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DYNAMICS OF MICRO AND SMALL ENTERPRISES IN THE GARMENT INDUSTRY IN VIETNAM

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Thesis submitted for the degree of MPhil

2018

Department of Development Studies, SOAS, University of
London

Abstract

Dynamics of MSEs in the Garment industry in Vietnam

This research is concerned with the dynamics of capital and labour in Micro and Small Enterprises (MSEs) in the garment industry in Vietnam. There has been a large reduction in poverty in Vietnam since its transition to a socialist market economy began in 1986 but approximately half of the Vietnamese people still live under the moderately poor poverty line of US\$2 a day. The garment industry is labour intensive and has a considerable effect on poverty reduction through the creation of employment. In Vietnam the garment industry is the fifth largest in the world in terms of the value of exports.

The main findings of my research are that conventional neo-liberal WC policies remain dominant for MSEs in the garment industry in Vietnam. The main reason provided by the enterprises for operating in the informal economy is that business was insecure. A range of activities was observed within the broadly defined Cut Make and Trim (CMT) and Full On Board (FOB) categories and micro enterprise subsistence and/or profit making, gender focussed, actualities.

Global Commodity Chains (GCCs), Global Value Chains (GVCs) and domestic chains operate simultaneously in Vietnam. MSEs are predominantly involved in low skilled assembly carried out by workers who labour in poor conditions with low wages. However a level of process upgrading was observed in enterprises that produce for both export and domestic markets whereas the signs of social upgrading were negligible in terms of measurable standards or enabling rights. An examination of the wider benefits of the enterprises revealed that these were less for micro enterprises as fewer resources in terms of property were spread further among larger families than small enterprises.

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Basic Country information



Basic statistics¹ 2015

Population:	91.70 million
GDP:	US\$193.6 billion
GDP growth:	6.7%
Inflation:	0.6%
Area ² :	330,9669 kilometre sq.
Capital city:	Hanoi
Largest city:	Ho Chi Minh City
Life expectancy:	73.2 years
Literacy percent pop:	94.7
Labour force:	53,748 million
Currency:	Vietnamese Dong (VND) 1US\$ = 22,037.5VND (16/09/16)
Ethnic Groups ³ :	Vietnamese, Chinese, Muong, Khmer, Meo, Tai, Man, Cham
Religion:	Buddhist, Taoist, Roman catholic, Indigenous beliefs, Islam, Protestant, Cao Dai, Hoa Hao
Boundaries:	Laos, 2,130 km, China, 1281 kms, Cambodia, 1,228km

¹ World Bank data

² GSO data

³ ('Key Data', 2012)

Vietnam

Country Map



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Southeast Asia

Regional Map



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Abbreviations

BWV	-	Better Work Vietnam
CGAP	-	Consultative Group to Assist the Poor
CMT	-	Cut Make Trim
CRCD	-	Centre for research and consultancy for development
CVSEAS	-	Centre for Vietnamese and South East Asian Studies
DS	-	Developmental State
DST	-	Developmental State Theory
DRV	-	Democratic Republic of Vietnam
FOB	-	Free on Board
FOE	-	Foreign Owned Enterprise
FHB	-	Formal Household Business
GCN	-	Global Commodity Network
GDP	-	Gross Domestic Product
GVC	-	Global Value Chain
HCMC	-	Ho Chi Minh City
HB	-	Household Business
IECD	-	Institut Européen de Coopération et de Développement
IHB	-	Informal Household Business
IOM	-	International Organisation for Migration
IMF	-	International Monetary Fund
MSE	-	Micro and Small Enterprise
NIE	-	Newly Industrialising Economies
NGO	-	Non Governmental Organisation
PSD	-	Private Sector Development (PSD)
ROK	-	Republic of Korea
RVN	-	Republic of Vietnam
SOE	-	State Owned Enterprise

SSIS	-	Southern Institute for Social Sciences (SISS)
TVET	-	Technical-Vocational Education and Training
VC	-	Value Chain
VCOSA	-	Vietnam Cutting and Spinning Association
VITAS	-	Vietnamese Institute for Textiles and Apparel
VTGI	-	Vietnamese Textile and Garment Industry
WB	-	World Bank
WC	-	Washington Consensus

Employers

1. Micro
2. Micro
3. Micro
4. Micro
5. Small informal
6. Small
Photos
7. Small
Photos
8. Small
Photos
9. Social Enterprise
10. Tailor
Photos
11. Tailor
12. Foreign Satellite
13. Foreign Satellite
Photos

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1. Centre for Vietnamese and South East Asian Studies (CVSEAS)
2. International Office of Migration (IOM)
3. Catholic church 1. Fr. John Ty
4. Catholic church 2. Xuan Hiep parish
5. Women's Union 1. Representative, sub ward 8, ward 15, District 8
6. Women's Union 2. President, Ward 15, District 8
7. Better Work Vietnam
8. Vietnam Chamber of Commerce and Industry (VCCI)
9. Centre for research and consultancy for development (CRCD)
10. Vietnamese General Confederation of Labour (VGCL)
11. VITAS Vietnamese Institute for Textiles and Apparel – 2000
VCOSA Vietnam Cutting and Spinning Association – 2007
12. Binh Tanh Market interviews

Employees see disc attached

Introduction

This research is concerned with the dynamics of Micro and Small Enterprises (MSEs) in the garment industry in Vietnam. The research investigates how the situation of employers and workers in MSEs with less than fifty employees in the garment industry in Vietnam can inform theories of neo-liberal globalisation which extend to the effects of global network and chain production which are at the centre of development policy today.

In Vietnam in 1986, Doi Moi, a transformation from central planning towards a 'socialist market economy under state guidance' was embarked upon. Doi Moi resulted in positive outcomes including poverty reduction and industrialisation but neo-liberal globalisation has been accompanied by an uneven distribution of income and wealth. Approximately half of the Vietnamese people still live under the moderately poor poverty line of US\$2 a day. Following Doi Moi there was a focus on the development of the garment industry in Vietnam. The industry is labour intensive and has a considerable effect on poverty reduction through the creation of employment. Vietnam is considered to be competitive in the garment industry which is the fifth largest in the world in terms of value of exports but the performance of the industry in retaining value added in the country is not impressive. Private garment firms, normally MSEs, which are expanding in number in the south of Vietnam especially, are unable to access high quality and levels of the value chain.

The **main research question** is

What can the proliferation of small firms in the garment industry tell us about neoliberal globalisation in Vietnam?

In order to answer this question the following sub questions will be addressed:

1. How does neo-liberalism operate at the level of MSE employers and workers in the garment industry in Vietnam?
2. What are the characteristics of MSEs, entrepreneurs and the nature of work associated with the informal economy in Vietnam?
3. Who and how, Micro or Small: Links to garment Global Production Networks?

There are some common defining factors of socialism which are that a centrally planned economy is the preferred operational mode and political objectives are prioritised over narrow economic ones as are the coordination of economic activities Sjoberg (1998, 11). In the 1980s the spread of neo-liberalism globally largely led to a move away from central planning (White, 1993, 14). The replacement of central planning with 'market socialism' was considered by its supporters to transcend the divide between the planned and the regulatory state by retaining a

socialist economic system that incorporated the beneficial and rational elements of capitalist market systems in ways in which economic performance, social welfare and the political appeal of socialism would be improved. 'Market socialism' differs from the nature of socialism initially bound up with the replacement of markets by scientific planning and consequently although ideas and policy proposals were restricted to the economy, political and ideological consequences were profound.

Since Doi Moi there have been some changes in relation to the involvement of the state in the economy in Vietnam in terms of underlying ideas and practice, for example in the expansion of the private sector, but the state has by no means retreated (Gainsborough, 2010). The Communist party remains the ruling party, opposition parties are not tolerated and the mass organisation structure still exists although there has been a proliferation of NGOs and therefore an increasing number of groups and individuals outside this structure. Vietnam may have retained aspects of the well-worn path of developmentalism that has been influential in the East Asian region but state control in Vietnam more likely mirrors that of China to 'grasp the big, let go the small' (Gabriele, 2010, 551 cited in Beeson and Pham, 2012). From this point of view the state in Vietnam could therefore have a neoliberal nature whether it be socialist or post socialist (Turner and Schoenberger, 2012).

The paradigm basis of this research is constructivist (Guba *et al.*, 1994). The research question is a theory driven one that develops existing theory using a case study and the discovery process an abductive one which combines both deductive and inductive steps to develop existing theories of development, neo-liberal globalisation and of the informal economy (Eisenhardt K. and Graebner M., 2007). The process of theory building occurs through 'recursive recycling' (Eisenhardt K. and Graebner M., 2007, 25) between emerging theory, case data and existing literature.

The research method follows the multi-scalar approach of the Global Production Network 2 (GPN2), considering the interactions and constitution of all spatial levels from the global to the local, moves beyond the boundaries of the chain considering extra firm institutions, such as employer organisations and trade unions and considers more complex governance characteristics than GCC/GVC analysis.

The contribution that this research makes to the literature is that it fills a research gap which is how MSE firms and workers survive with increasing competition and decreasing state support in the garment industry in Vietnam. Most research by international, government, Non-Governmental Organisations (NGOs) and researchers has focussed on large developing country firms in Value Chains (VC) and their ability to upgrade their processes, products and functions and has neglected their impact on small enterprises and workers situated at the base of Global

Value Chains (GVC) and employment relations (Dolan & Sutherland, 2003,¹ cited in (Thoburn, Sutherland, and Hoa 2007).

The literature review will have three main sections. The first section will consider the relationship between neoliberalism and development beginning with an overview of how development evolved and proceeding to outline the changes in development since the 1980s under the neo-liberal era and New Institutional Economics (NIE). The second section will consider the application of the main perspectives, modernisation, neo-liberal and structural, of the informal economy to Vietnam and the characteristics of enterprises, entrepreneurs and the nature of work associated with globalisation and the informal economy. The third section will then consider how globalisation has reshaped global trade and production which is characterised by shifts in the governance and organisation of global industries (Gereffi, 2014) which have evolved from the world system approach to the Global Commodity Chain (GCC) in the 1980's and the Global Value Chain (GVC)/Global Production Network (GPN) more recently.

Following the literature review the research will continue with an analysis of the South East Asian region's economic development under globalisation. In the Asia and the Pacific region the reduction in poverty has been marginal when the poverty line includes the moderately poor living under US\$2 day as 47.4%, more than 1.6 billion people live below this line. The research will then provide an historical overview of the transition of Vietnam to a socialist market economy since Doi Moi and the garment industry globally to provide perspective on the leading role of the industry in industrialisation, the development of the industry in Vietnam and the winners and losers, between state, foreign and private ownership sectors and large, small and micro enterprise employers and employees.

The **first hypothesis** of the research is that labour and capital in MSEs in the garment industry have been marginalised and poorly supported by **formal** institutions during Vietnam's strong economic growth.

The **second hypothesis** is that the MSEs that have proliferated in the garment industry in Vietnam have been negatively affected by neoliberal globalisation which has created employment and self-employment that is precarious.

The **third hypothesis** is that MSE links to garment Global Production Networks have not been accompanied by economic or social upgrading.

My research confirms existing theories through abductive discovery. Firstly, conventional neo-liberal WC policies remain dominant for MSEs in the garment industry as few of the enterprises and workers received any type of support from formal institutions and for the few that did the

support was minimal. MSE employers and employees in the garment industry are 'embedded in social networks' which is the particular form of social capital in the region. Secondly, the main reason provided by the enterprises for operating in the informal economy was that their business was insecure which supports the structural approach to the informal economy. Thirdly, MSEs are also predominantly involved in low skilled assembly carried out by workers who labour in poor conditions with low wages and show few signs of economic or social upgrading in terms of measurable standards or enabling rights.

My research also builds on existing theories as a level of process upgrading was observed in enterprises that produce for export and domestic markets only which provides some support for the assertion that the gravity of industrial development is changing to Vietnam and other developing countries. Variations were also observed within the Cut Make and Trim (CMT) and Full on Board (FOB) categories and in micro enterprise activities which in some enterprises were profit making questioning subsistence and duality theories. The wider benefits of the enterprises were viewed to be considerably less for micro enterprises as they had fewer resources in terms of property and the resources that they had were spread further among larger families than small enterprises. From both the concept of measurable standards and enabling rights labour has low wages, little social security and no ability to collectively air grievances across the MSEs which implies that they are more disadvantaged than the entrepreneurs who have experienced upgrading in some instances.

1. Literature Review

This chapter will be divided into three sections. The first section presents the global background of the research by considering the relationship between neoliberalism and development. This section also outlines different perspectives taken on neoliberal globalisation and whether in the 21st century there has been an embarkation to a new development phase in which economic growth is being driven by emerging and new industrial economies.

This leads into the second section of the research. Globalisation has been accompanied by a rise in the informal economy and work has become more casual and flexible (Barrientos *et al.*, 2011). This section will consider the main perspectives; modernisation, political economy and neoliberal, on the rise of the informal economy and the central components, the characteristics of enterprises and the nature of work, of the informal economy.

The third section of the literature review will then consider how globalisation has reshaped global trade and production which is characterised by shifts in the governance and organisation of global industries (Gereffi, 2014). These have evolved from the world system approach to the Global Commodity Chain (GCC) in the 1980's and the Global Value Chain (GVC)/Global Production Network (GPN) more recently. This section will finally consider the literature which analyses the effects of global and domestic supply chains and the concepts of economic and social upgrading which are the means of participation of developing country firms and workers in the chains.

Development and neoliberalism

Development economics was more interventionist than mainstream economics when the discipline emerged after the second world war as the majority of national economies, developing countries, needed a distinct economics because they did not have the market institutions, physical infrastructure and human skills of a developed country but a more specialised production structure oriented towards the export of commodities and a large proportion of the population working in agriculture (Wade, 2012). During this time a steering approach known as structural economics was taken towards developing countries which included a collection of 'industrial' policies such as, capital controls, protection, targeted subsidies and public banks and enterprises targeted at changing the structure of the economy (Wade, 2012).

The 1950s to the 1970s were characterised by a strong normative belief in development policies that were geared towards national goals (Buch-Hansen and Lauridsen, 2012). Main-stream development theory had its roots in the modernisation paradigm in which development was

considered to be a process of imitation in which less developed countries would gradually transform into nations that were advanced and modern. In the early 1960s development economics emphasised industrialisation and accumulation in which the state was the driving force. Exporting, financial private capital and financial integration were not considered to be an advantage (Lindauer and Pritchett, 2002 cited in Buch-Hansen et al. 2012).

From early in the 1980's there was a change in the direction of development economics which was articulated by the International Monetary Fund (IMF), the World Bank (WB) and the US treasury which was referred to as the Washington Consensus (WC) (Wade, 2012). The main belief was in an international liberal economic order in which all players played within the same set of rules (Buch-Hansen and Lauridsen, 2012). One growth model fitted all, the structure of production and income did not matter and government industrial policy was to be avoided (Wade, 2012). Development was governed by neoliberal macroeconomic policies, there was considered to be no need for development economics as a 'special case' as developing economies would benefit from the releasing of market forces. This era renegaded development to an external intervention being carried out by international actors; institutions, donors, development agencies and NGOs, in consortium with institutions in developing countries (Nederveen Pieterse, 2012).

Globalisation is defined as the process that spreads neoliberalism, (Bacevich, 2002, 38, IMF, 2008). In the neo-liberal age globalisation priorities of free markets, individual incentives and private property took precedence over development (Nederveen Pieterse, 2012). Globalisation proponents claim that participation in the global economy is common to all countries with high growth and that there is 'substantial evidence' that citizens benefit from the availability of more varied goods and services, reduced prices, better-paying and more jobs, health improvements and overall higher living standards (IMF Staff, 2008). Under globalisation the principles that apply to an increase in prosperity are parallel with neoliberalism principles, investment, particularly foreign direct investment, the spreading of technology, strong macro-economic policies and institutions and a well-educated work force. The integration process of globalisation came about initially through the rise in the speed of sending information but refers also to the increase in movement of people in pursuit of opportunity, capital, goods and services, political principles, information technology, tastes and fashion (Bacevich, 2002, IMF, 2008).

Globalisation then can be expressed as an acceleration of 'free market' capitalism (Bacevich, 2002, 39, Went, 2000). According to (Went, 2000) this led to major changes in the functioning, cohesion and structure of the world economy. Evidence to this effect was that economies became more interwoven and inter dependent as did world-wide production and consumption patterns, markets for goods and services, financial and capital instruments and to a lesser extent

labour (Went, 2000, IMF, 2008). National states also renounced control over their economies by allowing the cross border movement of goods, services and capital (Went, 2000). The weakening of this role has not however been compensated for by appropriate regulatory bodies leading to a rise in periodic crises. The 'invisible hand' has also been regularly helped by bankers, governments and international organisations.

The research of Went (2000) and Saad Filho (2005) which consider the negative impacts of neo-liberalism is relevant for this research due to the effects of these factors on the MSEs in the garment industry in Vietnam which are the target of this research. According to Went (2000) the economies of the world have gone through vertical restructuring which has led to the rise of three dominant poles which are the US, EU and Japan. 'A race to the bottom' (Went, 2000, 28) occurred as markets become more international and integrated and controls and restrictions on the cross border movement of goods, services and capital were lifted. Employment, working conditions, wages and social security were sucked into a 'downward spiral'. The global race for higher profits and more markets led to continued cost cutting, the shrinking of work forces and the cutting of wages and savings on social expenditures. Neoliberalism also favoured foreign and large domestic capital at the expense of small capital and workers which contributes to wage stagnation, higher unemployment and the concentration of income (Milanovic, 2002 cited in Saad-Filho, 115).

Neoliberalism also resulted in an increase in migration and refugee numbers and growing social inequality marked by increasing indifferences within and between countries (Went, 2000). A number of general effects on women are recognised. Globalisation is said to benefit males more than females. Contradictions are apparent such as that neoliberalism espouses individualism but women are still expected to provide for the family (Altan-Olcay, 2014). Other negative effects of neo-liberalism on women are that; i) they have been driven into the labour force but their societal and family role has been used to justify irregular working hours and insecure jobs, ii) changes in welfare and a decrease in safety conditions iii) the undermining of social gains and basic rights such as equal pay or abortion rights and iv) the ideology of privatisation and individualism through undermining national collectivisation undermines women as this has been the means through which women have raised and achieved social rights historically (Went, 2000).

Standard neoliberal economics localised development problems in 'national developmentalism' (Buch-Hansen and Lauridsen, 2012, 294) and was preoccupied with failed government policies, corruption and rent seeking. The role of the state was again central but now was considered to be the main obstacle to development. Accumulation also remained central although now in the form of private investment. Exporting was crucial while local producers were disciplined by

imports and Foreign Direct Investment (FDI) which also led to spill-overs to the local economy (Lindauer and Pritchett, 2002 cited in Buch-Hansen and Lauridsen, 2012). Export stimulation promoted specialisation in line with a country's comparative advantage and a flexible labour market to supposedly increase labour productivity and employment (Saad Filho, 2005). Policies to achieve this flexibility included simplifying regulations for 'hiring and firing', decentralising labour relations and curtailing trade union rights, eliminating collective agreements and regulation that is protective and reducing social security benefits.

Challenges to neoliberalism

The neoliberal thinking behind the WC was challenged. Some people sought new ways to reinvent developmentalism (Buch-Hansen and Lauridsen, 2012). One way to do this was to show the discrepancies between the East Asian experiences of the developmental state and neoliberal thinking.

This is relevant for this research as the industrial restructuring of the Newly Industrialised Economies (NIEs) was based on state aided development which had repercussions for less developed countries in South Asia such as Vietnam and was largely responsible for the export boom in garments (Gary Gereffi and Memodovic, 2003). North East Asian firms moved their production to countries in the region and learnt how to control and coordinate their network sources while they focussed on the more profitable marketing and design areas ensuring that they maintained a competitive edge.

Variations in the development state model implied that it is was not a static but a dynamic model (Evans, P., 1989). The state can also be characterised as being intermediary or by the inability of political leaders to transform the whole bureaucracy (Evans 1989, 576). An overall commitment to industrialisation led to the promotion of industrial capital with the state dominating the ties that held the state and capital together which made the 'embedded autonomy' that characterised developmental states possible. Therefore 'pockets of efficiency' were created within the bureaucracy which are modernised by addition and not transformation (Geddes, 1986:105 cited in Evans, 577).

Other relevant developmental state interpretations are made firstly by Masina (2003, 33) who ascertains that they can be divided into the hard approach of Johnson, 1982, White, 1993, Wade, 1990 and Amsden, 1992, based on strategic trade and industrial policies consisting of the four main elements of state action, 'selectivity, flexibility, coherence and competitive orientation' and the soft approach of Evans, 1989, Weiss, 1995 and Nye, 2004 which emphasises the bureaucratic capacity to govern economic development through consensus and coordination rather than coercion. Secondly, Harriss-White (2003) disputes the idea of whether the state and the market can be viewed as institutions with 'boundary lines'. The state can also support

private capital by providing infrastructure, regulating it and substituting for it where 'it will not go'. Thirdly, In the information age an increasing role has also been played by non-State actors internationally whereas before the neo-liberal era the most typical references to transnational organisations referred to the Roman Catholic Church or multi-national corporations (Nye, 2004). Finally Chang, (2013) considers that Developmental State Theory (DST) as defined by Johnson, 1982, Amsden, 1989, Evans, 1995 and Wade, 1990 are flawed as they define capitalist state forms on a partial basis only because of their preoccupation with relations between the government and business reducing capital and labour to a 'one-dimensional' focus of their contribution to state autonomy. Capital-labour relations are not considered to be classes in a relational way but through their different economic functions. This reduction of class to individual social actors with no reference to class relations, processes and structures has more severe consequences for workers than for capital. Labour becomes a factor in the productive process similar to trade, finance and technology and is denied its social relation. Once labour manifests itself politically it can however regain its status as a social actor again.

New Institutional Economics

In the 1980s and 90's a dissatisfaction with the Washington consensus spread across poor countries and was articulated by critics of the mainstream (Went, 2000). A shift away from neoliberalism followed and led to what is termed the 'post Washington consensus' which has had a different approach from its predecessor centred on New Institutional Economics (NIEs).

According to Saad Filho et al (2005) NIE shifted the analytical focus from the neoclassical emphasis on competition and markets to the implications of market failure, the institutional setting of economic activity and the potential outcomes of differences or changes in institutions. Development no longer was just a consideration of per capita GDP or consumption levels but included changes in the distribution of property rights and other factors. It therefore followed from NIE that poor countries fail to grow because economic activity is misguided, property rights are ill-defined and due to other institutional constraints. NIE was seen as having positive advantages to neoliberalism as it could offer guidelines for state intervention.

Institutional development is important for this research as the development of markets, in Vietnam following Doi Moi, is influenced by the structure of institutional incentives which determine the level of investments (Chand, Duncan and Quang, 2001). Informal institutions can be formalised and the latter's chance of survival is improved when there is 'a natural transition' from the informal to formal.

Institutions are composed of formal rules; constitutions and laws and informal; sanctions, codes of conduct and traditions (North, 1991). Institutions are important for MSEs in the garment

industry in Vietnam as they connect the past with the future and are devised to maintain order and reduce uncertainty in exchange. Furthermore, cooperation is difficult to sustain for institutions that allow low cost transactions and production in 'a world of specialisation and division of labour' where there are large numbers of players, incomplete information about them and when 'the game' is not repeated.

White (1993) considers that the economic change of moving away from central planning in the 1980s was not followed quickly by political change in some socialist countries. The reason provided for this is that structured organisations and supported institutions, 'formal rules and informal norms' take time to be introduced and existing ones to be replaced.

Institutional adjustment is critical for socialist economies as the regulations that come with central planning and bureaucratic coordination are not enabling for economic activities Sjoberg (1998). Central planning according to this view is built on vertical links between the state and SOEs. Horizontal links between enterprises are generally not developed. This therefore makes it difficult to source information on potential trading partners and markets. The allocation of changing factors of production for capital and labour and land and physical infrastructure are also likely to confuse economic agents. The development strategy of a socialist country is derived from ideological considerations and the behavioural norms of the system which includes a predisposition to high investment levels, specific sector priorities and the mobilisation of resources rather than production growth. Socialist economies also commonly have a development strategy that is based on self-reliance and are therefore characterised by traits normally assigned to import substitution the most important of which for the purposes of this research are financial conservatism, high capital intensity levels and a heavy dependency on intermediate goods and importing raw materials.

Ramamurthy (1998) considers that the relationship between institutions and transaction costs are important because the transaction costs that a firm incurs in a world of imperfect information depend on the strength of the institutional structures. Transaction costs are higher for small firms because they are more prone to uncertainty and opportunism and have a higher risk of discontinuity. Small enterprises lack the resources and diversification functions and depend more on external sources for their technical, marketing and other needs. The firm is considered to be a collection of different inputs such as finance, technology, human resources and entrepreneurial skills and experience and general knowledge or resources to pursue the goals of the firm ((Harvie and Boon-Chye, 2002).

A common approach for firms to maximise their use of resources and overcome constraints is the use of business and/or social networks (Harvie and Boon-Chye, 2002). Two types of networks can be distinguished which either require cultivation or are organic like family and

kinship ties, neighbours and friends (Harvie and Boon-Chye, 2002), Lever-Tracy and Ip, 2002, (Fulop and Richards, David, 2002). Factors which have intensified the use of networks in the East Asian region are that many businesses are extremely financially conservative and shun debt (Harvie and Boon-Chye, 2002), Lever-Tracy and Ip, 2002) and as the Asian crisis had an impact of reducing trade finance to SMEs that were engaged in trade internationally firms often had to rely on traditional family financial sources⁴ to access finance.

However, some authors such as Saad-Filho (2010) and Wade (2012) consider that despite seeming advantages the post WC had similar weaknesses to those of the WC. The WC and post WC recommended similar policies for poor countries, were reluctant to use fiscal and monetary policy and support free trade, liberalisation, privatisation and de-regulation. Indeed the only significant difference between them concerned the 'speed, depth and method' of reform as NIEs accept that localised state intervention can be potentially useful to correct specific market failures. The main problem is the type of growth that the two versions of neoliberalism aspire to which is a pattern of growth that is not desirable because it concentrates power and income, 'perpetuates deprivation and prevents the realisation of human potential'.

Contrary to the 'legitimising globalisation narrative' (Wade, 2012) there is evidence from long term trends that income convergence has been the exception rather than the rule between countries. From this perspective the 1980s, 90s and early 2000s could be considered to be lost decades with lower growth rates than in the 1960s in developing countries. Since the 1980s only the capitalist East and South East Asian countries and India and China have been successful in raising their incomes relatively to the industrial countries (Wade, 2012). There is also accumulating evidence that many middle income countries which could graduate to the status of a developed economy are caught in a 'middle income trap' in which their firms cannot compete with firms in low wage countries producing standardised products and/or with firms in high wage countries producing higher technology intensive goods and services.

Twenty-first century Globalisation

Pieterse (2012) considers that twenty first century globalisation is considerably different to twentieth century globalisation. Neoliberal approaches dominated throughout the 1990s but the landscape of capitalism and of development began to change at the turn of the millennium. Previously crises had taken place in the emerging countries of the South. In 2007/2008 the crisis hit American and European banks and Southern markets were left unscathed initially although leading to a fall in the demand for their exports eventually.

⁴ Reinforcing family borrowing traditions

The same author considers that following recurring crises in the neo-liberal era in the 21st century economic growth is now being driven by newly emerging economies, Newly Industrialised Countries (NICs) and exporters of agro-minerals. The Asian tiger economies and China have and are undertaking technological upgrading. Alternate markets are taking shape for Asian industry with growing domestic demand and in the ASEAN plus three (Japan, South Korea and China) with increasing trade between countries in the South and with Europe. There has also been a change in the agency of development to developing countries from metropolitan institutions and a swing back from market forces towards higher regulation in the global South. However this is not a return to state capitalism or to Keynesianism or authoritarianism. The new development works in tandem with market forces and espouses democracy. The new network approach favours a steering industrial role⁵ and contradicts mainstream Washington Consensus policies. This new development involves various agencies of the US Government supporting networks of firms in sectors that are targeted using both hard instruments such as subsidies, public procurement and 'arms-length' protection and soft instruments in which public officials, financial institutions, universities and firms interact (Wade, 2012).

Economic activity is considered to be embedded deeply in social life and tied together by rules, norms, moral obligations and other habitual tendencies that all contribute to shaping society which are anchored to 'basic reciprocal understandings' so that economic life can never be separated from the culture it is part of (Crawford, 2000). The uncertainties of capitalism historically in the South East Asian region led to business between, in particular, overseas Chinese communities being facilitated by 'shared understandings on the nature of kinship.

The current growth paths of Newly Industrialising Countries (NICS) are reflected in the Commission on Growth and Development (2010) (Nederveen Pieterse, 2012). According to this report drivers of growth are private sector investment, entrepreneurial activity and innovation in response to market incentives. Furthermore a large role is placed with the public sector in pacing and sequencing development so job destruction is balanced by job creation ensuring that growth is sustainable and inclusive.

⁵ The World Bank has begun to operationalize industrial policy under the guise of 'building competitive industries'.

Section conclusion

This section of the research provides the theoretical background to answer the first research question which is

1. How does neo-liberalism operate at the level of MSE employers and workers in the garment industry in Vietnam?

Firstly, this section began with an overview of how development evolved following the second world war to the neoliberal era from the 1980's. The research considers how development economics emerged initially with an interventionist approach which changed completely with the advent of neoliberalism. In the neo-liberal age globalisation priorities of free markets, individual incentives and private property took precedence over development. The role of the state remained central but was now considered to be the main obstacle to development.

Challenges to neoliberalism are then considered from the perspective of reinventing developmentalism in South East Asia, NIE which shifted the analytical focus from the neoclassical emphasis on competition and markets to the implications of market failure, the institutional setting of economic activity and the potential outcomes of differences or changes in institutions and transaction costs which are higher for small firms. The post WC is however considered to have similar weaknesses to those of the WC. Contrary to the 'legitimising globalisation narrative' (Wade, 2012) there is evidence from long term trends that income convergence has been the exception rather than the rule between countries.

This section ends by considering other approaches which support that there has been an embarkation to a new development phase and that economic growth in the 21st century is now being driven by emerging and new industrial economies. This leads to the next section of the research which considers the rise of the informal economy associated with globalisation.

Informal Economy

Globalisation is considered to be changing the nature of work and business in the world economy today (Bair and Gereffi, 2003a). Debate now is concerned with the implications of the transformative influence of globalisation on firms and workers particularly in the developing world. Capital has become increasingly mobile while workers remain more place bound.

This section of the research begins by considering the main definitions of the informal economy, considering the evolution of the concept and presenting the competing explanations that have emerged to explain the variation in the size of the informal economy across countries drawing on Williams (2015, 2013), Chinguno (2010) and (Chang, 2009). The three main perspectives of the informal economy are that the informal economy exists due to: i) economic underdevelopment - the modernisation /dualistic perspectives, ii) state interference and corruption - the neo-liberal perspective and iii) inadequate state intervention to protect workers - the political economy/structuralist perspective (Williams, 2015). The research then considers the characteristics of informal and micro and small enterprises and the nature of informal work that together comprise the informal economy. This is to provide the context and the information with which to answer my second research question which is 'What are the characteristics of MSEs, entrepreneurs and the nature of work associated with the informal economy in Vietnam?'

Chang (2009, 170) explains pathways to informalisation under the following three headings. **1. Growth in the informal sector;** the informal self-employed which includes homeworkers, informal employees which include family business, domestic and migrant workers. **2. Informal labour in the formal sector;** labour entering the unregulated framework, contracted and daily workers, dispatched or agency workers, casual task based workers, formally self-employed and migrant workers. **3. General or 'in-fact' informal labour;** Formal workers in an economy that is increasingly becoming informal who are unable to access institutional and legal regulation and attain the standards that they are entitled to.

In relation to the different perspectives provided for the informal economy more weight has been given to different perspectives over time (Williams, 2013a). During much of the twentieth century modernisation theory and the widespread belief that the informal economy was a residue of the past that was being taken over by the formal, modern economy (Geertz, 1963, Lewis, 1959, Boeke, 1942 cited in Williams, 2013) was dominant therefore it was considered appropriate to focus studies on the formal economy. The dualistic school is related to the

modernisation perspective and considers formal and informal economies to be distinct (Chen, 2004; Hart, 1973; ILO, 1972 cited in Chinguno, 2010) and that the informal economy is created due to a lack of opportunity in the formal economy (Chinguno, 2010). A variant of the dualistic school considers the informal economy to be survivalist.

The MSE employers and workers in this research can be placed in the context of informalisation being a tendency accentuated by globalisation for work and workers (Munck, 2002: 112, 115 cited in Chang, 165) which is critical to global capitalism in its current phase. This tendency was recognised by informal sector theorists such as Castells and Portes, 1989 and Munck, 2002: 112-113 cited in Chang (2009, 165) as the modernisation approach did not provide an explanation of the expansion and penetration of informal labour across sectors. This premise was strengthened as informalisation expanded to workers in developed and developing countries and as protected jobs in the public sector were eroded due to the world wide privatisation of state owned enterprises. The dynamism, heterogeneity and complexity of change led to the term 'informal sector' being replaced by the 'informal economy'.

The informal economy now incorporates the increasingly diverse and expanding group of enterprises and workers operating informally in both urban and rural areas (ILO, 2002:2 cited in Chang, 2009, 166). This change to the use of the concept of the 'informal economy' recognises that there are informal activities in the formal sector highlighting the limitations of sectoral dualism and that many industries in the formal sector have informal businesses along their supply chain (Chang, 2009). An important characteristic of workers in formal and informal sectors is that they are not protected by or recognised under any legal framework and therefore are highly vulnerable (ILO, 2002:3 cited in Chang, 166). Employers may be unwilling especially with rising competition and the labour movement may be unable to protect workers.

Other explanations to account for the persistence and growth of the informal economy are; firstly, the structuralist school which focuses on the nature of the relationship between formal and informal economies which is said to be characterised by dominance and subordination (Castells & Portes, 1989, Chinguno, 2010). This approach is supported by several authors (Williams, 2013, 174/5, Kus, 2010, Harriss-White, 2010, Chang, 2009, Bernstein, 2010) and views the informal economy as being an inherent component of capitalist development providing business with the means to achieve flexible production, cost reduction and profit, a key element of de-regulated global capitalism, downsizing, outsourcing and subcontracting arrangements and a means to receive surplus labour while enabling workers to eke out a survival due to the absence of alternative livelihoods (Slavnic 2010; Davis 2006; Gallin, 2001; Sassen 1996; Castells and Portes 1989 cited in Williams, 2013). Informal work is seen as being composed of

'sweatshop' like dependent and/or false self-employment and the result of too little regulation in a global system which is exploitative (Ghezzi 2010; Ahmad 2008; Geetz and O'Grady (2002).

An alternative explanation for the informal economy is the neo-liberalist, legalistic perspective which views the informal economy as being the result of over regulation (Williams, 2013b), (Chinguno, 2010). This perspective views the persistence of informality to be due to high state taxes and bureaucracy, regulation and state interference (Williams, 2013) and participation in the informal economy to be an economic response that is rational because of these factors and a matter of choice (Williams, 2015). Informal workers are therefore depicted as being micro entrepreneurs willing but not compelled to take up self-employment in the informal economy due to economic necessity and/or the inability to find jobs (Williams, 2013). Recently, there is also a growing literature to explain the informal economy which seeks to combine the three different perspectives to develop a more nuanced view (Williams, 2015a).

The NIE and institutional view consider the informal economy in transition countries to be a result of a delay in reform and due to the 'low quality of institutions' (Kim and Kang, 2009). There is also disagreement on what impact informal economic activities have on the formal economy (Kim and Kang, 2009). There are those that consider that the informal economy constrains growth in the private sector (Lacko, 2000; Loayza, 1996 cited in Kim and Kang, 2009) and others that consider the informal economy to be an optimal response to the demand for urban services and small-scale manufacturing (Adam and Ginsburgh, 1985; Asea, 1996 cited in Kim and Kang, 2009).

There is substantial variation in different geographical and historical contexts on the boundaries of the informal and formal sectors (Preston-Whyte & Rogerson, 1991 cited in Chinguno, 2010). Harriss-White (2010) considers the boundaries of state regulation to be the determinant of informality not the activities themselves. Giving strength to this argument is that informal activities are also not included in the official statistics of national and multilateral accounts. Points made by Harriss-White (2010) are important for the context of this research. These are that on the one hand small scale industry has not only survived but has persisted and flourished outside of state regulation. The informalisation process has also produced opportunities for entrepreneurship. However due to ruthlessly cheapening production costs, risks have been shifted to client firms and to casual labour. This process has not resulted in free markets but in a 'reversion' to non-state forms of regulation (Harriss-White, 2010).

Global production transformation does not necessarily take place in the 'shadow of the state' but can take place with the direct and indirect support of the state (Mezzadri, 2010). Informal activity has clear benefits for the state and registered businesses such as the possibilities of shifting environmental and market risks to job workers and independent sources, reducing costs

by avoiding overheads, abandoning the obligations of employers, undercutting minimum wage levels, introducing non-wage work in families which is regulated by patriarchal relations and incorporating new types of low cost labour, controlling labour by avoiding the conditions where it can become unionised, shedding the welfare and regulative responsibilities of the state and the infrastructural responsibilities of capital and business (Harriss-White, 2010, 176).

Harriss-White (2010) distinguishes two types of informal economic activities. The first of these are informal, small scale, firms which are not registered, below the threshold size for labour regulation and typically use low levels of technology, capital and skill. The producing enterprise is often not practically or legally distinguishable from the household that controls it. Production, investment, consumption and reproduction are inter-related so that profit or net income cannot be calculated. The sector is 'highly heterogeneous' incorporating wage and self-employed workers some of which act entrepreneurially and can save and others barely surviving living in conditions which could be described as distressful.

The second type of informal activity exists around formal or registered business or state bureaucracies but is outside formal regulation and violates regulation such as taxation, zoning, labour and health and safety. Employment relations are similarly to small scale enterprises, heterogeneous and range from formal firms hiring workers informally to criminal activities. My research should be considered from the vantage of the point made by Harriss-White that all forms of informal activity and the relation between formal and informal enterprises are intertwined.

Small firm theories

Growth in the informal economy increases the growth of small enterprises (Kim and Kang, 2009). MSEs have an important role in economic development and promoting their growth is an important mission for policy makers in developing countries (Thi Quynh Trang Do 2009, Michael A. McPherson and Jeffrey J. Rous 2010). SMEs can be commonly defined as formal enterprises (Ayyagari, Beck and Demirguc-Kunt, 2007) whereas more than 90% of MSEs world-wide are informal⁶. The informal economy also includes more than 50% of labour worldwide (Tran, Nguyen and Le., 2008).

MSEs can also be included in the same category as SMEs. To this effect the basic reasons for supporting MSEs and SMEs are that they enhance competition and entrepreneurship, are more productive than large firms and that their expansion boosts employment, sustainable income and therefore poverty reduction (Beck, Demirguc-kunt and Levine, 2003, Ayenew and Gebre-Egziabher 2010). Liedholm and Mead (1999, 7), add certain wider social dimensions to these

⁶ <http://www.ilo.org/employment/units/emp-invest/informal-economy/lang--en/index.htm>

such as the contribution of SMEs/MSEs to welfare, self-confidence and individual empowerment, their distributional objectives and demographic change.

There are also classifications and distinctions made between micro and small enterprises which could be considered to be reminiscent of modernisation and dualistic theories mentioned above. For example, Ayenew and Gebre-Egziabher (2010, 8/9) distinguish between micro and small enterprises as being livelihood (survival) enterprises in the first instance and growth oriented enterprises in the second. The characteristics of survival enterprises are that the entrepreneur is pushed into them, their activities are undertaken to support the income of the family, are often part-time or seasonal, require no or low skills, minimal entry barriers and therefore are often overcrowded. According to Ayenew and Gebre-Egziabher (2010, 8/9) these enterprises are only able to positively affect poverty levels in the short term. In comparison entry into growth oriented activities are restricted as they require skills and entrepreneurs enter them by choice and through the consideration of potential profits.

The classical, standard theory of the firm is a static equilibrium one which provides limited information on how individual enterprises form, grow or dissolve (Liedholm et al., 1999). The supply of entrepreneurs is presumed to be elastic and it does not allow for learning within the firm. Other theories have emphasised the more random nature of enterprise growth. Early theories stress the relation between firm growth and firm size (Gibrat, 1931, Scherer, 1980, Simon and Bonini, 1958 and Ijiri and Simon, 1977, cited in Liedholm, 1999, 11). Later studies such as that by Evans, 1987 added small firms to the initial larger firm focus and found that there was an inverse relation between firm growth and size. Other theories stress that MSEs are affected by the extent to which they obey laws and regulations and the gender of the entrepreneur. Another theory is that human capital affects the survival and growth of the enterprise. Entrepreneurs with higher levels of formal education, experience and technical training are more likely to create firms that survive and grow. Problems with the managerial abilities of entrepreneurs in many developing countries are said to be particularly severe when a firm tries to expand from a micro to a larger enterprise.

Ramamurthy (1998, 30) supports the learning factor in the broader sense of 'learning' in stressing that the effectiveness of small enterprises depends on the entrepreneur's strength in his social, often informal networking and forming of trust based relationships with providers of land and capital. Different needs of the firm include labour, finance, marketing, technology and other inputs. However, the nature of the rewards and incentives available from other institutions and current laws determine whether entrepreneurial activity results in undertakings that are innovative and benefit society. Family firms are considered to have a competitive advantage due to the existence of the above-mentioned needs of the firm and other social

capital related assets which are essential for their survival and prosperity (Tran and Santarelli, 2014). In my small sample all of the micro and small enterprises could be classified as family firms except perhaps for the two small firm satellites.

Studies on gender roles in market relations emphasise that female entrepreneurs have different goals than male entrepreneurs (Catherine van der Wees and Henry Romijn, 1995, 44). Irene Tinker (1995) emphasises the importance of a shift in the dominant economic paradigm of profit making and growth that form the basis of large, free market enterprises to a more human economy paradigm emphasising the motivations and values practiced by micro entrepreneurs who focus on subsistence.

Furthermore, according to Tinker (1995) usually informal economic activities can be divided between larger enterprises classified as 'dynamic entrepreneurs' and a category of residual microenterprises normally classified as 'self-employed' or 'family businesses'. The enterprises of the micro entrepreneurs where a majority of women work are often described with the characteristics assigned initially to the informal sector as having easy entry and low skills and income levels. The 'world view' of these women micro entrepreneurs is focussed on their family. Spouses and children's work is engaged and profits are returned to the family in terms of higher nutritional levels, better living conditions and school fees. Microenterprises can also often generate incomes that are significant but seldom in the hierarchical employer-employee pattern of liberal economics.

Empirical literature has provided more knowledge of the dynamics of small firms through the examination of the life-cycle of these firms (Liedholm, 1999, 11). A central element of this is that net firm creation is equal to new firm starts, minus firm closures plus the growth of existing firms. However a distinction can be made between the net creation and net expansion of firms which in the former case result from 'demand pull' and in the latter from 'supply push' forces.

Another important consideration is how the overall net change in employment has been affected by firm start-ups, disappearances and net growth. Employment growth can be good or bad for the economy. When an economy is buoyant employment growth can signal prosperity but when it is languishing it may reflect that microenterprises are like 'a sponge soaking up excess workers in marginal activities'.

Schapero and Sokol (1982 cited in (*Women in micro- and small-scale enterprise development* /, 1995), 53) distinguished three sets of interlinked variables initially aimed at female entrepreneurs that contribute to the process of enterprise creation. This framework considers the process of change as influencing an individual's life path. The first process is Life path changes. This is divided between 'negative displacements' such as recent immigration, being widowed or divorced, being 'in between things' such as recently leaving school or re-entering

the labour force and 'positive pull factors' such as being influenced by a partner, investor, mentor or customer. The second of these is perceptions of desirability which includes work experience, occupational background and influential sociocultural factors such as family, peer group or ethnic affiliation. The final variable is perceptions of feasibility which relate to a supportive environment and venture opportunities including financial support.

However, external factors also influence new firm start up and firm survival rates (Liedholm, 1999, 20). These include changes in aggregate economic activity not only at the macro level but also at the sectoral level. Highly concentrated sectors would be likely to have stronger growth rates and firm survival and growth is directly related to locality size. The location of the firm is also very important. Firms operating in visible locations normally have higher survival and growth rates than those operating at home.

The characteristics of small enterprises and entrepreneurs

This section will first focus on the characteristics of enterprises and entrepreneurs and the next on the nature of employment consistent with the redefinition of the informal economy to incorporate the increasingly diverse and expanding group of enterprises and workers operating informally in both urban and rural areas (ILO, 2002:2 cited in Chang, 2009, 166). This will provide the background for answering the second sub question of this research 'What are the characteristics of MSEs, entrepreneurs and the nature of work associated with the informal economy in Vietnam?'

In the theoretical literature three groups of factors have been identified which affect firm performance (Thi Quynh Trang Do, 2009). These are the environment in which the firm operates, the characteristics of the firm and the entrepreneur.

There has been an advance in understanding of the nature of entrepreneurs and enterprises operating in the informal sector (Williams, Shahid and Martínez, 2016). These reveal a U-shaped pattern in informal enterprises in relation to the age of the owners as younger and older people are more likely to operate informally (Federal Board of Revenue of Pakistan, 2008; Gennari, 2004, Asian Development Bank, 2010; Williams & Martinez, 2014 cited in Williams, 2016) which is often explained by the lack of formal jobs and social support for age groups in the younger and older categories. There is also a concentration of informal enterprises among lower income populations whereas those with higher levels of formal education and training who operate informally have moved from unskilled to master crafts people and self-employment with higher wages (Arby, 2010; Burki & Khan, 1990; Burqi & Afaqi, 1996; Khan, 1983 cited in Williams, 2016). Furthermore, an examination of the business characteristics of informal enterprises has revealed that there is a greater likelihood of older enterprises being formal (Thai & Turkina, 2014;

Williams & Martinez, 2014 cited in Williams, 2016) and that there are variations between sectors (Asian Development Bank, 2010; Gurtoo & Williams, 2009; ILO, 2012).

There has also been progress made on the reasons for operating formally and informally (Williams, Shahid and Martínez, 2016). This relates to the traditional view of the informal economy as being a disadvantaged sector used as a last resort when there is no other choice of employment and employing, unskilled, less educated, migrants or ethnic minorities (Mazumdar, 1983; Portes, Castells and Benton, 1989; Tokman, 1992) where there is little flow of workers to the formal economy which has now been challenged by an alternative view that considers that informal sector workers are self-selected voluntarily (Kim and Kang, 2009). A third view considers that the informal sector has its own internal dualism (Fields, 2004, 17). There is also now a tendency to evaluate the ratio of exit driven and necessity driven firms (Williams, Shahid, and Martínez, 2016, 314). These studies reveal that in relatively deprived populations and amongst women exclusion motives are more relevant whereas in relatively affluent groups and men exit motives are more prevalent. This distinction is captured by Fields (1990, 2005 cited in Williams, 2016) in his distinction of 'upper tier' exit driven and 'lower tier' necessity driven informal urban labour markets in developing countries.

According to Williams (2016) the characteristics of entrepreneurs and enterprises have more influence on the level of formality than the wider formal and informal institutional environment. Laguir and Den Besten (2016) consider that the activity and characteristics of MSEs especially in the initial stage of their development are linked to the characteristics of the entrepreneur. Their research considers the personal characteristics of entrepreneur's human capital; education and work experience, motivation and gender, that impact on firms moving to higher production levels or 'upgrading'. The research concluded that work experience and entrepreneurial motivations are the key characteristics associated with the likelihood that an MSE will upgrade. High levels of formal education in their experience had no significant influence on upgrading unless it co-existed with work experience, becoming independent or entrepreneurial spirit. Other important factors were that there was a greater likelihood for younger entrepreneurs to upgrade and that MSEs operated by women tended to upgrade more slowly than those of their male counterparts but their likelihood of upgrading was greater when it was due to them becoming independent or escaping unemployment and for women in the manufacturing sector.

The nature of work

Fields (2004, 1) points out that labour income inequality is possibly more important than all other sources of income at explaining total income inequality because poor people in developing countries generally have no other source of income other than their labour and labour incomes are also unequal which leads to an inequality in total incomes.

Certain aspects of globalisation have shaped the division of labour on gender lines and the development of the labour market further (Standing, 1999, 584). These aspects are the increase in international trade and levels of FDI in most countries which have been directed to countries where wages are low, labour rights in developing countries being perceived as costs to be avoided for the sake of competitiveness, a 'technological revolution' opening up possibilities for technical management and global economic strategies such as structural adjustment. They have led to fundamental changes in the labour market eroding protective and collective labour regulations, employment security, the welfare state in industrialised countries and decentralising wage determination reducing or abolishing the gains of working classes registered in employment contracts provided and regulated by the state in terms of working conditions and hours, rights of association, minimum wages, health care, social insurance, education and pensions (Bernstein, 2010, Standing, 1999). The increased emphasis on labour costs has led to the introduction of alternative forms of employment as opposed to conventional, full time wage labour weakening the segmentation of employment along dualistic lines with men being relatively more protected 'insiders' (Bernstein, 2010, 585, Standing, 1999).

Working classes have been fragmented under capitalism as there has been an increase in local, informal, labour relations (Mezzadri, 2010, 506). Bernstein coined the growing numbers of people in the South who depend directly and indirectly 'on the sale of their labour power for their own daily reproduction' (Panitch and Leys 2001: ix cited in Bernstein) 'classes of labour' (111). The working poor of the South according to Bernstein (111) 'have to pursue their reproduction through insecure, oppressive and typically increasingly scarce wage employment and/or a range of likewise precarious small-scale and informal economy survival activity including marginal farming'. Livelihoods are therefore pursued through combinations of self-employment and wage-employment that are complex and across different areas and sites, urban and rural, agricultural and not agricultural and marginal self and wage employment. Boundaries that the working poor inhabit are also considered to be fluid and defy fixed assumptions of worker, petty trader, farmer, rural, urban, employed and self-employed.

Standing (1988 cited in Standing, 1999, 583) describes how world labour markets have been characterised by change due to globalisation which has led to a rise in the labour force participation of women and a relative fall in men's participation and a 'feminisation' of many jobs. The 'era of flexibility' therefore is marked by both men and women being forced into precarious forms of labour. The characteristics of feminised labour relate to the type of contract, remuneration forms, the level and forms of security provided and access to skills. There is a tendency for the negative aspects of this trend to continue particularly due to labour market changes. A more diverse pattern of employment is characterised by the 'informalisation'

of employment through labour that is outsourced, contracted, casual, part-time, homework and unregulated.

Workers employed in the informal sector have also a considerably greater chance of migrating than their counterparts in the formal sector (Villarreal and Blanchard, 2013). Early theories derived from neoclassical economics view the likelihood of migration as a function of the difference between expected earnings in the country of origin and the destination country (Todaro 1969; Harris and Todaro 1970; Todaro and Maruszko 1987; Borja cited in Villarreal and Blanchard 2013). The new economics theory of migration alternatively considers that migration decisions are based on decisions which consider entire households (Stark and Bloom 1985; Taylor, 1987 cited in Villarreal and Blanchard, 2013) In contrast to these theories which focus on migration decisions being made at the individual or household levels, labour market theory has both what Villarreal and Blanchard (2013) consider to be a more macro level view while focussing on market level forces which considers that migration is a result of the demand for labour from industrialised countries. Therefore migration is seen as a result of pull factors in advanced industrial countries rather than push factors in sending countries (1993:440 (Massey et al Springer) cited in Villarreal and Blanchard, 2013).

(Katie Quan, 2015) elaborates on how workers can influence production in most countries today through labour relations and variations in one form or another which are resolved through collective bargaining. Collective bargaining involves workers and employers regularly discussing concerns and negotiating agreements about conditions in the work place but can remain bureaucratic and controlled by officials without union representatives and worker input at grass roots level.

Section conclusion

The second section of this chapter begins by defining the informal economy and outlining the three main perspectives on the growth of the informal economy i) the modernisation, ii) structural, and iii) neoliberal. The MSE employers and workers in this research can be placed in the context of informalisation being a tendency accentuated by globalisation for work and workers (Munck, 2002: 112, 115 cited in Chang, 165) which is critical to global capitalism in its current phase. The role of MSEs in economic development and theories of MSE development are then outlined. Basic reasons for supporting MSEs and SMEs are that they enhance competition and entrepreneurship, are more productive than large firms and that their expansion boosts employment, sustainable income and therefore poverty reduction are then outlined. Informal activity can be divided between small scale informal firms and informal activity around formal businesses or state bureaucracies and shows substantial variation between countries. Three groups of factors have been defined in the literature by Thi Quynh

Trang Do (2009) as affecting firm performance. These are the characteristics of the firm, the entrepreneur and the environment in which the firm operates. The personal characteristics of entrepreneurs, human capital; education and work experience, motivation and gender, impact on firms moving to higher production levels or upgrading. Alternative forms of employment have been introduced reducing or abolishing the gains of working classes registered in employment contracts provided and regulated by the state in terms of working conditions and hours, rights of association, minimum wages, health care, social insurance, education and pensions

GPN/GVC literature and the implications for globalizing Vietnam

Globalisation has reshaped global trade and production which is characterised by shifts in the governance and organisation of global industries (Gereffi, 2014).

This section of the research will begin with an overview of the network approach which first became common in the US in the 1980s (Wade, 2012) and consider the reasons behind this this approach (Marion Werner, Jennifer Bair, and Victor Ramiro Fernández, 2014). This section will then consider the evolution of the chain and network concepts. These were first described as Commodity Chains, then as Global Commodity Chains (GCCs) and more recently as Global Value Chains (GVCs) and Global Production Networks (GPNs). However a genealogy of the commodity chain concept distinguishing between the worlds systems tradition of the 1980s, the GCC system in the 1990s and the GVC emerging in the 2000s can also be misleading as these literatures overlap and there is a continuation of work in all three traditions today (Bair 2009). The distinction between these approaches is important to answer my third research question ' Who and how, Micro or Small: Links to garment Global Production Networks?'.

Finally the section will consider debates surrounding the GVC/GPN such as their effects on economic development and criticisms of the concept(s) which presume that the upgrading of firms and workers is what is best for and wanted by firms and workers in developing countries.

Firm chains and networks

According to Wade (2012) supra-firm networks such as value chains and clusters emerged in the US in the 1980s as a third elementary institution, networks and hierarchies being the alternatives, of firm coordination.

There can be big social and private gains through participation in networks which can be concentrated spatially in industrial zones and through access to shared resources can raise learning, innovation and productivity. The failure of networks where they do not form or disband is also common and are typically caused by firms not liking to cooperate when the sharing of knowledge rebounds to the private benefit of other firms and there are no reciprocal

gains. Possible solutions to prevent market failure and for network firms to coordinate their activities are considered by Wade (2012) to be the presence of a dominant firm which issues instructions to others and to have government agency acting as guides to offset failure.

Clusters emerged as a supra-firm network in the US in the 1980s as a third elementary institution of firm coordination (Wade, 2012). Many indigenous developed industries are cluster based involving Small and Medium Enterprises (SMEs) producing similar or related products in the same neighbourhood which has the same or similar benefits of economies of scale as a large firm which produces the same product in low income countries (Sonobe and Otsuka, 2011). Market transactions are supported in clusters as information on the trustworthiness of trading partners is easier accessed than outside the cluster (Sonobe and Otsuka, 2011, Japan External Trade Organization, 2004).

(Global) Commodity chains

The relationship between the activities and actors in the global economy that are involved in the creation of goods and services is also described 'as links in a commodity chain' (Bair, 2009). Commodity chains were seen as tools that enabled the study of global capitalism beyond the traditional confines of the national economy. In world systems theory Hopkins and Wallerstein have defined such a chain as 'a network of labour and production processes whose end result is a finished commodity' (1986:159 cited in Bair, 2009, 2).

Bair (2005, 156) points out that Global Commodity Chains (GCC) moved research on commodity chains away from the long range, historical and holistic analysis of world-systems analysis which was interested in the 'webs' that connected productive activities with the social production of labour. Instead, the GCC framework evolved as an organisational network researching the dynamics of global industries (Bair, 2009).

Global Commodity Chains (GCCs) are defined as 'sets of inter-organisational networks clustered around one commodity or product, linking households, enterprises and states to one another within the world economy' (N. M. Coe, Dicken, and Hess, 2008, 9 cited in Coe, 2015). The aim of GCCs is to create a meso mode of analysis that could consider levels above and below the nation state and reveal macro-micro links between processes assumed to be 'contained within global, national and local units of analysis' (Gereffi et al. 1994:2 cited in Coe, 2015, 9). GCCs have the following characteristics, i) an input-output structure where raw materials are transformed into final products, ii) a spatial or territorial dispersion of activities, iii) a governance structure showing the power relations through and along the chain and iv) an institutional context shaping networks between firms which connects the links in and mediates the outcomes of the chain's operation in different locations (Gereffi 1995, cited in Bair and Gereffi, 2003, 145, Smith, 44).

The particular approach to value chains as a 'specific feature of globalisation' (Stamm and von Drachenfels, 2011:30 cited in Bair, 2009) through which international trade and production networks could be studied was developed by Gary Gereffi to consider how industrialisation outcomes were shaped by types of linkages that connected economic units, usually firms or agglomerations, to global markets in Asia and Latin America. The power of firms that were considered to be the gatekeepers of the chain and the implications of this role for suppliers gave rise to the two concepts of governance and upgrading. Initially categories of governance were descriptive and based on the type of lead firm that exerted control over a value chain.

The first type of firm was producer-driven or technology and capital intensive and the second buyer-driven which involves production networks that are decentralised and branded manufacturers, retailers and marketers (Bair and Gereffi, 2003). Buyer driven chains are found in labour intensive industries located primarily in export-oriented countries such as garments (Coe, 2015). Production is generally undertaken in tiered levels of subcontractors that supply goods that are finished according to the price and product specifications of the buyers. Producer driven chains are found to be common in different industries where large Trans National Corporations (TNCs) are central to the control of global production structures in capital and technology intensive industries such as in aircrafts, cars, computers, machine manufacturing and pharmaceuticals.

Lead firms in particular industries have higher returns as they are able to build and reproduce various entry barriers to the chain segment that they occupy (Bair and Gereffi, 2003). This affects the distribution of costs and profits between workers and firms that participate in (global) chains. Production returns, therefore, are not only a matter of producers participating in the global economy but 'how and on what terms they do so' (Bair and Gereffi, 2003, 146).

The ability of participants to upgrade or capture more value added is important and is influenced by how a chain is governed (Dolan and Humphrey 2000, Gereffi, 1999 cited in Werner et al., 2014). Four types of chain upgrading were identified by Humphrey and Schmitz (2002, cited in Bair, 2009). The first of these was process upgrading, improving productivity or efficiency, the second, product upgrading, shifting to products with higher value added, the third, functional upgrading, acquisition of new capabilities or moving to new links of the chain and fourthly, inter-chain upgrading, moving from a GVC in one industry to another (Werner et al., 2014).

From the late 1990s clear limitations became apparent in the GCC concept (Coe, 2015). Despite the identification of the four dimensions mentioned above governance structures dominated research built on the distinction of Gereffi between 'producer-driven' and 'buyer driven' commodity chains (Coe, 2015, Smith, 2002).

Consequently, rigorous analysis of intra or inter-organisational relations was limited (Smith, 2002). The concept of upgrading was also criticised for having too narrow a focus on competitiveness at firm level which was based on a trickle-down view of development ignoring the question of how gains were distributed and could be translated into better employment and working conditions for workers (Werner et al., 2014, Bair, 2009). Smith et al. (2002) recognised the limits of Global Commodity Chains⁷ as being due to the lack of a governing role assigned to the state and labour in the production process. The integration of state action and labour into the analysis can widen consideration of governance as firms are also always embedded in institutional and social networks of relations which include state and labour regulations at local and national levels that affect economic development outcomes (Dicken and Thrift, 1992 cited in Smith, 48).

Firstly, in relation to the role of the state changes in the global political economy are predominantly concerned with reorganising not bypassing states whose managers actively undertake the restructuring of class relations and the competing and sometimes contradictory demands of capital (Fairbrother and Rainnie, 2001 cited in Smith, 48). States therefore seek to adapt their economies to their perception of the requirements of the world economy and transnational consensus formation processes involving global and regional institutions such as the OECD, EU, IMF and G7 and are not just a simple conduit through which commodity chains are internationalised. In addition to action at the international level state action includes policies in regional development which can attract foreign investment through education and training programmes, assisting business start-up and other activities which can impinge upon the structure of commodity chains affecting the activities of enterprises and workers.

Secondly, commodity chain analysis is limited as a passive role is assigned to workers as capital seeks cheap labour (Froebel et al. 1980 cited in Smith, 46). Labour processes in a commodity chain are limited to labour cost in the determination of patterns of production, assembly, retailing and distribution and there is little or no attention paid to the organisation of work at the intra firm level. This ignores the fact that labour can strongly influence the creation of wealth and working conditions in any node and across the chain.

Another framework for analysing value flows and the restructuring of territories is pointed out by Appadurai (1986 cited in Smith, 51) and considers that commodities embody value created through the labour process and realised through exchange. Commodity chains of production and sale become mechanisms to enable productivity increases, 'reductions in the value of labour power' and enhance the extraction of surplus value for capital (Harvey, 1992:7 cited in Smith, 51). This change from the focus of analysis on the commodity to the value relations embodied

⁷ These points are taken up again later in 2015 by Coe et al. and are explained further in this section.

in commodity production and the appropriation of surplus value across space through consumption and exchange is considered to be integral to the change from Global Commodity Chain to Global Value Chain.

Employers and workers in the MSEs in my research sample have been affected by the geographical transfer of value which according to Smith (2002) has changed regional divisions of labour. The geographical relocation of production was a strategy to further 'enhance surplus profits and relative surplus value' (Harvey, 1982: 390-393 cited in Smith, 52). This has several repercussions for the production and allocation of value across space. Firstly, in countries, such as Vietnam, low local value appropriation levels result from low wage orientated production. Secondly, producers and workers in these countries do not control design and production as the high-value added activities in marketing in design remain in the countries that outsourced production. Thirdly, as the key factor in the appropriation of value is low labour costs, there is increasing and on-going cost competition from lower wage areas resulting in a continuous intensification of the labour process. Fourthly, as production is offshored Western Europe in particular has witnessed a process of continuing decline and closures as clothing firms and retailers have concentrated on the design of higher value-added products, marketing and the oversight of production activities.

According to De Angelus, 2000 (cited in Chang, 2009) the increasing movement of capital has led to the 'global factory' which connects industries and production systems to Global Supply Chains. Indeed the nature of capitalism is that it needs to move to survive (Harvey, 2003). It can do this by raiding 'latent reserves' from a peasantry, making use of pre-existing social formations such as education, mobilising cheap labour externally or technological change (Harvey, 2003). Capital moves internally by using different production methods through innovations in technology and organisation (Chang, 2009). It moves externally by relocating production, investing in new industry or changing its form to commercial or financial capital. The speed, scope and scale of capitalist movement in the last three decades are what characterises recent or global capitalist development.

Other reasons provided by Coe (2015) for the inappropriateness of the GCC are, firstly, that the GCC has an underdeveloped conceptualisation geographically as the national scale remains dominant over macro-regional configurations of production and regional and local economic development processes. Secondly, the GCC focus on the commodity not the lead actors decreases the ability of the GCC to explain the competitive dynamics in the overlapping multi product and service worlds and 'aggregate up' from studies of individual commodity chains to consider wider development patterns and outcomes of contemporary capitalism. At the firm level the territorial component is also considered to be underdeveloped. This is due to the

limitations put on the way that firm networks link together and constitute institutional and social frameworks and the lack of consideration of different firm ownership patterns and the varying organisational structures and strategies of firms in different nations.

Global Value Chains

In the last decade value chains have exploded as a sub-field of development policy (Werner et. al. 2014, 1223). Yet there is still confusion concerning the precise meaning of the term. There is also no clear consensus on what the relationship is between the GCC and the GVC (Bair, 2009). Some scholars such as Daviron and Ponte (2005) suggest that the terms of GCC and GVC can be used interchangeably while others consider that the value chain approach is informed by multiple theoretical and analytical traditions. For example, Sturgeon (cited in Bair, 2009) views GVC analysis as drawing on GCC research but also being influenced by transaction cost economics and economics organisation literature.

Value Chains describe

‘the full range of activities, design, marketing, distribution, production and consumer support, that firms and workers perform to bring a product or service from its conception to end-use and beyond’ (globalvaluechains.org cited in Cattaneo et al., 2013, 1, Geraffi, 2014, 12).

According to Gereffi (2015) GVCs are characterised by a rise in the import and intermediate components of exports which has led to a discrepancy between the production and export of final goods and the creation and capture of value (Gereffi, 2015). The GVC has a holistic view of global industries from two contrasting viewpoints, the top down where the key concept is ‘governance’ and the bottom up concept of ‘upgrading’ (Gereffi and Fernandez-Stark, 2011 cited in Gereffi, 2014, 12).

Governance shows how corporate power can shape the distribution of profits and risks in an industry and identifies the actors who can exercise this power and is central to GVC analysis (Gereffi, 2014). Within the chain power can be exerted by both lead firms and suppliers. GVCs explain the range of emerging value chains focusing on the lead firm exercising various levels of power through coordinating suppliers without firm ownership which range from the extreme forms of market and hierarchy to modular, relational and captive forms (Gereffi, 2005 cited in Gereffi, 2013).

The research on upgrading has been as important as that of governance (Gereffi, 2014). The challenge of economic upgrading under the GVC framework is identified by Cattaneo et al. (2013) to be how developing countries and firms can move up the value chain from low cost and unskilled labour or from one stage of production to another with higher benefits and/or value

activities to ensure a firm's long term participation in GVCs. 'Task bundling' (31) which involves performing new tasks which add to and build on existing ones is also seen as being important to GVC consolidation. The benefits of GVC participation can be maximised by capturing more value added in the chain through improving backward linkages or increasing within GVC transfers and their spill over effects by building human capacity, skills and training or improving productive capacity in technology, training and finance. Other types of upgrading such as social upgrading in which the material conditions and the quality and quantity of jobs are improved are recognised as being linked to economic grading (Barrientos, 2011a, 2011b cited in Gereffi, 2015, 29).

According to Cattaneo et al. (2013, 6) a radically new development path has been opened up by 'the second unbundling'⁸ of production which began in the 1980's which provides opportunities for developing countries as participation in GVCs allows and results in increased competitiveness, improved inclusion in investment and trade flows, socio-economic upgrading with better and more jobs, more sustainable resource use and improved political stability and governance. Similarly in each country new opportunities for SMEs to access global markets through inclusion in GVCs by providing intermediate goods or services are created contrary to the view that GVCs and trade benefit multinational, large firms only.

I would consider as pointed out by Cattaneo et al. (2013) that GVC predominance is also a risk not only for countries but for firms and workers. This is because they have contributed to reshaping the elasticity of international trade (Escaith, Lindinberg and Miroudot, 2010 cited in Cattaneo et al., 8) which was revealed through the importation of crises through trade in 2008/9 and trade flows are more volatile as they are driven by business rather than by governments. A number of countries are also excluded from significant trade opportunities as they do not have the capacity to produce and connect efficiently to global markets. There are also new challenges for trade and development policy from the private impetus which has included an unequal division of value in production chains, socio economic downgrading due to predatory behaviour by the lead firm and the degradation of natural resources. Regulation is now also affected by trans-boundary legal issues and private standards which are without control.

From a methodological point of view (Cattaneo *et al.*, 2013) have developed a strategic framework for 'joining, upgrading and being competitive in GVCs' which focuses on countries and lead firms as the analytical units and identify a number of obstacles that could prevent a country's participation in GVCs. The focus on lead firms in his words makes me question their applicability in practical terms for MSEs although from a wider viewpoint and textbook

⁸ According to Baldwin (2006, 2012 cited in Cattaneo, 2013), the first "unbundling" was the separation of production from consumption and took place in two time periods from (1850-1914) and from 1960.

economics they may be valid. All relating to the negative, the first of these is not ensuring cost competitiveness in regard to labour, production, transport, tax and investment. The second is not improving connections with international markets including backward and forward linkages and the third is an inability to respond to lead firms' demand. Coe (2015) has another perspective concerning costs which is that they are not that important as economic actors in the same industry and economy respond to them in different ways.

However, Cattaneo et al. (2013) consider that it is not enough to participate in GVCs, to retain participation firms must analyse the opportunities and threats. Particularly relevant exogenous factors are considered by the authors to be, variations in the length of GVCs that may reduce the geographical spread of production or the number of participants, a shift in end markets which could take place when a large regional market emerges, an increase in competition in certain elements of production, for example, due to the economic catching up of a competitor or the loss of competitiveness due to rising labour costs, exchange rate fluctuations and measures that are protective.

Furthermore an initial favourable strategy may not remain favourable as for example low labour costs may not be sustainable as competitors move up the value chain from a lower income level or labour costs rise. Long term strategies that do not rely on cheap labour but on efficiency and productivity gains should be taken to avoid this situation often referred to as a 'middle income trap'. Therefore the acquisition of new skills and knowledge are also required to move up the value chain and if the workforce does not have these they should be developed. In this way Cattaneo et al. consider that economic and social upgrading are linked as GVCs contribute to the development of the work force through lead firm transfers. Public investment is also considered to be appropriate to develop the workforce.

Marion Werner, Jennifer Bair, and Victor Ramiro Fernández (2014) place the rise in the popularity of the VC framework in the declining legitimacy of market fundamentalism which has generated demand for new ways to explain how the flows of global trade and investment can be harnessed so that outcomes of growth, international competitiveness and employment can be promoted. From this point of view VC perspectives provide a solution which are 'central pillars' (1242) to a post WC that envisage a more active role for state and other institutions in 'making markets work' while reaffirming participation in the market through the value chain as the means and the end of development. A particular approach to value chains as a feature of globalisation that is distinctive and specific lurks within a chaotic conceptualisation of value chain development.

Another point of view is made by Werner et al. (2014) is central to my first sub question on how neo-liberalism operates for MSE firms and workers in the garment industry and the role of

institutions in this operation. This is that recent debates concerning the diffusion of the GVC approach across the field of development mirror a larger controversy which is whether a 'post Washington consensus' exists and if it exists whether it differs from its predecessor. On the one hand there is the view of Gereffi (2014) which according to Werner et al. (2014) is that the rise in the popularity of the GVC at the level of national governments and institutions is a sign that a more moderate approach to market development is being taken which is contested by other researchers such as Jeffrey Neilson who consider that the widespread adoption of global value chains is evidence of 'the persistent ability of dominant actors and organisations to co-opt social theory and perpetuate prior commitments to a neoliberal development project' (2014: 40 cited in Werner et al. 2014).

Global Production Networks

The production activities of value chains as they developed were affected by and came into contact with a broad range of policies, actions and institutions undertaken by various economic, social and political stakeholders (Barrientos *et al.*, 2011). The GPN (Dicken et al. Henderson et al., 2002, Coe, Dicken and Hess, 2008 cited in Barrientos, 2011) places more emphasis on the institutional context, the wider setting in which global sourcing operates and 'the asymmetry of power relations' between the social and commercial actors involved. The GPN literature focuses increasingly on the implications of upgrading or downgrading for workers in global networks whereas relatively greater attention has been paid traditionally to the analysis of economic and productive relations between firms.

Coe and Yeung (2015) consider that GVC is still limiting due to its lack of emphasis on the extent that governance is shaped by institutional conditions that are 'place-specific' and extra and intra firm dynamics. Coe and Yeung developed the Global Production Network (GPN) as a theoretical framework in contrast to the GVC which is considered to be a methodological framework. The GPN is defined by Coe and Yeung (2015, 1) as an

'organisational arrangement, comprising interconnected economic and non-economic actors, coordinated by a global lead firm, and producing goods or services across multiple geographical locations for worldwide markets'

The GPN has an analytical approach that incorporates the multi-actor and geographically complex global economy. The central concern of a GPN analysis is to reveal what Coe (14) calls 'the dynamic developmental impacts' on territories that are interconnected through global production networks rather than just considering the networks themselves.

The initial GPN concept emphasises the complexity of intra, inter and extra firm networks involved in an economic activity and the structure of their organisation and geography. The key

aspects which distinguish the GPN from the GCC and the GVC are that the GPN has a multi-scalar approach, moves beyond the boundaries of the chain and considers more complex governance characteristics than the GCC/GVC analysis. Firstly the GPN considers a broad range of extra firm institutions such as; supranational organisations, government agencies, NGOs, employer associations, trade unions and consumer groups which are all considered to be able to shape firm activities in the particular locations of GPNs. Secondly the GPN analysis is resolutely multi-scalar considering the interactions and constitution of all spatial levels from the global to the local whereas the GVC has a tendency to focus on the national and the global levels. Outcomes will not only reflect the national origins of the actors involved or the characteristics of GPNs but a complex and contingent interplay between the two which will produce hybrid forms of capitalism. Thirdly, the GPN is definitively a network approach that aims to transgress the limitations analytically of the chain. This reflects an ontological understanding of the organisation and function of socio-economic production systems as therefore being networked and recursive intersecting horizontal and vertical connections. Finally the governance characteristics are considered to be much more complex, variable over time and contingent than in GVC/GCC analysis.

Coe (16) emphasises that there are three interrelated variables needed for the operation of the GPN framework, the scrutiny of value creation, enhancement and capture, consideration of the distribution and operation of power and how global production networks are embedded. In GPN analysis the concept of 'value' has two meanings, the traditional notion of 'surplus value' and economic rent in the form of a firm's access to resources (Kaplinsky 1998, 2005 cited in Coe 16). Power can be corporate power or power that shapes the nature and structure of global production networks between firms as well as the institutional power of the state, supra-state organisations and the collective power of trade associations, labour unions, NGOs etc. (Coe, 17). The third variable 'embeddedness' is the one which Coe (2015) considers to be the characteristic of the GPN which is distinctive. There are three forms of embeddedness, 'societal, network and territorial' which are interrelated.

GPN analysis also suggests that economies of scope and scale that are embedded in specific regions are an advantage only if regional economies can complement the strategic needs of lead firms which brings about a developmental process of 'strategic coupling' by regional institutions and powerful global production network actors which is time-space contingent and transcends boundaries that are territorial. In my view Coe's retention on the focus of the lead firm downplays the potential importance of intermediary firms and has a Western perspective.

The initial GPN framework has been criticised for not been sufficiently explanatory or causal to provide a coherent framework of global production networks. For example, Andriessse E. et al.

(2011) consider that the GPN is the broadest framework of the relational view of economic activity which has emerged since the late 1980s but has a disadvantage practically as it provides little focus for analysis⁹. Further GPN analysis, named GPN 2, attempts to move the GPN away from being a theory to being a methodology by identifying dominant causal lines between global production networks and the economic development of a territory and connecting the structural capitalist dynamics that underlie the formation of global production networks with the outcomes of on the ground regional development

GPN 2 considers the national institutional context to be an important but not the determining influence on firm action. In many cases GPN structures and the mode of firm incorporation will be a more important determinant than the home institutional environment. This is typical of institutional accounts that emphasis industrial change as a bottom up process of creative action where actors modify, rearrange and reconceive organisational forms and governance mechanisms to find solutions to challenges.

Efforts at non-state governance range from being mostly voluntary attempts to expand Corporate Social Responsibility (CSR) across the value chain to pressures by activists and consumers for ethical sourcing and movements by investors to create socially responsible markets (Barrientos *et al.*, 2011). Recently the effectiveness of private monitoring and enforcement models by industrial and anti-sweatshop organisations that protect workers and guarantee fair and safe working conditions have been questioned. Governments have also responded to the governance deficit. Although Government initiatives in this area have focused on economic upgrading and industrial policy, in many emerging countries such as China, South Korea and Taiwan, governments have begun to strengthen public institutions for regulating labour and develop governance capacities which include income transfer and safety net mechanisms.

Furthermore in some post socialist countries socialist institutional legacies remained important 'partial regulators' of business practices after reform (Pickles *et al.* 2006, Smith *et al.* 2008 cited in Barrientos, 2011). There have also been efforts to include labour provisions internationally, regionally and bilaterally. The 2008 new Employment Contract Law in China which aimed to strengthen job security, ensure payment of proper wages and benefits and introduce stable contracts and curtail the use of temporary and seasonal contracts is also important domestically and internationally particularly for this research as buyers supplemented orders from China with those from other regional low cost producers such as Vietnam, Indonesia and Cambodia.

⁹ This is because as already pointed out the GPN is a theory rather than a methodology.

The wider context: Value capture, labour and regional actors

Coe (2015) considers that it is value capture at various levels that determines the shape of economic development in particular territories. A consideration of who actually gains from value chain trajectories should include various levels such as: i) the global economy ii) individual firms iii) strategic coupling between firms at the regional level and iv) the wider political – economic forces that underpin regional development. This involves looking at the distributional outcomes in terms of all regional actors and groups in the GPN particularly labour and other actors and groups within the region not directly involved in the GPN.

Coe (2015) observes that the upgrading discourse centres industrial change on power and the dynamics of competition among firms, rendering the social relations that mediate the production and condition of exploitable workers marginal to the analysis. However, the multiple impacts of GPN strategies and structures on workers are coming to the foreground (Coe, 2015, Barrientos et al. 2011). One way that this is being done is by applying the language of upgrading and downgrading to the working conditions within GPNs (Coe, 2015).

Social upgrading is defined as ‘the process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment’ (Barrientos et al., 2011; cited in Rossi, 2011). There is a strong emphasis in this definition on the attainment of rights and the achievement of decent working conditions moving away from a concept of labour as a commodity used as a factor of production similar to capital (ILO, 1944; Sen, 1999, 2005 cited in Rossi). In this definition social upgrading has two main elements. The first of these is measurable standards and includes wages, measures that affect physical well-being such as the number of hours and employment security such as the type of contract and employment and the availability of social protection. The second element is enabling rights which include collective bargaining, the freedom of association, the right to the free choice of employment, not to be discriminated against and ‘voice’. The potential of workers to exercise agency across GPNs is highly uneven and depends on whether they have a strategic role, or able to organise collectively and whether their activities are supported by local institutions and regulations (Coe, 2015). Some workers are able to make relative gains through coordinated action in GPNs, others are poorly organised, possess skills that are replaceable and are insufficiently protected by local legislation.

The relationship between economic and social upgrading is complex and not one directional (Coe, 2015). Moreover, no simple relationship exists between the trajectories of value capture and social upgrading outcomes at the firm level. Underpinning a growing degree of value capture in many cases there are worsening conditions for workers. New job opportunities have been created by the growth of global production in developing and emerging economies

(Barrientos *et al.*, 2011). These jobs can require skills that are specialised and pay good wages but they can also require flexible and casual labour which is engaged in tasks that are low skilled and associated with working conditions that are poor and low incomes. In this context there is a new set of challenges for governments and others to regulate and ensure that these jobs adhere to recognised standards of decent work. Global buyers have introduced codes of conduct and auditing schemes to their network of international suppliers and strategic bilateral and multilateral approaches have been designed by global union federations.

Following the consideration of the distribution of value capture across different GPN actors it is important to consider how the benefits of strategic coupling¹⁰ spill over to those who are not 'plugged' into it in the region (Coe, 192). The understanding or wider regional development impacts depends partly on how the coupling mode is aligned or challenges existing political and social relations within the region (193). There is therefore a need to move beyond firms, institutions and labour organisations to consider the wider distributional impacts on individuals and households of strategic coupling. For example, employment in a GPN may provide the income for just one member of a household or there may be a distortion of wider labour markets due to the demand for workers from firms that are strategically coupled.

Chain/network and Development

There is substantial debate and disagreement among policy makers and academic researchers concerning the extent which participation in chains and networks can provide positive development outcomes. This section of the research will introduce the main debates and questions surrounding this literature drawing on Bair, 2005 and 2009 and other authors.

In the opinion of Gereffi (2014), the GCC, GVC and GPN all characterise the global economy as consisting of dynamic and complex economic networks composed of inter and intra firm relationships. International and political forces have contributed to the shifts in global supply chains that have taken place over the past four decades. In the 1960's and 70's the key players in international industries were mostly vertically integrated, large transnational corporations (Vernon, 1971 cited in Gereffi, 2014) who linked with the growing markets in developing countries through import-substitution models of industrial growth. Since the 1960's the 'East Asian miracle' based on the rapid economic growth of Japan and the so called East Asian tigers of South Korea, Taiwan, Hong Kong and Singapore have used a different development model of Export Oriented Industrialisation (EOI) (Gereffi and Wyman, 1990 cited in Gereffi, 14). EOI became the prevailing model around the world and became a central component of the Washington Consensus. The EOI approach was lauded as providing small developing world

¹⁰ Coe (2015, 183) points out a number of ways in which regional economies couple with GPNs

economies with the opportunity to benefit through the use of scale economies. However the shift from Import Substitution Industrialisation (ISI) to EOI does not capture the development trajectories of developing countries completely. The growth in the GPN has been accompanied by rising income inequality which can be explained largely by the existence of rents.

There are two debates that are related concerning the social and political implications of chain research (Bair, 2009). The first concerns what can we learn from commodity chain analysis about how outcomes can be shaped for firms and workers particularly in developing countries who can actively change the way that they are linked to global markets to increase the benefits that they get from them. The second debate concerns the ways in which commodity chain analysis can inform forms of activism which are designed to promote ethical production and/or mitigate the social and environmental costs of globalisation. As a mode of strategic analysis and critical enquiry, the most frequent way that the commodity chain is used is the way endorsed by Harvey which is to reveal the links between producers and consumers that otherwise would be 'concealed by the commodity form' (Bair, 2009, 33).

Other questions are firstly whether the upgrading construct is too narrow to answer the question of who the winners and losers are in the globalisation process that the value chain perspective claims to address (Bair, 2005). The GVC and the GCC focus on firm level upgrading but firms have often considerable difficulty upgrading. There is also extant literature on how upgrading takes place in the chains literature. A second question concerns the level at which commodity chains impact development processes (Bair, 2009). For example, should the focus be on the level of the firm or cluster or the national, regional or local economy. A third question surrounds who benefits from the outcomes if participation in chains can facilitate development. Do upgrading processes that benefit owners and managers benefit workers? Particular strategies to increase supplier competitiveness in global chains may appear as upgrading on the part of the firm but can in fact be downgrading for the workers.

Following the 2008/9 global economic crisis there has been a profound shift in global demand for finished and intermediate goods from North to South which has positive and negative implications for exporters in developing countries (Kaplinsky and Farooki, 2001 cited in Gereffi, 2014). Today the global economy could be considered to be entering a new phase of organisation or a 'major inflection point' (Fung, 2011 cited in Gereffi, 2014) which could have implications that are dramatic for economic and social up and down grading between countries firms and workers.

Another important point is made by Scott, 2005, Beerepoot, 2005 cited in Andriessse (2011) which is that most literature is concerned with GVCs although many small firms in developing countries are embedded in local value chains where producers have limited specialisation and

differentiation and the links in the value chain are only a few. Vertical and horizontal dimensions of value chains can also coincide in the societal context in short, local value chains as firms may be involved in more than one type of network.

Other authors such as Hospes, Otto and Clancy, Joy (2011) recognise that social inclusion is not necessarily good or wanted by the poor and may contribute to exclusion and that social inclusion is a multidimensional process. The focus of the GPN is still on how inclusion in or exclusion from value chains may affect poverty or inequality, upholds the ideas that value chains are the spaces and chain actors the drivers of change and power relations is confined to formal institutions and therefore neglects informal institutions.

Chapter Conclusion

This chapter has provided an overview of the theoretical literature for this research and has three main sections corresponding to the sub research questions. The first section of the research began with an overview of how development evolved from the early 1800s to the neoliberal era from the 1980's to the 2000's. Then the research considers how development economics emerged initially with an interventionist approach and how this changed with the advent of neoliberalism, the policies associated with the WC, post WC and state development and the process of globalisation from the perspective of its supporters and non-supporters. The research then considers the regional perspective on globalisation that globalisation has been accompanied by distinctive forms of capitalism. This section ends by considering other approaches which support that there has been an embarkation to a new development phase and that economic growth in the 21st century is now being driven by emerging and new industrial economies.

The second section of the research considers the rise of the informal economy associated with globalisation. Informal activity has substantial variation between firms and countries. The characteristics of the firm, the entrepreneur and the environment in which the firm operates are the factors identified which affect firm performance. This section then considers how globalisation has developed and shaped the labour market on gender lines through the introduction of alternative, flexible, forms of employment. Workers can influence production in most countries today through labour relations which are resolved through collective bargaining.

The final section of this chapter has considered the main concepts and terminology of chain research, the shift in analytical focus from GCCs to GVCs and GPN 1 and 2 and how the approaches have developed to include a wider range of actors particularly and also build on one another. The section also considers the expanding role of labour and considers a strategic framework of joining, upgrading and being competitive in GVCs, the effect of the GVC/GPN on

economic development and criticisms of the concept which presumes that upgrading is what firms and workers in developing countries want.

The Global Production Network 2 (GPN2) which is an extension of GPN1 is considered to be a more desirable framework for this research as GPN2 extends the focus of GPN1 on firm actors to include labour and other previously excluded societal groups and avoids neglecting actions from the broader institutional context and therefore the recent tendency in social sciences to assume away complexity in preference for general equilibrium models (Coe, 2015).

Methodology

My fieldwork was carried out in HCMC between the 1st of January and the 15th of April 2016. In total I held meetings/interviews with ten heads of international, national and regional, government and non-governmental organisations and institutions, fourteen enterprise employers and eighteen employees in MSEs in the private domestic sector in the garment industry in Hô Chi Minh City. All of the enterprises were managed by their owners except for one social enterprise which was owned by a charity and had a manager. Interviews were approximately an hour in duration with employers and a half an hour with employees. The interviews with organisations were normally one hour or longer in duration.

Considerable time and effort also went into identifying enterprise employers and workers who were eligible to participate in this research but who were not able to do so due to the time constraint of the research or who did not want to participate (Bryman, 2008). However saturation was reached from the point of view that there were no new concepts emerging from the interviews.

The enterprises in which I carried out interviews can be divided by size classification into four micro and nine small enterprises. Seven, all small, enterprises operated in the formal and six, four micro and two small in the informal economy.

My micro and small enterprise sample is also further divided into the following five main categories which could be considered to be representative of MSEs in the garment industry in Vietnam. The following enterprise divisions are based on the assumption that there is diversity within these enterprise categories.

1. Four micro enterprises (M1-4). These are all classified as family businesses although one of them is not strictly but is classified as such in Vietnam as the business has less than ten workers.
2. Five small enterprises (S5-9) who are independent, Vietnamese owned and managed.
3. One social enterprise (SE10). Friends for Street Children (FFSC) which operates in a small factory which is adjacent to a primary school.
4. Two tailor/shops (T11-12). These two businesses use a mix of daily employees, live in factory/house employees and homeworkers.
5. Two small, Vietnamese, enterprises that are foreign satellites (F13-14) of a company based in Hong Kong which are included in my research for comparative purposes.

In relation to the size of the enterprises by number of employees the small enterprises ranged in size from two enterprises with 10 employees to one with 52 employees but only 30 sewers. All four of the micro enterprises were managed by women. Three of the micro enterprises drew

on other family members to work with them when needed. In two of these enterprises the main worker besides the owner was the owner's husband, but adult children and nieces also worked with them when their work was needed. The other micro enterprise was not a family business and hired local and migrant workers.

This research is qualitative in the first instance because it uses words rather than numbers to collect and analyse data (Bryman, 2008, 22). Other reasons for the research being qualitative are because it emphasises the generation of new theories, takes an interpretivist epistemological position focussing on how individuals interpret their own social world and a constructionist ontological position envisaging social reality as constantly shifting and individually created. The investigation of the underlying context and the beliefs, values and behaviour of people in their natural environment generated rich data for this research on the dynamic of MSEs in the garment industry in Vietnam. The process of theory building occurred through 'recursive recycling' (Eisenhardt K. and Graebner M., 2007, 25) between emerging theory, case data and existing literature. Ethical concerns are included in every aspect of the research design and are therefore not identified as a separate component (Maxwell, J.A., 2009).

Qualitative research is supplemented with quantitative research to reveal unexpected relationships, check the interpretation of qualitative data and strengthen confidence in conclusions (Eisenhardt K. and Graebner M., 2007). A triangulation method towards data collection is used to capture variation in context in the perceptions of respondents by holding interviews with employers, workers and institutions. The discovery process was an abductive one which combined both deductive and inductive steps to develop existing theories of development, neo-liberalism and globalisation and of the informal economy. Conceptual leaping was therefore used as a process informed by existing ideas and on-going observation. Qualitative research is supplemented with quantitative research to reveal unexpected relationships, check the interpretation of qualitative data and strengthen confidence in conclusions.

The research used primary and secondary research. The primary research method used was semi structured interviews with the usual flexible format for this approach. Other qualitative approaches such as ethnography/participant observation, language based approaches such as analysing discourse and conversation and collecting and analysing texts and documents qualitatively and quantitatively in some incidences were also used to an extent to analyse data. Semi structured interview questions were formulated to help me answer the research questions and act as a guide. A different approach was taken and appropriate questions asked for the three different interview groups mentioned above. However, questions were allowed to deviate from the guidelines when I wanted to pursue a particular line of enquiry and the interviewee was

given flexibility on how to reply. In this way I built on earlier interviews to improve and broaden my questions and interview technique.

Preparations

Prior to my departure on fieldwork early in 2016 I carried out some purposive sampling of organisations that were relevant to my research. Contact was made with the following relevant State, multilateral and bilateral development organisations:

- **The School of Vietnamese and South East Asian Studies (CVSEAS)**, University of Vietnam to assist me in make contact with organisations, enterprise employers and employees to interview, research resources and with interpretation.
- **Better Work Vietnam**¹¹, is part of a global organisation that creates partnerships between workers and business in the garment industry. It is the product of the International Labour Organisation (ILO) which has expertise in social dialogue, the application of labour laws and labour standards and the International Finance Corporation (IFC) which is the largest global development institution focussed on the private sector.
- **The International Organisation for Migration (IOM)**¹², IOM was waiting for clearance from local authorities at the time of my field research to commence a study on the situation of workers in the Vietnamese garment industry.
- **The Vietnamese Textile and Apparel Association (VITAS)**, is a business association representing the interests of management in the textile and garment industry and is already outlined in the garment section of this paper.
- **The Catholic Church**, I made contact with a priest, Fr. John Ty, who lectures seminarians on migrant mainly pastoral issues in HCMC through a relative who is a nun who had twenty years of experience of teaching English in China, the Philippines and Vietnam.

I had favourable responses from a number of these organisations who said that they would meet me to discuss garment industry policy and/or to help me set up contacts with MSEs in the garment industry. These initial research contacts snowballed as I expected which enabled me to establish contact with other organisations.

Other organisations that I contacted regarding my research prior to departure for Vietnam in 2016 provided me with contacts where they did not themselves have projects in the garment industry in Vietnam. For example, the delegation of the EU to Vietnam provided me with a

¹¹ http://betterwork.org/global/?page_id=326

¹² <http://www.iom.int.vn/>

contact in VITAS mentioned above and Irish Aid in the same way with Better Work Vietnam who they fund.

I had studied the Vietnamese language for twenty four months prior to departure. I studied it at first year B.A. level in SOAS and took the exam for this level which I was successful in May 2015. I expected to be able to set up and conduct some interviews myself and to read secondary research sources in Vietnamese. I also had potentially recruited an interpreter through the Vietnamese language department at SOAS although subsequently relied on the Centre for Vietnamese and South East Asian Studies (CVSEAs) to assist me with language.

Research Proceedings

I arrived in HCMC on a very quiet New Year's evening on the 1st of January 2016 and departed on the 15th of April 2015 which provided me with a three and a half month time-period to carry out my primary research. Previous to arriving there I had arranged meetings with the organisations that I had contacted who had said that they would assist me to make contact with MSEs in the garment industry in Vietnam. All interviews are transcribed in the appendices of this research.

My first meeting and an invaluable contact and resource during my time in HCMC was with CVSEAS. I initially met with the acting head of the school, Professor Pham, the research assistant, Thien Nguyen and the administrative assistant, Mai Ly Dau. The main outcome of this meeting was that the centre agreed to assist me in making contact with government officials, other organisations and the target group of my research and to provide interpretation either through their staff or other student interpreters who I paid a small fee. The research assistant had also already set up the first meeting with an employer who was a friend of his who owned a small seam sealing factory.

Both of the next two organisations that I met, IOM and CRCD said that they needed clearance from the local authorities in HCMC to carry out interviews with enterprises or for me to do this through contacts made through them. This however was not necessary for me being a student and for the size enterprises that I was approaching and was never raised by any of the official Vietnamese organisations or the enterprises that I had interviews with. My contact with IOM¹³ also 'snowballed' as they introduced me to a French organisation 'Institut Européen de Coopération et de développement' (IECD) who provided support and training to small, mostly micro enterprises. IECD then provided me with the contact details of four enterprises who I contacted through CVSEAS and who all agreed to be interviewed. My initial contact in the

¹³ IOM have a pilot project which was still at the time of me leaving Vietnam waiting for clearance from the local authority to start. The project will be of a twelve to eighteen month duration and is focussed on raising ethical standards and capacity building in large firms in the electronics and garment, not necessarily exclusively, industries.

Catholic Church. Fr. John Ty, provided me with contacts in two other Catholic parishes in HCMC where there were significant numbers of garment enterprises operating. One of these, the parish of Xuân Hiệp, assisted in getting me a couple of interviews.

Most other interviews were arranged through friends and contacts of the research assistant in CVSEAs and a student interpreter whose father was a tailor. An exception to this was one enterprise contact made by a chance calling in when passing by to interview another enterprise and another made through VITAS. I made contact with the Women's Union through one of the micro enterprises interviewed, initially at sub ward level and then through this contact with the President of the WU at ward 15, District 8.

Interviews with Bui Thi Ninh, Deputy Director, Bureau for Employer's Activities (BEA), Vietnam Chamber of Commerce and Industry (VCCI), and Duong Thien, Head of HCMC Textile and Garment sector, Vietnamese General Confederation of Labour (VGCL) were set up through CVSEAs. CVSEAs also tried to set up an interview with the Department of Labour, Invalids and Social Affairs (DOLISA) when I was in Vietnam and since then with the research assistant.

Secondary research

Secondary research will be approached from the premise that industrial development cannot be considered singularly but must pay attention to the development of the core, semi peripheral and peripheral regions (Chang, 2015).

Deviations

Deviations from original plans were that many enterprise interviews were arranged by CVSEAs through friends and contacts of the research assistant and a student interpreter. The two enterprises that agreed to be interviewed through VITAS in one case and through the catholic church in the other also demonstrate that there could be an opportunity to increase the sample of this research given more time to develop contacts with these and other organisations. Many organisations that I contacted such as, IOM, BWV and Lifestart, only worked with larger garment enterprises and so fell outside of my research frame. This extends previous research claims that government organisations favour working with larger enterprises to multi-lateral and other institutions. This point will be elaborated on in the research findings and discussion section of this thesis.

Other deviations from the planned research method were that I had an interpreter for all interviews and did not record the interviews but took notes which I wrote up after the interviews. Focus groups were also not held. I tried to set up focus groups but was not successful as I could not bring the enterprise owners in my time scale together for a meeting.

Limitations of the research

Limitations of the research could be attributed to the small research sample. However, small samples are considered to be sufficient in providing complete and accurate information within a particular cultural context if the participants have a certain level of expertise about the domain of inquiry (Romney, Batchelder, and Weller, 1986 cf Guest, G., Bunce, A. and Johnson, L., 2006).

Another limitation is that all workers, except for one, were interviewed on the factory premises following interviews with the employers who selected them for interview, except again in the case of one employer. Observation was therefore relied upon to review some worker practices.

Three and a half months was also a very short span to carry out this research. I could have held more interviews and focus groups through the contacts that I made given more time.

Chapter 3 East and Southeast Asia

This section will first, describe the historical development of East and South East with a particular view of the influence that labour had on this development in the countries of Japan, Taiwan and Korea. Then, how the region initially developed and changes to development in the neo-liberal globalisation age. Finally changes in the development of the region in the twenty first century will be considered. The purpose of this section is to enlighten the reader on how these countries developed and how neo-liberalism affected this development and the development of other countries and industries in the region. This will provide a point of reference with which to consider how these processes impacted Vietnam and whether similar processes have taken place in Vietnam and contribute to answering my first research question 'How does neo-liberalism operate at the level of MSE employers and workers in the garment industry in Vietnam'?

History

This research considers that Industrial development cannot be considered singularly but must pay attention to the development of the region into core, semi peripheral and peripheral regions (Cumings, 1987, Chang, 2015). An understanding of the East Asian region's economic development should therefore begin by understanding the system that positions each country in relation to the others and the region with the rest of the world (Cumings, 1987). This is in contrast to disaggregation. Conventional neo-classical economists contribute growth to the specific attributes of each county such as differing capital endowments, human capital resources or comparative labour advantages. Modernisation theories have a mixture of explanations for East Asian development ranging from Confucian discipline to their 'passion' for education, US advice and aid, the product cycle and the diffusion of technology for development in East Asia. Analysis for this section of the research will focus on the countries of Japan, Korea and Taiwan due to the influence of these countries on development in Vietnam and the different classification of the other two countries as 'city states'. Cumings, (1987, 44) ascertains that East Asia is at the centre of world dynamism. In 1980 Japan became number two, second only to the US, in the world in terms of GNP figures¹⁴. This achievement was complemented by Korea, Taiwan, Singapore and Hong Kong¹⁵.

This research takes another perspective of Cumings (1987) who considers that it is ahistorical to believe that the so called Asian 'miracle' happened since the 1960's and instead is of the view that Japan, Korea and Taiwan have in the last century moved through a classic product cycle

¹⁴ In 2016, Japan was number four in the world according to IMF GDP estimates, following the US in first place, the EU and China [https://en.wikipedia.org/wiki/List_of_countries_by_GDP_\(nominal\)](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal))

¹⁵ In 2014, Wikipedia HDI figures which include life expectancy, per capita indicators and education levels also changed these rankings to number 8 for the US, 20 for Japan, 17 for South Korea, 25 for Taiwan and 90 for China.

industrialisation pattern with Korea and Taiwan following in the wake of Japan. Industrialisation in Japan has followed three phases. In the 1880's this began with textile production, in the 1930's it changed to the second heavy industrial phase of chemicals, steel, armaments and automobile production and in the late 1980's to the third 'knowledge' intensive phase which focussed on high technology industry. In Japan this has been accompanied by a typical product cycle industrialisation pattern of strong state protection of infant industries, foreign technology adoption, comparative advantage in cheap labour and 'lateness' in world time .

The Japanese industrialised, unlike other colonial countries, through colonising neighbouring countries making a tight integration of the colony near the metropole. This facilitated migrant settling within the colonies and made a fast market exchange time possible. Japan used strong military and police forms of control and strong state authority. However it was in the 1930s that Japanese late development in a 'predatory world' was extensively shaped. According to Chalmers Johnson (cited in Cumings, 1987) this period was marked by the setting up of the following features: national planning and industrial strategies, the structural features of the Ministry of International Trade and Industry (MITI) and the role of the state and credit institutions which define the Japanese model. Japan also located heavy industry such as chemicals, steel and hydro-electric facilities in the country's colonies.

According to Cumings by the 1960s Taiwan and Korea had developed strong states that were similar to the Japanese pre-war model and were therefore penetrating, highly articulate, comprehensive and autonomous of societal groups and classes. The Republic of Korea (ROK) and Taiwan were able to obtain credit for their new technology from the Japanese. In the early 1970's Korea and Taiwan were both in transition from peripheral to semi-peripheral status. Vietnam was a periphery for both and they sent construction teams and industrial personnel there. The family structure in Japan, Taiwan and Korea formed the basis for the industrial structure which the state held together. Big firms have paternalistic tendencies towards labour which is treated badly in both countries. In the opinion of Cumings, similarly to Japan, labour was excluded from the industrialisation process in Taiwan and Korea, although both countries pursued their comparative advantage in skilled and well educated but low paid labour, women were exploited and spending on social welfare was low.

However I would support the alternative view of Chang (2013) which is that the states in Asia were formed through a historical process which included labour. Early capital relations in Korea and Taiwan were shaped by a well-functioning authoritarian state, a cold war ideology, a working class that was politically decomposed allowing workplace relations to be one-sided and a traditional landed class with weakening power. Furthermore, in the 1950s capital was not yet established as socially dominant. The state had an important role in kick starting capitalist

development in the two countries. State led capitalist development began in Korea and Taiwan when Japan 'implanted' colonial states in the two countries. Early capital relations during Japanese colonialization took place in Korea and Taiwan not only by separating peasants from the means of production and subsistence and replacing traditional landownership with private property rights but by commodifying popular consumption and labour.

Chang (2015) contends that in South East Asia capital had to concede to the coordination of the state in exchange for state control of collective labour. State society relations were therefore effectively reduced to state-capital relations which were further reduced to state business relations. It was this that caused the political formation of capital-labour relations. The characteristics and strengths and the illusion of the autonomy of the South East Asian states 'are a consequence of the suppression of workers and social movements' (Chang, 2015, 95). O'Donnell (1988 cited in Chang, 2015) has a more sophisticated analysis for the role of the capitalist state in economic development which is that the state is not a guarantor only of the interests of the ruling elites but of the 'ensemble of social relations' that establishes them as the dominant class. East Asian states from this perspective can be termed 'bureaucratic authoritarian' as they strive to maintain an international order in which the dominance of local elites is reproduced over society by excluding other popular movements.

The point made by Deyo (1989) that the consequences of labour challenges to the practices and policies of governments and industrialists in Asia varied across countries, time scales and sectors is important for this research as it demonstrates the factors that are involved and the likelihood of the success of labour movements in Export Oriented Industrialisation (EOI) particularly in the garment industry in the Asian region. Since EOI expansion in the 1950s in Hong Kong and in the 1960's in other Asian countries labour has been less able to mobilise large numbers in collective protest. There has also been a tendency for offensive, such as, demanding higher wages, issues to have declined in East Asia, South Korea, Taiwan and Hong Kong.

Organisational differences between sectors are apparent in Hong Kong and other SEA countries such as South Korea which demonstrate that workers in manufacturing organisations are less organised than other sectors (Deyo, 1989). Weak union representation however is not just related to recent export expansion. In South Korea up until at least the 1980's a number of disputes by workers in largely capital intensive, male dominated, heavy industries such as in mining, machinery, steel and ship building, were relatively successful in raising strong opposition to the state and their employers. However, disputes by other workers in labour intensive, light export industries were less successful. Protests among EOI workers were poorly organised, mainly defensive in nature, normally in the form of individual differences, high staff turnover,

absenteeism rates and spontaneous work stoppages (Lim 1986, 22 cited in Deyo, 77) making them ineffective and open to repression by employers and the police.

East Asian Development Policy (EADP)

Charles Harvie and Hyun-Hoon Lee (2002) consider the past and the present of EADP. East Asia achieved a remarkable record of high and sustained growth up until the financial crisis of 1997 which was referred to by observers which included the World Bank as 'the East Asian miracle'. Harvie and Lee devise a framework to explain the main elements of East Asian economic growth which focusses on initial conditions, the external environment, policy factors and interim and final outcomes. According to Harvie and Lee the changed circumstances of these conditions demonstrates how these and other lesser developed East or South East Asian countries such as Vietnam have to change their development strategies. I will now elaborate on some of these factors before considering the points of view of other authors.

Firstly, in relation to initial conditions most countries in East Asia started from an initial situation of backwardness characterised by low national income levels and per capita income. The strategies of development of most of the East Asian countries was to achieve growth by rapid 'catch up' (Harvie et al., 127). The sound work ethic and the high level of education of the Asian people were also considered to be assets which made the region attractive for foreign investors. Secondly, Harvie and Lee (2002) consider the external environment. According to them the East Asian countries developed in favourable international conditions as the free trade approach of the US assisted the export led industrialisation of these countries. Like flocks of geese which flew in a 'V' formation the East Asian countries followed the export oriented model of development of Japan. Japan developed globally competitive high technology products that it exported successfully. Thirdly, East Asian countries operated within a market that was based on competition which made them effective. Finally interim outcomes contributed to rapid industrialisation and economic growth and improved social indicators in terms of income equality, life expectancy and fertility rates.

According to Harvie et al. 2002 advocates of, the market considered that the success of East Asian development policies was due to market policies, the state, state policies, trade economists outward vision and labour high levels of education whereas in their opinion a mix of policies contributed to the success. Chang (2015) however considers that from the point of view of unequal capitalist relations the developmental state does not present an alternative to neo-liberalism.

Wang Feng (2011) considers how in the last half century economic growth in Asia, particularly East Asia, has altered the world's economic and political landscapes as this region has grown into the economic powerhouse of the world. In 1955 over one quarter of the world's population lived in China, Japan, South Korea, and Taiwan but these countries generated only 9 percent of the world's gross domestic product (GDP). In 2005 the population had fallen to 23.24 percent while its share of the global economy had grown to 25 percent. These East Asian economies grew from being among the poorest to being among the richest in the world. Furthermore, in the 1960s and 1970s through to the mid-1980s growth in the three East Asian economies, Japan, South Korea, and Taiwan, had a particular identity, that of 'growth with equity'. In the opinion of Wang Feng (2011) economic growth not only increased total GDP in these countries but benefitted most of the population through raising income levels and standards of living. Furthermore, this pattern of economic growth helped to avoid social unrest and develop or consolidate democratic governments these economies.

According to Wang Feng (2011) the East Asian region has a cultural tradition of collectivism in which the sharing of material benefits is honoured. This tradition subjugates individual needs and interests to those of the collective, family and state, and is based on guaranteeing a minimum wellbeing of all of the members of the collective. Early in the fifty year transformation period companies in Japan, Taiwan and South Korea provided benefits as well as wages such as child and health care and company housing.

Neo liberalism in East and South East Asia (SEA)

According to Chang (2005) and Wang Feng (2011) developing countries in East and South East Asia (SEA) have since the 1980's been gradually integrated into neoliberal globalisation abandoning development strategies that were protectionist and import substituting. Developing countries liberalised the regulation of their capital flow as they were pressurised by developed countries to open their financial markets and due to their desire for fast capitalist development which increased pressure on their balance of payments (Chang, 2005).

I would take the perspective of Chang (2005) and others that there was some remarkable development in the ten years following the shift towards liberalisation and Export Oriented Industrialisation (EOI) in East and South East Asia (SEA). Export manufacturing became the 'backbone' of development and there was a significant expansion of domestic capital in SEA. A large percentage of the population was integrated into capitalist social relations facilitated by massive rural to urban migration to supply very cheap labour to TNCs and local capital. Asian developing countries such as Indonesia, Thailand, Malaysia and then China and other Least Developed Countries (LDCs) such as Cambodia relied during this time on FDI as their main

financial source. From 1980 to 2001 FDI in Asian developing countries rose from US\$396 million to US\$102 billion. In terms of investment flow FDI increased from 0.7 percent in 1980 to 24.1 percent of total global FDI in 1996. Furthermore, remarkable growth was not due to external conditions but to 'native dynamics' (Chang, 2015, 2) in the form of intra-regional trade and FDI which came from the region.

The same author (2005) contends that recipient FDI countries relaxed labour standards to attract FDI in order to instil 'investor's confidence' (95). The unity between liberalised capital and deregulated labour in developed countries in the first instance and the South in the second led to industrialisation developing and integrating these developing countries into global commodity or value chains. This value chain had production processes with high value added based in the capital exporting countries such as in high technology, core components and R&D and low value added, labour intensive, processes in the capital importing countries based on assembly and final processing in developing countries. From the 1980's large numbers of workers had no legal and union protection due to the 'anti-labour' nature of this development. This was apparent in Economic Processing Zones (EPZ's) where TNCs were able to ignore labour rights as corporations could move to other EPZs which proved to be the greatest barrier to organising labour.

However from the mid-1980's conditions for labour intensive, export oriented, industries such as garments became less favourable in Taiwan and Korea. Internally both countries experienced a rise in organised labour movements. Externally growing protection measures taken by the US led to slower export growth and there was growing pressure to liberalise financial and commodity markets. These measures precipitated the relocation of capital. Following the lead of Japan the first generation Newly Industrialised Countries began to move manufacturing industry into SEA initially and then to China. Foreign investment from Asia, a significant proportion which remained in Asia, grew from US\$11.4 billion in 1990 to US\$52.1 billion in 1996. Firms of Asian origin in labour intensive industries mediated between Western commercial capital and workers in SEA in order take advantage of the region's cheap labour. This led to a 'race to the bottom' of wages and labour standards as countries and firms competed for foreign capital.

From the late 1980's to the mid 1990's this liberalisation and suppressive labour market model seemed to be effective from the point of view of capital accumulation. However, the Asian economic crisis showed that this model could not resolve contradictions inherent in the capitalist development model. FDI development in Thailand, Indonesia and Malaysia drove export oriented industrialisation leading by necessity to the importation of key parts and was used to offset foreign currency shortages. Workers were denied rights and decent wages and

the working class had a low living standard. High competition for FDI led to risky investments in money and equity markets the collapse of which led in 1998 to economic crisis.

The state and capital have however accelerated neo-liberal policy implementation since then despite the fact that the Asian crisis highlighted its inherent limits. The International Monetary Fund (IMF) and other programmes bailed indebted countries out in exchange for the implementation of Structural Adjustment Programmes (SAPs) in Korea, Thailand and Indonesia. Stabilisation policies had a disastrous impact on these economies especially those following IMF policies strictly. Liberalisation measures were continued, capital flow was liberalised which allowed foreign capital complete ownership of domestic firms and relaxed regulations for foreign banking operations and State Owned Enterprise (SOE) protection was relaxed.

According to Chang (2005, 257) the result of these neoliberal reforms has been for the social relations between capital and labour to be restructured in these countries. Firstly, structural adjustment led to millions of people with no safety net being forced out of the labour market, secondly, neoliberal reforms made labour insecure with no institutional rights or developed social safety nets. Thirdly, the unemployed were not reintegrated into the labour market by creating new jobs with labour rights and formal contracts but were reintegrated through the informalisation of labour in the region and the introduction of diverse forms of informal employment. The implications for the region is that labour is common to factory workers in industry and to all Asian people and can be characterised as becoming commonly informal so that capital has no longer to rely on protected, regular and formal jobs to accumulate (Chang, 2009). By the mid-1980s East Asia's growth with equity model had ended. Sustained increases in income inequality began to emerge in nearly every country in the region (Wang Feng, 2011).

'Capital rapidly absorbs human lives' in developing and underdeveloped Asia often integrating its population into the global market through force (Chang, 2009, 164). Profit maximisation is the main priority and measures for the protection of workers from accidents and occupational disease a low priority in almost all Asian countries (Pandita and Shepherd, 2005, cited in Chang, 2009, 164). Hazardous products and industries can go where the price is lowest and individual attempts to improve working conditions often fail due to the perceived or actual threat of production relocation. Furthermore, labour can be characterised as becoming commonly informal so that capital has no longer to rely on protected, regular and formal jobs to accumulate.

New East and South East Asian Development Policy

The crisis of 1997/1998 made policymakers, journalists and academics evaluate the EADM and to consider a different economic growth model for East and South East Asia (Charles Harvie and Hyun-Hoon Lee, 2002). Initial conditions changed and many East and South East Asian countries were described as maturing. The global economic environment continued to change rapidly. The economies of Asia became susceptible to the opening of their domestic markets to trade and investment due to the conclusion of the Uruguay round and establishment of the WTO. Within East Asia another wave of rapidly developing countries, which included Vietnam, began to develop which intensified competition in regional and global markets further. The accession of China particularly to the WTO was considered to be a major threat to other economies in the region who specialise in labour intensive, export oriented products in products that are low in value added.

The current growth paths of Newly Industrialising Countries (NICs) are reflected in the Commission on Growth and Development (2010) (Pieterse, 2012). According to this report drivers of growth are private sector investment, entrepreneurial activity and innovation in response to market incentives. The same author considers that the challenge for new commodity exporting countries is to industrialise and for newly industrialised countries to upgrade through innovation. Although in my opinion Vietnam falls between these categories. An issue that Harvie et al. (2002) consider should receive more policy emphasis is SME development which according to them can potentially expand growth, exports, employment, reduce poverty, empower disadvantaged groups and contribute to regional development.

Another important factor outlined by Harvie et al. is that new EADM growth incorporates a new regionalism in the wake of the 1997-98 crisis. East and South East Asian countries have been expanding intra-regional trade including the establishment of bilateral trade agreements and regional trade agreements such as the Association of Southeast Asian Nations (ASEAN) plus the three East Asian nations of China, Japan and South Korea¹⁶.

However the most important point is made by Pieterse (2012) who considers that converting gains from exports into human capital is a challenge. Furthermore a large role is placed with the public sector in pacing and sequencing development so job destruction is balanced by job creation ensuring that growth is sustainable and inclusive. Wang Feng (2011) supports this perspective by pointing out that rising inequality is a major factor in almost all East Asian

¹⁶ https://en.wikipedia.org/wiki/ASEAN_Free_Trade_Area#ASEAN_Plus_Three

societies. Growth with equity will continue to be pursued within the region but will not be easily achieved.

Central to industrial transformation in the Asia Pacific region, particularly East Asia, has been rapid urbanisation which has featured intensive public and private investments in the housing sector (Ronald and Chiu, 2010). Many Asian economies have moved past an era of fast economic growth and are negotiating a new position between low wage competitors from poorer countries and high skilled worker economies in richer countries. However, social, economic and political conditions transformed the landscape of housing policy and undermined the efficiency of policy practices in housing which has become a central concern. Policy approaches have engaged with making housing more affordable although stakeholders in the private sector continue to be preferred.

Another viewpoint expressed by Cumings (1987) in relation to Taiwan and Korea's dependency on the US is significant for Vietnam and the garment industry in particular as if the industry is dependent on trade with the US or other developed countries it remains vulnerable to trade patterns and shocks. This viewpoint emphasises that although dependency on the US for both countries has appeared to have declined it has only changed. Indirect dependency on the US remains as both countries are captive to the grain market of the US and US multi-nationals also ship and refine their oil. Chang (2015, 6/7) supports this contention as he claims that most final products end up in the US and EU with Asian countries 'continued dependence on foreign capital, technology and components from abroad without developing linkage with local suppliers'.

Section summary

This section considers how the crisis of 1997/1998 made policymakers, journalists and academics evaluate the EADM and to consider a different economic growth model for East and South East Asia. Many East and South East Asian countries came to be described as maturing, the global economic environment continued to change rapidly and domestic markets were opened. The Commission on Growth and Development considers that drivers of growth are private sector investment, entrepreneurial activity and innovation in response to market incentives. SME development falls under this category. Growth with equity is considered to be a priority overall. The section finally considers how social, economic and political conditions have transformed the landscape of housing policy and undermined the efficiency of policy practices.

Chapter conclusion

This chapter has described how globalisation developed in East and South East Asia initially in Japan, Taiwan and Korea with a particular focus on the influence that labour had on the capitalist process. This is to inform the reader how development in these countries affected other countries in the region and whether similar processes took place in Vietnam.

Then the chapter considers the remarkable growth achieved in East Asia up until the financial crisis which is often termed the 'East Asian miracle' using the framework of initial conditions, the external environment, policy factors and interim and final outcomes. This section also considers how growth initially was combined with equity which was supported by the cultural tradition of collectivism in the region in which the sharing of material benefits was honoured.

This chapter then considers how developing countries in East and South East Asia (SEA) have since the 1980's been gradually integrated into neoliberal globalisation abandoning development strategies that were protectionist and import substituting. Since the mid-1980s conditions for labour intensive, export oriented, industries, such as, garments became less favourable in Taiwan and Korea as internally both countries experienced a rise in organised labour movements. This led to the relocation of production to SEA countries such as Vietnam.

This chapter finally considers how the crisis of 1997/1998 made policymakers, journalists and academics evaluate the EADM and consider a different economic growth model for East and South East Asia. Many East and South East Asian countries came to be described as maturing, the global economic environment continued to change rapidly and domestic markets were opened. The Commission on Growth and Development considers that drivers of growth are private sector investment, entrepreneurial activity and innovation in response to market incentives. MSE/SME development falls under all three categories. Growth with equity is considered to be a priority overall.

The section also considers that changes in the housing sector are central to industrial transformation in the Asia Pacific region, particularly East Asia. This is because a consideration of my third research question is the wider benefits of Micro and Small enterprises linking to garment Global Production Networks. Social, economic and political conditions transformed the landscape of housing policy and undermined the efficiency of policy practices in housing which has become a central concern. Policy approaches have engaged with making housing more affordable although stakeholders in the private sector continue to be preferred.

Chapter 4 Vietnam Background

This begins by outlining the transition process and by presenting aspects of Vietnamese geography, history and culture before Doi Moi; the division of the country following the defeat of the French in 1954, the pursuance of the socialist model in North Vietnam and the reunification of the country in 1974.

The chapter will then elaborate on how the stagnation of the socialist model led to the introduction of 'Doi Moi' reform policy in 1986 and outline the changes that followed. This includes providing an overview of and analysing the main aspects of Private Sector Development (PSD), the resources and constraints of MSEs/SMEs, finance, technology, market information and deficiencies in human capital. The chapter will finally focus on labour and the informal economy in Vietnam and consider changes in the structure of the Vietnamese economy following membership of the WTO and global/financial crisis in 2007/2008.

Transitional process

Fforde (1996) contends that a transitional economy, such as Vietnam, diverges from distinct, neoliberal, capitalist, globalisation and can be considered to be neither a market economy nor dependent on macroeconomic stabilisation. The nature of transition implies that a 'hybrid' between old and new which contains mechanisms to reduce plan distortion can exist until general market-oriented resource allocation takes place. There are a number of ways the particular process adopted to create capital and accumulation processes will influence the nature of the resultant market economy. Fforde priorities the following processes: the emergence and development of capital or resources directly controlled by economic agents and used for profit oriented activities, the 'evolving consciousness' (38) of the people and concrete indicators such as factor mobility and structural change.

Fforde (39) breaks down a general transition process into four stages which can be applied to Vietnam as follows;

- The pre stage up until 1979, the impact of Chinese and western aid cuts and other factors led to the breakdown of the DRV model,
- Fence breaking, defined as the 'accelerated expansion of autonomous transactions', until early 1981,
- Formal transition until 1989,
- Post stage with the emergence of factor markets due to interest rate reforms, banking improvements, a rise in savings and the fast growth of the 'free market' in jobs.

Pre Doi Moi

This section will provide an overview of Vietnam's geography, history and culture in order to provide insight into its organisation and institutions (Lan Nguyen, 2009).

Vietnam has a history of resistance to invasion especially from China¹⁷ and was colonised by France from 1862 to 1954 and at war with the US from the 1960's to 1974 (Fforde and de Vylder, 1996). The family, village and the rural commune¹⁸ are also very important as are the state which held the system together and had important welfare functions (Lan Nguyen, 2009).

In 1954 the French were defeated in the War of Independence and the country was divided in two (Fforde A. and Vylder S., 1996, 56, Nguyen L., 2009, 75) with the competing ideologies that marked the post war period (Alpert, 2005, 5). The Democratic Republic of Vietnam (DRV) in the North began a reconstruction plan led by the Vietnamese Worker's party (Fforde A. and Vylder S., 1996, 56). The development model that the North followed was the neo-Stalinist 'central planned' model used in the Soviet Union, some eastern European countries and China (Nguyen L., 2009, 75, Fforde A. and Vylder S., 1996., 57).

Social order was constructed around 'the new social classes: a collectivised peasantry, and the growing 'industrial working class' (Fforde A. and Vylder S., 1996, 57). The peasantry were to provide food and the materials needed for industry. They were based in cooperatives that were seen as a way of adapting control from the traditional collectives, communes and villages and of fulfilling welfare functions.

According to Arkadie and Mallon (2003) this effectively meant that in Vietnam medium and large-scale industries were nationalised, other non-state enterprises engaged in household industries such as handicrafts were re-organised into cooperatives and agriculture was collectivised although small plots of land for private use were allowed within them. Factories received preferential access to inputs, were obliged to produce with no regard to costs and received heavy subsidies from the State.

In the South of Vietnam the focus of industrial policies after 1954 was light industry and agriculture. Land reform and redistribution programmes were also undertaken pre and post partition (Ravallion M. and Van de Walle D., 2008, 2). However, in the DRV and South Vietnam economic growth in the 1960's was reliant on the external financing of consumption goods (Van Arkadie and Mallon, 2003, 56).

¹⁷ China ruled Vietnam for approximately one thousand years from 111 BC to 939 AD and for the twenty years between 1407 and 1427 (Nguyen L., 2009, 42).

¹⁸ which contained the village and provided the basic social framework of the population (Scott 1976 cited in Fforde and Vylder S. 1996, 49)

Vietnam's reform process since Doi Moi has been characterised by political continuity and has been gradual. A significant change in the political institutions set up by the Democratic Republic of Vietnam (DRV) Government was the decentralisation of Government institutions in the 1960's (Fforde A. and Vylde S., 1996, 54). In the late 1960's the Communist party began a process of regional development in the provinces in order to implement the decentralisation of production (Luong and Fforde, 1996, 6)¹⁹. Banking and Central level Government administrative functions such as planning, education, industry and agriculture were therefore decentralised.

In 1975 Vietnam was unified and the Republic of Vietnam (RVN) surrendered unconditionally to the DRV government in the North of the country²⁰ (Thayer, 1976). The dependence of the DRV Government on external finance to cover fiscal and trade benefits and a lack of incentives for agriculture and industry meant that there were already problems in the implementation of the DRV system and shortages were common (Jamieson, 1993, Arkadie and Mallon, 2003, 41, Fforde A. and Vylde S., 1996, 64, Kerkivlet, 1975). Furthermore, the result of war was the clear separation of North and South Vietnam on political, social and economic terms (Alpert, 2005).

Doi Moi

By the late 1970s, Vietnam faced a

“major economic crisis, with acute shortages of food, basic consumer goods, and inputs to agriculture and industry and a growing external debt” (Asian Development Bank 1989:6 cited in Arkadie and Mallon, 2003, 47)

This economic deterioration led to the introduction of government reforms from 1979 to 1982 to improve production incentives (Van Arkadie and Mallon, 2003). The system of ‘full allocation and full delivery’, (59) was relaxed. By 1980 some market activities operating production and trade outside official channels in primarily the household handicraft and agriculture sectors had emerged. By 1981, enterprises were allowed to operate outside the plan after state targets were met (Fforde S. De Vylde S. 1996, Van Arkadie B., Mallon R., 2003).

In the early 1980's micro reform was initiated due to changes in state factory operations and agricultural cooperative management (Fforde S. De Vylde S. 1996). All output in excess of plan targets was therefore allowed to be freely disposed of by the market. Aid cuts reduced the volume of supplies in state trading monopolies although there was substantial slack in the form of material stocks, under-utilised resources and potential deals with foreign business. Many

¹⁹ Some provinces were amalgamated for administrative purposes (Luong and Fforde, 1996, 7). Each remaining province became ‘a planning level’ in charge of its own long term development plans (Luong and Fforde, 1996, 6).

²⁰ In 1973 there was an agreement on ‘Ending the War and Restoring Peace in Vietnam’ (Thayer, 1976). In 1975 this led to the VWP leading an upsurge in revolutionary violence to force the South of Vietnam to adopt certain aspects of the peace agreement. The result of this was that in a short period of time the RVN were defeated and surrounded unconditionally to the communists.

factories therefore began to look for ways to break through the constraints of DRV planning. Similarly collective agriculture which had already been extended locally by increasing private plots by more than the statutory limit due to the inefficiency of the cooperative management system and the attractiveness of free market prices was extended further. There was also a change in attitude towards small scale industry which was typically 'small and handicraft industry' (195). Small scale industry was redefined from its previous definition of 'non-state' industry to include various types of business; cooperative, individual and private, joint state-private and business owned by the families of cooperative members and employees.

There was rapid growth in the private sector between 1982 and 1985 when real output growths of 12-15 and 8-12 percent were recorded in Ho Chi Minh City (HCMC) and Hanoi respectively. Local state bank branches began to lend to the private sector in response to profit opportunities although they charged higher interest rates than to state enterprises or cooperatives.

Human resource development in the pre-reform period was also an important contributory factor to Vietnam's growth (Arkadie and Mallon, 2003). Substantial investments in health and education resulted in Vietnam having much higher levels of health and literacy than other countries with a similar level of education.

This was the context in which *Doi Moi* reform policy was introduced in 1986 at the sixth party Congress. A transformation from central planning towards a 'socialist market economy under state guidance' (Beresford, 2008, 221) was embarked upon. The main objectives of *Doi Moi* were to develop agriculture, expand the production of consumer goods and to extend foreign investment and trade relations through increasing the role of independent small-scale family farms and private non-farm entrepreneurial activities along with better-managed state enterprises to re-energise the local economy (Van Arkadie B., Mallon R., 2003, Schaumberg-Muller, 2005, Bateman, 2010).

The change towards a market economy had other important effects which according to Fforde (1996) centred on re-distributional functions which changed underlying class relations for the majority of Vietnamese people. The decline in welfare functions that were previously provided by the state led to a deterioration in living standards for some segments of the population. Education had also been provided free under the DRV state but was no longer provided free by 1991.

According to Fforde (1996) early in 1987 substantial concessions were made to private business in Hanoi, HCMC and other geographical areas which had positive economic effects. Other steps included the closing of internal customs posts and introducing policy decrees covering agriculture, the family, private and individual sectors, foreign investment and trade and state industrial management. However, in 1988 the economic crisis was getting worse and the

authorities pushed for faster reform. This was supported by the Soviet Union²¹ who was the main source of foreign assistance at the time.

In the late 80's pressure on Vietnam to change its internal and external economic policies increased sharply (Arnold and Pickles, 2011). The Socialist Republic of Vietnam was linked to the Soviet Union as it was a member of the Council for Economic Assistance (CMEA or COMECON) (Fforde and de Vylder, 1996). The changes in communism with the accession of Gorbachev to General Secretary in 1985 in the Soviet Union changed the country's development strategy towards Vietnam and encouraged the operation of the private sector and free domestic trade in Vietnam. International business activities also became increasingly globalised and production processes vertically integrated affecting FDI's flows, form and pattern (Freeman, N., 2004, 4/5).

Fforde et al. contend that by 1988 official policy had changed to allow: i) equality between the non-state and state sectors and a freedom for the former to expand ii) family business of state and agricultural cooperative employees to use their unit assets to expand production with no tax iii) cooperatives to pay members on the basis of their capital contribution and iv) all business units freedom of interference in their management from local authorities whose responsibilities were confined to levying taxes and enforcing registration.

Economic development

1989-92 marked the 'turning point' in economic growth in Vietnam (Arkadie and Mallon, 2003). This took place despite Vietnam's external assistance falling sharply from the Eastern Bloc and from other sources due to the US embargo.

Van Arkadie B., Mallon R., (2003) consider that initial reform was due to an improvement in macroeconomic stability and price and land reforms and trade liberalisation which had a cumulative effect and produced a strong response in real output. Employment rose and underemployment fell (Haughton and Nguyen, 2001). In 1993 a large proportion of the incomes and expenditure of the population were just below the absolute poverty line, a small increase therefore lifted their incomes and expenditure to just above it. This meant that the poverty reduction was fragile.

Rising economic growth raised labour demand to the point of little excess capacity (Haughton and Haughton, 2001, Arkadie and Mallon, 2003). The most direct link between economic growth

²¹ The Socialist Republic of Vietnam was linked to the Soviet Union as it was a member of the Council for Economic Assistance (CMEA or COMECON) (Fforde, 146). The changes in communism with the accession of Gorbachev to General Secretary in 1985 in the Soviet Union changed its development strategy towards Vietnam and encouraged the operation of the private sector and free domestic trade in Vietnam (ibid, 147).

and poverty reduction is employment (Schaumburg-Müller, 2005, 359). Table 1 shows the rising level of labour participation and the sectoral breakdown of labour between 1990 and 2001. The rise in employment in the non-state sector reflects an increase in private sector development over the same period²² which is compatible with the effects of globalisation as outlined by De Filho (2005) and Standing (1999) in the literature review.

Table 1: Employment in Vietnam by economic sector from 1990 to 2001 (thousand person)

	Total	State	Others
1990	29412.3	3415.6	25996.7
1991	30134.2	3135.7	26998.9
1992	30856.3	2975.2	27881.1
1993	31579.4	2960.4	28619.0
1994	32303.4	2928.3	29375.1
1995	33030.6	3053.1	29977.5
1996	33760.8	3137.7	30623.1
1997	34493.3	3266.9	31226.4
1998	35232.9	3383.0	31849.9
1999	3597.8	3433.2	32542.6
2000	36701.8	3501.0	33200.8
2001	37676.4	3603.5	34072.9

Source: Statistical Publishing House, 2001, 39

Following Doi Moi many obstacles remained for new enterprises, an institutional mechanism to access capital did not exist, there was an inadequate legal framework, registration was difficult and infrastructure and services were lacking.

Three separate laws were introduced to support the reforms and level the playing field for foreign and domestic companies. These were the law on Foreign Investment in 1996, the Law on Enterprises in 1999 and the Law on State Owned Enterprises (SOE) in 2003. These laws were often unclear, cumbersome, impractical and overlapped. The Law on State Owned Enterprises (SOEs) improved SOE efficiency but state enterprises continued to have advantages such as in accessing funds over the private sector (Lim, 2014). The Law on Investment and the Law on Enterprises in 2005 led to a unified legal and regulatory framework covering all businesses.

²² Initial post Doi Moi figures did not incorporate foreign enterprise development.

Many investment restrictions were removed and enterprise management structures were modernised. Article 5 of the Law on Enterprises ensured the equality of all forms of enterprise ownership and economic sectors legally and allowed the management structure of enterprise to be extended to allow the formation of shareholding companies, limited liability companies and partnerships and private enterprises. Many of the restrictions on private enterprises were also removed. However, Schaumburg-Müller (2005, 357) argues that the creation of a 'level playing field' for all businesses was dubious at best as policies were maintained that favoured state enterprises and therefore discouraged foreign investment and private enterprises.

Compatible with the factors associated with neoliberal globalisation as outlined in the literature review the government changed its incentives policies from import substitution to exports following the retreat of some initial investors from Vietnam in the early 1990's (Jandl T., 2013).

The State

Doi Moi reforms were expected to have an effect on the role of the state in Vietnam. Firstly, the State sector was expected to decline in terms of its contribution to economic growth and the private sector to increase (Jandl, T., 2013). Secondly, the number of State Owned Enterprises were expected to be reduced and the remainder reformed (Lim, 2014). The state was also still committed to retaining a leading role in Vietnam's economic development (Shoza, 2013, Arkadie and Mallon, 2003).

Table 2 below shows the structural changes in the Vietnamese economy between 1986 and 2015. The proportion of GDP held by the state sector grew from just over 33 percent in 1986 to 40 percent in 1996²³. There was then a small drop to 38.6 percent in 2001 although it still remained high (Jandl, T., 2013, 73, Arkadie and Mallon, 2003, 123, Schaumburg-Müller, 2005). However a definite fall in the state proportion of GDP and a rise in the foreign and domestic sectors overall is visible from 2011. Table 3 shows that between 1986 and 2015 the contribution of agriculture to the overall economy fell from 38.1% to 17%, industry and construction grew from 28.9% to 33.3% peaking at 38.6% in 2006 and services from 33.1% to 39.8% peaking at 42.7% also in 2006. The fall in the contribution of agriculture and the rise in that of industry and services to GDP is compatible with neo-liberal, capitalist growth although the decline over the last decade in industry and services indicate a stalling of this same growth.

In the latter part of the 1990s the Vietnamese state privatised SOEs through the process of equitisation which involved the transfer of public assets to the private sector (Tran and Norlund, 2015). Joint stock companies were created in the private sector through state managers selling

²³ An explanation provided for this growth by Sakota (2013) is that it was due to the inflow of FDI as foreign investors were not allowed to establish 100 percent foreign enterprises.

their shares to workers and other investors. Smaller and less profitable SOEs were absorbed by larger corporations. By 2005 12,000 SOEs had been reduced to only 4086.

There are contradictions in many studies concerning market socialism in Vietnam (Tran and Norlund, 2015). Some authors such as Schaumberg-Müller (2005) and Lim (2009) consider that state enterprises remained a major force in the Vietnamese economy. The state still controlled significant sectors such as coal, gas, electricity and fertiliser and had a high share in banking and manufacturing (Lim, 2009). According to Beresford (2008 cf Tran and Norlund, 2015) on the one hand, the remaining large SOEs could be hailed a success of the Vietnamese state to resist donor pressure, while on the other the state compromised with neo-liberal financial institutions by failing to inject new capital investment into the remaining large SOEs and by shifting to labour intensive manufacturing with low equipment and labour costs and to foreign and private sector investment. Another contributory factor to the lack of clarity concerning the strength of the state is that the boundaries between the state and non-state sectors became blurred as the enterprises that equitised were enfolded into various subcategories in the domestic private sector such as joint-stock and limited liability companies.

Table 2: Structural changes in the Economy, 1986-2015, GDP at current prices

Year	1986	1991	1996	2001	2006	2011	Pre2015
State	33.1	33.2	40	38.6	36.7	29	28.7
Non-State	66.9	66.8	60	61.4	47.2	43.9	43.2
Foreign	-	-	-	-	16.1	15.1	18.1
Product taxes/subsidies	-	-	-	-	-	11.5*	10*
Total	100	100	100	100	100	100	100
Agriculture	38.1	40.5	27.8	23.2	18.7	19.6	17
Industry/Construction	28.9	23.8	29.7	38.1	38.6	32.2	33.3
Services	33.1	35.7	42.5	38.6	42.7	36.7	39.8

Source: Van Arkadie B. and |Mallon R., 2003, 30, 1986-2001, own additions GSO database
*included twice

Positive and negative sides to state enterprise reform in Vietnam are cited in the literature. On the positive side there is a view that Vietnam's strong economic performance during early transition was made possible by the strong performance of a significant proportion of state enterprise sectors and that in the 1990's a crucial element of growth was that the expansion of state enterprises did not crowd out the growth of the non-state sector. On the negative side state enterprises have 'absorbed a large share of capital, although they have generated less

employment and output than other sectors (Van Arkadie and Mallon, 2003, Lim, 2014) and state mismanagement, inefficiency and corruption are often reported in the domestic press (Van Arkadie and Mallon, 2003). However, the performance of individual state enterprises has also varied some adjusting quickly and others continuing to operate inefficiently, surviving through state protection and subsidies or ceasing operations altogether.

Three differing views on the role of the State in Vietnam which have different outcomes for the private sector are outlined by Kerkvliet, (1995, 398). The first of these is the 'powerful, dominating state' view which states that Vietnam is a 'vast and coordinated party-state which pre-empt alternative and autonomous societal organisations from the national centre down to the grass roots of the village and the workplace' (Womack, 1992:180 cited in Kerkvliet, 1995, 399). Therefore, social forces have no role in the making of policy and its implementation. The second view is a modification of the first and is that social forces can only influence policy through organisations that the state dominates. According to this view social organisations including women, workers and other groups exist and serve as instruments through which the elite has invited and supervised popular participation (Turley, 1993a:269-70 cited in Kerkvliet, 1995, 399). The third view considers that the above interpretations of the state attribute far too much power to the state and too little to society. Inadequacies and insufficient resources reduce state administrative capacity to implement policies and coordinate programmes to much less than that required of a dominating state (Woodside 1979:318-401; Thrift and Forbes 1986:81-83, 101-104). Social processes and groups have remained that are resistant to the control of the state shaping society and the economy as much or more than the state.

Gainsborough (2010, 483) develops this idea and considers it from the developmental state versus neoliberal perspective. Consistent with the distinctiveness of Asian forms of capital²⁴ Vietnam is experiencing an emergent hybrid state form where indigenous thinking and operative modes remain dominant but where neoliberal ideas and practices are having some influence. According to Gainsborough (2010) there have been some changes in relation to the state's involvement in the economy in Vietnam in terms of underlying ideas and practice, for example in the expansion of the private sector but the state has by no means retreated. Post reform has elements of 'continuity and change' (480). Change is reflected in power being more dispersed in terms of not being concentrated in a small elite and continuity in the dominance of elite interests as government and civil appointments are normally made on nepotism not meritocratic grounds and the business sector in Vietnam has been led by State or other actors who have close

²⁴ Witt and Redding (2013, 265) found in an institutional comparison of business systems in thirteen Asian countries that the Varieties of Capitalism dichotomy of a liberal market and a coordinated economy (Hall and Soskice, 2001, 6) or any of the other major Western capitalist frameworks cannot capture the distinctiveness of Asian forms of capitalism.

connections to the State (Cheshier and Penrose, 2007; Gainsborough, 2003; Painter, 2003; UNDP, 2006 cited in Gainsborough, 2010, 482).

Again reflecting continuity the Communist party remains the ruling party, opposition parties are not tolerated and the mass organisation structure still exists although there are a greater number of business and societal interests for decision makers to consider than in the pre-reform period as there has been a proliferation of NGOs and an increasing number of groups and individuals outside this structure (Kerkvliet et al., 2003 cited in Gainsborough, 2010). Reflecting change, the increase in cross-border trade post reform has been marked by new forms of gate-keeping and regulation rather than the retreat of the State (Gainsborough, 2009a cited in Gainsborough, 2010, 482).

According to (Webster, 1999) the Vietnamese government must select and prioritise its policies regularly beginning at the macro and moving towards the micro level. The theory is therefore to focus on areas which have the largest potential impact such as the macro economy or large enterprises.

Foreign Direct Investment (FDI)

According to Arkadie and Mallon (2003, 84) FDI has been an important factor in Vietnam's economic transition. The three main types of FDI in Vietnam are according to Le Thai (2006, 60), Freeman, N. (2002, 4/5): i) the export and exploration of primary and mineral products, mainly oil and gas exploration, ii) the production of vehicles and the exploitation of cheap labour in manufacturing, typically, textiles, garments and electronics and iii) services.

Several authors, Arkadie and Mallon (2003, 204), Le Thai (2006, 60, 146), Pham (2004, 133) and Quan, (2006), ascertain that FDI has had positive and negative effects in Vietnam. From a macroeconomic perspective exports were increased by importing capital goods and materials for production (Le Thai, 2006, 60, 146). There were positive and negative effects on labour as economic growth led to higher employment levels but wage inequality between skilled and unskilled labour increased (Le Thai, 2006, Pham, 2004). FDI also contributed to geographical inequality (Quan, L.T. 2006). This was because regionally there was a focus on Hanoi, Ho Chi Minh city and Dong Nai, provinces (Freeman, 2004), urban rather than rural areas and particular sectors (Pham, 2004).

According to Van Arkadie and Mallon (2003) in the 1980's in Vietnam FDI took place through informal channels in the state enterprise sector. Due to the priorities set by the Vietnamese Government FDI was focussed on the oil and gas sectors until 1995. However there was a change in priorities as the Government's 1990 and 1995 five-year plans sought to accommodate increased levels of output through infrastructural projects. There was therefore a focus on

economic infrastructure, electricity, transport, water provision and telecommunications, and social infrastructure such as health and education programmes. In the second half of the decade there was a change in focus to manufacturing activities of a smaller scale (Le Thai, 2006). Table 3 outlines the change in focus of FDI between 1988 and 2000.

However, FDI growth actually declined or did not increase in the early years of reform due to the fall in Soviet support and the 'US-led trade boycott' (84). Table 4 below shows that the main sources of FDI from 1988 to 1999 were from Japan and the Newly Industrialising Countries (NICs) South Korea, Taiwan, Singapore of East Asia. The condition of regional investors whose main industrial strategy was production and export for the world market was conducive to investment in Vietnam in the boom years between 1990 and 1997 (Arkadie and Mallon, 2003, 213). The Asian regional export powers of Japan and the Newly Industrialising Countries (NICs) South Korea, Taiwan, Singapore were the first to invest in Vietnam as they saw Vietnam as an opportunity to extend the 'flying geese' model, out-sourcing low end to focus on high end production, which they had used in their own economic development (Jandl T., 2013, 75, Arkadie and Mallon, 2003, 213). Significantly, Vietnam was the first country whose main trade and aid partners were not from the West but East Asia (Jandl, 2013).

Table 3: Foreign Direct Investment: disbursement by economic sector, 1988-2000 (US\$ million)

	1988-91	1992	1993	1994	1995	1996	1997	1998	1999	2000
Industry	150	40	239	435	641	1,141	1,326	922	835	910
Oil and Gas	68	62	369	304	353	337	261	375	345	205
Construction	39	6	43	35	113	261	407	198	152	221
Transport and Communication	46	28	23	67	88	82	101	80	106	28
Real Estate and tourism	143	51	106	157	458	421	488	471	340	299
Agriculture, Forestry and Fisheries	54	11	27	30	107	113	234	124	192	208
Other	70	97	62	20	21	95	61	77	71	87
Total	620	295	869	1,048	1,780	2,490	2,878	2,246	2,041	1,959

Source: International Monetary Fund, 1998, Vietnam selected issues and statistical annexes cited in Arkadie and Mallon, 2003

According to Freeman, N. (2002) rising FDI was attributable to the recognition of investors of the potential of a market of over 70 million people with a high level of education and low labour costs and the flows in foreign capital to both emerging economies in Asia and transitional

economies from the Soviet Bloc at that time. However global fluctuations have impacted Vietnam and the Asian crisis in the late 1990's changing the Vietnamese state's industrial strategy from encouraging FDI to private sector development (Norlund, Tran and Nguyen, 2003 cf Tran and Norlund, 2015). Furthermore, the position of Vietnam 'in the global supply chain has exposed firms to low value-added assembly operations and workers to non-liveable wages and retrenchments, substandard working conditions and a vicious cycle of underdevelopment and poverty' (Tran, 2004, 2012 cf Tran and Norlund, 2015, 146).

Table 4: Top 10 countries classified by Foreign Direct Investment Commitments, 1988-1998

Country	US\$ million	Percent
1.Singapore	5,713.1	16.1
2.Taiwan	4,415.9	12.4
3. Hong Kong	3,570.9	10
4. Japan	3,299.1	9.3
5. South Korea	2,973.7	8.4
6. France	1,832.8	5.2
7. British Virgin Islands	1,710.7	4.8
8. Russian Federation	1,498.4	4.2
9. United States	1,189.7	3.3
10. United Kingdom	1,1670.7	3.2

Source: GSO 1999b, pp. 249-50 cited in (Pham, 2004)

A similar pattern can be observed in the pattern of FDI being received in Vietnam primarily from other Asian countries until 2016 in Table 5.

Table 5: Top 10 countries classified by Foreign Direct Investment Commitments to Vietnam from 1988 until 2016

	Number of projects	Total registered capital (Mill. USD) (*)
TOTAL	22,594.0	293,700.4
Korea Rep. Of	5773.0	50,553.5
Japan	3292	42,433.9
Singapore	1,796.0	38,255.4
Taiwan	2,516.0	31,885.5
British Virgin Islands	687.0	20,482.1
Hong Kong SAR (China)	1,168.0	17,003.1
Malaysia	543.0	11,966.5
China, PR	1,562.0	10,527.6
United States	817.0	10,141.7
Thailand	445.0	7,799.7

Source: www.gso.com

According to Abbott and Tarp (2012) serious attention to market oriented trade reforms did not begin until 1989 (Thanh, 2005 cf Abbott and Tarp, 2012). Following the adoption of a unified exchange rate and the relaxing of the state monopoly, foreign trade increased rapidly. There was an agreement with the EU in 1992 followed by Vietnam joining the Association of South East Asian Nations (ASEAN) and beginning negotiations to join the World Trade Organisation (WTO) in 1995. Vietnam in 1998 joined the Asia Pacific Economic Cooperation (APEC) and by 2000 had completed more than 57 bilateral trade and 72 Most-Favoured-Nation (MFN) agreements.

Following the lifting of the US trade embargo in 1994 Vietnam's exports grew but were mainly confined to primary products whose tariff rates were nearly zero whereas tariff rates for manufactured goods were prohibitive. After the BTA in 2001 which led to the normalising of trade relations and the granting of Most Favoured Nation (MFN) status to Vietnam the US became Vietnam's highest destination for exports which more than doubled from 2001 to reach US\$2453 billion in 2002 and US\$11,903 billion in 2011 (Fukase, 2013, 318).

Abbott and Tarp (2012) consider that trade and foreign investment are the two most important linkages to the global economy in Vietnam²⁵. There was rapid GDP and trade growth in the Vietnamese economy from the early 1990's to 2008 (Abbott and Tarp, 2012). From 1992 until

²⁵ Remittances are also important in Vietnam but changes were not as large as in trade or FDI.

1996 economic growth averaged 8.8 percent, stalling to 5.8 percent during the 1997-1998 Asian financial crisis and reviving again to 7.6 percent from 2000 to 2007. Rapid growth was accompanied by remarkable increases in trade, both exports and imports. As a share of GDP trade rose from 23 to 67 percent between 1986 and 1991 to 97 percent in 1998 and 171 percent in 2007. This was accompanied by a trade deficit as imports in Vietnam have always exceeded exports. In 2008 when trade peaked as a share of GDP, exports totalled 77.9 percent and imports 93.1 percent of GDP. Capital account surpluses especially through FDI financed trade deficits.

Changes in Vietnam in trade, growth and foreign investment were affected by the evolving policy environment including trade agreements and WTO accession as well as the globalisation crises. Numerous trade agreements 'spurred' trade and growth in Vietnam. These included; the lifting of the US trade embargo in 1994, becoming a member of the Association for South East Asian Nations (ASEAN) in 1995, effecting a Bilateral Trade Agreement (BTA) with the US in December 2001 and with the World Trade Organisation in January 2007 (Fukase, 2013, Nadvi, J. Thoburn, *et al.*, 2004). A rapid expansion in trade and inflow of foreign investment resulted from accession to the WTO in 2007 which led to a peak of 8.5% in 2007 before a fall due to the global/financial crisis.

In the opinion of Abbott and Tarp (2012) there is a long term view that economic development has been fairly successful at reducing poverty in Vietnam. The indicator of extreme poverty, measured by the proportion of population earning less than US\$1.25 a day dropped in percentage of GDP, to 64 in 1993, 50 in 1998, 40 in 2002 and 21 in 2006. Trade liberalisation is also considered to have improved economic welfare and reduced poverty in Vietnam through the effect of trade on economic growth, markets, employment and government spending (Son Le *et al.*, 2016).

However, Ngoc Tran and Norlund (2015) have another point of view which is that increases in GDP and foreign trade do not provide an accurate assessment of the extent that an economy has integrated in the world economy. Vietnam has entered into the world economy at great speed but has not become a new growth economy like South Korea and Taiwan. A reason provided for this is that the value added which is concentrated in foodstuffs and light industry that remains in Vietnam is low.

Private industry

Private sector growth was due to the creation of livelihood opportunities and self-employment in small and household industries and handicrafts, the informal urban sector and rural households (Arkadie and Mallon, 2003, 154, 159). Table 6 below shows that there was an

increase in total of 67122 enterprises between 1995 and 2001. The majority of these, 63970 enterprises, were in the household sector.

In 2001 the Vietnamese Government introduced its first decree 90/2001/ND-CP for Small and Medium Enterprises (SMEs). The decree defines an SME officially as a

‘business establishment with registered capital of no more than Vietnam dong (VND) 10 billion (equivalent to USD 630,000) or with a workforce of no more than 300 regular employees.’ (Tran, Nguyen and Le., 2008)

The Agency for SME Development (ASMED) regarded this decree to be inadequate to formulate policy and introduced another size level which resulted in 2005 in SMEs being re-categorised in terms of employment into micro enterprises employing less than 10 persons, small enterprises from 10 to 49 persons and medium-sized enterprises from 50 to 299 persons.

Table 6: Number of industrial establishments by ownership in Vietnam between 1995 and 2001

	1995	1998	1999	2000	2001
Total	615374	592948	618198	654968	685320
Domestic economic sector	614935	592067	617239	653905	683871
State	1958	1821	1786	1633	1541
Central	549	575	583	573	559
Local	1409	1246	1203	1060	982
Non state	612977	590246	615453	652272	682330
Collective		967	1090	1179	1256
Private		4347	4181	4193	4560
Households		583352	608314	644113	672284
Mixed		1580	1868	2787	4230
Foreign Invested sector	439	881	959	1063	1449

Source: GSO, Statistical Publishing House 2001, 195

Table 7 below shows the stagnation of the private domestic sector in 1995, 1998 and 2000. In 1999 only 632 private enterprises with over 100 employees were registered (Webster and Taussig 1999:3 cited in Schaumburg-Müller, 2005, 357).

Table 7: Number of establishments and output share in the industrial sector in Vietnam from 1995 to 2000

	1995	1998	2000		2000	
	Establishments*	Output Share	Establishments	Output share	Establishments	Output share
State		50	1821	46	1633	41
Non State		25	590,246	22	652,272	23
Collective		1	967	1	1179	1
Private Individual Companies		2	4347	1	4193	2
Household		17	583,352	14	644,113	11
Mixed		4	1580	6	2787	9
Foreign		25	881	32	1063	35
Total		199	592,948	100	654,968	100

Source: GSO 2003 cited in (H. Schaumburg-Müller, 2005)

Section conclusion

This section set the background for this research pre and post Doi Moi. It elaborated on how the stagnation of the socialist model led to the introduction of 'Doi Moi' reform policy in 1986 and outlined the changes that were implemented following Doi Moi. The state sector declined and the private sector increased although reforms to create a level playing field are considered to be dubious. The research outlines different perspectives on the role of the state in Vietnam which has elements of 'continuity and change' (Gainsborough, 2010). According to this view Vietnam is experiencing an emergent hybrid state form where indigenous thinking and operative modes remain dominant but where neoliberal ideas and practices are having some influence. The research then considers patterns of trade and FDI which has primarily come from other SEA countries in Vietnam. Finally two views are presented on economic growth in Vietnam. In the first growth is considered to have been fairly successful at reducing poverty in Vietnam, in the second growth has been accompanied by generally low wages and productivity with little further growth potential.

This provides the background information and the viewpoints of different authors regarding the changes that the transition to a market economy brought to the country and considers pattern of trade and FDI which are considered to be the main linkages to the global economy that are necessary to answer the first, second and third sub research questions. These questions relate

to how neo-liberalism operates in Vietnam in the first instance, particularly for private, MSE, companies in the second and how they link to the global economy in the third.

Labour

Following Doi Moi the expanding private sector and labour intensive export industries were potential forces for the creation of employment (H. Schaumburg-Müller, 2005). In Vietnam in the early stages of reform between 1988 and 1991 there was an intensive SOE restructuring which led to the redundancies of 820,000, particularly women and war invalids, workers²⁶. The shift in employment from the state to the foreign and domestic sectors meant that there was a change in established practices for workers representation and a dismantling of wages (Zhu and Fahey, 1999).

Collins and Zhu (2005, 366) contend that prior to reform in 1986, the Vietnamese government regulated all areas of employment including recruitment, training, compensation and performance (Collins and Zhu, 2005, 366 cited in Collins 2011, 366). Workers in SOEs were viewed to be 'comrades' who could participate in enterprise decisions through 'Workers' Congress. Following Doi Moi the introduction of economic reforms led in 1989 to a new charter on the role of trade unions and a labour code being introduced in 1994 which laid out regulations for the rights of employees, minimum working conditions and allowed unions to participate in negotiations and bargaining with management. In 1994, the introduction of labour contracts allowed enterprises to be in charge of their recruitment and dismissal procedures. There was a 'basic shift' in worker-management relations especially those working in SOEs (Kim Anh et al. 1999, cited in Collins and Zhu, 2005, 366). The government then continued to formalise labour relations by introducing other new policies. To this effect in the mid-1990s they introduced Collective Working Conditions Agreements (CWCA), in 1997 minimum wage legislation and in 2000 a 40 hour working week. However, according to Chan A., (2011, 10) Vietnamese labour laws can be contradictory. In a global economy where wages are constantly been driven down the Government is hesitant to raise the minimum wage. In domestic private enterprises work is usually casual and there are rarely any contracts (Zhu et a., 1999, 89, 181). In Vietnam collective bargaining has two elements, the first is to resolve disputes at the factory level, the second at the sectoral national level (Katie Quan, 2015).

According to (Pringle and Clarke, 2011, 66) labour activism became more vigorous following Doi Moi in Vietnam. Strikes were legalised in the 1994 Labour Code. From 1989 to 1994 there were about one hundred strikes reported in mostly foreign owned non-union member enterprises in the South of Vietnam (Cahn and |Norlund, 1998, 180-1). From 1995 to 2000 there were

²⁶ This had a regional dimension as the North of Vietnam had a higher number of SOEs whereas the South was more market focussed.

approximately sixty recorded and many more unrecorded strikes and work stoppages. The number of recorded strikes has continued to increase since 2000. Strikes have taken place in private non-unionised and are increasing in foreign owned enterprises where large numbers of migrant workers work long hours for low wages in bad working conditions whereas there has been a fall in strikes in SOEs. The majority of strikes are in Ho Chi Minh City and neighbouring provinces of Binh Duong and Dong Nai where FIEs have the highest concentration accounting for approximately two thirds of the strikes. The majority of these are in Taiwanese owned enterprises in particular but are also in Korean enterprises. This is because in Vietnam Korea and Taiwan are the biggest investors and tend to use management methods that are authoritarian inherited from their own growth patterns in SMEs and are working in labour intensive light industry which is low skilled and very competitive where these management methods are common. Two types of strikes are apparent in Vietnam. Wildcat strikes were more common until early 2000 but have become more organised with the strike being announced in advance in recent years.

Migration

The Vietnamese Government has implemented plans to move labour through migration since the 1960's (Ha Thi and Ha Quang, 2001). Following Doi Moi there were particular changes in migratory policy with the decline in the use of the household registration procedure allowing spontaneous migration (Luong, 2009b). The largest proportion of interprovincial migration was to Ho Chi Minh city in the south east and the surrounding area (Luong, 2009, 77/79). Since 'Doi Moi' HCMC has consistently led Vietnam's economic growth (Luong, 2009a). HCMC received large shares of foreign and domestic investment. A reason provided for this by the same author was the strong entrepreneurial focus of the city associated with the higher exposure of the region to capitalism prior to 1974. Per capita expenditure also grew far faster than other regions of the country.

Net annual migration to Ho Chi Minh City increased from approximately 14,872 between 1984 and 1989 to 100,000 between 1989 and 1999 and 200,000 between 1999 and 2004. This resulted in an increase of population from 2.95 to 4.2 to 5.2 million in 1989, 1999 and 2004 respectively (Luong, 2009b). High in migration has also exacerbated housing shortages in HCMC leading to the system of housing provision being taken over by the private sector (Seo and Kwon, 2017).

Socially precarious conditions have been created through the changing pattern of rural-urban migration (Arnold D., 2013, 469). Although state subsidies were abolished in the late 1980's there is still a link between social rights and residence and this contributes to the marginalisation of spontaneous migrants (Luong, 2009b Arnold D. 2012, 476,). There is a lack of clarity

concerning migratory policies and laws as they are dealt with by different ministries. Government services such as healthcare, schooling and poverty reduction are tied to registration and migrants have inadequate housing and pay more for housing related services. Women and ethnic minority migrants are also particularly vulnerable to lower-paid work, have less job security and are less likely to have social, health and employment entitlements (Le et al., 2011; Marx & Fleischer, 2010; United Nations, 2010 cited in Arnold, D. 2013, 477). High in migration has also exacerbated housing shortages leading to an in

Gender

The policy changes of Doi Moi greatly affected the position of women's employment in traditional and new industry (Tuyen, 1999). The structure of the Vietnamese economy was predominantly agricultural with 80 percent of the population, of which 51.3 percent were women, typically living in rural areas in the mid 1990's. Women also made up half of industrial employment predominantly in textiles, garments and food processing where they represented 79.8, 71 and 59.5 percent respectively.

Traditionally under the socialist government women were active in all areas of economic activity in Vietnam and their labour force participation rate was higher than that of men. However, a gender imbalance existed within occupations. From this viewpoint changes under Doi Moi did not reverse equality but exasperated inequalities that were there. Table 8 shows that in 1996 women generally make up about half of the work force in most branches of activity but according to Tuyen (1999) there are hidden distortions as the type of jobs that women occupy are usually informal labour intensive jobs in garments, food processing, handicrafts and consumer goods.

In relation to industry women represented approximately 60 percent of workers dismissed from the public sector due to a lack of technical skill or for health reasons (Vu, 1995, cited in Tuyen, T. T. 1999). Women also suffered most from the withdrawing of State support under the socialist regime which guaranteed minimum labour standards and provided childcare facilities so that women could participate equally in the labour force (Tuyen, N. N., 1999, 44). With liberalisation former egalitarian positions towards men and women were withdrawn and technology was recognised as being 'the domain of men'. Reflecting these social prejudices in the gender division of labour (52) women worked in light industry which was export oriented seeking a competitive advantage in cheap labour such as garments and textiles. Temporary short term contracts are more prevalent in these sectors such as in garments where female employment is high whereas open-ended long term contracts are characteristic of male dominated employment sectors. Women are therefore both more inclined to have insecure job contracts than men and to have lower earnings (Rama, 2002).

Table 8: Proportion of Women’s employment in selected categories, 1989 - 1996

	1989	1991	1996
Industry	42.8	40.2	44.5
Agriculture	53.4	49.6	52
Transport	14.5	17.5	28
Communication	43.3	30.6	52
Trade, business	70.5	53	71.3
Housing, Services, tourism	49.4	52.9	56.3
Science, technology	36.2	34.1	35
Education	66.3	61.5	71
Public finance, insurance	52	41.9	55

Source : Vietnam Population Census, 1989, Sample results, Table3.2; Centre for Women’s Studies and UNIFEM, 1994: 9; Report of the VIIIth Congress of the Vietnam Women’s Union, 1997:80 cited in Tuyen, 1999, 50

Often the only employment option for women especially those that lost their jobs in the state sector was to find jobs in the informal household sector. In 1994, 70 percent of the workers in the informal sector were women (UNIFEM, 1994, cf Tuyen, N. N., 1999, 4). Generally any increase in women’s employment only reflected an increase in demand for what was classified as ‘unskilled labour’ and there was a fall in the quality of women’s employment which affected older women particularly who fall into the unskilled labour category whereas educated women were more likely to be in the skilled category (Tuyen, 1999). Table 9 shows that women in 2015 still make up nearly half of all employment. Table 11 on page 100 presents some key indicators of the labour market for 2007 and 2009. The table shows that women represent over 69 percent of total vulnerable employment in 2009 which is a fall from 72 percent in 2007.

The Vietnam Women’s Union (VWU) has been entrusted with improving and protecting the rights of women in the transitional economy. The VWU is defined as a

‘ socio-political organisation representing the legal and legitimate rights and interests of Vietnamese women across all levels of society.’(VWU, 2013, 1).

Table 9: Labour Participation by gender 1997 - 2015 (thousand persons)

	Total	Male	Female
1997	36653.6	18222.5	18431.1
1998	37820.5	18822.9	18997.6
1999	39028.8	19548.7	18996.7
2000	38545.4	19548.7	18996.7
2001	39615.8	20207.9	19407.9
2002	40716	20718.9	19997.1
2003	41846.7	21449.7	20397
2004	43008.9	21948.3	21060.6
2005	44904.5	23493.1	21411.4
2006	46238.7	24613.9	21624.8
2007	47160.3	23945.7	23214.6
2008	48209.6	24709	23500.6
2009	49322	25655.6	23666.4
2010	50392.9	25897	24495.9
2011	51398.4	26488.2.7	24930.2
2012	52348	26918.5	25429.5
2013	53245.6	27370.6	25875
2014	53748	27560.6	26187.4
2015	53984.2	27843.6	26140.6

Source: ILO, ILOSTAT, 2015, GSO, Statistical Yearbook 2015

In practice The VWU operates alongside the trade union, deals with women in the formal sector and organises health programmes for mothers and children. They do not represent the majority of women who work in the non-unionised sectors (Tuyen, T. T. 1999, 52).

Labour Management

The research will now consider labour-management relations, practices and institutions in Vietnam and the role of collective bargaining similarly to the previous chapter in the other South East Asian countries of Japan, Taiwan and Korea (Katie Quan, 2015, 174).

A study by Siu Kaxton (2015) which compares the conditions of Vietnamese and Chinese workers claims that Chinese workers have enough food and sleep in better conditions than Vietnamese workers. All DCs in Asia have minimum wages which appear outwardly to ensure that workers are protected from exploitation but are in fact the selling price of labour that the government sets for foreign investors. To this effect the Vietnamese government has set a minimum wage that is so low that it is barely enough for workers to live on. The result of a survey conducted by the authors of this research was that the legally entitled wage of US\$140 was less than the minimum monthly per person expenditure of US\$170. Vietnamese workers could therefore be living in abject poverty or debt. In order to assist worker survival the Vietnamese government and VGCL support worker's demand for higher wages from the point of view that they allow strike action to take place to bargain for higher basic wages from foreign investors and side with

striking workers in the negotiations. Therefore on the surface the government favours foreign investors whereas in actuality they shift the process of wage bargaining from the policy arena to class struggle. Other interesting points in this study are that in Vietnam similarly to China capital is favoured at the expense of labour and that Vietnamese workers are not interested in working longer hours probably due to low or underpaid overtime wages.

Collective bargaining is legal but rarely practiced in Vietnam (Katie Quan, 2015, 174). The authenticity of collective bargaining has been criticised when it has been practiced as unions are dominated by party cadres or management who are not able to represent the interest of workers. Workplace union officials sign template collective contracts which essentially mirror existing laws and regulations without the participation or knowledge of the workers. However the author considers that there has been some progress to collective bargaining that is genuine although a tendency exists to develop a form of collective bargaining which leads to an increase in state-party-employer control, this is somewhat mitigated by the threat of wildcat strikes.

Since Doi Moi trade union membership has expanded considerably in the private sector (Pringle et al., 2011). In 2006 out of a total of 10.8 million members, SOE members made up 2.6 million, non-state business 4.3 million and the foreign sector 0.6 million. According to Collins *et al.*, (2011) the Vietnamese government has tried to minimise outside influences on labour movements and Labour Management (LM) practices. However, the accession of Vietnam to the WTO in 2006 and emerging labour shortages have contributed to the labour market changing rapidly, the former being the main reason for the number of strikes escalating in 2006 to 2008. The expansion of foreign investment has used up all available workers locally in the cities in which Export Processing Zones (EPZs) and industrial zones are located and migrant workers have to be relied on increasingly.

In Vietnam waged work is becoming increasingly uncertain and insecure which is part of a regional trend of precariousness and the informalisation of labour in Asia (Chang D., 2009 cited in Arnold D., 2013, 468). Precariousness not only affects labour and employment but undermines social conditions (Barchiesi, 2011 cited in Arnold D., 2013, 468). Community and family have been undermined by the state's inability to provide social support and other institutions such as trade unions. The focus of work is on low pay and a lack of representation and institutional support in the workplace whereas for social precariousness the focus is on changing patterns of rural-urban migration and on how this is mediated through household registration. In Vietnam, precarious work is normally expressed using the term informal labour and described under the following four categories; free labour, short-term or no contract and casual workers, popular or low skilled labour, simple or unskilled labour and manual labour.

Informal economy

In 1999 Zhu and Fahey emphasize that changes in the regulation of enterprise with privatisation need to include the informal sector in its legal structure, labour contracts, wages and welfare systems, trade unions and workers representation. However, according to Cling et al., (2010, 25) the informal sector was still being ignored in the Government Socio Economic Development Plan for 2011-2015 which instead focuses on standard employment targets. This lack of attention to the informal sector by the Vietnamese Government is also reflected in the policy of the Vietnamese Trade Union, the Vietnam General Confederation of Labour (VGCL). The VGCL has had to adapt its traditional trade union practices and structures to the new circumstances of its integration into the world capitalist order (Pringle and Clarke, 2011). Change has focussed on the extension rather than the transformation of traditional practices and on the tripartite structure of employers, the state and workers typical of the formal sector. However, workers themselves have mobilised for the protection of their interests particularly in the export sector and have made some gains through spontaneous collective action like wildcat strikes and organising networks of social support²⁷ (Barchiesi, 2011 cited in Arnold, D. 2013, 481).

According to Cling et al. (2012, 2014) 24 percent of total employment and 81 percent of informal employment are in the informal sector in Vietnam. If self-employment (employers and own-account workers) is included informal work would be 86 percent of the total workforce in Vietnam. At the national level informal employment in manufacturing and construction is 43%, trade 31% and services 26%. The number of informal jobs also varies in different industrial sectors in Vietnam. They represent nearly half of all jobs in domestic enterprises and individual formal enterprises and only just over ten percent in foreign enterprises and the public sector.

A type of family owned business is an Informal Household Business (IHB) of which there are approximately 300,000 in Hanoi and 750,000 in HCMC (Cling, Razafindrakoto and Roubaud, 2012, 635). Total employment numbers in IHBs reach 470,000 and one million workers in the respective cities²⁸. The private sector in HCMC is also more developed. The informal sectors in Hanoi and HCMC have a similar industrial structure. IHBs are concentrated in services, 40% and 42% of total employment respectively, trade, 31% and 29% respectively and manufacturing of food, textiles and garments, 28% and 29% respectively.

IHBs operate in atomised conditions that are precarious and have limited access to public services and entrepreneurial dynamics. In Hanoi and HCMC the average size of an IHB is 1.5 workers including the owner. A major constraint that prevents IHBs from expanding by

²⁷ For example, the Legal Aid Centre in Dong Nai taps into this social support rather than approaching enterprises or employees directly (Arnold, D. 2013).

²⁸ The gap in the number of businesses could be due to the fact that HCMC is larger both geographically and population wise and the private sector is supposedly more developed there (ibid).

increasing their manpower is a lack of premises with only 16% of IHBs in Hanoi and 12% in HCMC having specific professional premises. Most IHBs in manufacturing operate from their home whereas most have no premises in the services sector.

Poor employment, labour conditions and earnings follow from these precarious operating conditions. Earnings are low and social security non-existent although working hours are long. The average monthly income is approximately 2.2 million VND (USD 137) in Hanoi and 2.4 million VND (USD 150) in HCMC. It is half and a third as high again for FHBs in Hanoi and HCMC respectively. The majority of the workers are self-employed or family workers and the proportion of wage earners is very low. Other characteristics of HBs are that the number of years of schooling is less than average for Vietnam and the existence of a formal agreement in the form of a written contract is exceptional. Women are also over-represented in the informal sector especially in HCMC where they make up 56% of employment.

One of the ways²⁹ that Cling et al. (2014) attempt to understand the informal economy in Vietnam through an institutional framework is through considering legislation or the rules for registering household businesses which determine the legality of informal businesses. The Ministry of Planning and Investment (MPI) make the rules for registering household businesses and the provincial directorates conduct registrations in the districts (Cling, Razafindrakoto and Roubaud, 2012). A problem arises because the conditions are vague; there are numerous criteria, different thresholds and exceptions. Almost no IHBs and only a minority of FHBs are aware of the threshold above which HBs have to register.

A large amount of HBs are not registered. Three different criteria, i) earning less than the minimum wage, ii) those operating with street pitches who are exempt from the minimum income rules and iii) with professional premises, have three different outcomes relating to what proportion of HBs should be registered. According to the first criteria 95% should be registered, the second, 70% and the third 10-15%. Reasons provided for HBs not becoming formal are that there were no advantages perceived, procedures were complicated and that the business would have to pay higher taxes.

The main reason that Formal Household Businesses (FHBs) register is to avoid corruption. Other perceived advantages are access to locations that are better and being able to obtain contracts from large firms. According to Cling et al. (2012) the majority of IHBs believe that registration is not compulsory, their business is too small and claim that they have not been asked to register. Also, nearly a half of IHBs in both cities do not consider any point in registration which suggests

²⁹ the law on social protection which establishes who should benefit from social protection and only applies to formal employment being the other.

that registration provides household businesses with few advantages. This is although IHBs which are not registered also consider the risk of corruption to be a major incentive to register. Formally registered, HBs are mainly those with either professional premises or in a fixed location in a busy street whose business is visible and provides a fairly high level of income. FHBs register because they consider registration is compulsory and to avoid trouble with the authorities. However some IHBs are not really small and have similar characteristics to FHBs. Therefore the reasons that some HBs comply with the law while others don't or not clear and could be attributable to location and visibility.

Cling et al. (2012) conclude that in Vietnam the theory that informality is caused by excessive public regulations is refuted as almost all IHBs are unaware of the regulations across all types of registration, business, tax and social registration and therefore of their legal obligations. This is consistent with an earlier study of a large number of HBs by Tran et. al (2008 cited in Cling et al. 2012, 649).

Table 11 also shows that the socio-economic characteristics of workers employed in the informal sector is near to the national average in nearly all sectors except for education but the attributes of the employment is very different and generally of a lesser quality than those in all sectors with the exception of agriculture. The rate of paid employment is low at less than 27% and the forms of wage work more precarious as more than 99% have a verbal contract at best, 25% have no contract, compared to 3% in the public sector, 10% are paid monthly but the majority are paid on daily or hourly bases, on commission or by piecework. The rate of social protection is also negligible at 0.1% compared to 87% in the public sector and in foreign enterprises and nearly half in domestic enterprises. Workers in the informal sector also, outside agriculture, have the lowest salaries and linked to this have the lowest level of education outside of agriculture.

Table 12 presents the main characteristics of the workforce and of employment by institutional sector in Vietnam for 2009 (Cling et al., 2014). Six institutional sectors which represent the various types of enterprise capital are identified in the table which divide enterprises between all types of available employment and extends beyond the over simplification of the informal sector which only distinguishes between the formal and informal.

According to Cling et al., (2014) further disadvantages of jobs in the informal sector are that they have longer working hours, 46 as compared to an average of 43 hours, a long length of service and wages are substantially lower than in other sectors besides agriculture. However, some jobs were considered to be more rewarding or as rewarding, such as self-employment for women or wage work for men, as jobs in the formal sector. This implies that there is also a multi-segmentation phenomenon within the formal sector which differentiates between those who

have chosen to work in the informal sector and those who are forced to work there (Cling et. al. 2010).

The mobility between sectors is also measured by Nguyen et al. (2013 cf Cling et al., 2014) and is low. Between 2002 and 2006 only 8% of informal wage workers moved from the informal to the formal sector. 12.7% of informal self-employed workers transferred to the formal sector, among these 9.7% became formally self-employed³⁰ whereas only 3% became formal wage workers.

Despite the fact that the informal economy contributes to creating significant income gaps and is associated with working conditions that are precarious, low wages, low job satisfaction, low mobility and a lack of social protection there is no sign of a decreasing trend in its share of total employment in Vietnam (Cling, Razafindrakoto and Roubaud, 2010). Young people are arriving on the labour market and private industry is unable to provide for the fall out in the agricultural sector.

According to Cling (2012) the Vietnamese government's approach seems to be changing in a progressive way towards household businesses. In June 2009, the government adopted decree No. 56/2009/ND-CP to support the development of SMEs which defined SMEs according to different thresholds. SMEs employing less than 10 workers are no longer considered to be household businesses but micro enterprises (Cling, 2012, 16). This decree considers three types of support policies towards SMEs and MSEs; financial support, training and technical assistance. The informal sector is not specifically targeted in these policies of the Ministry of Planning and Investment (MPI) and as all businesses are supposed to be registered it could be said that they are therefore excluded.

Section conclusion

Following Doi Moi the expanding private sector and labour intensive export industries were potential forces for the creation of employment (H. Schaumburg-Müller, 2005). Economic reforms began in 1989 and led to the introduction of CWCA and minimum wage legislation in the mid to late 1990s. Labour activism became more vigorous and trade union membership expanded considerably in the private sector. However, Doi Moi has also affected labour migration patterns and women's employment creating precarious unemployment predominantly in the informal sector. In Vietnam waged work is becoming increasingly uncertain and insecure which not only affects labour and employment but undermines social conditions. The informal sector is still not being included in Government policy which instead

³⁰ This result of near to 10% is consistent with another survey carried out by Demenet et. al. (2010) from 2007 to 2009 cited in Cling, 2014.

focuses on standard employment targets although 24 percent of total employment and 81 percent of informal employment are in the informal sector in Vietnam.

Table 10: Characteristics of the workforce and of employment by enterprise sector in Vietnam (2009)

	Public sector	Foreign Enterprise	Domestic enterprise.	Formal household business	Informal sector	Agriculture	TOTAL
Number of jobs (1000)	4,615	1,376	3,669	3,688	11,313	22,838	47,548
Structure (%)	9.7	2.9	7.7	7.8	23.8	48	100
Migrant (%)	10.4	32.1	16	8.4	5.6	2.4	6.3
Head of Household (%)	43.6	25.4	33	37.6	42.9	39.7	39.7
Salaried workers (%)	99.7	99.9	93.6	36.4	26.7	9.6	33.6
Informal job (1) (%)	12.5	12.9	48.1	51.5	100	98.6	80.5
Rural (%)	42.8	63.4	48.1	46.4	63.2	91.7	72.6
Female (%)	47.1	64.7	39.1	46	48	51.1	49.1
Ethnic minorities (%)	8.9	5.1	5.8	7.2	5.7	27.2	16.5
Age (years)	37.6	26.8	31.6	36.4	38.4	39.8	38
Higher education (%)	48	8	15.3	3.6	1	0.6	6.8
Seniority (years)	10.5	3.5	4.4	7.1	7.7	15.8	11.4
Hours/week	44	53	51.8	51.8	45.9	37	42.6
Average income/m (1000 VND) US\$	1,964,000 90.2	1,735,000 80	2,093,000 100	1,805,000 80	1,273,000 60	703,000 30	1,185,000 50

Source: Cling et al. 2010

Table 11: Selected key indicators of the labour market in Vietnam (2007-2009)

	2007	2009	% change
Labour force participation			
Both sexes	74,3	76,5	2,2
Males	78,4	81	2,6
Females	70,5	72,3	1,8
Employment to population ratio			
Both sexes	72,8	74,5	1,7
Males	76,8	79	2,2
Females	69,2	70,4	1,2
Unemployment rate			
Both sexes	2	2,6	0,6
Males	1,9	2,5	0,6
Females	2	2,7	0,7
Youth unemployment rate (15-24)			
Both sexes			
Males	6	6,2	0,2
Females	6,2	6,3	0,1
	5,9	6,1	0,2
Share of industry in total employment			
Both sexes	0,4	21,8	1,4
Males	24,5	26,4	1,9
Females	16,1	17	0,9
Share of agriculture in total employment			
Both sexes	49,3	47,6	-1,7
Males	47,2	45,4	-1,8
Females	51,5	50	-1,5
Share of services in total employment			
Both sexes	0,3	30,6	0,2
Males	28,3	28,2	-0,1
Females	32,4	33,1	0,7
Share of wage and salaried employees			
Both sexes	0,5	33,4	2,9
Males	35,8	38,9	3,1
Females	25	27,5	2,5
Share of vulnerable employment			
Both sexes	65,8	61,5	-4,3
Males	59,9	54,4	-5,5
Females	72	69,1	-2,9

Source: ILO 2010 cited in Cling,

Institutions, transaction costs and resource constraints

This section of the research will consider institutions, transaction costs and the resource constraints of finance, human capital and access to information, technology and market information. This is because the functioning of institutions and the factors of production affect the operations of MSEs central to this research and to the second research question in particular.

Fforde (1996, 244) contends that from 1989 Vietnam was a market economy although the allocation of its factors of production, land, labour and capital were not like other market economies. According to Ramamurthy (1998, 120) Government assistance and the creation of linkages with state and other enterprises to small scale industry have been very poor in Vietnam which has raised the transaction costs of small enterprises. The motivation for entrepreneurs to start an enterprise is to create employment and provide income for their families rather than for commercial reasons (Kurths, 1995 cited in Ramamurthy, 115). This tendency has grown in the post reform era when large numbers of labour were let go from state enterprises.

Steer and Sen (2010) point out that Vietnam did not experience a total destruction of old institutions and the introduction of new institutions like Eastern Europe. An important aspect of the success of Vietnam's transition has been its gradual approach to reform and the stability of its institutions. According to Steer and Sen (2010) and Van Arkadie and Mallon (2003) in Vietnam institutional development has involved an interplay between formal institutions; regulations and laws and the courts and contracts and informal institutions; social norms and networks and behavioural aspects as the former emerged. Information is also acquired through business and social networks built on long term relationships (Steer and Sen, 2010).

Since the early 1990s a shortage of capital has been listed by small private enterprises as the largest resource constraint in surveys carried out on the subject in Vietnam (Tran and Santarelli, 2014). An example of such a survey was one carried out by the Central Institute for Economic Management (CIEM) and the University of Copenhagen in 2007 in Vietnam (Lim, 2014, Tran and Santarelli, 2014).

Other constraints identified for the operating procedures of 'smaller' SMEs relate to a lack of knowledge on laws regarding business registration, unfair competition as smaller enterprises have limited access to commercial contracts and a lack of market, legal and technical information which is exacerbated by a shortage of skilled workers (Tien et al., 2007 cited in Lim, 2014, 104). Unregistered enterprises are also not able to provide the official documentation required to support a credit application (Ramamurthy, 1998).

Finance

Vietnam had a single banking system with the state bank assuming the responsibilities of the central and commercial banks until 1988 when efforts to restructure the banking system began (Ramamurthy, 1998). In the view of Malesky and Tausig (2009 cited in Tran and Santerelli, 2014) although the reform process led to a large increase in the total credit provided by the large SOBs to the domestic private sector, the reliance of the banks on political connections or on disadvantaged entrepreneurs in determining access to loans has meant that credit has not been directed to more profitable enterprises. However, the informal credit market is considered to be sufficiently developed in Vietnam to mitigate capital constraint pressure as enterprises that are capitally constrained are able to obtain informal loans from relatives, friends or even the black market easily creating a competitive advantage for family businesses in Vietnam. Another view is that of Thanh and Dai (2016) who consider that the poor performance of financial intermediaries raises the cost of capital and reduces the private investment of private enterprises.

Formal small scale and micro subsidised credit services are provided to the poor by the main banks, Vietnam's Bank for Agricultural and Rural Development (VBARD) and Vietnam's Bank for Social Policies (VBSB) (Bateman, 2010). Approximately five percent of micro finance activities are also being undertaken at a semi-formal level through Government ministries providing microfinance services, mass organisations including the Vietnam Women's Union (VWU), the Vietnam Farmer's Union (VFU) and the Vietnam Youth Union (VYU), and more than 50 international NGOs that support microfinance programmes for the most part channelled through the mass organisations.

Human capital

The effects of education and training in Vietnam will now be considered. Generally, education level is an important indicator for lenders determining loans to entrepreneurs (Santerelli, 2014). However in Vietnam although education significantly reduces the likelihood of entrepreneurs being capitally constrained market experience from operating in an industry in practice is more important than formal education for boosting the performance of entrepreneurs.

According to Lim (2014) in Vietnam the demand for skilled labour reflects the technical skills that are needed for the industrialisation programme of the country. In Vietnam the five-year Social-Economic Development Plan from 2006-2010 points to there being a great shortage of skilled workers especially in management and technical areas alongside the high level of 'open and disguised unemployment' (Socialist Government of Vietnam 2006:40 cited in Lim, 115).

However, Thanh and Dai (2016) consider that at the present level of development the unskilled level of labour in Vietnam is not a problem. The labour market demand is for skilled and low-cost workers, rather than highly qualified labour. Therefore the development of higher skilled labour should be closely linked to the development of specific industrial strategies. Preliminary GSO figures for 2015 show that only 19.9 percent of employees are trained which is reduced to 17.7 for the manufacturing sector (GSO, website accessed 11.05.2017).

Access to Information, technology and market information

Thanh and Dai (2016) consider that there are four binding growth constraints for economic development in the short and medium term in Vietnam. The first of these is finance and is already mentioned above. The second is corruption, property violations and crime which discourage private investors from starting and expanding their businesses. This leads to the poor development of domestic small businesses and is a reason behind the lack of medium and large enterprises in the domestic market. Thirdly, infrastructure is also a growth constraint similarly to other countries in the early stages of industrialisation. Vietnam's transport infrastructure has many weaknesses despite rapid development over the last two decades. Energy infrastructure is considered not to be a short term cost constraint in Vietnam but the country may have difficulties accessing cost effective sources in the future. Thirdly, the lack of economic linkages between up and down stream industries has deterred economic growth in Vietnam. For example, the imported cost of materials make up to 80% of the product cost in garments and textiles (Viettrade, 2013 cited in Thanh and Dai, 2016).

Other factors constraining small enterprises entering the export market are identified by Ramamurthy (1998) to be firstly due to the fact that they have major difficulties acquiring reliable and adequate information on market opportunities. Most small enterprises therefore have obtained information through personal contacts, relatives and friends or acquaintances made privately or at trade fairs or conferences, and the media not through formal channels. Secondly most Vietnamese and particularly small enterprises are using technology that is obsolete and technological capacity is also limited. Thirdly, government policies that are in place to advance technology generally are weak and not targeted towards small enterprises (Lim, 2014, Ramamurthy, 1998).

Development from 2005

This section of the research will consider changes in the informal sector and structure of the Vietnamese economy since 2005 when Vietnam became a member of the WTO and the global/financial crisis in 2007/2008. This will reveal the effects of changes in neo-liberalism due to the further opening of the global and Vietnamese economy and the financial crisis in Vietnam, particularly upon MSE employers and workers in the garment industry in Vietnam.

It is by now apparent that there are contradictions apparent in studies of market socialism in Vietnam (Tran and Norlund, 2015). As has been pointed out earlier in this research while there is agreement that Doi Moi has resulted in positive outcomes including poverty reduction, globalisation and industrialisation has led to an uneven distribution of income and wealth (Beresford, 2008, Tran, 2012, Abbott, Bentzen, and Tarp, 2009, Nørlund, Tran, and Nguyen, 2003, Nørlund et al., 2006). Tables 12, 13 and 14 provide an overview of the Vietnamese economy from 2005 in terms of the structure of GDP, enterprise numbers and employment creation. Table 12 shows that there has been a decline in the proportion of GDP attributable to the state and non-state sectors from 2009. The household sector has remained fairly constant at 32.1 in 2005 and 31.3 in 2015 whereas foreign investment dipped to 15.2 in 2010 rising again to 18.1 in 2015.

Table 13 below shows that there was an intensified reduction in SOEs during the period from 2005 to 2014. In 2005 SOEs numbered 4086 whereas in 2014 this number had been reduced to 3048.³¹ In contrast Non State Owned Enterprises (NSOEs) increased from 98833 in 2005 or 92.7 percent of all enterprises to 388232 or 96.49 percent of enterprises which represents an increase of nearly three and a half times.

Table 14 shows the importance of the private sector in employment and the rise in employment from 2005 to 2015. The table also shows that from 2010 to 2015 employment growth was substantially less than from 2005 to 2010.

According to Abbott and Tarp (2012) Vietnam has been one of the most successful East Asian economies at counteracting the Asian and Global crises. Growth, employment and poverty alleviation have been maintained while inflation and budget deficits have increased and the currency has depreciated as rising dependence on foreign finance was counteracted by the government by bolstering and restructuring the domestic economy and by placing a greater emphasis on the private sector. As a result of the financial crisis and recession of 2008-9 export value fell from the peak level reached in 2008 by 7.7% but imports fell more or by 11%. Therefore there was a decline in the current account deficit and a positive contribution of trade to economic growth as measured by final demand (GSO, 2011 cited in Abbott and Tarp).

³¹ For more comprehension these figures would need to be further interpreted for a change in the structure of SOEs, for example whether they have got larger or consolidated.

Table 12: Structure of Gross Domestic Product by type of ownership from 2005 to 2015

	2005	2006	2007	2008	2009	2010	2011	2012	Prel. 2015
Total	100	100	100	100	100	100	100	100	100
State	37.6	36.7	35.4	35	34.7	29.3	29	29.4	28.7
Non-State	47.2	47.2	47.7	47.5	48	43	43.9	44.6	43.2
Collective	6.7	6.4	6.1	5.9	5.8	4	4	4	4
Private	8.5	9	9.7	10.2	10.5	6.9	7.3	8	7.9
Household	32.1	31.9	31.9	31.4	31.7	32.1	32.6	32.7	31.3
Foreign investment sector	15.2	16.1	17	17.4	17.3	15.2	15.7	16	18.1
Products taxes less subsidies on production								10	10

Source: GSO Database

A change in investment and the breakdown of ownership over each crisis period is discernible in table 15. Foreign investment fell as a percentage of GDP following the two crises. From 1997 to 1999 it fell from 28 to 17.3 and from 2008, 2009 and 2013 from 31, to 25.6 to 21.6 percent.

Real economic outcomes in terms of unemployment and poverty following each crisis were much less volatile than changes in trade and investment. In Vietnam as in other developing countries employment is relatively inelastic to economic growth (Jean-Pierre Cling et al., 2014, Abbott and Tarp, 2012). Unemployment stayed at the same level in 2008 and in fact fell slightly to 4.6 percent in 2009 (Abbott and Tarp, 2012)³². Some researchers including the World Bank and Vietnamese critics³³ consider that emerging unemployment due to the loss in exports in export manufacturing, foreign enterprises and handicraft villages were made up for by the creation of jobs in the domestic informal sector (Chí et al., 2010 cited in Abbott and Tarp, 13).

³² These figures are supported by GSO figures in 2008 and 2009 which includes underemployment.

³³ (MOLISA, 2009, Doanh, 2009, Mishra and Dinh, 2010 cited in Abbott and Tarp, 2012, 13)

Table 13: Number of acting enterprises from 2005 to 2014 by types of ownership and structure

	2005	2009	2010	2011	2012	2013	2014
Total	106616	236584	279360	324691	346777	373213	402326
SOE	4086	3360	3281	3265	3239	3199	3048
Central	1825	1806	1779	1798	1792	1790	1703
Local	2261	1554	1502	1467	1447	1409	1345
NSOE	98833	226676	268831	312416	334562	359794	388232
Private	34646	47840	48007	48913	48159	49203	49222
Collective	37	69	79	179	312	502	507
Ltd. Co.	52505	134407	163978	193281	211069	230640	254952
Joint stock/State	1096	1738	1710	1751	1761	1614	1536
Joint stock	10549	42622	55057	68292	73261	77835	82015
Foreign Invested	3697	6548	7248	9010	8976	10220	11046
FI 100%	2852	5414	5989	7515	7523	8632	9383
Joint Venture	845	1134	1259	1494	1453	1588	1663

Source: GSO Statistical yearbook, various editions

Table 14: Total and structure of employed population by type of ownership in thousand person from 2005 to 2015

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Prel. 2015
Total	42775	43980	45208	46461	47744	49049	50352	51422	52208	52745	52840
Structure	100	100	100	100	100	100	100	100	100	100	100
State	11.6	11.2	11	10.9	10.6	10.4	10.4	10.4	10.2	5474	5186
Non State	85.8	85.8	85.5	85.5	86.2	86.1	86.2	86.3	86.4	45214	45451
FI	2.6	3	3.5	3.6	3.2	3.5	3.4	3.3	3.4	2057	2203

Source: Statistical Yearbook, 2015

Cling et al., (2014) are broadly in agreement with Abbot and Tarp (2012) concerning numbers in total employment in Vietnam rising from 2007 to 2009. More than 2.5 million jobs were created and the job structure by sector remained relatively stable during the crisis (GSO, 2010). Furthermore, the most dynamic growth in employment was in the formal private sector as over one million new jobs (+41%) in domestic enterprises and 480 000 (+53%) in foreign enterprises

were created whereas numbers employed in the informal sector only increased their share of total employment slightly from 23.4 to 23.8% (Cling et al., 2014). From this viewpoint the crisis therefore led to a rise in the number of salaried workers from 29.8 to 33.6% and in the share of the work force covered by social protection.

However, Cling et al. (2014) point out that it is more likely that the labour market adjusted through other factors such as an increase in the flexibility of employment rather than through employment growth in Vietnam. For example, there was a fall in the number of hours worked generally although a rise in hours worked for vulnerable population groups was observed and a rise in part-time employment. There was also a rise in the number of workers, with more than one job from 18.2% to 25.4% between 2005 and 2007 and a drop in the income of IHBs. Furthermore the structure of profit by type of ownership is outlined in Table 16 which reveals that in 2014, private enterprises continued to have a significantly lower profit level, at 22 percent of overall profit, than SOEs or FIEs at 33.25 and 44.74 percent respectively although private enterprises were much greater numerically.

These figures confirm that there is a continued uneven distribution of GDP growth. According to (Beresford 2008 cited in Tran and Norlund, 2015) there was an increase in regional equality as the income gap between urban and rural areas became wider and poor people were not able to participate in the benefits of growth. Class formation was also increased as people were separated from the means of production. The process of proletarianisation led to people becoming heavily indebted through sub-contracting arrangements. The subordination of labour to capital was apparent in the rapid expansion of wage employment in the domestic and foreign private sectors where the majority of workers were women who were paid low wages for the assembly of products in export oriented factories. In 2014 this situation had not changed (Tran and Norlund, 2015).

Furthermore the economic and social consequences of Vietnam's accession to the WTO in 2007 have not been positive overall as the increase in job creation in labour intensive sectors was offset by the 2008 inflation which hurt assembly workers on low incomes much more than employees in higher value added services (Vo and Nguyen cited in Ngoc Tran and Norlund, 2015, 147).

Table 15: Structure of investment by ownership from 1995 to 2015

	Total	State	Non- State	Foreign invested sector
1995	100	42	27.6	30.4
1996	100	49.1	24.9	26
1997	100	49.4	22.6	28
1998	100	55.5	23.7	20.8
1999	100	58.7	24	17.3
2000	100	59.1	22.9	18
2001	100	59.8	22.6	17.6
2003	100	52.9	31.1	16
2004	100	48.1	37.7	14.2
2005	100	47.1	38	14.9
2006	100	45.7	38.1	16.2
2007	100	37.2	38.5	24.3
2008	100	33.9	35.2	30.9
2009	100	40.5	33.9	25.6
2010	100	38.1	36.1	25.8
2011	100	37	38.5	24.5
2012	100	40.3	38.1	21.6
2013	100	40.4	37.7	21.9
2014	100	39.9	38.4	21.7
Prel. 2015	100	38	38.7	23.3

Source: GSO website³⁴

Section conclusion

This section of the research has considered institutions, transaction costs and the resource constraints of finance, human capital and access to Information, technology and market information. An important aspect of the success of Vietnam's transition has been its gradual approach to reform and the stability of its institutions as formal institutions are said to have emerged from informal institutions. The largest constraint for private businesses has been identified as financial capital. In Vietnam market experience from operating in an industry in practice is considered to more important than formal education for boosting the performance of entrepreneurs. Other resource constraints are identified to be corruption, property

³⁴ Accessed 18/07/2017

violations and crime which discourage private investors from starting and expanding their businesses and transport and infrastructural weaknesses. This section also considers the changes in development since 2005. The economic and social consequences of joining the WTO are not considered to be positive overall as global integration did not benefit poor households due to higher food prices and lower purchasing power parity (Ngoc Tran and Norlund, 2015, 147).

Table 16: Structure (%) of profit before taxes of enterprises by types of enterprise from 2005 to 2014

	2005	2009	2010	2011	2012	2013	2014
Total	100	100	100	100	100	100	100
State	28.9	40.2	32.3	43.3	47.6	41.29	33.25
Central	23.3	34.3	25.4	34.8	40.0	35.82	28.31
Local	5.7	5.9	6.9	8.5	7.5	5.47	4.94
Non state	10.7	22.9	32.5	25.2	19	16.12	22
Private	1.2	0.7	0.8	0.9	0.97	0.68	0.65
Collective	-0.001	0.01	0.01	0.03	0	0.02	0.02
Limited Company	1.8	3.3	7.7	1.4	3.3	1.41	4.64
Joint Stock co. with state capital	4.2	7.7	9.6	10.4	7.5	5.71	5.37
Joint Stock co. without state capital	3.5	11.2	14.3	12.5	7.3	8.30	11.33
Foreign Invested enterprise	60.3	36.9	35.2	31.5	33.5	42.59	44.74
100% Foreign capital	6.3	10.7	11.5	19.7	19.7	28.62	27.04
Joint Venture	54	26.2	23.8	11.8	13.8	13.97	17.7

Source: Statistical Year book 2013, 320, 2014, 138, 2015, 376

Chapter conclusion

The three sections of this chapter provide the research with the background information in Vietnam which will contribute to answering the three sub research questions concerning the operation of neo-liberalism, the conditions of the informal economy and labour and the links with the global economy through foreign investment and trade.

While there is agreement that Doi Moi has resulted in positive outcomes including poverty reduction, globalisation and industrialisation has led to an uneven distribution of income and wealth. Private enterprises continue to have a significantly lower profit level at 22 percent of overall profit than SOEs or FIEs in 2014. According to Abbott and Tarp (2012) Vietnam has been one of the most successful East Asian economies at counteracting the Asian and Global crises. From this perspective trade and investment were volatile but employment remained constant. However another point of view is that the labour market adjusted through other factors such as an increase in the flexibility of employment rather than through employment growth in Vietnam.

Chapter 5 Garment industry

This chapter of the thesis will begin by providing an overview of the garment industry and its use by countries in the early stage of development to promote industrialisation. The chapter will then continue to provide an overview of the global garment industry where the 'high road' to industrialisation model which focuses on export growth has not been accompanied by domestic linkages and skills upgrading (Ngọc Trần, 2012 and Tran and Norlund, 2015). The second section of the chapter then considers the effect of globalisation on the textile and garment industries and the relation between the two industries.

This third section of the chapter will present the garment industry in Vietnam. This will include the five stages of the Vietnamese Textile and Garment Industry (VTGI), the two types of business, Cut Make Trim (CMT) and Free on Board (FOB), the range and interaction between diverse buyers and producers in Vietnam and the gains that have been made by different types and sizes of firms and among workers. The section will finally consider the true value of exports which includes exports minus imports.

Overview of Global Garment industry

Garment manufacturing has been viewed by mainstream economists as a platform for early developers to promote industrialisation (Rasiah and Ofreneo, 2009). The industry's properties of labour intensiveness and low technology are considered to be compatible with the factor endowments of early developing economies.

Rasiah and Ofreneo (2009) consider that there are two main arguments supporting garment manufacturing as a route to development. The first of these considers garment manufacturing to be a relatively unimpeded route to industrialisation and is taken by neoclassical economists (World Bank, 1993), the second the flying geese model (Akamatsu, 1962). Poor countries with large unskilled labour supplies can easily participate in the manufacture of garments as little knowledge is required for Cut Make and Trim (CMT), low-end operations and under and unemployed people will accept low wages. The second argument is that garment manufacturing is a 'launching pad' for engaging in industries with increasing returns (Reinhert, 1994, 2007 cited in Rasiah and Ofreneo, 2009, 501).

Rasiah and Ofreneo (2009) consider that the factor markets of developing countries are not suited to industrialisation through garment manufacturing although the industry has been to the forefront of early industrial development in Britain, Japan, Taiwan, Korea, India and China because Least Developed Countries (LDCs) do not have the literate, labour force mass nor the effective demand to attract garment operations that are significant unless distortions to arrange access to developed markets are arranged (Rasiah, 2005b cited in Rasiah and Ofreneo, 2009,

502). Hassler (2003) has another perspective which is that technological change has not been major in the industry which contrasts with other developed industries. Opportunities to substitute labour with technology and demands for flexible production have therefore not led to a major production shift back to developed economies (Scheffer, 1992 cited in Hassler, 514). Clothing manufacturing is still a sequence of labour intensive, manual operations.

Developing countries have been established as an important part of the garment industry over the previous forty years which is reflected in the industry's global structure and increasing importance in developing countries which is primarily based on factors relating to the manufacturing process of the sector Hassler et. al (2003). The Global Commodity Chain (GCC) is used widely to investigate global production trends in the garment industry due to the important role of retailers and buyers at a global level in determining how developing country firms can be inserted into global garment markets (Gereffi, 1999; Bair and Gereffi, 2001 cited in Nadvi, J. T. Thoburn, *et al.*, 2004, 112). The garment industry is said to be 'archetypal' buyer driven. New fashion trends set the rapid pace for changing fashion trends. International retailers respond by organising the dispersion of their production networks globally. According to this theory it is the 'nature of insertion' into global chains that influences what functions local firms can perform in garment production. Local producer options for upgrading and their ability to capture a larger share of value are also affected.

In the garment industry industrial upgrading involves moving to forms of marketing and manufacturing which are integrated, often called the 'full package model', as opposed to basic assembly (Bair and Gereffi, 2003). Then, the idea is that, the customer base of producers can be extended from branded manufacturers to include market and retail networks providing the supplier with more autonomy and learning opportunities. This is also said to be a type of intra-sectoral upgrading as exporting firms can find local suppliers for materials and therefore are more likely to create local linkages.

According to Hassler et. al (2003) empirical studies that support the global organisation of the garment industry as being the prime example of buyer driven commodity chains are flawed, 'highly Western centric' and generally based on evidence of American companies and retailers. He ascertains that garment commodity chains have various influential factors other than brand ownership such as global and national regulatory frameworks and differing contexts such as that of the leading firm and the particular fashion product type. Various changes in policies and structure at national and international levels changed institutional and regulatory frameworks in the demand and supply sides of the global commodity garment chain (Gereffi, 1994 cf Hassler, 2003, 514). Export oriented industrialisation strategies and the liberalisation of global trade according to the General Agreement on Tariffs and Trade (GATT) created a framework for

entrepreneurs to establish export manufacturing and enabled importers from developed countries easier access to these products (Hassler, 2003).

The fashion content of the product is the second item that influences the organisation and relationship between firms in the sector. Different fashion segments characterised by either economies of scale or scope distinguish clothing products. High fashion products are designer clothes, manufactured in small production units, elastic in demand and sold in small quantities such as in boutiques or specialised retail outlets. High fashion clothing normally creates a trickle down consumption process to the middle fashion level (Curran 1995; Eckert 1997 cited in Hassler, 2003). Medium fashion products are popular brands manufactured for the 'fashion conscious mass market' in larger production units, distributed and sold in retail chains and medium priced department stores which can generate large volume orders because of the size of their organisation. In contrast standardised or low fashion products such as underwear or T-shirts have little fashion inputs. They can potentially achieve economies of scale as there are less product styles and consequently production process changes. This is due to the assembly process of clothing production which is divided into individual worker operations in which each worker performs a repetitive activity and in which the labour costs are offset by the improved product flow (Froud et al. 1999 cited in Hassler, 2003, 515).

Branding is 'the use of a name, term, symbol or design – or some combination, thereof to identify a product or a service' (Franceschini 1994: 40 cf Hassler, 516/517). Appelbaum et al. (1994 cf Hassler, 2003, 517) consider that the factor that is critical in the construction of the garment commodity chain is the ownership of the brand name because the main principal profits realised within buyer driven commodity chains are realised in marketing, retail and design. Core companies extract monopoly rent because they own trademarks and brand names and have expertise in both designing and manipulating consumer tastes by advertising (Appelbaum et al. 1994: 188 cf Hassler, 2003).

There is also an alternative view to the dualistic structure of governance of commodity chains of either buyer or producer driven firms which simplifies the varying spectrum and richness of inter firm connections and intra-sectoral power relationships in the garment industry (Dicken et al. 2001; Gibbon 2001; Raikes et al. 2000; Smith et al. 2002 cited in Hassler, 2003, 517). There are various other possible intra-sectoral forms of brand name ownership including the manufacturer owned brand although the majority of the global garment trade is conducted by brand name companies and retailers and generally driven by the demand side of the industry. Furthermore, branding can be used as a marketing tool for inputs or raw materials at every stage of the chain. Specific systems of intra and inter firm relationships are created by each type of brand name ownership.

Hassler (2003, 517) also considers that a potential indicator for the tendency of the garment commodity chain to be a producer-driven or a buyer driven garment commodity chain is the origin of the ownership of the brand name. Retailer brands are organised similarly to brand name companies as they operate a network of external, buyer driven, transactions, whereas integrated vertical systems shape manufacturer owned brands which therefore have some characteristics of producer driven chains. Manufacturer owned brands have all the product development processes, production and distribution integrated vertically in the organisational structure of the firm. This type of brand owner operates an intra-firm network of partly or entirely owned production facilities. However, every internalized process can be externalized to specialized subcontractors.

Another important aspect of global garment production chains are that they also have production stages and processes unrelated to the fashion segment and ownership of the garment brand name which has a sequence which involves all stages interacting with one another. These can be divided broadly into product development, production and distribution and include design and sample making, production, the procurement of raw materials and production coordination, assembly, cutting, sewing, quality control and finishing processes and distribution, logistics, retail distribution and marketing. Processes of these three stages can vary according to the specific firm organisational behaviour and accordingly can be internalised or externalised where correlation to brand name ownership is defined by the level of integration in the intra-firm business structure.

The garment commodity chain of brand name companies or retailer brands are defined as being buyer driven by Gereffi (1994, 1999 cited in Hassler, 2003) because the decisive nodes are controlled by a firm with no integrated production facilities. Therefore, the owner of the brand name coordinates the processes at the top and bottom of the chain and all marketing activities and manufacturing processes are external. The manufacturer has sole responsibility for procuring raw materials according to the quality and design specifications of the brand owner and all production risks are therefore borne by the garment producer. Further deepening of the network structure is also possible as part or all of the production processes can be subcontracted to other manufacturers. Inter firm relationships within this type of brand name ownership are characterised by loose, short term structures with low levels of 'goodwill' trust (Sako, 1992 cited in Hassler, 518) as both producers and locations can be switched to better ones.

Another notable trend is the use of intermediaries or communication links between buyers and manufacturers to control the product standard of the brand owner. Intermediaries can be internal to the company or independent agents operating on commission. According to Gereffi (1994, 1996 cited in Hassler, 2003) garment companies in NIEs increasingly operate as

intermediaries between buyers of developed countries and producers of developing countries in Southeast and East Asia. The term that Gereffi uses for this is 'triangle manufacturing' which in the opinion of Hassler extends the concept and territoriality of nodal in GCCs and retains the distinction between core, semi peripheral and peripheral node, the buyer being from an advanced economy, the intermediary a first generation NIE and the garment producer a developing country.

The role of garment companies in first generation Asian NIEs has changed. Manufacturers from the NIEs have a strategy of internationalisation of their production strategies to counteract disadvantages of location such as limited trade quotas or high labour costs in their home country. Production networks partly or entirely owned by subsidiaries are established or cooperation is initiated with locally owned, independent operations by these manufacturers within East and Southeast Asian countries. International buyers lack business experience with these emerging locations so they prefer to work with them through business partners with whom they have long term connections in the NIEs. This is a way of constructing a level of trust, knowledge and certainty for the buyers. Ultimately brand owners can bypass intermediary companies when production activities increase in volume and conduct operations with producers that are newly established directly.

Global Trade Agreements

International trade in the garment sector has not been characterised by free trade arrangements where comparative advantage would be the only determinant of the location and distribution of production and exports and is among the most regulated sectors in the world (Schaumburg-Müller, 2009)

The trade regimes that dictated this were the Multi Fibre Arrangement (MFA) of 1974 and the Agreement on Textiles and Clothing (ATC) of 1994 (Spinanger, 1999 cited in Nadvi, J. T. Thoburn, *et al.*, 2004, 250). According to Nadvi *et al* the MFA explicitly attempted to protect producers in developed countries by providing temporary protection to them to make the changes that they needed by restricting the exports of textiles and clothing from developing to developed countries. The ATC intended to abolish these restrictions by the end of 2004 and bring textiles and garments under the orbit of the World Trade Organisation (WTO). This changed the global context of the industry drastically (Goto, 2013).

In 2005 there was an increase in the total demand for garments which was matched by an increase in total global garment exports (Schaumburg-Müller, 2009). Every country had the opportunity to enhance their competitive advantage and increase their exports. It was widely expected that well established, efficient and low cost countries with large capacities like China and India would benefit and other developing countries that were smaller and had entered the

global garment value chains to use the quota system would lose (Proksch 2004, A.T. Kearney 2005, Tewari 2006 cited in Schaumburg-Müller, 2009, 163)

However, it was also expected that opportunities could arise for other countries as buyers would want to diversify their orders as the garment sector is not necessarily a priority and infrastructural problems and wages are also rising in China. Furthermore, it was predicted that free trade would lead buyers to revise prices downwards.

Weaker competitors were squeezed out of the market or purchased (Merk, 2014). Other companies expanded through establishing strategic partnerships. However, the majority of garment workers are employed by small, local enterprises and have little or no legal protection. It is difficult for these small factories to compete in terms of quality, price and delivery time on an international basis and their profit margins are usually very low.

However trade, institutional arrangements still prevent the garment industry globally from reaching a 'free market situation' (Schaumburg Muller, 2009). For example, after the ATC ended in January 2005 there was a huge surge of garment imports from China to the EU and US which led to export restraint agreements in garments being introduced with China and specific preferential trade arrangements for developing countries were continued to be allowed for the preferential access to the EU market for example.

Outcomes due to the opening up of trade have also revealed more variation than neo-classical trade theory predicted. Competition does not only depend on price but on a range of competitive factors such as quality, production capacity, flexibility, the certainty and speed of delivery, transport costs and time (Gereffi and Memedovic 2003, Palpaceuret al. 2005 cited in Schaumburg-Müller, 2009, 163). Other important firm level capabilities such as management practices, skills and networking also vary between regions and among firms within a country (Tewari 2006 cited in Schaumburg-Müller, 2009, 163). Buyers have also a range of other considerations. Location considerations will encourage large buyers to assess the risks of individual countries and spread their orders over different countries. There are also substantial exiting and shifting costs from changing suppliers from one country to another.

Globalisation and the T&G industries

This research now considers the garment industry in relation to the textile industry. According to Nadvi, J. T. Thoburn, *et al.* (2004) the textile and garment sectors represent the 'quintessential engines' of industrial growth and exemplify the opportunities and threats of globalisation. The textile sector developed under import substitution and the garment under export led strategies. Both sectors have been forced to adjust to trade liberalisation and to changing global competition. Four defining 'new' competitive features have marked the T&G industries. The first of these was the phasing out of the Multi-Fibre Arrangement (MFA), the second competition

from China, the third adhering to international environmental and labour standards and the fourth global buyer's demands for better quality, less expensive products with shorter lead times.

Globalisation has led to adjustments which have had significant effects at local levels creating winners and losers at firm and worker levels. The global process has led to the emergence of manufacturers predominantly located in East Asian countries who specialise in organising low skilled, low wage, labour intensive, high volume and predominantly export oriented manufacturing for a range of industries such as the garment, electronics and footwear sectors (Lu thje, 2002, Appelbaum, 2008, Merk, 2008, UNCTAD, 2011, cited in Merk, 2014). According to Merk (2014, 278) these companies focus on the production of finished products or high-quality components for brand name retailers mostly from Europe or the US³⁵.

Textile and garment industries in Vietnam

Nadvi et al. (2004) consider that Vietnam offers valuable insight into the study of the differential gains from globalisation for textile and garment firms and workers. Over the previous decade Vietnam emerged as one of the world's fastest growing garment exporters. In 2002, textiles and garment exports totalled USD2.7 billion in Vietnam accounting for approximately half of the manufactured exports of the country. This proportion has remained constant up until 2013 when Vietnam's exports in the T&G industry totalled USD18 billion (GSO, 2014). Vietnam has also emerged as a leading supplier to quality conscious markets in Japan and Western Europe. Since December 2001 when the bilateral trade agreement with the United States (USBTA) came into force, Vietnam has become a major supplier to the US, the world's largest garment market. T&G industries are core to Vietnam's labour intensive, export led industrial policy. For example, in 1998 an ambitious strategy aimed to quadruple export earnings in the industry from 2000 to 2010 and to triple employment (Bui, 2001 cited in Nadvi et al., 2004). This was not an easy task as Vietnam has had to firstly, re-orient its T&G exports in the late 1980's and early 1990s' due to the collapse of the country's major markets in Eastern Europe and the former USSR (Hill 2000, cited in Nadvi et al. 2004), secondly Vietnam was excluded from the market of the United States which was the largest consumer market for garments globally, had a significant state enterprise sector which needed to be restructured and finally was a latecomer to garment export manufacturing.

The differences and connections between the Vietnamese textile and garment sectors are important. Firstly, the garment sector is export oriented predominantly whereas textiles are

³⁵ such as 'giant transnational contractors' (Appelbaum,2008), 'Asian Transnational Corporations' (Chang, 2005), 'production transnationals' (Sluiter, 2009) and 'indispensable contractors' (Huang and Lim, 2006).

sold mainly in the domestic market³⁶. In Vietnam since Doi Moi, the shift to labour intensive manufacturing activities and exports such as garments, footwear and furniture has had significant implications for the reduction of poverty as an increase in employment for women and migrants from poorer regions of Vietnam has resulted from the rise in garment export production (Nadvi et al. 2004, Schaumburg-Müller 2009). Secondly, there is a distinction between employment and employment growth in the two sectors. Between 1989 and 1999 the garment sector grew fast and the textile sector declined (GSO, 2000/1 cited in Nadvi et al., 2004). A fall in textile employment was matched by a rise in garment employment in the state, co-operative and private sectors (GSO, 2000/1 cited in Nadvi et al. 2004). Thirdly, textile and garments also differ in regard to their size and ownership structures. State Owned Enterprises are more likely to be responsible for capital intensive textiles and the private and household sector for labour intensive garment production and output.

The diverse ownership structure of the garment industry is important (Schaumburg-Müller, 2009, 164). Table 17 below shows the breakdown of enterprises by size in the industry which also provides insight into their ownership structure as SOEs are normally large and private enterprises conversely small. The number of micro and small enterprises have increased from 27 to 2136 and 112 to 1575 respectively between the years of 2000 and 2014 whereas the total number of firms has increased from 579 to 5709. Given that there is a large discrepancy in the figures as informal activities are not included in the official statistics of national accounts and multilateral agencies Harriss-White (2009, 171) the figures still indicate the proliferation of small firms in the industry (GSO 2014, 2009-2012).

³⁶ In 1998 the share of textiles in total textile and garment exports fell to less than 12%.

Table 17: Total Number of Enterprises by Employee size: Garment industry**(Manufacture of Wearing Apparel; Dressing and Dyeing Of Fur 2000-2014)**

	Total No.	Less than 5	From 5 to 9	From 10 to 49	From 50 to 199	From 200 to 299	From 300 to 499	From 500 to 599	From 1000 to 4999	5000 and over
2000	579	2	25	112	151	82	80	74	51	2
2001	763	58	44	166	188	75	90	79	62	1
2002	996	30	75	225	258	92	116	116	81	3
2003	1211	38	94	288	303	97	127	165	96	3
2004	1567	75	125	437	386	104	155	168	114	3
2005	1745	116	199	506	376	106	149	175	114	4
2006	1958	54	404	501	408	116	145	181	142	7
2007	2352	185	377	646	450	130	168	212	174	10
2008	3174	254	597	1148	473	124	170	207	188	13
2009	3630	350	981	964	591	150	176	220	185	13
2010	4030	458	771	1190	796	152	218	230	203	12
2011	4654	664	674	1509	907	202	216	244	224	14
2012	4950	926	754	1532	827	187	224	234	250	16
2013	5167	988	801	1480	918	196	233	265	260	26
2014	5709	1334	802	1575	927	217	275	270	279	30

Source: GSO Database 2014 and Statistical Yearbooks of Vietnam, 2009-2015

Linkages between the textile and garment industries are also important in Vietnam as imported textiles are a major component of garment production (Hill, 2000; Vu et al. cited in Nadvi et al. 2004). Table 18 below shows the official breakdown of enterprises in the textile and garment industry by manufacturing sector in 2015. What is important in this table, which has a different number of enterprises than table 24 above is that there are a relatively small number at 604 enterprises operating in the textile industry as compared to a total of 4424 in the garment industry.

Table 18: Official breakdown of enterprises in the textile and garment industry 2015

Manufacturing Sector	Enterprises
Cotton Ginners	4
Synthetic Fibre Manufacturers	2
Staple Yarn manufacturers	96
Filament Yarn Manufacturers	5
Fabric makers	497
Garments	4,424

Source: Vitas 2015

Table 19 shows that 61 percent of garment enterprises are located in Ho Chi Minh City (HCMC) and the South of Vietnam (VITAS, 2015). The garment industry has clustered in HCMC and the neighbouring provinces of Dong Nai and Binh Duong and is divided in number between foreign and private enterprises who operate side by side to serve the export market and the domestic market respectively (Sakota S., 2007, 8). In 2007 the HCMC area had 11, 890,³⁷ small garment enterprises³⁸. In Hanoi, the overall scale of the garment industry is different with more SOEs, some Foreign Invested Enterprises (FIEs) and enterprises of a smaller size. According to Vixathep and Matsunaga (2012) a higher level of firm efficiency which can be attributed to competition, the concentration of garment production, supporting institutions and spill-overs has been recorded in HCMC.

Table 19: Location of garment enterprises in Vietnam in 2015

Area	Enterprise	Density/Percentage
North	1,374	31
Central	344	8
South	2,706	61
Total	4,424	100

Source: VITAS, 2015

Overview of Vietnamese garment industry

This section of this chapter will present the garment industry in Vietnam. This will include the five stages of the Vietnamese Textile and Garment Industry (VTGI), the two types of business, Cut Make Trim (CMT) and Free on Board (FOB), the range and interaction between diverse buyers and producers in Vietnam and the gains that have been made by different types and sizes of firms and among workers. The section will finally consider how the rise in exports of the garment industry in Vietnam should be considered from the perspective of the level of imports to reveal net or the true value of exports.

In Vietnam the VTGI industry consists of five stages, ‘cotton-fibre-weaving-dyeing-sewing (bông-sợi-dệt-nhuộm-may)’ (Ngọc Trần, 2012, 123). Two types of business exist in the garment industry, the Cut Make Trim (CMT) and Free on Board (FOB) (Vixathep and Matsunaga, 2012).

³⁷ The difference in this figure and in the estimates of Cling, Razafindrakoto and Roubaud (2012, 635) which I mention in the first part of this section which are that more than 200,000 IHBs with nearly 300,000 workers operate in the garment industry in HCMC show the enormous growth in the industry particularly in the informal sector between 2007 and 2012

³⁸ An explanation for the figures differing from the official figures provided by VITAS is that these small firms are in the informal sector

CMT is the most basic, labour intensive function of garment manufacturing and consists of cutting and tailoring processes and packing and delivery (Nadvi, Thoburn, Thang, et al. 2004, 117). Under this procedure buyers supply the fabrics while firms supply thread. CMT payments cover management and labour costs, trading expenses, the profit margin of the firm and electricity. Many buyers prefer working under CMT arrangements as their cost leverage is strengthened.

In Vietnam, CMT functions on inputs provided by consolidators or buyers are predominant and there is not much FOB garment production (WB, 2010, 55). As many manufacturers are foreign owned or are subcontractors for either foreign buyers or consolidators in final markets they have little knowledge of or access to input and output supply chain networks either within or outside the country. This means that garment manufacturers have not developed the design and engineering capabilities to graduate from the subcontracting to the brand or product developer. This also results in buyers tending to switch between manufacturers on a cost basis.

In the garment industry a diverse range of global buyers source their products from Vietnam and deal with different Vietnamese producers (Nadvi et al., 2004, 115). These include at least three tiers of international brands and buyers, contract suppliers and enterprises (Ngọc Trần, 2012, 133). The top tier consists of international lead brands and corporate buyers from department and discount stores, supermarkets and mail order outlets in the US, EU and Japan (Nadvi et al., 2004, 115, Ngọc Trần 2012, 125). Tier 2 level contract suppliers are mainly from East Asian countries and tier 3 level firms from Vietnam (Ngọc Trần 2012, 125).

According to Nadvi et al. (2004) there are some signs that key value added functions in design, marketing and advertising have been delegated to manufacturing firms at the tier 2 level deviating from the traditional buyer driven model. Tier 2 level firms produce for tier 1 firms and also subcontract to tier 3 firms and tier 1 buyers also source from Vietnamese firms directly (Nadvi et al., 2004, 115). Delegation also occurs in the sourcing of fabrics which are critical to the quality and final cost of garments. In garment production a form of process upgrading is to move from CMT to FOB production. The garment enterprise obtains fabrics under FOB which normally account for between 50 and 80 percent of the final price. According to Nadvi et al. (2004, 117) an enterprise's ability to source fabrics regularly, reliably and cost-efficiently is conditioned by the price and quality of materials produced in Vietnam and is usually from the SOE and FDI sectors and from abroad. There is a definite bias in favour of SOEs upgrading to FOB.

According to Ngọc Trần (2012, 125) relationships between tier 2 and tier 3 producers lack transparency which can make monitoring difficult and leave the system open to labour violations

and non-compliance to environmental standards. Workers are included at the end of each tier with tier 3, Vietnamese firms being at the lowest level of the chain or network (Ngọc Trần, 2012). There is a substantial degree of triangular manufacturing Geraffi (1999) as leading brand name buyers place orders with regional garment manufacturers (Nadvi et al., 2004, 116). This results in Vietnamese enterprises not being aware of the final destination of the items that they produce. The main source of garment production for large traders from Japan and Hong Kong are SOEs in contrast to smaller regional traders who supply other developing countries and low priced segments of markets in the US and the EU whose main source is small private and household garment firms.

Due to rising per capita income the domestic market is also expanding fast (Schaumburg-Müller, 2009, 166). Large household production traditionally catered for low end and SOEs high end products for the domestic market. There is also strong competition from Chinese imports. Vietnamese garment producers are locked into a supplier position that is static in the GVC unable to upgrade as they are dependent on foreign buyer's standards, design and specifications while buyers full control over marketing is maintained. However domestic producers can supply several buyers and markets simultaneously and mainly follow a strategy of growth through expanding the volume of their production.

At the level of firms there have been different gains. Large SOEs have been able to participate in leading global value chains. They have been able to take large orders, manufacture a relatively diverse range of products and meet compliance demands on global standards and labour codes. Private garment firms are not able to access high quality and levels of the value chain, usually supply regional smaller traders, operate in worse working conditions, pay lower wages and employ workers that are more marginalised. Employment gains in export garment production have been captured by workers in the SOE sector particularly who have the required residency status in the cities and levels of education to be able to access SOE employment. Migrant, often women workers who do not have residency rights or the required level of education are therefore forced to get work in small private garment enterprises within the growing informal sector (Schaumburg-Müller, 2009, Nadvi et. Al, 2004).

There is also a clear gender based division of labour and women workers are excluded from the more technically skilled tasks because they require the 'heavier labour of men' (Kabeer and Tran, 2203, Nguyen et al, 2003 cited in Nadvi et al, 262). Table 20 below shows the differing levels of monthly wages in Vietnam between 2005 and 2012 in SOEs, private and FIEs and between textile, normally SOEs, and garment enterprises in comparison to the average wage in Vietnam. The wages in both the textile and garment industries are lower than the average wage but are substantially lower in the case of the garment industry.

Table 20: Monthly average wage of employees in enterprises by types of enterprise and in textile and garment industry in Vietnam in US\$ between 2005 and 2014

	2005	2009	2010	2011	2012	2013	2014
State Owned Enterprises	99	230	289	349	372	370	410
Non-State Enterprise	57	131	158	179	204	210	230
Foreign Invested Enterprise	84	157	197	231	278	300	310
Average wage	80	172	215	253	284	260	280
Textiles	63	113	142	178	224	240	250
Garments	52	105	131	168	183	210	220

Source: GSO 2009, 2013, 2015

An outline of the Vietnamese garment industry between 2005 and 2014 is provided in Table 21. The table shows that the garment industry has had a steady increase in the number of firms and workers. In absolute terms the increase in the number of enterprises from 1573 to 5167 was over threefold and their share in the overall economy rose from 7.5 to 8.8 percent (GSO, various years). The number of employees nearly doubled rising from 509614 to 1130819 and their share in the overall economy rose from 17 to 21 percent. The accumulation of capital and the gross output of industry have also risen significantly in absolute terms. The gross output of the industry increased fivefold but it remained fairly constant in its share in manufacturing and the overall economy.

In 2013 the total value of textile/garment export in Vietnam was nearly US\$18 billion (GSO, statistics). Vietnam's largest export markets in 2013 were the US, US\$8.6 billion, the EU, US\$2.7 billion, Japan, US\$2.4 billion and South Korea, US\$1.7 billion (GSO, 2014). According to information provided to the researcher in an interview with Mr. Van Tuan, the Secretary General of the Vietnamese Institute for Textiles and Apparel (VITAS) and founding member of the Vietnam Cutting and Spinning Association (VCOSA) in 2015, the overall contribution of the garment and textile industry to GDP had risen to 7 percent and to trade 14 percent. Also In 2015 total garment industry sales rose to US\$33 billion, the turnover of the industry to US\$45.7 billion of which US\$27.3 billion were exports and US\$18.4 billion imports (VITAS, 2016). 50% of total sales were to the US, 16% to the EU, 14% to Japan, 8% to South Korea and 12% to other countries. Import tax is correspondently 17% for the US, 9.6% for the EU under the Generalised

System of Preferences (GSP), 0% for Japan and South Korea under their Free Trade Agreement (FTA) and dependent on WTO arrangements for the rest of the world.

Table 21: Outline of the Vietnamese garment industry 2005 to 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
No. of Enterprises	1573	1958	2352	3174	3589	3992	4654	4950	5167	5709
Share of Manufacturing	7.5	7.3	7.6	8.3	8.8	8.8	8.9	8.8	8.8	
No. of employees	509614	585414	706093	758274	775978	858696	962474	1013113	1130819	1247932
Share in Manufacturing	17	17	19	19	19	19	20	20	21	
Female	421099	486629	587289	628030	641292	699531	775027	820191	918927	100624
Annual Av. Capital Enterprises bill. Dongs	26805	31409	37533	48947	60365	81802	98204	110514	132499	149028
bill US\$	1.23	1.4	1.72	2.24	2.77	3.75	4.50	5.07	5.9	
Share manufacturing	4.2	4.4	4.1	4.1	3.8	4.0	4	3.9	4	
Gross output of industry bill dongs	39241	49156	61343	81071	-	124217	151744	173106		
bill US\$	1.8	2.25	2.81	3.72		5.69	6.96	7.94		
Share manufact.	4.8	4.8	4.9	5		4.8	4.7	4.4		
Total (last numerical rounded)	3.97	4.1	4.2	4.2		4.19	4.11	3.84		
Net turnover bill. Dongs	32242	40166	50691	65998	72538	97996	138784	155315	191247	227779
bill US\$	1.48	1.84	2.32	3.03	3.33	4.49	6.36	7.12	8.58	
Share Manufacturing	4.5	4.5	4.3	4.2	3.8	4.0	4.2	4.1	4.3	5055709 (total)
Profit before taxes of enterprises					715	2132	3267	2763	3247	4694
Average compensation of employees thous. dong					2260	2824	3618	3956	4701	4997
Share manufacturing									5266 total manuf.	

Source: Statistical Yearbooks of Vietnam 2009, 2012, 2013, 2015

Primary commodities still dominate Vietnam's exports (GSO, 2014, 514, 515). Since 2000 garments constitute around half of Vietnam's total manufacturing exports. The US\$18 billion export total in 2013 is nearly a half of the total of US\$37.8 for light industrial manufacturing in that year. While this figure ranks Vietnam as the fifth largest exporter of garments and textiles³⁹ in the world, the Vietnamese Textile and Garment Industry (VTGI) does not have a good performance in keeping value added in Vietnam (Ngoc Tran and Norlund, 2015). Textile and garment production depend on imports of technology and materials especially from China which

³⁹ The T&G industries are usually classified together in official statistics and often in the literature but as already mentioned previously garments are predominantly exported and textiles imported in Vietnam so export figures apply to the garment industry in the main.

contributes to the loss of competitiveness in the industry which is mostly in low value-added and low wage assembly employment (Ngoc Tran and Norlund, 2015, Luong, 2009).

In 2013, Vietnam's domestic industries satisfied only about one percent of its cotton production and twelve to thirteen percent of its fabric production respectively (Luong, 2009). In the same year Vietnam imported US\$1.17 billion of cotton, US\$1.52 billion of yam and US\$8.40 billion of fabric (VINATEX in Textile World Asia, 2014). This totalled US\$11.09 billion which is over 55 percent of the industry's export value. Other factors that contribute to a loss of competitiveness of the industry are increased production costs such as electricity and transportation, a recent minimum wage increase of 15 percent, a shortage of and poor distribution country wide of highly trained workers and difficulties accessing financial resources (Vixathep and Matsunaga, 2012).

Table 22 shows the exports, imports and net exports of textile and garments in Vietnam between 2000 and 2014. Vietnam's net exports recorded their first small positive net growth of US\$427.5 million in 2006, then grew slightly in 2007 and 2008 before levelling off until 2012 and 2013 when they increased significantly to US\$2574.5 million and 3969.5 million respectively (GSO). This rise in net exports to US\$2.6 billion in 2012 to nearly US\$4 billion in 2013 shows an increase in net value added remaining in Vietnam (Ngoc Tran and Norlund 2015, 150).

Trade agreements: Effects on garment industry in Vietnam

As a recent entrant to the global garment market the MFA regulated only part of Vietnam's exports. Vietnamese exports to Japan were outside of the MFA as Japan was a market with no quota restrictions and Vietnam's 1992 trade agreement with the EU provided it with preferential garment quotas and resulted in an export growth that was phenomenal for that market. In 1996, 85 percent of Vietnamese exports were equally divided between the EU and Japan. Its share to the US was only 2 percent (Hill, 2000, 289 cited in Nadvi et al, 2004, 254).

Previous to the lifting of the MFA in 2005 and joining the WTO the composition of Vietnamese garment exports changed following the signing of the United States Bilateral Trade Agreement (USBTA) in 2001 (Goto, 2013, 125). In 1997, Japan, Korea and Taiwan each held approximately one quarter share of Vietnamese garment exports. However, the US overtook Japan as the largest export market in 2002 and a rapid expansion of exports to the US followed. This has also affected the 'development trajectory' of the Vietnamese garment industry as governance structures in GVCs vary according to export destination and affect the main areas where competitiveness in the industry can be built up. Generally Vietnamese garments that are produced for the Japanese market have a higher value added, more 'complex design and product specification' than garments for the EU and US markets. The most important factor for value chains which are Japanese oriented is quality in contrast to the US where they operate in

a cheaper quantity focussed price range which has fierce price competition. Japanese trading companies or brand apparel firms usually coordinate Vietnamese garment supply chains and increase the productivity of Vietnamese supply chains through transferring technical knowledge and technology (Goto, 2003 cited in Goto, 2013, 129) as compared to US and EU markets which are normally coordinated by buyers from Hong Kong, Korea and Taiwan where the transfer of technology is limited.

Goto (2013) considers the two methods which garment suppliers have been able to use to improve their situation in the post MFA era since 2005. Vietnam joined the WTO in 2007 and as a result became more open to the global market's changing competitive conditions (Schaumburg-Müller, 2009, 162/163). The first method supports the argument that garment suppliers are dependent on their ability to upgrade to improve working conditions and wages (Ngọc Trần, 2012, 123 Goto, 2013, 131). A second method is dependent on the flexibility of enterprises to shift manufacturing operations and new products to new markets and customers although there is no functional upgrading and contracts are still based on the assembly of CMT. In 2011, CMT contracts of low wages and imported materials in assembly dominated in Vietnam (Ngọc Trần, 2012).

A firm survey of 48 garment companies by Spring in 2006 investigated how firms reacted to changing competitive conditions following the lifting of the MFA also concluded that enterprises were producing CMT or low end FOB (Schaumburg-Müller, 2009, 168). Garment exports were in a few low-end products such as cotton and fibre trousers and shirts. Production had also increased for the same three main markets, the US, EU and Japan in ten main product groups and firms were not active in relation to marketing. Most producers also supplied several different export buyers and use different export methods. For example, they sold to overseas retailers in the US and to foreign buyers directly and were not locked into one buyer or a single market. Enterprises expanded their production capacity by employing more staff or increasing their capital due to an increased level of exports.

In relation to production strategy and management, suppliers did not change the source of their materials and contract arrangements (Schaumburg-Müller, 2009, 169). Barriers to business expansion were the allocation of quotas for the US and access to capital. In relation to product upgrading, searching for new markets and customers and improving their marketing and design capabilities firms were 'passive price takers' and had no intention of changing their strategy for sourcing materials. However, as the prices of materials had increased since 2004 while the prices of outputs had not this resulted in a squeeze in supplier profits.

Table 22: Exports, imports and net exports of textile and garments in Vietnam between 2000-2014

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Imports															
Auxiliary materials for sewing (Mill. USD)	917.4	36.2	69.3	64.9	43.7	38.7	23.9	12.24	29.3	76.9	193.7.2	161.0	179.3.6	210.9.9	237.1.3
Textile fabrics (Mill. USD)	76.1.3	88.0.2	23.1	18.4	20.6	24.2	29.47	90.5	57.8	12.3	538.3.1	679.1.1	713.5.5	833.9.8	956.0
Cotton (Mill. USD)	90.4	11.5.4	11.1.6	10.5.4	19.1.6	17.0	22.1.8	26.8	46.6.5	39.4.7	673.5	106.1.5	881	117.1.7	143.9.4
Fibres, spun (Mill. USD)	23.7.3	22.8.4	27.2.6	31.7.5	38.4.3	39.9.8	43.9	57.8.5	60.6.7	58.2	864.6	953	867.9	987.3	113.7
Fibres, not spun (Mill. USD)	89.1	11.9.1	11.9	15.8.7	19.1	21.3.2	21.3.8	26.0.5	27.6.9	31.4	437.3	588.2	553.1	538.2	483.2
Machinery accessories	29.6.4	24.2.6	32.5.1	40.2.3	37.8.2	44.7.2	48.1.8	64.1.7	84.7.9	45.9.8	578.3	707.1	610.6	817	123.1.9
Total imports	239.9	26.9	34.7	40.2	46.4	51.1	54.3	69.2	79.1	71.7	987.4	117.9	118.7	139.9	162.8
Exports															
Textile, sewing products (Mill.USD)	189.9	19.4	27.32	36.09.1	44.29.8	47.72.4	58.54.8	77.32	91.20.5	90.65.6	112.09.8	132.11.7	144.16.2	179.33.4	201.01.2
Net Exports	-50.0	-64.6.5	-68.8.7	-44.5.1	-22.5.6	-37.0.7	-42.7.5	-76.8.8	11.35.4	19.25.9	133.5.8	150.0.8	257.4.5	396.9.5	387.8.4

Source: General Statistics Office of Vietnam. 'Some main goods for exportation, Some main goods for importation, https://www.gso.gov.vn/default_en.aspx?tabid=780 (accessed 10/08/2016), GSO Statistical Yearbook, 2014/2015, Tran and Norlund, 149

Enterprises in the garment and shoe manufacturing industries have been recovering from the crisis slowly (Actionaid/Oxfam). During the crisis enterprises reduced their workforces, working hours and put a freeze on recruitment. At this time many migrants resigned voluntarily and returned home. When enterprise orders began to increase in the recovery period many enterprises suffered labour shortages. The urgent demand for labour has led enterprises particularly in HCMC to compete through offering employment incentives to workers. These incentives cover a range of policies covering welfare, the maximum recruitment age, which has risen to above age 40 from 25, educational qualifications, which have fallen from junior secondary to primary or basic literacy levels, broadening the geographic area of recruitment and recruiting workers from their home villages. Enterprises also have tried to maximise the use of their existing labour force by providing small increases in overtime.

Migrant workers have also ‘restructured their options’ since the crisis which has exasperated the labour shortage. Table 23 shows the net migration rates in South East Vietnam from 2010 to 2014 and that the rate of migration to HCMC has in fact fallen. This supports the information provided by Actionaid/Oxfam that working in the garment and shoe manufacturing industries has become less attractive as the conditions are difficult and wages are low. According to them migrants are more selective when they seek employment. They have also returned to education. Another option has been for the migrants to remain in the cities and to switch to working in the informal sector and private domestic enterprises.

Table 23: Net migration rates to recipient destinations South East Vietnam 2010-2014

	2010	2011	2012	2013	Pre. 2014
Binh Duong	74.6	42.7	48.9	34.5	52.0
Dong Nai	16.3	22.1	12.5	6.7	11.9
Ba Ria Vung Tau	4.4	5.7	2.8	4.0	7.2
TP HCMC	18.3	11.5	7.6	6.2	5.5

Source: GSO, 2014, 103

New opportunities and threats will arise for the garment industry in Vietnam as it has recently joined the Trans Pacific Partnership (TPP) which includes the 12 countries of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States and Vietnam⁴⁰. The TPP results in all foreign import taxes being eliminated on consumer and

⁴⁰ <http://trade.gov/fta/tpp/pdfs/full-country-report.pdf>

industrial goods between these countries in the main export sectors as well as the establishment of internationally recognised labour standards as arranged by the ILO. For further information on the TPP see <http://www.bloomberg.com/news/articles/2015-10-08/more-shoes-and-shrimp-less-china-reliance-for-vietnam-in-tpp> and <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1437>.

Chapter conclusion

This chapter has presented the garment industry in Vietnam.

The chapter began with a discussion on the garment industry and its use by countries in the early stage of development to promote industrialisation and then considered how developing countries have become an important part of the garment industry over the last fifty years which is reflected in the industry's global structure. The research then considers global trade agreements in the garment industry which is one of the most regulated sectors in the world and was dictated by the MFA, 1974 and the ATC, 1994 and how these pertain in Vietnam. Since 1992 various bilateral and multilateral agreements have led to the expansion and diversification of Vietnam's trade in garments.

The chapter then presents an overview of the effects of globalisation on the textile and garment industries. In Vietnam since Doi Moi investment has shifted to labour intensive manufacturing activities and exports in the garment industry. Small, private enterprises are predominant in the garment industry and large, state owned enterprises in the textile industry.

Then the chapter provides an overview of the garment industry in Vietnam. This included the five stages of the Vietnamese Textile and Garment Industry (VTGI), the two types of business, Cut Make Trim (CMT) and Free on Board (FOB), the range and interaction between diverse buyers and producers in Vietnam and the gains that have been made by different types and sizes of firms and among workers. CMT operations are dominant in Vietnam. A diverse range of global buyers source their products from Vietnam and deal with different Vietnamese producers including at least three tiers of international brands and buyers, contract suppliers and enterprises. However, Vietnamese garment producers are locked into a supplier position that is static in the GVC unable to upgrade as they are dependent on foreign buyer's standards, design and specifications while buyers full control over marketing is maintained.

At the level of firms there have been different gains. Large SOEs have been able to participate in leading global value chains and workers in the SOE sector have been able to capture employment gains. Private garment firms are not able to access high quality and levels of the value chain, usually supply regional smaller traders, operate in worse working conditions, pay lower wages and employ workers that are more marginalised.

There has been a steady increase in the number of firms and workers in the garment industry. Since 2000 garments constitute around half of Vietnam's total manufacturing exports. Total exports were USD18 billion in 2013. While this figure places Vietnam as the fifth largest exporter of garments and textiles in the world, the Vietnamese Textile and Garment Industry (VTGI) does not have a good performance in keeping value added in Vietnam. Garment production depends on imports of technology and materials that are mostly in low value-added and low wage assembly employment. The section finally considers how the rise in exports in the garment industry in Vietnam should be considered from the perspective of the level of imports to reveal net or the true value of exports.

Methods which garment suppliers can use post MFA to improve their industry are upgrading from CMT operations and shifting manufacturing operations and new products to new markets and customers. Several sources consider that upgrading is not taking place in Vietnam but that domestic producers supply several buyers and markets simultaneously and mainly follow a strategy of growth through expanding the volume of their production. In my opinion potential changes could arise for the garment industry in Vietnam following the TPP although the impact of the TPP on MSEs that are predominantly informal may not be significant at least in the short term.

This chapter has provided further background and viewpoints of various authors concerning all of the sub questions. The first two questions relate to the operations and characteristics of MSE employers and workers in the garment industry in Vietnam. The third question to the links of MSE employers and workers to Global Production Networks.

Chapter 6 Research Findings and Discussion

This section will present the research findings of this thesis by answering the sub questions concerning MSEs in the garment industry in Vietnam. These sub questions relate to the three main sections of the literature review which are the changes that have taken place under neoliberal-globalisation, the development of the informal economy and links to garment supply networks.

This will then enable me to answer the main question which is

‘What does the proliferation of small firms in the garment industry tell us about neoliberal globalisation in Vietnam?’

The first sub question is how does neo-liberalism operate at the level of MSE employers and workers in the garment industry in Vietnam?

Neoliberal policies as outlined in the literature review of this research such as the ‘rolling back of the state’, foreign trade liberalisation, a switch to EOI, an increase in the labour force through migration, the employment of higher numbers of women, the introduction of flexible labour conditions have been implemented in Vietnam since the 1980s and have been laid out in the background and subsequent chapters of this research. Changes to neo-liberalism under new institutionalism and the post Washington consensus have also been outlined.

Sub question 1 examines how neo-liberalism operates at the level of MSE employers and workers in the garment industry in Vietnam. This is done by investigating what kinds of state, institutional or other support are dominant among the firms and workers.

My sample shows little evidence of MSE enterprise employers receiving state support. There does not appear to be any government industrial policy for these MSEs whether it is purposively avoided as Wade (2012) suggests or not. There is also, therefore, no sign of ‘national developmentalism’ (Buch-Hansen and Lauridsen, 2012, 294) at this level. Only three enterprises, two micro enterprises classified as poor houses and one social enterprise received small loans from the state. These loans were normally administered through the Women’s Union and were for basic machinery such as a sewing machine which relates to the second case scenario of the Vietnamese state as outlined by (Kerkvliet, 1995) which is that the state influences society through mass institutions but also only assists very poor enterprises or employees who are members of mass organisations, such as, in this case the women’s union.

There was also no evidence in my sample of what Nye (2004) called a ‘soft’ state approach or of the state entering into cooperative relationships with MSE enterprises. This is also related to other concepts of the state mentioned in the literature review. The state has not held the state and capital in MSEs in the garment industry together (Evans, 1989). Vietnam could also,

possibly, be characterised as an 'intermediary state' (Evans 1989, 576), or by the inability of its political leaders to transform the whole bureaucracy. More recently, Beresford and Ngoc Tran (2004, 11) also make the point that the Vietnamese state does not possess the capacity for effective intervention in these networks to offset the tendency of inequitable growth.

I will now outline interviews that I held with two Vietnamese state-affiliated organisations, which is also consistent with, and throws light on, the research finding that the state has not held itself and capital together in garment MSEs

The first of these organisations is the Vietnam Chamber of Commerce and Industry (VCCI), a national organization which represents business community, employers and business associations of all economic sectors in Vietnam⁴¹ and the second is the Vietnam General Confederation of Labour (VGCL), the national trade union. Neither of these national-level organizations engages seriously with garment MSEs. VGCL had very few small enterprise members and VCCI had none.

The T&G sector of VGCL aims to raise the wage levels and health and safety standards of enterprise 'models'. Duong Thien, Director of the sector, reported to me during interview that the garment sector in HCMC had models in the form of union members in 23 enterprises of which 3 were foreign and 20 private. The enterprises have generally around average 1000 workers, but there are also approximately eight smaller enterprises whose 30-50 workers are members. Seven of these small enterprises carry out subcontracting work and one of them exports. VGCL supports them as they do not have to pay for VGCL membership and through providing money and gifts to them. The size requirement for membership of VGCL is ten members, which precludes micro enterprise members.

The interview that I held with Bui Thi Ninh, Deputy Director, Bureau for Employer's Activities (BEA), VCCI, revealed that this organisation works with enterprises which have approximately one hundred workers in the garment industry, which excludes all of my research target. Bui Thi Ninh also said that there were very few labour inspectors and they pay attention to high risk, large factories or those with labour disputes. In her opinion small enterprises cannot afford the level of labour compliance needed for membership and 'don't care about the law'. MSE working conditions are more likely to be based on the attitude of the employer who may or may not want to build long term worker conditions. However, Bui Thi Ninh also observed that VCCI member companies subcontract to small companies and MSEs are therefore important for the range and diversification of the industry in terms of expensive and cheaper products, for carrying out subcontracting work with large, export companies, for serving the large local market of

⁴¹ <http://vccinews.com/aboutvcci.asp>

approximately 90 million people and for carrying out some unique types of work such as embroidery.

My research also confirms Nye (2004) that some non-state actors can exert 'soft power' (90). Three of the enterprises studied, one micro, one social and one small, received support from the **Catholic church** for machinery or other start up activities. If one considers that only three enterprises also received support from the state this is a significant number.

The two tailor enterprise owners in my sample had a different experience regarding state involvement in enterprise. Both told me that once they set up their shop premises in visible locations, which is one of the main reasons provided by Cling et al. 2012 for informal enterprises becoming formal, they nearly immediately received a visit from a government tax inspector. This would seem to point to a lack either of capacity or of interest on behalf of the government for spotting and following up on the less visible enterprises.

Unanswered questions remain for further research. These are whether global production transformations take place in the 'shadow of the state' or with the direct and indirect support of the state in Vietnam (Mezzadri, 2010). Informal activity could also have clear benefits for the state (Harriss-White, 2010). Another relevant point of view is that informal practices are inherently not state based but informal and private and therefore to enforce change would be very difficult (Crawford, 2000, 83).

Unanswered questions remain for further research: whether global production transformations take place in the 'shadow of the Vietnamese state' or with the direct and indirect support of the state (Mezzadri, 2010); whether informal activity might not have clear benefits for the state (Harriss-White, 2010); and whether informal practices are inherently not state based and therefore to enforce change would be very difficult (Crawford, 2000, 83), though the state might draw on such components of its own 'soft power' so that the culture and political values of the state are considered attractive and that it is seen as 'having moral authority' (Nye, 11).

Overall the MSEs interviewed did not receive support from the state in terms of credit or for knowledge provision, technical, marketing, legal or other factors. They received **start up and continuing support** from **informal sources** such as friends and family. Six of the enterprise owners/employers interviewed, five of which were in the small enterprise category, reported receiving support from family. The micro enterprises were family operated in three of the four enterprises in my sample, so family support was integral to their operations. A total of six enterprises, two micro and four small, also reported receiving support from friends. Only two enterprises said that, other than the small loans mentioned above, they had or would seek support from the state. Employer S6 said that she needed support to register her business and employer S7 said that he would need state support to have his name on the export product.

These two reasons can be classified under legal or export assistance, implying that state institutional support is considered important to break into these activities and that registration and business licences are organised predominantly at state level.

The receiving of support predominantly from family and friends in Vietnam is also consistent with the literature that views the development of Vietnamese market institutions as having more in common with the East Asian countries' model of 'embedment in social networks' than with Western models based on neo-classical economics (Rolf Herno, 1997, cited in Beresford and Ngoc Tran, 2004, 11). Across the MSE spectrum of my research, enterprises resorted to social networks such as family and kinship ties, neighbours and friends (Harvie and Boon-Chye (2002) , Lever-Tracy and Ip (2002), Fulop and Richards, David (2002) Mutz and Klump (2005).

This sub question examined whether the MSEs received hard, soft or other types of state support and concluded that they did not, except in the case of very poor enterprises/households. This in turn suggests that a Washington Consensus type of neo liberalist model which favours no state institutional support applies to the MSEs. The MSEs predominantly received informal support from their families and friends. These findings also support the **first hypothesis** of this research that labour and capital in MSEs in the garment industry have been marginalised and poorly supported by formal institutions during Vietnam's strong economic growth.

This sub-section examined whether the MSEs received hard, soft or other types of state support and concluded that they did not, except in the case of very poor enterprises/households. This, in turn, suggests that a Washington Consensus type of neo liberalist model which favours no state institutional support applies to the MSEs. The MSEs predominantly received informal support from their families and friends. These findings also support the **first hypothesis** of this research that labour and capital in MSEs in the garment industry have been marginalised and poorly supported by formal institutions during Vietnam's strong economic growth.

Sub question 2 is what are the characteristics of employers and the nature of work associated with the informal economy in MSEs in the garment industry in Vietnam?

This sub-section will first identify which of the three main perspectives on the informal economy apply to the MSEs in my research sample. As outlined in the literature review, these ~~three main~~ perspectives are: i) economic underdevelopment – the modernisation /dualistic perspectives, ii) state interference and corruption – the neo-liberal perspective and iii) inadequate state intervention to protect workers - the political economy / structuralist perspective (Williams, 2015a). These three perspectives on the informal economy can also be combined to develop a more nuanced view and can change.

Then the three groups of factors defined by Thi Quynh Trang Do (2009) will be considered: the environment in which the firm operates, the characteristics of the firm and the entrepreneur. The nature of labour will also be considered as a central element of the informal economy (Chinguno, 2010).

The environment in which the firm operates will be considered through analysing the legal framework and the functioning of financial markets (Thi Quynh Trang Do, 2009). This will be supported by considering MSE owners/entrepreneurs perceptions of their profits and expansion plans.

The focus will then be on the characteristics of the entrepreneurs, which according to (Laguir and Den Besten, 2016) are linked to the characteristics of the firm, especially in the initial stage of a firm's development. The sub-section will finally consider the nature of labour.

The characteristics of MSE entrepreneurs employers to be considered are gender, age, education levels and work experience. The nature of labour will include these variables and others associated with labour conditions, social upgrading and downgrading in the GVC/GPN such as trade union activity, recruitment procedures and contract type. Worker rights, overtime, holiday and maternity leave will be considered in the third sub question.

First, I will investigate which of the three main perspectives on the informal economy apply to the MSEs in my research sample. Whether the modernisation perspective applies to the informal economy in Vietnam will be considered through identifying whether the MSEs in my sample operate with Cut Make and Trim (CMT) type activities associated with traditional garment making methods at lower levels of the garment industry as opposed to Full On Board (FOB) production activities associated with modern methods and higher levels of the industry.

The literature of Vixathep and Matsunaga (2012) and the WB (2010) which states that the types of business in the Vietnamese garment industry are divided into the general categories of CMT and FOB in Vietnam is supported by my research. In my small sample CMT functions generally predominate. All thirteen enterprises where I conducted interviews were producing in a broadly defined CMT category of business.

However the activities of my sample will now be outlined to reveal that there are variations among the broadly defined CMT and FOB categories. Micro enterprise (M1) sews buttons on and packages shirts for the Catholic church⁴², M2 makes dresses, school uniforms and garments for other micro enterprises, M3 mostly does CMT production but also does some FOB for local enterprises and markets and M4 is provided with materials that are already cut and therefore

⁴² My Vietnamese, interpreter from CVSEAs who is Catholic informed me that these shirts would have been provided to people from the parish to wear for church activities normally on a Sunday.

carries out the remaining elements of garment production such as sewing, ironing and packing. The small enterprise (S5) seals the seams of outer garments, mostly ski-wear, and does some FOB of knitted garments which the owner sells locally. S6 is also provided with materials that are already cut and produces blue jeans to order. S7 receives material and sample pictures from the lead firm but cuts and designs the clothes. S8 imports thread and wool from China, Hong Kong, Thailand and Taiwan and then carries out all the stages of textile and garment production which is predominantly CMT but includes some FOB garment production. The social enterprise (SE9) produces bags and other crafts and carries out CMT for clothes to order. The two tailor enterprises, T10 and T11 source materials from Italy, Britain, France and China and from local markets and carry out some FOB activities. The two enterprises that form part of a network owned by a company in Hong Kong, FS12 and FS13, receive materials and designs through the lead firm in the network.

These differences reveal the variety of enterprise production activities that come under the umbrella of CMT. Some enterprises receive materials already cut so therefore only sew, others receive materials and carry out CMT and FOB activities, the two tailors carry out FOB activities for the domestic market. Only one enterprise, S8, imports basic materials, produces textiles and carries out CMT and FOB activities.

There is then some support for the modernisation theory in my research sample due to the persistence of Cut Make and Trim (CMT) type activities associated with traditional garment making methods at lower levels of the garment industry. The second, neo-liberal, perspective views the persistence of informality to be due to high state taxes and bureaucracy, regulation and state interference and depicts informal workers as micro entrepreneurs willing to take up self-employment in the informal economy but not compelled to do so due to economic necessity and/or an inability to find jobs (Williams, 2013).

In my sample, however, the reason provided by the employers of the six informal enterprises for not registering was that their businesses were not secure enough to register. This points towards the third perspective on informality which is that they are vulnerable and unprotected by legal interventions or regulations (whether they know the business/turnover level for registration or not).

This conclusion adds a perspective but does not refute other research in Vietnam concerning the reasons why enterprises are informal such as that of Cling et al. (2012) and Cling, et al., 2010. Cling et al (2012) conclude that informality exists due to inadequate state intervention to protect workers. Cling et al. (2010, cited in Arnold, 2012) suggest that there also could be an incentive for household businesses to stay small or not to increase productivity, namely, that they are likely to be aware that if they have not reached a certain level of business or turnover they are

not required to get a business licence and can operate freely avoiding government regulations and taxes.

This research will now consider the perspective provided by Williams, Shahid, and Martínez (2016) on the existence of informality which is that the particular characteristics of the enterprises and entrepreneurs have more influence on the level of formality than the wider formal and informal institutional environment. Higher levels of formality are associated with women, older people, higher levels of education and incomes and older enterprises operating in the manufacturing sectors.

There is a direct relationship between formality and firm size in my research sample. The enterprises in which I carried out interviews can be divided by size classification into four micro and nine small enterprises. Seven of the small enterprises were in the formal sector. The remaining two, who were the smallest enterprises in the small category and the four micro enterprises were in the informal sector. Another small enterprise, S6, had just become formal due to an expansion of her business contracts. The two tailors, T10 and T11, in my research sample considered that they had to be formally registered as they had to operate in visible locations to conduct their business. My research is not conclusive in regards to whether there is an inverse relation between firm growth and size (Evans, 1987, cited in Liedholm, 15/16). This is because I do not have information on the rate of growth for each enterprise. In terms of absolute growth, however, the relation between firm growth and size is direct as the bigger enterprises reported more satisfactory profits.

Further analysis in relation to profits reveals that the micro⁴³ and small, informal enterprises were the most vulnerable and that the largest firm was the most profitable. Two of the micro enterprises, M1 and M2 and the informal small enterprise, S5 reported that their profits were low. The other enterprises generally reported that their profits were adequate and/or depended on orders or just covered costs except for two enterprises who answered that their profits were good. These enterprises were, FS13, one of the foreign satellite but not the lead firm, where profits were reported to be good but fluctuating and S8 the largest enterprise, where profits were reported to be good and improving steadily over the previous 10 years. This conclusion supports secondary data that profit in small enterprises is low and is a matter of concern as the greatest growth in enterprise numbers is in the micro enterprise sector.

As enterprise profits were predominantly viewed as just adequate but depending on the market or low in Vietnam capital in Vietnam could be unable to share profits with labour. Chang D., (2013) points out that this was the case of 'early capitalist development' in the 1950s in South

⁴³ Although this can be qualified with the exception of one growing micro enterprise

Korea and Taiwan. However as pointed out by Fields, workers would not necessarily benefit from a situation where firms technically upgraded as this could translate into an opportunity for firms to receive higher profits.

Table 25: Characteristics of MSEs

(M = Micro, S = Small, SE = Social enterprise, T=Tailor, F S = Foreign Satellite)

Enterprise	Status Formal /Informal	Age Firm/years	Age Entrepreneur	Gender M/F	Education Grades 1-13	Previous Training*
M1	Informal	>20	62	F	12	X
M2	Informal	>20	46	F	9	LE
M3	Informal	5	35	F	9	SE
M4	Informal	2	29	F	5	LE
S5	Informal	2	26	M	12	LE TA
S6	Formal Newly	2	35	F	NA	LE QC
S7	Formal	7	48	M	12	TM
S8	Formal	8	46	M	9	X
SE9	Informal	10	28	F	Univ.	X
T10	Formal	10	44	M	10	T
T11	Formal	>20	50	M	9	T
FS12	Formal	4	40-50	M	12	LE
FS13	Formal	10	42	M	12	LE

Source: Own calculations from interview reports in appendices.

*LE = Large Enterprise, SE = Small Enterprise, TA = Technical Advisor, TM = Technical manager, QC = Quality Controller, X = Experience not specified

Table 25 reveals that there is a relationship between enterprise age in terms of years in operation and formality status which is revealed by considering the small enterprises in my research sample. S5 and S6 had both been operating for two years at the time of interview. S5 was informal and S6 had just become formal. S7 and S8, the other, independent, small formal enterprises, had been operating 7 years in the former case and 14 years in the latter case. The two tailors, T10 and T11, had been operating for 10 and 25 years respectively and the foreign

satellite firms, FS12 and FS13, for 4 and 10 years respectively. In the latter case, FS13, the owner told me that he had been operating formally since 2009, which means that he had been approximately three years in operation before becoming formal. The outcome for the social enterprise, SE9, was again different to the other enterprises in that it had been operating for 10 years and remained informal.

Table 26: Activities of MSEs

Enterprise	Textile	Print	Cut	Make	Trim	Sew	Iron	Pack	Design	Subs.	Export	Dom.
M1						X	X	X		X		X
M2			X	X	X	X	X	X		X		X
M3			X	X	X	X	X	X	X	X		X
M4						X	X	X		X		X
S5			X	X	X	X	X	X	X	X	X	X
S6				X	X	X	X	X		X	X	
S7			X	X	X	X	X	X	X	X	X	
S8	X		X	X	X	X	X	X		X	X	X
SE9			X	X	X	X	X	X	X	X	X	X
T10			X	X	X	X	X	X	X			X
T11			X	X	X	X	X	X	X			X
FS12		X					X	X		X	X	X
FS13		X					X	X		X	X	X

Source: Own calculations from interview reports in appendices.

All the micro enterprises remained informal regardless of how many years they had been in operation. M1 and M2 had been operating for more than 20 years at the time of interview and M3 and M4 for 5 and 2 years respectively. So there appears to be no relation between years in operation and formality in these enterprises, firm size being the determining factor of formality.

My research results consider that care must be taken when making the presumptions made in the literature that micro enterprises are residual and have the characteristics assigned initially to the informal sector such as easy entry and low skills and income levels (Tinker, 1995) or, put

in other terms classified as operating at 'survival' level whereas the small enterprises are predominantly 'growth oriented' (Ayenew and Gebre-Egziabher, 2010, 8/9, Liedholm, 1999)⁴⁴.

I would not use the term 'residual' for micro enterprises as, first, there are clearly many of them. The activities of the four micro enterprises in my research sample support my view that the divide between 'subsistence micro' and 'growth oriented small' enterprises obscures what is really happening on the ground and may, if it exists at all, be a matter of degree. For example, the micro enterprise, M3, that employed workers outside of the family was without doubt expanding and could carry out all of the skills needed in garment production including design. In the other three micro enterprises, activities varied from subsistence in M1 as the only activity of the employer-worker was to sew buttons on shirts for the church, to M4 which subcontracted from other garment factories receiving mainly cut fabrics to sew and M2 whose owner had the possibility of expanding her garment production but did not want to take on workers outside the family.

My research results do not support the literature of Ayenew and Gebre-Egziabher (2010) who claim that micro enterprises are only able to positively affect poverty levels in the short term and are not able to raise families significantly above poverty levels. This is because in my sample, M1 and M2, have been in operation for over twenty years and M3 and M4, for five and two years respectively. Micro enterprises also vary regarding how much they can raise families above poverty levels. M1 and M2, while reporting that their profits are inadequate are still in business after 20 years and M3 is clearly expanding⁴⁵. The question is therefore reduced to what is 'significant'? However three of the four micro enterprises did not know the final destination of their production which can be the result of triangulation as mentioned in the literature by Nadvi et al. (2004).

The gender and age characteristics of the owners/managers/entrepreneurs⁴⁶ of the informal enterprises were that five out of the six were female and the average age was 37.5 with a wide age range: three or half of the entrepreneurs were young or in their 20's, one was middle aged in her 40s and one was elderly in her 60s.

The formal entrepreneurs were all male except for S6 a recently made formal and expanding jeans enterprise. The average age of the entrepreneur in the formal enterprises was 44.5, with one aged 34, five were in their 40's and one aged 50. The entrepreneurs in my sample of formal industries are predominantly middle aged and male. Female, young and old people being more

⁴⁴ The characteristics of survival and growth enterprises are already outlined in the literature review

⁴⁵ I was unable to access the migrant workers in this enterprise to determine the nature of their work.

likely to operate informally. There is therefore a direct relationship between the characteristics of the entrepreneur, formality, age and gender. The entrepreneurs in my sample of formal enterprises were predominantly middle aged men, female, young and old being more likely to operate informally. In both formal and informal enterprises the employers did not receive benefits or insurance from the state. The benefits for being formal were perceived to come from being able to partake in export activity and from being 'visible'.

The gender of the entrepreneur affects the size of the MSEs as is outlined in the literature (Liedholm, 1999). All four of the micro enterprises were owned and managed by women. Three out of the four, M1, M2 and M4, engaged only family workers in their business. In M1 and M2, the owner was also the main worker and drew on family member support as and when it was required. The other family enterprise, M4, had a similar structure but three family workers, the owner, her husband and brother, worked full-time. One of these enterprises, M2, had previously attempted and had the business to hire outside workers but preferred to keep the business in the family. The fourth micro enterprise, M3, was classified as a family business although the five to six workers there were all from outside the family. One of these workers was from the local area and the others were migrant workers.

Following from the point above there was also some evidence that female run enterprises in the micro sector are likely to grow less rapidly than the mostly male run enterprises in the small enterprise sector. However, as already mentioned, there are clear exceptions to these trends in both the micro and small enterprises that I interviewed. The two female owned enterprises, M3 and the recently made formal small enterprise, S6 were among the few enterprises in my sample that were expanding their businesses.

Furthermore, because of the variations among the micro and small enterprises in my sample where growth can be reported as good or potentially good in M3 and M2 but poor in S5 it is difficult to generalise on whether or not the small enterprises in my interview sample could be classified as being more growth oriented than the micro enterprises (Ayenew and Gebre-Egziabher, 2010, 8/9). However examples of deliberate growth limitation could be perceived in both the micro and the small enterprises in my sample: the owner of the M2 did not want to expand the business to include non-family workers and the biggest and perceivably most successful small business, S8, did not want to expand as the owner could manage the business as it was by himself. These examples also support the literature which claims that enterprises may not expand because they are extremely **financially conservative** and shun debt (Harvie and Boon-Chye, 2002, 8, Lever-Tracy and Ip, 2002, Santarelli, 2014).

On the other hand, nine out of twelve employers reported that they would like to expand their enterprises⁴⁷. The constraint for six out of those nine was reported during interview to be credit. This supports the literature of Tran and Santarelli (2014) and Ramamurthy (1992) that since the early 1990s a shortage of capital has been identified by small private enterprises as the largest resource constraint. Another relevant reference for my research is that of Tran and Santarelli (2014) that collateral requirements have been a large obstacle to accessing loans from the formal financial system. Unregistered enterprises such as all of the micro enterprises in my sample would also not be able to provide the official documentation required to support a credit application.

This supports an earlier conclusion of my research that entrepreneurs usually rely on informal credit markets or personal savings (Tran and Santarelli, 2014). However, that the enterprises in my sample cite a lack of credit as their main reason for not expanding suggests that the informal credit market may not be sufficiently developed in Vietnam to mitigate capital constraint pressure. Besides finance the other constraints identified for enterprise expansion were increased demand for the products, state support and new machinery, the last also pointing to a need for greater credit.

An examination of the life-cycle, net firm creation which is equal to new firm starts, minus firm closures plus the growth of existing firms, of the enterprises in my sample was uninformative because the average time in operation of the small enterprises was thirteen years⁴⁸.

Another point in the literature review is that small enterprise owners/entrepreneurs entered the industry by choice and through the consideration of potential profits and were therefore exit driven (Liedholm and Mead, 1999 9). Only the owner of M4 reported being laid off or 'exclusion driven' from previous employment as a reason for opening the enterprise.

However, the same authors, Liedholm and Mead (1999), provide another way of considering why firms enter the industry, namely, through perceptions of desirability that are carried over from work experience, occupational background and/or influential sociocultural markers such as family circumstances. This provides a clearer focus than the exit/exclusion lense on the motivations of the entrepreneurs in my sample. The owner of M3 epitomised what I would consider to be another important aspect behind this concept by stating that it was a 'garment worker's dream' to open up their own business. Eleven of the thirteen MSE employers had worked in garment enterprises prior to opening up their own business. The exceptions were M1,

⁴⁷ Enterprise no. 13 said that they would follow the parent, Hong Kong based, enterprise.

⁴⁸ Where responses were provided to this question. This data also reveals outliers in the first micro instance of 2 years in operation and in the second instance of 7 and 25.

who was an accountant, and SE9, who worked in a shop previously. Two micro enterprises, M1 and M2, said during interview that they had worked in other companies before they had children. All but one of the small, tailor and foreign satellite enterprise employers had worked in similar positions in other garment enterprises, the exception being a social enterprise mentioned below.

In relation to human capital theories of education and gender differentiation there was a slight tendency in my research sample for small, mostly male, enterprise owners to be better educated than micro, mostly female, enterprise owners. Three of the male, small enterprise owners had completed high school, whereas only one of the micro enterprise owners got past middle school level, grade 9 (Liedholm and Mead, 1999, 21).

In regards to whether different education levels can be discerned between formal and informal industries a similar pattern exists as the formal industries are mostly small and male owned and the informal are mostly micro and female owned. Enterprise owner/manager education levels ranged from the exceptional social enterprise owner who was alone in having a university degree to two who had completed upper secondary, two who had completed middle secondary and one owner who had not completed primary education. Four of the six⁴⁹ formal enterprise owners who responded to this question had finished school and the other two had only completed lower secondary school, suggesting tentatively that there is a higher education level among formal enterprise owners. Similarly to age levels there are fewer educational level discrepancies among the formal than the informal the entrepreneurs in the sample.

There was also a tendency in my research sample for predominantly, male managed, small, formal enterprises to have more experience and technical training than female managed, micro, enterprises. This is apparent as nearly all of the former responded to the question of where they worked previously to me without any prompting from me, by stating that they were a Technical Assistant, Manager, Quality Controller or Tailor in a similar garment enterprise whereas micro enterprise employers did not state the work position that they had but only that they worked in garment enterprises. This could also be indicative of an added perception of self- importance on the part of the small, male, enterprise employers!

My research more generally, however, supports Tran and Santorelli's (2014) and Laguir and Besten (2016) greater emphasis on practical experience in Vietnam. Although small differences were apparent between micro and small entrepreneur education levels, differences which may indeed affect the likelihood of entrepreneurs being capially constrained, there appears to be a

⁴⁹ There is no information available on education from the seventh formal enterprise

more pervasive tendency for practical market experience of operating an industry being more important for boosting performance than the formal entrepreneurs' education level.

Nature of Labour

Comparing education levels of employers and employees my research my research revealed a tendency for higher levels among employers, which is consistent with the literature (GSO, 1996, 77 cited in Ramamurthy, 2002 120). All the employers had finished middle level (grade 9) school at least, whereas four employees had not got that far (and none had achieved a university education). My research results in relation to training-levels, however, are that these are similar for employers and employees, which also supports the literature (Ramamurthy, 2002, Actionaid/Oxfam, 2009). The majority of (non-state) MSE owners and employees that I interviewed had received no formal training, but had gained experience from working in other garment enterprises.

An urgent demand for labour since the garment industry in HCMC began to recover in 2009 from the global economic crisis has led enterprises to compete by offering incentives to workers (Actionaid Vietnam, Oxfam GB, 2009). These are revealed in the following recruitment practices. In the formal and informal sectors the maximum recruitment age is high. The youngest employee that I interviewed was age seventeen and the oldest was fifty three. Five employees, three women and two men were in their forties. None of the employers reported recruiting workers formally. In the case of the micro enterprises they recruited family members when needed. The small enterprise employers advertised in front of their premises or/and recruited, in the case of three of them, in their home town. Six of the sample employees had also been hired with no prior work experience. However, there was no particular sign of education levels falling to primary or basic literacy levels. Fourteen employees had finished middle school, two had not finished middle school and only two had not finished primary school.

Furthermore, my research supports the literature in that there is an apparent gender based division of labour among my sample of MSEs in Vietnam as women workers are excluded from what are conceived as the more technically skilled tasks such as ironing because they require the 'heavier labour of men'⁵⁰ (Kabeer and Tran, 2003, Nguyen et al, 2003 cited in Nadvi et al, 262, Standing, 1999). The fact that ironing, printing and cutting are considered to be male tasks can be seen clearly in the photographs of three enterprises, S7, S13 and SE9 in the appendices of this research whereas sewing is a female task in S7 and SE9. The four women owners, who were also the main workers in their micro enterprises predominantly sewed garments but also

carried out other tasks such as folding and packaging. In S9, the largest small enterprise in which I conducted interviews with one male and one female employee who were both managers, the manager of the sewing factory was a woman and of the warehouse a man. However many employees reported doing both female and male tasks, sewing and ironing which implies that the gender based division of labour is not always clear or apparent.

Other patterns of gender differentiation can be discerned among the employees interviewed. From the sample of six male employees interviewed, three worked in small, one in a micro and two worked in tailor type enterprises. The three in small enterprises had more senior or varied positions than the female employees such as, warehouse management, training and Quality Control (QC) and matching design capacity to the models. In comparison the male in the micro family enterprise did everything from sewing to perfecting and in T10, a female and male worker did sewing, the female as a home worker and the male in the factory/shop/home premises where he also lived. In the latter case the young man who lived in the factory worked over fifteen hours a day except on Sunday when he had the evening off. The twelve women workers had somewhat more uniform jobs, three of them had management positions and nine were sewers or had more menial tasks such as spreading materials as opposed to printing in one enterprise.

My research also supports the literature which states that migrant women workers work in MSEs (Kabeer and Tran, 2003, Nguyen et al, 2003 cited in Nadvi et al, 2004, 262). A reason provided for this is that they are not likely to be able to access SOE jobs as they rarely have the required residency status or levels of schooling. Fifteen of the twenty employees interviewed were migrants and thirteen were women. Therefore my sample also fits with the Pringle and Clarke (2011, 75) finding that migrant workers have to be relied on increasingly as foreign investment is using up all available city workers locally in the cities but it is contrary to the Actionaid/Oxfam (2009) report which states that migrant workers have returned to their rural homes.

This sub-question first considered the three main perspectives on the development of the informal economy and concluded that the structural perspective on the informal economy is dominant. However there were also variations observed among the micro enterprises in terms of their subsistence and/or profit making actualities which tend to refute the existence of a dual economy. The sub-question also considered the activities of the enterprises involved in CMT and FOB and concluded that there are considerable variations both among and across these overall categories. A close link between formality and firm size emerged in my research sample because the micro and smallest enterprises were informal. This link can also be extended to profits which were also perceived to be lower in the smallest firms.

This subsection supports the **second hypothesis** of my research which is that the MSEs that have proliferated in the garment industry in Vietnam have been negatively affected by neoliberal globalisation which has created employment and self-employment that is precarious. This is especially because the smallest micro enterprises which have had the greatest growth in numbers are less profitable, none of the enterprises recruit formally and there is a gender based division of labour which discriminates against female employment.

Research results on the characteristics of the entrepreneurs revealed that the micro entrepreneurs were all female of varying ages and that the entrepreneurs of the small enterprises were predominantly men of middle age. The majority of entrepreneurs said that they would like to expand their business. The main obstacle was reported to be credit. Personal 'perceptions of desirability' may be a more appropriate framework than exit or exclusion motives for opening up micro and small businesses which depend upon available alternatives. Nearly all of the entrepreneurs had previous work and occupational experience in other enterprises or in the case of two micro enterprises opened the enterprise due to family circumstances such as having children. There was a tendency perceived for the entrepreneurs of small enterprises to be better educated and to have had higher previous occupations than the entrepreneurs of the micro enterprises.

In regards to the nature of labour there was an observed tendency for employers to be better educated than employees. An urgent demand for labour since the garment industry has recovered from the global recession has led companies to compete for labour. Strategies that they use include recruiting older workers and migrants and from their home towns.

The third sub question is 'Who and how, Micro or Small: Links to garment Global Production Networks?'

This sub-question will consider how globalisation which as outlined by Gereffi (2014) is characterised by shifts in the governance and organisation of global industries has reshaped trade and production for employers and workers in my micro and small enterprise sample.

The first task here will be to consider how aspects of the GCC and/or the GVC apply to MSEs in the garment industry in Vietnam, for which two approaches will be taken. The first approach will consider the origin of the brand name and the second the origin of the imported materials. The second task will be to consider bottom up 'upgrading' perspectives from the four types of chain upgrading identified by Humphrey and Schmitz (2002, cited in Bair, 2009) as process, product, functional and inter-chain upgrading. The following section will consider how the GVC/GPN contributes to the local area/region by considering resources in terms of property ownership and analysing how the managers distribute enterprise income in their wider family and household context. The final section investigates the outcome of economic upgrading on

workers by considering social upgrading and how an increased share of profit may or may not lead to improvements in the lives of workers.

First, the GCC emphasises the distinction between producer-driven and buyer-driven chains which are considered to be common in industries where brand name merchandisers and large retailers are central to the establishment and control of industrial commodities and are located primarily in export-oriented countries and in labour intensive sectors such as garments (Coe, 2015). From this I will make a presumption that a feature of a GCC is evident when an MSE in my sample of enterprises exports directly to a brand name or to the US, EU or another developed country, and an example of a GVC is evident when an enterprise exports through an intermediary, usually located in an East or South East Asian country.

Five of the independent small enterprises in my sample **export**. Of these, three, S6, S7 and S8, named industrial countries like the US, EU, Australia, New Zealand or Japan when responding to the question where did they receive their orders from. The following analysis describes breaks their responses down.

The largest company, S8, exported overseas to Japan, Australia, France and New Zealand and also produced for the local market. In my analysis, therefore, S8 used a GCC approach internationally and operated in a domestic chain. From the point of view that it did not use intermediaries to export, it did not use the GVC approach.

S7's sole line of business was to export directly to the popular high street store 'Forever 21' that operates in the EU, US, Japan, China and other locations world-wide. S7's line of export could therefore be categorised as GCC.

S6, which had recently become formal, exported jeans directly to a brand name in Germany and to an intermediary company in Hong Kong who then exported to the US. In my estimation this company therefore uses both a GCC and a GVC approach.

Of the two remaining exporting companies, S5 exported to well-known brand companies in Europe such as Helly Hansen, and also subcontracted from large companies in Southern Vietnam. S5 could therefore be classified as using a GCC and a domestic chain strategy. The SE9 produced bags for a shop in HCMC and clothes to order, some of which were exported by business patrons to Japan and France. This social enterprise could be classified as somewhat unique and reflecting, perhaps, the enterprise's social status. Their business could be categorised domestic with a social export dimension.

Therefore, from the point of view of the exports of MSEs in my small enterprise sample there is clearly not a trend for the GCC to be superseded by the GVC at the micro and small enterprise size level in the garment industry as a minority, only one, of the companies exported to an

intermediary in a SEA country whereas all five enterprises exported directly to EU countries or the US. Buyer driven chains typical of GCCs from this perspective are applicable and dominant in my small enterprise sample.

Therefore, from the point of view of the exporting MSEs in my small sample, there is no visible trend for the GCC to be superseded by the GVC at the micro and small enterprise level in the garment industry. Only one of the companies exported to an intermediary in a SEA country, whereas all five exported directly to EU countries or the US. Buyer driven chains, typical of GCCs from this perspective, are dominant in my small enterprise sample.

However the picture from my sample changes if one considers that GVCs are characterised by a rise in the import of the intermediate components of exports. This, importantly, has led to a discrepancy between the production and export of final goods and the creation and capture of value (Gereffi, 2015). All the enterprises import materials. Only the largest small enterprise, S8, produced its own textiles or materials for production, but even then they used imported wool and thread consistent with the literature which states that imported textiles are a major component of garment production (Hill, 2000; Vu et al. cited in Nadvi and Thoburn 2004, 113, Schaumburg-Müller, 2009, 119).

The MSEs **obtained and sourced their materials** in several ways. Micro enterprise M1 and small enterprise S6 are provided with materials that are already cut from the firms that they export to in Germany and the US respectively. S8 also received material from the firm that they exported to and imported thread and wool from China, Hong Kong, Thailand and Taiwan, but they cut the material themselves. The two tailor enterprises, T10 and T11, sourced materials from Italy, Britain, France and China and from local markets. S8 was the only small enterprise who produced their own **textiles** or materials for production. However he used imported wool and thread. My small sample is consistent with the literature which states that imported textiles are a major component of garment production (Hill, 2000; Vu et al. cited in Nadvi and Thoburn 2004, 113, Schaumburg-Müller, 2009, 119) and with the literature that claims that the value added in garment production in HCMC is low, due to the high level of imports involved in CMT production (Ngoc Tran and Norlund, 2015, 150).

However my research is in tension with the literature of Nadvi et al. (2004) and Schaumburg-Müller (2009), inasmuch as the exporting enterprises in my sample did not generally supply regional traders who on-supply segments of markets in the US and the EU. From this perspective my research echoes the article by Bair and Gereffi (2001) on the blue jeans industry in Torreon, Mexico, which explores how development outcomes in export-oriented manufacturing are shaped by the types of links that connect local firms to global chains. In Vietnam in 2016, exporting networks in my small enterprise sample had a tendency to be hierarchical and vertical,

similarly to Torreon in 2001. Trust and collaboration between MSEs in Vietnam was low, again similarly to Torreon, which supports the idea that the difference for a lower tier supplier of between an order from a SEA country and an order from the US, EU, or other industrial country is negligible – rather than the idea that there is a substantial degree of triangular manufacturing to lower the cost of governing the chain for retailers and traders.

I did not include the remaining four small enterprises in my sample. This is because the two foreign satellite enterprises, FS12 and FS13 are for comparison purposes as they are not independent, Vietnamese owned. Instead their activities are coordinated by a lead firm in Hong Kong typical of firms which form a network as outlined by Wade (2012) in the literature review. These companies are however interesting as they comply with the two aspects of the GVC which are that they export and import materials and designs from the lead network firm which could be considered to be an intermediary in SEA. They also resemble or are part of a production network or system of a manufacturer owned brand which has some characteristics of producer driven chains as all of the product development processes, production and distribution are integrated as opposed to the organisational structure of buyer driven firm where decisive nodes are controlled by a firm with no integrated production facilities (Hassler, 2003). However, these networks may not be integrated vertically as Hassler suggests. FS12 the lead firm in Vietnam was integrated vertically with the Hong Kong lead and the other Vietnamese enterprises but as was reported in the interview that I held with FSS13 the other firms in the network in Vietnam could be considered to operate horizontally.

I did not include the remaining four small enterprises in my sample in this particular analysis. This is because the two foreign satellite enterprises, FS12 and FS13 are for comparison purposes as they are not independent, Vietnamese owned. Instead their activities are coordinated by a lead firm in Hong Kong, which is typical of firms which form a network, as outlined by Wade (2012) and noted in the literature review. These companies are interesting, however, inasmuch as they comply with the two aspects of the GVC, which are that they export and import materials and designs from the lead network firm, and, therefore, could be considered to be an intermediary in SEA. They also resemble or are part of a production network or system of a manufacturer-owned brand which has some characteristics of producer driven chains, as all of the product development processes, production and distribution are integrated, as opposed to the organisational structure of buyer driven firms where decisive nodes are controlled by a firm with no integrated production facilities (Hassler, 2003). However, these networks may not be integrated vertically as Hassler suggests. FS12 the lead firm in Vietnam was integrated vertically with the Hong Kong lead and the other Vietnamese enterprises, but as was reported in the

interview that I held with FSS13 the other firms in the network in Vietnam could be considered to operate horizontally.

Other enterprises produced similar or related products in the same neighbourhood but the market transactions between micro and small enterprises were very few and were confined to a few particular clients, friends or relatives. These transactions are influenced by what Barbara Harriss-White (2010, 171) defines as social networks which are more similar to a particular regional form of, Chinese, capitalism as outlined by Crawford, 2000, than a cluster.

The four micro enterprises and the two small, tailor enterprises, had different outcomes to the above mentioned small enterprises as they did not participate in GCCs or GVCs but in domestic chains, to the best of their knowledge. In relation to the micro enterprises in my small sample my research supports the literature that Vietnamese enterprises are not aware of the **final** destination of the items that they produce (Nadvi et al., 2004, WB, 2010). Three out of four micro enterprises, did not know the final destination of their produce⁵¹. The general consensus being that their production was sold to other micro businesses or in local markets which again confirms the literature of (Schaumburg-Müller, 2009, 166) that the production of household/ micro businesses still caters for predominantly low end production. The two small tailor enterprises, T10 and T11, rely on local customers or passers-by not exports for business.

However the consensus that the production of the micro enterprises was sold in the local markets does not match what the five stall holders that I spoke to informally in Binh Thanh, one of the largest local markets for garments in HCMC reported and supports the proposition that the micro enterprises do not know the final destination of their produce. This is because only one of the five stall holders that I spoke to said that she bought her garments from small firms. The other four stall holders said that they bought the garments that they sold in the market from large garment factories in HCMC or abroad, South Korea or Hong Kong, where according to them they could find more reliable, varied and sophisticated styles.

However, the general consensus assumption was that their production was sold to other micro businesses or in local markets which would again confirm the literature position (Schaumburg-Müller, 2009, 166) that the production of household/ micro businesses still caters for predominantly low end production. (The two 'small' tailor enterprises, T10 and T11, rely on local customers or passers-by, not on exports, for business.) But this consensus does not match what the five stall holders that I spoke to informally in Binh Thanh, one of the largest local markets for garments in HCMC, whose responses supported the proposition that the micro enterprises indeed do not know the final destination of their produce. This is because only one of the five

⁵¹ The fourth enterprise produced 'Sunday best' shirts for the Catholic church nearly exclusively.

stall holders that I spoke to said that she bought her garment stock from small firms. The other four said that they bought the garments that they sold in the market from large garment factories in HCMC or from abroad, South Korea or Hong Kong, where, according to them, they could find more reliable, varied and sophisticated styles.

Upgrading

This sub-section will address bottom up 'upgrading' perspectives which will be considered from the point-of-view of the four types of chain upgrading identified by Humphrey and Schmitz (2002, cited in Bair, 2009) as process, product, functional and inter-chain upgrading.

According to Cattaneo (2013) enterprise upgrading in the GVC results in increased competitiveness, improved inclusion in investment and trade flows, socio-economic upgrading with better and more jobs, more sustainable resource use, improved political stability and governance and creates new opportunities to access global markets by providing intermediate goods or services. The challenge of economic upgrading under the GVC framework is therefore to identify how developing countries and firms can move up the value chain from low cost and unskilled labour or from one stage of production to another with higher benefits and/or value activities to ensure the best long term strategy for ensuring a firm's participation in GVCs.

The focus of my sample enterprises on **CMT production**, as mentioned above, supports the claim in the literature that private garment firms are unable to access high quality levels of the value chain (Schaumburg-Müller, 2009, 166). However, as has just been pointed out, just allocating all my sample enterprises to the category of **CMT production** obscures important differences. The range of CMT and FOB levels of production in my sample reveal that there has been some process and functional upgrading. One enterprise produces materials and six, two micro and four small enterprises including the two tailors carry out some design. None of the enterprises have product or inter-chain upgraded (Werner et al., 2014).

Nevertheless, five of my enterprises in the independent Vietnamese companies are either expanding or have the potential to expand. These include two micro enterprises, M2 and M3, and three small enterprises, S6, S7 and S8.⁵² The conclusion of Schaumburg-Müller (2009, 166) that domestic producers follow a strategy of growth through expanding the volume of their production is appropriate for these enterprises. However further research could seek to identify other forms of upgrading or firm expansion.

Cattaneo et al. (2013) identify the factors that could prevent a country's participation in GVCs as firstly not ensuring cost competitiveness in regard to labour, production, transport, tax and investment, secondly not improving connections with international markets including backward

⁵² For further details on these enterprises see appendices.

and forward linkages and thirdly, being unable to respond to lead firms' demand. Coe (2015) on the other hand considers that costs are not that important as economic actors in the same industry and economy respond to them in different ways.

This area was addressed in my research through considering if the enterprises were concerned with these factors in relation to the future development of their business. Two thirds of the small enterprise employers who responded to this question said that their greatest concern in relation to the future development of their business was that orders could fall so that they were unable to pay workers. Falling orders are of course related to their connections with international and national markets and global and domestic networks. There was no mention by any firm of transport, tax or investment costs, or of being able to respond to lead firms' demand. The employers were however concerned about the cost of labour, contrary to Coe's assertion that costs are not so important. However this point would need further analysis that included other types and sizes of enterprises in the garment industry.

Social upgrading

This section considers the need to investigate the outcome of economic upgrading and how an increased share of profit may or may not lead to improvements in the lives of workers as well as firms by considering social upgrading.

The two main elements of social upgrading which will be considered are those that are emphasised in the literature by Rossi A. (2013). These are firstly, measurable standards which in this research will include wages, measures that affect physical well-being such as the number of hours worked and employment security such as the type of contract and employment and the availability of social protection and secondly which include enabling rights, collective bargaining, the freedom of association, the right to the free choice of employment, not to be discriminated against and 'voice'.

The concept of social upgrading has features in common with the concept of the 'feminisation' of labour which refers to patterns of labour force participation and employment types associated with women (Standing, 1999). The characteristics of feminised labour relate to the type of contract, remuneration forms, the level and forms of security provided and skill's access which are presumed to be low or non-existent.

Ten workers reported their wages to be adequate, six inadequate and two good. The lowest salary recorded among the sample enterprises interviewed was less than MVD 2900000 (USD 128) and the highest MVD 10 (USD 440) monthly. These were however jobs with different skill levels. In the first case the worker was low skilled and in the second a manager. Three other managers reported getting paid between MVD 7 and 8.5 (USD 300 and 370). Wages in lower

skilled jobs ranged from MVD 2900000 (USD 128) in the social enterprise FFSC to MVD 3.5 (USD 154) and MVD 4 (USD 176) in the two micro enterprises to between MVD 4 and 5 (USD 176 and 220) for two workers, MVD 5 (USD 220) for four workers, MVD 5-6 (USD 220 to 264) for one worker and MVD 6 (USD 264) for one worker and a maximum of MVD 12 (USD 528) for one worker paid by piece in the small enterprises. The worker with the highest potential salary and the lowest salary are both employees in the same firm, T10. The first worker being a female homemaker with a maximum salary of MVD 12 (USD 528) and the second being a young, male live in worker with the lowest paid salary of MVD 2900000 (USD 128). However discrepancies exist between these two workers as the first worker is paid by piece and the second a fixed wage and has lodgings. The second young worker also considered this job to be temporary for a few years so that he could save money to marry.

These figures reveal that wages are slightly lower in micro enterprises, fairly standard for small enterprises and higher for skilled workers. The higher wages paid for skilled workers also shows that globalisation can affect different brackets of workers differently with a core group of skilled workers benefitting from high salaries and regular work while lower skilled workers have low jobs with flexible or no contracts (Rossi, A, 2013).

In my research sample, responses to the question of how many hours do you work daily revealed that the majority of employees, eleven, worked eight hours a day with little paid overtime, five worked nine to twelve hours a day, one more than fifteen hours a day and one just three hours a day. My research, therefore, does not altogether fit with Siu Kaxton (2015), which found that, although Vietnamese workers do not work long hours, they have to struggle hard to meet the basic needs of their families and themselves in terms of shelter and food and one third of the employees reported that they worked nine to twelve or more hours a day. Rossi (2013) suggests that the majority of workers working eight hours a day shows that there has been a level of process upgrading, as employees can now do the work during a 'normal' eight hour day. This could apply also to the other two thirds of employees who work eight or less hours a day. Extra business could also still be subcontracted out to other enterprises.

In my research sample responses to the question of how many hours do you work daily revealed that the majority of employees, eleven, worked eight hours a day with little paid overtime, five employees worked nine to twelve hours a day, one employee more than fifteen hours a day and one employee three hours a day. My research therefore does not altogether confirm the literature of Siu Kaxton (2015) that although Vietnamese workers do not work long hours they have to struggle hard to meet the basic needs of their families and themselves in terms of shelter and food as one third of the employees reported that they worked nine to twelve or more hours a day. Rossi (2013) points out that the majority of workers working eight hours a day shows that

there has been a level of process upgrading as employees can do the work during a 'normal' eight hour day. This could apply to the other two thirds of employees who work eight or less hours a day. However extra business could also still be subcontracted out to other enterprises.

Worker reluctance to work overtime in Vietnam could, although this reluctance was not mentioned in any of the interviews, therefore be as Siu Kaxton mentions because of inadequate or no paid overtime as although ten workers reported their salaries to be inadequate only six worked any overtime. Workers instead felt obliged to work overtime during peak busy periods.

Another related variable which I am including in measurable standards and could contribute to the commitment of workers to the enterprise is the average number of years worked in the enterprise. In my small sample this averaged just under four and a half years over the 19 employees in all of the enterprises who responded to this question. However if only the small independent Vietnamese enterprises are included the average falls to under two years. The length of time worked did not change significantly from the other small enterprises in the two foreign satellite enterprises, except in the case of one employee who had worked in the enterprise for ten years or since the enterprise started up. This average of under two years over all the small enterprises does not reveal a great investment or commitment by the enterprises or employees. I excluded the two tailor enterprise and the social enterprises as they change the overall average substantially as two employees had worked in one tailor enterprise for 15 and 24 years respectively and for 5 years each in the second tailor. One employee in the social enterprise had also worked in the enterprise for 9 years. This may reveal a greater commitment to employees from the employers in these enterprises.

In relation to other measurable standards that affect physical well-being such as the type of contract only three enterprise employers among the small, independent, Vietnamese enterprises reported that their employees had written contracts and one of these companies qualified this with usually. In comparison employees in the foreign satellite companies had written contracts.

All of the employees had National holidays, three employees who were managers had an additional twelve days of holidays and two employees reported that they could take time off when they wanted. In regard to social insurance and health, six employees said that they had no health insurance, only one employee received state health insurance as her household was classified as a poor house, three employees bought health insurance from the ward and three employees received a type of health insurance or medical assistance from the employer. In comparison the employees in the foreign satellite company received health insurance from the company. Only two employees received maternity benefit from their employer. One of these

worked in the foreign satellite company and the other was the sister-in-law of the employer in T11.

Labour therefore can also be characterised in my research as being commonly informal so that capital has no longer to rely on protected, regular and formal jobs to accumulate (Chang, 2009). Also if the ILO's definition of informal labour includes formal enterprise employees employed informally, family workers, self-employed workers and employees in informal enterprises (Chang, 2009) nearly all of the workers and the four self-employed micro enterprise owners in my research would be considered to be informal.

The result of the informalisation process is that although opportunities for entrepreneurship have been produced due to ruthlessly cheapening production costs risks have been shifted to client firms and to casual labour (Harriss-White, 2010). This is supported in my research sample by the fact that none of the enterprise owners/entrepreneurs were members of the official government employer's organisation, VGCL, or the employees of the official government trade union VGCL. Furthermore, this process has not resulted in free markets but in a 'reversion' to non-state forms of regulation which have not been substantiated in practice (Barrientos *et al.*, 2011). Employers decide whether and what overtime and maternity leave to pay employees and solve worker disputes themselves or within the enterprise.

Union representation is therefore weak in Vietnam similarly to other Asian countries in the 1950s and 1960s as outlined in the literature by Deyo (1989, 77). This in turn implies that the capacity for collective action is reduced which is central to the research of Katie Quan (2015, 174). In relation to her assertion that a tendency exists in Vietnam to develop a form of collective bargaining leading to an increase in state-party-employer control which can be somewhat mitigated by the threat of wildcat strikes there is likely to be a tendency for low organisational capacity in the garment industry which is typical of the industry in other Asian countries which would offset this again as outlined by Deyo (77). The fact that the Vietnamese government however tolerates wild cat strikes can also be because the government appears to favour foreign investors whereas in actuality they shift the process of wage bargaining from the policy arena to class struggle as they can support employees in individual enterprises demonstrating to improve their working conditions or wages (Siu Kaxton, 2015, 118). Protests in my sample interviews with employees, none of who were in unions, were reported to be due to individual differences more than high staff turnover and absenteeism rates and spontaneous work stoppages as outlined in the literature by Lim (1986, 22 cited in Deyo, 77).

This tendency for low union representation in Asia generally at least in the particular time frame of the 1950's and 60's in the garment industry in Asia is notable in Vietnam at present. This tendency was also confirmed by my interview with the head of the garment sector, in VGCL who

reported that employees from only twenty one enterprises were members from the garment industrial sector in HCMC.

Regarding money and savings six employees reported putting their money into or saving in a bank account, five reported having no savings, two save by buying and selling gold and three give extra money to their family. In contrast ten employees reported that if they needed money they would borrow from their family, five that they would ask for an advance from the company they worked in, one that they would borrow from government sources as they were a classified 'poor house' and one from the bank. This is consistent with the literature that inadequate financial markets and availability of credit exist in Vietnam (Ramamurthy, 117).

Wider distributional outcomes

Coe (2015) considers that there is a need to move beyond firms, institutions and labour organisations to consider the wider distributional impacts on individuals and households of strategic coupling. The following section does this in the way that is suggested by Coe which considers how the income of enterprise manager's is distributed in their wider family and household context in micro and small enterprises making the presumption that the enterprise earnings are the main income for the family.

First the micro enterprises: (the numbers refer to the enterprise employers in the appendices)

- The owner of M1 was the main earner assisted by her husband and daughter. The income from the enterprise supported an extended family, including the workers, two other adult children, a son in law and three grandchildren who all live in the house which is the owner's family home. The enterprise owner's dream is to retire and for her children to support her.
- M2 provides an income for her husband and two adult children. Her two nieces assist with the work when there is extra demand. They live in the family home of the enterprise owner's husband.
- M3 contributes to the family income. She rents the premises where she lives with her six year old child next door to her mother's house/home. Her husband lives in the cutting factory that he owns and manages. This micro enterprise is the only one interviewed that employs, one local and several migrant, workers outside the family.
- M4 is the only migrant enterprise owner. The business supports her family, husband and child and her brother who all work and live on the premises. The owner's sister also assists sometimes. They rent the house/factory that they live in and operate their business from.

Small enterprises:

- S5 supports his wife and child.
- S6 contributes to supporting her husband and child.
- S7 supports wife and child who he lives with in another district from the factory in HCMC.
- S8 supports his wife and two children. The family all live in a separate house in another district in HCMC.
- SE9 the enterprise manager lives on the school factory premises with the nun founder. Her husband lives elsewhere. The factory just covers costs and there are no extra funds for the children from the school which the factory planned to support.
- T9, supports his wife who also assists in the business and two teenage children.
- T10 supports his former wife and two children who he lives with in a house separate from the shop premises. His wife's family own or owned the shop premises.
- FS12 supports his wife and two children who he lives with in a house in another district in HCMC.
- FS13 supports wife and three children who he lives with in a house opposite the factory.

There is a difficulty to draw conclusions from this list as I am not sure except in the case of M1, M3 and T10 whether the families of the enterprises have alternative incomes. However the list reveals that the micro enterprises support more extended family members and have fewer resources as they own fewer premises than the smaller enterprises and almost surely have smaller incomes. Two of the micro enterprises own and operate from their own home which is an advantage over the other micro enterprises who rent their premises particularly M4, the migrant enterprise family as M3 has other resources such as a Mother living next door and a husband who operates a business. Three small enterprise owners, S6, SE9 and T10 from different enterprise types also live on the premises with their workers but seem to have less extended family responsibilities than the micro enterprises. The other five small enterprises have separate factories and homes.

Section Conclusion

The first section of the sub question considered how aspects of the GCC and/or the GVC apply to MSEs in the garment industry in Vietnam today through considering the destination of the exports of the MSEs and the location of their imports. From the point of view of the exports of MSEs in my small enterprise sample there is clearly not a trend for the GCC to be superseded by the GVC as the majority of Vietnamese independent small enterprises exported directly to the EU, US or other industrial countries. However the picture changes in my sample if one factors in

that GVCs are characterised by a rise in the import and intermediate components of exports as all of the enterprises import materials mainly from other SEA countries and China.

The second sub-section considered bottom up 'upgrading' perspectives from the point of view of the four types of chain upgrading identified by Humphrey and Schmitz (2002, cited in Bair, 2009) and this revealed that, despite elements of process and functional upgrading, there has not been *significant* upgrading by the enterprises. Nevertheless, some enterprises are expanding, or have the potential to expand, therefore there is a need to investigate how they are expanding further. One way that the enterprises are achieving this, mentioned by Schaumburg-Müller (2009), is for domestic producers to follow a strategy of growth through expanding the volume of their production.

The following sub-section considered how the GVC/GPN contributes to the local area/region through analysing how the income of enterprise managers are distributed in their wider family and household context. It emerges that the incomes of the entrepreneurs of the micro enterprises are generally spread further in the extended family and that these enterprises have less resources in the form of property.

The final sub-section investigated the impact of economic upgrading on workers by considering social upgrading factors in terms of measurable standards: wages, the number of hours worked, the existence and type of contract, the availability of social protection, and enabling rights such as collective bargaining, freedom of association, the right to the free choice of employment, the right not to be discriminated against, and 'voice'. Research results point to lower wages being paid to smaller enterprise employees and to unskilled labour. Two thirds of employees work eight hours a day, implying that a sizeable number of workers worked overtime. Few employees had written contracts and most had only national holidays. Nearly all employees had no health or social security provided by the state, but some bought this through the ward or were provided with a type of medical assistance from their employer. None of the employees were members of a trade union. Protests in my sample interviews were reported to be due to individual differences, more than to high staff turnover, absenteeism rates and spontaneous work stoppages, as outlined in the literature by Lim (1986, 22 cited in Deyo, 77).

This section of the research favours my third hypothesis that MSE links to garment Global Supply Networks have not been accompanied by economic or social upgrading can therefore be confirmed.

Research Conclusion

The main research question is

‘What does the proliferation of small firms in the garment industry tell us about neoliberal globalisation in Vietnam?’

The globalisation process has spread to Vietnam which could be considered to have a particular type of capitalist hybrid in the first instance as the country would fit into two, post-socialist and emerging South-east Asian, of the five types of Asian business systems identified by Witt and Redding (2013, 267).

The **hypothesis** of my research that labour and capital in MSEs in the garment industry have been marginalised and poorly supported by **formal** institutions during Vietnam’s strong economic growth has been strongly supported.

My first research task was to examine whether a post Washington consensus type of neo-liberalism applies to MSEs in the garment industry in Vietnam. The state and other institutions in Vietnam do not have an active role in ‘making markets work’ for labour and capital in the MSEs in my research sample (Werner et al., 2014, 1242). Therefore the idea of a ‘post Washington consensus’ in Vietnam is not supported here.

Moreover, my research does not support the literature of Steer and Sen (2010) and Arkadie and Mallon (2003). It has found no evidence in the cases studied of an interplay between formal and informal institutions in the garment industry, as the former emerge from the latter. This is because, more than twenty years after Doi Moi, few or no formal institutions have emerged to support MSEs. My sample MSEs receive little or no institutional support from the state or other formal sources. My research findings, therefore, are more akin to those of Ramamurthy (1998), that Government assistance, and the process of establishing linkages between small scale industry and state and other enterprises, have been very poor in Vietnam – and that a level playing field has not been created. Small and micro enterprises continue to rely on informal institutional sources such as family and friends for a modicum of support.

My research strongly suggests that the many types of chain and networks used by the MSE enterprises in my sample represent a rather chaotic conceptualisation of value chain development (Werner et. al, 2014). Different enterprises apply different combinations of global, regional and domestic chains and there is an unresolved question concerning whether firms typically have been persuaded to like the idea of cooperation with others firms with whom they could potentially form a network either in Vietnam itself or across SEA (Wade, 2012). Some networks have formed nationally, regionally and internationally, despite the signs of low levels of trust beyond the family unit.

In relation to capital some of the independent Vietnamese MSEs, one micro, two small, the social enterprise and the two tailors have process upgraded whereas neither of the two foreign satellite enterprises have changed their production methods in garment printing. It is also interesting that the micro enterprise and the two tailors who have had a level of process upgrading only produce for the domestic market whereas only one small enterprise exports and does not produce for the domestic market. This result shows that there is some indication that another development phase is now being embarked on in the 21st century (Nederveen Pieterse, 2012). MSEs in the garment industry in Vietnam may not be driving economic growth but they are undertaking some technological upgrading. Alternate markets are also taking shape for Vietnamese industry with growing domestic demand and increasing trade in Asia and Europe. There are also signs that the new development works in tandem with market forces although no sign of this being through higher regulation in Vietnam.

However, there are evident differences in the way globalisation impacts on capital and labour in my research sample. Livelihoods in the globalisation age are indeed being pursued through combinations of self-employment and wage-employment that are complex (Bernstein, 2010, 111). However, social upgrading had not taken place in my research sample, in terms of measurable standards. Worker's wages are low and lowest in the smallest enterprises, workers work in small enterprises for a short time, holidays are limited and there are very few written contracts. There is also a possibility that labour may have not been treated well in some of the enterprises that were upgrading as in one case the owner did not allow me interview the migrant workers and in another a worker worked fifteen hours a day. In regard to enabling rights, it was highly significant that none of the workers are members of a trade union. Labour has not therefore manifested itself politically, which would allow it to 'regain' its status as a social actor (Chang, 2013).

The answer to the main question, then, is that the proliferation of small firms in the garment industry in Vietnam tells us, first and foremost, that it is neoliberal globalisation of the WC type that dominates at this enterprise level in Vietnam. The enterprise owners and workers receive nearly no support from formal institutions but rely on social and family networks. The benefits of Doi Moi have not spread to MSE owners or workers to any significant level. There are also less wide societal benefits observed due to the operations of the micro and smaller enterprises as they had more limited resources with more people reliant on these resources. **Despite** a level of process upgrading **having** taken place, micro and small enterprises in the garment industry are involved in different types of chains and networks globally, regionally and domestically and predominantly in CMT activities. Labour has not socially upgraded in terms of measurable

standards such as wages, contracts, holidays or working hours or enabling rights as none of the workers are members of a trade union.

Opportunities for further research

There is an opportunity for further research with a longer time frame to develop more and deeper data in this research area. This could focus on how particular factors affect economic and social upgrading in MSEs in the garment industry in Vietnam.

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Appendices

Employer Meeting M1.

Company Type: Household Enterprise

Gender: Female

Age: 62

Lives with: Husband, 3 children, 1 son in law, 3 grandchildren

Place of origin: Hà Nam

Schooling achieved: Upper secondary Grade 12

1. Factory Operating: Since 1992
2. Type of Production: Sew buttons on and package shirts for Catholic church
3. Production change:
4. Owner or manager: Both
5. Previously: Worked as accountant until had children
6. How became Owner
7. Start up/How/uniforms: Friends introduced her to buttons for secondary school uniforms
8. Profits: Profits are low, average 200,000d daily with parents and daughter
9. Factory covers costs; Barely
10. Length of shifts:
11. Recruitment of
a. Workers: Other 2 children help for excess work
12. Training provided:
13. No. of workers: 3
14. Worker tasks: Sewing buttons and packaging
15. More or less workers:
16. Origin of workers:
17. Wages high/low:
18. Wages rising/falling: Each shirt, now 1000d, previously 5 years ago 700d, 10-20 years ago 500d
19. Daily hours worked: 8 hours a day
20. Holidays: None
21. Overtime: No
22. Maternity leave: No
23. Disputes: No
24. Trade union contact: No
25. Which trade union:

Start up Operations and Assistance

26. Business formally registered: No
27. Reason not:
28. Knowledge of support: No, only from church
29. Credit support: Received 10mdong loan from State for bills in 2010. could not pay. 2013 Resumed payments of interest monthly.
2012
300,000+70,000

- | | |
|---|--|
| 30. Technical Advice:
manual | Friends told her about sewing machine, previous |
| 31. Marketing Advice: | No |
| 32. Legal Advice: | No |
| 33. Other Advice: | No |
| 34. Need of Advice: | Family, cousins, brothers, sisters |
| 35. Who provides support?
gift at State, province, family, | Registered as part of 'household poor' receives state
Tet |

Business Development

- | | |
|--------------------------|---|
| 36. Work with other co.s | Church and friends |
| 37. Ideal | Open grocery store with support from family. |
| 38. Expansion plans | Get button hole machine, 3000dong a shirt |
| 39. Upgrading | Open grocery store |
| 40. Possible problems? | Orders fall from church |
| 41. Result? | |
| 42. If shut down: | Children work and support her and she minds grandchildren |
| 43. AOB | She inherited house so does not pay rent |

Employer M2

Company Type: Household Enterprise

Gender of Owner: Female

Age: 46

Lives with: Husband, 2 children, girl 23, boy 18

Place of origin: Ward 16, D8, HCMC

Schooling achieved: Grade 9

1. Factory Operating: Over 20 years
2. Type of Production: Receives contracts from other micro enterprises to make shirts, dresses and school uniforms which the other companies distribute to wholesale.
3. Production change:
4. Owner or manager: Both
5. Previously: Worked in large Vietnamese garment enterprise until had children
6. How became Owner
7. Start up/How/
8. Profits: Profits are low, 3rd month
9. Factory covers costs; Just
10. Length of shifts: 8 hours daily
11. Recruitment of 2 nieces, age 34 and 36 help with work
12. Training provided:
13. No. of workers: 3
14. Worker tasks:
15. More or less workers: Until 2 years ago only her, now nieces when demand high
16. Origin of workers: Family
17. Wages high/low: 1000-15,000 depending on item
18. Wages rising/falling:
19. Daily hours worked: On demand
20. Incentives Work at home while minding children
21. Holidays: One week, Tet and summer, in between contracts
22. Overtime: No
23. Maternity leave: No
24. Disputes: No
25. Trade union contact: No
26. Which trade union:

Start up Operations and Assistance

27. Business formally registered: No
28. Reason not: Survival level
29. Knowledge of support: No
30. Credit support: 15md ward committee, repay 1.5m month, 900,000 interest annually. Will finish in 10 months.
31. Technical Advice: No
32. Marketing Advice: No
33. Legal Advice: No
34. Other Advice: Management course, IDEE, but enough clients

- | | |
|------------------------------|---|
| 35. Need of Advice: | Family |
| 36. Who provides support? | Ward Committee, technician for machines |
| | State, province, family, |
| 37. Health
Ward | If sick goes to hospital as has health insurance from |
| 38. Registered as poor house | No |

Business Development

- | | |
|--------------------------------|--|
| 39. Work with other co.s | Gets contracts from other micro enterprises |
| 40. Ideal | |
| 41. Expansion plans
family. | Does not want to expand or upgrade but to keep business in
Tried to expand before and was disappointed in workers |
| 42. Upgrading | No |
| 43. Possible problems? | Presently cannot do all of work that she is offered. |
| 44. Result? | |
| 45. If shut down:
that has | She would work in small Vietnamese co., Như Ý, 6 workers
offered her employment. |
| 46. AOB | They live in her husband's house |
| 47. Member of WU: | Yes |
| 48. Follow up: | She contacted the sub district ward representative
of Women's Union who we interviewed following
her interview |

Employer M3

Company Type: Household Enterprise classified although no other family members – husband

Age: 35

Lives with: Child, son age 6

Place of origin: Pham The Hien 2805/9/6, Ward 7, D8, HCMC, - Mother next door

Schooling achieved: Grade 9

1. Factory Operating: 5 years
2. Type of Production: Makes casual clothes, can do all of production, mostly CMT but sometimes design
3. Receives orders from: Similar micro businesses in D8 and markets, Benh Thanh

4. Production change: No
5. Owner or manager: Both
6. Previously: Worked in micro Vietnamese garment enterprise
7. How became Owner: Learnt business in above
8. Start up/How/: After married opened business which is worker's dream
9. Profits: Adequate, 15-20 million dong monthly
10. Factory covers costs; Usually, more comfortable than when worker
11. Length of shifts: 10-12 hours daily
12. Rents/owns premises: Rents
13. Recruitment of: Advertise paper and friends introduce workers
14. Training provided:
15. No. of workers: Presently 5, 2, HCMC, 3 migrants
16. Worker tasks: Help her complete garments
17. More or less workers: Usually 5 or 6 workers depending on demand
18. Origin of workers: Not family
19. Wages high/low: Adequate 4 million dong monthly average
20. Wages rising/falling: Depends on demand/customers
21. Hours workers: 9 – 10 hours, 7.30am – 6/7pm + overtime
22. Type contract: Informal – takes notes of hours worked
23. Incentives
24. Holidays: National Holidays paid
25. Overtime: Yes paid
26. Maternity leave: No
27. Other insurance: No
28. Disputes: No
29. Trade union contact: No
30. Which trade union:

Start up Operations and Assistance

31. Business formally registered: No
32. Reason not: Under 10 employees, classified as family business, would have to pay tax.
33. Knowledge of support: No
34. Credit support: Could have received 30mdong from ward committee

35. Technical Advice: No
36. Marketing Advice: No
37. Legal Advice: No
38. Other Advice: Employs someone to repair machines

39. Training: some with WU, other courses and IECD. Most from previous work experience learnt all tasks in micro company as opposed to big co. where carry out one task only
40. Need of Advice: Friends, relatives
41. Who provides support? Friends with similar businesses
State, province, family,
42. Health Insurance for herself
43. Registered as Poor house No

Business Development

44. Work with other co.s Gets contracts from other micro enterprises
45. Ideal Start big factory with many workers
46. Expansion plans
47. Upgrading Does some of own design
48. Possible problems? Finance and workers
Would save and borrow from alternative sources to WU as amount is small although need proof of repayment.
Difficult to balance no. of workers with demand
49. Result
50. If shut down:
51. AOB Contact with IECD through ward committee
52. Member of WU: Mother is, not her
53. Follow up: Arrange to interview one of migrant workers
Find out if husband also works in enterprise as he lives in cutter factory.

Employer M4

Company Type: Household Enterprise

Age: 29

Lives with: same address with husband, her brother and child – rents house

Married: Yes, 1 child

Place of origin: Nghe An, North Vietnam (lives HCMC for 10 years)

Schooling achieved: Grade 5

Orders from: Looks for customers/local businesses and some come to her

Order size: 100

Materials: Customer provides and cuts

Employer

1. Factory Operating: 2 years
2. Type of Production: CMT – makes Tshirts and shirts mostly and sometimes pants
She just sews, customer provides materials and brings to market, An Dong or Tan Binh to sell.
3. Production change: No
4. Owner or manager: Owner
5. Previously: Worked in Govt. run company Nguon Luc, now closed
6. Start up/How/
Used experience to start up
Adequate and can manage but not stable and less than when worker
12-15 million dong monthly/3 workers – 4-5md each
7. Factory covers costs; yes
8. Length of shifts: More than 12 hours
9. Recruitment Just family,
10. Training provided: Yes by manager
11. No. of workers: husband, her brother and sometimes sister – divide profit in 3
12. Worker tasks: Simple sewing. She does more difficult
13. Contract type: verbal
14. More or less workers: Same
15. Origin of workers: all family
16. Wages high/low: Adequate
17. Wages rising/falling: same
18. Daily hours worked: as 8
19. Social insurance No
20. Holidays: Tet holiday, maybe Sunday - depends on orders
21. Overtime: No
22. Maternity leave: no
23. Disputes: Small family dispute
24. Trade union contact: No
25. Which trade union:

Start up Operations and Assistance

26. Business formally registered: No
27. Reason:
28. Knowledge of support: No
29. Credit support: No had savings

- | | |
|--|--|
| 30. Technical Advice: | No |
| 31. Marketing Advice: | No |
| 32. Legal Advice: | No |
| 33. Other Support,Advice:
garment factories | Used her and husband's experience of working in |
| 34. Need of Advice/Support:
support.
rents house | Parents don't like her work as unstable so don't
Difficult to borrow money from Govt. as she
and has no collateral |
| 35. Health | |

Business Development

- | | |
|---------------------------------|--|
| 36. Work with other co.s | Passes surplus work to other small companies |
| 37. Ideal
the | If money, would expand and bring her own clothes to sell in
market |
| 38. Expansion plans | Would like to expand but would need more money |
| 39. Upgrading | Beginning to design and present to companies |
| 40. Possible problems?
break | Orders drop would go to market for orders but it is difficult to

in (being from North Vietnam). |
| 41. Result? | |
| 42. If shut down: | Return to previous company |

Employer S5

1. Company Type: Seam Sealing
2. Lives: Go Vap, HCMC
3. Lives with: wife and 4 year old child
4. Place of origin: Can Tho
5. Schooling achieved: Upper secondary
6. Factory Operating: 2 years
7. Type of Production: Seam sealing of outer garments such as ski wear
Some FOB for knitted garments which sell to other small enterprises
Subcontract from big co.s such as Tex Giang in Southern Vietnam
Export to Europe co.s such as Helly Hansen
8. Production change: No always the above
9. Owner or manager: Both
10. Previously: Worked (as technical advisor) in large enterprises
11. How became Owner
12. Start up/How/only From when: He started it with 2 or 3 workers. Grew to 20 after 1 year, now 15 workers
13. Profits: Profits are low because of high cost of materials
High/Low 5% rather than 15% anticipated
14. Factory covers costs; Yes
15. Length of shifts: 10 hours
16. Recruitment of: From hometown Can-tho
17. Training provided: 1-2 months training
18. No. of workers: 15 50:50 Male-Female
19. Worker tasks: Each worker can carry out all of the 3 step process but does one
Sewing, laser cutting, heat pressing
20. More or less workers: Worker no.s are falling in last 4 months from 20 to 15
21. Origin of workers: His hometown, recruits through relatives
22. Wages high/low: Wages are high approx. 6,000,000 dong (USD300) a month.
Fixed rate of 4,000,000d rest by piece
Less to those who live in factory 4,500,000d. 5 men live in the factory.
23. Wages rising/falling: Depends on orders – presently falling
24. Daily hours worked: 12 hours a day
25. Holidays: National holidays, 12 days at Tet + Sunday
26. Overtime: 8000d
27. Maternity leave: Policy of unpaid maternity leave but there are exceptions for special class workers
28. Disputes: No as he manages well
29. What about:
30. Trade union contact: No
31. Which trade union: District Government Operations if needed.

Start up Operations and Assistance

32. Business formally registered: No
33. Reason not: Difficult, cost is too high and the scale is too small so not
obliged to register, operations not stable enough, capital costs would be higher
34. Knowledge of support: None

- | | |
|--|---|
| 35. Credit support: | No started business from personal savings |
| 36. Technical Advice: | None |
| 37. Marketing Advice:
an
Vietnamese | From friend, Stephen, who was present and works as
intermediary between Korean suppliers and
garment co.s |
| 38. Legal Advice: | No |
| 39. Other Advice: | No |
| 40. Need of Advice:
for | Goes to Stephen for marketing or neighbour in HCMC
legal advice |
| 41. Who provides advice?
State, province, family, | None of these |

Business Development

- | | |
|--------------------------|---|
| 42. Ideal | Register formally so he could receive more orders and issue
invoices to big factories. Then he could possibly
receive Government support. |
| 43. Expansion plans | Would like to but would need financial support to register
Formally and find more orders |
| 44. Upgrading | Not at moment as not enough orders |
| 45. Change operations? | No, this is his field |
| 46. Possible problems? | Orders fall especially in low seasons like presently. |
| 47. Result?
his | Low production must pay workers fixed 4,000,000(200USD) so

Profit will fall |
| 48. If shut down: | He will introduce workers to other probably bigger co.s
He will look for work as technical manager |
| 49. AOB
isolation due | Clusters do not exist in Vietnam. Businesses operate in
to competition |

Employer S6

Company Type: Small formally registered (since 25.2.16)

Gender: Female

Age: 34

Lives with: same address with husband, child and workers

Married: Yes, 1 child

Place of origin:

Schooling achieved:

Orders from: Germany - Demco Vina, Vietnam (acquired by Royal Spirit Group, Hong Kong – Nha Be, Both export brand name Sneakpeek to US name Beulu

Order size: 3-30,000

Materials:

Employer

1. Factory Operating: 2 years
2. Type of Production: CMT – makes blue jeans to order
3. Production change: No
4. Owner or manager: Owner
5. Previously: Worked in QC in large garment factory for 11 years
6. Start up/How/ Used experience to start up
7. Profits Adequate
8. Factory covers costs; yes
9. Length of shifts: 8 – 10 hours
10. Recruitment of Advertises on notice board in front of premises
11. Training provided: Yes by manager
12. No. of workers: 20, 6 men who do ironing and 14 women
Live on premises except the manager
Will provide worker contracts after 6 months registered business as
Is Govt. requirement.
13. Worker tasks: Folding, packing, sewing, labelling, QC – Who cuts?
14. More or less workers: Grew from 10 workers, 2 years ago, 20 workers now
15. Origin of workers: Come from other provinces in North and South Vietnam
16. Wages high/low: Adequate, 5 – 7mdong monthly, fixed wage
17. Wages rising/falling: Wages rising from 3m to 5-7mdong
18. Daily hours worked: 8 + overtime up to 12
19. Social insurance No
20. Holidays: National holidays – not paid?
21. Overtime: 18,000 dong per item
22. Maternity leave: now as registered 6 months
23. Disputes: No, workers like family
24. Trade union contact: No, must have over 65 workers
25. Which trade union:

Start up Operations and Assistance

26. Business formally registered: Yes
27. Reason: Was forced to as in export market
28. Knowledge of support: No

- 29. Credit support: Started from own savings
- 30. Technical Advice: Learn from previous company
- 31. Marketing Advice: No
- 32. Legal Advice: Went to Ward branch, Thu Duc, of labour ministry for advice on registration cert and to D1 to register
- 33. Other Support,Advice: No
- 34. Need of Advice/Support: Family in the past or otherwise State
- 35. Health

Business Development

- 36. Work with other co.s Passes surplus work to other small companies
- 37. Ideal
- 38. Expansion plans Would like to expand but would need more money
- 39. Upgrading Beginning to design and present to companies
- 40. Possible problems? Not enough orders – workers paid fixed rate
- 41. Result?
- 42. If shut down:

S6/Jeans factory



Employer S7

Company Type: Formal Enterprise
Gender: Male
Age: 48
Lives with: wife and child in Tan Binh District, HCMC
Married: Yes, 1 child
Place of origin: HCMC
Schooling achieved: Grade 12
Orders from: Customer Forever 21, others?
Order size: 15,000
Materials: Customer provides materials and sends picture to him. He then designs and sends sample to be approved by them.

Employer

1. Factory Operating: 7 years
2. Type of Production: Completes all from cutting to selling for export market only. Exports to 18 countries for predominantly clothing brand ' Forever 21'. QC in Vietnam but he sends directly.
3. Production change: No
4. Owner or manager: Owner/Director
5. Previously: Technical manager for Korean garment co. Doosoon for 20 years in
Toda, Thu Duc District
6. Start up/How/ Used experience and relations with customers to start up
7. Profits: Adequate, depend on orders
8. Costs: Covered
9. Length of shifts: 8 hours, other staff handle overtime
10. Recruitment of
a. Workers: Ad. In front of shop for workers. Management staff -internet
11. Training provided: ?
12. No. of workers: 52 workers including owner and everyone, 30 sewers
26 female, 4 male
13. Worker tasks: Cut, sew, QC, iron, packaging
14. Contract type: Written normally,
15. More or less workers: No. has risen from 20 to 30 sewers
16. Origin of workers: Other provinces, migrants from North/South Vietnam
17. Wages high/low: High, up to 9 million dong monthly, paid by piece
18. Wages rising/falling: rising
19. Daily hours worked: 8
20. Social insurance: No
21. Holidays: National holidays and bonus at Tet
22. Overtime: Paid, dinner and double salary
23. Maternity leave: yes, get some money
24. Disputes: Stops disputes arising if feels, normally jealousies between workers
25. Trade union contact: No
26. Which trade union:

Start up Operations and Assistance

27. Business formally registered: Yes since beginning
28. Reason: Must as export
29. Knowledge of support: No
30. Credit support: No had savings
31. Technical Advice: No
32. Marketing Advice: No
33. Legal Advice: No
34. Other Support,Advice: None, didn't receive any used own experience and contacts
35. Need of Advice/Support: Savings or family, not the Government ever
36. Health

Business Development

37. Work with other co.s Other co.s will help with big orders and vice versa
38. Ideal customers Would like to develop, have his name and sell directly to
39. Expansion plans product and Would need State, legal assistance to have his name on
To receive orders from overseas customers. Now considering expanding to another location.
40. Other Business No
41. Possible problems? Legal problems and to get government warranty for business
42. Result?
43. If shut down: Pay workers one month and introduce to another company.

Employer S7



Employer S8

Age: 46

Lives with: District 7

Married: Yes, 2 children, 9, 4

Place of origin: HCMC

Schooling achieved: Completed high school, completed various business training courses in accounting, tax, import/export

Orders from: Overseas and local orders

Main market for fabrics North Vietnam

Overseas Japan, Australia, France, NZ

Order size:

Materials: Thread and wool from China, Hong Kong, Thailand and Taiwan

Employer

1. Factory Operating: 14 years
2. Type of Production: All stages of textile and garment production, weaving, knitting, sewing and printing, 100 ton turnover monthly
Essentially CMT,
3. Production change: No
4. Owner or manager: Owner/Manager
5. Previously: Similar type of work in garment chemical company
6. Start up/How/ Wanted to open his own business, borrowed from bank
7. Profits: Good, better than 10 years ago, each year increases
8. Costs: Covered
9. Length of shifts: 8-10 hours
10. Recruitment of HCMC and other provinces
11. Training provided:
12. No. of workers: 50
13. Worker tasks: Do various tasks of garment completion
14. Contract type: Written contract
15. More or less workers: More, started with 10
16. Origin of workers:
17. Wages high/low: More than adequate
18. Wages rising/falling: Raises 10% each year
19. Daily hours worked: 8 hours
20. Social insurance: Yes
21. Holidays: Govt. holidays
22. Overtime:
23. Maternity leave: yes, 3 months paid
24. Disputes: No
25. Trade union contact: No
26. Which trade union:

Start up Operations and Assistance

- 27. Business formally registered: Yes
- 28. Reason:
- 29. Knowledge of support: Customer and supplier
- 30. Credit support: Bank and mother
- 31. Technical Advice: Has technical worker
- 32. Marketing Advice: Did course
- 33. Legal Advice: Himself
- 34. Other Support/Advice: No
- 35. Need of Advice/Support: Uses own experience, only Mother, now deceased, helped
- 36. Health

Business Development

- 37. Work with other co.s Receives contracts from Vietnamese and overseas companies, also supports/subcontracts to smaller companies
- 38. Ideal Would only expand with support
- 39. Expansion plans Likes now as he can manage himself
Would do more design
- 40. Other Business No
- 41. Possible problems? No
- 42. Result
- 43. If shut down:



Employer SE9

Company Type: Social Enterprise, non-profit organisation, Micro/Small Enterprise

Manager: Female

Age: 28

Lives with: same address with nun founder of enterprise

Married: husband lives with his family

Place of origin: Binh Trieu, was lone child migrant in HCMC at age 8 who came to live in FFSC

Schooling achieved: University graduate accounting

Salary: little higher than workers but not enough to pay for extras such as courses she would like to do.

Extra cash: parents now in Ninh Thuan, near Nha Trang, centre of Vietnam

1. Factory Operating: 10 years, 5 in Binh Trieu
2. Type of Production: Bags, pencil cases, table mats for FFSC shop and garment, skirts and dresses to order
3. Production change: Receive orders for garments since 2004
4. Owner or manager: Manager
5. Previously: Worked for two years in shop, previously student
6. How became Manager: She wanted to work there/give back after being raised there. Nun founder asked her to live there
7. Start up/How/: By nun founder to contribute to migrant children accessing education and health care
8. Profits: Just covers cost – no money to assist children
9. Factory covers costs;: Just
10. Length of shifts: 8 hours daily
11. Recruitment of Workers:
12. Training provided: Yes
13. No. of workers: 10 including her, manager of centre and manager of factory
14. Worker tasks: 1 man cuts, 1 woman completes design for group French volunteers,
1 manager receives orders, organises, sews, delivers, rest sew
15. More or less workers: More workers now, 4 years ago 5-6 workers
16. Origin of workers: HCMC – Disadvantaged women?
17. Wages high/low: average, paid by what produce, 2,800,000 – 4m dong
a. Previously, 5 years ago, by hour worked
18. Wages rising/falling: Wages raised each year
19. Daily hours worked: 8
20. Social insurance: Minimum initially raised after one year
21. Holidays: National
22. Overtime: By produce + extra for holiday
23. Maternity leave: No
24. Disputes: Workers ask for more money per product, she raises
25. Trade union contact: No
26. Which trade union:

Start up Operations and Assistance

27. Business formally registered: No
28. Reason not: Not obliged to? Why – not for profit?
29. Knowledge of support: No

- | | |
|----------------------------------|---|
| 30. Credit support:
interest | 15md ward committee, repay 1.5m month, 900,000
year. Will finish in 10 months. |
| 31. Technical Advice: | University |
| 32. Marketing Advice: | IDEE |
| 33. Legal Advice: | IDEE |
| 34. Other Support,Advice:
and | Supported by Dr. Vinh, Vietnamese living in France

Japan to buy machines, mentor and produce
brochures
Management course, IDEE, but enough clients |
| 35. Need of Advice: | Family |
| 36. Who provides support? | State, province, family, |
| 37. Health | |
| 38. Registered as poor house | |

Business Development

- | | |
|--------------------------|---|
| 39. Work with other co.s | Produces bags for shop and clothes to order |
| 40. Ideal | |
| 41. Expansion plans | |
| 42. Upgrading | |
| 43. Possible problems? | |
| 44. Result? | |
| 45. If shut down: | |
| 46. AOB | Member of WU: |
| 47. Yes | |
| 48. Follow up: | |

Social Enterprise 9



Employer T10

Date: 29.02.2016

Company Name: Phong

Company Type: Small Enterprise

Name Owner: Nguyen Van Cu

Address: 235 Phan Đình Phùng, Phú Nhuận District, HCMC,

Age: 44

Lives with: same address with family and 3 workers

Married: Yes, 2 children, 15 and 13

Place of origin: Quang Tri, Central Vietnam

Schooling achieved: 10th grade, left at age 16

Employer

1. Factory Operating: 10 years
2. Type of Production: FOB Designs, cuts and makes suits and dresses
3. Materials: Market, Benh Thanh, Imports materials for suits from England and Italy,
Receives orders from local people, tourists/foreigners and from companies for office uniforms
4. Production change: No
5. Owner or manager: Owner
6. Previously: Worked in another similar factory with 10 workers
7. Start up/How/: Thought that he had ability to do so started business
8. Profits: Adequate enough for family and small amount of savings
9. Factory covers costs; yes
10. Length of shifts: 8am – 9pm hours
11. Recruitment: From his and his wife's hometown, Hue
12. Training provided: Yes
13. No. of workers: 12 including him, 3 men (also live in) and 2 women work in premises, remainder home workers.
14. Worker tasks: Cut, sew and complete
15. More or less workers: More workers than 10 years ago when had 8
16. Origin of workers: Hue and Quang Tri
17. Wages high/low: Depends on number of products completed.
Adequate, 8 – 10mdong monthly
18. Wages rising/falling: More customers so more money
19. Daily hours worked: 8 – 9pm
20. Social insurance: No
21. Holidays: National holidays – not paid
22. Overtime: per item
23. Maternity leave: 6 small allowance
24. Disputes: No
25. Trade union contact: No
26. Which trade union:

Start up Operations and Assistance

27. Business formally registered: Yes
28. Reason: Visibility. Govt. forces him.
Pays 1m300d monthly + 1md yearly
29. Knowledge of support: No, doesn't need
30. Credit support: Used his own savings
31. Technical Advice: For machines, contacts with other similar factories
where exchange technical information on how to improve product
32. Marketing Advice: No
33. Legal Advice: No
34. Other Support,Advice: No
35. Need of Advice: Ward Committee
36. Who provides support? 10 years ago his family helped him with credit for start
up for machines
37. Health He has no health insurance. His children do organised
through school

Business Development

38. Work with other co.s above see technical assistance
39. Ideal
40. Expansion plans Would like to expand, sell more silk. He would need credit
bigger Premises - would save for this
41. Upgrading Sell more silk
42. Possible problems?
43. Result?
44. If shut down:
45. AOB Note difference in wages of 2 workers interviewed and that the young man
who lives in the premises works from 8 to 12 midnight with few breaks.

Tailor 10



T10 factory



T 11

Date: 23.03.2016

Company Name: VINH Tailor

Company Type: Formal Enterprise, tailor

Name Owner: Nguyen Van Luong

Address: 572 Nguyen Kiem Street, Ward 4, Phu Nhuan District
Thành phố Hồ Chí Minh

Age: 50

Lives with: 694 Nguyen Kiem Street with ex-wife and two children

Married: Previously, 2 children, 19, 14

Place of origin: Hue, Central Vietnam, HCMC 22 years

Schooling achieved: Grade 9, left age 14

Orders from: Customers foreign and Vietnamese come to shop

Order size: Average one suit.

Materials: Binh Tay and Binh Tan markets imported from England, Italy, France

Employer

1. Factory Operating: 25 years
2. Type of Production: Makes male and female suits
3. Production change: No
4. Owner or manager: Owner/Manager
5. Previously: After school moved to Saigon and worked as an employee in similar
Shop in District 1.
6. Start up/How/his: His experience. Saved half of money and borrowed rest from wife's parents, who owned shop premises, and priest in Catholic church.
7. Profits: Last year adequate, now low
Overall profit has risen slightly over last 10 years
8. Costs: Covered
9. Length of shifts: 12 hours, breaks at noon for 2 hours
10. Recruitment of: Mostly from hometown Hue.
11. Workers: 6 workers
12. Training provided: No, Previously trained there
13. No. of workers: 6 workers, 1 other in shop and 5 homeworkers
14. Worker tasks: He designs from book and customer requirements and cuts, homeworkers sew and shop employee, his sister in law completes, buttons and seams
15. Contract type: No written contract
16. More or less workers: Has always had six workers
17. Origin of workers: Hue
18. Wages high/low: Adequate, pays per item except for worker in shop fixed 5md month

- 19. Wages rising/falling: Raises each year
- 20. Daily hours worked: Depends on worker, paid by piece
- 21. Social insurance No
- 22. Holidays: No
- 23. Overtime: No paid per item
- 24. Maternity leave: yes, paid sister in law
- 25. Disputes: No
- 26. Trade union contact: No
- 27. Which trade union:

Start up Operations and Assistance

- 28. Business formally registered: Yes with the People’s Committee
Pays taxes of 1.5mdong monthly + 1 million annually
- 29. Reason: Premises visible
- 30. Knowledge of support: Banks could possibly lend to him
- 31. Credit support: Not yet
- 32. Technical Advice: Once buys machine, store will repair if needed
- 33. Marketing Advice: Sometimes advertises on line through a company
which is
cheap service
- 34. Legal Advice: District committee for registration, shop sign or
license
- 35. Other Support/Advice: Friends, other businesses
- 36. Need of Advice/Support: As 8 above
- 37. Health

Business Development

- 38. Work with other co.s Friends for business development and customer introduction
- 39. Ideal Would like to expand and have bigger premises with air
conditioning
- 40. Expansion plans Would need finance from bank to expand and doesn’t want
risk
Would like to design himself
- 41. Other Business No
- 42. Possible problems? No
- 43. Result
- 44. If shut down:

FS12

Company Name: Triple A – Vietnam/Smart Elegant – Hong Kong

Company Type: Foreign (Hong Kong owned Co.)

Name Manager: Hon

Lives: Cholon – District 5, HCMC

Lives with: wife and 2 children, 6 and 12

Place of origin: HCMC

Schooling achieved: Grade 12 – high school

1. Factory Operating: 4 years
2. Type of Production: Printing logo
3. Production change: No always the same
4. Owner or manager: Manager
5. Previously: Worked in bigger parent sewing company
6. How became Owner: Company appointed him
7. Start up/How/: Hong Kong Co. looked for premises for spare capacity

8. Profits: Profits are adequate
9. Factory covers costs; Yes
10. Length of shifts: 8 hours sometimes overtime
11. Recruitment of: Advertise newspaper, online and outside premises

Workers

12. Training provided:
13. No. of workers: 46 – 41 manual + 2 chinese technical + 3 management/admin
70:30 Male-Female
14. Worker tasks: Lay on table, print, QC
15. More or less workers: Worker no.s have increased from 28 in four years
16. Origin of workers: South West Vietnam, Ben Tre, Mekong
17. Wages high/low: Adequate 3.5 – 4 m dong monthly (net).
18. Wages rising/falling:
19. Daily hours worked: 8 hours a day
20. Holidays: 12 – 14 days paid, high season work Sundays with double pay
21. Overtime: 150%
22. Maternity leave: Six months maternity leave
23. Disputes: No
24. What about:
25. Trade union contact: yes
26. Which trade union: Parent company has state trade union

Start up Operations and Assistance

27. Business formally registered: Yes
Parent started, bought all machines

28. Knowledge of support:
29. Credit support: Hong Kong owners
30. Technical Advice: as above
31. Marketing Advice: as above
32. Legal Advice: as above
33. Other Advice: as above

34. Need of Advice: as above
 35. Who provides advice? Paperwork goes through state

Business Development

36. Ideal Expand – more printing machines
 37. Expansion plans Follow parent company
 38. Upgrading as above
 39. Change operations? As above
 40. Possible problems? Too many or too few orders – do more, subcontract, look for more
 41. Result? Low production must pay workers fixed 4,000,000(200USD) so his
 Profit will fall
 42. If shut down: Lay workers off with 70% pay for duration of contract
 Co. pay long term workers for 3 months, then Govt. unemployment, support to find job
 43. Contract duration One year contract initially, after 3 years long term
 44. AOB Workers pay tax, social security

FS 13

Company Type: Formal Enterprise – Printing factory

Age: 42

Lives with: wife and three children at house opposite factory

Married: Yes, 1 child

Place of origin: Nam Dinh, North Vietnam, HCMC 22 years

Schooling achieved: Grade 12

Orders from: Many countries such as Japan, Korea, Taiwan, Malaysia, Turkey and Spain. Sent to him through network of Vietnamese similar factories who each have a task. The coordinating factory is sewing factory which is Smart Elegant (HK co. interviewed) and Fashion Wee – US.

Order size: 20,000 before recession, fell to 2,000 in 2011. Now 4-5,000 pieces.

Materials:

Employer

1. Factory Operating: Since 2006, formal and bought premises since 2009
2. Type of Production: Printing on T-shirt and pants
3. Production change: No
4. Owner or manager: Owner/Manager
5. Previously: Worked in same field as employee for large Vietnamese/American private company
6. Start up/How/ Used experience to start up
7. Profits: Good but fluctuate with market, 150mdong after costs
Affected in 2011 by recession, laid off workers, 50 to 30, better now
Overall profit has remained constant
Very Competitive industry
8. Costs: Covered
9. Length of shifts: 8 hours, overtime during high season
10. Recruitment through friends and relatives
From hometown, Nam Dinh, mostly and nearby provinces
11. Training provided:
12. No. of workers: 30 workers mostly male, 25, as printing job, 5 female for more menial work
13. Worker tasks: Printing, spreading out material
14. Contract type: Written contract. How paid depends on region of origin, South paid
monthly, North and mid, 2 or 3 monthly
15. More or less workers: less workers 50 to 30
16. Origin of workers: Nam Dinh and nearby provinces
17. Wages high/low: High, up to 10 million dong monthly, 5-6md average
Apprentice for 2 to 3 month period, 3million
Workers have good conditions, live in house and share food with family
18. Wages rising/falling: Rise each year

- 19. Daily hours worked: 8 + overtime
- 20. Social insurance No
- 21. Holidays: National holidays paid + Christian holidays for some workers
- 22. Overtime: Extra money or food and other benefits
- 23. Maternity leave: yes, paid as mostly relatives
- 24. Disputes: No, except with new workers sometimes, harmonious working environment
- 25. Trade union contact: No
- 26. Which trade union:

Start up Operations and Assistance

- 27. Business formally registered: Yes since 2009
- 28. Reason: Must as export
- 29. Knowledge of support: No
- 30. Credit support: Not yet
- 31. Technical Advice: No
- 32. Marketing Advice: Initially made connections, now no need
- 33. Legal Advice: Had knowledge of from previous management position
- 34. Other Support,Advice: Some privately sourced legal advice
- 35. Need of Advice/Support: No support from State
- 36. Health

Business Development

- 37. Work with other co.s Work with network of companies
- 38. Ideal more Would like to upgrade facilities and equipment and source foreign contracts
- 39. Expansion plans greater Doesn't think of doing as has no assistance would need demand
- 40. Other Business Unlikely would have to learn new trade and doesn't want risk
- 41. Possible problems? If Market demand fall, new technologies introduced
- 42. Result
- 43. If shut down:



List of Organisations interviewed

1. CVSEAS

Contact Details

CVSEAS Centre for Vietnamese and Southeast Asian Studies, University of Social Science and Humanities, Vietnam National University.

Address: 10-12 Dinh Tien Hoang St., District 1

Telephone: +84 8 39 100692

Individuals

Prof. Dr. Thanh Phan, Acting Director

Tel.: 84 98 9706601 E-mail: thanhphan54@cvseas.edu.vn

Nguyen Dang Vu Thien, project Assistant

Tel.: 84 98 9706601 E-mail: thien.nguyen@cvseas.edu.vn

Mai Ly, Administrative Assistant

Date

08/01/2016

Discussion

I told them that my research will focus on garment enterprises that produce either all of the items themselves or who or involved in subcontracting. I am discounting enterprises involved in re-selling cast off items from large stores such as the Gap or copies from Thailand, etc. I would also like to conduct interviews with micro and small enterprises.

I also told them about other organisations that I have made contact with such as IOM, BWV, VITAS and Oxfam.

I discussed arranging Vietnamese classes, the organisation of my research visa and Daniel's clearance for this with Mai Ly, the Administrative Assistant.

Enterprise Meetings

Thien, project assistant, has organised two meeting with enterprises for me. He will attend the first meetings with one or two students who will be trained on how to assist me. He has set up a meeting with Ngoc Seam Sealing clothing a garment enterprise hiring 20-30 workers which will take place next Tuesday or Wednesday. Ngoc Seam Sealing produce and sell their own clothes.

Thien has also made contact with another enterprise, Minh Minh, that produces office uniforms.

Length of meetings I was advised that meetings should be of a one hour duration for employers and 15 to 30 minutes for employees.

Meetings with (regional) Government officials

I should try and meet with officials from the Department of Planning and Development and the Department of Industry and Trade. It was thought that it would be difficult for me to arrange meetings with Central Government officials in Hanoi such as MOLISA unless I had contacts there.

It was suggested that I contact the Economic research institute

I said that I had made contact already with the Economics Department of the Vietnamese National University.

Follow up action

Prepare a list of questions for employers and send it to Thien who will provide suggestions and forward it to the students for the same by Monday.

Get business cards.

Attend CVSEAS for Vietnamese test on Wednesday (postponed to Thursday), 13th January at 9am.

Organisation 2 IOM

Contact Details

IOM Vietnam

1B Pham Ngoc Thach, District 1, Ho Chi Minh City, Vietnam

Tel: + 84.8.3822 2057/58

Fax: +84.8.3822 1780

www.iom.int.vn | www.iom.int

Individuals

Thi Thu Ha, Project Coordinator

Ext. 164

Mobile: +84.918 733 578

E-mail: tnthutran@iom.int

Hannah Plumb

E-mail: hplumb@iom.int

Date

12/01/2016

Discussion

Firstly I introduced them to my research. There were some comments in relation to this the most significant being that Thu believed that local people more often worked in the small garment enterprises whereas migrants normally worked in formal larger enterprises as they were less likely to have other ties such as children accompanying them. She has not however got evidence of this on the ground.

Hannah introduced IOM's project. This has two foci. The first focus is awareness raising of ethical standards and the second capacity building of probably two enterprises. This project is of twelve to eighteen months and is of a flexible, pilot nature. There are two sectors presently included in the project, electronics and garments but this is also flexible. This project is also being supported by the local authority and business associations. It will focus on larger enterprises who they hope will disclose their subcontracting operations. They expect that they will have operationalised the project by the middle of March.

Follow up action

Thu will contact an organisation that she has contact with, IECD, who provide training support to enterprises to ask if they work with any small garment enterprises. She did this and responded immediately that they worked with three micro garment enterprises that they would introduce me to. We will hold another meeting towards the end of March to discuss the progress of both our endeavors.

Organisation 3. Catholic Church

1. **Position** Lectures seminarians on migrant mainly pastoral issues
2. **Length of time** 10 years in this position
3. **Name** Fr. John Ty
4. **Address** met Bishop House, 180 Nguyễn Đình Chiểu, District 3

Chị tên là gì?

5. **How old are you?**
72
6. **Where are you from?** HCMC
Originally parents were killed by the French so was raised in Hanoi by the French.
Later went to France before returning to Vietnam.

Chi/em ở đâu?

7. **Where do you live? What is your address?**

Địa chỉ của em là gì?

5/6 Hà Huy Giáp, Phường Thạnh Lộc, Quận 12, Thành Phố Hồ Chí Minh

Phone Number 0985 233 548

Email <johntisdb@gmail.com>

8. **How many years of schooling have you completed/done?**

Chi/em đã học bao nhiêu năm?

9. **Who do you live with?**
Lives in Community to teach seminarians theology of migration

Tasks

1. **What are your main tasks/activities?**
Lectures in many seminaries in HCMC on migrant pastoral

2. **How long have you been doing this?**

3. **What did you do previously?**

Previously was priest and studied in France, Rome, Italy and Germany. Worked 5 years in Mongolia.

4. **What are the living and working conditions for immigrants to HCMC like?**
Migrants move from North to South Vietnam for higher wages. In his opinion workers in large factories are worse off than in small industry as have lower wages and social security is disorganised and not worth much.

They normally live in private very small dwellings measuring 2msq. With maybe more than one worker.

Local amenities such as healthcare, schooling normally concerned with local people. Most migrants single. If move families they can register.

5. **Where do they live?**
Binh Thanh?, Thu Due, near industrial parks

6. In what sector(s) do they work?

All sectors particularly construction and textile, garments

7. Do you have direct contact with migrants?

No, his remit is teaching.

8. What does he see the policy of the Vietnamese Govt. to be towards migrants?

15 years ago people in one place. Now accept movement but there is no planning.

Website - MOLISA

9. What is the policy of other institutions, private, charity sector towards migrants?

Church mainly pastoral as Govt. discourage active social involvement

Can he provide me with other contacts who work with migrants directly?

Fr. Paul Hô Trong Phu

Xuân Hiệp, 54 đường 5, P Linh Xuan, Thu Duc

T 3724 0313

2,000 local and 10,000 migrants in this parish

Fr. Paul Phan Trung Dong

280 Vành Đai Trong

P. Bình Trị Đông, Bình Tân, D

Small workshop to teach tailoring to girls

Other issues

Catholic church not established with migrant communities in N. African and South East Asia.

Moving people change concept of religion

Concept of nothing lasting

80% of Vietnamese mix religions

Organisation 4 **Catholic Church** parish of Xuân Hiệp

Position: Priests

1. **Length of time:** 2 years, previously lived in Italy for 10 years
2. **Name(s)** Fr. Paul Hồ Trong Phú,
3. Fr. Nguyễn Minh Thiệu; fxthieu@hotmail.com
4. **Address** Xuân Hiệp, 54 đường 5, P. Linh Xuan, Thủ Đức District

5. What are your main tasks/activities?

6. Fr. Paul, runs free school for migrant children
7. Fr. Thiệu assists migrants.

8. How long have you been doing this?

9. Fr. Paul – 2 years

10. What did you do previously?

11. Previously was priest and was placed in various locations in Italy for 10 years.

12. Do you have direct contact with migrants?

13. Fr. Paul does through running school for migrant children
14. Fr. Thieu assists migrants

15. Can he provide me with other contacts who work with migrants directly?

16. Fr. Thieu will introduce me to some workers to interview in the garment industry on Sunday 13th March.

Organisation 5 Women's Union

10. **Position:** sub ward 8 Representative, ward 15, D8
11. **Length of time:** 10 years
12. **What is your name?** Mrs. Loan

Chị tên là gì?

13. **How old are you?** 51

Chị bao nhiêu tuổi?

14. **Where are you from?** HCMC

Chi/em ở đâu?

15. **Where do you live? What is your address?** 196 Mê Cốc, P15, Q8

Địa chỉ của em là gì?

16. **How many years of schooling have you completed/done?** Grade 12, didn't graduate

Chi/em đã học bao nhiêu năm?

17. **Who do you live with?**

Chi sống với ai?

Husband, two adult children and two grandchildren.

18. **Do you have children? How many?**

Chi có con không? Bao nhiêu/ mấy con?

Two, man, age 30, woman, 20

Tasks

10. **What are your main tasks/activities?**

1. Helps poor women with financial problems, administers loan for machine or repairing house - Govt. loan with interest of 0.84%
2. Helps to get health insurance for poor households, ward may pay for one member but other members of family pay 600,000d each.
Formal workers or school goes pay less than informal households
3. Manages market – each stall pays here small amount

11. **What did you do previously?**

Anh/Chi đã làm ở đâu trước đây?

Worked in World Vision, NGO, for 10 years, improving road, market conditions

Previous to that Garment worker – member Women's Union introduced her to WV

12. **Salary**

Voluntary position with WU

Receives approx. 1.5 milliond, 3-4000d each daily, from stalls monthly

And 8/900,000d monthly for loan support to social policy bank

13. **Hours worked**

5 hours, 16 during Tet

14. **Holidays**

No

15. Credit

From Govt. and from private loan source for house

16. Family assistance

She is the main earner, Husband works as security guard in market, son is a taxi driver and daughter a dependant (student).

17. Health insurance

Husband has free due to illness from serving in Vietnamese – US war
She pays lower rate of 600,000d monthly as on WU management board

18. Do you have any contact with a trade union? No

Nha may có ở trong công đoàn không?

19. What would you do if you lost your position?

She would return to work in the garment industry and secure work through other micro enterprises

Support offered

20. What is your contact with the garment industry?

Provides loans to companies for machines, house improvements and also connects enterprises for contracts.

21. Where are the people/women who she supports from? HCMC

Organisation 6 Women's Union, Ward 15, District 8

1. **Position:** President
2. **Length of time:** 6 years
3. **Name:** Mrs. Xoan
4. **Address:**
5. **Age:** 34
6. **Marital Status:** Married, one child
7. **Salary:** approx. 5 million dong monthly
8. **Benefits:** Health and Social insurance

9. What are the main tasks/activities of the WU at ward level?

The WU ensure that benefits of women and children are included in ward level policy making.

10. Who are the members of the WU?

The members of the WU consist of a President and Vice President and 13 other women with responsibility for different areas. The WU has 4627 members in the ward who are nominated. They must live in the ward permanently or at least for six months. Women who are members can receive certain, mainly financial, benefits.

11. What does she think that the conditions are like in garment MSEs?

As these companies are not formally registered it is difficult to understand them. They WU can provide financial support. When requested by the MSE they investigate their needs and then go to the District or city level to look for money to provide tools and machines or loans. Donations are also collected from the public.

12. When can a poor family, maybe an MSE receive support from the WU or ward assistance?

Since 2015, their income must be less than 21/22 million dong annually. This has been raised from 16/17 million dong.

13. Does she know of any other form of assistance, for example, from other organisations in the ward ?

No, she only is aware of the WU support at this level. A wealthier MSE could get a loan from the bank and a poor MSE from the WU.

14. Do disputes arise in MSEs?

The WU main problem is family violence generally. They organise seminars on this subject.

Organisation 7 **Better Work Vietnam (BWV)**

1. **Position:** Technical Adviser
2. **Length of time:** 2 years
3. **Name:** David Williams
4. **Address** Tòa Nhà (Centre Point), 106 Nguyễn Văn Trỗi 8, Phú Nhuận District

5. What are the main tasks/activities of BWV?

- a. Improve lives of workers and their families, enterprise performance and the economic and social development of countries. They must present the business case to participating buyers and factories and work with negative culture so that all benefit or that business productivity is seen to increase by improved labour conditions.
- b. The low value added in enterprises in Vietnam means that labour is compressed. There is also an emerging labour shortage and a common theme/worker's dream to open their own business.

6. Who do they work with?

- a. BWV have both factory and buyer members who both pay for BWV's services in the first case to ensure contracts.
- b. Factory size: minimum 250 and rising to 10,000 workers. They work with these enterprises as they are carrying out a global programme where scale is important and which is aimed at large retailers. Factories must also have human resource or compliance officers. A factory committee of workers and employers is set up.

7. How long have you been doing this?

2 years in job

8. Do their member enterprises work with MSEs?

Some of them definitely subcontract, pass surplus work to MSEs but he cannot get more information about this from the factories.

9. BWV workers unionised

70-80%

10. Critic BWV

They do not reach smaller enterprises so are not entering deeply into employer/labour relations.

11. Vietnam as Developmental State

Vietnam is not a DS in the way that Korea, for example is, as in the garment industry foreign enterprises have been allowed to dominate.

Other issues/Supply Chain

Ask more specific questions in regard to the size and specifications of orders and whether materials are provided.

General conclusion re. garment industry in Vietnam

Vietnam will have to produce garments and products which are more sophisticated and have more value added or they will fade away.

Organisation 8 Vietnam Chamber of Commerce and Industry (VCCI)

Position: Deputy Director, Bureau for Employer's Activities (BEA)
Length of time:
Name: Bui Thi Ninh
Address: 171 Vo Thi Sau, District 3, Ho Chi Minh City
E-mail: buithinh@vcci-hcm.org.vn
Tel.: 84 8 39326 x301
84 8 39325169

The Chamber of Commerce and Industry of Vietnam is a national organisation which gathers and represents the business community, the use of labour and business associations in Vietnam and aims to develop, protect and support enterprises, contributing to economic development.

VCCI's main focus is labour compliance according to Bui Thi Ninh.

1. Who does your organisation work with?
State, private and foreign, associate members. It has business members in all sectors.
2. What size, by no. of employees, of enterprises do you work with usually?
This depends on the industry. In the garment sector enterprises normally have 100 workers.
3. How many of the total number of textile and garment enterprises are MSEs, with less than 50 employees?
They do not work with micro enterprises and few, only one that she recalls, are very small. Very small companies cannot afford the level of labour compliance and don't care about law.
4. Do these enterprises export?
Most of their enterprises export as this is the biggest part of the industry.
5. Do you know if these enterprises work/subcontract to Micro and Small Enterprises (MSEs)?
Yes, they subcontract to smaller firm who does part of product and passes back to Mother company.
6. Are MSEs important in the industry?
Yes, due to the diversification of the industry in terms of high, expensive and low, cheap quality products. MSEs are important as big companies are only interested in high value added production and large orders for the export market. MSEs as well as doing subcontracting work with large, export companies serve the large local market of 80m people and do unique type of work such as embroidery.
7. How are the conditions of Micro and Small Enterprises (MSEs)?
8. Are their profits generally, high, low or average?
MSE profits are lower than bigger companies. A reason given for this was that large enterprises pay less or wholesale prices. Big co.s also receive materials from large companies.
9. Which institutions do MSEs get support, financial or other, from? State, foreign or other.

State policy to promote SMEs is limited. There are very few labour inspectors and they pay attention to high risk, large factories or those with labour disputes. The working conditions of MSEs are based on the attitude of the employer who may want to build long term worker conditions.

10. Have these institutions changed?

Not discussed but probably not.

11. How in your view could MSEs receive further support?

The government could support through the banks. NGOs could provide training.

12. How and where do enterprises generally recruit workers?

Enterprise owners recruit workers from hometown because:

- in HCMC it is difficult as big corporations attract workers
- want to create jobs for relatives
- the opportunity for relatives to leave is more difficult as employer has a relationship with hometown so not good for workers reputation.

13. Does she see the TPP as an opportunity or threat for MSEs?

The TPP could be a threat for MSES if more cheap goods that are competitive with their products are imported as large companies can use raw materials for big companies. The Government should protect and help MSEs prepare.

14. Are enterprise workers obliged to join a trade union? At what stage or size of enterprise?

Enterprises/workers don't see the benefit of a trade union

Organisation 9 Centre for research and consultancy for development

49 Nguyen Thi Minh Khai street, District 1, Ho Chi Minh City, Vietnam

Tel: + 84.8.3822 2057/58

Fax: +84.8.3822 1780

Individuals

Minh Chau Nguyen,

E-mail: minhchauvkhxh@gmail.com

Date

13/01/2016

Discussion

Firstly I introduced my research. Minh Chau introduced CRCD which are part of the Southern Institute for Social Sciences (SISS). She said that in order to assist me contact MSEs they would need to go through the local authorities (similarly to IOM). I thought that this was not necessary for my research and not possible in my time frame but if I was to expand my research in the future I would let them know a couple of months in advance.

Follow up action

Minh Chau gave me a list of five MSEs to contact for my research. (I sent them an e-mail and one in the handcraft sector, Mai handicrafts, responded). She also provided me with a list of other, approx. 50 companies, to contact to find out if they are suitable for my research. Then will follow up on these.

Organisation 10**Vietnamese General Confederation of Labour (VGCL)**

1. **Position:** Head of HCMC Textile and Garment sector
2. **Length of time:** 1 year
3. **Name:** Duong Thien
4. **Address:** Ho Chi Minh City
5. **E-mail:** Duong.nguyenthai@congdoantphochiminh.org.vn
6. **Tel.:**

7. VGCL has the following main functions
represent and protect the lawful and legitimate rights and interests of workers, office employees and other working people
participate in State affairs' governance, socio-economic management, and monitoring and oversight of the operations of State agencies and economic organizations
educate and motivate workers to bring into play their right as masters of the country, fulfill their citizens' obligations, and build and defend the country of Viet Nam.

8. What are VGCL'S functions?
VGCL's mandate is based on the constitution so all of its members must abide by law. Its functions are as above, to guarantee labour rights and secure labour, to contribute to state policies and to educate and train the labour force.
9. How does VGCL carry these functions out?
VGCL has branches in 63 provinces and 20 sectors.
10. How many members does VGCL have? State, private and foreign and in which sectors.
This, T&G sector has 23 member, 3 FDI and 20 private. These enterprises average 1000 workers but there are approximately 8 smaller enterprises averaging 30-50 workers who are members. 7 of these carry out subcontracting work and 1 exports. VGCL is responsible for all of the labour force whether they are official members or not.
11. How does it intend to extend this membership?
It follows central VGCL instructions who carry out 'propaganda' to extend.
The T&G sector also extend their membership by approaching enterprise employers directly and through meeting workers outside of their work place and informing them of benefits and distributing application forms. Members usually, 12 out of 23 members, pay fees for VGCL membership who also support them financially.
12. Is there a size requirement, by no. of enterprise employees, for membership of VGCL?
10 but not all employees must be members in the enterprise/organisation.
They can introduce the enterprises to export orders if the enterprise can follow their quality, safety and wage guidelines. Normally only enterprises with more than 500 workers can do this.
13. Does VGCL have a particular policy towards MSE, garment enterprises?
This is the T&G sector.
14. How do you think the situation of MSE employees is in the garment industry? Wages, health and safety
As Vietnam is a DC wages and health and safety levels are low. They aim to raise these standards through their 23 enterprise models. Also due to globalisation and agreements such as the TPP and APEC, competition is very high which affects raising standards and wages. MSEs do not have enough capacity for production.
15. Does VGCL have a particular policy towards workers in the informal sector?
Their regulations apply to everyone by law as mentioned above. All employees can go to the centre of legal advice which is part of VGCL. There are a limited no. of Labour inspectors to enforce regulations.

16. Does VGCL have a particular policy towards migrant workers? No

17. Has the VGCL considered or experimented with alternative forms of trade union support to reach informal workers? What are these?
Independent workers such as taxi motorcyclists have formed minor, separate trade unions which are still under the control of VGCL. Negotiations that are evident between employers and workers are unequal on the side of the employers and have no legal value if they are not under VGCL.
18. Have or could other organisations such as NGO's carry out alternative forms of trade union support for informal workers?
All organisations must carry out their work through VGCL. Otherwise it is illegal.
19. How does VGCL intend to support workers from MSEs in the future?
Small enterprises do not have to pay for VGCL membership. They also support enterprises through providing money and gifts.
20. Do they envisage the TPP being an opportunity or threat for employers and workers of MSEs?
VGCL's responsibility is to unite workers. The TPP is a potential threat as it is an external force and there are no connections between enterprises. TPP will result in splinter groups who do not belong to VGCL.

Organisation 11**Company Name: VITAS Vietnamese Institute for Textiles and Apparel
– 2000, VCOSA Vietnam Cutting and Spinning Association – 2007**

Name: Mr. Van Tuan, Secretary General VITAS, Vice Chairman, founding member VCOSA

Procedure

Mr. Van Tuan gave a presentation which provided an overview of the T&G industry and the position of MSEs within this framework.

In summary the industry can be divided into materials, spinning, fabric production, garment production and Consumption.

In reverse order Total consumption is 33m\$US of which 28m is exported, 50% to the US, 16 - EU, 14 – Japan, 8 – S. Korea and 12 – Other.

Import tax is US – 17%, EU (GSP status) – 9.6%, Japan (FTA) – 0, S. Korea (FTA) – 0(8?), Others – WTO

GARMENT PRODUCTION

2.5 million workers in total

5000 enterprises > 200 workers

Fabric consumption: 8.2 billion m²Domestic prod.: 1.7bm²Imported: 6.5 bm², 51% from China, 49% from S. Korea, Thailand and India

FDI: 70% workers

Vietnamese owned: 30%

FABRIC MAKING

100 Enterprises own 90%, FDI, 70% of these, Vietnamese 30%

Domestic 1.7 billion m²Big 1.53 bm²SME 0.17 bme² – 200 family based**SPINNING**

Overall 100 enterprises - No SMEs

7.2 million spindle

20,000 spindle for smallest factory

Initial investment 20,000 spindles * 500 = 10,000,000 US\$

One worker handles 80 spindles – at least 250 workers

MATERIAL

Cotton – 1mton a year

Import – 997,000

Domestic production, 3000 tons

Chemical Fibre - ?

6 large enterprises produce

GARMENT PRODUCTION

FDI – 70% divided between Blood CMT, Contract CMT and floating CMT – which may go to the domestic market

In Conclusion MSEs not involved in Material or spinning, 200 are involved in fabric making.

Result on policy is that Government adjusts policy on the basis of exports which account for 86% of total and domestic MSEs are affected.

Foreign Enterprises have 5 Ms, Material, Machinery, Money, Market and Manpower.

Government has opened door to banks to lend more

Manpower must comply with international standards of ILO and sourcing co.

1. Right workers
2. Working conditions
3. Minimum wage
4. Insurance

MSEs

Lack of credit must use own money

No regulation

No casual workers

Competition for workers, Big co.s take all – satellite co.s created for excess capacity

Risky small scale operations

Not trained in regulation

80-90% female industry overall, workers from countryside

Will disappear over next few years unless in niche market such as handicrafts

Cannot compete with export industries only if find own market, leave CMT and focus on FOB.

Maybe can survive in clusters, network. – Govt. can support by policy training.

Follow up

Will contact MSEs for me to interview send list of qn. Summary.

Market interviews Binh Tan 12

1. Xuan
 1. Type of business: Garment business with 200 workers
 2. Time in operation: Mother working 20 years there
 3. Profits: Falling over last years
 4. Materials: Doesn't know
 5. Daily hours worked: 6am-5pm – 11 hours

2. Kue
 1. Type of business: Orders garments on internet from Hong Kong and Korea and big
Vietnamese factories as smaller factories have poor quality.
 2. Time in operation: In operation 30 years
 3. Profits: Lower than previously
 4. Materials: Doesn't know
 5. Daily hours worked: 7am-4pm

3.
 1. Type of business: Buys garments from small companies
 2. Time in operation: 20 years in operation
 3. Profits: na
 4. Materials: na
 5. Daily hours worked: na

4. Phuong
 1. Type of business: Buys garments from factories with approx. 100 workers
 2. Time in operation: more than 20 years
 3. Profits: falling
 4. Materials: na
 5. Daily hours worked: na

5. Trang Thu
 1. Type of business: Import clothes from Thailand and Hong Kong through Vietnamese factories.
 2. Time in operation: na
 3. Profits: rising
 4. Materials: Thailand and Hong Kong as softer and better quality
 5. Daily hours worked: na

