



The informal sector: a subsistence economy

Session: Creativity and Integration of the Informal Sector

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Paris. 28th June 2011



Introduction

IRD (DIAL)-GSO research programme in Vietnam (2006-2011)

Measurement of the scope of the informal sector and analysis of its characteristics

- Support for the design of LFS 2007 & 2009 questionnaire
- Implementation of a specific survey on Informal sector in HN and HCMC (2 rounds: Dec 2007 - Jan 2008 & October 2009)

Definition of the informal sector (ILO):

All private unincorporated enterprises (informal household businesses) that produce at least some of their goods and services for sale or barter, are not registered (no business licence) and are engaged in non-agricultural activities.



Main results

The Informal sector:

1. Predominant weight in Vietnam (as in other developing countries)

2. Characteristics

3. Different determinants: « why do people work in the informal sector? »

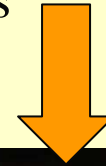
- « dualist » school
- « structuralist » school
- « legalist » school

The informal sector: first employer in Vietnam (after agriculture), 2007

Sector	Nb jobs (1000)	Structure (%)	Average income/ month (1,000 VND)	Social security (%)
Gov. & Public Ent.	4 950	10.7	1,717	87.4
Foreign Enterprise	910	2.0	1,622	82.8
Domestic	2 650	5.7	1,682	42.8
Formal Household Business	3 600	7.8	1,762	1.9
Informal Household Business	10 900	23.5	1,097	0
Agriculture	23 100	50.0	652	0.1
Total	46 100	100	1,060	14.2 ⁴



Specificity of
Vietnam: craft
villages



Common characteristics between developing countries (...)

	Vietnam		Cameroon		WAEMU	Madagascar
	Hanoi	HCMC	Douala	Yaoundé	7 African capitals	Antananarivo
<i>Job type (%)</i>						
Self-employment	72.7	70.7	69.5	72.1	73.6	69.5
Rate of wage-earners	15.3	16.9	10.9	16.8	13.6	16.4
Average Size of IHBs	1.4	1.5	1.5	1.6	1.5	1.5
<i>Work burden (nb hours)</i>						
Weekly working hours (average)	49.3	52.1	44.4	48.8	46.1	41.0
<i>Income (USD)</i>						
Average monthly income	133	121	100	135	74	46
Median monthly income	84	77	55	92	36	17

(...) Common characteristics between developing countries

	Vietnam		Cameroon		WAEMU	Madagascar
	Hanoi	HCMC	Douala	Yaoundé	7 African capitals	Antananarivo
<i>% Female workers</i>						
-Informal sector	50.3	55.5	47.5	44.4	52.0	51.8
- Formal sector	48.3	42.3	21.8	31.2	23.5	41.9
-Total	49.0	46.8	40.4	40.3	45.0	47.1
<i>Average age (years)</i>						
-Informal sector	39.1	39.6	32.5	31.6	31.8	35.4
-Formal sector	37.4	36.1	37.4	37.1	36.7	35.3
-Total	38.0	37.3	33.9	33.3	33.0	35.3
<i>Average number years of schooling (years)</i>						
-Informal sector	9.2	7.7	7.8	8.0	3.6	6.6
-Formal sector	10.7	10.0	11.7	12.4	9.3	9.5
-Total	10.2	9.3	8.9	9.4	5.0	8.0
<i>Tenure (months)</i>						
-Informal sector	6.2	7.3	4.6	4.0	6.2	7.2
-Formal sector	12.0	8.2	6.2	5.0	7.6	6.1
-Total	10.0	7.9	5.0	4.3	6.5	6.7

Impact on the environnement

Positive

Recycling cyclists

Negative

- Impact on workers
- Pollution (water, air, noise)
- Deforestation



Source: Fanchette & Stedman (2009)



Policy recommendations

⇒ How to combine pro-poor and environment friendly policies in the informal sector?

1/ Formalizing the informal sector (incentives to increase registration, etc.).

But not possible in the short run.

2/ Support for the informal sector.

Public support should help to improve the business climate, reduce vulnerability and support expansion and higher productivity

→ Better respect of labour laws and regulations (environnement, etc.)

→ Improved access to credit

→ Need for training

References

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S. Fanchette & N. Stedman. *Discovering Craft Villages in Vietnam*. IRD Editions, Marseille, 2009.

