chi Minh City than in Haiphong, but regardless of the city, it is non-state enterprises which pose the single worst threat. Only in Hanoi is the share perceiving the non-state competition as a severe threat smaller today than in 1990. Competition from state enterprises is at the same time less of an obstacle today, except for in Haiphong. In the latter area, and in Ho Chi Minh City, is the share which think there are too many enterprises on the market higher today than in 1990, but still fewer have accumulated unsold goods today. The only exception to the latter statement is co-operatives, where the share with unsold goods is higher today, and it should be noted that as much as 48 per cent of the Haiphong firms have accumulated stocks. The markets are overestablished according to most enterprises, regardless of location, much more so today than in 1990, but sales channels is on the other hand less of an obstacle than it used to be.

Private persons are the most important customers for rural enterprises, more so in Long An, and more so here today than in 1990. The enterprises in Long An, accordingly, sell more locally and have more customers those in Ha Tay, though the average number of clients is higher today than in 1990 the rural areas in general. As much as 75 per cent of Long An firms never produce on order, while 75 per cent of those in Ha Tay do so at least occasionally. In rural, as in urban areas, production on advance order is less common today, but subcontracting has, contrast to in the cities, become more common. Subcontracting was not part of the countryside mode of operations at all in 1990, and is today not very frequent in Long An either, but one third of the Ha Tay take part in such arrangements. The counterpart is usually a non-state enterprise, and does provide assistance with raw material and credits in many cases. A somewhat higher share of rural household than rural private firms, somewhat surprisingly, are engaged in subcontracting.

A higher share in Ha Tay experience severe competition, but irrespective of area, non-state enterprises pose the worst threat, more so today than in 1990 actually. The percentage mentioning state competitors has increased as well, but from very low levels. Ha Tay also hosts a higher share than Long An of businesses which thing there are too many enterprises in the market, but still these proportions are not as high as those facing severe competition. Everyone does, however, have some competitors today, this not being the case in 1990. As a con-sequence, a higher share of enterprises in Ha Tay than in Long An have accumulated unsold goods. What might be surprising is how the proportion with accumulated stocks has grown compared to six years ago in Long An, while it has decreased in Ha Tay. The reasons are oversupplied markets in both areas, but a higher share points to this in Long An than in Ha Tay, and this problem is more severe in both areas than it was in the 1990 survey.

5 Employment, Labour and Wages

The average labour force in the urban enterprises during the month prior to the survey ranged from 14.2 persons in Haiphong to 27.0 in Ho Chi Minh City, with Hanoi in an intermediate position with 20.0 workers[35] on average (Table 5.1). In Hanoi and Haiphong half of the enterprises had ten workers or more, but there were relatively fewer enterprises with a large labour force in Haiphong than in Hanoi. In Hanoi a quarter of the enterprises had at least 25 workers and 10 per cent had more than 50 workers. In Haiphong there were only a few enterprises with more than 50 workers in the sample. The enterprises in Ho Chi Minh City were on the whole larger than in the two northern cities. Half of the enterprises in Ho Chi Minh City had at least 16 workers and 25 per cent had 33 workers or more. As might be expected, there were large differences in the size of the labour force between the ownership forms. The urban household enterprises had an average labour force of 5.8 persons, as against 2.9 persons in the private enterprises, 28.4 in the co-operative enterprises and 34.8 persons in the limited liability and shareholding companies, but only 12.8 in the partnership enterprises (Table 5.2). However, except for the household enterprises which by definition are small, there were also large differences in the labour force within the individual ownership forms. Thus, among the private enterprises 25 per cent had less than ten workers, while at the upper end 25 per cent had a work force of 32 or more and 10 per cent had more more than 67 workers. Co-operatives and limited liability companies also displayed a wide spread in the size of the labour force. However, there were rather few large partnership enterprises; less than 10 per cent of the enterprises in this category had 25 workers or more.

Table 5.1
Size and structure of labour force by location of enterprise. Average number of workers.

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
Total labour force	20.3	27.0	14.2	16.0	8.0
- Female	6.8	11.7	4.9	8.6	1.4
- Unpaid	1.6	1.2	1.4	2.8	2.0
- female	0.6	0.5	0.5	1.1	0.6
- Regular	18.1	24.0	13.2	14.1	7.4
- female	5.9	9.6	4.8	6.3	1.3
- Casual	1.9	3.1	0.7	1.9	1.1
- female	0.8	2.0	0.1	0.6	0.4
- Skilled	16.8	18.3	10.8	13.7	5.2
- female	5.3	7.2	3.8	5.9	0.7

[35] The concepts labour force and workers are used synonymously and refer to the entire work force, while the term wage workers is used to denote paid workers.

By and large, the enterprises in the two rural areas covered by the survey had a smaller labour force than those in the urban areas. The average size of the labour force in enterprises in Ha Tay was 16 and in Long An only eight. This large discrepancy in the average labour force between the two provinces was entirely accounted for by the incidence of a small number of quite large enterprises in Ha Tay. In both provinces half of the enterprises had no more than five workers. However, in contrast to the situation in Long An, a considerable number of quite large enterprises were included in the sample in Ha Tay. In this province, ten per cent of the enterprises had more than 55 workers and 25 per cent had more than 17 workers. Just as in the urban areas, there was a large difference in the average size of the labour force in the household enterprises on the one hand (3.7 persons) and in the private enterprises (19.2 persons) and other forms of enterprises (32.4 persons) on the other hand (Table 5.3).

Except for the household enterprises, which by virtue of their small size depend largely on the labour of unpaid household members, wage workers engaged in the enterprise on a regular and, usually also full time, basis make up the core of the enterprises work force in both urban and rural areas. Casual workers, defined as those hired on a daily or short term basis, play a totally insignificant role, except in some urban co-operatives and limited liability companies and in the co-operatives in the rural areas (Tables 5.2 - 5.3).

Table 5.2
Size and structure of labour force in urban enterprises by ownership form.
Average number of workers.

	Household	Private	Partnership	Co-operative	Limited company
Total labour force	5.8	24.9	12.8	28.4	34.8
- Female	1.9	9.4	4.1	11.6	13.5
- Unpaid	2.0	1.7	0.9	0.8	1.1
- female	0.8	0.6	0.4	0.2	0.3
- Regular	5.5	23.6	11.9	25.1	29.9
- female	1.9	9.0	3.9	10.5	10.3
- Casual	0.2	1.2	1.1	2.4	5.1
- female	0.0	0.4	0.3	0.8	3.2
- Skilled	4.7	17.6	10.1	22.8	23.8
- female	1.4	6.2	3.1	9.6	8.3

The main distinction between household enterprises on the one hand and private and other forms of non-state enterprises on the other hand is ostensibly that while the former rely primarily on the labour of the owner household, the latter are based on wage labour. By and large, the survey bears out this distinction. Virtually all private enterprises and all partnership, collective and limited liability enterprises have at least some wage labour. However, the distinction is not absolute. Almost 80 per cent of the household enterprises in the rural areas and nearly half of those in the rural areas supplemented the labour of the household members with wage workers. Still, the number of wage workers was quiet small. It averaged 3.7 in the urban enterprises and only 1.1 in the rural enterprises. Thus, unpaid household members on average made up a third of the labour force of the household enterprises in the urban areas and over 60 per cent in the rural enterprises.

On the other hand, most private enterprises also had one or two, but seldom more than three, unpaid household members in their work force. Thus, this category of labour was quite important in the many small private enterprises, but their importance declined rapidly with the size of the enterprise. In the collective, partnership and limited liability enterprises they played an altogether insignificant role.

Table 5.3
Size and structure of labour force in rural enterprises by ownership form. Average number of workers.

	Household	Private	Other forms
Total labour force	3,8	19.2	32.4
- Female	1.0	7.5	10.9
- Unpaid	2.3	2.7	2.0
- female	0.9	1.1	0.6
- Regular	3.5	18.1	26.4
- female	0.9	6.9	9.5
- Casual	0.7	1.1	6.0
- female	0.3	0.6	1.2
- Skilled	3.3	13.8	27.0
- female	0.8	5.4	9.0

The share of females in the labour force in the urban enterprises varied between on average a third in Hanoi and Haiphong and 43 per cent in Ho Chi Minh City. They accounted for a slightly larger share of the labour force in the co-operative, limited liability and private enterprises than in the household and partnership enterprises (Table 5.2). Among the rural enterprises, there was a marked differences between those in Ha Tay, where more than half of the labour force was female, and those in Long An, where women made up a mere 17.5 per cent of the labour force on average. This difference may largely be explained by differences in the branch structure of the enterprises. In Long An agro-processing and light engineering predominate, while in Ha Tay more than three quarters of the enterprises were engaged in carpentry and furniture making, arts and handicraft or textile manufacturing. In particular the latter branches have traditionally belonged to the realm of female labour.

Apart from hiring wage workers to work in the enterprise itself, many enterprises also resort to hiring out work to persons working outside the enterprise, typically in their own home. This practice was most common in Ha Tay, where one out of four enterprises hired out work in 1996. In about two thirds of the cases, work was farmed out on a casual basis, suggesting that it was used as a means of meeting occasional production peaks. Yet, 12 per cent of the enterprises in this province farmed out work on a regular basis, suggesting that it was used as a regular mode of production. Elsewhere this practice was much less prevalent, although in Ho Chi Minh City and Haiphong 12 per cent and in Long An 13.5 per cent of the enterprises had farmed out work in 1996. As in Ha Tay, it was done primarily, but not exclusively, on a casual basis. In Hanoi only six per cent of the enterprises had farmed out work in 1996, in all but one case on a regular basis.

Table 5.4
Number and mobility of wage work force by location of enterprise

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
No. of wage workers, end 1996					
None	6.7	0.0	12.9	46.3	25.3
1-5	31.1	10.3	25.7	14.6	54.2
6-10	15.1	22.2	22.8	8.5	10.8
11-25	22.7	38.5	23.8	14.6	8.4
26-50	15.1	14.5	10.9	9.8	1.2
51-75	6.7	9.4	1.0	2.4	0.0
75-	2.5	5.1	3.0	3.7	0.0
Mean	17.9	25.9	13.6	11.6	4.4
Net change in 1996					
% with decrease	4.2	17.9	8.9	9.8	2.4
% unchanged	89.1	60.7	81.2	73.2	97.6
% with increase	6.7	21.4	9.9	17.1	0.0
Mean change	0.34	1.32	-0.08	0.43	-0.13
Gross change in 1996					
% workers who left	10.1	47.0	22.8	29.3	4.8
% workers fired	0.8	2.6	5.0	4.9	1.2
% workers left at end of contract	2.5	7.7	8.9	6.1	0.0
% workers resigned	7.6	41.9	13.9	28.0	4.8
% hired workers	11.8	46.2	22.8	31.7	2.5

Tables 5.4 - 5.6 show the size and mobility of the wage labour force in 1996 by location and ownership form of the enterprises. As may be seen from these tables, the vast majority of the enterprises in Ho Chi Minh had more than five, but not more than 50 wage workers, while in Hanoi there was also a large share of enterprises with

no more than five wage workers. The large difference in the size structure of the labour force in enterprises in Ha Tay and Long An, commented upon above, is shown very clearly in Table 5.4. In Long An, more than half of the enterprises had between one and five wage workers. Only a quarter of them had no wage workers at all, while few had more than ten. In Ha Tay, on the other hand, almost half of the enterprises did not have any wage workers at all, but there was also a high proportion of enterprise with more than ten wage workers.

Table 5.5 underscores the fact that the non-state manufacturing sector is not primarily a source of self-employment, but of wage employment. Most urban private enterprises have between five and fifty wage workers. Somewhat surprisingly, the size of most urban co-operatives and limited liability enterprises is not much larger than that of the private firms. Half of the partnership enterprises have between six and ten workers, while almost none have more than 25 workers. The private enterprises in the rural areas are generally smaller than those in the urban areas. The vast majority have less than 25 wage workers and about 15 per cent employ no wage workers at all.

Table 5.5
Number and mobility of wage work force in urban enterprises by ownership form .

	Household	Private	Partnership	Co-operative	Limited company
No. of wage workers, end 1996					
None	21.4	0.0	0.0	0.0	0.0
1-5	53.1	15.6	15.0	7.0	3.8
6-10	18.4	15.6	50.0	14.0	14.1
11-25	7.1	40.6	32.5	42.1	33.3
26-50	0.0	17.2	0.0	21.1	29.5
51-75	0.0	7.8	0.0	12.3	10.3
75-	0.0	3.1	2.5	3.5	9.0
Mean	3.8	23.0	11.7	27.4	34.2
Net change in 1996					
% with decrease	4.1	15.6	2.5	14.0	20.4
% unchanged	90.8	57.8	95.0	71.9	69.2
% with increase	4.1	21.9	2.5	14.0	16.7
Mean change	-0.07	1.86	0.65	-0.39	0.91
Gross change in 1996					
% workers who left	8.2	48.4	17.5	22.8	39.7
% workers fired	0.0	6.3	0.0	1.8	5.1
% workers left at end of contract	0.0	9.4	0.0	12.3	11.5
% workers resigned	8.2	39.1	17.5	25.8	29.5
% hired workers	7.1	50.0	17.5	24.6	39.8

By and large the turnover rate of the labour force appears to be quite low, suggesting a considerable stability in the labour force. However, there is a marked difference between the two northern cities – Hanoi and Haiphong – on the one hand and Ho Chi Minh City in the south on the other hand. In Hanoi little more than ten per cent of the enterprises lost any wage workers in 1996, for whatever reason, and almost as few recruited any new workers in the period, while in Ho Chi Minh City almost half of the enterprises had lost workers and an equal proportion had hired new workers. It is unclear if the reason behind the much higher labour mobility in Ho Chi Minh City is due to a more developed and flexible labour market or to other factors. In the rural areas the picture was the reverse. Enterprises in Ha Tay in the north had a much higher turnover rate of the wage labour force than those in Long An. Among the different ownership forms in the urban areas, the private enterprises registered by far the highest labour mobility, followed by the limited liability companies and the co-operatives. The mobility of the wage labour force in the household enterprises was very low, both in the urban and in the rural areas. In the rural areas there was a pronounced contrast between the very high degree of stability of the wage labour force in the household enterprises and the high proportion of co-operatives and partnership enterprises (lumped together under the category "other" in Table 5.6) which lost and/or hired new wage workers in 1996.

Table 5.6
Number and mobility of wage work force in rural enterprises by ownership form .

	Household	Private	Other
No. of wage workers, end 1996			
None	53.7	14.6	4.5
1-5	41.1	31.3	13.6
6-10	5.3	18.8	9.1
11-25	0.0	20.8	40.9
26-50	0.0	10.4	18.2
51-75	0.0	2.1	4.5
75-	0.0	2.1	9.1
Mean	1.4	13.2	25.0
Net change in 1996			
% with decrease	1.1	6.3	27.3
% unchanged	95.8	77.1	59.1
% with increase	3.1	16.5	13.6
Mean change	0.06	0.50	-0.27
Gross change in 1996			
% workers who left	3.2	25.0	59.1
% workers fired	0.0	2.1	18.2
% workers left end contract	1.1	6.3	4.5
% workers resigned	3.2	25.0	54.5
% hired workers	4.2	29.2	45.5

Job security would also seem to be quite good. Very few of the enterprises in the survey fired any workers in 1996. The only main exception were the rural collectives and partnership enterprises in Ha Tay, where approximately one out of five enterprises fired workers in 1996. Among the private and limited liability enterprises there were also a few incidences of workers being fired. However, these appear to have were exceptions to the rule. There were also rather few cases of workers being force to leave because their contracts had expired. Instead, in the vast majority of cases the initiative to leave the firm would seem to have come from the worker himself and not from the enterprise.

The average urban private enterprise expanded its work force by 1.9 persons or 8 per cent in 1996. Slightly more than one fifth of the private enterprises increased their work force in 1996, while 15 per cent registered a decrease. Among the limited liability companies a fifth of the enterprises decreased the work force, but only 17 per cent increased it. Yet, on the whole this category of enterprises registered a net increase in their labour force. The overwhelming majority of the household and partnership enterprises did not register any net change at all in their labour force, although a few partnership enterprises substantially increased their labour force. The urban co-operative enterprises on balance saw a small decline in the work force, but in more than 70 per cent of the enterprises the work force remained constant.

The pattern in the rural areas was similar to that of the urban areas. The overwhelming majority of the household enterprises (95.8 per cent) neither increased nor decreased their labour force. The only expansion took place among the private enterprises where the number of enterprises increasing their work force outweighed those which decreased the work force and, as a result, the average work force increased by 0.5 persons or 4 per cent. Among the "other" rural enterprises, that is primarily collectives and partnerships, rather more enterprises decreased their work force (27.3 per cent) than increased it (13.6 per cent).

Locationwise, it may be seen that the enterprises in Ho Chi Minh City and in Ha Tay were the most dynamic in 1996. In Ho Chi Minh City more than a fifth of the enterprises expanded their work force, while 18 per cent decreased it. The average increase in the labour force in this city was 5 per cent in 1996. In Ha Tay no less than 17 per cent of the enterprises increased their wage labour force in 1996, which must be considered to be a remarkably high figure in view of the predominance of household enterprises. In Long An, by contrast, there were virtually no changes in the labour force.

Table 5.7
Most important way of recruiting workers by location of enterprise. Percentages.

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
Through advertisement	0.0	0.9	1.2	0.0	0.0
Through labour exchanges	7.2	1.7	0.0	0.0	1.5
Recommendations by friends/relatives	30.6	72.6	31.8	68.1	22.1
Recommendations by local authorities	8.1	4.3	1.2	0.0	1.5
Personal contacts	53.2	19.7	60.0	25.5	72.1
Through other means	0.9	0.9	5.9	6.4	2.9

Recommendations by friends, relatives and other workers, and personal contacts remain by far the most important ways of recruiting new labour (Tables 5.7 - 5.9). Recruitment through labour exchanges and placement offices occurs almost only in Hanoi and then primarily in the case of the co-operatives. By and large, local authorities play a minor role as intermediaries on the labour market. Only in Hanoi and, to a much lesser extent, in Ho Chi Minh City do they show up in the data, and then primarily for the co-operatives. It is noteworthy that local authorities appear to play virtually no role at all in the recruitment of labour in the rural areas.

Despite the lack of unimportance of more formal and impersonal mechanisms of labour intermediation rather few enterprises state that they have difficulties in finding and recruiting labour with the desired skills. In Hanoi and Ho Chi Minh City less than five per cent and in Haiphong less than ten per cent of the enterprises professed to have such difficulties. The only exception to this rule was Ha Tay, where the larger co-operative and partnership enterprises in particular expressed difficulties in recruiting labour with appropriate skills. However, the small share of enterprises expressing problems with recruiting skilled labour may be somewhat deceptive as most enterprises did not recruit any labour in the past year. Indeed, among the urban and rural private enterprises, which are the most dynamic in terms of hiring new labour, 10 per cent stated that they found it difficult to find and hire labour with the needed skills.

Table 5.8
Most important way of recruiting workers for urban enterprises by ownership form. Percentages.

	Household	Private	Partner-ship	Co-operative	Limited company
Through advertisement	0.0	0.0	0.0	0.0	2.6
Through labour exchanges	0.0	3.1	0.0	9.3	3.8
Recommendations by friends/relatives	39.0	62.5	42.5	24.1	59.0
Recommendations by local authorities	0.0	3.1	0.0	14.8	6.4
Personal contacts	61.0	29.7	52.5	44.4	28.2
Other ways	0.0	1.6	5.0	7.4	0.0

Table 5.9
Most important way of recruiting workers for rural enterprises by ownership form.

	Household	Private	Partnership
Through advertisements	0.0	2.2	0.0
Through labour exchanges	0.0	0.0	0.0
Through recommendations by friends/relatives	33.3	33.3	72.7
Through recommendations by local authorities	0.0	0.0	4.5
Personal contacts	64.6	57.8	18.2
Other ways	2.1	6.7	4.5

Most of the skills listed as being in short supply were technical or vocational in nature rather than professional. A wide variety of skills were listed, such as carpenter, blacksmith, embroiderer and printer, but in only three cases did an enterprise list a professional skill (chemical technician). Some 59 per cent of the enterprises complaining about skill shortage stated that the problem was severe, 32 per cent did not consider the problem to be very severe, while 9 per cent felt that the problem was very severe. In most cases (64 per cent) the shortage was perceived to be due to an absolute shortage of the desired skills rather than to problems of affordability. It seems likely that the very small number of firms complaining about shortages of managerial, technical or other professional skills reflect a perceived lack of need for such skills in the enterprises rather than any abundant supply.

The practice of requiring the worker to make a contribution in cash or kind to the enterprise at the time of recruitment is not very common, except in the co-operatives and, to a lesser degree, in the partnership enterprises. In the urban areas half of the co-operatives stated that they required such contributions from the workers always (22.6 per cent) or sometimes (27.4 per cent). Among the urban partnership enterprises 5.6 per cent stated that they always required a contribution from the workers and 14.8 per cent that they sometimes did so. These contributions are almost always redeemable upon termination of the employment and they usually also entitle the worker to a share in the profit of the enterprise. These contribution can therefore be seen as an investment, albeit not always voluntary, of the worker in the enterprise rather than as an entrance fee for a job. It would appear that the practice of requesting a contribution from workers upon recruitment has become less common in the 1990s. Among the urban partnership and co-operative enterprises covered by the survey in 1991 about 58 per cent always or sometimes requested such contributions. By 1997 this percentage had fallen to 20 for the urban partnership enterprises and 50 for the urban co-operatives. In the rural areas it is uncommon for enterprises to request contributions from their workers. None of the household or private enterprises covered by the survey and a mere 18 per cent of the other, that is mainly partnership and co-operative enterprises, sometimes or always requested contributions from their workers.

Labour Force Characteristics

A survey of the workers in the enterprises covered by the survey confirms the importance of this sector as a source of employment creation. The vast majority of the workers had been recruited outside the owner household, for wages and on a regular and full time nature. By and large this is true for all areas and all types of enterprises. In Hanoi and Ho Chi Minh City well over 90 per cent of the workers had been recruited outside the owner household. In Haiphong this percentage was only slightly lower, while in the two rural areas – Ha Tay and Long An – it exceeded 70 per cent (Table 5.10).[36] The proportion of workers recruited outside the household is obviously related to the size of the enterprise. The larger the size of the labour force, the higher the proportion of workers recruited from outside. However, even among the urban household enterprises three out of four workers are recruited outside the owner household (Table 5.11). In the rural areas the reliance on household labour is typically higher than in the urban areas. Still, less than half of the labour force in the rural household enterprises consist of household members and in the rural private enterprises this the share of this category falls to less than one in five (Table 5.12). As a rule, workers recruited from outside the household work for wages, while household members do not. However, there are instances where household members, too, receive wages for their work.

[36] Excluding the managers/owners themselves.

Table 5.10
Main employment characteristics by location of enterprise

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
Work status					
Head of household	0.8	0.3	0.0	0.1	0.3
Other household member	7.4	5.2	14.1	29.8	25.8
Worker recruited elsewhere	91.9	94.5	85.9	70.1	73.8
Engagement in enterprise					
Full time	92.6	93.1	83.3	80.4	72.7
Part time	6.4	6.0	13.5	12.8	14.7
Seasonal	0.4	0.9	0.6	1.3	10.6
Casual	0.6	0.1	2.5	5.5	2.0
Payment status					
Cash only	91.1	92.2	89.0	62.4	60.3
Cash and kind	1.0	4.2	1.8	10.0	13.7
Unpaid	7.9	3.7	9.2	27.6	26.0
Wage basis					
Time rate	36.8	59.7	39.2	27.2	28.7
Piece rate	61.7	28.6	48.4	61.4	57.3
Combined	1.5	11.0	11.8	11.4	13.3
Other	0.0	0.7	0.6	0.0	0.6
Days worked last month					
Mean	24.7	24.5	24.3	24.4	23.5
Median	25	26	26	25	25

Remark: Based on the total labour force, excluding owner/manager, engaged in the enterprise at the time of the survey. In cases where the total work force exceeded ten a random sample of ten was made.

Similarly, full time work is the rule in all types of enterprises and in all locations. In Hanoi and Ho Chi Minh City over 90 per cent of the workers are full time. In Haiphong this share is slightly lower (83 per cent), while in Ha Tay and Long An 80 and 73 per cent of the workers, respectively work on a full time basis. In the urban areas the proportion of full time workers is universally very high in all types of enterprises. Only in the co-operative enterprises does it fall to 81 per cent. In the rural areas, too, full time work is the rule, but there are also some part time workers, particularly in the household enterprises (21 per cent), but also in the private enterprises (10 per cent). Seasonal employment is insignificant everywhere except in Long An where it accounts for 11 per cent of the total employment. Casual labour is very rare. Only in Ha Tay does it account for slightly more than five per cent of the work force.

Table 5.11
Main employment characteristics in urban enterprises by ownership form

	Household	Private	Partnership	Co-operative	Limited
Work status					
Head of household	0.0	0.0	2.7	0.2	0.1
Other household member	24.7	8.3	4.5	3.3	1.5
From elsewhere	75.3	91.7	92.8	96.5	98.3
Engagement in enterprise					
Full time	85.4	89.9	91.0	81.3	94.5
Part time	12.4	9.2	8.7	15.7	3.9
Seasonal	0.9	0.5	0.0	0.7	1.5
Casual	1.3	0.4	0.3	2.2	0.1
Payment status					
Cash	76.2	93.3	94.3	97.2	95.3
Cash and kind	2.0	3.2	0.0	0.4	4.4
Unpaid	21.9	3.4	5.7	2.4	0.3
Wage basis					
Time rate	64.4	45.0	47.0	46.7	49.2
Piece rate	31.1	39.4	46.4	51.2	47.8
Combined	4.5	13.6	5.3	1.9	3.0
Other	0.0	2.0	1.3	0.2	0.0
Days worked last month					
Mean	25.0	24.4	23.4	23.8	24.9
Median	26	26	24	25	26

Remark: Based on the total labour force, excluding owner/manager, engaged in the enterprise at the time of the survey. In cases where the total work force exceeded ten a random sample of ten was made.

Compared to the situation in 1991, it would appear that full time, remunerated and non-household labour has become more important in all types of enterprises, both in urban and in rural areas. Part time employment has declined sharply, from 17.5 to 6.4 per cent in Hanoi, from 19.3 to 6.0 per cent in Ho Chi Minh City and from 24.1 to 12.8 per cent in Ha Tay. However, in Haiphong part time employment appears to have increased slightly from 9.1 to 13.5 per cent.[37] In the urban areas, the decline in part time work took place in all ownership forms.

Similarly, the recruitment of labour from outside the owner/manager household increased significantly between 1991 and 1997. The share of "other household members" in the work force of the urban enterprises fell sharply in Hanoi and Ho Chi Minh City from 17.1 to 7.4 per cent and from 18.7 to 5.2 per cent, respectively. The decline was most striking in the urban household enterprises, where it fell from 64.0 to 24.7 per cent. However, it fell in the private and partnership enterprise enterprises, too. Comparisons for the rural enterprises are more difficult to make because of methodological differences in the samples, but it would appear that

[37] For Long An it is difficult to make comparisons because of the large share of non-manufacturing enterprises in the sample in this province in 1991.

the same tendency to increasingly rely on workers from outside the household hold true also in the rural areas. Thus, in Ha Tay the share of "other household members" in the enterprise work force fell from 49.7 to 29.8 per cent.

Table 5.12
Main employment characteristics in rural enterprises by ownership form

	Household	Private	Other form
Work status			
Head of household	0.0	0.0	0.5
Other household member	47.5	18.9	8.7
From elsewhere	52.5	81.1	90.8
Engagement in enterprise			
Full time	72.8	81.1	86.4
Part time	21.1	9.6	1.9
Seasonal	1.9	9.1	6.8
Casual	4.2	0.3	4.9
Payment status			
Cash	44.4	71.5	69.4
In cash and kind	7.3	13.1	22.8
Unpaid	48.3	15.5	7.8
Wage basis			
Time rate	25.7	21.8	47.9
Piece rate	44.1	70.5	40.6
Combined	30.2	7.7	11.6
Other	0.0	0.0	0.0
Days worked last month			
Mean	22.5	25.1	25.7
Median	24	26	26

Remark: Based on the total labour force, excluding owner/manager, engaged in the enterprise at the time of the survey. In cases where the total work force exceeded ten a random sample of ten was made.

This development may be interpreted as welcome signs that the private manufacturing sector is maturing and becoming increasingly important not only as a source of self-employment, but also of wage employment. However, it should also be noted that with the increasing reliance on workers recruited from outside the household and on wage labour, the cost structure of the enterprises change and the vulnerability of the enterprise may increase. When faced with economic difficulties unpaid household members working in the enterprise will typically put in longer hours for less pay to ensure that the enterprise stays afloat. As the proportion of household members in the work force goes down, much of the traditional resilience and flexibility of the small enterprises may be lost.

Table 5.13
Social characteristics of labour force by location of enterprise.

	Hanoi	Haiphong	Ho Chi Minh City	Ha Tay	Long An
Sex:					
Male	64.9	64.6	68.8	55.7	83.0
Female	35.1	35.4	31.2	44.3	18.0
Age:					
- 19	3.9	4.3	4.8	16.5	8.3
20-29	49.0	53.0	37.1	41.7	43.5
30-39	28.3	30.6	29.6	21.6	31.8
40-49	12.9	9.5	17.8	13.2	12.6
50-	5.9	2.7	10.6	7.0	3.8
Mean age	31.0	29.9	34.0	29.7	30.2
Education (years):					
- 6	6.3	21.9	9.6	15.7	38.6
7 - 9	31.7	34.8	35.7	59.9	39.4
10 -	62.0	43.2	54.7	24.4	22.0
Mead	9.7	9.1	9.5	8.3	7.5
Prior work experience					
- production worker	65.6	52.7	32.8	48.9	24.5
- other non-farm	11.8	22.4	10.5	5.2	7.0
- agriculture	4.1	6.4	0.6	20.9	28.3

Remark: Based on the total labour force, excluding owner/manager, engaged in the enterprise at the time of the survey. In cases where the total work force exceeded ten a random sample of ten was made.

The average worker is male, around thirty years old and has nine years of education. In the urban areas the is little difference in the social characteristics between the three cities and in the different ownership types. Women account for slightly more than a third of the labour force in the urban enterprises. The share of females in the labour force is somewhat higher in the co-operative and household enterprises than in the private and partnership enterprises. The higher share of females in household enterprises may also partly explain the fact that a rather higher percentage of the female than of the male labour work as unpaid household members, 17. 5 as against 10.1 per cent. In the rural areas there is a distinct difference in the gender structure of the labour force between Ha Tay, where 44 per cent of the labour force is female, and Long An where only 18 per cent is female (Table 5.13). This difference appears to be largely due to difference in the branch structure. In Ha Tay there is much handicraft and garment manufacturing, which are traditional domains for women, while in Long An male preserves such as agro-processing and light engineering predominate.

Table 5.14
Social characteristics of the labour force in urban enterprises by ownership form

	Household	Private	Partner-ship	Co-operative	Limited
Sex:					
Male	64.9	68.1	68.9	61.7	67.2
Female	35.1	31.9	31.1	38.3	32.8
Age:					
- 19	11.0	2.2	4.8	1.3	2.5
20 - 29	52.3	53.6	46.4	27.7	52.7
30-39	22.7	28.3	29.0	35.5	30.2
40-49	9.7	12.3	12.6	23.1	9.9
50 -	4.1	3.6	7.2	12.3	4.7
Mean	28.9	30.5	31.6	36.5	30.6
Education (years)					
- 6	18.8	16.4	14.1	10.2	8.0
7 - 9	40.0	36.3	30.5	34.8	26.6
10 -	41.3	47.3	55.4	55.1	65.4
Mean	8.7	9.4	9.2	9.3	10.4
Prior work experience:					
production worker	37.3	48.4	50.0	55.5	55.6
other non-farm	10.1	17.1	14.7	14.6	22.5
agriculture	6.0	6.7	3.0	1.1	5.2

Remark: Based on the total labour force, excluding owner/manager, engaged in the enterprise at the time of the survey. In cases where the total work force exceeded ten a random sample of ten was made.

Generally speaking, females are underrepresented in the labour force of the surveyed enterprises, compared to in the industrial labour force as a whole. According to the 1996 labour force women made up about 44 per cent of the industrial labour force in Hanoi, Ho Chi Minh City and Haiphong.[38] Only in Ha Tay did the proportion of females in the sample exceed the official labour force survey estimate. Compared to the 1991 survey, it would appear that the gender structure of the labour force has changed little or not at all.

[38] *Thuc trang Lao Dong – Viec Lam o Viet Nam 1996 (Status of Labour – Employment in Vietnam 1996).* (Hanoi: Statistical Publishing House, 1997). Pp. 123-134.

Table 5.15
Social characteristics of the labour force in rural enterprises by ownership form

	Household	Private	Other forms
Sex:			
Male	70.9	67.7	68.9
Female	29.1	32.3	31.1
Age:			
- 19	15.3	11.7	6.3
20 - 29	41.8	44.8	43.7
30 - 39	25.7	25.6	27.7
40 - 49	9.6	13.9	16.5
50 -	7.6	4.0	5.8
Mean	29.9	29.5	31.6
Education (years):			
- 6	33.7	32.3	11.7
7 - 9	52.5	45.1	43.2
10 -	13.8	22.7	45.1
Mean	7.2	7.8	9.2
Prior work experience			
Production worker	28.4	41.3	38.3
Other non-farm	2.7	6.4	12.6
Agriculture	31.0	25.9	27.7

Remark: Based on the total labour force, excluding owner/manager, engaged in the enterprise at the time of the survey. In cases where the total work force exceeded ten a random sample of ten was made.

The vast majority of the workers are in the age bracket 20-39 years. Compared to the 1991 survey, the work force has become younger in Hanoi and Haiphong, but not in Ho Chi Minh City. However, the difference is too small to be statistically significant. A close comparison shows that an increase of the labour force aged 20-39 and a decrease of those below the age of 20 and above the age 40 in Hanoi and Haiphong. However, in Ho Chi Minh City no such trend is discernable. The decline in the proportion of workers under the age of 20 may be related to the general relative decline in the proportion of household members in the work force, as it appears to be rather uncommon to hire wage workers under the age of 20. Among the different ownership forms in the rural areas, the household enterprises tend to have the youngest work force. In this category, 63 per cent of the work force is below the age of thirty, of which 11 per cent is below the age of twenty. However, the private and limited liability firms, too, have an overwhelmingly young labour force. In these firms more than half of the workers are in their twenties. By contrast, the vast majority of the workers in the co-operatives are in their thirties or forties. The rather younger labour force in the private enterprises is probably linked to the fact that these enterprises tend to be more dynamic and expansive and, as a consequence, a larger share of the work force is recently hired.

In the rural areas, too, the labour force is predominantly young. In Ha Tay some 16.5 per cent of the workers are still in their teens and an additional 41.7 per cent are in their twenties. In Long An the workers tend to be somewhat older, yet in both provinces less than 20 per cent of the workers are over the age of forty.

The educational level of the labour force is quite high. In the urban areas it ranges from nine to ten years of formal education on average. In Hanoi and Ho Chi Minh City well over half of the work force has at least ten years of formal education and less than ten per cent have not completed six years of primary education. In Haiphong the educational level is considerably lower, which seems to be linked to the higher proportion of older workers in this city. The work force in the smaller household enterprises tend to have somewhat lower education than, particularly, in the larger limited liability firms. In the latter almost two thirds of the work force have ten years of education or more and a mere 8 per cent have no more than six years of school. From the point of view of formal education, the urban household enterprises obviously have a disadvantage vis-a-vis the other ownership forms.

The educational level of the work force is markedly lower in the rural areas than in the urban. In particular, workers with higher education, ten years or more, make up a much smaller share of the work force in the rural than in the urban firms. In Ha Tay bulk of the labour force has seven to nine years of formal education, while in Long An almost 40 per cent have not even completed seven years of school. In the rural areas there is a marked difference between the relatively lower educational level in the household and private enterprises and the rather much higher level of education in the other firms, that is in the co-operatives and partnerships.

Compared to the situation in 1991, it may be seen that the educational level in general has increased, no doubt reflecting a general increase in the educational level in society. In other words, young and better education workers have replaced older workers with less education. It is interesting to note that differences in educational level of the labour force in the northern and southern parts of the country, due to differences in the past in the educational system, which were quite pronounced in 1991, appear to have more or less disappeared in the urban areas in 1997. In Ho Chi Minh City the average level of education increased from 8.5 years in the 1991 survey to 9.5 years in the 1997 survey and the share of the work force with less than seven years of education fell in this city from 29.3 to 9.6 per cent. This is a remarkable change, which, among other things, imply that enterprises in the north have lost their educational edge over those in the south. In the rural areas the difference in education between the south and the north is still in evidence. Indeed, while the mean educational level of the work force in Ha Tay increased from 7.5 to 8.3 years between the 1991 and the 1997 survey, it actually declined in Long An from 8.8 to 7.5 years. [39]

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[39] However, comparisons for Long An should be made with caution as a very high proportion of the firms surveyed in 1991 were involved in services and not in manufacturing.

From the point of view of employment creation, it is important to note that the private manufacturing sector offers job openings not only for those with secondary education, but also for those who have finished primary school, but do not have secondary education. As educational requirements for state employment tend to be quite high, the latter is a group which traditionally have had poor access to wage employment and the employment opportunities offered by the private sector are therefore particularly welcome. Seen from an international perspective, the educational level of the work force, not least in the rural areas, is remarkably high. This should give rural industries in Vietnam a potential long term advantage over similar enterprises in other developing Asian countries.

A high proportion of the workers, particularly in the north, have prior experience as production workers or of other forms of non-farm work. In the two northern cities three out of five workers and in Ha Tay one out of two workers have such prior experience, while in Ho Chi Minh City and in the southern province of Long An less than half of the workers have prior work experience outside agriculture. The very high figures in the north are somewhat surprising, considering the rather young age of most workers and the low rate of labour turnover in the surveyed enterprises. The most likely explanation would seem to be that many workers have a past as workers in state enterprises. If this indeed is the case, then it would have important implications for employment policies. Not least in a situation where state enterprises are forced to shed labour as a consequence of structural reform and hardening budget constraints. It should be remembered that, as discussed in Chapter Two, many, if not most, enterprise managers and owners are recruited from the ranks of former state employees. As might be expected, the highest shares of workers with prior experience of non-farm work is found in the larger firms. However, even among the urban household enterprises the share is remarkably high.

Even in the rural enterprises, prior experience as production workers tends to be common than a background exclusively in agriculture. In Ha Tay only a fifth of the workers have an employment history in agriculture, while in Long An this figure is somewhat higher. Rural household enterprises have a higher share of workers with an agricultural past than other types of rural enterprises, but even within this category less than a third of the workers are recruited from agriculture.

Several conclusions may be drawn from this finding. On the positive side, it suggests that rural non-farm enterprises do not serve a safety valve for an over-populated agriculture. In other words, labour is not pushed into non-farm activity by an inability to make ends meet in agriculture. The high proportion of workers with past experience as production workers also imply that rural firms are not very disadvantaged vis-à-vis urban firms with regard to worker skills. On the negative side it should be noted that the evidently poor employment linkages between agriculture and rural industries imply a lack of dynamism and occupational flexibility in the rural labour market, which would be an important complement to a dynamic agricultural development.

Employment Practices and Wages

An examination of the wage structure by location and ownership form of the enterprise and gender and education of the worker yield more or less an expected pattern. Wages tend to be higher in the south than in the north and higher in urban than in rural areas and private and limited liability firms usually pay better wages than household enterprises and co-operatives. Similarly, men receive higher wages than women and those with higher education more than those with less education. The average wage per working day in Hanoi was 20,300 dong, 5,900 dong less than in Ho Chi Minh City, but 3,100 dong more than in Haiphong (Table 5.16). Assuming 25 working days per month, this would amount to 507,500 dong or USD 44 per month in Hanoi, 56 USD in Ho Chi Minh City and 37 USD in Haiphong.[40]

Among the urban enterprises the average wage ranged from 445 and 474 thousand dong (38 to 41 USD) per month in Haiphong and Hanoi to 640 thousand dong (55 USD) per month in Ho Chi Minh City. Both the wage floor and the wage ceiling are higher in Ho Chi Minh Cities than in the two northern cities. In Ho Chi Minh City 90 per cent of the workers earn more than 15,400 dong per day as against 75 per cent in Hanoi and no more than 50 per cent in Hai Phong. Similarly, only slightly more than 10 per cent of the workers in Haiphong and about 20 per cent of those in Hanoi earn more than 25,000 dong per day, as against half of the workers in Ho Chi Minh City.

[40] At an exchange rate of 11,600 dong per USD.

Table 5.16
Wage structure in urban enterprises, 1,000 Dong/day. Percentiles and mean.

	10	25	50	75	90	Mean
Location:						
Hanoi	12.1	15.4	19.2	23.1	30.0	20.3
Ho Chi Minh City	15.4	18.7	25.0	31.8	39.3	26.2
Haiphong	9.6	11.5	15.0	20.0	26.9	17.2
Ownership form:						
Household	11.5	15.0	18.8	25.0	32.4	20.3
Private	12.2	16.7	22.2	30.8	38.3	24.1
Partnership	11.5	15.4	20.0	26.4	30.4	21.0
Co-operative	9.6	12.5	16.7	23.3	30.7	18.9
Limited company	12.9	16.0	20.8	28.1	39.3	23.8
Sex:						
Male	11.5	15.4	20.8	27.3	37.0	22.8
Female	11.5	13.8	18.5	24.9	32.0	20.3
Education:						
Up to 6 years	10.0	13.8	20.0	26.4	31.7	20.7
10 years or more	12.5	15.4	20.0	26.9	37.0	22.9

By comparison, the wage differences between the various ownership forms of the urban enterprises are rather small (Table 5.17). In the private and limited liability companies the average wage is around 24,000 dong per day and the medium wage 20-21,000 dong. This can be compared with an average wage of 18,900 and a medium wage of 16,700 in the co-operatives. Wages in household and partnership enterprises are only slightly below those of the private firms. Except for the co-operative, the wage floor, if defined as the level above which 90 per cent of the workers are found, is about one USD per day, or 11,600 USD.

Male wages in the urban areas are on average 12 per cent higher than those paid to women. This wage difference is approximately the same for all percentiles, except the lowest ten per cent. Thus, the starting wage for 25 per cent best paid is about 15 per cent higher for men than for women, while the gap for the 25 per cent with the lowest wage is 11 per cent. Haiphong displays the largest gender difference in wages. In this city the average male wage is 20 per cent higher than the average female wage, while this discrepancy is only 15 per cent in Hanoi and 12 per cent in Ho Chi Minh City. In the urban private enterprises and co-operatives the wage difference between men and women appears to be negligible; a mere 5 and 3 per cent, respectively. In the urban household and partnership enterprises it is in the range of 14 to 16 per cent, while in the limited liability companies it is as much as 20 per cent.

The impact of education on the wage level in the urban areas is similarly small. Those with ten years of education earn on average only 2,700 dong or 11 per cent, more than those with no more than six years of formal education. It is only among the best paid, that education seems to pay off in terms of higher wages.

However, in reality the educational impact on wages is likely to be larger than the figures in Table 5.16 indicate, as the educational level in the south, where wages are generally higher, is lower than in the north.

Table 5.17
Wage structure in rural enterprises, 1,000 Dong/day. Percentiles and mean.

	10	25	50	75	90	Mean
Location:						
Ha Tay	9.0	10.0	13.5	19.2	25.0	15.4
Long An	14.9	17.9	20.0	25.0	30.0	22.4
Ownership form:						
Household	10.0	14.0	18.2	21.7	26.8	18.2
Private	10.0	13.5	19.2	23.0	27.6	19.7
Other forms	10.0	11.7	16.4	20.6	29.1	17.9
Sex:						
Male	11.5	15.0	20.0	23.3	27.7	20.1
Female	8.0	10.0	13.0	17.9	24.0	14.9
Education:						
Up to 6 years	9.5	12.9	19.2	20.4	26.7	17.8
10 years or more	11.4	14.6	19.2	2.3	34.5	20.6

The wage patterns in the rural areas reassemble those in the urban areas. Wages in Ha Tay are notably lower than in Long An; 15,400 versus 22,400 dong per day (Table 5.17). However, the wage differences between the different ownership forms in the rural areas are quite negligible. Household enterprises appear to pay approximately the same wages as the private enterprises, while both of these ownership forms pay better wages than those in the "other " category, that is primarily partnership and co-operatives. Gender difference in wages tend to be larger in the rural than in the urban areas. Thus, in Ha Tay the average male wage is 38 per cent higher than the average female wage.[41] The largest wage difference are found in the private enterprises, 44 per cent, while in the rural partnership and co-operatives it is 28 per cent.[42]

Lastly, it should be noted that there are no significant differences between in wage levels between the enterprises established since 1991 and those established earlier, either for the survey sample as a whole or in the individual locations. Thus, to the extent that the more recently established firms are larger and more modern, this is not reflected in higher wages. The only exception from this rule is Haiphong, where the newer enterprises pay somewhat higher wages than the older ones.

Table 5.18

[41] The small number of female wage workers in the sample in Long An makes it difficult to draw any conclusions for this province.
[42] The small number of female wage workers in the rural household enterprises in the sample makes it difficult to draw any conclusions for this ownership form.

Wage structures in urban enterprises in 1991 and 1997. Thousand dong at 1997 prices.

	1991 Mean	1991 V	1997 Mean	1997 V	% change 1991-97
Location:					
Hanoi	10.8	58.5	20.3	40.8	88.0
Ho Chi Minh City	23.6	161.5	26.2	37.6	10.6
Haiphong	13.0	85.3	17.2	54.3	32.2
Ownership form:					
Household	15.6	42.2	20.3	40.6	30.1
Private	18.2	71.9	24.1	41.5	32.6
Partnership	16.3	64.3	21.0	34.7	28.7
Co-operative	19.0	246.9	18.9	48.4	- 0.8
Sex:					
Female	13.8	81.0	20.3	44.3	46.7
Male	19.6	70.6	22.8	45.1	16.3
Education:					
Up to 6 years	20.5	114.1	20.7	43.8	0.7
Over ten years	16.5	53.2	22.9	45.4	38.8

V: Coefficient of variation.

Remark: Figures for 1991 were inflated by a factor of 2.108 to bring them up to 1997 years prices.

While the wage pattern described above is very much in line with already known wage differentials and reveal no surprises, the same can not be said about the changes which would seem to have occurred between 1991 and 1997. A comparison between the wage data from the 1991 survey and from the 1997 survey result in two main and important conclusions.

Firstly, by and large there has been a substantial increase in real wages. This is encouraging as it shows that a general increase in economic development and in the well-being of the private manufacturing sector has been translated into improved incomes for the workers in these enterprises. It also refutes any notion of an unlimited supply of labour, which would make the supply price of labour very elastic and ensure a steady supply of labour even at very low wage levels.

Secondly, there appears to have been a remarkable equalisation of wages between 1991 and 1997. This is perhaps the most important finding of all. In 1991 there were extremely large wage differences between the north and the south, between rural and urban areas as well as between men and women. By 1997 these differences had diminished greatly, with the notable exception of the rural - urban differences (Tables 5.18 and 5.19).

While in 1991 average wages in the two northern cities were about half of those in Ho Chi Minh City, by 1997 the wage gap had been reduced to 30 - 50 per cent. Similarly, while the average wage in Long An in 1991 was almost three times as high as in Ha Tay,[43] this gap had been reduced to 50 per cent in 1997. Wage differences across ownership forms were also considerably lower in 1997 than in 1991. By 1997 wages in urban household enterprises had more or less caught up with those paid in other types of urban enterprises. However, the most significant relative change in wages took place in the co-operatives. While real wages in household, private and partnership enterprises increased by about 30 per cent between 1991 and 1997, the remained constant in the co-operatives. As a consequence, co-operatives lost its position as a wage leader and actually ended up at the bottom of the scale (Table 5.18).

In rural areas, too, there was a pronounced equalisation of wages between household and private enterprises, as real wages in rural household enterprises increased by more than twice as much as in the private enterprises. The vast gap in wages between men and women in 1991 was also dramatically reduced, as female wages in rural areas almost doubled in real terms over the period while male wages increased by a mere 10 per cent.

However, the rural-urban wage gap would seem to have persisted almost unchanged over the period. In 1991 wages in Hanoi were on average 30 per cent higher than in the neighbouring rural province of Ha Son Binh. By 1997 the gap had actually widened somewhat to 32 per cent. However, this marginal relative change should be seen against the backdrop of very sharp increases in real wages in both areas. In Long An the average wage in 1991 was actually somewhat larger than in Ho Chi Minh City, while by 1997 it had actually decreased somewhat in real terms and was some 15 per cent lower than in Ho Chi Minh City.

Table 5.19
Wage structures in rural enterprises in 1991 and 1997. Thousand dong at 1997 prices.

	1991	1991	1997	1997	% change
	Mean	V	Mean	V	1991-97
Location:					
Ha Tay	8.3	56.6	15.4	43.0	85.5
Long An	23.5	126.5	22.4	65.5	- 4.7
Ownership form:					
Household	16.3	48.6	18.2	34.9	11.7
Private	18.6	46.3	19.7	76.9	5.9
Sex:					
Male	18.2	37.3	20.1	61.7	10.4
Female	7.6	60.0	14.9	58.1	96.1
Education:					
Up to 6 years	11.6	60.2	17.8	37.8	80.5
Ten years or more	17.5	70.8	20.6	70.8	17.7

V: Coefficient of variation
Remark: Figures for 1991 were inflated by 2.108 to bring the up to 1997 years prices. 1991 figures on incomes by sex and education refer to the provinces of Ha Son Binh and Long An only.

[43] Then Ha Son Binh

Wage differences have decreased not only between different locations, ownership forms and genderwise, but also within each sub-category. As shown in tables 5.18 and 5.19, the co-efficient of variation decreased, often dramatically, between 1991 and 1997 for all sub-categories of enterprises and labour. Thus, there is persuasive evidence of a general equalisation of wages within the non-state manufacturing sector. The survey data does not permit any detailed analysis of the causes behind this remarkable development. However, it may tentatively be concluded that two main factors are likely to be a generally more dynamic economic development in the North, particularly in and around Hanoi, than in the south and a much improved functioning of the labour market. At the same time, it seems reasonable to conclude that a rather unimpressive development of real incomes in agriculture is a main reason why the rural - urban wage gap remains unchanged.

In absolute terms there were also some remarkable development in wages. The most important of these were probably the very large increase in real wages, 86 - 88 per cent, in Hanoi and in neighbouring Ha Tay. This increase stand in sharp contrast to a mere 10.6 per cent increase in Ho Chi Minh City, a slight decrease in Long An and a 32 per cent increase in Haiphong. The other extraordinary increase is that of female wages, which in real terms increased by 47 per cent in the urban areas and by a staggering 96 per cent in the rural areas.[44]

Table 5.20
Main basis for determining wage rates by location of enterprise. Percentages.

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
Wage rates in other firms	21.6	35.0	18.4	23.4	23.5
Wage rates in local state enterprises	3.6	7.7	1.1	4.3	2.9
Wages set by authorities	0.0	0.9	1.1	0.0	0.0
Earnings in agriculture	0.0	0.0	0.0	0.0	1.5
Wage rates in agriculture	0.0	0.0	0.0	0.0	7.4
Individual negotiations	31.5	24.8	27.6	14.9	54.4
Paying capacity of enterprise	42.3	29.9	51.7	55.3	10.3
Other basis	0.9	1.7	0.0	2.1	0.0

[44] However, it should be noted that the figures for the rural areas are based on a rather limited sample.

Table 5.21
Main basis for determining wage rates in urban enterprises by ownership form. Percentages.

	Household	Private	Partnership	Co-operative	Limited company
Wage rates in other firms	14.3	34.4	15.0	28.1	33.8
Wage rates in local state enterprises	3.9	4.7	0.0	8.8	3.9
Wages set by local authorities	0.0	0.0	2.5	0.0	1.3
Earnings in agriculture	0.0	0.0	0.0	0.0	0.0
Wages in agriculture	0.0	0.0	0.0	0.0	
Individual negotiations	40.3	18.8	45.0	15.8	23.4
Paying capacity of the enterprise	41.6	42.2	37.5	45.6	35.1
Other basis	0.0	0.0	0.0	1.8	2.6

The most common basis for establishing wages, according to the enterprise managers/owners themselves, is the paying capacity of the enterprise. Some 42 per cent of the enterprises in Hanoi, 30 per cent of those in Ho Chi Minh City and well over half of those in Haiphong and Ha Tay state that this is the most important basis for setting the wages (Table 5.20). Only in Long An does this factor seem to carry rather little weight. There does not seem to be any large differences between the various ownership forms in this regard (Table 5.21).

This statement is born out by a simple correlation between wage rates on the one hand and other enterprise characteristics on the other hand. Thus, there is a significant positive correlation between the value added per worker and the wage rate at the enterprise level.[45] There is also a somewhat weaker, but still significant correlation between profits and wage rates.[46] When broken down on locations, these correlations become somewhat stronger, particularly in the rural areas. Thus, the correlation between labour productivity, measured as value added per worker, and the wage rate is 0.82 in Ha Tay and 0.4 in Long An, while it is only 0.30 in Hanoi.[47] In Ho Chi Minh City and Haiphong there does not seem to be any significant correlation at all between labour productivity and wage rates. Compared to the situation in 1991, the link at the enterprise level between labour productivity and remuneration appears to have weakened considerably in the urban areas, but not in the rural areas. A possible explanation behind the weakening of this link in the urban areas is the establishment of a more efficient labour market in the main cities. As a consequence, the individual enterprises have become wage takers, instead of being wage setters. In other words, they can no longer set the wage rates themselves, but have to accept the going market

[45] The correlation coefficient is 0.21 and significant at the 1 per cent level.
[46] The correlation coefficient is 0.12 and significant at the 3 per cent level.
[47] All three correlations are significant at the 1 per cent level.

rate. This could also be a factor behind the pronounced equalisation of wages between enterprises, discussed above.

Table 5.22
Main basis for determining wage rates in rural enterprises by ownership form. Percentages.

	Household	Private	Other forms
Wage rates in other firms	22.9	17.8	36.4
Wage rates in local state firms	0.0	4.4	9.1
Earnings in agriculture	2.1	0.0	0.0
Agricultural wages	2.1	6.7	4.5
Individual negotiations	43.8	35.6	31.8
Paying capacity of enterprise	29.2	33.3	18.2
Other basis	0.0	2.2	0.0

Table 5.23
Correlation between labour productivity and average wage at the enterprise level in 1991 and 1997.

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
1991	0.710**	0.812**	0.734**	...	...
1997	0.299**	...	...	0.818**	0.434**

** Significant at the 1 per cent level.
... No significant correlation even at the 5 per cent level.

As can be seen from Table 5.23, the linkage between labour productivity and wage rates would appear to have been strengthened in the rural areas, in sharp contrast to the situation in the urban areas. There is obvious reason behind this development in the rural areas, but the figures should be interpreted with some caution as there was little wage employment in the rural enterprises in 1991.

The increasing dependence of the individual urban enterprises on the going wage is also born out by the statements of the enterprise managers/owners themselves. Thus, in Ho Chi Minh city, which arguably has the most developed labour market, more than a third of the enterprise managers/owners state that wage rates in other firms provide the main basis for setting the wage rates. In Hanoi and Haiphong the proportion of enterprises stating this as the main basis for wage determination is lower, but far from insignificant. It deserves to be noted, that it is the wage level in other non-state enterprises rather than in state enterprises which set the benchmarks against which the wages are set.

The figures in Tables 5.22 are as interesting for what they do not show as for what they show. Firstly, it should be noted that authorities no longer play any role in determining wage rates. Indeed, this was by and large the case also in 1991. Secondly, it is remarkable that even in the rural areas, incomes in agriculture do not seem to have any major influence on the wage rates in the enterprises. This tendency was noted already in 1991, but has become more pronounced by 1997 This confirms the conclusion drawn above that the labour flows between agriculture and rural small-scale manufacturing are quite small and that there is a division between the agricultural and the non-agricultural labour markets in the rural areas. Only in Long An, does a minority of the enterprises (9 per cent) state that earnings or wage rates in agriculture provide the main basis for determining the wages in the rural enterprises.

Table 5.24
Enterprises granting social benefits by location. Percentages.

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
Paid sick leave	11.6	80.3	11.4	21.3	17.4
Paid maternity leave	8.9	24.8	6.8	6.4	0.0
Unpaid maternity leave	63.4	6.0	9.1	8.5	4.3
Paid annual leave	14.3	48.7	6.8	4.3	5.8

Table 2.25
Urban enterprises granting social benefits by ownership form. Percentages.

	Household	Private	Partnership	Co-operative	Limited companies
Paid sick leave	16.7	45.3	25.0	35.1	57.7
Paid maternity leave	2.6	10.9	2.5	22.8	28.2
Unpaid maternity leave	12.8	14.1	30.0	38.6	42.3
Paid annual leave	2.6	26.6	10.0	36.8	44.9

Table 5.26
Rural enterprises granting social benefits by ownership form. Percentages.

	Household	Private	Other forms
Paid sick leave	12.5	19.6	31.8
Paid maternity leave	0.0	0.0	13.6
Unpaid maternity leave	0.0	8.7	13.6
Paid annual leave	0.0	4.3	18.2

In contrast to the state sector, where social benefits such as paid sick leave, maternity leave and annual leave are taken more or less for granted, the provision of such benefits is largely optional for the non-state enterprises. Still many enterprises provide basic social benefits to their workers. However, there are large differences both between locations and across ownership types of the benefits offered. Thus, four out of five firms in Ho Chi Minh, but only between one in ten and one in five enterprises elsewhere, grant their workers paid sick leave. Similarly, almost half of the firms in Ho Chi Minh City offer their employees paid annual leave, in contrast to the situation in the other locations, where few workers enjoy this benefit. Paid maternity leave is also more common in Ho Chi Minh City than elsewhere. Unpaid maternity leave is the rule in Hanoi, while female workers in most enterprises in Haiphong, Ha Tay and Long An have to make do without any leave at all.

As might be expected, social benefits are more commonly given by larger private, co-operative and limited liability firms than by the smaller household enterprises. Compared to the situation in 1991, the share of urban household and private enterprises offering their workers social benefits has increased substantially, while social benefits in the co-operative sector has actually deteriorated. There is a large discrepancy between urban and rural areas in terms of social benefits. Generally speaking, social benefits are the exception rather than the rule in the rural enterprises (Table 5.26). Only a rather small proportion of the household and private firms grant their workers paid sick leave, while maternity leave and paid annual leave is unheard of in the rural household enterprises and very rare in the rural private firms. However, among the rural co-operative and partnership enterprises, there is a minority of firms granting these benefits.

Table 5.27
Enterprises resorting to wage postponement/reduction in 1996 by location. Percentages

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
Wage postponement	3.6	1.7	5.7	38.3	1.4
Wage reduction	0.0	0.9	0.0	2.1	0.0
Both postponement and reduction	0.0	0.0	4.5	0.0	0.0

Table 5.28
Urban enterprises resorting to wage postponement/reduction in 1996 by ownership forms. Percentages.

	Household	Private	Partner-ship	Co-operative	Limited company
Wage postponement	2.6	4.7	2.5	7.0	1.3
Wage reduction	0.0	0.0	0.0	1.8	0.0
Both postponement and reduction	3.8	0.0	0.0	1.8	0.0

Table 5.29
Rural enterprises resorting to wage postponement/reduction in 1996 by ownership forms. Percentages.

	Household	Private	Other forms
Wage postponement	8.3	13.0	40.9
Wage reductions	2.1	0.0	0.0
Both postponement and reduction	0.0	0.0	0.0

Except for Ha Tay, it is rather uncommon for enterprises to resort to wage reductions or wage postponements. Less than five per cent of the enterprises with wage labour in Hanoi, Ho Chi Minh City and in Long An resorted to such drastic measures in 1997. In Haiphong some 5.7 per cent of the enterprises postponed payment of wages and an additional 4.5 per cent both reduced wages and postponed their payment. In Ha Tay, no less than 38.3 per cent of the enterprises postponed wage payments in 1997, but only 2.1 per cent resorted to wage reductions (Table 5.27).

Generally speaking, these measures are most common among the co-operatives, in the urban areas, and among the co-operatives and partnerships in the rural areas (Tables 5.28 - 5.29). More than ten per cent of the urban co-operatives and 41 per cent of the enterprises in the category “other” in the rural areas postponed wage payments in 1998. Some ten per cent of the rural and 6.4 per cent of the urban household enterprises also resorted to wage postponement or reduction or both in 1997. Among the other types of enterprises such measures were much more infrequent.

In fact this problem would seem to be rather smaller than the figures in Tables 5.27 - 5.29 suggest, as in a third of the cases the stated reason was ‘delayed payment as per contract’, suggesting that the postponed payment was not an extraordinary measure. Apart from these cases, the by far most common reason for postponing or reducing wages was liquidity problems due to the failure of the enterprise to collect payments owned by customers on time. Other, less frequently stated reasons were lack of demand and poor profitability. There were also a few cases in which the first month’s wage of a worker was withheld as a matter of course. Hence, it may be concluded that it is mainly in times of unforeseen liquidity crisis that enterprises as an extraordinary measure postpone the payment of wages.

Summary

By 1997 the private manufacturing sector in Vietnam had clearly become a source of wage employment rather than self employment. Wage workers engaged in the enterprise on a regular and, usually also full time, basis make up the core of the enterprises' work force in both urban and rural areas. The vast majority of the workers are recruited from outside the owner household. In the urban areas this is the case with over 90 per cent of the work force, except in the household enterprises, where the figure reaches 75 per cent. In the rural enterprises, too, the overwhelming majority of the labour originates from outside the household. The survey thus confirms the importance of the non-state manufacturing sector as a source of wage employment creation. A comparison with the results of the survey in 1991 show that full time, remunerated and non-household labour has become more important in all types of enterprises, both in urban and rural areas.

The average worker is male, between 20 and 40 years old and has nine years of formal education. Women make up approximately a third of the work force. The educational differences between the north and the south of the country noted in the 1991 survey had been reduced by 1997, the educational levels of the work force remains lower in the rural than in the urban areas. It should be noted that the private manufacturing sector provides employment opportunities also for those with primary, but not secondary education, a group which is largely excluded from state employment. In the north of the country at least half of the workers have prior experience as production workers, suggesting that many of them have a past as employees in state enterprises. Even in the rural enterprises, prior experience as production workers tend to be more common than a background exclusively in agriculture. By contrast, a background exclusively in agriculture is rather uncommon, also in the rural enterprises. On the positive side, this suggests that labour is not pushed into non-farm activities by an inability to make ends meet in agriculture. On the negative side, it should be noted that the evidently poor employment linkages between agriculture and rural industries imply a lack of dynamism and occupational flexibility in the rural labour market.

An examination of the wage structure yield a more or less expected pattern. Wages tend to be higher in the south than in the north and higher in urban than in rural areas. The wage differences between the various ownership forms of enterprises are rather small. In the urban areas, male wages are on average 12 per cent higher than those paid to women, while in the rural areas the wage gap is considerably larger. A comparison of the wage data from the 1991 survey and from the 1997 survey result in two important conclusions. Firstly, there has been a substantial increase in real wages. Secondly, there has been a remarkable equalisation of wages. In 1991 there were very large wage differences between the north and the south, between rural and urban as well as between men and women. By 1997 these differences had diminished greatly, except for the rural - urban differences. Wage differences have decreased not only between different locations, ownership forms and genderwise, but also within each sub-category. Thus, there is strong evidence of a general equalisation of wages within the non-state manufacturing sector. Compared to the situation in 1991, the proportion of enterprises granting social benefits to their workers has increased substantially. However, the picture is not uniform. Social benefits are more frequently granted by enterprises in Ho Chi Minh City than by those in the two northern cities and they remain primarily an urban phenomenon. In the rural areas, social benefits are the exception rather than the rule.

The vast majority of the workers are recruited through personal contacts or on the basis of recommendations by friends and relatives. The role of labour exchanges or other formal means of labour intermediation remain insignificant. Still, few enterprises complain of difficulties in finding skilled labour. Labour mobility appears on the whole to be rather low. However, the enterprises in Ho Chi Minh City and the private enterprises in general provide an exception to this rule as they register much higher rates of labour turnover. Job security, too, appears to be reasonably good. Few enterprises stated that any workers had been fired during the previous year.

The wage patterns in the rural areas reassemble those in the urban areas. Wages in Ha Tay are notably lower than in Long An; 15,400 versus 22,400 dong per day (Table 5.17). However, the wage differences between the different ownership forms in the rural areas are quite negligible. Household enterprises appear to pay approximately the same wages as the private enterprises, while both of these ownership forms pay better wages than those in the "other " category, that is primarily partnership and co-operatives. Gender difference in wages tend to be larger in the rural than in the urban areas. Thus, in Ha Tay the average male wage is 38 per cent higher than the average female wage.[48] The largest wage difference are found in the private enterprises, 44 per cent, while in the rural partnership and co-operatives it is 28 per cent.[49]

Lastly, it should be noted that there are no significant differences between in wage levels between the enterprises established since 1991 and those established earlier, either for the survey sample as a whole or in the individual locations. Thus, to the extent that the more recently established firms are larger and more modern, this is not reflected in higher wages. The only exception from this rule is Haiphong, where the newer enterprises pay somewhat higher wages than the older ones.

Table 5.18
Wage structures in urban enterprises in 1991 and 1997. Thousand dong at 1997 prices.

	1991	1991	1997	1997	% change
	Mean	V	Mean	V	1991-97
Location:					
Hanoi	10.8	58.5	20.3	40.8	88.0
Ho Chi Minh City	23.6	161.5	26.2	37.6	10.6

[48] The small number of female wage workers in the sample in Long An makes it difficult to draw any conclusions for this province.
[49] The small number of female wage workers in the rural household enterprises in the sample makes it difficult to draw any conclusions for this ownership form.

Haiphong	13.0	85.3	17.2	54.3	32.2
Ownership form:					
Household	15.6	42.2	20.3	40.6	30.1
Private	18.2	71.9	24.1	41.5	32.6
Partnership	16.3	64.3	21.0	34.7	28.7
Co-operative	19.0	246.9	18.9	48.4	- 0.8
Sex:					
Female	13.8	81.0	20.3	44.3	46.7
Male	19.6	70.6	22.8	45.1	16.3
Education:					
Up to 6 years	20.5	114.1	20.7	43.8	0.7
Over ten years	16.5	53.2	22.9	45.4	38.8

V: Coefficient of variation.

Remark: Figures for 1991 were inflated by a factor of 2.108 to bring them up to 1997 years prices.

While the wage pattern described above is very much in line with already known wage differentials and reveal no surprises, the same can not be said about the changes which would seem to have occurred between 1991 and 1997. A comparison between the wage data from the 1991 survey and from the 1997 survey result in two main and important conclusions.

Firstly, by and large there has been a substantial increase in real wages. This is encouraging as it shows that a general increase in economic development and in the well-being of the private manufacturing sector has been translated into improved incomes for the workers in these enterprises. It also refutes any notion of an unlimited supply of labour, which would make the supply price of labour very elastic and ensure a steady supply of labour even at very low wage levels.

Secondly, there appears to have been a remarkable equalisation of wages between 1991 and 1997. This is perhaps the most important finding of all. In 1991 there were extremely large wage differences between the north and the south, between rural and urban areas as well as between men and women. By 1997 these differences had diminished greatly, with the notable exception of the rural - urban differences (Tables 5.18 and 5.19).

While in 1991 average wages in the two northern cities were about half of those in Ho Chi Minh City, by 1997 the wage gap had been reduced to 30 - 50 per cent. Similarly, while the average wage in Long An in 1991 was almost three times as high as in Ha Tay,[50] this gap had been reduced to 50 per cent in 1997. Wage differences across ownership forms were also considerably lower in 1997 than in 1991. By 1997 wages in urban household enterprises had more or less caught up with those paid in other types of urban enterprises. However, the most significant relative change in wages took place in the co-operatives. While real wages in household,

[50] Then Ha Son Binh

private and partnership enterprises increased by about 30 per cent between 1991 and 1997, the remained constant in the co-operatives. As a consequence, co-operatives lost its position as a wage leader and actually ended up at the bottom of the scale (Table 5.18).

In rural areas, too, there was a pronounced equalisation of wages between household and private enterprises, as real wages in rural household enterprises increased by more than twice as much as in the private enterprises. The vast gap in wages between men and women in 1991 was also dramatically reduced, as female wages in rural areas almost doubled in real terms over the period while male wages increased by a mere 10 per cent.

However, the rural-urban wage gap would seem to have persisted almost unchanged over the period. In 1991 wages in Hanoi were on average 30 per cent higher than in the neighbouring rural province of Ha Son Binh. By 1997 the gap had actually widened somewhat to 32 per cent. However, this marginal relative change should be seen against the backdrop of very sharp increases in real wages in both areas. In Long An the average wage in 1991 was actually somewhat larger than in Ho Chi Minh City, while by 1997 it had actually decreased somewhat in real terms and was some 15 per cent lower than in Ho Chi Minh City.

Table 5.19
Wage structures in rural enterprises in 1991 and 1997. Thousand dong at 1997 prices.

	1991	1991	1997	1997	% change
	Mean	V	Mean	V	1991-97
Location:					
Ha Tay	8.3	56.6	15.4	43.0	85.5
Long An	23.5	126.5	22.4	65.5	- 4.7
Ownership form:					
Household	16.3	48.6	18.2	34.9	11.7
Private	18.6	46.3	19.7	76.9	5.9
Sex:					
Male	18.2	37.3	20.1	61.7	10.4
Female	7.6	60.0	14.9	58.1	96.1
Education:					
Up to 6 years	11.6	60.2	17.8	37.8	80.5
Ten years or more	17.5	70.8	20.6	70.8	17.7

V: Coefficient of variation
Remark: Figures for 1991 were inflated by 2.108 to bring the up to 1997 years prices. 1991 figures on incomes by sex and education refer to the provinces of Ha Son Binh and Long An only.

Wage differences have decreased not only between different locations, ownership forms and genderwise, but also within each sub-category. As shown in tables 5.18 and 5.19, the co-efficient of variation decreased, often dramatically, between 1991 and 1997 for all sub-categories of enterprises and labour. Thus, there is persuasive evidence of a general equalisation of wages within the non-state manufacturing sector. The survey data does not permit any detailed analysis of the causes behind this remarkable development. However, it may tentatively be concluded that two main factors are likely to be a generally more dynamic economic development in the North, particularly in and around Hanoi, than in the south and a much improved functioning of the labour market. At the same time, it seems reasonable to conclude that a rather unimpressive development of real incomes in agriculture is a main reason why the rural - urban wage gap remains unchanged.

In absolute terms there were also some remarkable development in wages. The most important of these were probably the very large increase in real wages, 86 - 88 per cent, in Hanoi and in neighbouring Ha Tay. This increase stand in sharp contrast to a mere 10.6 per cent increase in Ho Chi Minh City, a slight decrease in Long An and a 32 per cent increase in Haiphong. The other extraordinary increase is that of female wages, which in real terms increased by 47 per cent in the urban areas and by a staggering 96 per cent in the rural areas.[51]

Table 5.20
Main basis for determining wage rates by location of enterprise. Percentages.

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
Wage rates in other firms	21.6	35.0	18.4	23.4	23.5
Wage rates in local state enterprises	3.6	7.7	1.1	4.3	2.9
Wages set by authorities	0.0	0.9	1.1	0.0	0.0
Earnings in agriculture	0.0	0.0	0.0	0.0	1.5
Wage rates in agriculture	0.0	0.0	0.0	0.0	7.4
Individual negotiations	31.5	24.8	27.6	14.9	54.4
Paying capacity of enterprise	42.3	29.9	51.7	55.3	10.3
Other basis	0.9	1.7	0.0	2.1	0.0

Table 5.21
Main basis for determining wage rates in urban enterprises by ownership form. Percentages.

	House-hold	Private	Partner-ship	Co-operative	Limited company
Wage rates in other firms	14.3	34.4	15.0	28.1	33.8

[51] However, it should be noted that the figures for the rural areas are based on a rather limited sample.

Wage rates in local state enterprises	3.9	4.7	0.0	8.8	3.9
Wages set by local authorities	0.0	0.0	2.5	0.0	1.3
Earnings in agriculture	0.0	0.0	0.0	0.0	0.0
Wages in agriculture	0.0	0.0	0.0	0.0	
Individual negotiations	40.3	18.8	45.0	15.8	23.4
Paying capacity of the enterprise	41.6	42.2	37.5	45.6	35.1
Other basis	0.0	0.0	0.0	1.8	2.6

The most common basis for establishing wages, according to the enterprise managers/owners themselves, is the paying capacity of the enterprise. Some 42 per cent of the enterprises in Hanoi, 30 per cent of those in Ho Chi Minh City and well over half of those in Haiphong and Ha Tay state that this is the most important basis for setting the wages (Table 5.20). Only in Long An does this factor seem to carry rather little weight. There does not seem to be any large differences between the various ownership forms in this regard (Table 5.21).

This statement is born out by a simple correlation between wage rates on the one hand and other enterprise characteristics on the other hand. Thus, there is a significant positive correlation between the value added per worker and the wage rate at the enterprise level.[52] There is also a somewhat weaker, but still significant correlation between profits and wage rates.[53] When broken down on locations, these correlations become somewhat stronger, particularly in the rural areas. Thus, the correlation between labour productivity, measured as value added per worker, and the wage rate is 0.82 in Ha Tay and 0.4 in Long An, while it is only 0.30 in Hanoi.[54] In Ho Chi Minh City and Haiphong there does not seem to be any significant correlation at all between labour productivity and wage rates. Compared to the situation in 1991, the link at the enterprise level between labour productivity and remuneration appears to have weakened considerably in the urban areas, but not in the rural areas. A possible explanation behind the weakening of this link in the urban areas is the establishment of a more efficient labour market in the main cities. As a consequence, the individual enterprises have become wage takers, instead of being wage setters. In other words, they can no longer set the wage rates themselves, but have to accept the going market rate. This could also be a factor behind the pronounced equalisation of wages between enterprises, discussed above.

Table 5.22
Main basis for determining wage rates in rural enterprises by ownership form. Percentages.

	Household	Private	Other forms

[52] The correlation coefficient is 0.21 and significant at the 1 per cent level.
[53] The correlation coefficient is 0.12 and significant at the 3 per cent level.
[54] All three correlations are significant at the 1 per cent level.

Wage rates in other firms	22.9	17.8	36.4
Wage rates in local state firms	0.0	4.4	9.1
Earnings in agriculture	2.1	0.0	0.0
Agricultural wages	2.1	6.7	4.5
Individual negotiations	43.8	35.6	31.8
Paying capacity of enterprise	29.2	33.3	18.2
Other basis	0.0	2.2	0.0

Table 5.23
Correlation between labour productivity and average wage at the enterprise level in 1991 and 1997.

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
1991	0.710**	0.812**	0.734**	...	...
1997	0.299**	...	...	0.818**	0.434**

** Significant at the 1 per cent level.
... No significant correlation even at the 5 per cent level.

As can be seen from Table 5.23, the linkage between labour productivity and wage rates would appear to have been strengthened in the rural areas, in sharp contrast to the situation in the urban areas. There is obvious reason behind this development in the rural areas, but the figures should be interpreted with some caution as there was little wage employment in the rural enterprises in 1991.

The increasing dependence of the individual urban enterprises on the going wage is also born out by the statements of the enterprise managers/owners themselves. Thus, in Ho Chi Minh city, which arguably has the most developed labour market, more than a third of the enterprise managers/owners state that wage rates in other firms provide the main basis for setting the wage rates. In Hanoi and Haiphong the proportion of enterprises stating this as the main basis for wage determination is lower, but far from insignificant. It deserves to be noted, that it is the wage level in other non-state enterprises rather than in state enterprises which set the benchmarks against which the wages are set.

The figures in Tables 5.22 are as interesting for what they do not show as for what they show. Firstly, it should be noted that authorities no longer play any role in determining wage rates. Indeed, this was by and large the case also in 1991. Secondly, it is remarkable that even in the rural areas, incomes in agriculture do not seem to have any major influence on the wage rates in the enterprises. This tendency was noted already in 1991, but has become more pronounced by 1997 This confirms the conclusion drawn above that the labour flows between agriculture and rural small-scale manufacturing are quite small and that there is a division between the agricultural and the non-agricultural labour markets in the rural areas. Only in Long

An, does a minority of the enterprises (9 per cent) state that earnings or wage rates in agriculture provide the main basis for determining the wages in the rural enterprises.

Table 5.24
Enterprises granting social benefits by location. Percentages.

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
Paid sick leave	11.6	80.3	11.4	21.3	17.4
Paid maternity leave	8.9	24.8	6.8	6.4	0.0
Unpaid maternity leave	63.4	6.0	9.1	8.5	4.3
Paid annual leave	14.3	48.7	6.8	4.3	5.8

Table 2.25
Urban enterprises granting social benefits by ownership form. Percentages.

	Household	Private	Partnership	Co-operative	Limited companies
Paid sick leave	16.7	45.3	25.0	35.1	57.7
Paid maternity leave	2.6	10.9	2.5	22.8	28.2
Unpaid maternity leave	12.8	14.1	30.0	38.6	42.3
Paid annual leave	2.6	26.6	10.0	36.8	44.9

Table 5.26
Rural enterprises granting social benefits by ownership form. Percentages.

	Household	Private	Other forms
Paid sick leave	12.5	19.6	31.8
Paid maternity leave	0.0	0.0	13.6
Unpaid maternity leave	0.0	8.7	13.6
Paid annual leave	0.0	4.3	18.2

In contrast to the state sector, where social benefits such as paid sick leave, maternity leave and annual leave are taken more or less for granted, the provision of such benefits is largely optional for the non-state enterprises. Still many enterprises provide basic social benefits to their workers. However, there are large differences both between locations and across ownership types of the benefits offered. Thus, four out of five firms in Ho Chi Minh, but only between one in ten and one in five enterprises elsewhere, grant their workers paid sick leave. Similarly, almost half of the firms in Ho Chi Minh City offer their employees paid annual leave, in contrast to the situation in the other locations, where few workers enjoy this benefit. Paid maternity leave is also more common in Ho Chi Minh City than elsewhere. Unpaid maternity leave is the rule in Hanoi, while female workers in most enterprises in Haiphong, Ha Tay and Long An have to make do without any leave at all.

As might be expected, social benefits are more commonly given by larger private, co-operative and limited liability firms than by the smaller household enterprises. Compared to the situation in 1991, the share of urban household and private enterprises offering their workers social benefits has increased substantially, while social benefits in the co-operative sector has actually deteriorated. There is a large discrepancy between urban and rural areas in terms of social benefits. Generally speaking, social benefits are the exception rather than the rule in the rural enterprises (Table 5.26). Only a rather small proportion of the household and private firms grant their workers paid sick leave, while maternity leave and paid annual leave is unheard of in the rural household enterprises and very rare in the rural private firms. However, among the rural co-operative and partnership enterprises, there is a minority of firms granting these benefits.

Table 5.27
Enterprises resorting to wage postponement/reduction in 1996 by location. Percentages

	Hanoi	Ho Chi Minh City	Haiphong	Ha Tay	Long An
Wage postponement	3.6	1.7	5.7	38.3	1.4
Wage reduction	0.0	0.9	0.0	2.1	0.0

Both postponement and reduction	0.0	0.0	4.5	0.0	0.0

Table 5.28
Urban enterprises resorting to wage postponement/reduction in 1996 by ownership forms. Percentages.

	Household	Private	Partner-ship	Co-operative	Limited company
Wage postponement	2.6	4.7	2.5	7.0	1.3
Wage reduction	0.0	0.0	0.0	1.8	0.0
Both postponement and reduction	3.8	0.0	0.0	1.8	0.0

Table 5.29
Rural enterprises resorting to wage postponement/reduction in 1996 by ownership forms. Percentages.

	Household	Private	Other forms
Wage postponement	8.3	13.0	40.9
Wage reductions	2.1	0.0	0.0
Both postponement and reduction	0.0	0.0	0.0

Except for Ha Tay, it is rather uncommon for enterprises to resort to wage reductions or wage postponements. Less than five per cent of the enterprises with wage labour in Hanoi, Ho Chi Minh City and in Long An resorted to such drastic measures in 1997. In Haiphong some 5.7 per cent of the enterprises postponed payment of wages and an additional 4.5 per cent both reduced wages and postponed their payment. In Ha Tay, no less than 38.3 per cent of the enterprises postponed wage payments in 1997, but only 2.1 per cent resorted to wage reductions (Table 5.27).

Generally speaking, these measures are most common among the co-operatives, in the urban areas, and among the co-operatives and partnerships in the rural areas (Tables 5.28 - 5.29). More than ten per cent of the urban co-operatives and 41 per cent of the enterprises in the category "other" in the rural areas postponed wage payments in 1998. Some ten per cent of the rural and 6.4 per cent of the urban household enterprises also resorted to wage postponement or reduction or both in 1997. Among the other types of enterprises such measures were much more infrequent.

In fact this problem would seem to be rather smaller than the figures in Tables 5.27 - 5.29 suggest, as in a third of the cases the stated reason was 'delayed payment as per contract', suggesting that the postponed payment was not an extraordinary measure. Apart from these cases, the by far most common reason for postponing or reducing wages was liquidity problems due to the failure of the enterprise to collect payments owned by customers on time. Other, less frequently stated reasons were lack of demand and poor profitability. There were also a few cases in which the first month's wage of a worker was withheld as a matter of course. Hence, it may be concluded that it is mainly in times of unforeseen liquidity crisis that enterprises as an extraordinary measure postpone the payment of wages.

Summary

By 1997 the private manufacturing sector in Vietnam had clearly become a source of wage employment rather than self employment. Wage workers engaged in the enterprise on a regular and, usually also full time, basis make up the core of the enterprises' work force in both urban and rural areas. The vast majority of the workers are recruited from outside the owner household. In the urban areas this is the case with over 90 per cent of the work force, except in the household enterprises, where the figure reaches 75 per cent. In the rural enterprises, too, the overwhelming majority of the labour originates from outside the household. The survey thus confirms the importance of the non-state manufacturing sector as a source of wage employment creation. A comparison with the results of the survey in 1991 show that full time, remunerated and non-household labour has become more important in all types of enterprises, both in urban and rural areas.

The average worker is male, between 20 and 40 years old and has nine years of formal education. Women make up approximately a third of the work force. The educational differences between the north and the south of the country noted in the 1991 survey had been reduced by 1997, the educational levels of the work force remains lower in the rural than in the urban areas. It should be noted that the private manufacturing sector provides employment opportunities also for those with primary, but not secondary education, a group which is largely excluded from state employment. In the north of the country at least half of the workers have prior experience as production workers, suggesting that many of them have a past as employees in state enterprises. Even in the rural enterprises, prior experience as production workers tend to be more common than a background exclusively in agriculture. By contrast, a background exclusively in agriculture is rather uncommon, also in the rural enterprises. On the positive side, this suggests that labour is not pushed into non-farm activities by an inability to make ends meet in agriculture. On the negative side, it should be noted that the evidently poor employment linkages between agriculture and rural industries imply a lack of dynamism and occupational flexibility in the rural labour market.

An examination of the wage structure yield a more or less expected pattern. Wages tend to be higher in the south than in the north and higher in urban than in rural areas. The wage differences between the various ownership forms of enterprises are rather small. In the urban areas, male wages are on average 12 per cent higher than those paid to women, while in the rural areas the wage gap is considerably larger. A comparison of the wage data from the 1991 survey and from the 1997 survey result in two important conclusions. Firstly, there has been a substantial increase in real wages. Secondly, there has been a remarkable equalisation of wages. In 1991 there were very large wage differences between the north and the south, between rural and urban as well as between men and women. By 1997 these differences had diminished greatly, except for the rural - urban differences. Wage differences have decreased not only between different locations, ownership forms and genderwise, but also within each sub-category. Thus, there is strong evidence of a general equalisation of wages within the non-state manufacturing sector. Compared to the situation in 1991, the proportion of enterprises granting social benefits to their workers has increased substantially. However, the picture is not uniform. Social benefits are more frequently granted by enterprises in Ho Chi Minh City than by those in the two northern cities and they remain primarily an urban phenomenon. In the rural areas, social benefits are the exception rather than the rule.

The vast majority of the workers are recruited through personal contacts or on the basis of recommendations by friends and relatives. The role of labour exchanges or other formal means of labour intermediation remain insignificant. Still, few enterprises complain of difficulties in finding skilled labour. Labour mobility appears on the whole to be rather low. However, the enterprises in Ho Chi Minh City and the private enterprises in general provide an exception to this rule as they register much higher rates of labour turnover. Job security, too, appears to be reasonably good. Few enterprises stated that any workers had been fired during the previous year.