The Impact of Industrial Zones on Rural Employment
A Case Study in Nam Son Commune, Que Vo District of Bac Ninh Province

Ngo Trung Thanh, Hanoi University of Agriculture, Ha Noi, Vietnam
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ABSTRACT

To date, industrial zones have been considered as the instrument of economic development policy. In more than 15 years of development, 148 industrial zones are formed in 49 of 61 provinces and cities of Vietnam. Industrial zones aim to create employment for people living around, but it seems to be a failure rather than a gain. By mainly applying qualitative methods, and surveying 134 households (82 recovery and 52 non-recovery households), this study has tried to identify the impact of Que Vo industrial zone on the employment in Nam Son commune. This study found that the zone failed to deliver employment to recovery households because of the week cooperation among the local authorities, the enterprises in the Que Vo industrial zone, and the farmers. Besides, the study concluded that the recovery process created an unequal treatment between the farmers and the enterprises. The compensation for agricultural land recovery and other assistance failed to generate alternative employment of recovery households in Nam Son. Low wages, hiring strategy and age requirements of the enterprises, and the lack of transparent information of recruitment blocked farmers to be employed by enterprises in Que Vo industrial zone. The policy implications presented in the study are to encourage enterprises to contribute to employment training for the recovery households and to create an opportunity for them to contribute a share for the enterprises.

Key words: industrial zone, rural employment, recovery households, Vietnam.
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ABBREVIATIONS

IZ  Industrial Zone
IP  Industrial Park
EPZ Export Processing Zone
SEZ Special Economic Zone
FTZ Free Trade Zone
ADB Asian Development Bank
WB World Bank
CIEM Central Institute of Economic Management
MOLISA Ministry of Labor and Invalid Social Affair
ILO International Labor Organization
CLIP Center of Land Investigation and Planning
CHAPTER I: INTRODUCTION

To date, many countries have implemented industrialization in order to gain economic growth. A common strategy selected for that process was building industrial zones (IZs) or other similar zones like industrial parks (IPs), export processing zones (EPZs), special economic zones (SEZs), free trade zone (FTZs), etc. For example, in Taiwan (China), the government has established many industrial parks throughout the country since 1960s (Huang, 2001). In India, the first EPZs was formed in Kandla as early as 1965 (Aggarwal, 2004). Bangladesh joined the EPZ bandwagon in 1980s (Dowla, 1997). China started establishing SEZ in 1979 (Wu, 1989). Like other countries, Vietnam created Tan Thuan EPZ in 1991.

Together with forming the IZ process, a certain amount of agricultural land has been acquired for industrial purpose, and rural employment has changed as a result. Additionally, it is implied that the operation of IZ usually requires skilled labor. However, almost all labor whose livelihood is based on farm activities in rural areas has low skill in term of industrial work. In Vietnam, the rural population accounts for 72.9 percent\(^1\). Rural labor is 75.4 percent of the total labor force\(^2\). A high percent of rural labor force are under high school education (Ba et al., 2006). So, can such labor adapt to the labor transformation process from farm to the industrial sector. This study will discuss why and how rural labor in Vietnam fail and succeed in this transformation through a case study in Que Vo IZ, and two villages in Nam Son commune, Que Vo district, Bac Ninh province.

1.1. Background

1.1.1. Rural industrialization and IZ development

Permanently, industrialization and modernization have been considered as a main strategy for development in Vietnam. At the beginning, this process focused much on heavy industry, and did not pay much attention to rural areas, and it almost failed. However, the failure does not mean that Vietnam stops chasing its target of industrialization. Since the 1980s, the industrialization orientation has been changed, especially marked by the sixth meeting of


\(^2\) Employment and unemployment statistic by Ministry of Labor and Invalid Social Affair, CD room.
Communist Party, the government realized the importance of rural areas. Therefore, rural industrialization is considered as an engine in Vietnamese development. The industrialization performance has changed from a central economy mechanism to a market economy. In the ninth meeting, the policy for this process was more specific. It encouraged the development of industries that attract a large number of labors in the rural sector.

To realize industrialization, in 1991 the idea of industrial zones has initially been launched with the establishment of Tan Thuan (Tan Thuan Export Processing Zone, Nha Be district, Ho Chi Minh City). Since then and following the piloting of the industrial zone model by Dong Nai province, the first regulations regarding to the establishment of industrial zones were issued in 1994. Six zones had been established nationwide by the end of 1995. The comprehensive industrial zone and infrastructure master-plan was approved in August 1996, covering the establishment of 33 industrial zones by 2000 (ADB, 2006b). To 2006, IZs rose to 135 in whole country, accounting for 28,644 ha, including 19,197 ha available for lease. Most of 135 IZs have been in operation, 54 are on building process (Huy, 2006). To June 2007, there are 148 IZs with 32,120 ha including 21,224 ha available for lease. Compared to 2006, nine added IZs have been in operation and four are under construction (Huy, 2007).

Together with forming IZs, a huge area of agricultural land has been converted to industrial purpose. By 2005, land had been recovered from over 100,000 households for the development of more than 190 industrial zones and clusters (Ba et al., 2006). To 2006, more than 157 thousands of ha has been converted from agriculture land, including 28,644 ha for building IZs (Huy, 2006).

To promote IZs development, assistance for land recovery households has been regulated in Labor Law, and the compensation is delivered in cash. In addition, empowerment of making decisions on assistance has also been decentralized to provincial level. According to Decree 197, article 29 issued on 3 December, 2004, employment support has been delivered to provincial government. Each individual or household that have more than 30 percent of agriculture land reconverted for other purposes will receive this kind of support and it will be
done through short retraining courses in local vocational schools. In case a retraining course can not be held by the local administration, labor can receive support by cash (circular 161-12004).

1.1.2. Vietnam rural economy transformation
The structure of the rural economy is changing (Figure 1.1). According to World Bank (2005), the role of agriculture has steadily declined in value terms as the whole economy continues to diversify as has happened in Vietnam. Since the reforms of the eighties, agriculture’s contribution to GDP fell by half, from 40 percent into almost 20 percent in 2004, as the total GDP growth outstripped that of the sector. At the same time, the value share of agricultural exports fell from 60 percent to 30 percent currently. However, agriculture still plays a very important role in the livelihoods of a majority of the Vietnamese people: four fifths of the country’s population still remain in rural areas and the sector still employs two-thirds of the labor force, despite a declining tendency.

![Figure 1: Share of Agriculture in Total Employment, GDP and Export](www.fao.org)

Together with the economic structural change, employment transformation has also occurred in rural area. The proportion of farm employment declined, from 69 percent of total employment in 1996 to 58 percent in 2004 (Ba et al., 2006). A common rural household’s employment strategy has been to remain in agriculture, but one or more members increasingly shift to other types of employment. Wage employment in rural areas engages nearly over half
of households, while non-farm self employment engages 34 percent of households. There has also been a decline in non-farm self-employment, from 23 to 18 percent of the rural population, over the past decade. However, non-farm activity can be a response to the “push” of underemployment on very small family land holdings, while in other cases a response to the “pull” of a dynamic rural economy and higher income earning potential out of agriculture (WB, 2005).

1.2. Problem statement
In more than 15 years of development, IZs have appeared in 49 of 61 provinces and cities of Vietnam (Huy, 2007). One of the aims of IZs is to create employment for people living around, but it seems to be a failure rather than a gain. According to Dung (2006), IZs provided about 960 thousand employments, but they caused the loss of 680 employment of recovery households (Phong, 2006). Within the land loss households, on average, 1.5 labors per household have lost their work. 13 labors per ha have been lost their work in agriculture. During 2000-2004, 50 percent of labor that escaped from agriculture due to land conversion have been fallen into unemployment (Cuong, 2006). Moreover, the employment proportion of labor in the households whose agricultural land converted for building IZs, and even of retrained labor, are low. The survey of ADB (2005) found that the employment created by IZs for recovery households is eight percent of interviewed households in Long An and Can Tho, and five percent in Vinh Phuc and Ha Tay. It also showed that more than 60 percent of land conversion households estimated gaining benefit from conversion. For the rest, it causes severe economic disruption, particularly if all productive landholdings are recovered, residence is disrupted, insufficient notice is given by the local authorities and family members do not have appropriate educational background or vocational skills to shift into new occupations. Furthermore, the scale of state support to recovery households appears to vary between provinces but is generally low. Access to retraining opportunities was 28 percent of surveyed households in Binh Dinh, two percent in Quang Nam, and four percent in Long An and Can Tho (ADB, 2005).
In case of land loss, when people paid themselves for extra education or training at vocational schools, many of them could not find a job. In Ha Noi, for each 1,000 land loss people, there are 190 with self payment education or training, and 100 people who could not find job. This number is 300 and 180 in Bac Ninh province; 450 and 350 in Can Tho province (Cuong, 2006).

1.3. Objectives

**Overall objectives:**
- Investigating the impact of building IZ on rural employment in Nam Son commune of Bac Ninh province.

**Specific objectives:**
- Examining the process of land recovery
- Investigating compensation and other assistance for alternative employment of recovery household
- Identifying employment transformation due to agricultural land recovery for building Que Vo IZ.
- Investigating the reasons why villagers failed to get employed by enterprises
CHAPTER II: METHODOLOGY

2.1. Site selection

The case study is located in Bac Ninh province because this is the smallest province with the highest population density comparing to other provinces. This province has 800 square kilometers of land, including 52,094.18 ha of agriculture land. It has 992,019 people³ and 53.09 percent⁴ of them participate in the labor force.

Secondly, the development of IZs in Bac Ninh is considered amongst the top ten provinces. Currently, Bac Ninh has 54 industrial clusters with an area of 1,700 ha, and eight industrial zones with the area of more than 3,000 ha. This province was also ranked among the provinces that had the highest percent of agricultural land recovery for building of IZs, 50.8 percent (Cuong, 2006). Through the IZs, more than 8600 jobs have been created. However, only 49 percent local labor has been attracted by the Bac Ninh’s IZs, whereas 51 percent of labor is employed from other provinces⁵. According to a provincial survey, 43.7 percent of the households whose land had been recovered for the building IZs desire to return back to farming activity, 1.81 percent move to small industries, and 4.93 percent move to service sector.

Que Vo has been selected for this case study as it is one of the largest IZs in Bac Ninh (in terms of area). Both Que Vo and Tien Son are over 300 ha. This IZ is located in three communes of Que Vo district, including Nam Son, Van Duong, and Phuong Lieu. Nam Son contributed 96.49 ha of agricultural land for building Que Vo IZ (see table 1). The land was taken from 509 households concentrate on 3 of nine villages in the commune. Nam Son also has more than 70 percent labor force educated under high school (see table 2). Besides, the government has decided that Nam Son should be urbanized to Bac Ninh city, so its agricultural land will potentially be recovered due to urbanization. Furthermore, there are

⁴ Kết hoạch phát triển nguồn nhân lực Bắc Ninh đến năm 2010, Sở Lao động và thương binh xã hội tỉnh Bắc Ninh
plans to build another IZ, Nam Son-Hap Linh, on agricultural land of Nam Son in a year as well.

Table 1: Households and recovery area in Nam Son commune

<table>
<thead>
<tr>
<th>Term</th>
<th>Unit</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of recovery households</td>
<td>Hhs.</td>
<td>509</td>
</tr>
<tr>
<td>Total recovery area</td>
<td>m²</td>
<td>96,4900</td>
</tr>
<tr>
<td>Largest recovery area</td>
<td>m²</td>
<td>3016.59</td>
</tr>
<tr>
<td>Smallest recovery area</td>
<td>m²</td>
<td>720.32</td>
</tr>
</tbody>
</table>

Source: Commune statistics, 2006

Two villages have been selected for collecting data, Thai Bao and Son Trung. Thai Bao has 250 households (274 on registration⁶), 1100 villagers. Of these households about three percent are poor; 20 percent are sub-average (not poor yet, but under average), and 76 percent are average. Son Trung has 320 households, with 1300 villagers. Two thirds of the households are considered of average economy, and about 20 households are poor. The village had 290 mau⁷ of agricultural land.

Compared to other villages in the commune which provided agricultural land for Que Vo IZ, Thai Bao has the highest proportion of recovery. It has more than 90 percent of agricultural land converted to building IZ, and all of households have had their agricultural land recovered, whereas two others have 70 and 30 percent. Son Trung is one of six villages that do not have any pieces of land recovered. However, a forthcoming plan will convert 60 percent of its agricultural land to industrial land. In the six villages, only Son Trung had a common background with Thai Bao. Both of them had villager’s livelihood based on farm activities before providing land for Que Vo IZ. Two others are near township area, and three others have traditional job like making nets and knitting. Additionally, Thai Bao is familiar with Son Trung in terms of labor structure. They all have high proportion of laborers who is over the age of 30. In Thai Bao, about 510 villagers are in the labor force; the age of 18-35 accounts for 40 percent of them, of which 20 villagers have been working at IZ; 22 percent are the age of 6

⁶ As official statistic by commune, there are 274 households in Thai Bao. However, 250 households stay permanently in the village. 24 households live far from village, maybe in others provinces; they just registered their name on paper only.

⁷ 1 mau = 3,600 m²
35–45 years, and 38 percent\(^8\) are over 45 years. In Son Trung, 600 people are in the labor forces with about 350 of them between the age of 30–45 years, and 200 over the age of 45 years.

2.2. Data collection

The thesis work started with a review of the literature at the provincial level. The information was obtained by working with The Bac Ninh Industrial Management Board, in its office and on its website. The information on policy relevance to IZs development in Bac Ninh have been obtained through the Commission of Communist Party at city level, because all policies for provincial social economic development are presented at the city level through this Commission.

At commune level, the collected data included some statistic data and report proposed to upper level which relate to the thesis. Assistance in the fieldwork at village level was also contributed by the commune authority.

At village level, secondary data collected included village map, some statistics on households, and area of land.

The secondary data collection and the literature review were followed by interviews with the key informants.

*Key informant interviews: were conducted in all nine villages in the commune before the decision to select two villages for the case study. Key informants were village heads and heads of mass union (women’s union, farmer’s union, etc). Through these interviews general information about the village has been collected, and the relation for further fieldwork was built up.*

\(^8\) Village statistics
Table 2: Labor structure of recovery households in Nam Son commune

<table>
<thead>
<tr>
<th>Labor</th>
<th>Number of person</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total labor</td>
<td>1269</td>
<td>100.00</td>
</tr>
<tr>
<td>According to Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make</td>
<td>610</td>
<td>48.07</td>
</tr>
<tr>
<td>Female</td>
<td>659</td>
<td>51.93</td>
</tr>
<tr>
<td>According to Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ 18 - 25</td>
<td>543</td>
<td>42.79</td>
</tr>
<tr>
<td>+ 26 - 45</td>
<td>458</td>
<td>36.09</td>
</tr>
<tr>
<td>+ 46 - 60 (Male)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ 46 - 55 (Female)</td>
<td>268</td>
<td>21.12</td>
</tr>
<tr>
<td>According to level of education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary and Secondary School</td>
<td>894</td>
<td>70.45</td>
</tr>
<tr>
<td>High school</td>
<td>365</td>
<td>28.76</td>
</tr>
<tr>
<td>According to vocational train</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trained</td>
<td>92</td>
<td>7.25</td>
</tr>
<tr>
<td>None train</td>
<td>1179</td>
<td>92.91</td>
</tr>
</tbody>
</table>

Source: Commune statistics, 2006

Group discussions: were conducted in both Thai Bao and Son Trung village. In Thai Bao village, the discussion started with two groups, ten households for each. In group one, poor, average and sub-average households have been invited to discuss the livelihood before and after land recovery. The well off households did not come; as they did not seem to be interested in such an interview. In the second group, villagers who did not get employment in the factories or enterprises in Que Vo IZ have been invited to discuss the difficulties in getting employed by IZ. Afterwards, the group discussion was conducted for collecting data on the compensation usage of households, women’s participation in economic activities, and working requirements at factories or enterprises in Que Vo IZ. The group discussion conducted with women has been divided into two groups according to age of under 35 and over 35 years old. The objective behind this aim of group division was to see the differences between the two groups in terms of employment with the factories and the reason for failing to be employed by enterprises or factories in Que Vo IZ. Wealth ranking has also applied in this discussion to see what was the most important work that performed by women before and after land recovery. For enterprises’ requirements and working condition in IZ, a group discussion has been
conducted by the author using seven university and college educated workers at different factories or enterprises in Que Vo IZ.

In Son Trung, the group discussion was started with an issue of household’s livelihood before and after Que Vo IZ was built, and then moved to the issue of difficulties in getting employment at factories or enterprises in IZ as conducted in Thai Bao village.

*In depth interviews:* were conducted with four targeted groups: Bac Ninh IZs management officers, commune authorities, enterprises or factories in Que Vo IZ, and land recovery households in Thai Bao village. In Son Trung village, in depth interviews have been conducted together with the questionnaire interviews.

The officers of Bac Ninh IZ Management Board provided the information on the function of the Board, and how Que Vo IZ has been formed. With commune authorities, data on the land recovery process, and the process of compensation were collected. The interviews on the issues of employment recruitment including perception of local employment have been implemented at enterprises or factories in Que Vo IZ. These interviews have been conducted in four enterprises or factories which employed the highest number of labor in Que Vo IZ.

The difficulty for such an interview was that it was hard to talk to enterprise or factory owners who decide on employment recruitment strategy. These interviews were thus arranged with the head of personal department who implements the enterprise’s strategy only. Another difficulty is that the interview of enterprises that have been heard as “black fee” for employment recruitment. Although a permission paper provided by IZ Management Board has been shown, the interview has been denied. In Thai Bao village, in-depth interviews provided the data of conflicts during land recovery and compensation process. In depth interviews also found factors effecting on instead strategies of households who failed to get employment as worker in Que Vo IZ.

*Household survey:* has been conducted with 82 of 250 households in Thai Bao village and 52 of 320 households in Son Trung village. Administratively, each village has divided into four hamlets, and the groups of interviews were also divided following these hamlets. They went to
the households by using the village map. The main focus of the survey was employment of households before and after land recovery and to see how household priority compensation for. The survey was done in 3 days with 8 assistant students of Hanoi University of Agriculture.

2.3. Data analysis

Data has been analyzed at household level according to the following criteria: before and after land recovery; recovery households and non-recovery households (see 2.4). The impact of building Que Vo IZ on employment in the village have been seen in both positive and negative side. The analysis started with the impact through the process of land recovery, compensation delivery and usage, employment opportunities and employment loss and the role of women in economic activities. Employment opportunities were measured by comparing local and ex local workers at Que Vo IZ, and the number of villagers working at the IZ. Employment loss has been considered as the loss of farm employment and the shift from stable to unstable employment.

The quantitative household data has been analyzed through SPSS and Excel statistical packages.

2.4. Term and definitions

Land recovery: In Vietnam, land belongs to the state. Individuals or institutions just have land use rights. So, land recovery means a process that government takes granted land back for the aim of social economic development, and compensates farmers for their recovery land. Theoretically, the farmers have a right to disagree with this process if the compensation is not suitable. In this paper, the households whose agricultural land has been acquired for industrial purpose are called as recovery households. Non-recovery households are not.

Employment: following the ILO’s definition:

The employed comprise all persons above a specified age who during a specified brief period, either one week or one day, were in the following categories:

(a) ‘paid employment’:

(a1) ‘at work’: persons who during the reference period performed some work for wage or
salary, in cash or in kind;

(a2) ‘with a job but not at work’: persons who, having already worked in their present job, were temporarily not at work during the reference period and had a formal attachment to their job. This formal job attachment should be determined in the light of national circumstances, according to one or more of the following criteria:

(i) the continued receipt of wage or salary;

(ii) an assurance of return to work following the end of the contingency, or an agreement as to the date of return;

(iii) the elapsed duration of absence from the job which, wherever relevant, may be that duration for which workers can receive compensation benefits without obligations to accept other jobs.

(b) ‘self-employment’:

(b1) ‘at work’: persons who during the reference period performed some work for profit or family gain, in cash or in kind;

(b2) ‘with an enterprise but not at work’: persons with an enterprise, which may be a business enterprise, a farm or a service undertaking, who were temporarily not at work during the reference period for any specific reason.

Farm employment*: refers to activities that generate household’s income based on villager’s farm land, whether on owner-occupied land, or on land accessed through cash or share tenancy. Farm employment includes livestock as well.

Off farm employment: refers to activities that generate household’s income through wage or exchange labor on the other farms or local environment resources.

Non-farm employment: refers to activities that generate household’s income through non agricultural sources, not including forestry or fishery.

IZ, SEZ, and EPZ

Forming IZ or IP (Industrial Park) for economic development is not a new idea, it took place in many countries and takes many forms, including Special Economic Zone (SEZ) and Export

* Definition of farm, off farm, and non-farm employment base on income definition in Ellis, F. 2000. 
Rural Livelihoods and Diversity in Developing Countries. Oxford University Press.
Processing Zone (EPZ). The ILO (2002) has defined EPZs as “industrial zones with special incentives set up to attract foreign investors, in which imported materials undergo some degree of processing before being (re-)exported again”. Jung, Kim and Kobayashi (2003) considered industrial zone as special economic zone in North Korea. A typological analysis of an EPZ and SEZ shows that their defining characteristics are similar, with some differences among them regarding their claimed objectives. They are all custom-free and export-oriented manufacturing areas, provided with preferential incentives and streamlined administration, and equipped with better infrastructure and cheap utilities. Most are spatial enclaves located next to major ports. All of them aim at promoting employment, export, and foreign investment. Several zones have some additional goals, such as the promotion of national or regional development, encouragement of technology transfer, creation of linkage effects, and experimentation with new industrialization strategies. Their goals have evolved in stages and, depending on circumstances, have had more or less significance for different governments. Given the similarity among the three types and the fact that EPZ is the most widely used form, this article uses the term EPZ to refer to all types of custom-free manufacturing (Amirahmadi & Wu, 1995).

In Vietnam, according to Decision 36/CP issued on 24 April, 2007 IZ has been defined as a conclave area without residents that pool industrial enterprises provide industrial services, and its establishment is approved by the Government or Prime Minister. IZ might include export processing enterprises. In this study, the term IZ refers to all type of enclave estates as EPZ or SEZ.

http://www.chinhphu.vn/portal/page?_pageid=33,638900&_dad=portal&_schema=PORTAL&docid=14084
CHAPTER III: LITERATURE REVIEW

3.1. The dual economy model of employment

One of the models that pointed out the driving force for labor transformation is the dual economy of Lewis. According to Lewis (1954), two sectors in the economy are traditional and modern sector. This model was developed by Ranis and Fei (1961). Since then the dual economy model has been taken to mean that agriculture is the traditional sector, while urban-based manufacturing is the modern sector.

In this model, Lewis shows that the driving force for labor transformation is labor market. In the traditional sector, the relative abundance of labor drives its marginal product practically to zero. The wage, however, remains above the marginal product, as wages are determined by social sharing conventions related to average product. As a result surplus labor appears in the traditional sector. Meanwhile the wage in the modern sector is an exogenous differential above the traditional sector wage. The different of wage between two sectors lead to labor in the traditional sector move to the modern sector. The labor transformation can be explained in the figure 2. NN’ and CC’ present for labor demand in the traditional and the modern sector. At beginning, labor supply for two sectors at L, surplus labor with low wage in traditional sector and deficit labor with high wage in modern sector. Then labor moves from traditional sector to modern sector, and wage increases in traditional sector and decreases in modern sector to equilibrium Z.

In the model, Lewis also makes two assumptions about traditional sector. First, there is surplus labor, and seconds, all rural workers share equally in the output so that the rural real wage is determined by the average and not the marginal product of labor (Todaro & Smith, 2003). Based on the assumption of surplus labor in the traditional sector, it raised a debate of the existence of surplus labor. Todaro and Smith (2003) stated that rural surplus labor is generally not valid, meanwhile, Briones (2006) concluded that there is a significant amount of measured underemployment in rural
areas, which corresponds closely with the concept of labor surplus in the dual economy model. According to Briones, surplus labor may be present in the gamut of casual occupations both within and outside agriculture. Such occupations disguise unemployment among workers who are not actually working at full capacity.

![Dual Economy Model of Employment](image)

**Figure 2: The dual economy model of employment**  
Source: (Yotopoulos, 1996)

### 3.2. Impact of IZs on employment

This section reviews literature on the impact of IZs and the other type of conclave estates including EPZs, SEZs, and FTZs (Free Trade Zones) on employment. This impact consists of both positive and negative ones. On the positive side, such zones can create and absorb employment of surrounding areas, and step by step increase education and training. On the negative side, these zones cause gender disparity in employment distribution. Additionally wage and employment in IZs are criticized as low and instable.

#### 3.2.1. Positive impact

*Employment creation:*

Of the goals of the IZs generating employment has been archived in many countries. The number of employees increased annually. According to Rondinelli (1987), the zones have provided about 3.5 million jobs in developing countries. In Asia, 100,000 jobs have been
created in China's zones; 120,000 in South Korea's; 77,000 in Taiwan's and 56,000 in Malaysia's. To 2001, in Taiwan (China), the total number of employed persons in industrial parks was 490,000 in 2000 with 407,000 persons in rural areas and 83,000 in urban areas (Huang, 2001). ILO (2002) showed that China alone had 30 million employed in over 2,000 Special economic zones, economic and technological development zones, EPZs and border zones. This increased to 40 million in 2006. The total employment in other countries’ zones was calculated at 4.5 million in 1997 and 26 million in 2006 (see table 3).

In the Philippines, employment in EPZs increased from 229,650 to 716,990 between 1994 and 2001, and Costa Rica saw an increase in EPZ jobs from 7,000 in 1990 to 34,000 a decade later. The Dominican Republic increased employment from 126 to a high of 200,000 in 2000, before it dropped back more recently to 175,000. Sri Lanka was able to generate some 350,000 jobs in the export garment industry, which is now the largest single source of manufacturing employment in that country (ILO, 2002).

The success of employment generation in EPZ could be explained by the field of production that is based on labor intensive industry and adapt to developing countries. The industries attracted to EPZs are predominantly food processing, garment and textile, electrical appliance and components, metal product, optical instrument, and toys and crafts manufacturing and assembling activities that depend on cheap labor to perform routine and repetitive tasks (Rondinelli, 1987).

Table 3: Estimates of the development of export processing zones

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of countries with EPZs</td>
<td>25</td>
<td>47</td>
<td>73</td>
<td>93</td>
<td>116</td>
<td>130</td>
</tr>
<tr>
<td>No. of EPZs</td>
<td>79</td>
<td>176</td>
<td>500</td>
<td>845</td>
<td>3000</td>
<td>3500</td>
</tr>
<tr>
<td>Employment (millions)</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
<td>22.5</td>
<td>37</td>
<td>66</td>
</tr>
<tr>
<td>– of which China</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
<td>30</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>– other countries for which figures available</td>
<td>0.8</td>
<td>1.9</td>
<td>n.a</td>
<td>4.5</td>
<td>7</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: (ILO, 2002; ILO, 2007)

However, for EPZs development, Kusago and Tzannatos (1998) concluded that during the course of industrial development and economic growth, the resulting ability of the economy
to absorb surplus labor in more general ways reduces the effects of EPZs. Even for countries in early stage of industrialization, EPZs provide an efficient and productive way of absorbing surplus labor, EPZs have contributed significantly to the employment of the less skilled workers though their potential to solve the massive employment problems in many developing countries is rather limited.

*Education and training*

Besides employment creation, the IZs can benefit local employees by increasing their education and training. This impact comes along with the requirement of technology transfer in conclave zones (see table 4). Kusago and Tzannatos (1998) found that the educational attainment of workers in EPZs has changed dramatically over time, which is associated with the improvement of school enrollment in the host countries. Actually the training effect might be reached in both within and outside IZs. For example, in EPZs of many countries, training for factory operators is mainly on-the-job and lasts from a few weeks to usually no more than three months. The training is mostly task-specific and geared to enhancing productivity and efficiency in the firm’s operation. The specificity of training is understandable as is also its short duration: workers in EPZs have usually short tenures, and training is negatively associated with higher turnover (Kusago & Tzannatos, 1998).

Additionally, the education and training effect is not only found within the SEZs and EPZs, but also outside the zones. For example, in the Shenzhen SEZ (China), adult education institutes were established to improve technical and vocational skills for workers in the zone but the linkage between the skills taught at the institutes and the skills demanded at the factories has yet to be established. In Taiwan (China), some cooperative training programs between school/college and the enterprises in the EPZs are being developed. These programs leave technical training to be provided at the factory rather than at the institution (Kusago & Tzannatos, 1998).
### Table 4: Training for Workers in EPZs

<table>
<thead>
<tr>
<th>Countries</th>
<th>Training provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>China (Shenzhen)</td>
<td>3-month on-the-job training for operators (1 month for class and 2 months for production practice); Over 80 adult education institutes (1990) but with weak linkages between the needs in the enterprises in the EPZ and the skills provided in the institutes.</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>3-month on-the-job training for operators; Overseas training for skilled workers (mainly in Japan)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3-month on-the-job training for operators; QCCs (Quality Control Circles): giving monetary and other incentives (gifts, medals and commendation letters, etc.) for identifying problems and suggesting ways of solving them; Little training for computer programming, technical engineering and design work.</td>
</tr>
<tr>
<td>Mauritius</td>
<td>3-month on-the-job training for operators (trainee status: 75 percent minimum salary; Lack of trained intermediate workers Japanese rotate operators to make them familiar with between 10 and 18 interrelated tasks (3-month rotation)</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>1-3 months on-the-job training for operators</td>
</tr>
<tr>
<td>Taiwan (Kaohsiung)</td>
<td>3-month on-the-job training for operators; Cooperative training programs between school/college and the enterprise in the EPZ. School/college provide general education; and the enterprises provide special technology training; Some overseas training</td>
</tr>
<tr>
<td>Thailand (Lat Krabang)</td>
<td>3-month on-the-job training for operators; Off-the-job training: study and experiment in the classroom and laboratory for some workers; Overseas training (at parent company) for core employees in management and technology</td>
</tr>
</tbody>
</table>

Source: (Kusago & Tzannatos, 1998)

### 3.2.2. Negative impact

**Gender disparity in employment distribution:**

Many researchers see employment distribution within IZs as gender disparity. Amirahmadi and Wu (1995) pointed out that one noteworthy feature of the EPZs is that between 70 percent to 80 percent of the total work force consists of women aged between 16 and 25. Kusago and Tzannatos’s study (1998) found women’s share in the total employment in EPZs is substantially higher than both the economy as a whole and the manufacturing sector outside the EPZs. ILO (2002) showed that the zones have created an important avenue for young women to enter the formal economy at better wages than in agriculture and domestic service. Women make up the majority of workers in the vast majority of zones, reaching up to 90 percent in some of them. However, there is a suggestion that as the nature of employment in zones
evolves, with higher technology inputs, the gender profile of the workforce changes. Reigstad (2007) also saw that in many countries women dominate in SEZs, while men were more commonly employed in the domestic zone, i.e. the rest of the economy. A credible explanation for this is the lower education level and workforce participation of women in most developing countries – since SEZs primarily attract low-skilled labor and need idle labor, women are over-represented. Young females can work cheaply for long hours (Rondinelli, 1987). In Sri Lanka's EPZ the predominance of young female workers is due to the fact that female workers are more amenable to discipline and control and are less demanding than a male workforce and partly that the work provided by the zone is of a purely assembly type, is monotonous and repetitive and requires manual dexterity and nimble fingers (Ramanayak, 1982).

*Low wage and instable employment*

In developing countries, positively IZs create employment opportunities, however, low wages and instable employment have been considered negatively. Moreover, wages in IZs were lower than outside. The evidence can be seen in Taiwan, a successful country in IZ development (see table 5). This auge also agreed with Rondinelli’s (1987) conclusion that EPZs and FTZs primarily create low-wage employment in Asia. As Sriratchany (1983) explains, industries attracted to IZs are light industries, they usually are “footloose”; seek out cheap labor, require low skilled workers and pay relatively low wage.

<table>
<thead>
<tr>
<th>EPZs &gt; Non-EPZs</th>
<th>EPZs &lt; Non-EPZs</th>
<th>Reversals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka (1992)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (Kusago & Tzannatos, 1998)

For the aspect of instability, employment gains from IZs seem to be not permanent. Mexico saw employment in the EPZs (*maquiladoras*) increase from 446,000 in 1990 to 1,285,000 in 2000. However, the number had fallen to 1,086,000 by May 2002 (ILO, 2002). Moreover,
employment in manufacturing industries shifted towards the EPZ sector without increasing the total number of jobs in Mexico economy. The overall problem of unemployment has remained (Jauch, 2002). According to Rondinelli (1987), the stability of jobs created in FTZs is further undermined by the fact that as wages rise and the skills of workers improve, governments tend to become less interested in export processing and free trade zones. The Korean government has given little attention to expanding the Masan FTZ since its interest shifted from maintaining comparative advantages in labor-intensive light manufacturing to creating them in high technology industries. Similarly, the government in Taiwan has lost interest in processing and an assembly industry usually attracted to FTZs, and is also promoting high technology industries.

3.3. Impact of agricultural land conversion on employment
This section will review impact of land conversion from agricultural to industrial purpose on employment transformation. The impact includes the shift from farm to off farm and non-farm employment, migration out of village and employment loss.

3.3.1. Farm employment shift
In rural areas, landholdings are a significant form of access to productive assets (Briones, 2006). During land conversion, landholding in agriculture decrease. The tendency of employment transformation is that farm employment shifts to off farm or non-farm employment. However, it is not clear which tendency is a dominant. In Japan, farm households with the smallest landholdings earned 80 percent of their incomes from off-farm activities. The same proportion was reached for similar households in Taipei, China as early as 1962, though for Korea this was reached only by 1996. For the largest landholding category, meanwhile, the shares are at most 36 percent during the same years (Kada,1986). In Bangladesh, households with primary occupation in rural off-farm work, 67• 87 percent have zero to negligible landholdings (Sen, 1996). Household data for two East Asian economies (Korea and Taipei, China) as well as India and Thailand, suggest that as landholding declines, the share of non farm income rises (Rosegrant & Hazell., 2000). In absolute terms though, bigger landholdings per capita lead to a higher per capita non farm income, as was found for India (Lanjouw & Shariff, 2004).
3.3.2. Out migration
Labor migration is also found as an outcome of land conversion for industrial purpose. Due to landholding decrease, the labors who previously worked on farm, but they can not get any alternative employment tend to migrate out of village. These are unskilled labors, in term of non farm employment, or over age, as enterprise requirements, for working factories (CIEM, 2006b). For this aspect, land conversion is another contributing factor to the rural-urban migration problem. On the other hand, labor from somewhere else can be attracted by industrial zone after it was built. Actually, there is a significant negative relationship between land owned and migration, i.e. the more the land owned the less the household is likely to migrate (Deshingkar & Start, 2003). However, good migration is to build on skill and create a return (see Box 1).

Box 1: Good migration is to build on skill and create a return

<table>
<thead>
<tr>
<th>Landless, started work at the age of 9 as a cattle herder, but when he was 17 years old he decided that he should try to make more of his life and traveled 65km to Ujjain city, where he discovered the city life and found work in brick kilns through his sister-in-law who was already working there. That was 13 years ago. Since then, he has become a reliable and skilled worker for the brick-maker, able to secure advances and earning up to Rs70/day. He also went to Kota coal works and was saving Rs7000 in six months at Rs60/day, by keeping his expenses down to Rs15/day through prudence and moderate consumption habits. With the money he saved he has bought some land in LJ village and plans to return to try his hand at agriculture as a new business, confident in the knowledge that he can also work in the kilns when he needs to.</th>
</tr>
</thead>
</table>

Source: (Deshingkar & Start, 2003)

3.3.3. Employment loss
On the darker side, land conversion can cause employment loss in rural area. Acharya (2003), in his analyses of industrialization process in Hazira, situated on the coastal belt of South Gujarat in India, showed the loss of employment as unstable jobs. The companies that acquired land inducted one adult male from each family into a suitable job. Some of these men were subsequently laid off while a few got permanent jobs. Some villagers were hired as day laborers but preference was given to outsiders. The reason was that the agricultural laborers from Jambusar (Bharuch district) could work for very low wages. Acharya also considered the loss of employment as growing unemployment among local youth. Most young men were playing cards and consuming alcohol, and averted their agricultural activities. Some of these young
men have educational qualifications such as diplomas in technical education, and had enrolled in such courses hoping to get some employment in one of the companies—but that did not happen. In another case of Kerala, India, Gopikuttan and Kurup (2004) measured employment loss by comparing workday of male and female labor before and after the conversion of paddy field. Their study showed that work day on farm sector declined, and the employments created in non-farm sector were few.

3.4. Employment impact of IZs in Vietnam

Besides attracting foreign investment, forming IZs in Vietnam also gains employment. During 15 years of development IZs created about 960 to 1110 employment, including direct and indirect employment. Surveying enterprises at IZs in five provinces (Hanoi, Haiphong, Hochiminh city, Danang and Dongnai), shows that estimated employment demand increases 10 percent annually (Dung, 2006).

As discussed in previous section, IZs development in Vietnam comes together with agricultural land recovery process. So, besides creating opportunities to shift farm employment to non-farm employment, IZs development pushed many farmers into unemployment. Figure 3 shows that the unemployment proportion within recovery households was at 5.22 percent before land recovery increased to 9.1 percent afterward. According to Phong (2006) this situation can be explained that most of labor in recovery households has low skill, so they are unable to work at factories in IZs.

![Figure 3: Share of labor skill within recovery households](image)

Source: (Phong, 2006)
Additionally, land conversion for building industrial zones contributes to the positive shift of labor structure toward increasing industrial employment and decreasing farm employment within recovery households (Phong, 2006). However, the proportion of hired labor and motor taxi (xe om), after land recovery is still high, 8.4 percent (see Figure 4). For out migration, a case study in Hung Yen, Vietnam, showed that such labors usually went to Hanoi and provincial towns to find alternative employment after the land conversion process (CIEM, 2006b).

Figure 4: Share of labor within recovery households before and after agricultural land conversion in Vietnam. Source: (Phong, 2006)
CHAPTER IV: FINDINGS AND DISCUSSION

This section discusses about the achievements of IZ development in Bac Ninh and the reason for those achievements. Then the discussion turns to the formation of Que Vo IZ relating to generating alternative employment of recovery households. Finally, I discuss the impact of the zones on employment in Nam Son commune by comparing recovery households and non-recovery households in two villages.

4.1. Development of industrial Zones in Bac Ninh

Following the national targets that will move Vietnam to industrial country in 2020, Bac Ninh has also oriented to develop its industries since 1997. Like other provinces, Bac Ninh has performed a strategy to build industrial zones or clusters by converting agricultural land to industrial purpose. This orientation has been addressed in resolutions 04/NQ/TU issued in 25 May 1998; 12-NQ/TU issued in 3 February 2000, and 02-NQ/TU issued in 4 May 2001. Moreover, in order to simplify the administrative procedures Bac Ninh has created a “one door policy” for the IZs through the IZs Management Board. Currently, these policies bring achievements of IZs in Bac Ninh.

First, the IZs in Bac Ninh have increased in terms of number and area during ten years. In 1998 only four industrial clusters were formed, including 53.6ha, no IZs at all. Up to 2006, four IZs had been formed; including 1956 ha. As shown in table 6, the number and area will widen to about 3000 ha in the period of 2010-2015.

Table 6: Number of Izs and IZ Area by Year in Bac Ninh province

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial cluster</strong></td>
<td>4</td>
<td>25</td>
<td>54</td>
</tr>
<tr>
<td><strong>Industrial cluster area (ha)</strong></td>
<td>53.6</td>
<td>n.a</td>
<td>1700</td>
</tr>
<tr>
<td><strong>Industrial zone</strong></td>
<td>0</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td><strong>Industrial zone area (ha)</strong></td>
<td>0</td>
<td>1956</td>
<td>2610-3000</td>
</tr>
</tbody>
</table>

Source: (Quyet, 2006)

Second, approved projects and investments attracted by IZs have increased annually as well (see Table 7). Reported by the Bac Ninh IZ Management Board, during 2001-2007, Bac Ninh IZs attracted 240 projects with the total registered capital of USD 118.4 million. A
number of projects invested in the Bac Ninh industrial zone in 2006. Of these, 52 projects were worth USD 332.83 million. Foreign projects contributed USD 227.59 million (68.4 percent), and domestic projects accounted for USD 105.24 million (31.6 percent).

Table 7: Approved project and investment attracted during a year from 2001-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of project attracted per year</th>
<th>Investment (million USD)</th>
<th>Land area (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>8</td>
<td>25.71</td>
<td>23.87</td>
</tr>
<tr>
<td>2005</td>
<td>47</td>
<td>253.72</td>
<td>135.26</td>
</tr>
<tr>
<td>2006</td>
<td>52</td>
<td>332.83</td>
<td>112.3</td>
</tr>
<tr>
<td>Sep 2007</td>
<td>40</td>
<td>197.18</td>
<td>36.52</td>
</tr>
</tbody>
</table>

Source: (Oanh, 2007; Quyet, 2007)

Third, the occupation ratio in IZs is high in Bac Ninh (see Table 8). Currently all land in Que Vo IZ has been leased out. Tien Son IZ has provided 90 percent. Dai Dong-Hoan Son and Yen Phong IZ have lower occupation ratio because they started later than Tien Son and Que Vo IZ did. Dai Dong-Hoan Son and Yen Phong IZ have been approved in 2004 and started constructing in 2005. Meanwhile Tien Du and Que Vo IZ have been approved in 2000 and 2002.

Table 8: Scale and occupation percentage of IZs in Bac Ninh

<table>
<thead>
<tr>
<th>STT</th>
<th>Industrial zone</th>
<th>Area (ha)</th>
<th>Occupation percentage</th>
<th>Register capital</th>
<th>Implementation percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tien Son</td>
<td>410</td>
<td>90</td>
<td>843.362</td>
<td>83.5</td>
</tr>
<tr>
<td>2</td>
<td>Que Vo</td>
<td>336</td>
<td>100</td>
<td>531</td>
<td>89.6</td>
</tr>
<tr>
<td>3</td>
<td>Dai Dong - Hoan Son</td>
<td>272.11</td>
<td>48</td>
<td>651.3</td>
<td>2.3</td>
</tr>
<tr>
<td>4</td>
<td>Yen Phong</td>
<td>351.33</td>
<td>30</td>
<td>989.789</td>
<td>16.2</td>
</tr>
</tbody>
</table>

Source: (Quyet, 2007)

Fourth, almost all fields of production in Bac Ninh’s IZs suit local labor. As observed more than 600 projects have been implemented within Bac Ninh’s IZs, the field of production focuses on producing construction material, processing food and other material, and making components and appurtenances. Assembling and packing also see as popular fields of production in Bac Ninh’s IZs (see Figure 5). All of these fields of production are labor intensive, so high skill labor is not really required.
Assembling
Civil products
Components and Appurtenances
Construction material
Electric devices
Garment
Handicraft
Leather and Shoe making
Mechanic products
Others
Paking
Plastic
Processing
Service

Figure 5: The share of the field of Production in Bac Ninh Izs
Source: Data collection from: http://www.izaBac Ninh.gov.vn

Finally, the achievements of IZs development have also seen through employment creation for labor in the province. According to data collected from employment report of Bac Ninh IZ management board, local employment attracted by IZs has been increased from 3,335 in 2005 to 7,268 in September 2007 (Table: 9).

Table 9: Employment in Bac Ninh's IZs during 2005-2007

<table>
<thead>
<tr>
<th>Industrial zones</th>
<th>2005</th>
<th>2006</th>
<th>2007(^{11})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Local</td>
<td>Total</td>
</tr>
<tr>
<td>Tien Son</td>
<td>5,284</td>
<td>2,579</td>
<td>5,682</td>
</tr>
<tr>
<td>Que Vo</td>
<td>590</td>
<td>441</td>
<td>4,118</td>
</tr>
<tr>
<td>Dai Dong-Hoan Son</td>
<td>450</td>
<td>315</td>
<td>995</td>
</tr>
<tr>
<td>Tan Hong - Hoan Son</td>
<td>1,008</td>
<td>428</td>
<td></td>
</tr>
<tr>
<td>Yen Phong</td>
<td>30</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,324</strong></td>
<td><strong>3,335</strong></td>
<td><strong>10,795</strong></td>
</tr>
</tbody>
</table>

Source: IZ employment report, Department of Labor, Bac Ninh IZ Management Board

The IZs development in Bac Ninh province shows that its strategy follows national orientation that focuses on employment generation during rural industrialization. An initial stage of development, labor intensive industry has been selected rather than high technology. However, how far this strategy goes and how sustainable it is, is still controversial. If such a

\(^{11}\) September 2007
strategy fails to absorb local labor, it might increase pressure on industrial development as well as affect economic growth of the province.

Regarding reason for achievements above, it can be explained by the relevanced policies of land for IZs in Bac Ninh. At the begin of forming IZs, industrial land has been granted by bidding and auctioning. Thus, the investment for building IZ’s infrastructure can be state owner enterprises or private enterprises depending on who win the tender of land. To date, all IZ’s infrastructure in Bac Ninh has been invested by the private sector (see Box 2) that is more active than the state sector. Actually, IZs that are operated and managed by the State can create severe problems to potential leasees. Land clearance and infrastructure construction have not been completed prior to leasing; enterprises experience delays and costs before their operation. For example, in Quang Minh IZ, Vinh Phuc, enterprises must work with 10-12 government bodies and procedures can take 6-8 months to receive a land use right certificate (CIEM, 2006). In case of Que Vo IZ, its infrastructure was invested by Kinh Bac company, a private infrastructure development company, thus, after delivering compensation to villagers, whose land converted to industrial purpose, the company can start advertising about industrial zone and leasing out their land.

In fact, industrial land has been formed through provincial social economic plans, but the almost all demand of that land is derived from private investors. These improper plans can lead to failure of industrial land markets. The case of 125 hectare in Quoc Oai Industrial Cluster in Ha Tay province can serve as an example. Inappropriate land use planning results in empty industrial zones, unnecessary land recovery and uncertainty over unimplemented land use plans. The recovery and leasing processes of Quoc Oai industrial cluster had to be halted in 2002 as land in two communes were affected by overlapping plans for the Lang – Hoa Lac road extension (CLIP & CIEM, 2005). On the other hand, building IZ also form a transaction between farmers and investors. However, the government policies of IZ promotion places emphasis on non-market transactions in land compulsory land recovery from households.

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12 Center of Land Investigation and Planning in association with Central Institute of Economic Management, Urban Management Center, and Center for Rural Progress
and discretionary leasing by the state rather than market transactions of sale, rental or capital contribution (CIEM, 2006).

Box 2: How Que Vo industrial zone was formed?

At the end of 1990s and early of 2000s, the provincial government planned to convert low productivity of agricultural land to industrial purpose, including Que Vo district. After the plan was approved by Mr. Prime Minister, the Provincial People’s committee started organizing auction for leasing industrial land. Kinh Bac company, a private investor, won a tender for leasing 300 ha of agricultural land converted to industrial purpose in Que Vo district. Following the land recovery decision of the provincial government, Kinh Bac started planning recovery process in 2001, conducting it in 2003, and finishing in 2005. Actually, Kinh Bac plays as an investor who “buys” agricultural land at low price and “sells” it at higher price by leasing out the land to other investors after clearing it and building infrastructure on it.

Mrs. H, working Office of Industrial management board, Provincial People’s committee.
Interview in June of 2007

Source: Data collection from fieldwork

4.2. Formation of the Que Vo IZ

4.2.1. Land Recovering

Land recovery is regulated by the Land Law of 2003. According to this Law, land can be recovered by the government for the following reasons: in cases of investment for the construction of industrial zones, hi-tech zones, economic zones and large scale investment projects as stipulated by the government. Households from whom land is recovered must be notified at least 90 days prior to recovery in the case of agricultural land and 180 days in the case of non-agricultural land.

According to the regulation, the land recovery process for building Que Vo IZ has been conducted transparently. After the provincial plan for building IZ was approved by The Prime Minister in 2001, provincial government announced it to Que Vo district. Then, the district held a meeting with Nam Son commune, and they decided to establish a Commune Recovery Board. This Board was headed by the head of commune, and other members included the land administrative officer, transportation officer and heads of mass organizations. The land administrative and transportation officer were responsibility for statistics of households whose land was to be recovered and their recovery land. The role of the mass organizations was to convince and explain to the households that did not agree with land recovery yet. After the
recovery household and their land had been listed, the Commune Recovery Board made a recovery plan and discussed it with the People’s Council. Then the Board held meetings with heads of villages that had agricultural land proposed to recover to inform and discuss the plan again. Each head of village had a responsibility to disseminate the plan and information to all villagers. Finally, a meeting was held between villagers, commune authority and district leaders. Villagers could express their wills in this meeting.

Although theoretically villagers could raise their opinions in the recovery process through the village meeting and People’s council, they were still voiceless in that process (see box 3). Firstly, the plan for building industrial zone had been fixed at the provincial level. It was difficult for villagers to change that plan. Secondly, the price of the compensation frame had been set by the State. It was supposed to be close to actual market price; however, compensation price was lower than the market price. It was about 27,000 VND per square meter in 2003. In practice, however, most provinces have set these frameworks significantly below market level – to reduce compensation costs, and reduce land rents in order to attract investors. Grade 1 agricultural land in Vinh Phuc province is valued at only 25,000 VND per square meter and 54,000 VND in Ha Tay province. When agricultural land was recovered for the Dien Nam Dien Ngoc Industrial Zone in Quang Nam in 1997-8 (prior to the 2003 Land Law), a compensation of 1,640 VND per square meter was paid to farmers (ADB, 2005).

Box 3: Recovery households were voiceless

| During the recovery process, we met commune and district authority together at the only meeting in 2001 (both head of commune and head of district attended to this meeting). In that meeting we disagreed with the recovery plan in terms of compensation price. Thus many villagers protested the recovery process by not receiving compensation money, however, commune people’s committee stood for those households to receive compensation and send it to State treasure at district branch. Then, representatives of commune or mass organizations came to convince and explain until these households agreed. We also asked for reconstructing the road across village and commune road, and providing vocational training for villagers. However, the fund for constructing the village road has been contributed by villagers. One week for vocational training on weaving was not helpful. Currently, no one in the village uses it. |
| Mr. H, 60 years old in Thai Bao Village |
| Interview in October, 14th 2007 |

Source: Data collection from fieldwork

Through the interviews of 82 recovery households in Thai Bao village, about two thirds of
them did not want their agricultural land recovered because of the employment loss afterward (see Table 10). However, opinions of recovery households were collected two years after the recovery process finished. By then most of these households have been consumed. The households whose current livelihood is harder compared to before did do not agree with land recovery at the beginning of process. Whereas, the households whose main income is based on non-farm activities or where ageing parents have their children working on permanent jobs that do not involve agriculture prefer land recovery. The situation seems to contrast in Son Trung village. There, about half of total surveyed households agree with land recovery (see Table 10). They hope that compensation money will bring them a good chance for their livelihood improvement.

<table>
<thead>
<tr>
<th>Village</th>
<th>Household opinion</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No information</td>
<td>Agree</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Son Trung</td>
<td>13</td>
<td>25</td>
</tr>
<tr>
<td>Thai Bao</td>
<td>2</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>52</td>
</tr>
<tr>
<td>Source: Data collection from fieldwork</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4.2.2. Compensation

Warriner (1969) identified compensation as one of four components of land redistribution, a reallocation of ownership of land between people. The amount of compensation for land reallocated is difficult and a highly charged matter. It is rare for there to be no compensation at all, but also equally rare for the full market price of land to be paid (Ellis, 1992). Evidence found in the case study in Nam Son commune agrees with that conclusion. Although government has set the compensation framework, villagers perceived that it was unfair in terms of price. The discussion paper No 14, ADB 2005 showed that legal land users are compensated for the recovery of their land (Article 42, 2003 Land Law) either in the form of similar land with the same use purpose or in cash to the value of the land use rights at the time of recovery. Where residential land is recovered, the People’s Committees must make provision for resettlement of displaced households. Further details of compensation, resettlement and support
are given in Decree 197/2004/ND-CP issued on 3 December 2004 (Box 4).

**Box 4: Decree 197 details regulations on compensation and assistance for:**

- Land use right recovery e.g. extra 20-50 percent compensation for agricultural/garden land within urban zone.
- Assets on land (buildings, graves, crops and animals).
- Moving expenses – maximum 3-5 million VND per household.
- Living expenses stabilisation – if over 30 percent of agricultural land is recovered, support should be provided worth 30 kg rice/person/month for 3-12 months.
- Retraining – if over 30 percent of agricultural land is recovered. Amount to be decided by provincial authorities.
- Resettlement – provincial authorities must provide land for resettlement of households displaced from residential land.

Rates used to calculate compensation for land use right recovery are set by Provincial People’s Committees (Article 55, 2003 Land Law). These should be “close to the actual market price of land use right transfers in normal conditions” (Article 56). Detailed procedures for land valuation are set out in Decree 188/2004/ND-CP (16th November 2004).

Even if compensation price has been regulated, it is perceived as an unfair price in the case of Thai Bao village. There are three reasons for that situation. Firstly, compensation has been paid by Kinh Bac, a private infrastructure development company, thus, it has been considered as its input cost. The company always minimizes it. On the villagers’ side, the low price of compensation caused their loss, but compensation packages may involve large sums of money and constitute significant costs to enterprises. Actually, it is not only the case in Que Vo IZ, but also in other IZs in other provinces. For instance, one farmer whose land will be recovered for the Tan Kim IZ in Can Giuoc District, Long An province told interviewers that he would receive 849 million VND compensation for 12,000 m² of agricultural land and 900 m² of residential and garden land, buildings, crops and other support (CLIP & CIEM, 2005).

Secondly, the compensation has been delivered to Thai Bao’s farmers through three stages according to three phases of land recovery at different prices. The first was in 2003, the second in 2004, and the last in 2005 (see Table 11). More than a half of the agricultural land in the village was compensated in phase one which was the lowest price with the highest number of households (see Table 12). It means that the others, later, received bigger compensation with
smaller areas of land. So, the households who received compensation in the earlier phase feel a
greater loss as compared to others. They often reported on the low price of compensation
when the interview on that issue started.

Table 11: Recovery area and price of compensation in Thai Bao village

<table>
<thead>
<tr>
<th>Land type</th>
<th>Phase I</th>
<th>Phase III</th>
<th>Phase III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Area (m²)</td>
<td>Price (per m²)</td>
<td>Area (m²)</td>
<td>Price (per m²)</td>
</tr>
<tr>
<td>I</td>
<td>63,720</td>
<td>33,000</td>
<td>54,000</td>
<td>39,000</td>
</tr>
<tr>
<td>II</td>
<td>136,800</td>
<td>25,000</td>
<td>54,000</td>
<td>33,000</td>
</tr>
<tr>
<td>Total</td>
<td>200,520</td>
<td>108,000</td>
<td>151,200</td>
<td></td>
</tr>
</tbody>
</table>

Source: Commune statistics, 2006

Thirdly, the unfair price of compensation is caused by the land type classification. Previously
agricultural land was devised into six types, numbered from 1 to 6. The higher the land type
number, the worse fertility was. Based on land type, villagers contributed agricultural tax to
the cooperative (collected in rice after harvesting). However, the commune authority was only
concerned about the total volume of tax; so villagers sat together and arranged land type.
Usually, disadvantage households had high type of land, so they had a good once in practice,
to reduce agricultural tax. When recovering was conducted, and although compensation price
had been set by provincial government, the price had been based on land type classification.
The lower land type, the higher the compensation was. This lead to the situation that two
nearby villagers’ rice field received compensation at different prices. Many villagers did not
agree with such result.

Table 12: Households receiving compensation according to phases

<table>
<thead>
<tr>
<th>No of household</th>
<th>Phase I</th>
<th>Phase III</th>
<th>Phase III</th>
<th>Total household</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>223</td>
<td>76</td>
<td>52</td>
<td>275</td>
</tr>
</tbody>
</table>

Source: commune statistics

4.2.3. Assistance

Since 2001, according to Decision 60 QD-UB to attract investment to Bac Ninh the
provincial government assisted with 50 percent of the cost of vocational training for laborers employed by local enterprises, to a maximum of one million VND per laborer. Then the Decree 197/2004/ND-CP was issued in December 2004 (see Box 5) on employment assistance for recovery households. Following this Decree, Bac Ninh provincial government issued Decision 226/2004 QD-UB on 31 December 2004. This regulated employment assistance for recovery households at 14,700 VND/m² to recovery households together with compensation money. Another main assistance has been delivered to recovery households by granting a piece of residential land. However, this form of assistance is unsuitable for generating alternative employment. Employment assistance is delivered to villagers by cash and together with compensation, thus, they used it as a support for compensation to build or repair a house (see box 5). It was more common in the households receiving about 70-80 million VND of compensation, or lower, which was not enough for a new house after discounting about 20 million VND for a piece of residential land.

Box 5: Building a new house because the old one was too bad

Mrs. Th and her disable husband have three children. About more than 90 percent of their agricultural land have been recovered, and they received 30.2 million VND for compensation. She had decided to use compensation to rebuild a house because the old one was in too bad condition. On the other hand, she also mentioned that she did know how to run business for which compensation could be used. Building a new house made her household in debt 15 million VND (4 million from bank, 11 million from relatives). Currently she works as a hire labor for any work to provide main daily expenditure of household. Besides, she rent more rice land at nearby village. The payment is settled in kind after harvesting

Mrs. Th, Thai Bao village
Interview in June of 2007

Source: Data collection from fieldwork

Actually, giving residential land to recovery households perceived as assistance, not only caused a problem for the recovery livelihood, but also failed to generate employment at present. In fact, villagers had to pay for that land at a lower price compared to market price, so households that had small compensation were disadvantage. On the other hand, many villagers tried to buy residential land with a hope that land might be sold afterwards for settling a debt for a new house and generating employment. However, the land market went down after that.
Moreover, the red book, a certification of land use rights, had not been delivered yet, even though villagers had contributed their certification fee already. Therefore, potential buyers did not want to buy land without land use certification. This lead to a more serious situation for the recovery households (see Box 6). According to the head of village women’s union, a collaborator for the Bank of social policy, currently the whole village is in debt of more than 2 billion VND, it is ten times higher than it was before land recovery. This loan does not include the loans coming from villagers’ relative.

Some other assistance services that were provided by organizing weaving and embroidering training, teaching interview skills for several days at commune for laborers of recovery households seemed not enough. Currently, nobody works on embroidery or weaving in Thai Bao village.

**Box 6: The failure in assumption of residential land**

<table>
<thead>
<tr>
<th>Mr. D is more than 60 years old. He has been a worker and has retired already. His wife is 59 years old. He has only one son, 26 years old and jobless. Currently the wife of his son works at the factory in Que Vo industrial zone. She got that job before moving to the husband’s house. His household received 80 million VND for three fourth agricultural land recovery. He spent more than 20 million on buying residential land and borrowed 80 million VND more with 1 percent interest per month for building a new house. As Mr. D calculated, residential land would have sold at 100 million VND and settled a debt. The rest could have been used for his son to find a job. Now, his family all rely on his pension, 1 million VND per month, the wage of his daughter in law is used for settling an interest.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. D, Thai Bao village</td>
</tr>
<tr>
<td>Interview in October 2007</td>
</tr>
</tbody>
</table>

Source: Data collection from fieldwork

### 4.2.4. Operating mechanism of Que Vo IZ

Mechanisms for management of IZs and clusters vary widely between different provinces. In the northern provinces, IZs are managed directly by State Management Boards (CLIP & CIEM, 2005) and Que Vo IZ in Bac Ninh province is not an exception. However, the land for Que Vo IZ has been leased out by Kinh Bac, a private infrastructure development company, that builds relevant infrastructure and sub-leases land to enterprises. I argue that such mechanism creates weak linkages among local authorities, enterprises in Que Vo IZ, and land recovery households in generating employment.
In fact, the IZs Management Board in Bac Ninh acts as a small provincial administrator, but it does not have the function to enforce the enterprises setting a priority in employment of households whose agricultural land have been recovered rather than other laborers. The main functions of IZs Management Board are managing, monitoring enterprise business activities, and reducing administrative procedure for enterprises in order to attract investment to the IZ. Generating employment for IZs has been promoted by the center of IZ service belonging to IZs Management Board. However, according to an officer of Bureau of the IZs Management Board this centre performs its function weakly. Just more than 100 employees have been promoted during a year.

On the other hand, when leasing land, enterprises have no duty to commit that they have to employ laborers of recovery households rather than other laborers. The Labor Law says that the enterprise has a right to directly employ labor. In fact, enterprises in Que Vo IZ do not distinguish between local and ex-local labor, they just employ the laborers who have ability working for them. In addition, in conducting sub-leasing contract with the enterprise, Kinh Bac has no reason to cause difficulty for his customers by adding employment requirements for local labor.

At the commune level, although authorities play an important role in land recovery process, they are voiceless in assisting employment generation for villagers. According to the Commune People’s Committee, all assistance proposals for employment have to go through district to provincial level. The enterprises sub-lease land from Kinh Bac company; the People’s Committee has no reason to send their employment proposals to them.
4.3. The impact of Que Vo IZ on employment

4.3.1. Positive impact

As discussed in Chapter 3, establishing IZs provides non-farm employment for rural areas. This conclusion is also drawn in the case of Que Vo IZ. The IZ attracted more than 4,000 employments in 2006, and it increased to more than 9,000 in 2007 (Table 9). In Nam Son commune, Que Vo IZ not only provided non-farm employment for recovery households, but also for non-recovery households. Table 13 shows that the IZ attracted 65 labors in Thai Bao and 71 labors in Son Trung village as factories workers. However, all of these employees are young labor only. They have just finished high school or vocational training, and are less than 30 years old. This issue will be discussed more in the next section.

| Table 13: Thai Bao and Son Trung's employees working at factories in Que Vo IZ |
|---------------------------------|---------------------------------|
| **Thao bao village**  | **Son Trung village**  |  |
| **Total** | **Male** | **Female** | **Total** | **Male** | **Female** |
| 65 | 22      | 43      | 71 | 17     | 54      |

Source: Data from fieldwork
Besides creating direct employment, Que Vo IZ also generated business activities for villagers. These activities include buying and selling of grocery, providing rooms for rent, and serving meals for workers renting their rooms (see Table 14). Such businesses attract villagers who are over 30 years old. However, these activities are more common in Thai Bao which is closer to Que Vo IZ than Son Trung. However, in Thai Bao business activities have just been developed by households along with the district road that crosses the village. Others, far away from that road, have not been seen such change (see Box 7). Some of these households have been observed as running small shops in front of the IZ gate. They sell soft drink, tobacco, biscuits, etc to workers.

Table 14: Business households in Thai Bao before and after land recovery

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery</td>
<td>5-6</td>
<td>20</td>
</tr>
<tr>
<td>Room for rent</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Hairdresser</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Motor service</td>
<td>0</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Data from fieldwork

For people over 30 years old who can not run a business, the IZ could provide them hired work for construction. At the initial stage of constructing Que Vo IZ, such work was more common, but it reduced in the years afterward. Luckier villagers could find employment as security guard, cooker or office servant in the IZ, but this is also few.

Box 7: Down in the village, disadvantage in room for rent

Mr. Th is over 60 years old. His household is further down in the village. He has four children. He stays with two last children. The others currently work in Ho Chi Minh city. Last year, his wife went to the South to help her children take care their home. So, he has one room available for rent, some of villagers introduced worker to him for renting room as well, but she or he just took a look and complained about the location of the household, they did not come back. The reason assumed by Mr. Th is that workers in IZ often come home late, maybe 10-11h PM, so they prefer the room near by the road crossing the village to those further down the village.

Mr. Th
Interview in December of 2007
Source: Data collection from fieldwork

Employment transformation

As discussed in the previous section, the building of the Que Vo IZ acquired a certain amount
of agricultural land. On the other hand, it created non-farm employment for villagers. Thus, farm self employment shifted to non-farm employment in both land recovery household and non-recovery household. Although the shift to non-farm employment is clearer in recovery households compared to non-recovery households, this argument agrees with Reardon (1997) that these factors push and pull the transformation of farm employment to non-farm employment. However, it contrasts with Briones (2006) that landholding decreases, households would shift from farm self-employment to off-farm employment. As industrialization advances, so does dependence on off-farm income.

Figure 7 shows that farm employment has reduced after land recovery in Thai Bao. Through surveying 144 farm labors, 73 of them keep working on farm, 18 move to work as factories worker, 33 as hired labor for construction work in Que Vo IZ, and 15 of them run their own business of buying and selling in the village (see Appendix 3). Labors who keep working on farm try to generate more employment by leasing more paddy land in other villages or communes. As observed in Thai Bao, this strategy is usually based on kinship. These labors are in the households that have a daughter in-law or son in-law coming from other villages or communes, and they leased more paddy land from their parents or their relatives. The shift from farm to off farm employment was not seen in Thai Bao village as 90 percent of agricultural land had been recovered. There is no more land for generating off farm activities.

In Son Trung, a non-recovery village, although the tendency is similar to that of Thai Bao, the reduction of farm employment is not much. The survey of 108 farm labors shows 84 of them keep working on farm, 11 are workers at factories, three work as hire labor for construction work at Que Vo IZ, and two moved to run buying and selling business (Appendix 2). As agricultural land is available, villagers can grow vegetables as cash crop. As they perceive, growing vegetable is easier than working as hired labor for construction work in IZ and that is also considered as seasonality. However, villagers prefer to work as hired labor in IZ rather than as off farm employment in the planting and harvesting season because of higher wages. At the previous crop, the labor price (one labor per day) was 30 thousand VND for planting or
harvesting, meanwhile, it was 40 thousand VND for construction work.

![Bar chart showing employment share in Thai Bao before and after land recovery](image)

**Figure 7: Employment share in Thai Bao before and after land recovery**

Source: Data from fieldwork

Interviews in Thai Bao village also show that the building of Que Vo IZ did not effect the employments of those who already work on non-farm sector. As shown in Figure 7, employment in knitting and carpentry are unchanged before and after Que Vo IZ was built. In addition, doing carpentry can gain more in comparison to before land recovery due to the increased demand of rooms for rent.

Through evidence above, I argue that the driving force for labor transformation from the farm sector to the non-farm sector is not only the labor market as in Lewis’s assumption, but also compulsory land recovery. In addition, theoretically farm labor can be absorbed by the industrial sector due to the higher wages. However, several reasons such as black transaction, enterprise’s requirements... block this labor transformation process. These issues will be discussed further in the following section.
Women’s participation in Economic Activities

As discussed in Chapter 3, although there was a disparity of labor distribution in IZs, it mostly benefited female labor. This argument is also found in the case of Que Vo IZ. More than 70 percent of total labors in the IZ are women. Particularly, this proportion is higher in some factories or enterprises in IZ (Table 4.15). At the village level, the IZ provided employment for 43 female labors in the total of 65 IZ’s labors in Thai Bao village and 54 female labors in the total of 71 IZ’s labors in Son Trung (Table 13).

Table 15: Employment in some factories or enterprises in Que Vo IZ in 2006

<table>
<thead>
<tr>
<th>No</th>
<th>Enterprise</th>
<th>Total employment</th>
<th>Female employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hiep Hung Garment</td>
<td>463</td>
<td>400</td>
</tr>
<tr>
<td>2</td>
<td>Canon</td>
<td>3 940</td>
<td>3 689</td>
</tr>
<tr>
<td>3</td>
<td>Seiyo</td>
<td>591</td>
<td>420</td>
</tr>
<tr>
<td>4</td>
<td>VS Industry</td>
<td>780</td>
<td>546</td>
</tr>
</tbody>
</table>

Source: Department of Labor, Bac Ninh IZs Management Board

At household level, as the agricultural land declined, most of the farmers in land declined villages lost their income. In addition, the compensation was not enough for their lifetime. This situation increases as not only men, but also women are involved in income generation.
According to Acharya (2003), when agricultural land was acquired for industrial purpose, women participated more in off-farm employment.

“...Apart from their domestic responsibilities, women are performing a range of economic activities to support their families, of which the five main ones are growing and selling vegetables, animal husbandry and sale of milk, farm work, fishing, and working as maids in industrial townships. Other activities include selling knitted items, midwifery, teaching, or running a shop...”

In contrast to Acharya, women in both recovery and non-recovery households in Nam Son participated more in non-farm activities compared to before land recovery. In Thai Bao, before land recovery, most women over 30 years old focused on agriculture work, including rearing of husbandry and planting crops, while a few others did knitting and sold their knitted products directly to the market. According to the group discussion in Thai Bao, prior to land recovery there were 10 to 15 women working as hired labor. Currently, due to landlessness and attraction of the IZ, two thirds of women work as hired labor in Que Vo IZ. They not only earned 30-35 thousand VND per day, but also 10-15 thousand VND per day from collecting construction waste which male hired laborers did not do. Most of the others worked at factories and ran small business (see Figure 9). Small business included buying and selling or running tea stalls near the IZ by selling candy, biscuits, cigarettes, tea, and other soft drinks to workers and hired labor. Running a tea stall is only found in Thai Bao, because its location is closer to the IZ than in Son Trung. As perceived by a woman tea stall owner, this form of employment is lighter than working as hired labor, and the stall does not require much investment, it takes about 800 thousand VND to one million VND only. However, such business is not allowed by the local authorities for the reason that it destroys the IZ landscape.
In Son Trung, the group discussion shows that because the building of Que Vo IZ did not recover its agricultural land, almost all women over the age of 30 years keep working on self-farm employment. They have considered hired labor in Que Vo IZ as seasonal employment. However, women at the age of 18-30 years participate more in non-farm employment than the others (see figure 10). As perceived by farmers in both Thai Bao and Son Trung, most of these laborers have just finished high school or vocational training, and then they have an advantage in getting recruited by enterprises in the IZ. They also said that working as worker at factories in IZ is more stable than other employment because of the monthly wage. Over 30 years old women participated in non-farm employment by working as servants at factories or as factory’s cook. Although few women got such job, they are found in both Thai Bao and Son Trung village.
Migration

Migration of labor is a common strategy of rural households. Absorption of rural labor by the rural area itself will reduce pressure on economic growth. In Vietnam, both farm and non-farm employment in rural areas have not absorbed well all the local labor demand and out-migration seems to be dominated by inter-province movements (ADB, 2006a). However, building IZs seem to contrast to that argument. The case study in Nam Son commune shows that the building of Que Vo IZ did not cause the movement of local labor (labor in village near by IZ) out of the village. Que Vo IZ not only generated villagers’ employment as worker at factories, but also provided other extra work on construction to attract labor working at long distance places back from nearby village (see box 8). However, how long such work lasts is still a question, because that work just rose during Que Vo IZ construction. In the next few years, when IZ construction finishes, it means the villagers stop working in that field as well.

Figure 10: Age of Thai Bao and Son Trung’s female labors working at factories in the IZ
Source: Data collect from fieldwork
Box 8: Go back to the village because of IZ

He was the first person in Thai Bao village setting up a team of 7-10 hired labors for construction works in early 1990s. To 2000, there were about ten more teams set up. During 1990-2000 his team and others had to go to Hanoi and other provinces to find working opportunities due to a low construction demand in the village and others around. As Ng said, if he was lucky, during 2-3 years there had been a one or two new houses built in the village. At that time all villager’s income relied on agriculture (planting rice), so it took, maybe, a whole life saving to build a house. Since the end of 2001 when Que Vo IZ started constructing infrastructure, his team and others went back to the village and worked for IZ. Two years later, factories started building in IZ and villagers received compensation. Most of them spent on building a new house, so we had employment for whole year. Currently one team of servants for factories in IZ also has been set.

Mr. Ng, a head of hired labor team for construction work in Thai Bao village
Interview in 15 October 2007

Source: Data collection from fieldwork

Anyway, temporary out migration was found in some recovery households. This point agrees with ADB (2006a) that out migration is dominated by inter-province movement, and Deshingkar and Start (2003) that the less land, the more out migration there is. In Thai Bao, migration out of the village has occurred on young male labors (Box 9). They went to other provinces, usually the big cities like Hanoi, Ho Chi Minh, or Hai Phong, to get vocational training by working for a motor service shop, hairdresser, etc. After one or two years, they went back to the village and ran their own business based their experiences. Such cases have been observed at households, whose relatives have already worked outside the village, and they have one or two children staying with the family; others have lived separately and have stable lives.

Box 9: Good migration is back to village after getting trained

His household lost eight sào (all land), and received about 70 million VND. Most of it was used for vocational training in HCM city with his brother. It took them 2 years. They have relatives in HCM. His brother opened a hairdresser salon (there are three hairdressers in village). He himself opened a motor serviced shop. The rest of the compensation money was used for building a house for rent. There are 3-4 fast food servings for workers of IZ and his household has one. Some of his friends enrolled at the local vocational school (in Bac Ninh). It took them only one year, but he said, they are only trained in theory, they lack practice.

A man at Motor service shop, Thai Bao village
Interview in 26 July 2007

Source: Data collection from fieldwork
4.3.2. Negative impact

*Employment loss*

In rural areas, landholdings are a significant form of access to productive assets (Briones, 2006). Landholding decreases will cause employment loss. In this paper, employment loss has been considered as the loss of farm employment and the shift from stable to unstable employment. According to Bac Ninh’s DOLISA (2005), more than two thousand people lost their employment due to agricultural land recovery for building industrial zones. Reportedly this number will get increasingly bigger by 2010. More than 70 percent of labor force of recovery households gets employment, most of them as casual work. The case study in Nam Son commune shows that the building of Que Vo IZ caused not only farm employment loss in recovery households, but also off farm employment scarcity in planting and harvesting season in non-recovery households.

In Thai Bao village, more than 60 percent households still rely on the farms after the land recovery, however, the workday per labor declined to 16.14 for farm employment, and to 1.91 for farm waged employment compared to that at the time before land recovery (see table 16). Moreover, labor working in husbandry also decreased. Prior to land recovery, 90 percent of the households in the village reared pigs, cows or buffalo, but only about 20 of more than 250 household continued with husbandry currently. Landholding decrease does not provide enough feed for husbandry and grazing land for dairy cattle. For hired labor, their employment decreased every year after to the completion of building infrastructure of Que Vo IZ (see Box 10).

**Box 10: Working as hired labor but it reduces every year**

<table>
<thead>
<tr>
<th>Mrs. Ng, Thai Bao village</th>
</tr>
</thead>
<tbody>
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<td>Interview on 10 August 2007</td>
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</table>

She is 35 years old and her husband is 38. Their eldest son has just finished high school last year, the other son still goes to school. Like other villagers, prior to land recovery they had 1800 m², and just worked on farm only. Currently they retain more than 200 m² of agricultural land. It just provides food for their family for 3 months, so they can not rear pigs. As Mrs. Ng calculated, buying feed for rearing pigs is rather expensive, and they do not gain profit. Mrs. Ng also said that they had no choice for generating household’s income, except working as hired labor in Que Vo IZ. In 2002-2004 they could work whole year in the IZ, but in 2005 they just worked for 8 months, and 6 month in 2006 on average. If the work was more as it was in 2002-2004, most of their wage could be saved for their children, earnings from collects waste material of construction could be spend on daily expenditure.

Source: Data collection from fieldwork
In Son Trung village, during rice planting and harvesting season, although both farm self employment and farm waged employment increase, it is hard to hire labor. Most of the young laborers working at the factory in Que Vo IZ do not have time for farm work or do not want to work on farm. The older ones prefer working at IZ as hired labor because of a higher wage. This situation lead landholders to find hired labor working on farm in other villages with higher price (Box 11).

Table 16: Mean of farm employment in Thai Bao and Son Trung before and after land recovery

<table>
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<th>Employment</th>
<th>Thai Bao village</th>
<th>Son Trung village</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Before</td>
<td>After</td>
</tr>
<tr>
<td>Self farm employment (workday/per person)</td>
<td>63.09</td>
<td>16.14</td>
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<td>Waged farm employment (workday/per person)</td>
<td>18.92</td>
<td>1.91</td>
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</table>

Source: Data collection from fieldwork

The loss of employment can be considered as low wage and instability. In Que Vo IZ workers in the factory have received 450 - 500 thousand VND per month in the probation/trial period; 710 thousand VND to 1.1 million VND per month for later periods. As calculated by villagers, to get a job at 1 million VND wages, they may have to pay about 9 - 11 million VND, adding 10 million VND for a motorbike to go to work. So, it might take more than two years to get the money back. Additionally, the group discussion in Thai Bao village also showed that employment is unstable in Que Vo IZ. Many workers have been sacked after the probation/trial period without reasonable explanations.

13 1USD =15 000 VND
Box 11: Alternative strategy for small compensation

Mrs. N is 38 years old and her husband is 39. They have 6 children, and currently the household has 3 main labors only. They had 2160 m$^2$ of agricultural land and 1908 m$^2$ of it had been recovered. For that recovered area, her households received 53 millions VND of compensation. More then half of it was compensated at 16 million VND. 18 of 53 millions VND had converted to residential land. Most of the rest of the compensation has been sent to the bank for their children’s education. Before land recovery she and her husband worked in agriculture. Besides they did knitting after agricultural work. Knitting ran well for several years, however, the market for their knitting products failed. The traders in Hoa Dinh, 15km from his village, did not buy their products, meanwhile, land recovery happened. They decided to keep working in agriculture, so they leased more agricultural land (1440m$^2$) in a neighbor commune through introduction of the husband’s friend. For that land they pay in kind at 50kg of rice per 360m$^2$. Due to IZ construction, the irrigation system was broken and working on the field away made household's labor work harder; three of six children also participated on that work in planting, weaving and harvest season even though they are school age. They also bought a cow for tilling, and the children looked after it. They hope that a calf will be born, and then it can generate more income for the household.

Mrs. N, now, mainly takes care for rice field and husbandry, her husband tries to work as hired labor in IZ. When IZ started its construction, her husband could work 10 to 12 month per year in IZ, however, since last year (2006) he had worked 6 month in IZ only. In July of 2007, her husband and some of other villagers went to a neighbor province to work. Mrs. N also said that the age of her husband is over the factory’s requirement for workers.

Mrs. N, Thai Bao village
Interview on 26 October 2007

Source: Data collection from fieldwork

The failure of getting employment

This section will approve the argument that several factors block the transformation from farm employment to industrial employment. Data collected from fieldwork shows that many laborers of recovery households as well as non-recovery households failed to get employed by the enterprise at Que Vo industrial zone. The main reasons have been addressed as following:

Unsuitable usage of compensation

The group discussions in Thai Bao village show that most compensation has been used for building new houses and buying a piece of residential land (Figure 11). As explained by villagers, building a new house has been prioritized, because if they did not, they might have had no more chance in their life. Concerning this point, Nang (2006), in her case study in Tho Da village, has concluded that it brought economic effectiveness in terms of opportunity cost (due to increasing price construction material) as well as physical asset. However, in terms of employment generation, such physical asset might not be useful for farmers who have had
about 90 percent their agricultural land recovered. In Thai Bao village, after the compensation was discounted a part for buying residential land which was collected directly by the commune authority, building a new house costs almost all of their compensation. So, the compensation was used for regenerating alternative employment was few. Moreover, many villagers hoped that residential land would be sold at a high price afterward. This assumption led villagers to borrow more money from relatives or even from the bank, with interest, to build a house. In fact, many households are in debt due to not selling residential land yet. Additionally, as mentioned in previous sections, buying residential land seemed to be compulsory by commune authority, and villagers had less right to make their own decision. The households who received small compensation (less than 50 million VND) found it harder to use their compensation for generating alternative employment.

![Figure 11: Compensation use in Thai Bao village. Source: Data collection from fieldwork](image)

**Requirement of employees**

As employment recruitment noted in front of factories gates or in the local newspaper, the factories always require labor in the age range of 18 -25, so others, over age, failed. In some cases, villagers try to get illegal certification of profile to meet the employee’s requirements (case of ID card; graduate certification...). Additionally, gender requirement also caused disparity in getting employment. Reported by the Department of Labor Management in the
IZs Management Board show that 66.9 percent of labor in Que Vo IZ is women. Particularly, this ratio is high, 93.9 percent in the Canon factory, the largest one in terms of employment in Que Vo IZ. It provides more than 40 percent employment in the IZ.

“Black transaction” and unaccountability

In order to get a job as worker at factories in IZ, most villagers (70-80 percent employers, estimated by villagers) have to pay a “black fee” to brokers. Most of the brokers are Vietnamese working at factories in IZ, including gate man/security guards. The fee ranges from 2 million to 3 million, up to 12-13 million. Actually, brokers fight each other; each of them has their own “chain”. Labors over the age of 25 can be employed by going through brokers. In fact, if directors of factories know their staff involves in broking, both the staff (brokers) and worker who has been employed by brokers will be sacked.

Even employees who come to the village to employ labor seem involved in corruption. Some of villagers tried to show their age through ID card, but they were denied. They also tried to talk to the village head to extend their requirements on the range age, however, he did not agree.

Box 12: The discouragement of getting employed by the factory

| Through an interview, she was employed by the boss of the factory (foreigners) and has worked for factory for two months (probation period). But then, personal department of the factory set appointment with her so many times that she was discouraged (she assumed that staff in that department wanted her pride) |
| Her sister got credit to pay for employment in IZ, but she was sacked after two months, and now she has no ability to repay. |

Mrs. A, Thai Bao village
Interview on June 27th, 2007

Source: Data collection from fieldwork

Low wage and Instable employment

As perceived by villagers, working at factories in Que Vo IZ is instable. The group discussion in Thai Bao shows that some villagers might accept high “black fee” for brokers, even getting credit with interest for that fee, but the instability of a job in IZ blocks their payment. On the villager’s side, instability is considered as a short labor contract. Usually, the contract lasts for 1-2 years only, so villagers worry about their employment afterward; another is lack of...
transparency in terms of shaking. In Thai Bao, many laborers have been sacked after 2 months of working at the factory without clear explanations; female labors might be sacked because they get pregnant after their wedding. On the side of IZs Management Board, instability is caused by seasonal production of factories, depending on their orders.

**Hiring strategy**

Some of the enterprises usually hire labor during a probation/trial period (three months) only, because the employers just have to pay two thirds of employee’s wage (usually it is quite low), and they do not have to pay worker’s health insurance. After the probation period, workers have been sacked without clear explanations, and then employers recruit other new labor for next three months. According to a university employee in Que Vo IZ, a high school labor needs only 6-7 days to become familiar with the work at Longtech factory, so three months is a too long period of probation. This was also found in Bangladesh when some enterprises were known to use the apprentice/training salary as a means of exploiting workers who were paid the training salary for six months even though they can learn the job in two or three months (Dowla, 1997).
CHAPTER V: CONCLUSION

Together with the IZs development in Bac Ninh, Que Vo IZ have had substantial gains in terms of employment and occupation rate. Que Vo IZ created the highest number of employment, accounting for more than 50 percent of total employment among IZs in Bac Ninh. It also has the highest occupation rate (100 percent) among IZs as well. However, the formation of Que Vo Z created an unequal treatment among recovery households and enterprises. While the provincial government paved the “red carpet” to appeal to investments, the farmers received less attention. The compensation and the other assistances failed to generate alternative employment of recovery households. The results of the study agree with Nang (2006) to show that using compensation for building a new house was effective in terms of opportunity cost due to the devaluation of currency (VND), but the question is how farmer’s livelihood without employment after land recovery will be sustained. Additionally, like Rondinelli (1987), Huang (2001), and ILO (2002), this study shows that the building of Que Vo IZ created and diversified non-farm employment. It shifted the farm employment to the non-farm employment. The study also found that the failure of getting employed by the enterprises in the IZ was caused by the weak cooperation among local authorities, enterprises, and land recovery households.

All above discusses are short term effects of the building of the IZ. In the long term, the non-farm employment created by construction work in the IZ might not be sustainable. What will happen to these laborers when the IZ complete? Does it increase the pressure on out migration to cities? On the other hand, the laborers attracted by the enterprises in the IZ are low skilled labor, not need high skill labor in fact. So, do these labors created advantage for the IZ? Can low skilled labors create high productivity? Current working condition in the enterprises in the IZ might cause stoppage and it is questionable whether foreign investors will be attracted by this situation.

Therefore, policy implications derived from these findings are as follow: the first, the
provincial government may require a policy that calls for financial contribution of enterprises for farmer’s employment training to reduce inequality between them. This would also reduce the financial pressure of provincial governments on employment training. The second, it is necessary to issue a policy that allows farmers to contribute a part of their compensation to the share of enterprises. This may benefit both enterprises in terms of increasing capital and the recovery households in term of income, even in case of failing to get alternative employment.
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Reardon, T. 1997. Using Evidence of Household Income Diversification to Inform


APPENDICES:

Appendix 1: The map of Nam Son commune

Source: The Statistics Office of Nam Son commune

Appendix 2: The map of Thai Bao village

Source: The Statistics Office of Nam Son commune
## Appendix 3: Employment before and after land recovery in Thai Bao village

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<th>Employment before</th>
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Source: Household survey
### Employment in Son Trung before and after building Que Vo IZ

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Source: Household survey
Appendix 5: The questionnaire for household survey

QUESTIONNAIRES

October, ....... 2007

Village: ............................................................... Nam Sên commune, Quy Vô
Interviewee: ............................................................... Age: .......... Sex:......

Type of household: a. Recovery b. Non-recovery

I. HOUSEHOLD INFORMATION

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II. LAND RECOVERY

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<thead>
<tr>
<th>Total area before recovery (m²)</th>
<th>Recovered areas (m²)</th>
<th>Leasing areas (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.2. The sources of land recovery information that household reached:

- a. Commune
- b. Neighbor or rumor
- c. Mass media
- d. Village head
- e. Others

---

14 Que Vo IZ, Far from village, and close to village
15 give a detail
2.3. Did household agree with land recovery before it happened?
Yes  No  and  Why?
.................................................................................................................................................
.................................................................................................................................................
.................................................................................................................................................
.................................................................................................................................................

III. COMPENSATION

3.1. Compensation money

<table>
<thead>
<tr>
<th>Phase</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td></td>
</tr>
<tr>
<td>II</td>
<td></td>
</tr>
<tr>
<td>III</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

3.2. Compensation usage

<table>
<thead>
<tr>
<th>No</th>
<th>Usage</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Build/ repair house</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Buy residential land</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Build room for rent</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Settle a dept</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Spend for home consumption (TV, motorbike...)</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Invest for vocational training</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Invest for business</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Give to children</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Spend for abroad employment</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Others</td>
<td></td>
</tr>
</tbody>
</table>

3.3. Explanation for the usages 16:
.................................................................................................................................................
.................................................................................................................................................
.................................................................................................................................................
3

4. Household’s opinion on compensation
.................................................................................................................................................

16 Which one has been prioritized and why?
### IV. LABOR USAGE

#### 4.1. Farm activities

<table>
<thead>
<tr>
<th>Activities</th>
<th>Before land recovery/ building IZ</th>
<th>After land recovery/ building IZ</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Self employment</td>
<td>Wage employment</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Planting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvesting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Explanation:**

..................................................................................................................................................
...............................................................................................................................................4
.2. None farm activities: explain why none farm employment changed
..................................................................................................................................................
...............................................................................................................................................
.3. Migration explanation
...............................................................................................................................................4
..................................................................................................................................................

**Interviewer**

..........................................................................................................................................

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17 Measured by one labor per day
18 Including exchange labor