

## **Remuneration System and Economic Performance: Theory and Vietnamese Small-Scale Purse Seine Fisheries**

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### **Abstract**

This study analyzes the determinants of the choice of remuneration systems and examines their influence on the economic performance of fisheries. The purse seine fisheries in Khanh Hoa province, Vietnam, are used as the study case, with data collected from 162 fishing households in 2005 and 2008. The principal, agent framework was employed for the theoretical analysis and the propensity score-matching technique was employed for the empirical analysis. We demonstrate that insurance incentive-based problems are the rationale for the coexistence of share contracts and flat-wage contracts, even though share contracts bring greater economic benefit to both vessel owners and crew members. Income and residence are important factors that influence the behavior of choosing contracts. Both urban and rural crew members are found to be risk-averse. The implications for decision makers and fishermen are discussed in terms of how to adjust their behavior to maximize the efficiency gains.