Gender dimensions of vietnam’ s comprehensive macroeconomic and structural reform policies

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Gender Dimensions of Vietnam's Comprehensive Macroeconomic and Structural Reform Policies

Le Anh Tu Packard
(tu.packard@gmail.net; tu@tupackard.net; leanhtu@yahoo.com)

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1211 Geneva 10, Switzerland

Tel: (41 22) 9173020
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Acronyms and Abbreviations

ASEAN	Association of South East Asian Nations
CEPT	Common Effective Preferential Tariff
CIEM	Central Institute for Economic Management
CMEA	Council of Mutual Economic Assistance
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DAF	Development Assistance Fund
DFID	Department for International Development
FAO	Food and Agricultural Organization
FDI	Foreign Direct Investment
FHH	Female-Headed Households
FIE	Foreign-Invested Enterprise
GC	General Corporation
GDI	Gender-related Development Index
GDP	Gross Domestic Product
GNP	Gross National Product
GSO	General Statistical Office
HDI	Human Development Index
IMF	International Monetary Fund
JV	Joint Venture
MHH	Male-Headed Households
NEER	Nominal Effective Exchange Rate
NGO	Non-Governmental Organization
ODA	Official Development Assistance
PE	Private Enterprise
PER	Public Expenditure Review
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
REER	Real Effective Exchange Rate
ROSCA	Rotating Savings and Credit Associations
SBV	State Bank of Vietnam
SOCB	State-Owned Commercial Bank
SOE	State-Owned Enterprise
T&G	Textile & Garment
UNDP	United Nations Development Programme
VCP	Vietnam Communist Party
VLSS	Vietnam Living Standards Survey
WTO	World Trade Organization

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1. Introduction

From a gender perspective, Vietnam is an interesting case study because it is widely seen as a "globalization" success story where historically the social and political status of women have been relatively high compared to women's status in many other developing countries. At the same time, there is concern that their status may be eroding during the country's rapid transition to a market economy (Asian Development Bank 2002). Thus, it is of interest to examine the relationship between gender equality and economic performance, and to assess how women have fared when macroeconomic and structural reforms are judged to have produced successful results for the society as a whole. The country's recent reform experience is particularly instructive because it helps to identify the preconditions for women to benefit from these reforms.

This paper seeks to contribute to a better understanding of macroeconomic policies that benefit women by analyzing the links between reform, gender equality, economic development, and women's welfare as they played out in Vietnam during the 1990s, when the government carried out far-reaching and comprehensive reforms. It employs descriptive, narrative, and quantitative approaches to explain how macroeconomic and market liberalization policies, although gender neutral in intent, can give rise to gendered outcomes due to various underlying and interrelated factors, such as social attitudes and conventions influenced by patriarchal values, the pattern and structure of occupational segregation and related gender wage differentials, gender differences in education levels, labor regulations that have the effect of increasing productivity differences between men and women[1], and so on.

Section 1 of the paper presents an overview of main issues and findings on the gender effects of Vietnam's reform policies and transition to market economy. To provide the context for understanding gender disparities in outcomes, Section 2 presents basic socio-economic, health, and educational data disaggregated by gender, and outlines the legal status and condition of women in Vietnam. Section 3 describes the main policy episodes

[1] For example, the 1995 Labor Code is generous to women in ways that may encourage employers to prefer to hire men because it contains provisions for maternity leave instead of parental leave and sets the compulsory retirement age for women at 55 years, while compulsory retirement age for men is 60 years.

(marked by broadly homogenous policy packages and economic circumstances) of Vietnam's recent history, and analyzes the gender dimensions of key reform policies. Section 4 concludes with a review of policy lessons, directions for future policy research, and recommendations that would enable women to improve their economic and social welfare.

1.1 Macroeconomics and Gender in Vietnam: Theoretical Overview

In countries such as China and India, it has been observed that the tradeoffs in the transition to a market economy have not been to the advantage of women: rapid growth tends to be accompanied by increased gender inequality as well as increased income inequality.[2] This also is a concern for Vietnam. Warning of this risk, Tran Thi Que, a highly respected gender specialist, wrote: "Since reunification and peace – and especially since the initiation of economic reform – there have been growing signs that the position of women is declining, particularly in rural, secluded and remote areas. In recent years, during which a differentiation between the poor and the rich has been accentuated, women are gradually withdrawing from the activities of society and state management. At the same time, Confucian views of gender inequality are returning."

A related concern has to do with gender wage discrimination and the evolution of the gender wage gap. What effect does private sector growth (an important objective of structural reform policies) have on male and female wages? Do the 'Confucian views' of private sector employers translate into greater disparity in earnings between men and women? Is this offset by greater market competition, which obliges these employers to curb their own gender biases? Does the gender wage gap vary according to ownership

[2] It should be noted that the evidence from China is inconclusive. Empirical analysis of wage-setting behavior in China's light consumer goods industry in 1998 finds evidence of wage discrimination against women and migrant workers (Dong and Bowles 2001). However, the analysis of the impact of market reforms on the gender wage gap in China's rural economy using panel data for 1988 and 1995 finds the existence of a sizeable wage gap but no measurable increase or decrease in wage discrimination between the two periods (Rozelle et al. 2002).

sector[3]? Section 3.4 addresses these questions, and identifies areas that need further research.

Another concern involves the relationship between economic growth and women's welfare. Rapid and stable growth is considered good for women and to raise women's welfare through several channels: increased employment, higher income and consumption, and more resources for the state to spend on pro-women and pro-poor social welfare programs. Large fluctuations in economic activity, such as those induced by fiscal and financial crises, are seen to impose disproportionately high costs on women. For this reason, attention should be given to prudent macroeconomic policies that reduce vulnerability to such crises (Singh and Zammit 2000).

Indeed, policies that moderate the volatility of key macroeconomic variables such as inflation, interest rates, and the exchange rate can be considered pro-women[4] because it creates a more predictable economic environment, lowers business risk, and encourages all forms of business enterprises (including micro-enterprises and household enterprises) to adopt a more long term approach to investment planning. Therefore, a gradual process (many small steps, rather than a few big steps) of capital account liberalization that includes prudential regulations and a balanced approach[5] to opening the capital account is considered desirable. This would give the central bank more leeway to maintain currency stability at an exchange rate that supports growth. Low interest rates are another important objective of pro-women macroeconomic policy because it is conducive to rapid and stable growth.[6]

Yet while giving high priority to rapid and stable growth, we should be mindful of distinctions in growth patterns that can lead to gendered outcomes. For example, policy

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[3] A rationale for looking into whether ownership sector makes a difference is that gender discrimination may be less significant in the state enterprise (SOE) sector because SOEs are subject to state-regulated wage setting mechanisms that tend to limit inequality between men and women (Liu 2003, Packard 2004).

[4] Such policies benefit not only women but also society as a whole. The converse – unstable and unpredictable periods of economic activity – generally has the effect of dampening growth. This leads to greater competition over scarce resources, which tends to expose and reinforce gender inequalities (Asian Development Bank 2002).

[5] In other words, liberalization of short-term and non-bank financial liabilities should not be allowed to precede liberalization of long-term and bank liabilities.

[6] At the micro level, low interest rates help female (as well as male) entrepreneurs by reducing their borrowing costs, which strengthens the financial structure of their businesses.

innovations such as trade liberalization, which orients the economy towards exports, not only affect aggregate output growth but also set in motion processes that affect the composition of output growth and distribution of wealth and income. This in turn affects various components of aggregate demand as well as the composition of labor demand, including the gender structure of employment (Rama 2001). To the extent that trade liberalization favors light, labor-intensive export-oriented industries that tend to employ female workers, it will push up demand for salaried female workers. This could lead to a reduction of the economy-wide gender wage gap as female participation in the formal sector increases (discussed in Sections 3.3 and 3.4). There are negative outcomes to consider as well: trade liberalization carries the risk of increasing economic instability as external demand shocks are more quickly transmitted to the domestic economy (discussed in Section 3.4).

Similarly, we may hypothesize that the consumption pattern of poor households lean towards locally produced goods and services from sectors that employ a relatively higher percentage of women workers. This hypothesis can be verified by analyzing the household expenditure surveys[7] that are periodically carried out by the government statistics office. Empirical support for this view will encourage policymakers to pay more attention to the distributional effects of growth, to devote resources to measuring the (additive) gender impact from these second round effects, and to give careful study to the design of policies to raise the income of poor households. Moreover, we can use the findings from empirical research to modify (engender) an existing CGE model[8] to determine if a more unequal distribution of income can cause a shift in the composition of aggregate demand towards imported goods (including luxury consumer products), and/or towards goods produced in male-dominated capital-intensive import substitution sectors such as steel and cement. A higher leakage through imports would be expected to lower gross output and employment multiplier effects, with significant gender implications depending on what sectors are most affected by the leakage.

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[7] The questionnaire on household consumption can be designed to disaggregate consumption expenditure such that there is a clearer correspondence with the sectoral classification used by Vietnam's General Statistical Office (GSO).

[8] A good choice would be CNAM, the CGE model constructed by the Central Institute for Economic Management (CIEM) and the Nordic Institute of Asian Studies (NIAS) to analyze the Vietnamese economy.

We need to also pay close attention to broad aspects of Vietnam's development path that play a large role in determining women's welfare. The typical growth pattern outlined in standard economic development theory is as follows: significant gains in productivity and income growth are realized when labor moves from the low productivity primary sector (agriculture, forestry, and fishery) to higher productivity industry and services sectors (Chenery, Hollis and Syrquin 1986). This also means a massive migration of the labor force from the (low wage) informal sector to the (higher wage) formal sector. Yet Vietnam's very high rate of growth took place during the 1990s even though most of the working population remained employed in the largely informal primary sector. Overall productivity growth during this period was mainly attributable to "own sector" gains[9], while the contribution to productivity growth from labor reallocation across sectors of the economy was not large (Packard 2002). What this means is that Vietnam has not yet realized to any significant degree the substantial productivity gains from reallocating labor to the secondary and tertiary sectors of the economy (although recent household survey data suggest that this is beginning to change). The implication: policymakers should focus on the most effective measures to facilitate the process of factor reallocation across sectors (see Section 3.4). Within that framework they should identify and prioritize policies to increase women's access to the formal economy and participation in its more productive sectors.

A related issue with implications for women's welfare has to do with underutilized labor resources (in other words, the neoclassical model of full employment does not describe Vietnam's current state of economic development). In many rural areas, we are likely to encounter Keynesian-type situations where concerns about competing uses of scarce labor resources and allocative efficiency are not so relevant due to the level of economic slack[10]. Poor regions with underdeveloped transportation infrastructure tend to

[9] This was particularly dramatic in the agricultural sector, where deep reforms brought about vast increases in output (described in Section _). As noted by Klump and Bonschab (2004), "much of the astounding growth and poverty effects in the first phase [of Vietnam's growth] were due to prudent agricultural policies, which made the most efficient use of the unskilled labour force of the rural poor."

[10] It is important to distinguish areas where there is considerable scope for purely Keyesian types of stimulus from other areas of the economy (particularly the tradable goods sector) where priority should be given to the efficiency of resource allocation because this has a strong impact on overall productivity and output growth. By identifying regions and sectors where an exogenous stimulus to local demand can shift

be trapped in a vicious circle characterized by inadequate income and weak local demand, resulting in too little demand for local labor. Let us consider an electrician living in a poor village who is engaged in less remunerative activities such as rice farming because her village cannot afford to pay for her more specialized skills[11]. Initiatives such as public investment in basic infrastructure can raise village income, which in turn stimulates local demand for the electrician's services (enabling her to sharpen her skills, instead of losing them through disuse). She is able to buy more goods and services (including those supplied by other villagers) as her income rises. To summarize, injections of public spending in local infrastructure can begin to move the region out of its poverty trap. It can act as a powerful stimulus with substantial local multiplier effects, creating a virtuous circle that fosters more effective and non-inflationary uses of local labor resources that would otherwise be underemployed.

1.2 Macroeconomics and Gender in Vietnam: Summary of Findings

The main finding is that the government's most important contribution to women's welfare stems from its improved macroeconomic management capacity: the Doi Moi reform policies have succeeded in establishing a high and stable growth environment in Vietnam and brought an end to a prolonged period of macroeconomic instability, high inflation, and chronic fiscal pressure (see Section 3.1). However, credible household and enterprise survey data show a mixed picture regarding gendered outcomes and the amount of progress that women have made relative to men. The gender wage gap in the formal sector has narrowed during the transition period, but inequality remains significant. During the 1990s, the growth rate of female wage employment was less than half the growth rate of male wage employment (see Section 3.3).

Evidence from Vietnam's large body of economic and social statistics does show that the improvements in women's welfare in absolute terms have been dramatic. However,

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the local economy to a higher equilibrium level without incurring significant costs in terms of allocative efficiency, we can improve rural welfare significantly.

[11] This example is inspired by the author's conversation with rural women in a poor village in north central Vietnam in 2001. In actuality, the electrician mentioned during the conversation was a man, but the gender is changed in this illustration to call attention to the issue of occupational segregation.

they do not contradict the concerns raised by Tran Thi Que. Women on the whole were better off as a result of the comprehensive reforms carried out during the 1990s, but the gains were not evenly distributed across income groups, regions and ethnic groups. Women belonging to the dominant ethnic group and/or living in urban areas, by virtue of their relatively more equal status in society and better access to economic resources, benefited more. Women living in rural and remote areas (mentioned by Tran Thi Que) and/or are members of ethnic minority communities tend to have low status and benefited least. It also should be noted that during the period of reform and rapid economic growth, women put in substantially more hours of work than men but their hourly wage was only about 78 percent of men's hourly wage (Desai 2001).

To summarize the main outcomes: Vietnam quickly recovered from a major crisis marked by near famine and hyperinflation (1986-89) to attain macroeconomic stability and a consistently high GDP growth rate over a prolonged period, from 1989 to 2003. Between 1990 and 2001, Vietnam's per capita GDP annual growth rate of 6 percent was the third highest in the world[12]. Hunger has been largely eliminated. The poverty rate was halved from 58 percent in 1993 to 29 percent in 2002 (thereby achieving a critical Millenium Development Goal). The national Human development index (HDI) rose from 0.583 in 1985 to 0.688 by 2000, placing Vietnam in the medium human development category (0.500 – 0.799) despite its low per capita income classification ($755 or less). The incidence of child malnutrition as measured by stunting[13] fell from 50 percent in 1993 to 35 percent in 1998 (Glewwe et al. 2004). With respect to health, Vietnam experienced a major epidemiological change in that the share of communicable diseases in mortality and morbidity dropped from 59 percent in 1986 to 27 percent in 1997. Its human capital stock rose substantially along with steep rises in school enrollment rates at all levels of education.

On the negative side, growth has been accompanied by greater income inequality and increased social stratification. The decline in the rate of infant mortality is reported to be

[12] China's per capita GDP growth rate averaged 8.8 percent and Ireland's averaged 6.8 percent during the same period.

[13] Based on VLSS93 and VLSS98 survey data on stunting (low height for age) among children below the age of five.

concentrated among better-off households, with little progress made among low-income households (Glewwe et al. 2004). The poorest people are female-headed households (without a spouse) living in rural areas who are at high risk for falling into deeper poverty if hit by natural disaster, illness, or an economic downturn (CPRGS 2002). As regards schooling, a gender gap is apparent at the secondary-school age group and gap grows wider at the upper-secondary school level, but this gap has narrowed during the years of rapid growth. Between 1992-93 and 1997-98, this gap declined from 11 percent to 6 percent for the lower secondary school age group, and from 15 percent to 11 percent for the upper secondary school age group (Desai 2001). At the same time, illiteracy among poor women has increased, which suggests that the situation of poor women has worsened.

The indicators of macroeconomic stability are as follows: Vietnam's total debt/GDP ratio stood at 183.4 percent in 1993; ten years later[14] this ratio fell to 37.8 percent. Between 1993 and 2003, the ratio of debt service to exports fell from 11 percent to 5.1 percent, the ratio of gross domestic savings to GDP rose from 15.5 percent to 27.1 percent (closer to East Asian averages), and the broadest measure of the inflation rate (the implicit GDP deflator) declined from 17.4 percent to 5.4 percent. As fear of inflation subsided, there has been greater monetary deepening as the ratio of broad money to GDP rose from 17.2 percent in the 1986-88 period to nearly 59 percent by 2002. This has reduced risk and created a more predictable environment that is conducive to women's economic development.

The outcomes summarized above can be explained by considering how Vietnam managed its transformation into a market-oriented and open economy. During the 1980s (under central planning) severe bottlenecks on the supply side co-existed with a large pool of underemployed and largely unskilled labor (see Section 3.1). The reforms helped to eliminate these bottlenecks, and were especially potent in its effects because Vietnam – although one of the world's poorest countries in terms of per capita GDP – possessed many social features of a middle-income country (see Section 2.1) and therefore had the capacity to respond quickly to drastically altered incentives. The scarcity of imported

[14] Following resolution of the Russian debt burden.

inputs (due to Vietnam's diplomatic and economic estrangement from neighboring countries as well as from the developed market economies[15]) also constrained growth. There simply was a great swelling of pent-up productive energy ready to be unleashed, and indeed, the resulting surge in economic growth more than offset the contractionary effects of stabilization policies adopted in response to fiscal crisis and high inflation (see Section 3.2). Furthermore, gender inequalities in Vietnam were somewhat mitigated by state policies that occasionally gave more than lip service to the principle of equality between men and women (see Section 2.2). For this reason, in spite of being disproportionately affected by the downsizing of the state sector during the early 1990s, many women were able to recover from this blow and took advantage of newly created income generating opportunities to improve their living conditions. Their welfare gains are reflected in the positive gap between the Gender-related development index (GDI)[16] and the HDI.

Vietnam's experience differed from many other countries that adopted external liberalization policies in that Vietnamese political leaders retained control over the pace of reform, intervened when they saw fit, and had strong ownership of their country's national development strategy that emphasized commitment to growth, poverty reduction, and social equity (JSA 2002, Ohno 2002). In keeping with these objectives, the government used the increase in revenue from growth to sharply increase spending on infrastructure, education and health. Moreover, public social expenditure had strong redistributive effects because it was more evenly spread than household expenditures (PER 2000).

The government also had room to maneuver[17] because many countries and international institutions were eager to assist with Vietnam's economic takeoff. The

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[15] Vietnam's invasion of Cambodia in December 1978 put an end to Chinese and Western aid, and led to a stringent world economic embargo.

[16] The GDI adjusts the HDI to reflect inequalities between men and women in terms of a long and healthy life, knowledge, and standard of living (HDR 2003 Technical Note 1).

[17] It also should be noted that the ability to maintain macroeconomic stability in recent years, particularly following the 1997-98 Asian financial crisis, strengthened Vietnam's position in international negotiations. The common view among donors is that "Vietnam's aid dependency is lower than the average of Sub Saharan African or Lain American countries" which makes the country less susceptible to pressure from the donor community (Ohno 2002).

leadership could choose from a range of sometimes complementary, sometimes competing, and sometimes conflicting policy advice provided by bilateral donors, the United Nations, the World Bank, the International Monetary Fund, the Asian Development Bank, and various international research institutes whose views on liberalization and the developmental state diverged from 'Washington Consensus' views. Consequently, although the government paid close attention to the recommendations offered by the international community, the actual policy path that was adopted was pragmatic and did not (and still does not) strictly adhere to 'neo-liberal' prescriptions.

2. Socio-economic and Legal Status of Women in Vietnam

2.1 Data on the status and condition of women in Vietnam

Although Vietnam belongs in the category of low-income countries, its gender profile (in terms of life expectancy at birth, adult illiteracy rate, gender wage gap) is more similar to those of higher income neighbors in East Asia and the Pacific. This is indicated in Table 1. The country's relatively high literacy rate for both men and women, and lower child mortality rate[18], is largely attributable to social welfare policies enacted in previous decades that reflect the government's socialist orientation[19], and gave Vietnam many features of a middle-income country. Compared to the average low-income country, the female illiteracy rate in Vietnam is considerably lower (9.3 percent versus 47 percent), female participation in the labor force is higher (49 percent versus 38 percent),

Table 1. Summary Gender Profile: Country & Regional Comparisons (in 2000)

	East Asia & Pacific	Low Income	Vietnam	Thailand	Philippines	China	India
GNP per capita(US$)	850	410	390	2,020	1,020	840	450
Population							
Total (millions)	1,805.5	2,462.3	78.5	60.7	76.6	1,262.5	1,015.9
Female population (% of total)	48.9	49.4	50.6	50.8	49.6	48.4	48.4
Life expectancy at birth (years)							
Male	67	58	67	67	67	69	62
Female	71	60	72	71	71	72	63
Adult illiteracy rate (% of people aged 15+)							
Male	7.8	28.6	5.5	2.9	4.9	7.9	31.6
Female	19.9	47	9.3	6.1	5.2	22.1	54.6
Labor Force							
Total labor force (millions)	1,026	1,113	40	37	32	757	451
Female labor force (% of total)	45	38	49	46	38	45	32
Gender wage gap			69.3%	61.9%	58.7%	65.6%	37.5%

Sources: World Bank, UNDP

[18] Vietnam's under-5 mortality rate (per 1,000 live births) in 1993 was 48, compared to an average of 144 for the low-income group and 57 for the middle-income group (World Bank 1996).

[19] Governments with a socialist orientation tend to allocate more resources to health care and education. Relative to other countries at comparable income levels, people in communist countries enjoyed better health and education, particularly at the lower end of the income scale (World Bank 1996).

and female life expectancy at birth also is higher (72 years versus 60 years). As was suggested in Section 1.2, the attributes associated with the relatively more equal socio-economic and legal status of women provide important advantages, enabling women in Vietnam to benefit from the *Doi Moi* reforms.

As previously noted, an important source of information on gender demographics in Vietnam comes from two nationally representative household living standard surveys that were carried out during the first decade of reform and economic transformation. The first Vietnam Living Standard Survey was conducted in 1992-93 (VLSS93), and the second was conducted five years later in 1997-98 (VLSS98)[20]. These two surveys covered 4800 and 6000 households respectively. The data from VLSS93 captures the situation of Vietnamese households before transmission of the full effects of the *Doi Moi* reforms, while VLSS98 data captures outcomes from the early reform years.

This section briefly reviews the demographic and socio-cultural context in order to introduce the reader to the everyday life of women in Vietnam. Most individuals live with other individuals in households related by family ties. It is an administrative requirement to identify one person as household head and the designated person is usually the oldest male. While formally he is accorded the greatest respect, actual respect is most often given to the family member with the strongest character, regardless of gender. A large majority (71 percent) are nuclear households consisting of one male adult, his wife, and their children[21] (based on VLSS98). Female-headed households account for about 26 percent of all households. While 96 percent of male household heads (MHH) are married and live with their spouse, 67 percent of female household heads (FHH) do not live with their spouse. Thus, a key basic difference between MHHs and FHHs are that MHHs have at least two economically active adults, while FHHs tend to have only one economically active adult. Widowed women account for 44 percent of FHHs; another 7 percent of FHHs are married but the spouse is absent.

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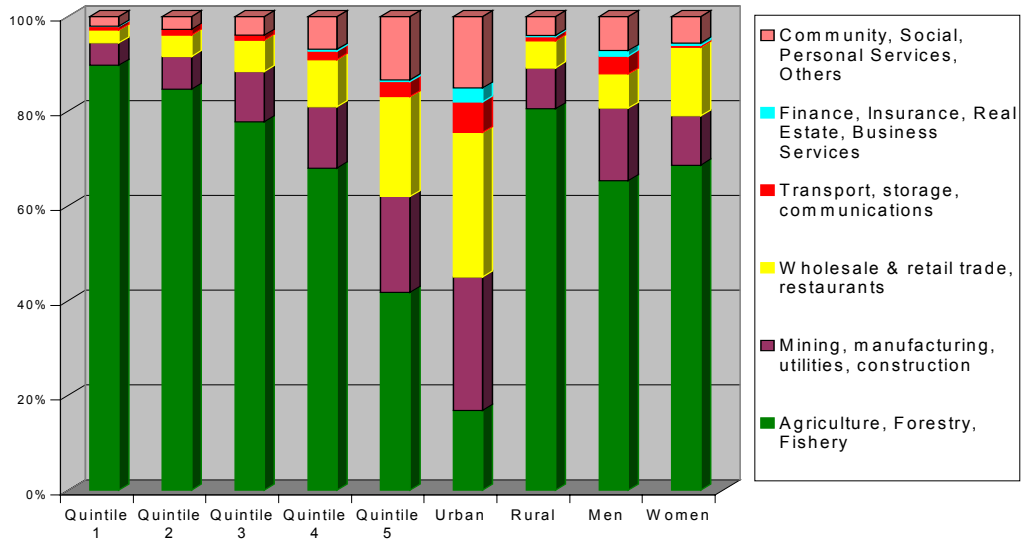
[20] The General Statistical Office (GSO) conducted these household surveys with help from the UNDP, Sweden and the World Bank.

[21] According to Desai (2001), "In several households the oldest adult is not designated the head, and headship is identified with a younger adult, usually a son. This is more likely to occur if the oldest adult is a woman."

Many are surprised to learn that FHHs are disproportionately urban and have a more mature profile (they have more older adults and fewer young children). Correlated with their urban location, and reflecting the urban-rural wealth and income gap, the size of their households is generally smaller, and their living standards are higher, than male-headed households. In other words, urban location trumps gender disadvantage.

Figure 1. Employment Structure by Expenditure Quintile, Residence & Gender



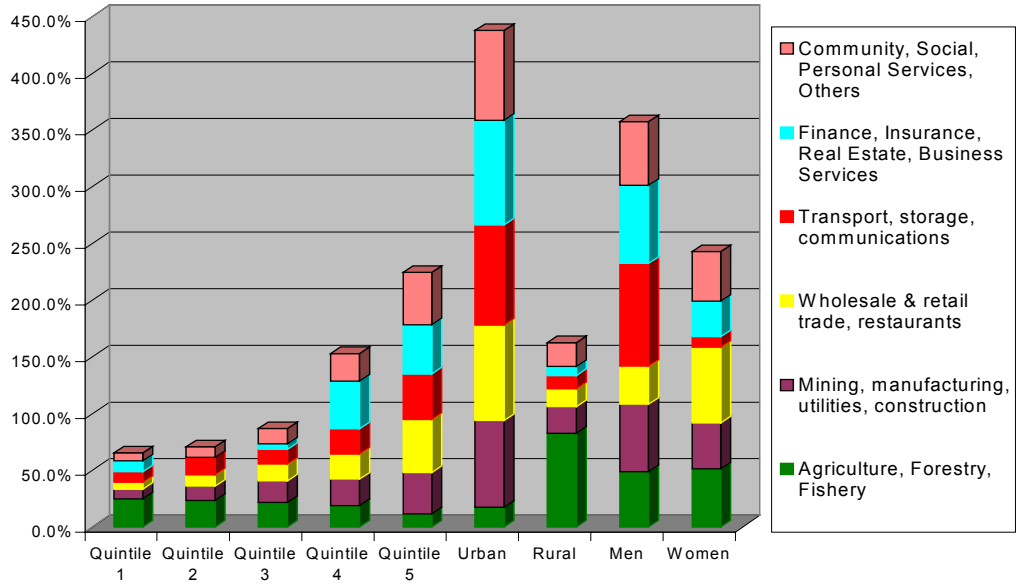
Sources: VLSS93 (expenditure quintile), VLSS98 (residence & gender)

Indeed, the importance of urban location in income determination is underscored in Figure 1 and Figure 2. Figure 1 summarizes the structure of employment by industry, expenditure quintile[22] and residence. It disaggregates primary employment by industry for each expenditure quintile, type of residence (urban or rural), and gender. Because Vietnam is at the early stage of economic development, over 80 percent of the bottom expenditure quintiles (representing the poorest households) still derive their main income from the primary sector (agriculture, forestry, and fishery) characterized by subsistence level earnings. Higher wage jobs in secondary and tertiary industries tend to be

[22] Based on VLSS93 and VLSS98, households are disaggregated into quintiles according to the level of their expenditures, so that the top quintile (20 percent) of households are those with the highest expenditures, and the bottom quintile of households are those with the lowest expenditures. It is generally believed that households participating in surveys are likely to be more candid about their expenditures than their incomes, and as there is a close linkage between income and expenditure, household expenditure quintiles serve as proxies for household income quintiles.

concentrated in urban areas. As seen in Figure 1 and Figure 2, the higher household expenditure quintiles are more likely to be employed in the higher wage industry and services sectors. They also show clear gender differences in sectoral employment: a higher percentage of men work in mining, manufacturing (except for export-oriented light manufacturing such as garments and footwear), utilities, construction, transport, storage, communications, finance, insurance, and business services, while women are more active in trade and food services.

Figure 2. Breakdown of Employment Share by Industry



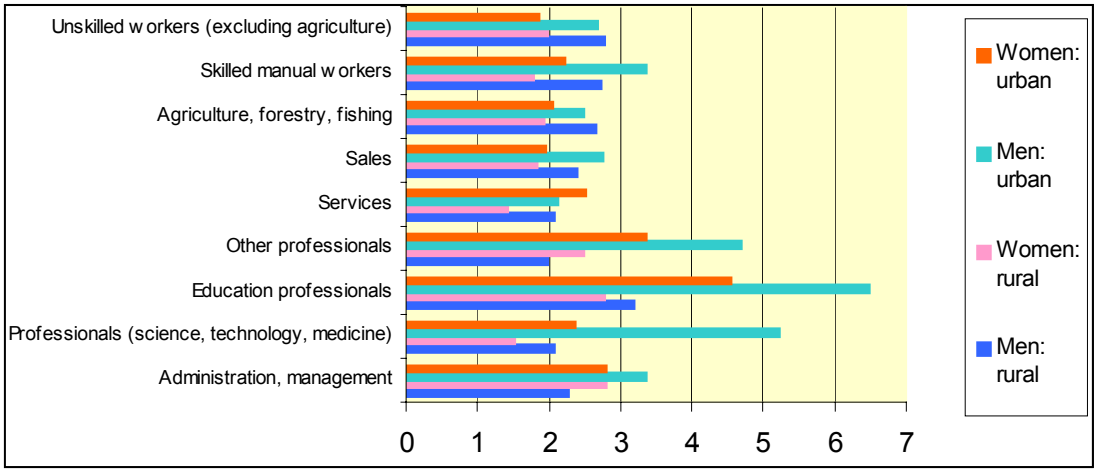
Sources: VLSS93 (expenditure quintile), VLSS98 (residence & gender)

Figure 2 highlights the powerful impact of diversification of employment structure on national income determination by showing how the breakdown of employment share by industry sector is distributed across household expenditure quintiles, urban/rural location, and gender[23]. The difference in column height provides a vivid illustration of the critical impact of greater employment in the more productive higher wage secondary and tertiary

[23] The construction of each household expenditure quintile column is as follows: the blue box, which represents the percent share of those mainly employed in the agriculture, forestry and fishery sector for each household expenditure quintile, must equal 100 percent for all five quintiles. The cranberry red box, representing the percent share of those mainly employed in the mining, manufacturing, utilities and construction sector, also must equal 100 percent for all five quintiles. This is repeated for the other industry sectors. The columns for urban and rural households, and for working age men and women, are similarly constructed

sectors in widening both the urban-rural income gap and the gender wage gap, and serves as a remarkable proxy for income differences between household expenditure quintiles, between urban and rural households, and between men and women. It also shows that the urban-rural income gap is significantly greater than the gender income gap. From this chart, one should not draw the conclusion that mass migration to the cities will solve the problems of rural poverty. Rather, what is needed are investments in rural infrastructure and policies to strengthen economic links between urban and rural areas in order to diversify the structure of employment in rural areas.

Figure 3. Average Real Hourly Wages by Occupation in Rural and Urban Areas (thousand dong per hour)



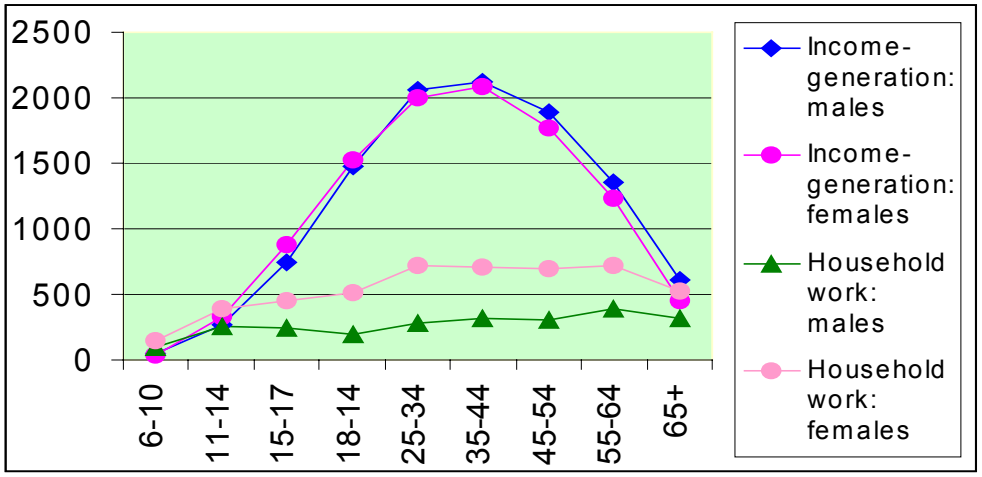
Source: Desai 2001

The urban-rural and gender wage gap is illustrated in Figure 3, which presents the average real hourly wages for men and women in various types of occupations based on VLSS98. In urban areas, the gender wage gap favors men in all occupations except services. In rural areas, the gender wage gap favors men in all occupations except administration, management and 'other professionals' category. In light of the urban-rural wage gap in favor of urban areas, it is somewhat surprising that the hourly wages of women unskilled workers in urban areas are slightly less than the hourly wages of women unskilled workers in rural areas (more research is needed to determine the cause).

Reflecting both Vietnam's low level of economic development and transition path to market economy, self-employment in the informal sector is still the predominant form

of employment. Over 80 percent of working people are self-employed in at least one of the two or three jobs they hold in the course of a year. Although the proportion of all adults in relatively stable wage employment increased from 26 to 32 percent from 1992-93 to 1997-98, the increase was much greater for men than for women. More women than men are self-employed in their primary job in both urban and rural areas (FAO/UNDP 2002), which means that the economic status of women is more insecure compared to men because income from self-employment is typically more volatile and unstable than income from wage employment.

Figure 4. Average Hours Spent in Income-generating Activities and Household Work: Gender Comparison, 1997-98



Source: Desai 2001

As in other countries, and consistent with social custom, women in Vietnam tend to assume primary responsibility for raising children and taking care of elderly kinfolk. Consequently, they play a larger role in the care economy and spend nearly twice as much time as men doing unpaid household work (which includes family care work), while spending about the same amount of time as men in income-generating activities. This means that women had much less leisure time than men. Figure 4 compares the hours spent by men and women on income-generating activities as well as household work for each age group over one year based on VLSS98 (Desai 2001). Although the transition period was marked by an increase in paid working hours for both men and women, the reforms generated more paid work for young women than for young men. Between 1992-93 and 1997-98, women in the 25-34 years age group recorded a 19

percent increase in paid working hours, while men in the same age group recorded an increase of 9 percent. At the same time, the women in this age group spent much more time doing household work than their male cohorts. Because rural women work longer hours than men, their ability to improve their future income-earning capacities is undermined because they have little time left for agricultural extension or training courses to improve their labor skills.[24]

It should be noted that published estimates of time spent on household work vary considerably. For example, a time allocation survey conducted in Ho Chi Minh City (HCMC) reported that urban women spend almost six hours on household work a day compared to 1.5 hours for men, while women in rural areas spend 7.5 hours and men only 30 minutes (Long 2000). It is possible that differences in the definition of household work may help to explain the wide variation of these estimates, although it is difficult to imagine scenarios that would justify the HCMC survey's time estimates for urban women.

[24] Although women spend as much time as men working in cultivation and more time than men in livestock maintenance, they comprise only 10 percent of participants in extension courses on cultivation and 25 percent in courses on animal husbandry (Asian Development Bank 2002).

2.2 Government Policy and Legal Status of Women in Vietnam

This section considers whether government policies and legal institutions have been favorable for improving the condition of women in Vietnam, and explores the scope for additional government actions and policies to bring about gender equality. The main finding is that the state's role with respect to promoting gender equality has been broadly positive, as it is official government policy to promote gender equality, but there remains much to be done to help women overcome significant gender specific disadvantages and deprivations.

Vietnam's national constitution includes legal provisions for gender equality and holds men and women equal in all aspects of economy, politics, society, and family life. The state also enacted laws on gender relationships and on marriage and family to protect the rights of women. The 1986 Law on Family and Marriage states that wives are equal to their husbands in the family, that a couple should have joint responsibility for household chores and child care, and that sons and daughters should receive equal treatment (Tran Thi Que 1995). The revised 2000 Law on Family and Marriage state that land-use right certificates should include the names of both husband and wife, which should make it less difficult for women to access the credit system (see Section 3.4).

Circular Number 37 CT/TW of the Party Central Committee (May 1994) called on various branches of state administration to improve gender awareness, develop plans to train and re-train women cadre, increase the number of women employees, and formulate policies to facilitate the work of women and develop their skills. The June 1994 Labor Code has a separate chapter on women that contains provisions on issues such as maternity leave for women workers (Beresford 1994).

The government's official long term strategies that have direct relevance to women include the National Strategy for the Advancement of Women 2001-2010, the Strategy for People's Health Care and Protection, the National Strategy for Rural Clean Water Supply and Sanitation, the National Strategy for Reproductive Health Care, the Population Strategy for Vietnam, the National Strategy for Nutrition, the National Action Program for Vietnamese Children, and the Overall Program for Public Administrative Reform (CPRGS 2002).

Targets to promote gender equality and empower women in labor, employment, education, health care, and female representation in political, economic, cultural and social fields are spelled out in the National Strategy for the Advancement of Women and its associated action. The National Strategy for the Advancement of Women also sets guidelines on implementing an institutional framework that is supportive of gender equality. The targets include setting the date (2010) for increasing the number of women representatives to 30% in the National Assembly, to 28% in the Provincial People's Councils, and to 50% in state agencies.

The government's commitment to gender equality and the advancement of women also was reaffirmed in its key socio-economic development action plan, the CPRGS (see Section 3.4). Interestingly, the CPRGS emphasized the importance of gender equality not just for its own sake, but also as an important vehicle to reduce poverty and to benefit children. In the view of the CPRGS, gender inequality aggravates the condition of the poor in all aspects: in addition to placing an oppressive burden on women and girls, it also has an adverse impact on their families (CPRGS 2002).

In terms of an action agenda, the CPRGS presented a comprehensive although not prioritized list: provide enough cultivated land and basic resources for women farmers; set targets for hiring women in newly created jobs; enact regulations and strengthen the monitoring system to ensure equality in vocational training, social insurance, labor safety, and retirement policies; set up a database system on the labor market and vocational training disaggregated by gender; develop vocational training and employment service centers for women; strengthen the capacity of women to access the credit system and poverty reduction resources; take measures to ensure that women have equal access to education and to improve their professional skills; encourage girls from remote and isolated areas and regions to go to secondary schools, boarding schools, colleges and universities; provide support for poor women and girls to go to school; develop measures to correct gender inequality in major fields of study and vocational training; increase female representation in managerial positions; establish the Learning Promotion Fund for women and set targets for the percent of women in different levels of training and disciplines; promote the role and participation of women in decision-making, leadership and management positions; create favorable conditions for women to take part in village

and commune meetings and in planning, implementing, and monitoring projects and programs at the village, commune, district, provincial and national level; improve laws and legal documents on the protection of women's legal rights and benefits; improve the awareness of, access to and utilization of legal tools for women; enhance the capacity of administrative bodies and social organizations to implement policies and strategies for the advancement of women and to protect women's legal rights; strengthen women's rights in having the Land Use Registration Paper issued to them; strengthen their role in decsion-making at the local level.

To reduce the burden of domestic work that tends to fall more heavily on women (discussed in Section 2.1), the CPRGS calls for investment in "small-scale technologies to serve family needs, rural clean water, and energy projects." It also calls for reorganizing the kindergarten and nursery school system "to reduce the burden of domestic work for women and female children" and for launching "campaigns to raise awareness and educate about sharing family responsibilities". Specific development goals articulated in the CPRGS are the commitment to ensure that land-use right certificates do include the names of both husband and wife[25] (as called for in the revised 2000 Law on Family and Marriage), and to reduce the vulnerability of women to domestic violence. Not least, the government also committed to disaggregating by gender key indicators to be monitored in conjunction with implementation of the CPRGS.

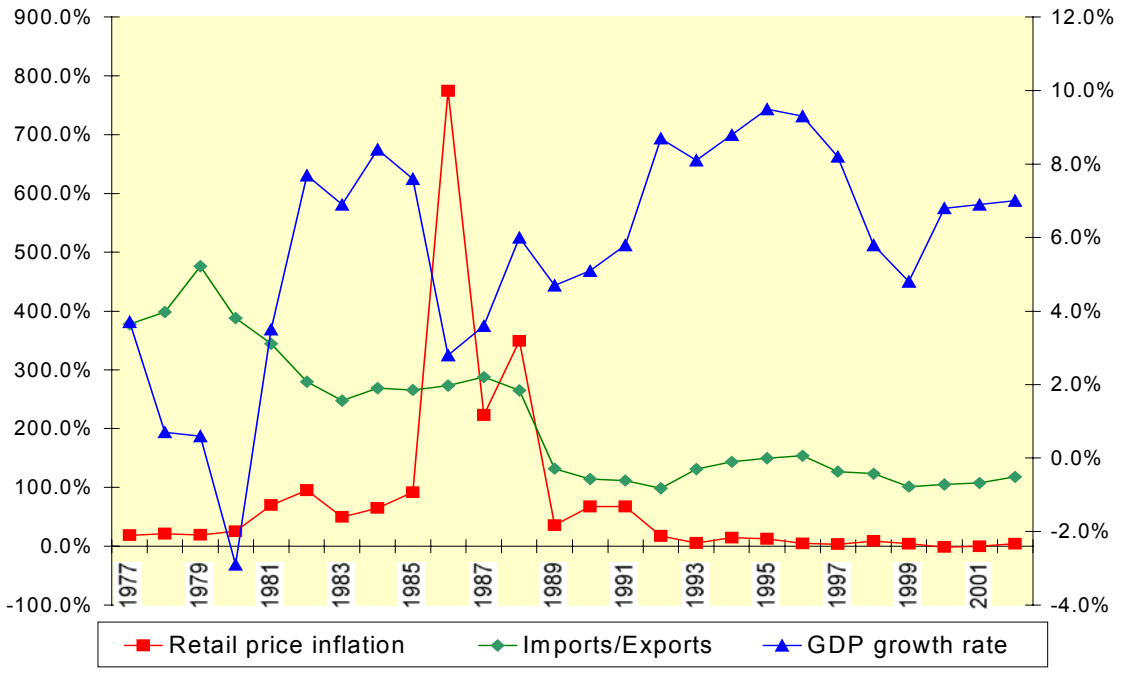
To date, there has not been a progress report on actions that already have been taken to implement the CPRGS action agenda to promote gender equality. The critical next steps should include prioritization of items in the CPRGS list and identification of the government ministry and/or administrative body that have been assigned responsibility for monitoring and/or implementing specific items on the CPRGS action list, where this is known, and determining which ministry and/or body should take responsibility, where this is not known.

[25] The 1997-98 VLSS indicates that households in possession of land-use right certificates are more likely to obtain bank credit (*VDR 2004*).

3. Doi Moi and Macroeconomic Policy: Socio-Economic Goals and Gender Impact

This section presents the context for the Doi Moi (Renovation) reforms from a gender perspective. The historical and quantitative narrative that follows takes us from the immediate post-war period (1975) to the present, a time frame that covers the country's triple transformation from war to peace, from centrally planned to market economy, and from isolation to international integration (NCSSH 2001). This transformation is partially captured in Figure 5[26], which tracks Vietnam's inflation rate, trade balance (as measured by ratio of imports to exports), and economic growth rate from 1977 to 2002. The graph shows clearly the large trade imbalances of the pre-reform period, the economic crisis of 1979-80, the fiscal crisis and hyperinflation of the mid- to late 1980s, and the Doi Moi phase of macroeconomic stability and rapid economic growth.

Figure 5. Vietnam's Ratio of Imports to Exports, Inflation and Economic Growth

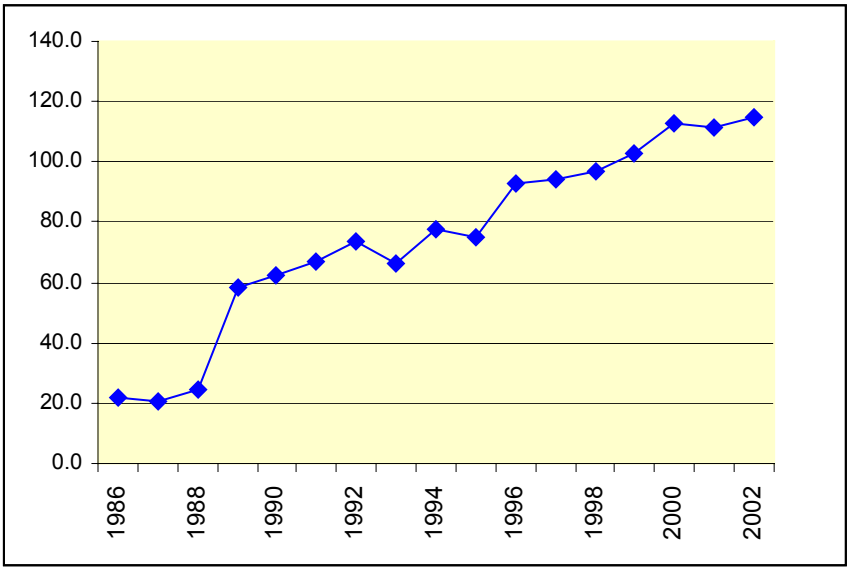


Source: Transformations by author based on original series from General Statistical Office (GSO).

[26] The scale for the inflation rate (as measured by retail price inflation) and ratio of imports to exports is shown on the left axis and the scale for the GDP growth rate is shown on the right axis.

Figure 6 shows Vietnam's transformation into an open economy, as measured by the trade-to-output ratio (defined as the sum of the nominal value of exports and imports of goods and services divided by nominal gross domestic product). In 1988, the total trade to GDP ratio was less than 25 percent, but by 2000 it had already climbed to over 112 percent, reflecting the success of external liberalization measures adopted as part of the Doi Moi reforms.

Figure 6. Vietnam's Open Economy as Measured by the Trade to Output Ratio



Source: Transformations by author based on original series from General Statistical Office (GSO).

Table 2 summarizes Vietnam's main economic indicators during each distinct policy phase. From 1975 to 1980, the immediate postwar period, the economy suffered from sharp drops in real output and per capita national income actually declined (see Section 3.1). The economy was consuming far more than it was producing (in 1975, total consumption and investment spending exceeded gross domestic output by 37 percent, and imports were 4.6 times the size of exports). During the 'Subsidy' period (1980-1988) the centrally planned and closed economy was highly dependent on Soviet bloc loans and grants. Macroeconomic management was weak and the government was unable to control inflation. Gross capital formation as a share of GDP dropped to its lowest level (13.2 percent) while per capita income (in 1984) was estimated to be only around USD 117 (in 1984 US dollars). The first phase of Doi Moi (1989-1993) saw vigorous reforms and the government showed greater capacity for effective macroeconomic management.

A significant shift in the composition of aggregate demand took place (final consumption as a share of GDP fell to 90.6 percent while the share of gross capital formation rose to 17.2 percent), and growth in the services sector accelerated (see Section 3.2). This was followed by a period of reform ambivalence (1994-2000): per capita income growth accelerated to 7.1 percent as the economy reaped the gains from earlier reforms, but policymakers felt less urgency to press with new reforms (see Section 3.3). However, in the aftermath of the Asian financial crisis, Vietnam has entered an accelerated phase of external and domestic reforms (see Section 3.4).

Table 2. Main Economic Indicators

	GDP (annual growth)	Per Capita National Income (annual growth)	Final Consumption as % of GDP	Gross Capital Formation as % of GDP	Agri-culture, Forestry & Fishery (annual growth)	Industry (annual growth)	Services (annual growth)
1975-1980	0.30%*	-1.9%*	105.9%	20.3%	0.80%	2.20%	-1.50%
1981-1988	5.60%	3.7%	101.5%	13.2%	4.80%	9.10%	4.20%
1989-1993	6.50%	4.6%	90.6%	17.2%	4.10%	6.10%	8.30%
1994-1997	9.00%	7.1%	81.9%	26.2%	4.20%	13.20%	8.80%
1998-2000	5.80%	3.9%	75.7%	28.7%	4.20%	10.50%	4.30%

Source: Transformations by author; original series from GSO.

3.1 Post-War Period: Closed Economy 'Subsidy' Regime (1975-1988)

A gendered transformation of social structure and labor distribution took place following the abrupt collapse of the U.S. supported regime in the South in 1975. During the war years, women were urgently needed to play an active role in social management and productive activities, so the government enacted policies to promote gender equality and to give priority to female workers. After the war, a gender transfer of local and household authority accompanied demobilization of the armed forces: millions of returning men soldiers resumed their position as family heads and replaced older people and women as community leaders (Tran Thi Que 1995).

This period saw the introduction of flawed policies that had the unintended effect of worsening living conditions in the war-torn economy. For example, when the Fourth Party Congress (meeting in 1976) decided to impose the North's socialist institutions on the South, it set unrealistic targets for the shift to large-scale socialist production. The misguided decision to give priority to heavy industry led to measures that squeezed the livelihood of farming families, with negative effects falling disproportionately on women who assumed the burden of trying to provide adequate family care on household budgets that were hardly adequate to feed, clothe and shelter their family members.

A vicious cycle was set in motion: state policies geared towards depressing the relative price of agricultural products (in order to shift resources to the industrial sector) effectively lowered returns to agriculture; this in turn dampened farm investment, and productivity in the agricultural sector declined (Beresford and Dang Phong 2000). The campaign to collectivize the Mekong Delta also seriously weakened incentives, and passive resistance from farmers caused agricultural output to fall (by 6.4 percent in 1978). Rural households gained more from tending their own private plots, and devoted less energy to the agricultural cooperatives (Beresford and Dang Phong 2000).

While both men and women endured considerable economic hardship, women suffered more owing to the gender division of labor. Their main source of livelihood came from the agricultural sector, while higher wage employment opportunities in the more favored industry and construction sector were largely open to men. Moreover, time pressure on women was made more intense because – in spite of laws calling for gender

equality and shared responsibility for household chores and childcare – the activities of the 'care economy' were mainly done by women with little or no help from their husbands (see Section 2.1). Their preoccupation with household work (including family care), and displacement in community spheres of decision-making by returning men soldiers, caused their participation in public life to be diminished. This was seen in the decline in female representation in the National Assembly, from 32.3 percent in 1975 to 21.8 percent in 1981, to 17.7 percent in 1987 (Tran Thi Que 1995). By 1992 female representation in this body had fallen to 10 percent (UNDP 1996).

Vietnam's international relations also took a bleak turn. The invasion of Cambodia in December 1978 put an end to Chinese and Western aid, and led to a stringent world economic embargo. As a result, from 1975 to 1993, Vietnam received minimal outside assistance other than from Soviet bloc countries and some international NGOs. From 1976 to 1980, the level of per capita aid from socialist countries fell precipitously to R/$ 13[27] (Beresford and Dang Phong 2000). This was bad news for a country that was wholly dependent on imports of capital goods, spare parts and raw materials to maintain its industrial production. Industries in the south were especially hit hard because of their near total dependence on inputs imported from capitalist countries, which they could no longer get because they lacked convertible currency to pay for these imports.

The constraints facing Vietnam were not only due to the limited range of industrial supplies that were made available by the CMEA countries, but also to the rigidities of central planning that gave rise to frequent bottlenecks. Machinery and equipment often piled up and were left to rust because storage facilities were inadequate and factory construction could not keep up with equipment deliveries. Of the 378 projects using imported equipment that were initiated during the Second Five Year Plan (1976-80), only 28 percent were completed by the end of the plan period. Moreover, many completed factories operated at below capacity (or did not operate at all) because of raw material shortages or lack of power (Beresford and Dang Phong 2000).

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[27] From 1970 to 1974, per capita socialist country aid to the north averaged R/$ 19. If US aid to the south is taken into account, per capita aid nationwide averaged R/$ 24.60. It should be noted that socialist bloc transactions are denominated in transferable roubles (or gold roubles), whose value is about equal to the US dollar (Beresford and Dang Phong 2000).

In response to the economic crisis of 1979-80, the state adopted a series of pragmatic reforms (the mini reforms) in order to stimulate production. In January 1981, it introduced the output contract system in agriculture. Farming families were permitted to sell on the free market all output in excess of the contracted amount of output to be produced. To encourage industrial output, a complex "three-plan system" was adopted that allowed SOEs to produce and sell goods not covered by quota on a free-market basis (Fforde and de Vylder 1996). This brought about a sharp rise in agricultural and industrial output[28], and increased awareness of earlier policy disincentives and the amount of slack within the production system.

The outcome was evident in the changing composition of Vietnam's gross industrial output. The state sector's share, which stood at 77.4 percent in 1976, fell to 57.1 percent in 1980, for two reasons. First, state sector industrial production tended to be more import intensive than non-state production, and therefore was more negatively affected by the shortage of imported inputs. Second, the non-state sector benefited from a relaxation of controls on its production activities in the aftermath of the devastating war with China, when the Party decided to postpone plans to impose central planning and collectivize the Mekong Delta in order to focus on the external threat. The lifting of restraints on non-state sector development allowed households to generate more resources for their own use, which improved family welfare including the welfare of women. It stimulated greater domestic demand, with positive multiplier effects.

With improved economic performance came an acceleration of the inflation rate, from 25 percent in 1980 to 95 percent in 1982[29]. A large gap emerged between "free market" and "organized market" prices. At the same time, the mini reforms produced a surge in smuggling and speculation activities; rampant corruption accompanied the slide in state employee real wages. With increased lawlessness came renewed efforts to clamp down. The government once again tried to regulate private trade, expand state and cooperative control of wholesale and retail sectors, and curb the autonomy of exporters

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[28] Agricultural and industrial output increased by 10.6% and 9.7% respectively in 1982. Not surprisingly, the output response was greatest in commodity sectors where there was an adequate supply of domestic inputs, and where there was strong market demand.

[29] Several factors contributed to high inflation: first, state sector spending was necessarily large, given the financial burden of maintaining one of Asia's biggest armies. Second, the trade embargo created shortages of imported inputs, leading to supply side scarcities.

(Riedel and Turley 1999). Because women participate much more than men in private trading activities, and account for about 70 percent of employment in this sector (see Section 2.1), the unintended effect of clamping down on trade was to sharply curtail their income generating opportunities.

From 1984 to 1988, the economy was in the grips of hyperinflation (see Figure 6). The retail price index grew at an annual rate of over 300 percent. It would be incorrect to place full blame on the monetized budget deficit, which averaged 6.6 percent of GDP, since the deficit during the vigorous reform (1989-93) period accounted for 5.8 percent of GDP, and yet the authorities managed to lower the inflation rate to 38.7%. The more important drivers of hyperinflation were wage increases given to government workers (government wages and salaries as a percent of GDP rose from 0.5 percent in 1984 to 1.3 percent in 1985), the centralized system of resource allocation that gave rise to persistent shortages and fueled black market trading, and weak macroeconomic management. Inflation climbed from 92 percent in 1985 to hyperinflation levels – 775 percent in 1986 – due in large part to the poorly implemented currency reform introduced in September 1985.

Although the Third Five Year Plan (1981-85) has been described as an "awkward compromise" between concessions to pressures from below and the VCP's bias towards re-centralizing (Riedel and Turley 1999), this overlooks the important learning process that eventually led to more comprehensive reforms. The Vietnam Communist Party (VCP) realized that it urgently needed to have a better understanding of development dynamics, and the Plan documents the Party's evolving views. For example, its authors accepted the concept of a "multi-component economy" with regional differences. Departing from earlier ambitions to rush the nation into large-scale socialist production, the 1982 Fifth Party Congress reduced the number of large-scale projects and gave top priority to agriculture. The bias in favor of the state sector remained, however, and was reflected in its relatively stronger growth performance. It should be noted that even as the leadership was searching for policy solutions that would put the country on a more stable growth path, there was little awareness of the need to consider either the gender impact of the proposed solutions, or to fashion strategies to improve women's welfare.

Indeed, women gained much less from public expenditures during this period (see Figure 7, Section 3.2). Resources for health and education were severely squeezed because the government experienced chronic fiscal pressure[30] and diverted scarce resources to maintaining a very large (1.5 million man) army. The level of government spending on health and education actually declined in real terms from 1985 to 1988. Although this placed greater stress on the care economy, slowed the accumulation of human capital, and increased the burden on women, the negative effects were mitigated by the state's socialistic health strategies that emphasized cost effective preventive and early treatment care.

Between 1984 and 1988, public spending on health averaged around 0.5 percent of GDP, a very low figure (the average for low-income countries is 1.2 percent of GDP[31]). Yet the population's general state of health was comparable to that of countries with much higher levels of per capita income than Vietnam's. This is mainly due to the high rate of adult literacy as well as the considerable investment of resources in establishing a large network of primary health facilities and in developing programs to address priority health concerns such as malaria, diarrheal diseases, and immunizable diseases (PER 2000). These programs were credited with reducing Vietnam's infant mortality rate, from 160 per 1,000 live births in 1960 to 90 in 1975-80, to 75 in 1983, to 45 in 1989.

In the period leading to the vigorous reforms phase, the government adopted a series of measures that represented important concessions to free market and private business concerns (Fforde and de Vylder 1996). Provinces and cities were instructed to close internal customs posts that were impeding the domestic flow of goods. This relaxation of controls was especially helpful to women who made up nearly four fifths of those who worked in the private trading sector (Beresford 1994). There was greater acceptance of the private sector and state monopoly was abolished in the trade of most commodities including food items, gold and silverware. Permission to conduct import-export business was more widely granted. Major policy decrees issued at the end of 1987 covered foreign investment, land, foreign trade, state industrial management, private, family and

[30] Revenues declined due to various weaknesses in the planning system including output volatility associated with supply side shortages.

[31] http://www.worldbank.org/data/wdi2001/pdfs/tab2_15.pdf

individual sectors, and agriculture (Fforde and de Vylder 1996). These reforms, particularly the land and agricultural reforms, unleashed the productive energies of a nation mostly made up of farmers. The reforms unlocked a rich array of income-generating opportunities in economic sectors dominated by women (agriculture, trade), and women quickly found ways to improve their own living conditions and to improve the lives of their families. Per capita food production increased from 303 kg in 1990 to 444 kg in 2000, and revenues from agricultural exports increased more than four-fold (CPRGS 2002).

Box 1. The *Doi Moi* Reforms

External Liberalization Measures:

- Unification and massive devaluation (by 90%) of the exchange rate
- Liberalization of controls on retention of foreign exchange by exporting firms
- Trade liberalization: reduction of tariff barriers and quantitative restrictions
- Foreign trade reforms: state and private firms have easier access to imports and better incentive to export
- Foreign Investment Law to attract foreign investment

Anti-Inflation Measures:

- Introduction of positive real rates of interest
- Budget tightening and greater fiscal discipline
- Credit restraint

Rural Reforms:

- Decollectivization of agriculture
- Return to self-managed family farms
- Long term leases granted to farmers

Pro-Market Measures:

- Price liberalization: virtual elimination of price controls
- Removal of two-tier price system
- Imported intermediate materials valued at market prices
- Encouraging private sector development: new laws defining the rights and obligations of companies and private enterprises

SOE Reforms:

- Hardened budget constraint; SOEs placed on self-financing basis
- Drastic reduction of subidies; easy access to cheap credit ended
- Decentralization of decision-making and increased management autonomy

Banking Reforms:

- Separation of central banking from commercial banking
- Diversification of Institutions and of Ownership
- Foreign participation permitted
- Greater autonomy and independence

Legal Reforms:

- Law on Private Business and Law on Companies approved in December 1990
- Foreign Investment Law amended in 1990
- Law on Central Bank, state-owned banks and credit institutions approved in 1990
- 1992 Constitution officially recognizes multi-sector economy
- Property rights strengthened with amendment of Land Law in 1993
- Law on Environmental Protection enacted in 1993
- Bankruptcy Law, Labor Code and Law to Promote Domestic Investment enacted in 1994
- Civil Code and Commercial Law enacted in 1995

3.2 Liberalization Phase I. Vigorous Reforms (1989-1993)

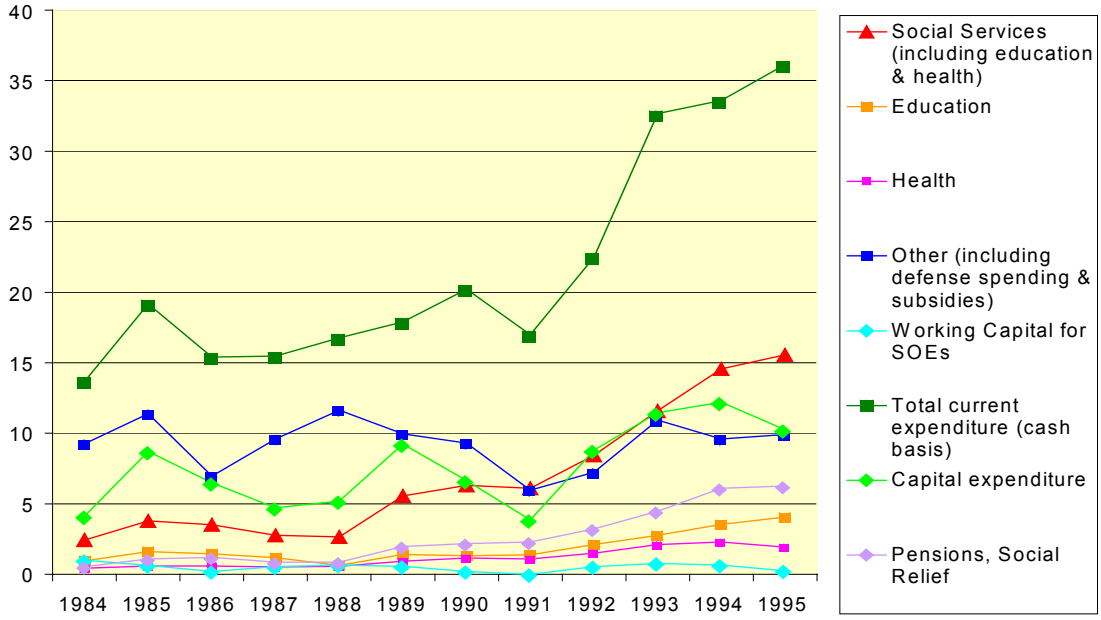
The 1987-89 macroeconomic crisis provided the impetus for *Doi Moi*'s far-reaching reforms that brought about a "complete upheaval of the economic system" (Ronnas and Sjoberg 1991). The dire confluence of hyperinflation, near famine, severe shortages, abrupt termination of CMEA assistance, and loss of Soviet bloc markets associated with the collapse of the Soviet Union crystallized a decisive point in the government's policy stance. There was no turning back from the shift to a more market-oriented economy. To gain new trading partners, Vietnam undertook a series of foreign policy initiatives: withdrawal from Cambodia, and normalization of relations with ASEAN, China and Western countries including the U.S., thereby removing the major obstacles to expanded trade with the West and neighboring countries.

The reforms were deep and comprehensive, covering many fronts (see Box 1). External liberalization measures included the introduction of a very liberal foreign investment law, unification and massive devaluation of the exchange rate, significant reduction of tariff barriers and quantitative restrictions, liberalization of controls on the retention of foreign exchange by exporting firms, and foreign trade reforms that gave firms better incentives to export and also provided easier access to imported inputs. Anti-inflation measures included the introduction of positive real rates of interest, greater fiscal discipline and tighter budgets. Rural reforms that gave farmers the incentive to expand their output included the decollectivization of agriculture, return to self-managed familiy farms, the granting of long term leases, and not least, abolition of controls on the price of rice in 1989.

Price liberalization led to an improvement of resource allocation because imported intermediate goods were valued at market prices. State and non-state enterprises were allowed to set the price of their own products (prior to this, most goods produced or imported by SOEs were sold at below free market prices). By the end of 1989 the state only retained control over transport, communication, electric, petroleum and cooking oil prices, and continued to indirectly regulate the price of other essential commodities such as rice or gold by buying or selling stockpiles of those commodities.

Without being obliged to by the IMF, the government voluntarily embraced orthodox stabilization measures. After 1989 a policy decision was made to stop funding SOE capital investment through the budget (World Bank 1992). Working capital for SOEs directly financed by the budget declined to VND 68 billion in 1990 from VND 128 billion in 1989 and VND 88 billion in 1988. Government subsidies, representing 5.3 percent of GDP in 1988, were largely eliminated in 1989. As a result, a key component of government expenditures[32] – which includes state subsidies (food procurement, production and exports) and defense spending – declined from 9.7 percent of GDP in 1988 to 4.3 percent by 1991.

Figure 7. Level of Real Government Expenditures, Normalized: 1984-1995
(1984 GDP = 100)



Source: Transformations by author based on GSO and World Bank data

Figure 7 shows the evolution of key components of government expenditures normalized and adjusted for inflation[33]. Total current expenditure includes general

[32] This component is described by the Ministry of Finance as belonging in the 'other' category of government current expenditures (functional classification).

[33] The 1984 level of GDP is set at 100, and the 1984 level of each component of government expenditure is set as a percent share of the 1984 level of GDP. Assuming that the deflators of the components of government expenditure do not deviate significantly from the GDP deflator, each component is estimated

administrative and economic[34] services, social services, interest payments[35], and the previously mentioned 'other' category. Although displayed separately, government spending on health, education and pensions and social relief are included under social services. The sharp cutbacks in government subsidies and defense spending in real terms (1988 to 1991), and in capital spending (1989 to 1991), also are illustrated in Figure 7. Quite remarkably, during this period of retrenchment the government managed to protect social spending, which increased in real terms[36].

Public spending on education as a share of GDP fell to 0.6 percent in 1988 from 1.6 percent in 1985, but gradually rose again to reach 1.7 percent of GDP in 1993[37]. During this period teachers' salaries were so low that most teachers had to take second and even third jobs just to survive. In 1991, the top salary for seasoned primary school teachers (a field dominated by women) was about VND 95,000 (USD 11.30) per month, or two-thirds the wage of an average SOE worker (World Bank 1992)[38].

As noted, subsidies to state enterprises were drastically curtailed, and financial discipline was imposed on SOEs, forcing major restructurings and massive layoffs that fell disproportionately on women. The total number of employees in the state-owned sector fell from 3.86 million in 1985, representing about 15 percent of the total labor force, to 2.92 million in 1993 (Beresford 1994). Employment in the cooperative

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as its nominal share of GDP times the level of real GDP (defined as an index number where GDP = 100 in 1984). This approach provides a rough approximation of the evolution of key components of government spending in level terms adjusted for inflation.

[34] Economic services include government spending on agriculture, forestry, transport, and so on (World Bank 1992).

[35] Data on interest payments from 1984 to 1988 include amortization.

[36] The degree of protection of social services spending may be overstated because the method of paying teachers, health workers and other social services personnel changed in 1989. Prior to this, all public sector employees received some of their compensation directly in the form of rice, which was included as a food procurement subsidy. In other words, part of the observed increase in social services spending and decrease in spending in the 'other' category is simply attributable to this switch (World Bank 1992).

[37] Public spending on education has continued to increase, reaching 2.6 percent of GDP in 2002, and there is recognition that teachers' salaries must be increased in order to adequately remunerate and motivate teachers.

[38] Teacher's wages are still low. Although the average wage for public sector employees in education rose to VND 449,000 per month in 1998, this represented 87 percent of the average wage of all public sector employees.

industrial sector declined even more steeply, from 1.2 million in 1988 to 287,600 in 1992, and it is estimated that about 70 percent of the laid off employees were women. Between 1990 and 1991, some 553,000 women were laid off from the state-owned and collective industrial and trade sectors; this is equivalent to 19.7 percent of all female wage employment in 1992-93 (Beresford 1994, Rama 2001).

At the same time, new economic opportunities were created as a result of policy incentives to expand output. The government gave SOE managers greater autonomy and eased restrictions on private sector activity. To further encourage economic activity, the structure of the banking system was transformed, with diversification of both institutions and ownership. By the end of 1992 the enlarged banking sector included 4 state-owned commercial banks, 5 branches of foreign owned banks, 3 joint venture banks, 24 shareholding banks with varied ownership, and several thousand very small rural and urban cooperatives (World Bank 1993).

FDI was seen to be a key pillar of the *Doi Moi* reform strategy. Vietnamese policymakers were hopeful that FDI would help raise productivity and boost productive capacity by increasing employment, upgrading physical infrastructure, and transferring technology. Their expectations were only partially met, because FDI's contribution to employment growth has not been as vigorous as hoped for. The reason is that the presence of foreign enterprises creates a more competitive environment that forces domestic firms to adopt measures such as labor-shedding to increase their productivity. A DFID-funded study found that in general foreign firms in Vietnam create less employment per unit of output than other firms, and that FDI's dominant effect was to crowd out local private firms[39] and to increase pressure on state-owned enterprises

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[39] Using regression analysis, the researchers estimated the impact of increased foreign presence on the growth of production of state and non-state firms (Jenkins 2002). The results (significant at the 5% level) are as follows:

NSPRODGR = 0.127 – 0.229DFSHARE

R 2 = 0.155, D-W = 1.762

where:

NSPRODGR – growth of production of non-state (Vietnamese owned) firms

DFSHARE – change in the share of foreign firms in the industry

This regression estimate tells us that if the share of foreign firms in the industry increases by 5 percent, the growth of output of non-state Vietnamese owned firms would shrink by 1 percent; if it increases by 10 percent, output growth of non-state Vietnamese owned firms would shrink by 2.2 percent; if it increases by 20 percent, output growth would shrink by 4.5 percent.

(SOEs) to rationalize their workforce. The net effect is to reduce employment, since, for a given level of output, domestic private enterprises create five times as many jobs, while SOEs create almost twice the number of jobs, compared with foreign firms.[40]

Vietnam's open-door policy and receptiveness to FDI coincided with the economic boom in East and Southeast Asia. Domestic institutional reforms in South Korea and Taiwan facilitated their outward investment, and they quickly became the country's top largest foreign investors. Along with other Asian investors, they were eager to preside over the country's economic take-off[41] and the FDI sector experienced explosive growth. Thanks to highly favorable foreign investment incentives, FDI quickly became a dynamic force in the economy[42], as its share of total investment rose from nearly nothing to 17.4 percent during the 1989-93 period, peaking at 30.6 percent during the 1994-97 period. FDI gross industrial output recorded average annual increases in excess of 44 percent. From 1988 to 2001, over US$ 38 billion of FDI projects were approved.

The gradual liberalization of trade (summarized in Box 1) produced immediate results. Vietnam was able to quickly develop new export markets and change the composition of its trading partners (see Figure 8). For example, although CMEA partners in 1988 provided 57 percent of Vietnam's imports, by 1991 it provided only 5 percent. It was a similar story for exports: in 1988, the non-convertible (CMEA) area accounted for all of Vietnam's light industry and handicrafts exports, yet by 1992 it accounted for only 4 percent. As for agricultural and forestry exports, the non-convertible area accounted for 30 percent in 1988, but only 1 percent in 1992. By then Vietnam had restored normal ties with most Asian countries and the EC nations had resumed aid.

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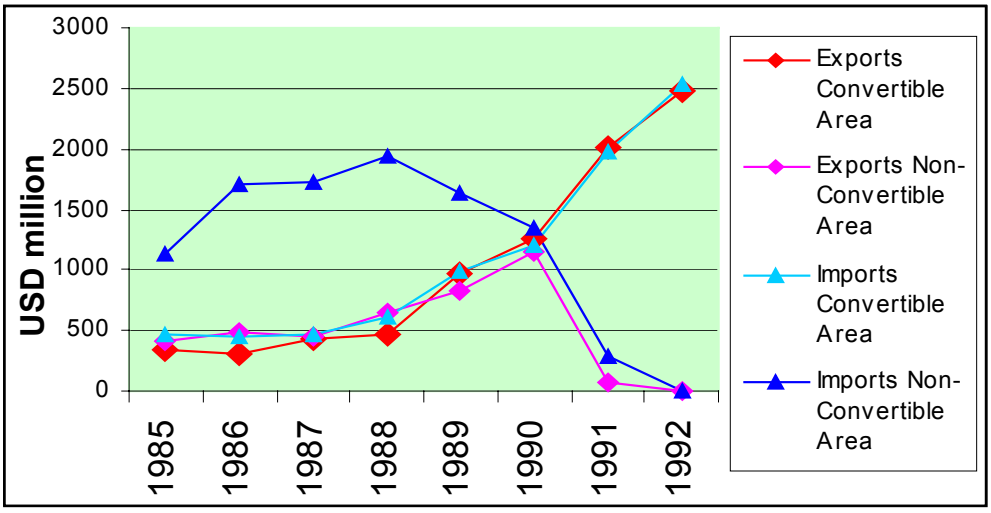
[40] During the period from 1995 to 1999, industries that have seen a significant increase in foreign ownership have tended to lag behind in employment growth (Jenkins 2002). The main reason is because FDI during that period formed joint ventures with SOEs in capital-intensive import substituting industries (see Section 3.3).

[41] By 1999 the four Asian tigers (Singapore, Taiwan, Hong Kong and South Korea) and Japan accounted for 55.5 percent of total registered FDI capital. However, these investors were hard hit by the Asian financial crisis in 1997-98, which led to a sharp fall in FDI flows to Vietnam (see Section 3.3). From an average annual growth rate of 16.3 percent during the 1994-97 period, FDI flowed out during the 1998-2000 period, causing the FDI share of Vietnam's total investment capital to contract sharply to 21.6 percent from 30.6 percent between the two periods.

[42] By 2000 FDI accounted for 13.3 percent of GDP, 33.8 percent of non-oil exports, and 35.2 percent of industrial output.

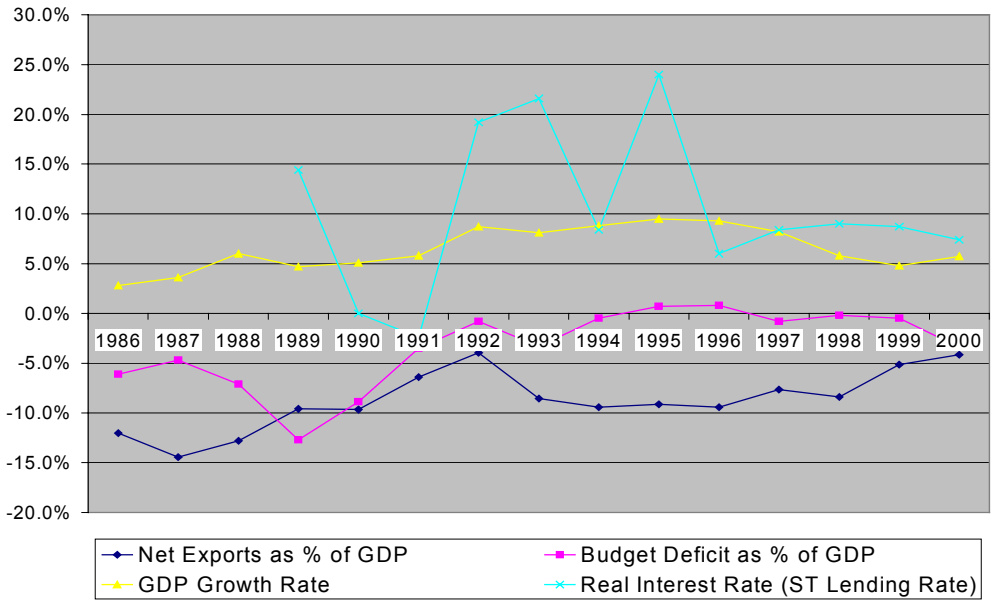
Figure 8. Vietnam's Trading Partners: Switch to Convertible Areas



Source: General Statistical Office (GSO) and World Bank.

Other major results of the reforms could be seen in the government budget. This is vividly illustrated in Figure 9, which shows a dramatic reduction of the fiscal deficit from 12.7 percent of GDP in 1989 to 0.8 percent by 1992. The trade deficit (net exports as a percent of GDP) also fell 14.5 percent of GDP in 1987 to 3.9 percent in 1992. What is

Figure 9. Evolution of Real Interest Rate, Trade & Budget Deficits: 1986-2000.



Source: Transformations by author based on GSO data

especially remarkable is that these gains were achieved during a period of very little external assistance as Soviet bloc aid was fast disappearing and Western ODA had not yet resumed. The gap was filled by hard currency earnings from the sharp rise in oil production (as earlier investment in offshore oil production started to bear fruit) and rice production (brought about by the agricultural reforms), as well as the rapid growth of foreign direct investment (FDI). From 1989 to 1993, its annual average growth rate was 149.3 percent (from nearly nothing under the 1980-1988 'Subsidy' period).

The decision to raise interest rates achieved the desired effect of restoring confidence in the domestic currency. It also drove up the cost of hoarding goods, and enterprises were forced to dump them on the market to avoid bankruptcy. Thus, previously stockpiled food, paper, bicycles, and other consumer goods flooded the market, brought an end to the shortage economy (Vo Dai Luoc 1995), and exerted downward pressure on the price level. The legalization of gold trading also strengthened public confidence, and helped to induce changes in the composition of household assets. Meanwhile, the maxi-devaluation of the exchange rate effectively wiped out the black market for foreign exchange, and was yet another factor that induced households to shift out of gold and U.S. dollars back into dong-denominated assets. The price of gold, U.S. dollars, and rice all fell, and inflation was brought to a halt by mid 1989. Dong deposits as a percent of GDP jumped from 8.5% in 1988 to 14.7% in 1989, as savers queued to make deposits at banks.

Although hyperinflation was vanquished and new trading partners were found, the adjustment costs were considerable. As previously noted, it fell on public sector employees, mainly women, who were made redundant. The unemployment problem was further exacerbated because, in addition to a very high labor force growth rate[43], the economy had to accommodate an additional 500,000 demobilized soldiers and other workers released from the civil service, plus thousands more overseas workers who were repatriated from Eastern Europe and Iraq.

While government adjustment assistance helped to ease some transition pains, the number of skills training centers established by the government (55 by the end of 1992)

[43] This is related to Vietnam's particular demographics: a relatively young population whose big bulge is at the age to join the labor force.

and the number of unemployed workers that could be helped was very small relative to the scale of the problem (World Bank 1993). Redundant public sector employees were given severance pay (one month salary for each year of service and assorted increases to cover health expenses, education, and compensation for loss of housing benefits). After that they were expected to fend for themselves in an economy and society that was undergoing rapid and tumultuous change.

The burden of adjustment also fell on the state enterprise sector. The hard budget constraint and anti-inflation high interest rate policy increased their debt servicing costs. Their financial situation deteriorated, and they were forced to liquidate inventories and to restructure. Trade liberalization also brought in a flood of imports from China, Thailand and Japan, which hurt Vietnamese bicycle, household goods, textiles, clothing, porcelain, pottery and electric fan makers. In 1989 a majority of local state enterprises were in trouble. It was estimated that only 20 percent of all SOEs were profitable. About half were loss-makers, and 30 percent underutilized their productive capacity. The industry sector experienced a 4.3 percent contraction, and state sector gross industrial output fell by 7.1 percent. The non-state sector, which had been doing relatively well in 1987 and 1988, also was affected. In 1989 and 1990 non-state sector gross industrial output contracted by 4.2 percent and 8.2 percent respectively. The state sector manufacturing industry (especially engineering and metallurgy industries) was particularly hit hard. In 1989 it contracted by 19.5 percent, and by another 8.6 percent in 1990. The non-state manufacturing sector also contracted, but not by as much.

The workers of many financially strapped SOEs went without pay. Meanwhile, production by cooperatives and small handicraft industries and trade organizations also fell (Vo Dai Luoc 1995). In addition, with price liberalization, SOEs were no longer able to profit from the difference between official and free market prices. Moreover, their financial difficulties were passed on to the government in the form of reduced SOE contributions to the budget, further weakening already shaky public finances. The severity of the budget constraint led to even more cutbacks in the delivery of public social services, further stressing the care economy. The disintegration of the cooperatives that funded health care and education at the local level cut deeply into the provision of health and education services, as there was no adequate replacement by other public

institutions. The government stopped investing in infrastructure, which already was dilapidated. Roads, irrigation, water supply, and power generation facilities were neglected (World Bank 1993).

Yet the Vietnamese economy managed to emerge from this period of painful structural adjustment with largely positive outcomes.[44] In focus group interviews, men and women said that the Doi Moi reforms had brought about major changes in their lives. They were optimistic about the future, believed that wealth was becoming a more important factor in social relations, and that more opportunities were becoming available thanks to greater labor mobility. Residents from Go Vap, an urban community, believed that the position of women in the household had improved because younger women had more opportunities in the labor market, and older women whose husbands had retired became the more important income earner. Women in the rural community of Dang Cuong reported that their living conditions had improved and that they had better access to information from television (Long 2000).

[44] Vietnam was spared the severe recessions that marked the early stages of transition in Eastern Europe because, even though its industry sector suffered large contractions, this sector accounted for a much smaller share of GDP compared to more heavily industrialized Eastern Bloc countries.

3.3 Liberalization Phase II. Reform Ambivalence (1994-2000)

This section covers the high growth period between the two living standard surveys (1992-93 and 1997-98) that provide a rich picture of the initial effects of the Doi Moi reforms (see Table 2 and Figure 5). It also covers the Asian financial crisis of 1997-98, which reverberated in Vietnam and contributed to reducing the annual average GDP growth rate from 9 percent (1994-1997) to 5.8 percent (1998-2000). Its even greater impact was on the country's policy path: for the Vietnamese leadership, the need to review and reassess the reform agenda took on new urgency (see Section 3.4).

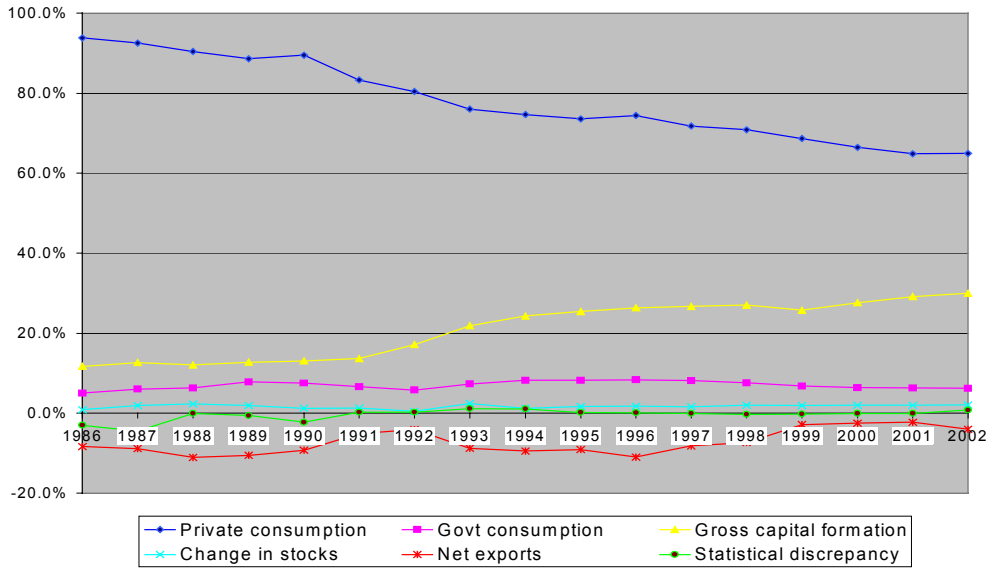
The 1994-1997 period was a time of mostly smooth sailing for the economy, and was reflected in the recovery in state finances (see Figure 9). Government revenues (including grants) as a share of GDP climbed steadily, peaking at 24.7 percent in 1994 from its 1988 low of 11.3 percent. The inflation rate was brought down, from 14.4 percent in 1994 to 3.2 percent in 1997, and actually turned negative (-1.6 percent) in 2000 (see Figure 5). The real effective exchange rate also rose sharply from 1992 to 1997, due to the combined effects of price deregulation, foreign direct investment (FDI) inflows (IMF 2003a), and the desire on the part of policymakers to maintain an overvalued nominal exchange rate in order to reduce inflationary pressures.[45]

Figure 10 presents the evolution of the main components of macroeconomic demand (as a share of GDP), from the last years of the closed-economy 'Subsidy' regime to the Doi Moi reform period. It shows a trend shift in the pattern of aggregate expenditure that will have long-term beneficial effects on women's welfare because these compositional changes support macroeconomic stability. The decline in the share of both private consumption and government consumption is offset by a roughly equivalent rise in the share of gross capital formation (both public and private), so that the structure of the Vietnamese economy has begun to resemble that of its dynamic Asian neighbors. The rising share of capital spending in total expenditure suggests that substantial infrastructure for expanding the economy's productive capacity is being laid. This

[45] Vietnam's hyperinflation experience during the 1980s deeply influenced the government's approach to monetary and exchange rate policy, and helps to explain why the authorities did not intervene to halt the appreciation of the real exchange rate.

lowers the risk of volatile swings in output from supply side bottlenecks that was experienced during the 'Subsidy' period (see Section 3.1). Because women are more likely to bear the brunt of economic instability, expenditure patterns that support a more stable macroeconomic environment have positive gender implications[46].

Figure 10. Evolution of Main Components of Aggregate Demand. 1986-2002.
(as percent of GDP)



Source: Transformations by author based on GSO data

It should be noted that the changing composition of GDP demand components (and growing weight of investment spending) took place even as the economy shifted towards non-tradables production due to changing relative prices in favor of the non-tradables sector[47] and government policies on behalf of the larger SOEs. The relatively faster growth of the male-dominated formal non-tradables and import-substitution sectors helps to explain why the number of women in wage employment grew more slowly than the

[46] The basic argument is as follows: economic instability tends to increase the volatility of household income, in part because of the greater likelihood that wage earners will lose their jobs in the formal economy. Female wage earners often must turn to the informal sector for work that is insecure and less remunerative. Unpaid female domestic workers also are pressured to find work in the informal sector to offset the loss of income from unemployed male wage earners, usually without any lessening of their burden of household work. The environment of economic instability also increases household stress and domestic violence, which takes a heavier toll on women. In these instances, the condition of women tends to be worse than that of men because of their dual burden as income-earners and care-givers.

[47] The sharp appreciation of the real exchange rate from 1992 to 1995 brought about a relative rise in non-tradables production.

number of men during this period (between 1992-93 and 1997-98 the growth rate of wage employment rose by 10.1 percent for women and 25.6 percent for men)[48]. Given that the female labor force participation rate remained high and in fact rose during this same period (Rama 2001), we may infer that the main source of income for large numbers of working women very likely came from the more insecure informal sector.

The improved financial situation of the SOEs and subsequent rise in their financial contributions to the state budget was a major factor in the state's improved fiscal health (see Figure 9). It also increased their influence within the Party, which became more receptive to SOE lobbying for increased protection. There was some pulling back from the hard budget constraint that had been imposed on the SOEs during the crisis period (see Section 3.2), and ad hoc preferential measures were adopted to help out SOEs with financial problems. During this period trade liberalization and tax reform initiatives also were delayed (IMF 1998).

The merits of adopting the East Asian model with its emphasis on state-directed industrialization were vigorously debated, and (reflecting a partiality for large centralized chaebol-style conglomerates) the government in 1994 established two types of General Corporations (GCs)[49]. The stated goal was to boost SOE efficiency and competitiveness. Smaller enterprises were merged under a single management in order to reap economies of scale. GCs were formed in the utilities, oil, transport, communications, steel, cement, paper, chemicals, rubber, coffee, rice, seafood, textile and garment sectors. However, the objectives for setting up the GCs were not met, as the GC organizational and governance structure turned out to be ineffective, and management incentives to improve efficiency or reap economies of scale were at best weak (Packard 2004).

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[48] Reflecting the large gender difference in the growth of wage employment and higher concentration of male employment in the non-tradables sector, the share of men employed in the mining, manufacturing, utilities and construction sector increased from 13.6 percent in 1992-93 to 15.3 percent in 1997-98, while the share of women employed in this sector declined from 11.3 percent in 1992-93 to 10.4 percent in 1997-98 (VLSS93 and VLSS98).

[49] Decree 91/TTg established 17 General Corporations (GC 91) comprising some 450 SOEs. GC 91s were in industries that were seen to have comparative advantage or strategic significance, and their heads reported directly to the Prime Minister. Decree 90/TTg established 74 smaller GCs (GC 90) reporting to line ministries or People's Committees and covered some 900 SOEs. The goal of the GC 90s was to gain advantages from concentration in more traditional industries.

The SOEs' increased ability to exert monopoly power (in certain sectors) and to benefit from rent-seeking activities had negative gender implications: it diverted scarce state resources away from expenditures that were more supportive of the care economy, such as health, education, and basic infrastructure (safe water, rural transport and markets, irrigation, and so on). Moreover, SOEs that were most favored by the state tended to have a significantly higher concentration of male workers (see Figure 11).

As regards the foreign-invested sector, the structural composition of FDI inflows continued to shift in response to policy incentives and better information about sectors with significant growth potential. Initially FDI was attracted to the oil and gas sector, which accounted for nearly 37 percent of total FDI disbursement during the 1988-93 period (by 1998-2000, this sector's share of FDI flows had declined to less than 15 percent). The government's more protectionist policy stance (after the economic crisis had receded) encouraged FDI flows towards sectors with high levels of trade protection and motivated the rapid growth of joint ventures (JVs) as foreign investors began to team up with well-connected SOEs in import substitution industries.[50] About 50 percent of FDI went into sectors enjoying effective rates of protection of over 90 percent, and 25 percent of FDI into sectors with effective protection rates of over 120 percent. As a result, heavy industry's share of total FDI rose from 7.9 percent in the 1989-93 period to 19.2 percent in the 1993-97 period. For a while there was concern that this emerging alliance would become a powerful lobby for protective tariffs and other import restrictions to shut out competitive imports, but this threat receded due to the shock effects of the 1997-98 Asian financial crisis and its transmission to Vietnam through FDI[51] and trade flows, which caused the government to reassess its policy priorities and to recommit to opening up the economy.

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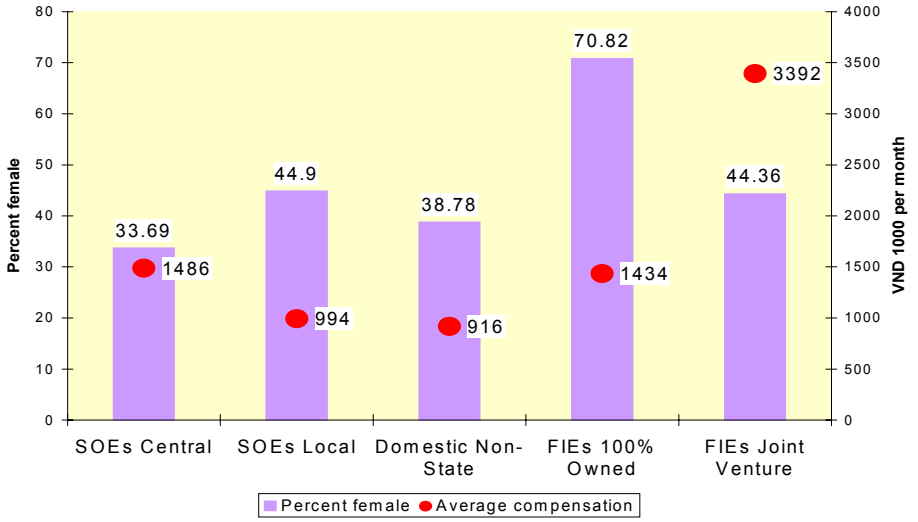
[50] As with most developing countries, Vietnam's import substitution industries include heavy industry.

[51] FDI capital inflows dropped sharply from over US$ 2 billion in 1997 to about US$ 700 million 1999, as the regional financial crisis devastated Vietnam's main foreign investors, the Asian countries.

Figure 11. Gender Distribution of Enterprise Workers & Average Compensation in 2002 (by type of ownership)



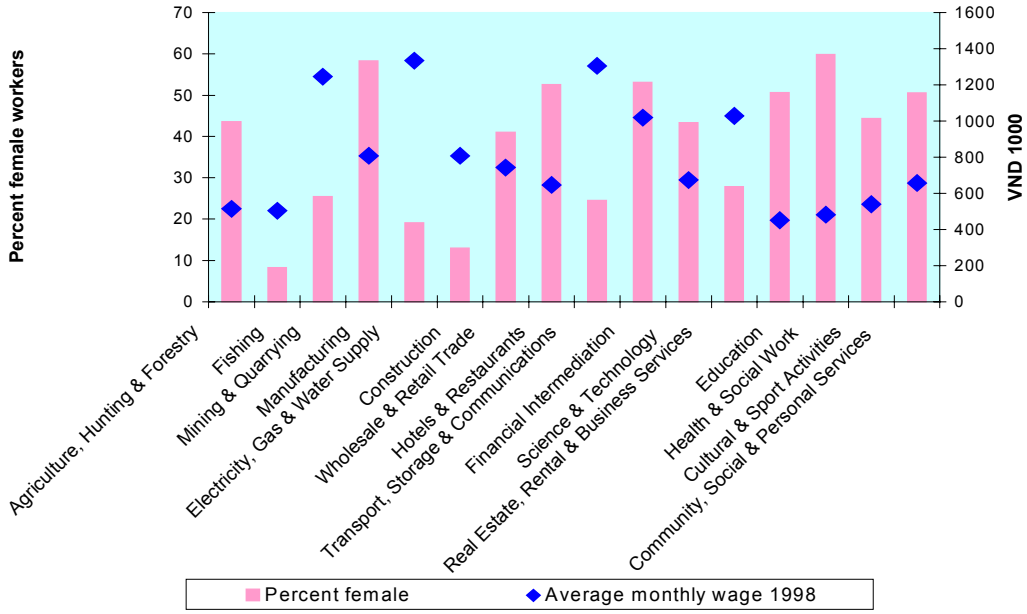
Source: Transformations by author based on GSO Enterprise Survey data

Ownership type has significant gender implications. This is seen in Figure 11, which shows the gender concentration of enterprise workers by ownership type and their average compensation based on the results of enterprise surveys conducted by the GSO in 2001, 2002 and 2003. What is particularly striking is the size of the wage gap and difference in gender concentration between foreign-invested enterprises (FIEs) that are wholly foreign-owned and joint venture FIEs. As noted, the FIE joint ventures – typically with well-connected state-owned enterprises – tended to flow into capital-intensive import-substitution industries with high levels of trade protection such as cement and steel. The average wage in these joint venture FIEs (where the majority of workers are men) is 2.4 times higher than the average wage in the wholly foreign owned FIEs. The latter are mainly concentrated in labor-intensive[52] export-oriented industries (for example, garments and footwear), and women account for over 70 percent of their workforce.

[52] In 2002, the total number of workers employed by the wholly foreign owned FIEs came to 455,178, or 3.2 times the number of those employed by the joint venture FIEs.

The perception that average wages tend to be lower in sectors with a higher concentration of women workers is reinforced when we consider the gender distribution of labor between SOEs governed by the central authorities (central SOEs) and SOEs governed by the local authorities (local SOEs). Women workers are least represented in the central SOEs where the average wage is significantly higher than the local SOEs. It also should be noted that the ownership sector with the lowest average wage is the domestic non-state sector. A detailed econometric analysis of wage determination in the textile and garment (T&G) industry, based on data disaggregated by ownership type[53], found clear evidence of gender-based wage discrimination in private enterprises (PEs) and foreign-invested enterprises (FIEs), but not in the state-owned enterprises[54] (SOEs)

Figure 12. Gender Distribution of Enterprise Employment & Wages by Economic Sector



Source: Transformations by author based on GSO survey data

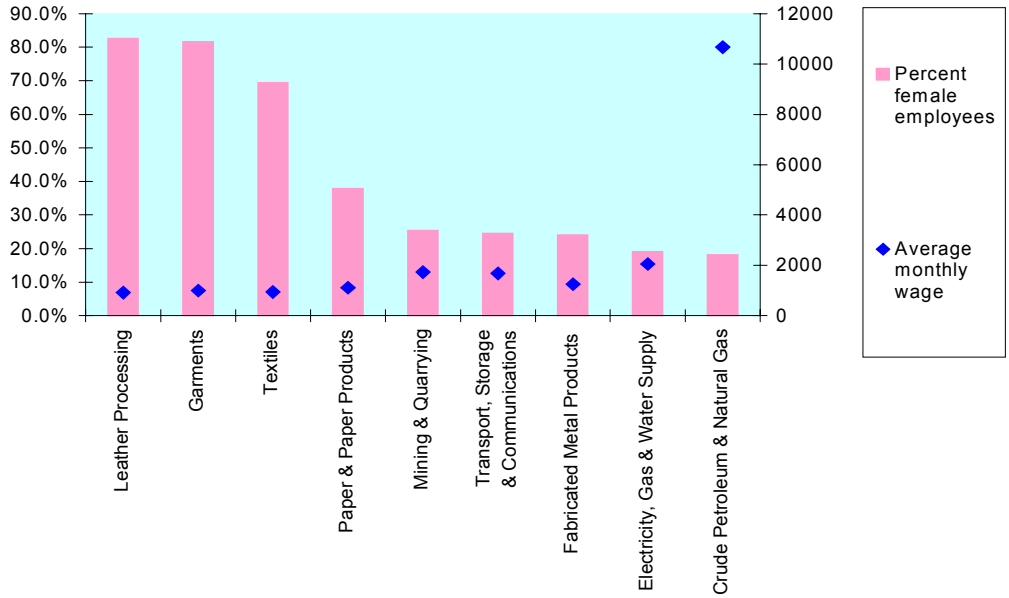
[53] Primary data comes from the Vietnam Textile and Clothing Competitiveness Survey conducted by the Institute of Economics in 2001 covering 150 T&G firms randomly drawn from 8 provinces that are leading T&G employers for two years (1999 and 2000). The sampling frame is based on the census of manufacturing firms in Vietnam carried out by GSO and UNIDO in 1998.

[54] This is because the government has clear rules governing wage determination in SOEs that give managers little discretionary power to discriminate on the basis of gender.

(Hoang Thi Thanh Huong 2002). Estimation of the gender wage gap[55] in the non-state sectors found that on average a male FIE employee received 11.6 percent more and a male PE employee 9.4 percent more[56] than their female counterpart.

Disaggregating the GSO survey data by economic sector tells a similar story of female under-representation in the higher wage sectors. Figure 12[57] presents a breakdown of enterprise employment and wages by gender and by economic sector.

Figure 13. Gender Distribution of Enterprise Employment & Wages by Industry Sector



Source: Transformations by author based on GSO survey data

[55] A wage equation was estimated using as the dependent variable the natural log of real hourly earnings adjusted for regional price differences.

[56] The finding is significant at the 1 percent level for FIEs and 5 percent level for PEs. There is no evidence of a gender wage gap in the SOE sector. The estimated coefficient for the SOE sector not corrected for selection bias has a different sign from the same estimated coefficient corrected for selection bias (Hoang Thi Thanh Huong 2002).

[57] Figure 11 combines a gendered disaggregation of all enterprise employment (representing employment in the formal sector) by industry sector with official estimates of average state sector wages disaggregated by industry. Because of data constraints, I have had to combine 2002 data on enterprise employment by sector with 1998 data on average state sector wages. The latter serves as a reasonably accurate proxy of industry wage differentials. It should be noted that the gender share disaggregated by industry shown in Figure 11, which is collected from enterprise surveys, differs from the gender share generated from the VLSS dataset, which is generated from household surveys. Household survey data also captures informal sector employment disaggregated by industry.

A gendered analysis of the disaggregated export sector suggests a mixed picture of gender wage inequality among the different export sectors along with greater opportunity for women to find wage employment in the formal sector. During the transition period there has been a shift in the composition of Vietnam's exports away from unprocessed raw materials towards light industrial goods.[58] This has helped to create more jobs for women, as a higher percentage of women are employed in light industry than men. Although export-oriented industries are more likely to employ women, their average wage is low. It is about 20 to 26 percent below the average wage in the formal sector. Figure 13 illustrates with a selection of industries, the percent share of female employees in that industry, and their average monthly wage. The 2002 data comes from the survey of enterprises conducted by the GSO. At one end are leather processing and garment enterprises where women account for over 80 percent of the workforce. At the other end of the spectrum are non-tradable and import substitution industries where men form the majority of the workforce. The exception is the crude oil and natural gas industry, which is a major export earner, and hires mostly men. The general impression from the survey data is that average wages tend to be higher in the non-tradable and import substitution industries, whose share of women workers tend to be lower than in the export-oriented industries.

Although considerable liberalization of the current account took place during the vigorous reforms phase (1989-93), the government interceded to manage trade when it saw the need. Quantitative restrictions and import duties were selectively applied. For example, imports of key inputs such as construction steel, cement, fertilizer, sugar, paper, glass and petroleum were subject to administrative control in order to reduce trade deficits, protect domestic producers, and conserve foreign exchange. Thus, in May 1997, the government issued a temporary ban on the import of tourism automobiles, motor bikes, writing and printing paper, construction steel, white construction glass of a certain

[58] The share of earnings from rice exports declined from nearly 16 percent in 1990 to less than 5 percent by 2000. Similarly, the share of revenues from crude petroleum exports fell from over 27% during 1990-93 to 18.5% by 1998-2000. At the same time, the share of light industry exports has expanded. By 1998-2000, exports of textiles and garments and footwear account for 14.6% and 11.1% respectively of total export earnings.

thickness, cement, and consumer goods such as bicycles, fans, sugar, beer and beverages (CIE 1997). [59]

At present, we have limited information about the evolution of the gender wage gap over the transition period. Evidence from the VLSS suggests that a substantial decline in this gap has taken place in the formal sector between 1992-93 and 1997-98 (Rama 2001). The VLSS93 and VLSS98 survey data indicate that the gap in earnings is larger in the private sector than in the public sector. However, both sectors have seen a decline in this gap: the gender wage gap in the private sector was 72 percent in 1992-93 and narrowed to 79.3 percent in 1997-98; in the public sector the gap was 77.6 percent in 1992-93 and narrowed to 84.4 percent in 1997-8. It is unlikely that the narrowing of the gender wage gap is due to a decline in male wages, given the economy's high growth rate. It is not known if there has been any narrowing of the gender earnings gap in the informal sector because the VLSS does not have data on earnings of the self-employed (Rama 2001). More research is needed to identify and analyze the determinants of the gender wage gap during the transition process.

The impact of the *Doi Moi* reforms on the gender division of labor is shown in Figure 14. It draws on data from the 1989 population census and the two living standard surveys, VLSS93 and VLSS98. As regards the sectoral structure of employment, a key indicator of rising incomes is seen in the trend decline in the share of the labor force – both men and women – employed in agriculture, forestry, and fishery. In 1989, on the eve of the Doi Moi reforms, 72.2 percent of employed men and 75.7 percent of employed women worked in this sector. By 1997-98 the percent of men and women employed in that sector had declined to 65.4 percent and 68.6 percent respectively. The fastest employment growth area for women has been the trade and restaurant sector. It accounted for 7.7 percent of total employment for women in 1989, rising to 14.5 percent in 1997-98. It was a high growth sector for men as well: the percent of men working in this sector rose from 3.6 percent in 1989 to 7.3 percent in 1997-98.

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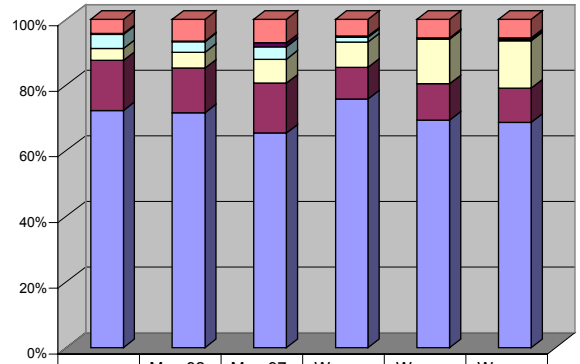
[59] An important reason, besides helping domestic producers of these items, was to prevent the trade deficit, which had climbed to 11 percent of nominal GDP in 1996, from worsening. In this regard the government succeeded, because the trade deficit was brought down to 8.1 percent in 1997, 7.3 percent in 1998, and 2.3 percent by 2000.

Figure 14. Evolution of Employment Structure by Sector and Gender, 1989-1998

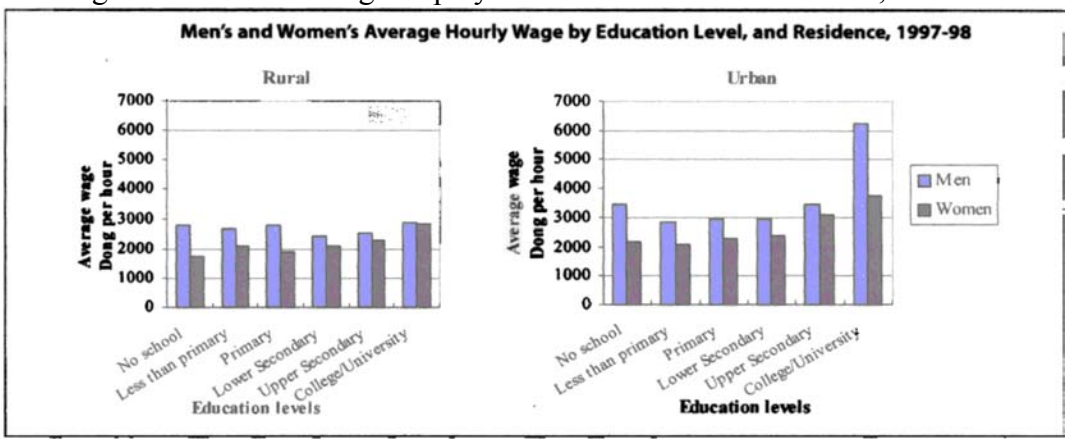


	Men 89	Men 92-93	Men 97-98	Women 89	Women 92-93	Women 97-98
Community, Social, Personal Services, Others	4.3	6.6	7.2	5.1	5.7	5.6
Finance, Insurance, Real Estate, Business Services	0.3	0.2	1.14	0.3	0.1	0.52
Transport, storage, communications	4.3	3.2	3.78	1.5	0.3	0.39
Wholesale & retail trade, restaurants	3.6	4.8	7.26	7.7	13.8	14.45
Mining, manufacturing, utilities, construction	15.3	13.6	15.26	9.6	11.3	10.41
Agriculture, Forestry, Fishery	72.2	71.5	65.36	75.7	70.5	68.63

Source: Beresford 1994, VLSS93 and VLSS98.

As regards the gender division of labor, apart from agriculture, women are more concentrated in sales and distribution activities either as street vendors, or working in market stalls and in stores. Men are more likely to work in forestry, mineral and energy exploitation, metallurgy, construction, and transportation. In the industry sector, women are over-represented in leather processing, textiles, garments, electrical machinery, food processing, and beverages, and the rapid increase in the number of women employed in manufacturing is due to high output growth rates in these areas. In the services sector, women are more concentrated in education and social services, while more men are employed in state administration. The most significant changes that have taken place in the gender division of labor between 1989 and 1997-98 are as follows: the percent of men workers in the transport, storage and communications sector rose from 74.1 percent in 1989 to 90.6 percent in 1997-98. In the finance, insurance, real estate and business services sector, the percent of men workers rose from 50 percent to 68.7 percent, which meant a decline to 31.3 percent for women.

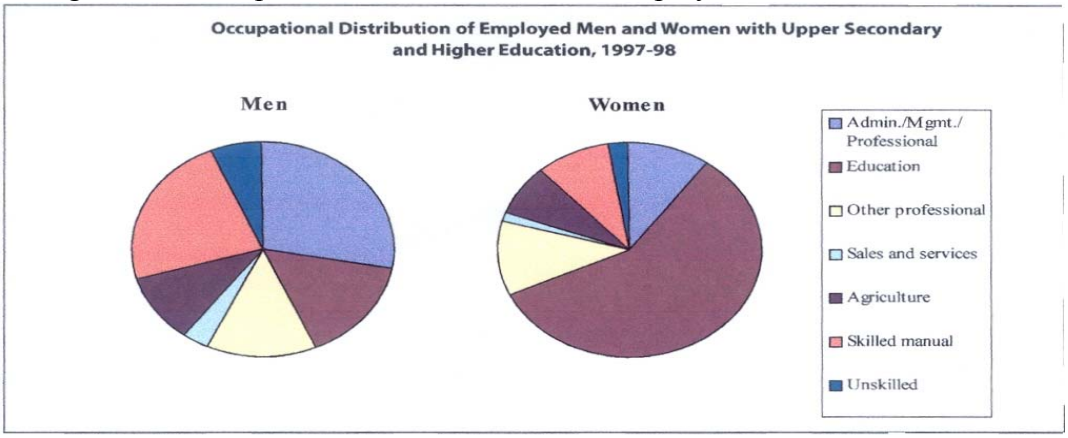
Figure 15. Gender Wage Gap by Education Level & Residence, 1997-98



Source: FAO/UNDP 2002

The particular characteristics of the *Doi Moi* reforms and transition to market have given rise to several related outcomes linking growth and inequalilty. First, between 1993 and 1998 rural inequality has declined while urban inequality has widened. Second, the gender wage gap in rural areas is much smaller than in urban areas. This is because occupational gender differences are much smaller in rural areas than in urban areas (see Figure 15). The gender wage gap is greatest at the college/university level, in part because women are concentrated more in the lower paying teaching professions, while men's occupations tend to be more diverse. This is shown in Figure 16, which shows the occupational distribution of all men and women with at least upper secondary education

Figure 16. Occupational Distribution of the Employed & Educated, 1997-98



Source: FAO/UNDP 2002

3.4 Liberalization Phase III. CPRGS and Global Economic Integration (2001-?)

As previously noted, the sharp drop in FDI and slowdown in export growth associated with the East Asian financial crisis imparted a sense of renewed urgency and concern about the country's capacity to compete effectively in international and domestic markets by 2006, the deadline for trade barriers to be dismantled in compliance with Vietnam's international trade commitments.[60] The new reform momentum focused on growth-oriented policies summarized in the government's Comprehensive Poverty Reduction and Growth Strategy (CPRGS), a report prepared by the government (with extensive donor support[61]) to implement Vietnam's Ten-Year and Five-Year socio-economic development strategies with the explicit goal of promoting rapid, sustainable and equitable growth in order to reach the national goal of industrialization and modernization by 2020. It outlines the government's policies to encourage private sector development and a more rapid pace of external liberalization covering both trade reform and more flexible management of exchange rate policy. The management of monetary policy was to be flexible and active in order to support macroeconomic stability, control inflation, and provide adequate credit to support growth (CPRGS 2003). The CPRGS also describes the government's plan to implement far-reaching structural reforms that include banking reform, SOE reform, fiscal reform, and public administration reform.

The state's attitude towards the domestic private sector has changed remarkably, from lukewarm acceptance to more recent pledges of greater support and fair treatment, as the political leadership has come to recognize its potential to generate employment for some 1.2 million new entrants to the labor force every year.[62] As previously noted (see

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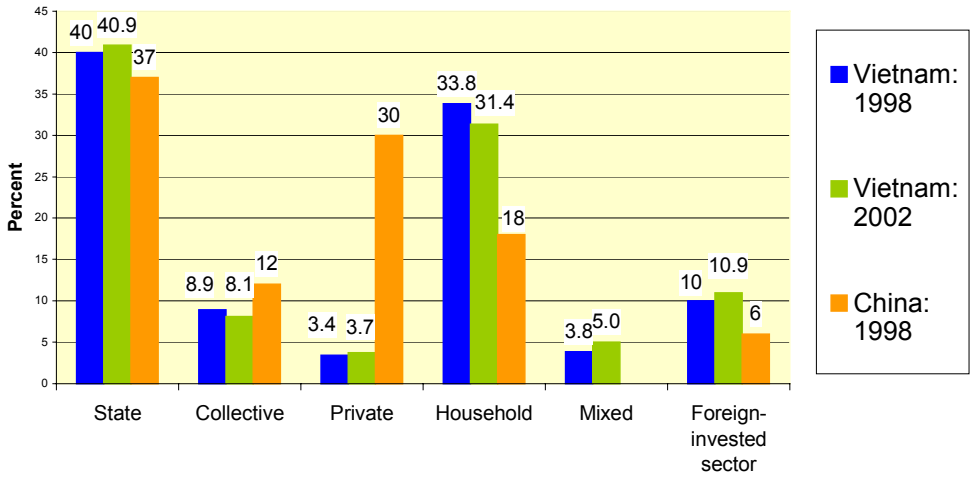
[60] It includes the commitments made to establish the ASEAN Free Trade Area (AFTA) and its consequent broadening to include China, Japan and Korea, the Bilateral Trade Agreement (BTA) with the United States, and the process of joining the World Trade Organization (WTO).

[61] According to Kenichi Ohno (2002), "On the surface, Vietnam's PRSP [Poverty Reduction Strategy Paper] is considered a great success by the World Bank and the international community at large. The main reason for this is Vietnam's strong ownership of the PRSP process, with a national team drafting the main report and adjusting its contents."

[62] The National Assembly approved changes to the Constitution making the private sector an important component of the economy and recognized the right of enterprises to determine their forms of business. The Central Committee of the Communist Party of Vietnam in March 2002 also formally acknowledged the private sector's critical contribution to economic growth, employment creation, poverty reduction, and

Section 3.2), the labor-intensive domestic private sector creates more employment per unit of sales than the FIE and SOE sectors. The business environment created by policy reforms during the late 1980s (allowing non-state sectors to engage in large scale agriculture, industry and trade[63]) removed important constraints to private sector growth. As a result, the recorded number of non-state industrial establishments more than doubled between 1985 and 1996, but stagnated and even declined a little during the period of reform ambivalence (GSO 2000). To revitalize the formal private sector, a revised Enterprise Law was enacted in 2000, which levels the playing field for all domestic private enterprises and simplifies requirements for entry registration of firms. Business confidence was strengthened, and during the 2000-2002 period, new business registrations reached nearly 50,000. However, despite the rapid growth of private sector enterprises, the formal domestic private sector is still very small and in 2002 accounted for less than 4 percent of total GDP, 6 percent of manufacturing output, and about 3 percent of total employment (VDR 2003).

Figure 17. Output by Ownership Sector (Disaggregated)



Source: GSO 2002 and China Statistical Yearbook 2002.

government revenues, and endorsed key policies aimed at encouraging private sector development (CPRGS Progress Report 2003).

[63] Although until 1989 private enterprises were still banned from export-import operations and banking activities (Vo Dai Luoc 1995).

The challenges to private sector growth in Vietnam can be seen in Figure 17, which compares output share disaggregated by ownership sector in the Vietnamese economy in 1998 and 2002 and the Chinese economy in 1998. The output share of China's state enterprise (SOE) sector as well as its foreign invested sector[64] is smaller than Vietnam's. However, the most striking difference in the ownership structure of the two economies is found in the output shares of the private sector and the household sector. The private sector's share of output in China is 30 percent, while it is less than 9 percent[65] in Vietnam, and the (low productivity) household sector's share of output in China is less than half that of Vietnam. The information contained in Figure 17 suggests that Vietnam has made little progress (relative to China) in reducing the household sector's output share. In other words, much of the labor force has not yet shifted from the household sector to the formal private sector, which implies that the business climate in Vietnam is less favorable to private sector development compared to China.

Table 3. Private Sector Employment & Compensation: Gender Breakdown

	Average compen-sation in 2002	Percent share of women	Growth rate of female employment	Growth rate of male employment	Total employment in 2002
Nonstate enterprises	916	38.78	52.8%	72%	1706409
Cooperatives	646	28.53	-18.8%	-9%	159916
Private companies	756	31.27	40.3%	45%	339638
Collective name enterprise	753	24.05	776.9%	260%	474
Private limited liability companies	947	42.36	57.2%	98%	922569
Private joint stock companies with 50% or less state capital	1305	45.77	111.2%	154%	143899
Private joint stock companies without state capital	1010	37.97	147.6%	292%	139913

Source: GSO 2004

The gender dimensions of employment growth and compensation in the formal private sector following enactment of the revised Enterprise Law are presented in Table 3. Between 2000 and 2002, total employment in the formal domestic private sector

[64] Even though China is the world's largest recipient of net FDI flows.

[65] For comparability, the output share of Vietnam's private and mixed sectors are added together.

increased by nearly 64 percent, but the growth rate of female employment lagged behind the growth rate of male employment, which resulted in a decline in the proportion of female workers from 41.6 percent in 2000 to 38.8 percent in 2002. The number of women employed in the higher wage sub-sectors of the domestic private sector rose dramatically, but the rate of increase was significantly below that for men. The equitized SOE sector (private joint stock companies with 50 percent or less state capital) has the highest concentration of women workers, reflecting the legacy of the less discriminatory labor practices of the state sector (see Sections 3.2 and 3.3). It is also the sub-sector with the highest average compensation. In absolute terms, private limited liability companies experienced the largest increase in the number of employees, and also accounted for 62 percent of new female hires in the formal domestic private sector.[66] Despite the wealth of information produced by the GSO survey of enterprises (2000-2002), much still is not known about the gender effects of private sector development and key factors driving gender selection in private sector employment decisions, and the reasons why women are less well represented in the higher wage sub-sectors. More research is needed to determine what policy measures are indicated to enable women to participate more equally in the development of the domestic private sector, especially in sub-sectors where average compensation is higher.

As previously noted, the new reform momentum also involves measures to further liberalize trade (allowing greater private sector participation) and to permit greater flexibility of the exchange rate consistent with market fundamentals[67] in order to support macroeconomic stability. Since 2001 Vietnam has removed quantitative restrictions

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[66] More research is needed to determine why the growth rate of new male hires was nearly twice the growth rate of new female hires in the sub-sector with the second highest average compensation: private joint stock companies that have no state capital investment.

[67] In principle, "consistent with market fundamentals" means that there exists a non-static optimal equilibrium rate of exchange that is non-inflationary and supports sustainable levels of exports and imports (to prevent crisis-inducing trade deficits), thus facilitating a stable growth environment. Changes in the international and domestic economy can alter this equilibrium rate, and changes in the exchange rate itself can set in motion macroeconomic changes that eventually give rise to a different optimal equilibrium level for the exchange rate. In practice, there is vigorous debate about what is the optimum equilibrium level that supports stable and sustainable economic growth. Some economists in Vietnam have advocated greater depreciation of the exchange rate to support the export sector. In their view, the risk of triggering high inflation is low.

(QRs)[68] except on two products (sugar and petroleum), reduced tariffs (mean tariff rates are at around 15 – 16 percent), and expanded the private sector's role in exports. Most export QRs have been eliminated except those imposed by importing countries. Export quotas for garment exports to Europe are being partially auctioned and partially licensed automatically with licenses given on a first-come-first-serve basis, which has facilitated private sector participation in garment exports. To remove obstructions to trade, custom administration procedures have been simplified and other transactions costs have been lowered (CPRGS Progress Report 2003).

Vietnam currently has a managed floating exchange rate regime, and it is the intent of the central bank, the State Bank of Vietnam (SBV), to manage the exchange rate more flexibly and to minimize administrative interventions in order to give a greater role to market forces. To this end, SBV plans to widen the band for the maximum movement of the daily interbank exchange rate (the current band is 0.25 percent per day) but reserves the right to intervene "to stem disorderly conditions". Controls on currency convertibility and capital account transactions are being gradually removed. The tax on profit remittances by foreign investors have been abolished, and in April 2003, Vietnam eliminated the foreign exchange surrender requirement. The gender dimensions of exchange rate policy in Vietnam are as follows: broadly, the effects of moving towards greater currency convertibility and limited liberalization of the capital account is expected to be positive, because it helps to create a more favorable environment for private investment and should encourage more FDI. During this phase of the economic transition, the government's controls on the capital account are adequate and the risk of destabilizing capital movements does not appear to be significant.

Exchange rate movements have macroeconomic consequences with differential gender effects. The pattern of horizontal segregation in Vietnam (for example, export-oriented industries tend to have a higher concentration of women workers than import-substitution industries) strongly suggests that the employment effects of exchange rate movements will not be gender neutral. Empirical studies using regression analysis to quantify the impact of the real exchange rate on Vietnam's export performance indicate a

[68] QRs have been eliminated for paper, cement and clinker, steel, construction glass, vegetable oil and tiles.

high elasticity with respect to the exchange rate when quarterly data is used[69] (Nguyen Chien Thang 2002). A more targeted regression focusing on footwear exports yields an even higher estimated coefficient value for the exchange rate (Lord 2002), which has gender implications because women account for a large share of the workforce in the footwear industry. These findings suggest that changes in the real exchange rate affect each industry sector differently. An important area for future research to quantify the gender effects of changes in the real exchange rate with respect to employment would be to disaggregate the impact of these changes by carrying out regressions (similar to the one on the footwear export sector) on selected export industries noting their different concentrations of female employment.

It would strengthen policymaking to know if price elasticities for primary products are significantly different from price elasticities for manufactured products, as it would help the government to better assess the ramifications of planned as well as unanticipated changes in Vietnam's exchange rate. In the past, the authorities resisted pressure to allow greater depreciation of the exchange rate to avoid triggering fears of higher inflation. However, as the inflation rate has remained low, their concern lessened and in recent years the SBV has been instructed to intervene in order to prevent further appreciation of the Vietnamese dong (vis-à-vis the US dollar).

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[69] The methodology employed was to apply error-correction techniques, using quarterly data from 1992 to 2001, to estimate both short-run and long-run effects of changes in the real exchange rate on real exports. The specification is as follows:

$$\ln(X_t) = a + b * \ln(E_t) + c * \ln(Y^f_t) + \varepsilon_t$$

where X, E, and Y^f represent real exports, real exchange rate, and partner-country GDP index, respectively. The partner-country GDP index is the sum of trade-weighted GDPs of Vietnam's 18 most important trading partners.

The real exchange rate (ER) is defined as follows:

Real ER=Nominal $ER_{VND/USD}$ (Export price index/Domestic CPI).

The coefficients b and c represent initial estimates of the long-run elasticities with respect to the real exchange rate and trading-partner output. The next step in the estimation is to estimate a dynamic equation involving the first differences of the explanatory variables plus the lagged residuals from the first stage estimation, the "error-correction term."

Using annual data, the long-run elasticity with respect to the real exchange rate is estimated at 0.67, while the estimate using quarterly data is estimated at 1.13. The disaggregated regression focusing on footwear exports yields a much higher estimated coefficient of 1.97 for the exchange rate. This finding makes intuitive sense, because the international footwear market is a highly competitive commodity market that is very sensitive to price changes.

In the view of Vietnam's political leaders, international economic integration and planned accession to the WTO is the only viable option to achieve rapid growth because it will diversify and stabilize markets for their country's exports. At the same time, they are aware that increased integration with the world economy can expose Vietnam to greater risk and vulnerability[70], and that the negative shocks usually fall hardest on women. This concern was expressed in the CPRGS policy research agenda, which recommended careful study of the impact of trade policies in order to "adopt effective measures to minimize adverse impacts on the poor caused by global economic integration and trade liberalization" (CPRGS 2002).

A study of Vietnam's WTO accession process by Oxfam International (2004) has called attention to the risk of a bad accession agreement that would make future economic growth less beneficial for poorer sectors and "involve economic restructuring that could cause a major loss of livelihoods". The Oxfam study finds that the accession process is inherently unfair because the country applying for membership is disadvantaged in its accession negotiations. In addition to complying with all WTO rules, individual WTO member countries are allowed to ask for further concessions (known as 'WTO-plus') in return for their support (without the support of key WTO members, a country is not permitted to join). The concerns raised in the Oxfam study include issues of restricted market access[71], Vietnam's Non-Market Economy (NME) status[72], and risk that concessions obtained in the US-Vietnam Bilateral Trade Agreement that go beyond WTO member country requirements[73] will be extended to all WTO

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[70] The State Bank of Vietnam's "Plan on International Economic Integration of the Banking Sector of Vietnam" acknowledges that integration with global economy will expose Vietnam to the risk of "domestic economic turmoil" in the financial sector and bring about a shrinking of the state enterprise sector. In addition, domestic enterprises will face increased risk of bankruptcy (SBV 2003).

[71] The Oxfam study notes that recent US measures to block Vietnamese sales of shrimp and catfish damaged livelihoods in rural Vietnam and are "worrying precedents".

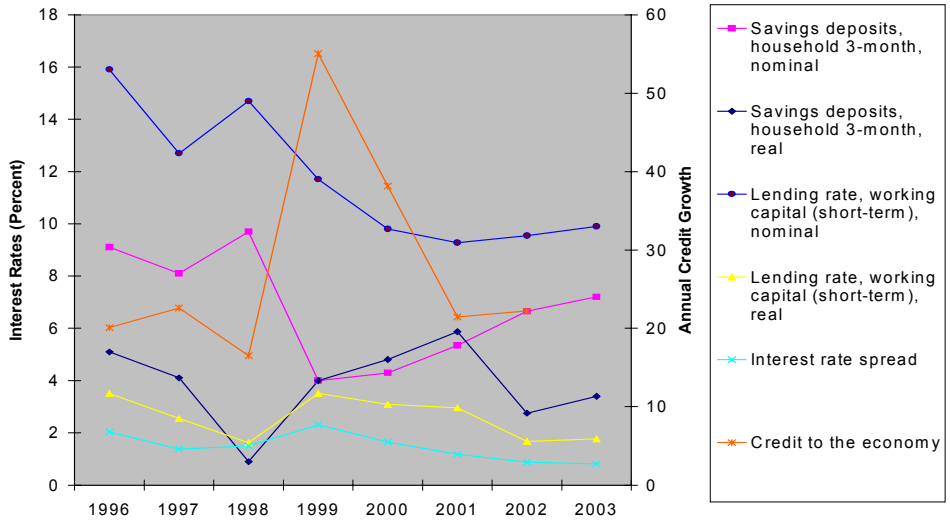
[72] According to Oxfam (2004), WTO members could use Vietnam's NME status to restrict access to their markets. Citing China's experience in this regard, the study notes that during its accession negotiations, "China had to submit to a range of discriminatory, WTO-plus commitments" including "a special 'non-market economy' methodology for measuring dumping in anti-dumping cases against Chinese companies, which considerably reduces the burden of proof."

[73] According to Oxfam (2004), from a development perspective the most worrisome WTO-plus commitments agreed to in the USBTA are those on 'safeguards' and intellectual property: "The USBTA

members. In Oxfam's view, Vietnam should be able to use all the instruments available to other developing-country WTO members including tariff rate quotas, the current WTO Special Safeguard (SSG) provision and new provisions now under negotiation to protect vulnerable farm sectors.

Turning now to other aspects of macroeconomic management, the objective of the government's monetary and interest rate policy is to ensure a low inflation environment while promoting economic growth and stimulating domestic demand (2001 SBV Letter of Intent, CPRGS Annual Progress Report 2003). To support this objective, the SBV's "Plan on International Economic Integration of the Banking Sector of Vietnam" is to construct a banking system that is "modern, safe, effective and up to international and regional standards". As part of the transition to a market economy, the government committed to interest rate liberalization, which began in 1996 when interest rates on dong deposits were allowed to fluctuate. Interest rates for foreign currency deposits were liberalized in 1999, lending rates for foreign currency loans were liberalized in 2001, and lending rates for loans in domestic currency were liberalized in 2002 (Lim 2003). The evolution of Vietnam's nominal and real interest rates and credit growth are shown in

Figure 18. Interest Rates and Credit Growth: 1996-2003



Source: SBV and IMF staff estimates

allows parties to block each others' imports in cases of 'market disruption', the burden of proof for which is much lower than that established by the WTO Agreement on Safeguards."

Figure 18. Between 1998 and 1999, in the aftermath of the Asian financial crisis, nominal interest rates fell sharply but real interest rates rose as the inflation rate moved into the negative range. Despite the volatility in real interest rates, credit growth has been strong, and aggregate demand and supply have exhibited stable growth. For this reason, the government's interest rate policy at the macro level does not appear to have significant negative gender effects.

It should be noted that the gender effects of interest rate policies are transmitted not only through changes in the cost of money facing borrowers and lenders, but also through gender differences in access to credit. In general, low interest rate policies have positive gender effects by stimulating aggregate demand and output growth. As with exchange rates, changes in interest rates affect overall macroeconomic growth rates, but the impact will not be gender neutral because there are differential effects according to industry. For example, industries and firms that rely more on retained earnings tend to be less sensitive to interest rate movements. To quantify the gender effects, correlations between interest rate sensitive industries and the gender structure of employment by industry should be analyzed (this is another avenue for future research).

At present, access to credit is not gender neutral. One third of all household loans come from banks, with men receiving a disproportionate share of bank lending. For male-headed households (MHHs), 33 percent of their borrowing are supplied by government banks (excluding the Bank for the Poor), while for female-headed households (FHHs), only 18 percent of their borrowing are supplied by government banks. Women rely more on informal lending sources, such as relatives (27 percent of all loans) and other individuals (24 percent of all loans). FHHs with no spouse pay higher interest rates on loans because of their limited access to credit and their greater reliance on private lenders who charge higher interest rates (FAO/UNDP 2002). Acknowledging that this is a problem, the CPRGS calls for measures to enhance "the ability of women to access the credit system and poverty reduction resources to ensure favorable conditions so that women can be coached about how to effectively utilize this capital and how to obtain credit directly."

According to the VLSS98 survey data, FHHs – especially those without spouses – have more limited access to credit compared to MHHs and FHHs with spouse, and are

therefore more vulnerable to negative shocks. The percent of FHHs without spouse who borrow is lower than both FFHs with spouse present and MHHs, and the amount borrowed by FHHs without spouse is significantly lower compared to the other households. Consequently, FHHs without spouse have fewer opportunities to develop into small-scale entrepreneurs due to their more limited access to credit. What this implies for policy is that the design of micro-credit poverty reduction programs should take into account the special circumstances of FHHs without spouses, and should provide additional support as appropriate (depending on their particular needs, it could include programs to provide business incubator type assistance, or to promote the development of support networks involving similar or complementary households).

4 Conclusion

Economic growth in Vietnam has been largely pro-women and pro-poor as the government's macroeconomic management capability became more effective. Policymakers learned to moderate the volatility of key macroeconomic variables and successfully guided the economy through a difficult transition period in which a stable and high growth rate was achieved. Indeed, their most important contribution to women's welfare has been to maintain macroeconomic stability, the prerequisite for pro-women economic development. That sound and decisive policies can produce powerful results is perhaps the most important lesson from Vietnam's experience. The government was able to quell hyperinflation and end chronic fiscal pressure because of its determination and willingness to adopt bold and comprehensive reforms.

The main finding of this paper is that the welfare of women in Vietnam generally improved as a result of the macroeconomic and external liberalization policies adopted under Doi Moi. The reforms had a transformational effect on an economy that had been seriously constrained by supply side bottlenecks. Doi Moi generated new economic opportunities for women, enabling them to play a vital role in unleashing their country's productive energy. This in turn generated more resources for the government to channel into infrastructure, education and health, critical programs to enhance women's capacities to improve their social and economic welfare. The policy measures adopted were effective because they were broadly appropriate for Vietnam's particular circumstances, and were based on a realistic assessment of key problems that needed to be tackled for the country to overcome the economic turmoil of the late 1980s.

Nevertheless, the negative aspects of the macroeconomic and structural reforms are important and bear mention. Although gender-neutral in intent, the culturally influenced pattern of horizontal segregation and occupational segregation in Vietnam gave rise to gendered outcomes and increased social stratification. Income inequality widened because the benefits from economic growth were not equitably distributed. Although survey data indicated that the gender wage gap in the formal sector narrowed during the mid 1990s, the difference in the growth rate of male and female employment grew significantly larger. There was little evidence that progress had been made to reduce

gender inequalities with respect to occupational segregation, horizontal segregation (high concentration of women workers in low wage sectors, low concentration of women workers in higher wage sectors), and vertical segregation (under-representation of women in high positions). At the same time, women bore the brunt of deflationary measures such as fiscal austerity and public sector downsizing (experienced during the early reform period).

Although state policies have played a positive role in helping to counteract gender inequalities, much remains to be done to help women overcome significant gender specific disadvantages and deprivations. Priority should be given to devising concrete policies to enable women to overcome the hurdles of occupational segregation, horizontal segregation, and vertical segregation. To monitor progress in this area, the government statistics agency should periodically collect data on the concentration of women in higher wage occupations and higher wage sectors.

Up-to-date policy analysis of the gender effects of Vietnam's ongoing fiscal decentralization process is an important next step in efforts to produce gender sensitive budgets. The government should ensure that local governing bodies have adequate female representation[74], provide adequate technical and capacity building assistance, and work with these governing bodies to put in place budget management mechanisms to ensure that public money will be well spent. To make effective use of scarce financial and management resources, the government should review the comprehensive list of actions to improve women's welfare discussed in the CPRGS (see Section 2.2) to identify those actions that are most likely to empower women and have the strongest impact on gender equality. The authorities, working closely with national as well as grassroots women's organizations, should consider undertaking programs and activities that are mutually reinforcing,[75] and have good linkages in order to produce large multiplier

[74] The government could make funding for community-directed basic infrastructure projects conditional on the local governing body having a specified minimum level of female representation.

[75] For example, to ensure that women from rural and remote areas are well-equipped to take advantage of economic opportunities, and that a supportive environment exists to improve their chance of success, it may be necessary to supplement programs to provide micro-credit to women with basic training in business skills and to ascertain that the locality has adequate infrastructure (good sanitation, safe water, good transportation, education and health services, and so on).

effects. Strong grassroots input will be essential to ensure local ownership, accountability, and transparency in decision-making and implementation.

The gender effects of Vietnam's reinvigorated reform agenda and more rapid pace of external liberalization will be profound. The government's rationale for embracing this policy path is that it is the most effective means for the country to modernize and industrialize. At the same time, policymakers in Vietnam acknowledge that increased international economic integration carries with it the risk that the economy will become more vulnerable to crises from external shocks. From past experience it is very likely that the cost will fall most heavily on women. More detailed research is needed as input to help policymakers formulate concrete and effective plans to protect the more vulnerable members of society from these shocks. To this end, the existing CGE model of the Vietnamese economy should be engendered so that it can serve as a tool to identify effective policies to raise the incomes of poor female-headed households and to reduce their vulnerability to shocks.

The anticipated change in ownership structure as Vietnam enters the second phase of external liberalization and structural reforms is likely to have a strong impact on the evolution of the gender wage gap. The FDI and private sector's output shares are expected to rise at the expense of the SOE sector. In light of the current pattern of gender wage discrimination in the FDI and private sector, the government will need to adopt and vigorously enforce measures to increase competition in the high wage sectors of the economy, and strengthen laws against gender discrimination, in order to counteract the likelihood of a widening gender wage gap associated with private sector growth.

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