

Project “Impact of inequality on growth, human development and governance - @EQUAL”
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Key policy debates on inequality in Vietnam

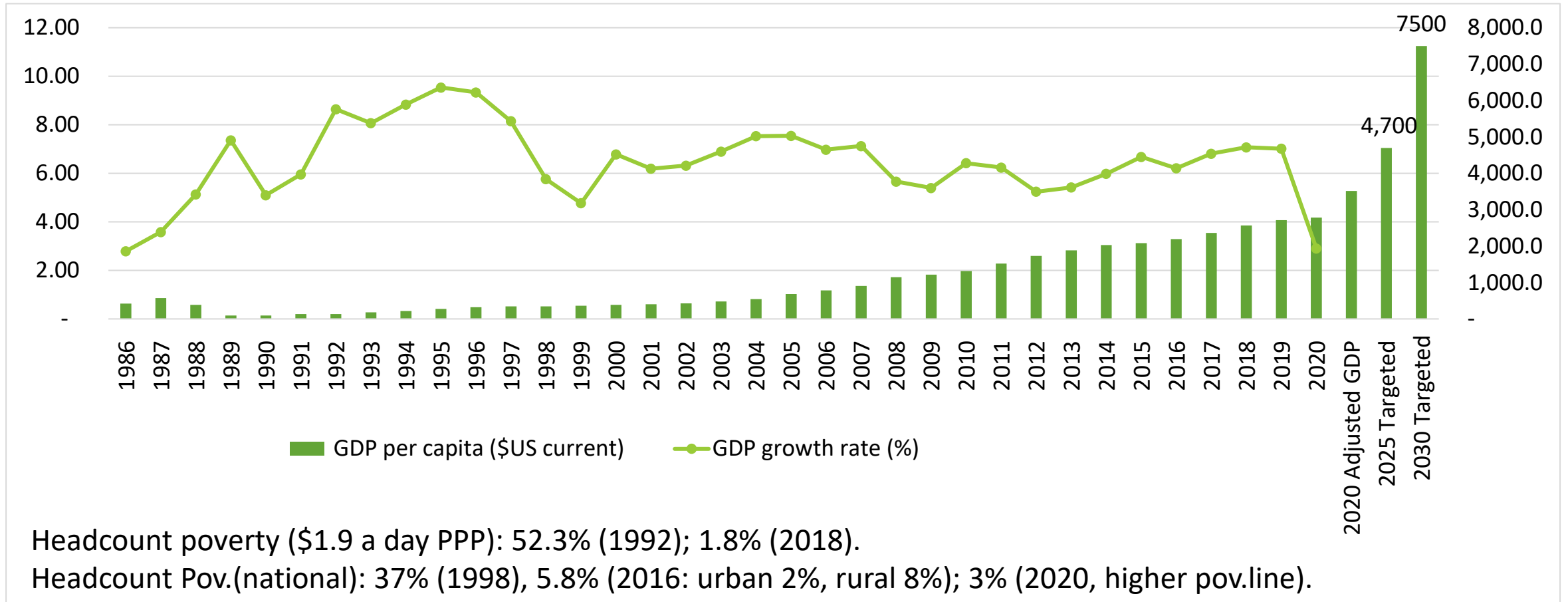
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Central Institute for Economic Management

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Development context of Vietnam

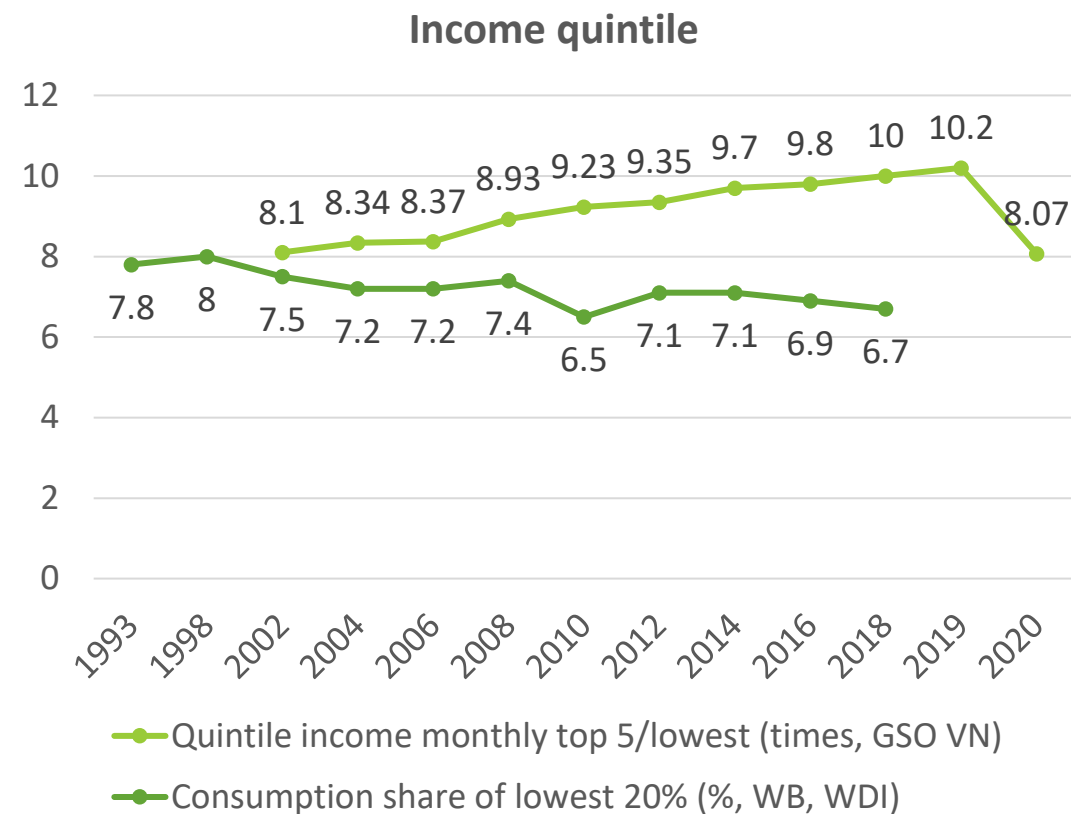
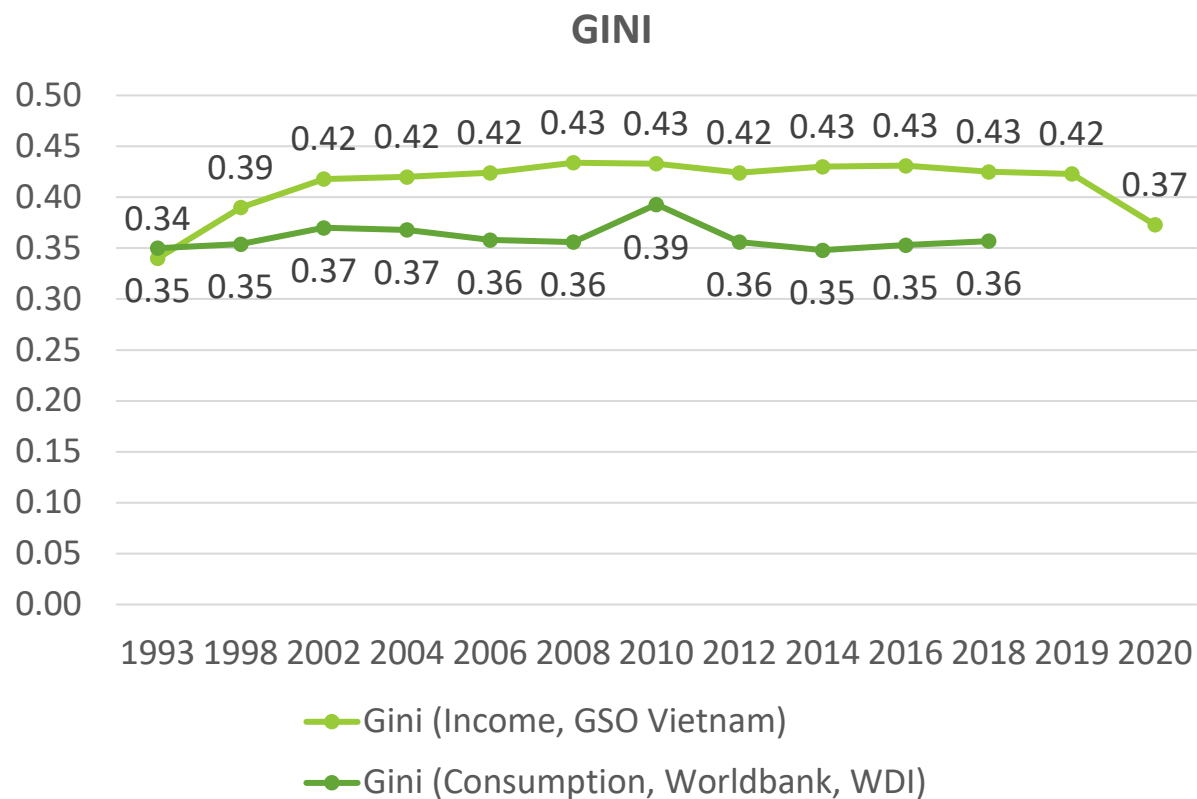


1. Inequality assessments

Several debates on:

- **The trend of inequality:** Can increase or decrease over time, depending on the measurements (GINI, ratio of top& lowest income quintile, perception, etc.)
- **Inequality of what:** Income/consumption inequality or multi-dimensional inequality?
- **Inequality among whom:** Overall inequality or inequality by urban/rural; by regions; by gender?
 - ➡ **Debates on:** if inequality in Vietnam is increasing? reasonable/acceptable?; what types of inequality should be paid more attention? What should be the policy responses?

Inequality trend: measurements (GINI or others)



Inequality trend: measurements (Multidimensional inequality)

2. Inequality in economic & assets



Gini index (expenditure, income, electricity consumption, housing value) remains stable over time



Inequality in expenditure is lower than inequality in income and electricity consumption



Inequality in asset is much than income and expenditure



National poverty rate is on decrease yet uneven across ethnicity

Inequality in health

Number of health visits

Province-level and central level hospitals

Highest number



Kinh group

Lowest number



H'Mong group

Reasons:

- Long distance between home and hospitals
- Affordability
- Limited awareness of healthcare/cultural norms



*"Going out to buy (medicine). It only costs a few thousand dong"
"No need to go anywhere"*

(Male FGD – An Hiep Commune, Chau Thanh, Soc Trang)

Inequality in education

Long term

Inequalities in education can last over a **course of life**, from early development to adulthood.

Selected indicators

- Proportion of children below 5 with **purchased toys**
- **Number of comics** per child
- **Enrolment rate**
- **Math and Literature score** of grade-5 students
- **Educational attainment** of 25-and-above people
- **Expenditure** on education

Beyond education environment

- Ability to self-learn and absorb knowledge
- Social skills- **technology skills, Internet access, the skills to distinguish between information of differing qualities**
- Develop intellectual capability

Inequality in participation, influence and voice

Proportion of individuals voting in the election



Positively relates to educational levels

- High school graduation vs not yet graduating from primary school – discrepancy in voting 20 - 26%



Significantly varies across genders (up to 17%)

- Men's voting rates: 86 - 89%
- Women's voting rates: 70 - 72%



Positively relates to income levels

- Rich households vs poor households - discrepancy in voting 13-14%
- Urban vs rural - discrepancy in voting 6%



No significant discrepancy in voting rates among ethnic groups

*** Voting rates for National Assembly (central level) are always higher than voting rates for People's Committee (local level)

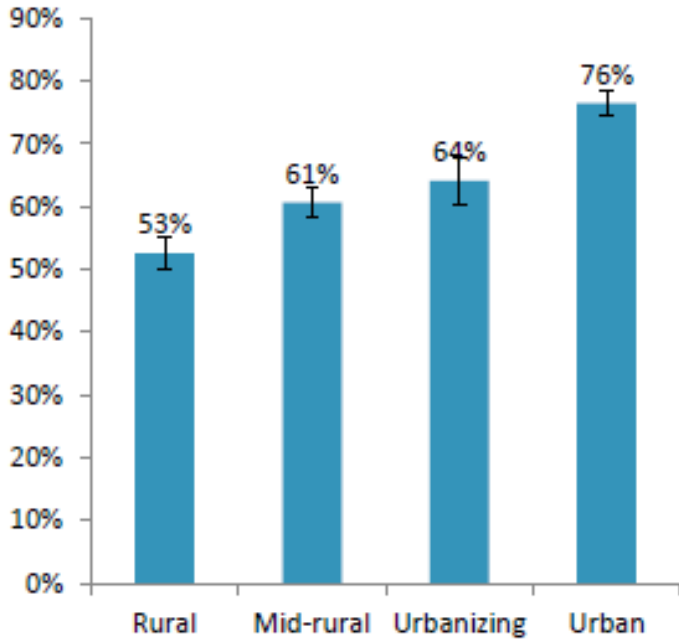
Source: Multidimensional inequality in Vietnam (AFD, EU, Oxfarm and MDRI, 2020)

Inequality trend: measurements (perception on inequality)

Perceived inequality is more serious than GINI

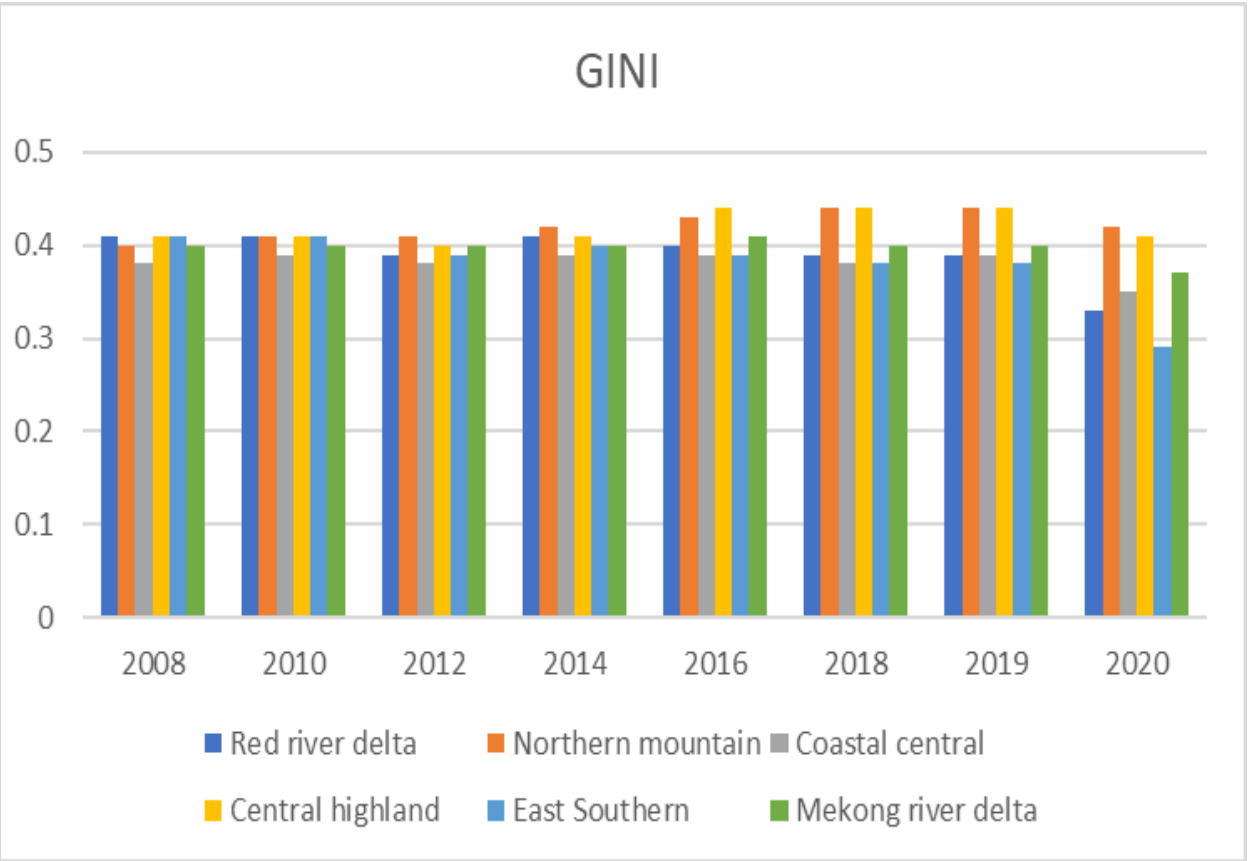
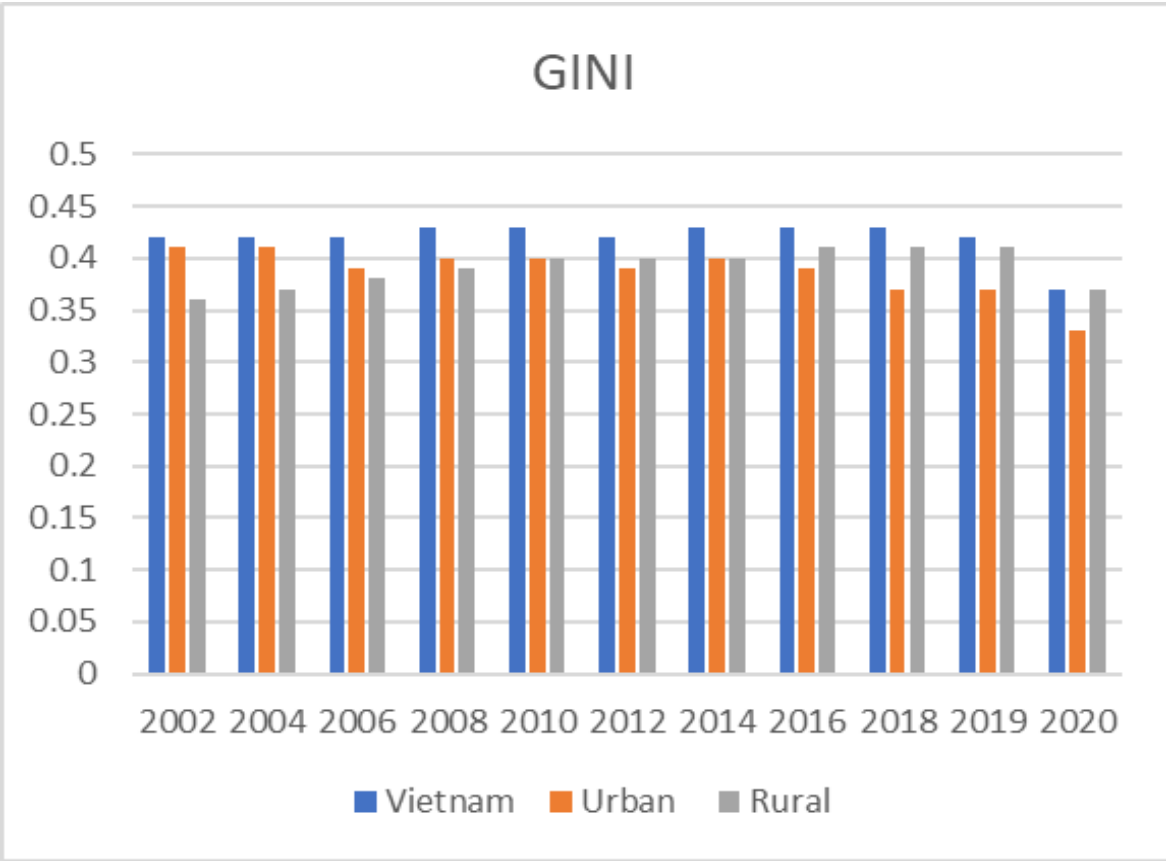


Disparities at a Vietnam wide level are a problem



Source: Perceptions of inequality in Vietnam (WB, 2014)

Inequality among regions



2. Impacts of inequality on development

- Many studies have been done on the impacts of various factors/policies on inequality (credit, trade, FDI, urbanization, government spending, government quality ...) but not many studies have done on the impacts of inequality on development of Vietnam.
- Few of them are:
 - **Impacts on poverty:** Hoai Nam Nguyen et. al. (2019) shows a lower inequality leads to lower poverty rate for 1996-2014 period.
 - **Impacts on economic growth:** Hoai Nam Nguyen et. al. (2019) and Hoai Nam Nguyen and Quoc Hoi Le (2019) show **no impact** (negative, not significant) of GINI **between provinces** on economic growth but there is a **negative impact** of GINI **within provinces**; no impacts of Ratio of top and bottom with growth for 1996-2014 or 1998-2016.
 - **Also some others:** impacts on cooperation (Thomas Markussen et. al., 2020) or on saving (Nhan Dang Tran, 2020), etc.

3. Policy responses on inequality

- There are consensus on the need to address the issues of inequality in Vietnam given the country's ideology, the assessments results on inequality and its impacts.
- There are many policies have been applied: labor market policy such as minimum wage, education and health policy (tuition fees, health insurance, etc.), other social policies (programs on poverty reduction, rural development, ethnic minority program, ...), fiscal policy (public spending and taxation), ect.
- **There are debates on how to design policy**, for example:
 - + Minimum wage policy: Is it effective in case of a large share of informal labor in Vietnam, that minimum wage is not applied.
 - + Public expenditure allocation: should state budget allocate equally as current?
 - + Poverty supports: the way to support encourage people to be poor?

4. Challenges in addressing inequality in the future

- Vietnam is in a process to transform from lower middle income to higher middle income country: Higher urbanization, higher industrialization, higher productivity with more technological driven and digital economy.

➡ Two questions: (1) if inequality will be increased; (2) can Vietnam transform with the current level of inequality.

- Vietnam is increasingly facing uncertainty from climate change, international markets (VN is highly open economy).

➡ How this will impacts on inequality and it's impacts.

5. Some directions for future research

- **Better inequality assessments:** Better measurements (not only relative inequality but also more on absolute), comparison among measurements.

- **More impact studies:**

+ Verify the impacts on economic growth to provide clearer and more concrete policy recommendations;

+ Study the impacts of inequality on human development;

+ Study the impacts of inequality on governance;

+ Compare the impacts of inequality on development using different measurements, in particular absolute inequality.

- **More policy assessments:** Study on the effectiveness of current policies, in particular in the context of future challenges.