
***Employment Generation through Private Entrepreneurship in Vietnam.* By Per Ronnas. Geneva: International Labour Organization, 1992. Pp. 163.**

Private sector development encapsulates crucial fundamental issues in Vietnam's transitional political economy. Very basic institutional "rules of the game" and organizational structures must be rethought and re-oriented to transform the Vietnamese economy, which for several decades was developed according to socialist transformation goals and managed by centralized bureaucratic mechanisms. For these reasons — and the fact that state and party commitment to private sector development is a good gauge of the direction and speed of the general reform process — private entrepreneurship is one of the most important tendencies in the transformational process of Vietnam's centrally-managed economy to a market-oriented economic system.

However, defining the private sector in Vietnam is problematical. The legal and official definition of the private sector means very little: about 5 per cent of the estimated number of private enterprises are officially registered; and a number of state and co-operative ownership forms are being internally or spontaneously privatized. How many state enterprises and co-operatives are actually private — that is, expenditures and debt are socialized and profits and sometimes assets are privatized — no one knows. A number of state organs are investigating this matter, so far with little result.

A related problem in defining the private sector is Vietnam's classification of the ownership sectors. The current five-sector classification system combines old ideological concepts of ownership in a socialist economy with functionalist ideas of transitional property forms. Thus, the household sector — meant to encompass family labour in very small and technically unsophisticated enterprise — is legally separated from the private capitalist sector. However, it is well-known that many private capitalist enterprises in Vietnam are operating as household enterprises in order to escape high taxation. If the legal ramifications

were not so differentiated (through tax burdens, official registration requirements, financial and credit benefits, monitoring, etc.), ownership definitions and categorization would have little effect. But because of the disparate effects of the legal and institutional structure *vis-à-vis* the recognized ownership sectors, whereby, for instance, the state and co-operative sectors continue to be favoured and the household sector is far less regulated than the private capitalist sector, entrepreneurs attempt to operate through the preferred ownership forms. In brief, property rights and management forms are highly complex and changing in Vietnam, making it very difficult to identify, distinguish, and analyse the behaviour of firms or industries within any particular ownership sector.

Examining Vietnam's private sector is the task of Per Ronnas of the Stockholm School of Economics, assisted by Vietnam's Ministry of Labour, Invalids and Social Affairs and the Asian Regional Team for Employment Promotion of the International Labour Organization. The result of this demanding task is *Employment Generation Through Private Entrepreneurship in Vietnam*. To analyse the behaviour of Vietnamese non-state firms (which includes both household and private capitalist businesses), the research team has chosen a methodology of a stratified sampling survey of 1,008 enterprises equally divided between north and south Vietnam and rural and urban regions. The survey focuses on private non-farm enterprises in the cities of Hanoi, Haiphong, and Ho Chi Minh City, and the provinces of Ha Son Binh, Vinh Phu, and Quang Ninh in the north, and Long An and Cuu Long in the south.

Specifically, what is presented in this volume is a snapshot of private enterprise — in the sectors of agro-processing, manufacturing, repair work, trade and commerce, restaurants and cafes — as it existed in 1991 when the survey was carried out. It is organized in six chapters, composing of an analytical skeleton of an emerging or re-emerging private sector during the 1991 period.

The chapter on employment, labour and wages, which presents very useful data on employment characteristics in various economic sectors and branches in the private sector, links up the trends

of private sector development, potential employment generation mechanisms in the non-state economy, and policy implications for the government. Particularly useful are some 100 tables providing a wide range of data (for example investment, credit, labour and enterprise characteristics, wages, value-added) which together construct a statistical anatomy of Vietnam's private enterprise.

Unfortunately, some of the data are dubious, but given the nature of the topic and the state of enterprise data in Vietnam, this problem cannot be avoided. In any case, the data should be viewed as magnitudes and direction of change, rather than absolutes.

The hypothesis of this work is one that the Vietnamese Government has advocated since 1988 when it legalized the private sector: government promotion of private resources will fill in the gap of declining state economic activity. Thus, the Vietnamese Government has counted on the private sector to absorb redundant state labour and generate new jobs for Vietnam's rapidly growing labour force.

The reality of private sector development, however, has not lived up to these expectations. With unemployment running at an estimated 20 per cent (although official statistics state 6 per cent) and the existence of even greater underemployment — farmers generally work less than nine months per year — the private sector has not begun to relieve transitional (not to mention structural) unemployment in Vietnam. Murray Hiebert in the *Far Eastern Economic Review* (2 September 1993) cites estimates of 20,000 private enterprises in Ho Chi Minh City (the largest regional private enterprise employer) employing a mere 170,000 workers; and another 252 foreign joint ventures (only a few with private Vietnamese partners) employing another 20,000 workers. Although Vietnam's international comparative advantage lies in its abundant and low-wage labour force, the domestic private sector is not creating employment opportunities in labour-intensive industries fast enough to keep pace with current employment levels.

Per Ronnas concludes the book with a chapter

on policy implications of his team's findings. He underscores the essential institutional changes (legal, financial, bureaucratic) which must take place for the continued expansion of the private sector. Without these changes, the private sector will not be able to play a potentially vital role in Vietnam's economic growth and change, nor will the economic environment be supportive of continuing reform and attractive to domestic or foreign investors. The latter point is particularly important given that managers in this survey stated that the number one constraint to the growth of their enterprises was a shortage of capital. The author correctly observes that while managers everywhere complain about the shortage of funds, in the case of Vietnam, the complaint should be taken seriously. He states,

The survey results reveal that the overwhelming majority of the non-state enterprises do not have access to formal credit and loans, but are forced to rely virtually exclusively on [their] own funds in the development of enterprises. From the point of view of economic efficiency it is unsatisfactory that there are no mechanisms for channeling capital to those who need it most and where it would give the best returns. Several factors suggest that no measure would contribute more to the development of the non-state sector and towards enhancing the capacity of this sector to generate employment and incomes than the creation of a financial system serving the non-state enterprises with credits on a strictly commercial basis and the mobilisation of idle capital (p. 154).

Even though this book was written in 1991–92, Ronnas' analysis of the environment in which Vietnam's private sector operates and his suggestions for institutional changes are still valid. Per Ronnas and his team of researchers and analysts have made an important contribution with *Employment Generation Through Private Entrepreneurship in Vietnam* to the very small body of work on Vietnam's re-emerging private sector.

CAROLYN L. GATES
Institute of Southeast Asian Studies