Awareness of Income Disparity in Vietnam's Urban Areas

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The Gini coefficient in Vietnam's urban areas has gradually declined in recent years despite the country's rapid economic growth. However, changes in people's awareness of income inequality are not always consistent with changes in the Gini coefficient. This paper analyzes the awareness of income and social inequality of Vietnamese urban residents using data collected from a survey conducted in three major cities of Vietnam, namely Hanoi, Ho Chi Minh City and Da Nang. Accordingly, although most respondents are satisfied with their living conditions, their social satisfaction remains low and they are fully aware of the growing income inequality. Based on the results of the survey, we recommend that the government implements measures to raise the minimum wage as well as to tighten the salary payment regulations applied to businesses.

Key Words : Vietnam, income disparity, social inequality

Ⅰ. Introduction

Vietnam's economy has been growing at a high rate of around 6% annually since 1986, when it adopted the Doi Moi policy[1]. In particular, real GDP growth was recorded at 7.08% in 2018 and 7.02% in 2019[2]. However, the
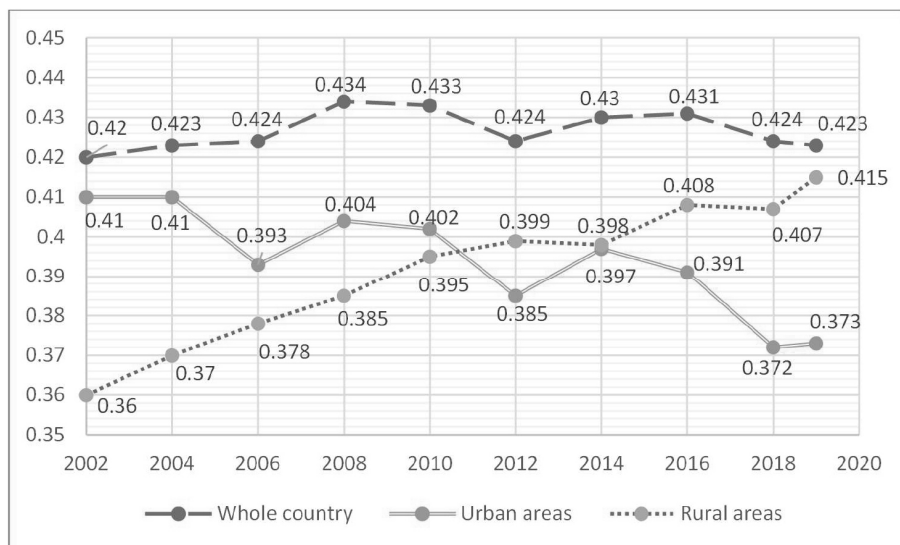
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1) Doi Moi (Renovation or Innovation) policy is the name given to the economic reforms initiated in Vietnam in 1986 with the goal of creating a "market-oriented economy". The main thrust of the Doi Moi is to promote a multi-sector economic system, which the state sector stands in central position while the private sector is encouraged for development.

problem of widening income inequality is also attracting social attention (Bui and Imai, 2019: 2611).

Figure 1 shows the trends in the Gini coefficient in Vietnam from 2002 to 2019, when it surpassed 0.4, with no significant changes. However, the line charts in rural and urban areas point in opposite directions. While the Gini coefficient in urban areas has declined significantly, it has risen in rural areas.

Source: According to data from the General Statistics Office of Vietnam (2017, 2019)

Figure 1. Trends in Income Inequality, Gini Coefficient in Vietnam

Figure 1 indicates that income inequality in urban areas has improved significantly. However, the income inequality in urban areas may have been underestimated because it might exclude migrant workers. The reason why is due to Vietnam's household registration system (ho khau). In Vietnam, when people relocate to the city, the procedure of transferring their household registration to urban areas is cumbersome and costly. Therefore, many migrant workers from rural areas have to stay in cities without having urban household registrations (UNFPA, 2018: 6). Accordingly, those without

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2) General Statistics Office of Vietnam's Website, Search: 2021.04.15.

household registrations in urban areas are often excluded from this survey (Haughton, 2010: 7).

Thus, the two guiding questions in this research are:

- Is urban income inequality in Vietnam really decreasing?

- What do urban people in Vietnam think about income and social inequality?

To answer these two questions, we firstly compiled a list of questions related to the income of the surveyed people and their families. The division of people's income into classes helps clarify the gap of income inequality. Then we asked the people taking part in the survey and their families about social class consciousness. Finally, the questions related to disparity awareness makes it clear about urbanites awareness with regards to income inequality.

To sum up, through the results of the aforementioned survey, this research will shed light on the awareness of income disparity and social inequality among Vietnamese urban residents.

Regarding the research structure, first, we conducted a literature review on urban inequality and poverty. This is followed by an introduction of the methods and results of the research. In the discussion section we analyze the statistics. Last, in the conclusion, after making a summary of the whole research, we make some policy recommendations.

Ⅱ. **Literature Review**

The first overview on inequality situation in Vietnam is the study of Benjamin, D., Brandt, L. & McCaig, B. (2017). This study used the Vietnam Household Living Standards Surveys from 2002-2014 to construct comparable measures of household income and estimates of income inequality over this high-growth period. The authors deplore dimensions in which inequality may vary, notably urban versus rural, and by ethnic status. They found that agricultural opportunities played an important role in dampening inequality. However, the steady development of wage-labor markets in both urban and rural areas contributed more negative impact and the deteriorating position of

ethnic minorities was also noticeable.

Regarding the problem of income inequality between urban and rural areas, an early study of Mundle, S. & Van Arkadie, B. (1997) revealed that there was a widening gap in living standards between urban and rural areas. Later, Le and Booth (2014) analyzed data from the Vietnam Household Living Standard Survey (VHLSS) and found the gap of household consumption expenditure between urban and rural areas were increasing from 1993 to 2006.

The scholars then focus on ethnic inequality. Using data drawn from household-level surveys conducted for Vietnam in 1993, 1998 and 2004, Bob Baulch, Hung T. Pham & Barry Reilly (2012) examined and decomposed the gap in per capita expenditures between majority and minority ethnic groups in rural Vietnam between 1993 and 2004. Over this period, the real expenditure gap between rural Kinh; Chinese-headed households and those headed by ethnic minorities increased by 14.6%. Approximately two-fifths of the mean gap is found to be due to differences in household endowments (in particular demographic structure and education), and at least half due to differences in returns to these endowments. Similar research was conducted by Nguyen et al. (2020). The authors based on VHLSS survey data from 2004 to 2014 to clarify the fluctuations in income sources that were causing income disparity between the majority and ethnic minorities in Vietnam. Using the Gini coefficient decomposition method[3] proposed by Lerman and Yitzhaki, the researchers analyzed the contribution of each income factor to total income, overall income inequality, and relative income inequality. The results showed that there was an increasing income inequality in wages and non-agricultural income between majority and ethnic minorities.

Finally, we examined the following two studies focus on urban economic issues. The first study conducted by Hoang et al. (2013) examined how to accurately measure poverty in urban areas of Vietnam. The second study conducted by Haughton (2010) pointed out that the VHLSS survey

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3) Lerman and Yitzhaki (1985) developed a decomposition of the Gini coefficient by income source that has been extensively used in the literature.

overlooked people who were seasonal, short-term or long-term but did not register to stay in urban areas. Therefore, in order to grasp information on migration of unregistered people staying in urban areas, a project was established to "Support to in-depth assessment on urban poverty in Hanoi and Ho Chi Minh City" (Haughton, 2010: 7), and the Urban Poverty Survey (UPS-09) was conducted. This survey targeted not only households but also individuals and investigated in detail employment, income, living conditions, and so on, of urban residents and immigrants in a wide range (3304 responses). However, these quantitative studies were conducted in the 2000s while Vietnam's economy is growing significantly and thus more recent studies on disparity recognition should be conducted.

Ⅲ. **Methods**

This survey was conducted from July 24, 2019 to August 23, 2019, in Hanoi, Ho Chi Minh City, and Da Nang, using the questionnaire survey method. In this survey, we used a simple random sampling in which we directly visited general companies, collaborators, department stores, markets, etc. in the city, distributing questionnaires, and getting the answers on the spot.

The survey subjects were citizens aged over15 and those in the working ages, as stipulated by Vietnamese law. In total, 1,473 people participated in the survey. Before conducting the survey, we explained the purpose of this research, the freedom to refuse answers, and the protection of privacy regarding the survey's contents, and after obtaining consent to use the thesis of the survey results, we asked the participants to fill out the questionnaire survey form. The total number of responses is 1,473, of which the number of effective collections was 1,362 (effective recovery rate is 92.5%). To find out respondents' financial status, we gave questions related to the respondents' and their families' income, sources of income and income satisfaction. To clarify the awareness on income disparity and social inequality, questions about perceptions of social class (of themselves and their families), as well as

questions about the view of social life and personal attributes were asked.

The respondents could select multiple answers for the questions in the survey. However, when choosing the answer "Other", we left space for details to be filled in. Moreover, disparity consideration and social views in Vietnam were asked using 5-Point Scale. Regarding the explanatory variables, there are some differences depending on the purpose of each analysis, basically the attributes of the respondents.

SPSS (ver. 22) was used to analyze the data. We described data characteristics that covered frequency, percent and mean. To find out the correlation between respondents' attributes (age, occupation, education level, income...) and their awareness on income disparity and social inequality, we used correlate-bivariate for ordinal variables and descriptive statistics for nominal variables. A p-value of less than 0.05 was considered as a statistical significance.

Ⅳ. Results

The survey resulted in 1,362 valid responses in three cities. By gender, 509 males accounted for 37.4% and 853 females accounted for 62.6%. Next, regarding the age, we surveyed people aged 15 to 50 years or older[4]. The largest number of respondents in this survey were in their 20s, accounting for 60%, followed by those in their 30s at 19.7%[5]. Respondents' educational backgrounds were university undergraduates, graduates and above 75.2%, junior colleges 9%, vocational schools 3%, high schools 11.5%, and junior high schools and below 2.3%.

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4) The working age stipulated by the Labor Law of Vietnam is 15 to 64 years old, but in Vietnam, early retirement before retirement age is permitted, and even when retirement age is reached, pensions are paid and income is earned. So, in this study the age group was 15 to 50 years old or older.

5) In addition, 13% were in their teens, 4.4% were in their 40s, and 3% were in their 50s. Vietnam has a relatively young population with the average age of 32.5 years old (as of 2019 year). Therefore, this survey is mainly targeted at young people.

1. Actual income

1) Respondent's income

This survey was conducted in a wide range from the poverty line of less than $57 to above $1,000. Table 1 shows the classification of personal income into four classes[6].

Table 1. Respondents' Annual Income

Hierarchical Classification	Annual Income (US dollar)	%
High Income	more than 12,000	3.7
Upper-Middle Income	6,000-12,000	13.1
	3,936-6,000	19.2
Lower-Middle Income	1,752-3,936	21.6
	1,020-1,752	10.4
Lower Income	684-1,020	6.2
	less than 684	17.9
I do not know		5.7

Note: The percentage of respondents' answers doesn't equal 100% as some of them gave no feedback

As Table 1 shows, the upper-middle and high incomes ($3,996 and above) account for about 36 percent of the total. On the other hand, 17.9% of the respondents earn less than $684 a year, which is considerably higher than the income poverty rate data (7.0%) of the General Statistics Office of Vietnam (General Statistics Office of Vietnam, 2018:10). Middle-income earners (lower and upper middle incomes) account for the largest percentage, especially the middle class from $1,752 to less than $6,000 accounting for 40.8% of the total.

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6) The World Bank divides income into three classes: "high income," "middle income", and "low income". In this study, the "middle income" was divided into two "lower-middle income" and "upper-middle income", so all the respondents' incomes were classified into four classes.

2) Income satisfaction

Next, we asked respondents their thoughts about their income. To the question: "How does your income compare to the amount you consider reasonable?" 6 options were provided: (1) Much better, (2) A little better, (3) Appropriate, (4) A little worse, (5) A lot worse, (6) Don't know. The results were 27% for "appropriate", 52.4% for worse ("a little worse" and "a lot worse"), 4.8% for "a little better", 1.6% for "much better", 12.3% for "don't know", and left blank was 2%. In other words, more than half of people feel that they earn less than they consider reasonable.

3) Factors that affect income

So how do we see the factors that affect income? Eight items were questioned in a 5-Points scale (A: Disagree strongly, B: Disagree moderately, C: Undecided, D: Agree moderately E: Agree strongly). Table 2 shows the results.

Table 2. Factors that affect Income (%)

Factors	A	B	C	D	E
Connection	10.1	15.1	26.7	28.8	16.3
Birthplace	14.9	39.9	23.8	14.6	3.7
Family class	12.9	27.2	23.6	21.9	11.1
Academic background	5.1	18.6	34.3	33.5	5.7
Gender	14.2	40.2	25.7	14	2.8
Talent	3.2	17.6	41.9	29.1	4.6
Fortune	3.5	16.4	43.2	29.1	4.6
Effort	0.1	1.9	14.3	53.6	26.7

Note: The percentage of respondents' answers doesn't equal 100% as some of them gave no feedback
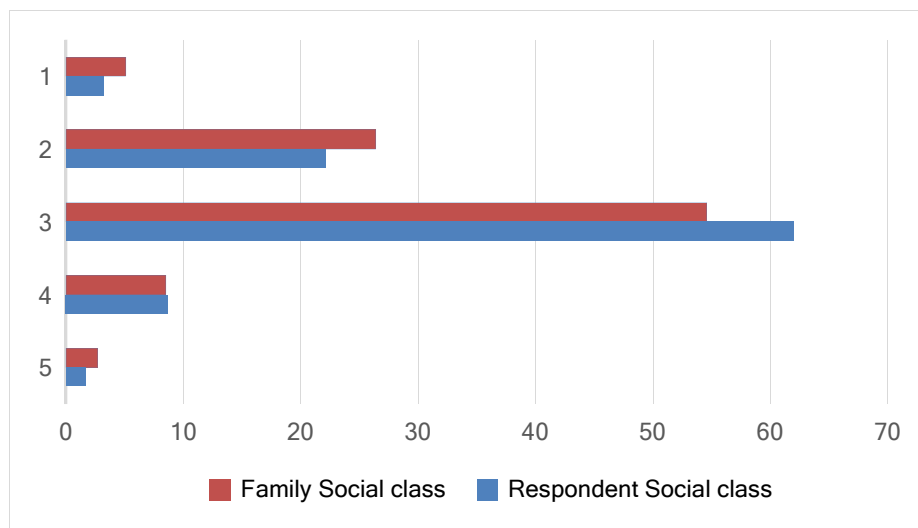
Effort was most agreed by the respondents (80.3%). This is followed by Connection (45.1%) and educational background (39.2%). In general, it has been shown that in Vietnam, a considerable proportion of people think that in addition to effort, there are factors that do not depend on the will or effort of the individual, such as the educational environment. This factor influences the

difference between rich and poor, that is called "inequality of opportunity". On the other hand, the strongly denied factor is the disagreement rate of about 55% for both "birthplace" and "gender".

2. Social class consciousness

Next, we analyzed the sense of belonging that people living in urban areas think of themselves and their families in society. After dividing the whole Vietnamese society into 5 categories: "1" at the bottom and "5" at the top, I then asked the respondents to put them and their families in these categories. Figure 2 shows the results.

There is no big difference between respondents' social classes and their family's social classes. Also, more than half consider their own social class in the middle. However, it should be noted that far more people answered 1 or 2 than those who answered 4 and 5. About 30% of people consider themselves and their families to be of lower social class.

Note: The percentage of respondents' answers doesn't equal 100% as some of them gave no feedback

Figure 2. Position of respondents' classes and their families' classes (currently)

3. Awareness of disparity

1) Degree of disparity

Regarding the degree of income disparity, questions were asked for nine items using a five-point scale (A: "No disparity at all", B: "Not much disparity", C: "Of little disparity", D: "A lot of disparity", E: "Absolute disparity"). Table 3 shows the results.

In Vietnam, as Table 3 shows, 60% to 80% of the responses said that there were disparities in all fields (C, D, and E). Looking at each item, more than 40% of the people answered that there was "No disparity at all" and "Not much disparity" in Pension and Education. The reason for the low awareness of disparities in education and pension is that many of the respondents of this survey are young people and are not yet very interested in the education or pension system[7].

The biggest disparity was felt between urban and rural areas, and most people answered that there were disparities. And Table 3 shows that that there is a strong disparity in Assets, Employment opportunity and Income.

Table 3. Awareness of Income Disparity (%)

Items	A	B	C	D	E
Urban and rural areas	8.7	12.8	28	32.7	15.6
Environment	13.1	16.8	32	24.9	10.9
Pension	19.8	20.9	34.4	16.7	5.1
Opportunity to receive medical services	14.7	17.8	28.9	26.2	10.6
Assets	12.9	14.2	28.9	28.1	13.7
Income	12.2	16	33.2	25.8	10.8
Occupational success opportunity	14.2	19.8	35.8	21.4	6.4
Employment opportunity	9.5	18	33.8	28.3	8.9
Education	17.3	21.8	31.2	21.8	6.1

Note: The percentage of respondents' answers doesn't equal 100% as some of them gave no feedback

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7) In fact, the high school enrollment rate in urban areas is 81.1%, and that in rural areas is 68.1%. General Statistics Office of Vietnam, 2019, p.55.

Factors for widening income disparity

In response to the question "What do you think is the cause of income inequality?" eight items were set and the questions were asked by 5-Point Scale (A: "Strongly disagree", B: "Disagree", C: "Undecided", D: "Agree" E: "Strongly agree"). Table 4 shows the results.

Table 4. Factors for widening income disparity (%)

Factors	A	B	C	D	E
Lack of Government support	2.9	16.3	30	33	13
Low minimum wage	1.4	11.1	26.8	41	15.1
Inequality of educational opportunities	2.7	16.8	30.2	35.5	9.8
Migration to urban areas	1.9	13.7	31.4	38.8	9.5
Growing labor gap due to technological progress	1.5	3.1	23.1	50.7	15.7
Expansion of foreign-affiliated companies	2	14.7	29.7	41.2	7.7
Expansion of trade	1.5	14	33.6	39.7	6.1
Economic growth is fast	1.7	14.2	31	40.7	7.7

Note: The percentage of respondents' answers doesn't equal 100% as some of them gave no feedback

As Table 4 shows, most people think that "Technological progress" is the cause of income inequality, at about 66%. Technological change has polarized labor markets into mental labor and physical labor, and the resulting income will also be polarized. The relationship between highly educated IT engineers and unskilled factory workers can be seen as good example. Currently, many Vietnamese are strongly aware that the rapid changes in society due to technological innovation are the cause of widening income inequality. The next most recognized cause of disparity is the minimum wage, which is 56.1%. However, all other items are also agreed by more than 45% of respondents.

Ⅴ. Discussion

When the correlation between the consciousness of the disparity and the

respondent's educational background was verified, the educational background was negatively correlated with all items. Respondents with lower education levels felt deeply that the current Vietnamese society is disparate, while highly-educated respondents tended to feel less so.

Respondents with educational backgrounds below vocational school felt deeply that there were disparities in the current Vietnamese society, while those who were highly educated to tertiary levels such as junior college, university, and graduate school graduates did not feel much disparity. In particular, respondents who graduated from secondary school were highly dissatisfied with inequality.

Table 4. Correlation between educational background and awareness of disparity

Academic background	Awareness of disparity							
	Education	Employment opportunity	Occupational success opportunity	Income	Opportunity to receive medical services	Assets	Pension	Urban and rural areas
Pearson correlation coefficients	-.130**	-.128**	-.100**	-.120**	-.120**	-.058*	-.056*	-.096**
P value (both sides)	.000	.000	.000	.000	.000	.035	.043	.000

**p<.01, *p<.05

Regarding age groups, employment opportunity and opportunity to receive medical services have the same awareness at all ages, while there is a significant difference in the remaining items. It can be seen that the older respondent was, the more they felt disparities in education, occupational success opportunities, income, asset, pension, and urban-rural areas.

Generally, people are more satisfied with the society (average from 2.96 to 3.50) than with their own lives. On the other hand, people in their 20s and younger are less satisfied with society, and people in their 30s are more satisfied than those in their 20s. However, over 50 years old were less satisfied with their lives, but more satisfied with society than other ages.

Table 5. Correlation analysis of Age, Educational background, Occupation with Satisfaction (With current life and society)

		Satisfaction	
		with current life	with society
Age	Pearson correlation coefficients	-.012	-.067*
	P value (both sides)	.655	.015
Academic background	Pearson correlation coefficients	-.107**	-.084**
	P value (both sides)	.000	.002
Occupation	Pearson correlation coefficients	-.095**	-.026
	P value (both sides)	.001	.351

**p<.01, *p<.05

Educational background has a negative impact on the choice of satisfaction. Those who graduated from graduate school were less satisfied with society and their own lives. It can be interpreted as such because highly-educated people demand higher incomes but often they receive less than they expected. On the other hand, those who graduated from vocational school and secondary school or lower have a high response rate of "satisfaction" in both society and their own lives.

According to occupation, professionals have the lowest degree of satisfaction with society. It can be seen that the professionals' expectations for society are high. Business owners and managers are most satisfied with society, while they are least satisfied with their lives. In other words, the analysis of the results indicates that the higher the income, the lower the satisfaction with their life.

In summary, it can be said that the respondents are generally satisfied with their lives, but not with society. Also, we can see that there is a trend that highly-educated people are less satisfied with society, and high-income people are less satisfied with their lives.

VI. Conclusion

The Gini coefficient, which measures income inequality, tends to increase

in rural areas while tending to decrease in urban areas of Vietnam. The decrease in the Gini coefficient in urban areas means that income equality has improved. The purpose of this study was to clarify awareness of class consciousness and income disparity by conducting social surveys. The analysis of the results revealed that inequality does not necessarily correspond to changes in the income Gini coefficient.

Why do many people in urban areas of Vietnam become aware that income and social disparities are widened? First, more than half of the respondents feel they earn less than what they consider reasonable. Next, when asked about the factors that determine income, the second most common factor after effort was social connection. There is a negative social consciousness that if parents and relatives have high social positions, the future of children will be secured. Especially, those with lower education believe that there is inequality in all aspects of life. They show their dissatisfaction on lower starting point that they think prevents them from achieving success.

A strong sense of disparity is not desirable for Vietnamese society. One of the effective policies to improve such awareness is to raise the minimum wage. 56.1% of the respondents said the major cause of disparity is the minimum wage policy. Vietnam's current minimum wage cannot get them out of poverty (Oxfam, 2018:39). In particular, in the garment industry, wages deviate considerably from the level at which they can live, and employees may not even receive the minimum wage.

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