

Title: The Uneven Impact of Industrial Zones on Formal Job Creation in Vietnam

Authors: Brian McCaig (Wilfrid Laurier University)

Abstract:

We study the impact of industrial zones on the creation of private formal sector employment in Vietnam. Between 2000 and 2023, the number of industrial zones grew from 64 to close to 450 and spread across Vietnam. We match the location and timing of zone openings to formal sector employment and the number of firms by location (ward). Our identification strategy relies on comparing outcomes for wards that establish an industrial zone to wards nearby that do not. Employment and the number of firms operating in the formal sector both increase in wards following the establishment of an industrial zone. The increase in employment is almost entirely accounted for by foreign-invested manufacturing firms. Although private domestic firms also increase, their impact on employment is small. Zones near major ports generate approximately 3,000 additional workers seven years after establishment, while distant zones show minimal effects. Considerable variation persists even among geographically proximate zones, suggesting idiosyncratic factors also matter.