

MOVEMENTS OF INEQUALITY IN VIETNAM MARKET ECONOMY

BÙI THỊ HOÀN^(*)

Market economy is reasons as well as conditions making the gap between the rich and poor relatively clearer, together with lots of fluctuations in recent years. It significantly affected to public's living standards as well as their psychology. Hence, the solution to Vietnam's inequality in order to limit its bad affection has become so essential.

In Vietnam, the inequality has dramatically changed and been shown through below diversified aspects:

The big gap of local income inequality

According to figures of General Statistic Office (GSO), in 2010, income per person per month has increased 39.4%, achieved 1,387,000 VND compared with 2008. Its average rising level was 18.1% per year during 2008 to 2010 and the inequality income rate was 9.2 times (1). So the gap kept rising comparing with the rate of 8.9 times in 2008 (2) and pointed out the emergency status of inequality.

1. The inequality was also clearly shown through the income gap between residential areas, cities, sectors and industries.

Together with the economic growth, the inequality has become a serious matter. The income gap between city and rural got bigger. In 1999, average income of a citizen was 517,000 VND per month, and it was 225,000 VND for the one living in rural; in 2008, a citizen received 1,605,000 VND per month while it was 762,000 VND in rural (3). The big gap has proved that cities, where have a better economy circumstance, achieved a higher income, and this fact has led to the serious inequality.

The income inequality between the rich and the poor had a dramatic dilated trend. In 2010, a citizen income was 2,130,000 VND per month while it was 1,071,000 VND in rural, the gap was almost double. Furthermore, income of the poorest household was 369,000 VND while 3,411,000 VND was the amount achieved by the richest one; The highest income area is in South-Eastern Vietnam with 2.6 times higher than other locations. The lowest income region was Northern midlands and mountainous (1).

GSO has done a research on 20% of those

^(*) MA. Hanoi College of Commerce and Tourism.

who are in groups of high and low income. The reports showed that the gap was raised from 7.0 times in 1995 up to 8.9 times in 2009. For city and rural, the gap also went from 8.2 times up to 8.3 times and in a same period of time, it was 6.5 times up to 6.9 times. Except Central Highland (Tây Nguyên), the inequality appeared everywhere else (4).

The overall gap between these two groups in 1990 was 4.1 times, 4.2 times in 1991, 6.2 times in 1993, 6.5 times in 1994, 7 times in 1995, 7.3 times in 1996, 7.6 times in 1999, 8.1 times in 2002 and 8.4 times in 2004 (5). And in 2010, incomer per person per month of the richest household was already 9.2 times higher than the poorest one (1).

Above figures hence showed that the dilation of income and the economic development of country in years of reforms had a positive correlation, both fast growing.

2. Also, it is the bigger inequality income of industries as well as businesses.

It could be clearly pointed out through reviewing the survey about income and salary of working people who were working for 250 FDI businesses in Hanoi, Hochiminh, Đồng Nai, Hải Phòng and Đà Nẵng, implemented by Ministry of Labour - Invalids and Social Affairs from 2002 to 2008. Based on industrial sectors, those who came from the industry of manufacturing and distribution electricity, gas, and water got the highest paid at 4,039,000 VND per person per month; while those came from fishery industry received only 819,000 VND per person per month.

Based on educational level of working people, technicians got paid 3.5 times higher than the normal workers. And senior managers have their average income as 10,231,000 VND per person per month, 9.86 times higher than normal working people. Up to 2008, there were 8.3 million people working in various types of business in which there were about 20% of governmental businesses, 24.4% of FDI cooperation and 56.6% of private companies (see: 6).

Income and wages of who working for private companies were the lowest level, while they were major operators in types of business, it was the reason of the inequality between businesses.

The inequality is not only about income but also about the amount of Tet holiday's bonus. In Hochiminh city, for example, the highest bonus level reached 523 mil VND per person and the lowest level is 330,000 VND, so the difference is more than 1,600 times. Hanoi reached its highest level of bonus as 72,900,000 VND while the lowest level was lower than 365 times, at 200,000 VND (3). It showed the diversified inequality of income in Vietnam.

Besides, there are the inequality in living standards, enjoyment and access to social services

1. Above income differences were the reasons led to the inequality in living standards, enjoyment and access to social services of various strata. Market economy and social services' expansion made the rich easily access and enjoy these services while the poor could not.

UNDP's survey found out that 20% of the richest people in Vietnam were receiving 40% benefits from Governmental social and security policy, while 20% of the poor just got about 7% of those benefits (see: 7, pg.12). Above figures totally proved the big gap of the rich and the poor in Vietnamese society.

GSO's survey about households' living standards in 2010 apparently expressed the difference in living standards, enjoyment and access to social services of public. In education, for example, the rate of no degree or never in school of those whose age are above 15 years and came from poor families, was 38.2% and 48 times higher than the rich families; the percentage of female was 24.46% and 1.6 times higher than male's; the rate of having a degree and from the richest households at the age of above 15 years was also 60 times higher than the poor households'. Except the age factor, every 100 children will have 53 go to high school while this amount could be up to 90 kids among rich families (1).

Expenditure on education of rich families was also 6 times higher than poor families, and the difference was 2.6 times when comparing the cities with rural. Average spending on a student in rich families was 6.7 mil VND, so it was 6 times higher than poor ones. Besides, spending of those from cities was 5.3 mil VND, also more than rural 2.5 times (1).

In *medical and health care*, only 81% of people living in rural received treatment from governmental hospitals while it was 90% in cities. Cost of medical and health care is 3.8 times higher in comparison the rich households with poor ones, and is

1.43 times higher for those living in cities than rural (4). In durability of housing, electricity and goods, the poorest households who owned a good enough house was 40.5% while the rich accounted for 53.4%. Basic houses of poor households were 91.1% in Northern midlands and mountainous region, and almost 9% of households live without electricity supply. The percentage of using clean water in cities were 68.3% while it was 10.5% in rural (see: 1).

Income is the most determinant factor affecting to living standards, enjoyment and access to fundamental services as well as expenditure of every single person. In 1993, the average spending per person of rich households was 5 times higher than the poor ones. The rate, however, increasing 7.27 folds in 2004 (see: 8).

The survey of GSO in 2010 also pointed out that the spending on living in cities was 1.94 times higher than in rural, and the rich's spending was 4.7 times higher than the poor's too. Spending on shopping and consuming services of the rich household, except eating, was 7.5 times higher than the poor households. While expenditure on house, electricity and hygiene was 11.7 times higher, on sanitary equipment and household appliances was 5.8 times higher, on health care was 3.8 times higher, on post office traveling was 12.4 times higher, on education was 6 times higher, especially on entertainment was 131 times higher (1). The amount of how much to spend on eating in daily life is also the requirement when evaluating the living standard. The more spending

on this matter, the lower living standard is and vice versa. Hence, the above inequality showed a serious gap between the rich and the poor.

2. The difference of income, living standard, enjoyment and access to social services was reasons of raising the inequality between social classes. The analysis of income changing circumstance showed that the rich got more benefits from economic growth while income improvement of the poor was extremely slower than the one having high living standard. It also reflected the dilatation of inequality.

The income inequality has led to the unfairness between rich and poor group in society, shown through GINI coefficient^(*). According to GSP's figures, GINI of the overall income has a rising trend through years. The index was 0.418 in 2002, 0.42 in 2004 and 2006 (1) and up to 0.43 in 2010.

Evaluating the rising inequality of social classes, it is considered that Vietnam is now applying the pyramid model which is the most unequal models in the world. This is *'a sustainable inequality which has close connection to Vietnam society, and also the characteristic of pyramid social stratification'* (9, pg. 7).

The movements of inequality was expressed through above aspects, and it will be more significantly dilated in Vietnam market economy today. It could be seen in lots of dimensions but the most basic and clearest way is still based

^(*)The GINI coefficient is the measure of inequality. A GINI coefficient of zero expresses the perfect equality where all values are the same. A GINI coefficient of one expresses maximal inequality among values.

on the inequality of income, living standard and the access to social services which required us a higher attention.

The proportion of poor families were located most in rural, regional and remote areas while enrichment lacking of transparency became more and more popular.

1. United Nations's reports about Human Development Index (HDI) put Vietnam at the 8th top movers in the world in terms of per capita GDP grow in the list of 'Top 10 Movers' (3). Vietnam, however, is still one of the poor countries which have a much lower level of GDP per capita, comparing with Asian and other developing countries. The proportion of poor people was high and major in rural, regional and remote areas. Reports on implementing Millenniums Development Goals (December, 2008) of Government at the fifth session of the 12th National Assembly (May, 2009) has worked through the rate of poor people in whole country from 1993 to 2009. Based on the national poverty measurement of QĐ170/2005/QĐ-TTg July 8th, 2005, it was a decreasing trend in the poor proportion through years, however it was still a big gap between rural and cities (see: 13).

Based on the new national poverty measurement of Government for the period of 2011 to 2015, the percentage of poor households in cities were 6.9% and 17.4% in rural. The Northern midlands and mountainous had the highest proportion of poor people. Other areas in a descending order were Tây

Nguyên, Northern Central Coast and South Central Coast (4).

The reports about Vietnam economic growth of World Bank at Mid - year Consultative Group Meeting for Vietnam (June 2008) updated that most of poor people was farmers and living in rural. There were 73% of those who living in rural, had already accounted for 94.1% of whole country's poor people. And, only 5.9% of 27% of those living in cities were poor (10, pg.11). Hence, the proportion of poor families in rural is 16 times higher than in cities.

In Vietnam, ethnic minorities accounted for only 13% of the population but up to 40% of poor families. And, poor households in rural accounted for near 90% of total poor households in all over country. The amount of the poor who living in mountainous region was from 1.7 times to double times higher than the average poor families (see: 14).

Besides, the percentage of poor citizen also asked for the attention. According to poverty measurement of World Bank and GSO as well as the State, the poor in cities of Vietnam were about 800,000 people in the end of 2009. Through the report of Oxfam and ActionAids about urban poverty circumstance in 2010, Hanoi and Hochiminh city became two cities which had big gap of living standard as well as ability of accessing to social services from education, medical, security, housing, and jobs, especially migrator. Millions of working people, who came from other areas and heading to capital for job opportunities, became the source of urban poverty. There were 38% of them living in Hanoi

and 54% of them living in Hochiminh city. They all did not have chance to access to social and security services. More than one- third living in both cities without clean water, drainage system, garbage and one - fourth did not have a basic quality house (see: 10).

2. The enrichment but lacking of transparency also created pressure on society. Through the years, Communist Party and States always encourage public legally doing business in order to improve their living standards. Illegal business, however, also dramatically increased and became the fundamental reason of inequality. It also made an objective matter as inequality turn out a pressure for society and public.

The illegal business such as cheating, or ignoring laws has become more and more popular. Producing and selling fake goods, for example, worried buyers as well as led to the loss of consumers' trust. Those products even harmed to health and lives of users. Avoiding paying tax will also make loss for government or other business methods even polluted the environment.

Among those methods, political corruption is a national problem. In Vietnam, political corruption is rather complicated when it appears every where, in all industries, all level of management as well as provinces, then led to serious consequences which hurt the national economy, politic and society.

The best evidence was the figures of the Party Central Supervision Committee. In the 4th CPV Central Committee, there were 40,000 members punished due to

corruption, in which up to 118 officials belonged to Central departments, 13 were members of Central, 19 Ministers and Prime Ministers, 26 secretaries and deputy secretaries. According to reports of National investigators 30 inspections, in 2006, there were mistakes worth up to 156 billion VND and 5 million USD of projects which had large capital investment, or Official Development Assistance (ODA) schemes through. Ministries and industries also implemented 346 inspections and found out mistakes worth more than 6,000 billion VND and 4 million USD. Provinces' errors were worth more than 361 billion VND and 1,900 ha of land... (11, pg. 20). International meetings on anti - corruption of United Nations considered that serious corruptions always appear in developing or undeveloped countries. *The corruption has dramatically increased on numbers, levels as well as characteristics, and Vietnam is not an exception* (see: 12, pg. 36).

There are more and more illegal ways to get rich and exist in diversified types. This reality actually needs to be seen in both general and specific dimensions. Then we can be more easily to evaluate which enrichment method is unsuitable or not at a right time in this specific situation but might be better at other conditions.

Another fact is some of business cases even were not illegal because of none official investigations, but they had badly affected to public's benefits. Those cases mostly took use of the holes of law to enrich some individuals in various

fields such as housing, building, public finance or projects, and then they turned out new groups who asked for social benefits. Hence, State needs to pay attention to issuing and implementing economic and social policies as well as improving the strictness of management.

Some reviews

The inequality in Vietnam today has increasing trend and led to more unfairness in society. It would keep going up together with the growth of market economy if State did not have effective and in time solutions.

In next few years, this trend is estimated to keep dilating. The high rate of poor households and focusing on rural, resulting in the risk of poverty. Government needs to take serious and suitable actions so that the goal of industrialization, modernization as well as socialism building can be successfully completed.

Inequality is an objective phenomenon in a market economy. If we let it freely grow up, there would be lot of serious consequences, especially social unfairness. It is impossible to remove the gap between the rich and poor but it needs to be shortened. Based on CPV's spirit as 'encouraging enrichment together with social fairness', it asks for a close connection between 'economic growth and implements of an advanced and equal society'. At the same time, public also have to actively follow the laws when doing business so that 'improving social agreements to achieve a prosperous people, strong country, democracy, fairness and civilization.'

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