

## Abstract

*This thesis aims to examine the characteristics of the informal economy (informal sector and employment) and its role in creating employment and income for rural workers. It focuses on the case of the Red River Delta (RRD) in the context of economic integration in Vietnam. This is the most populated region with a high pressure on the labour market. Unlike most of the studies reviewed in the literature, we examine the informal sector not only in urban but also rural areas, thus the comparison is central to the thesis.*

*After a review of the literature in developing countries, in transition countries, and in Vietnam, an empirical analysis of the characteristics and the dynamics of the informal sector in rural and urban areas in the RRD in both macro- and micro- perspectives, is performed. In the period of economic integration, we find that this region is marked by considerable structural changes with a significant decline in the share of agricultural employment, in parallel with a sharp increase of the employment in non-farm household businesses, particularly in the informal sector. The comparative analysis of the informal sector between rural and urban areas shows that the informal sector is not only an urban phenomenon as usually stressed in the literature, but is also a crucial component in rural areas, especially in the RRD.*

*The role of the informal economy in creating jobs and income for rural workers is studied in two directions: first, through an analysis aimed at highlighting the earnings differentials between farm and non-farm employment; and second, through the analyses of the determinants of sectoral allocation (formal/informal) and earnings of rural migrants on urban labour markets. To address these issues, we use various individual databases (including panel data).*

*The results show that rural workers can earn more when they engage in non-farm activities instead of working only in agriculture, but it is not always true for all types of non-farm employment. In many cases, non-farm jobs (such as informal wage workers) are not as rewarding as farm jobs. Women benefit less than men when they have non-farm employment, especially when they are informally employed. When migrating to urban areas, rural workers engage prevalently in informal jobs. Being informally employed in the urban labour market is significantly correlated with having the intention of seeking another job, an indicator of job dissatisfaction. Furthermore, the results of earnings gaps suggest that informal workers suffer from a general disadvantage on the urban labour market in the RRD, regardless of their migration status. However, among all workers who migrate to urban centres in this region, the informal workers who come from rural areas are those who face the greatest penalties.*

**Key words:** informal sector, informal employment, rural non-farm economy, rural workers, migration, Vietnam, Red River Delta.

**JEL classification:** J21, J24, J31, J61, R23, F15