



Policy Brief

# INCREASING INEQUALITY: WHAT DO PEOPLE THINK?

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OXFAM

# KEY MESSAGES

- People's acceptance of income inequality<sup>1</sup> very much depends on their awareness of equality of opportunity (that everybody has opportunities for upward "social mobility"<sup>2</sup>), as well as on their social and institutional beliefs.
- Rise in inequality goes in line with the unequal division of opportunities for social mobility, and at the same time, obstructs intergenerational social mobility. Although investment in education for jobs is considered the main way for intergenerational social mobility, it is facing two barriers. Firstly, differences in education quality, and secondly, the negative role of relationships, power, and money in obtaining jobs, especially in the public sector.
- Rise of inequality leads to reduction of people's social and institutional faith. People's attitude of ignorance, silence, and "self-management" of problems, without referring to the authorities, is a sign of negative reduction of faith in current institutions.
- In order to sustainably reduce poverty and inequality, most people give higher priority to solutions that focus on more effective allocation and use of current resources (increasing investment effectiveness through reducing waste, bureaucracy, corruption, and unfocused investment), than other redistributive solutions (e.g. increasing taxes to the rich).
- In the immediate future, it is necessary to develop a new policy programme that focuses on reducing inequality of opportunity and improving governance for more effective allocation and use of resources, as well as maintaining social and institutional trust. Reforms in measuring and identification of beneficiaries as well as the way to provide supports for poverty and inequality reduction are top priorities in such programme.

## INTRODUCTION

In recent years Vietnam has seen unprecedented economic growth coupled with an overall reduction in poverty. This has led to an increased standard of living for most Vietnamese citizens. This has led to new set of problems. Rapid economic growth has led to an increase in inequalities (see Box 1).

### BOX 1: INCOME INEQUALITY IS INCREASING

Income differences between households in the top and bottom quintiles in period 2004 – 2010 have increased from 7 times greater to 8.5 times greater. This is because the annual average income of the top richest quintile increased about 9%, while it only increased by about 4% for the poorest quintile. Ethnic minority groups are getting left behind in the process of development. Poverty has been increasingly concentrated in ethnic minority groups. Whilst ethnic minority people accounted for 29% of the total poor in Viet Nam in 1998, in 2010 they accounted for 47%.

Source: World Bank (2012)



The National Assembly and the Government of Viet Nam has recognised that disparities in living standards between regions and social groups are a key challenge for the nation's social stability and inclusive development<sup>3</sup>. As inequality and other challenges are increasing during the course of development, changes to the current policy programme are urgently needed.

In order to understand people's awareness about inequality and the related policy solutions in Viet Nam, Oxfam conducted a study on "inequality awareness" in 2013<sup>4</sup>. The study focused on how aware various groups of people are about the reciprocal relationships between increasing inequality and social mobility, social/institutional trusts and resource allocation. These are major issues for sustainable and harmonized development that have not been fully recorded in previous studies.

Oxfam's study further confirmed recent findings<sup>5</sup> that people from different socio-economic backgrounds are becoming more concerned about the rising inequalities. Most people tend to accept the rising inequality of outcome (income, expenditures, assets) that are associated with positive processes rewarding education, skills, talents, hard work and risk taking. However, not all inequalities were seen as acceptable. Inequality in outcomes or opportunities generated

through illegitimate means, for example the unfair use of power and connection, the corruption and nepotism, were often not tolerated.

## INCREASING INEQUALITY AND SOCIAL MOBILITY

**People's acceptance of increasing income inequality very much depends on their awareness about opportunities for "social mobility".** Most people with various socio-economic characteristics at the study sites seemed to accept that the better-off have made good progress (i.e. they accepted an increasing inequality in income), while hoping that they and their children also had opportunities to move upwards. The concept of "social equality" is often understood in terms of equality of opportunity, not equality of income.

**The close link between an increase in inequalities and unequal opportunities in social mobility.** Massive economic growth during the past 5-10 years has helped people improve their overall living conditions, especially in terms of food security, access to education, healthcare services, information, housing etc. Our research showed that despite this, people only feel an upward social mobility once changes have occurred in



their careers and/or their family's careers. It was found at the study sites that only few people took advantage of economic growth opportunities to change their job and improve their social position.

- In rural areas, successful people created opportunities for upward mobility by adopting a strategy of diversification. This strategy mainly involved converting from agriculture to non-agriculture activities, for example, working as officials, or part of a small trading cadre producing arts and crafts. A small number of farmers who owned a large amount of land made progress by moving into large-scale commodity production (e.g. changing from producing food crops to producing industrial crops, fruit plants). In contrary, small-scale farmers found it difficult to make progresses. Most of small-scale farmers at the study sites faced difficulties in social mobility, despite of their work hardship for a hope of reaching only "low-middle" level in the community, i.e. "poor" or "close-to-poor" level in general.
- In urban areas, successful people created opportunities for upward mobility by shifting from low skilled to high skilled labour, or becoming entrepreneurs. Facing the economic difficulties with high daily expenses and unstable incomes, the urban poor and urban migrants often apply the strategies for "horizontal mobility"<sup>6</sup>, of which the job shifting from formal to informal sectors, or change of living and working places from urban to suburban areas and adjacent provinces, are typical. Most people who lacked land for production and lacked jobs in rural areas moved to urban areas where they worked in manual or low skilled jobs. These people do not think they have achieved upward social mobility, as working far from home is only a temporary step that might enable them to accumulate savings, experience and gain opportunities for education that could be utilised for economic development at a later stage.

"Structural barriers" in terms of infrastructure, access to market, recruitment opportunities continued to obstruct the ethnic minority groups in mountainous areas in making upward mobility. Disparity in land (use) has led to a difference in social mobility in the delta and mountainous ethnic minority areas. In the delta areas, where land has been allocated equally, but with fragmentation, it has led to reduced development opportunities for the purely small scale agriculture farmers compared to those engaged in non-agriculture production. In the mountainous ethnic minority areas, high disparity in land use has been found, as the households with a high number of labourers who arrived earlier could explore and use larger land holdings than those that came later and with fewer labourers. Disparity in land use in mountainous ethnic minority



areas has social mobility significantly influenced social mobility, as scale and effectiveness of agriculture production still remained an important drive for making progresses in people's life, especially in the context of converting land use into commodity production and perennial plantation.

**Increasing inequality obstructs intergenerational social mobility.** Most of the discussion groups agreed that there was an inequality of opportunity when comparing girls and boys from poor households to children from better-off families. Strong family foundations were considered important for changing your career in order to develop oneself as it linked with the advantages of better-off households, e.g. economic status, educational level, power, and individual relationships. Some groups shared that it is not so important to have parents who are members of the Communist Party, but it is important to have parents with strong "power" or "connections".

At the study sites, investment in education leading to better job opportunities was considered the main way to create intergenerational social mobility<sup>8</sup>. Most of the discussion groups in the rural areas believed that children from poor households can develop through "leaving agriculture" if they could gain a "good education". Therefore, people make a strong investment

in their children's education. Currently, compulsory primary and secondary education is being well implemented. This helps reduce the gap in education access between rural and urban areas, between Kinh people and ethnic minority groups. However, improvement in education access is not sufficient for moving upwards. The two main barriers for translating education investment into opportunities mentioned by the discussion groups included disparity in education quality and the negative role of relationship, powers, and money in obtaining jobs, especially within the public sector.

Most pupils from poor households, especially those from mountainous ethnic minority areas were found to be inferior in terms of education quality when they reached higher levels of education (due to the quality of teachers, learning conditions, family investment ability and interest). The number of pupils from mountainous ethnic minority areas who enrolled in official national universities is low, as they could often pass exams to regional or provincial universities, colleges, vocational schools, or wait for assigned enrolment opportunities. Most pupils from these areas selected the solution of working in "cadre" in their homeland<sup>9</sup>. This leads to an imbalance between recruitment, supply and demand, creating a recruitment process susceptible to the negative influences of power, relationships, and money. Most discussion groups seemed annoyed with the negative role of relationships, power, and money on recruitments within the public sector. They considered this one of the most important factors that has led to an increase of inequality of opportunity amongst different groups.

***There is a difference between men and women in their awareness about opportunities for upward social mobility.*** Men are often considered to have more advantages than women in taking social mobility opportunities. This can be attributed to the biased "strengths" of health status, household labour division, social relationships, family investment level, etc. We found that at the rural study sites men left the homeland for new jobs and new opportunities, whilst women stayed to take care of children and carry out agricultural activities. Some young women shared that they received less priority from parents than men in terms of using family power/money to obtain a job. When getting married, some women also felt left behind by men, as husbands received more priority to develop careers. Disadvantaged groups, including single mothers with young children, were found to have more limitations in taking new opportunities and changing jobs for self-development.



## INCREASING INEQUALITY AND SOCIAL, INSTITUTIONAL TRUSTS

***People's acceptance of increasing income inequality closely links with their awareness about social trust.***

The improvement of infrastructure and living conditions of a majority of people, together with the development of community activities (such as the "education promotion" movements, festivals etc.), are factors for maintaining community cohesion and social trust at local level. Members of highly cohesive communities, where people have not suffered from big socio-economic transformations such as urbanisation, land compensation and conversion, often believe in their local better-off people, thus accepting an increase in income inequality within their own community as they understand about the conditions, careers, and development pathway of the better-off people.

Positively, at most rural study sites the study found evidence of various community initiatives and institutions on "horizontal redistribution"<sup>10</sup> that reduce the poor's financial contribution, or promote community-based social security, thus help maintaining community cohesion and social trust at local level (see Box 2).

## BOX 2: COMMUNITY INITIATIVES AND INSTITUTIONS ON “HORIZONTAL REDISTRIBUTION” FOR MAINTAINING COMMUNITY COHESION AND SOCIAL TRUST

- In Tra Vinh, contributions for infrastructure construction, based on the spirit of “State and people working together”, is linked to the amount of farm land owned. This is beneficial to the poor as the local poor often do not own any land or only possess a small amount of farm land. Another example is the model of mutual support groups (in the names of “wùận” and “Sắn Khùm associations”) that are linked with temples that provided mutual support among Khmer people.
- In Lao Cai province, there is a tradition of maintaining a “community forest”, or tradition of maintaining a labour exchange that also benefits the poor. Village funds have been established in some places where people made in-cash or in-kind contributions in order to assist households facing hunger facing other, poverty induced risks. In Ha Tay province, there is a movement to establish family study funds. In Quang Nam, there is a movement for “capital contribution groups” by women.
- There are many initiatives of communities, mass organizations, and donors in Ho Chi Minh City and the Mekong Delta areas to assist the poor, e.g. “charity funds”, “scholarship funds”, focused supporting programmes to the poor on television channels, etc.
- At most of the study sites, community projects and initiatives often asked for a higher contribution from the better-off, a reduced contribution from the elderly and disabled, and a flexible contribution from the poor (they could contribute by labour, or can contribution over a longer period).

*However, increasing inequalities in income and opportunity led to a reduction of social trust.* People are often less willing to believe in isolated better-off groups in “other places”, due to their perceptions that there is a lack of transparency regarding the source of richness, or that these people got rich by taking advantage of power or through illegal and dishonest businesses. Even in highly cohesive communities, disparities in income and opportunities have led to increasing gaps in the social relationship between the better-off and the poor. Most of the poor feel “excluded” or “self-excluded”. This can be seen through less social interaction, exclusion from larger community linkages, or their trends to unite in small groups, with people of the same conditions. Participation in common “movements” or community initiatives (that are linked with financial contributions or social expenses) may become a burden to the poor. The ongoing economic difficulties and high risk context has also lead to the reduction of mutual communication and support between the better-off and the poor.

Most of the discussion groups believed in the honesty and efforts of the majority of poor people, except in the cases of some individuals who they believed, did not work hard nor effectively use State support. People at the study sites seemed annoyed when some individuals tried hard to “take policy advantages” by actively pursuing State benefits (e.g. they would divide their old parents into a new household in order to be listed on the poor list, despite the fact that they still lived and earned their livings together).

*Increasing inequality in process has made people’s institutional trust reduced.* People often perceive the reduced institutional trust through their reduced beliefs in officials and public institutions. In general, people’s faith in local officials, especially at the village level, is often found to be higher than their faith in “powerful” officials at higher levels. People’s reduced institutional trust linked with the perception of most discussion groups that unfair roles of connections, power, and corruption to well-being disparities have increased during the past 5-10 years.

Reduced institutional trust may cause negative influences to people and community attitude and behaviours. When being asked about life expectations in the next 5 years, most discussion groups, especially the youth, seemed pessimistic about their opportunities for upward social mobility based solely on their own capacity and efforts. Some groups in mountainous areas, often the village officials and senior groups, worried that unemployment would make it more likely for young people to become addicted to alcohol and become involved in anti-social behaviour. The attitude of silence and ignorance of local residents who attend community meetings, the client’s reluctant acceptance and lack of desire to speak out on corrupt practices in accessing public services, and the reluctance of





individuals to seek help from local authorities when dealing with problems in some places etc. are a clear sign that individuals are losing faith in public institutions.

## RESOURCE ALLOCATION FOR POVERTY AND INEQUALITY REDUCTION

***Improving governance for more effective allocation and use of resources towards poverty and inequality reduction received people's special attention.*** Most of the discussion groups at study areas agreed to give higher priority to the solutions on better allocation and use of available resources ("increasing investment effectiveness, reducing wastes, negative influences, corruption, and unfocused investment") before thinking about solutions for increasing resources ("increasing vertical re-allocation, increasing tax to the rich").

Most of the discussion groups agreed that when poor household lists were made based on income criterion to identify beneficiaries of supports, they were made unequal. This approach led to a common psychology of "preferring to be poor" and jealousy within the

community. A common recommendation is to provide further support to poor communities, households and individuals, but with changes in mechanisms and levels of supports responding to better classification of beneficiaries in each region, ethnicity and social group, and focusing on improvement of self-sustained capacity and conditional transfer to the poor.

Every study site has different characteristics and different levels of socio-economic development capacity (even villages of the same commune are not homogeneous). This has led to different groups lagging behind or rising ahead compared to different population groups. Each social group, due to its specific advantages/disadvantages, could not equally access policies. Therefore, some discussion groups mentioned that uniform support policies are not sufficient enough to reduce the gaps in living standards between various regions, ethnic groups, and social groups (e.g. with the same amount of housing support, people may build the whole house in one place, but may only complete a foundation in other flood prone areas).

People at most of the study sites ranked policies for job training and job generation, agriculture extension and "linkage between the four actors" (i.e. the linkages between farmers, businesses, scientists and the State) as the least effective but most important. However,

there have been positive examples on market access and improved job training at the study sites that linked farmers' groups and cooperatives in the rural areas (see Box 3).

### **BOX 3: FARMERS' GROUPS AND COOPERATIVES HELPED IMPROVE MARKET ACCESS AND JOB TRAINING EFFECTIVENESS**

Some linkage models are gradually established from lower to higher levels at study areas in Tra Vinh province, e.g. cooperation groups, VietGap groups, cooperatives, etc. that are based on people's willingness and support from local authorities, institutes, enterprises under a chain linkage. This has made a certain advantage for the poor of small scale production, including saving input costs, and improving their bargaining position for the outputs. These linkage models required practical and effective supporting policies for self sustaining and creating added value compared to individual production in the context of fluctuating market.

Some models of on the job learning have been formulated in Tra Vinh province where ethnic minority women work in cooperation groups and cooperatives for export enterprises. These initiatives received appreciation from people, as the number of youth who have graduated high school but could not pursue further education due to various reasons (such as expenses, ability, etc.) is increasing. There is a demand from women in particular for local, on the job training.

**People's perception on the linkages between resource allocation and inequality in accessing public services often relates to the "socialization" movement.** In many rural and urban areas in the delta, socialization is based on an increased cash contribution from people, which has led to a metamorphosis of "commercialization" in public services. This has created gaps in accessing quality public services between the rich (who can contribute) and the poor (who could not contribute). The poor and near poor people in urban areas are extremely concerned about high contribution amounts (both official, i.e. fixed by schools, and unofficial, i.e. mobilized through the parents' association as a kind of "voluntary contribution") in the public education system. In contrast, education "socialization" in mountainous

areas, such as Lao Cai and Quang Nam provinces, is often not linked with parents' cash contributions (as they are often poor and there is a State policy to support education expenditures for pupils from poor households). It is realised in a more positive way through voluntary contributions from parents and the community to support boarding pupils, or through the contribution of labours and materials for refurbishing schools in remote villages. This has been organized through "community initiatives" to reduce inequality in accessing education.

## **POLICY RECOMMENDATIONS**

Below are some recommendations for policy discussion at provincial and national levels (especially at the National Assembly's Committee of Social Affairs, Ministry of Labour, Invalids and Social Affairs, Committee on Ethnic Minorities, Ministry of Agriculture and Rural Development, Ministry of Education and Training etc.), based on the findings of this study.

### **1. Reforming measuring work, identification of beneficiaries and support manner towards poverty and inequality reduction**

**1.1. Measuring "inequality" and "multi-dimension poverty"** should be based on the combination of income and other dimensions such as education, healthcare and living conditions in order to develop objectives, monitor and measure multi-dimension poverty indicators (the floor level of each dimension) and inequality indicators (disparities in each dimension among various regions, ethnic groups, and social groups including data on genders).

**1.2. Classification of policy beneficiaries should be based on poverty and inequality indicators** of each dimension, not only on the income dimension alone. This would help develop policies that are specific with appropriate budget allocation and differing levels of support (not equal support for all, but support with a focus and consideration of specific disadvantages) in order to reduce poverty and inequality among various regions, ethnic groups and social groups. Implementation of direct support policies needs to include more empowerment and decentralization to the local level. Community institutions need to be promoted for "localizing" policies to specific social groups, ensuring people's voice and feedback are heard and de-democratisation is avoided in every stage of policy cycle.





**1.3. Livelihood support policies should be restructured towards** improving capacity of sustainable self-enrichment (increasing “software” supports like survey, communication, crop training, community institution supports, monitoring and education, etc.), reducing free direct supports (replacing with favoured credit supports and increasing support for return, empowering local levels in establishment and operation of revolving funds that are based on returning part of the support). Agriculture extension in mountainous areas needs specific models for organization and implementation that are appropriate to such areas and focus on improving the opportunities of ethnic minority women to access extension services (e.g. proven participatory extension methods like Farmers’ Field School (FFS), and “From farmer to farmer”). In addition, more support should be given to encourage linkages between farmers (e.g. cooperation groups linked with enterprises in Tra Vinh province) in order to overcome disadvantages in market access. Women’s participation in the linkages should be promoted in order to increase women’s role in market access.

## 2. Focusing on reducing inequality of opportunities

**2.1. More investment should be provided to improve infrastructure facilities** at the most difficult and hard-to-reach communities and villages in the mountainous ethnic minority areas (based on ranking of difficulties). Investment should be more focused and of higher quality, not necessarily always accompanied by an excessive increase of budget spending. For poor ethnic minority communities living in hard-to-reach areas, improving infrastructure facilities (especially roads and electricity supply) is the key starting point to overcoming structural disadvantages, creating opportunities to reduce inequality of opportunity by increasing access to education, healthcare, information, the market, etc.

**2.2. Priorities should be given to the fundamental solutions** as highlighted in the comprehensive and basic reform scheme for education and training. This will reduce education quality gaps between the Kinh and ethnic minority groups, between the low and high land regions and between rural and urban areas. Solutions for reducing education quality gaps need to start right from the earliest level of education (kindergarten) to higher levels (primary, secondary, high schools, etc.). The methods for mother tongue-based teaching for ethnic minority children, together with the increase in number and improvement of quality of local ethnic minority teachers, should be widely adopted. Together with improving education quality, policies need to develop and execute a transparent recruitment process in order to create an equality of opportunity in transferring education investment into job opportunities. Policies should strengthen job-orientated activities for school pupils in rural and ethnic minority areas before their further education in vocational schools, colleges or universities in order to enable them to choose jobs which are appropriate to the needs of the labour market. Policies on linking job training with onsite job generation for the poor in rural and urban areas need to be adjusted. For the poor, job training and job generation need to be linked (to enable them to put their job training into practice for income). In particular, policy should fix the misunderstanding and incorrect implementation of “socialization” policies in public education, e.g. establishing “high quality schools”, “outstanding classes”, based on high contribution from pupils’ parents (as this excludes poor pupils) within the public education system. Instead, policies should encourage and replicate healthy “socialization” methods that



encouraged study by promoting and recognizing outstanding pupils from poor families (e.g. family study encouragement funds in Ha Tay province; study encouragement in combination with temple activities in Tra Vinh, Quang Nam provinces).

### **2.3. More creative solutions need to be developed**

that promote local non-farm employment for ethnic minority people, especially the investment on market-connected infrastructures, and the support to households and businesses in value chain development for indigenous products and services in ethnic minority communities. For the more accessible ethnic minority areas that are witnessing mobility of people for domestic labour, there should be a policy to support domestic migration in order to increase effectiveness and avoid risks, e.g. support in information access, support for women who work far from home, strengthening skills in industrial and construction works, establishment of social networks, and developing rural – urban linkages (in the context of low effectiveness of the policy for labour export). At job destination places in urban areas, policy adjustment in order to reduce urban management barriers for the local poor and the migrants working in the informal sector (e.g. street vendors) should continue, to increase

equal treatment for migrants in accessing social services (education, healthcare), infrastructure facilities (electricity, water, accommodation, etc.) as well as accessing other social security policies.

### **2.4. Various policies on encouragement and support of community initiatives and institutions for**

“horizontal re-allocation” and community-based social security should be reviewed and developed. Local governance improvement should be appropriate to the participation needs and ability of women and the poor.



## BIBLIOGRAPHY

**1** “Disparity in living standards” or “poverty gap” are commonly used for “inequality” in documents in Viet Nam. There are various aspects that closely linked in inequality, including inequality in “results” (income, expenditures, assets), in opportunities (accessing social services, recruitment, market, etc.), and inequality in “process” (roles of voice, power, privilege, and corruption).

**2** “Social mobility” means changes in social position of an individual or a group of individuals. This could be “upward”, “backward”, or “horizontal” movement. Social mobility could also be changes in social position of an individual (or a group of individuals) compared to their parents and/or previous generations (“intergenerational social mobility”); or changes during a life cycle (“generational social mobility”).

**3** See Resolution 30a/2008/NQ-CP dated 27 December 2008 of the Government on Programme supporting fast and sustainable poverty reduction in 61 poor districts; and Resolution 10/2011/QH13 dated 8 November 2011 of the National Assembly on 5-year Socio-economic development plan in 2011-2015.

**4** Study on “inequality awareness” conducted by Oxfam in 5 provinces of Lao Cai, Hanoi, Quang Nam, Ho Chi Minh City, and Tra Vinh from August to October 2013 in cooperation with the quantitative study of the Institute of Labour Science and Social Affairs, ILSSA under Ministry of Labour, Invalids and Social Affairs (MOLISA) and the World Bank (WB). Findings and recommendations of this study have been synthesized from 69 groups discussions with 417 people (210 ethnic minority people and 207 Kinh people; 196 men and 221 women) of different socio-economic characteristics (commune and village officials, elderly people, youth, better-off and the poor, women, and migrants), and 45 in-depth interviews.

**5** World Bank, 2012, “Well Begun, Not Yet Done: Vietnam’s Remarkable Progress on Poverty Reduction and the Emerging Challenges”, Washington DC; Oxfam and AAV, 2012, “Participatory Poverty Monitoring in Rural Communities in Viet Nam - Five-year Synthesis Report (2007-2011)”, Hanoi.

**6** “Horizontal mobility” refers to the changes in jobs or working places, but without the perceived changes in social position/status.

**7** “Structural barriers” are the binding constraints of the mountainous ethnic minority areas, such as poorer-quality land, less education and training, and more limited infrastructure and public services. See World Bank (2012); Oxfam and AAV (2012) – *ibid*.



**8** There were 42 out of 54 discussion groups at the rural study sites and 10 out of 15 groups at the urban study sites agreed that investment in education was the most important way in order to enable children to develop more than their parents.

**9** Working as “cadre” (as perceived by people are those receiving stable State salary, including civil servants; employees of armed forces; and staff of State-owned enterprises) is a dream job of many people. There were 31 out of 69 discussion groups at the study sites (including about 80% of groups in the northern and mountainous ethnic minority areas) considered working as “cadre” one of the key pathways for upward social mobility.

**10** “Horizontal redistribution” here means sharing and mutual-help activities of the people (in cash, in kind or in labour etc.), often initiated within a community, ethnic group or extended family.





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