

Table 7.3: Corporate Social Responsibility (CSR) Indicators, by ownership category

	Private	State	Foreign
Management			
Has a committee/board overseeing CSR practices?	32%	37%	44%
Has a written down CSR policy?	69%	72%	78%
Member of standards groups or agreements that promote CSR standards?	2%	2%	4%
Has been awarded CSR type certifications or awards?	9%	9%	15%
Labour			
All permanent employees have a written labour contract?	97%	97%	96%
Enterprise has a local/plant level trade union?	37%	47%	79%
Enterprise pays contribution to social insurance for employees?	57%	73%	98%
Enterprise pays contribution to health insurance for employees?	58%	74%	99%
Community			
1. Environmental Protection	31%	29%	19%
2. Education	11%	9%	5%
3. Infrastructure Development	11%	8%	5%
4. Health Care services	5%	5%	4%
5. Youth Development	5%	4%	1%
6. Poverty Alleviation	27%	25%	9%
7. Local Heritage	4%	3%	1%
8. Sporting events	5%	6%	4%

The two most common forms of community-based activities relate to environmental protection and poverty alleviation. However, the scale effect does not seem to be as dominant within the community-based activities. For example 21 percent of the micro firms engage in poverty alleviation related CSR activities as compared to 23 percent of the large firms.

7.2 What are the characteristics of CSR adopting firms?

In this sub-section we look at correlates between CSR adoption and selected and firm specific characteristics. It is likely that CSR policies vary across firms in different sectors, however, we do not find any significant variation across sectors in the level of CSR activity of firms. As such we do not present any statistics on differences in CSR activities across sectors or in the relationship between industry characteristics and CSR adoption. We do, however, control for sectors in the analysis presented in this section. More specifically we estimate

$$CSR_{ijst} = \alpha_i + \alpha_j + \alpha_s + \alpha_t + \beta_2 X_{ijst} + \eta_{ijst}$$

using pooled OLS and a fixed effects approach. CSR is an aggregate index (0-16) based on the information obtained from answers to the questions described in Table 7.1 on the right hand-side includes traditional (identified in the literature) firm level determinants of CSR adoption; including a firm size variable (log full-time employment), an indicator variable for Research and Development (R&D) (taking the value one if R&D takes place in-house and zero otherwise), an indicator variable for whether the firm produces intermediates or goods for final use (taking the value one if final use goods

and zero otherwise), ownership characteristics (indicators of majority state or foreign ownership), and location (province, α_j) and sector dummies (α_s). Finally, we include time fixed effects in all estimations (α_t) and control for firm level heterogeneity in the fixed effects specification (α_i).

Table 7.4 presents the results and the following general conclusions emerge.

- First, the time dummy is positive and well-determined throughout the columns indicating that firms are incorporating more and more CSR measures over time.
- Second, in accordance with existing literature, larger and older firms are more likely to engage in CSR activities, although the firm size effect is not well-determined when controlling for firm level heterogeneity in column 3.
- Third, firms with part foreign or state ownership are more likely to adopt CSR practices. This could be a result of stricter enforcement of compliance measures for state firms and the fact that foreign firms often have to adopt stricter standards or compliance measures in order to be allowed to invest.
- Fourth, firms producing for the final goods market are less likely to adopt CSR practices as compared to firms focused on intermediate goods production. This may be explained by the fact that in order to get contracts with suppliers, firms need to comply with certain legal or management standards. This is particularly the case if firms are supplying foreign firms. Foreign firms have to answer (to a greater extent) to their home country governments and international consumers about where for example inputs are sourced.
- Fifth, firms carrying out research and development are also more likely to adopt a variety of CSR practices. This could be a result driven by omitted variables that determines whether a firm is engaged in R&D and CSR activities, and we therefore leave further interpretation of this relationship to future research.

Table 7.4: CSR Determinants/Characteristics

	1		2		3	
	OLS		OLS		FE	
	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat
Firm size (log)	0.757***	(37.41)	0.709***	(33.92)	0.078	(1.08)
Firm age (log)	0.229***	(3.97)	0.246***	(4.34)		
RD			1.125***	(12.96)	0.469***	(4.15)
Final			-0.141***	(2.85)	-0.157**	(2.40)
State			0.227***	(3.62)		
Foreign			0.140*	(1.84)		
Year dummy	0.145***	(5.11)	0.146***	(5.14)	0.101***	(3.55)
Province dummies	Yes		Yes		Yes	
Sector dummies	Yes		Yes		Yes	
Observations	9,802		9,802		9,802	
R-sq	0.28		0.30		0.16	

Note: Dependent variable: CSR Index (0-16). OLS (pooled) and FE estimates. t-stats (reported in parenthesis) are heteroskedasticity (cluster) robust. *, **, *** indicate significance at a 10 percent, 5 percent and 1 percent level, respectively

Table 7.5 disaggregates the results by CSR sub-index.

Table 7.5: CSR characteristics by sub-index

	1		2		3	
	Management		Labour		Society	
	Coeff	t-stat	Coeff	t-stat	Coeff	t-stat
Firm size (log)	0.180***	(20.96)	0.386***	(40.14)	0.144***	(10.56)
Firm age (log)	-0.034	(1.59)	0.146***	(5.48)	0.135***	(3.67)
RD	0.447***	(12.89)	0.306***	(9.47)	0.372***	(6.34)
Final	-0.033	(1.63)	-0.032	(1.39)	-0.075**	(2.48)
State	0.018	(0.80)	0.188***	(6.11)	0.021	(0.54)
Foreign	0.061*	(1.87)	0.429***	(12.29)	-0.350***	(7.41)
Year dummy	0.024*	(1.79)	0.035***	(3.03)	0.088***	(4.65)
Province dummies	Yes		Yes		Yes	
Sector dummies	Yes		Yes		Yes	
Obs	9,802		9,802		9,802	
R-sq	0.17		0.43		0.15	

Note: Dependent variable: CSR sub-indices. OLS estimates (pooled). t-stats (reported in parenthesis) are heteroskedasticity (cluster) robust. *, **, *** indicate significance at a 10 percent, 5 percent and 1 percent level, respectively

Here the importance of whether we include compliance (labour) related responsibilities in our CSR measure or not becomes apparent. The positive relationship between state ownership and the number of CSR activities is driven by compliance related responsibilities. Moreover, the positive and

significant coefficient on foreign ownership in the aggregate CSR measure is also highly driven by including compliance related CSR activities. Focusing on society related beyond compliance CSR measures, the coefficient on foreign ownership turns negative (and well-determined), which could question the degree of “local content” in foreign firm activities in our sample of firms. This is something that should be analysed in more depth in future research.

7.3 Has the number of CSR activities increased over time?

Although Table 7.1 could suggest that very few firms change their CSR activities over time, Table 7.6 reveals that a lot of variation is taking place behind the aggregate numbers.

Table 7.6: CSR activity variation over time

	All	Micro	Small	Medium	Large	Private	State	Foreign
All								
Improved CSR practices	33%	31%	33%	33%	36%	31%	35%	34%
No change	34%	39%	35%	34%	32%	36%	32%	36%
Less CSR activities	32%	30%	32%	33%	32%	33%	33%	30%
Labor								
Improved labor related CSR practices	24%	25%	22%	25%	28%	22%	24%	28%
No change	52%	55%	55%	49%	49%	55%	51%	49%
Less CSR labor related activities	24%	21%	24%	23%	23%	23%	25%	23%
Management								
Improved management related CSR practices	13%	12%	15%	14%	8%	13%	15%	9%
No change	72%	71%	67%	73%	83%	73%	68%	79%
Less management related CSR activities	15%	17%	18%	13%	9%	14%	16%	12%
Society								
Improved society related CSR practices	20%	17%	20%	20%	21%	20%	22%	15%
No change	63%	68%	64%	62%	61%	61%	60%	72%
Less CSR activities	17%	15%	15%	18%	18%	19%	18%	13%

Some 33 percent of firms improved the variety of CSR activities, but at the same time 32 percent have reduced their CSR related engagement. Most of this variation is taking place within beyond compliance CSR activities, but from the table it is difficult to disentangle whether certain firm characteristics are strongly correlated with changes in CSR related activities. This is also confirmed when running an estimation analysing the relation between selected firm characteristics and changes in the aggregate CSR index (not reported).

However, Table 7.6 does reveal that most firms change their CSR related strategy even in the short run. What the drivers behind these changes are is, however, less clear, and begs for additional in-depth firm specific qualitative research.

7.4 Future research

Understanding what drives firms to incorporate corporate social responsible practices into their production and marketing decisions will be an important research avenue to pursue in the future, as Vietnam strives to become internationally competitive. The 2012 survey in combination with previous survey rounds provides evidence showing that Vietnamese firms are improving compliance related CSR activities, whereas beyond compliance CSR measures are still at the infant stages in most firm business strategies. There is therefore significant room for improvement in the delivery of support to firms that will encourage and enable them to implement especially beyond compliance CSR policies.

While the descriptive statistics presented in this section may help us understand the extent of CSR activities by firms in Vietnam, further research is needed to guide policymakers about how best to improve corporate social responsible behaviour. Several scholars have advocated in favour of indirect measures, where the best way to improve and expand CSR activities is to ensure an equal and stable playing field and promotion of a very competitive business environment. In this case, the main task of policymakers in terms of CSR will be to provide principles/guidelines for insuring that products and services are produced under decent conditions and by providing guidelines describing how firms through voluntary initiatives can integrate social and environmental considerations into their business activities and their interactions with stakeholders.

References

- Kitzmueller, M. and Shimshack, J. (2012). "Economic Perspectives on Corporate Social Responsibilities", *Journal of Economic Literature*, 50(1), 51–84.
- McWilliams, A. and Siegel, M. (2001). "Corporate Social Responsibility: A Theory of the Firm Perspective", *Academy of Management Review*, 26(1), 117-127.

8 Conclusion

This report summarised evidence about competition, innovation, technology transfer, and corporate social responsibility in Vietnam based on data from 2011 collected through a survey questionnaire implemented in 2012. With a sample of over eight thousand companies, the Technology and Competitiveness Survey is a uniquely powerful tool to understand how Vietnamese firms are developing their technological capacities and the extent to which this is due to foreign investment. Similarly, it is one of the only survey instruments in Vietnam to analyse topics related to the larger social context of business.

Policymakers face the challenge of helping Vietnam's private and public sector firms create more employment with higher real wage rates. The short-term effects of the global economic crisis combined with the long-term reality of slowing economic growth as Vietnam "catches up" make this increasingly difficult. The *Doi Moi* model of relying on low wages and labour reallocation from agriculture to modern sectors has increased welfare for the majority of Vietnamese (with some important exceptions, particularly amongst ethnic minority groups). However, labour reallocation can not increase living standards forever. A key part of the long-term solution is enabling firms to adopt, adapt, and integrate appropriate technology. The TCS remains the only tool currently available to the policymaking and research communities to study this process over time.

Results from this survey round indicate that firms are already working to improve product quality, rather than purely increase supply of goods. However, the 2011 cross-section shows that firms are constrained by access to finance, despite the large number of (possibly overlapping) government programs to support technology investment and diffusion. A key policy recommendation is therefore to make support for technology transfer and investment more transparent and more easily accessible, especially to SMEs.

In addition, foreign direct investment has generated significant numbers of jobs. One ancillary benefit of this investment is anticipated to be technology transfer, either within the same sectors that foreign firms operate (horizontal spillovers), or due to interactions between Vietnamese domestic firms and foreign international or domestic suppliers and customers (forward and backwards linkages). Evidence from the TCS suggests high-tech sectors should not be the only area of focus, since gains in efficiency, productivity, and quality can be made in many other sectors. Similarly, firms report extensive technology transfer from both domestic and international customers, suppliers, and competitors. Policymakers should therefore also emphasize domestic channels of technology spillovers: international and foreign-financed firms are an important source of new technology, but not the only one. Recognizing and supporting this is an important objective for industrial policy going forward.

Many firms can benefit by adapting and modifying existing technology in preference to simply waiting for appropriate spillovers from foreign or domestic firms, or for the uncertain payoffs of paying for

costly research and development. While encouraging the development of a domestic high-tech sector that innovates near the global technology frontier can be an element of industrial policy, many more firms could become more efficient, competitive and achieve greater scale simply by integrating technology that already exists elsewhere into their production process. The government can play a proactive role both by assisting firms in identifying appropriate technology or through helping firms finance technology investments (a significant majority of firms indicated they would have to finance planned technology investments using equity, and the reasons they did not buy off-the-shelf technology was because it was too expensive).

Finally, as Vietnam's economy becomes more competitive there may be increased pressure on firms to reduce their commitments to CSR in pursuit of increased profit margins. Evidence from the 2012 survey round and previous years shows that the average firm is improving aspects of CSR related to compliance with existing legislation, but very few firms exceed this minimum requirement. Policymakers can therefore play a proactive role by developing policies to support beyond-compliance CSR policies by firms. The most effective and fair way to do this may be to provide extensive guidelines that firms can voluntarily adopt to ensure good employment conditions and higher standards of environmental and social stewardship.

The overall prognosis for Vietnam's long-run growth continues to be positive. A combination of favorable demographics and political stability suggest that many of the right conditions are in place for the private sector to create employment growth. However, targeted and transparent industrial policy can help meet the challenges of slowing growth, increased demand for formal-sector employment, and rising wage rates. Enabling firms to access and invest in appropriate technology is a relatively low-cost policy with extremely high potential returns. While foreign direct investment has generated significant employment in a new formal sector of the economy, it is not the only source of technology spillovers and should not be relied upon to deliver increased growth through access to appropriate technology. Survey data produced by the TCS will provide policymakers with evidence and feedback on "what works" in industrial policy. By ensuring that such policy is based on data rather than selective or anecdotal evidence, Vietnam's policymakers are better placed to encourage broad-based growth and shared prosperity.

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