



Relationship between Economic Growth and Social Equity in Vietnam after Innovating Nearly Thirty Years

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Abstract

This paper focuses on analyzing the achievements and limitations of Vietnam for the implementation of social inequality and equity in the economic growth process after renovation in 1986. Economic growth generated the capital to invest the social safe plans, generated more income for people and generated more opportunities to help the people approaching a prosperous life. However, beside above achievements, there are many limitations such as: unsustainable development in income, life standard and poverty alleviation; shortfall amount and bad quality in health care, education and entertainment services... Basing on analyzing the causes of the limitations, the paper proposed the orientations for solving the relationship between the economic growth and social equality in Vietnam next time.

1. INTRODUCTION

Nearly thirty years after renovating, Vietnam's economy has overcome the crisis and achieved the high growth, people's living standards have improved markedly, the economy has integrated into the world's economy better. However, Vietnam is still limited to the implementation of social equity in the process of economic growth. The social policy has not brought the expected results. The investment and enjoyment in education, health care and other services increasingly tilted toward high-income earners in urban areas. The difference development between urban and rural area, plains and mountain; income

inequality; the rise of crime, social evils and corruption have distorted the social norms... Therefore, the research for finding the directions to address the relationship between economic growth with social equity is issues that have important implications both theory and practice.

1.1 Theoretical foundations and research methods

The relationship between economic growth and social inequality and equity were addressed by many researchers.

Simon Kuznets (1955), an American economist researched empirical model to examine the relationship between income and inequality in income distribution. This relationship is expressed by the reverse shape of letter U. accordingly, in the early stage of growth, inequality status will rises

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with the increase of per capita income. And then, in the high stage level of development, while the per capita income continues increasing, the inequality declines. However, he did not analyze and clarify the causes and essence of social inequality.

Arthur Lewis (1954), British economists focused on explaining the cause of the inverted U shape. According to him, there are the industrial area with high wage and the agricultural area with low wage in the early stage of economic development process. Therefore, the expansion in the industrial area will attract a large number of agricultural employees whom capitalist only pays low wage. Thus, the income of capitalist has increased due to expansion of production scale and the low cost of labor. By the next stage, the labor will become scarce in production when the most of surplus labor is attracted to urban – industrial area. Reducing in supply and increasing in demand of labor create the higher wages for workers. The inequality will reduce from above phenomena. The inequality is not only the result of economic growth but also a necessary condition for economic growth. Thus, any haste policy to eliminating inequalities in income distribution in the early stage development may affect economic growth adversely.

Harry T. Oshima Japanese economist identified that the cause of inequality in economic growth derived from dividing wealth and poverty between rural and urban area. The Asian countries can shorten this gap in the early stage of the economic growth by the intervention of the government in rural area. As a result, farmers' income will increases and living standards of people in rural area are improved. Next is improvement in the income gap between large enterprises and

small enterprises in urban area as well as between large farms and small farms in rural area.

In view of the World Bank, the underlying cause of the social inequality is the inequality in property issues. Important issues are the ownership of productive assets. Therefore, the result of economic growth should be redistributed so that income difference gradually improved over time. This redistribution includes redistributing assets and income from economic growth process. In developing countries, redistribute policies includes the land reform policy and the policies to increasing educational opportunities for many people. However, land reform policy is really impact to redistributing income when it is associated with agricultural and rural credit policy, agricultural market expansion policy, technology development policy.

Research methodology of the article is qualitative method which mainly uses statistical method, descriptive method, comparative analysis and comparison.

1.3 Evaluations in solving the relationship between economic growth with social equity in Vietnam

1.3.1 The achievements

Last time, the economic growth has created positive effects in implementing advancement and social equity in Vietnam. They include:

Firstly, economic growth initially created matter premises to improving per capita income and living level, making Vietnam become the middle-income country from a low income country.

Table 1: Per capita income in period 1996 – 2013*

Year	1996	1999	2001	2005	2009	2010	2011	2012	2013
GDP/person (USD)	129	169	291	485	918	1.182	1.507	1.740	1.899

Source: Statistical year book of Vietnam 2005, 2009, 2011, 2012, 2013

* Figures of income, expenditure in this research are converted with exchange rate between VND and USD in 2013

The renovation of Vietnam commenced in 1986 making Vietnam become the middle-income country from one world's poorest country with per capita income below 100 dollar only. Within 30 years, per capita income in Vietnam has increased to 1,899 dollar in 2013.

Secondly, the economic growth has contributed to changing structure of labor

between areas and creating more employment for local people as well as reducing the rate of unemployment in the rural-agricultural area. Reducing of agricultural labor and increasing of occupations has contributed significantly in implementing industrialized goal of Vietnam.

Table 2: Number of new workers in period 1986-2013

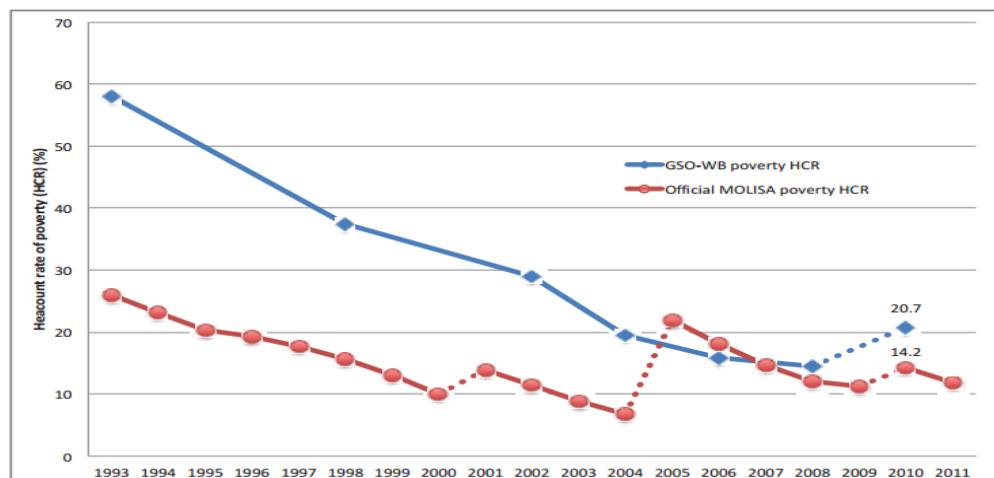
Period	1986-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2013
New workers – millions people	4.2	5.0	6.0	7.5	8.0	4.6

Source: GSO of Vietnam 2013

Thirdly, economic growth has contributed to impressive poverty reduction, facilitate for the poor people who have the opportunities

to joining the labor market and integrating in life.

1.3.2 Progress at reducing poverty in Vietnam



Source: Vietnam poverty assessment, World bank (2012)

Fourthly, economic growth has set the premise for increasing government's budget revenue creating resources to invest in

education, culture, health care and labor protection through the insurance system as well as social welfare system.

Table 3: The Vietnam's budget revenue and expenditure

Unit: Millions dollar

Year	2008	2009	2010	2011	2012	2013
Budget revenue	20.50	21.66	28.02	33.54	35.008	37.657
Budget expenditure for developing investment	5.69	8.64	8.72	9.23	12.800	9.597
Budget expenditure for education	2.55	3.30	3.72	5.73	6.054	7.999
Budget expenditure for health care	0.69	0.92	1.20	2.14	1.878	2.790
Budget expenditure for pension and social security	1.77	2.39	3.06	3.94	4.079	4.883

Source: GSO of Vietnam 2013

Fifthly, economic growth has helped to change the face of the country. The living in

rural area has been gradually improved in tune with the urban area.

Table 4: Average expenditure per month by regions

Year	2002	2004	2006	2008	2010	2012	Unit: Dollars
Total country	14.00	18.86	24.33	37.71	57.67	76.33	
Rural area	11.05	14.95	19.10	29.48	45.24	62.62	
Urban area	23.71	31.05	38.62	59.29	87.05	108.95	
Disparity (times)	2.14	2.07	2.02	2.01	1.92	1.74	

Source: GSO of Vietnam 2013

Sixthly, economic growth has contributed to improve the level of human development. Human development is the greatest achievement of all the achievements that Vietnam achieved in the process of

economic growth. Simultaneously, economic growth also contributed to improve the women status, reduce gender inequality in economic, political, social aspects.

Table 5: HDI of Vietnam from 1980 to 2012

Year	1980	1990	2000	2005	2007	2010	2012	2013
Vietnam	0.439	0.534	0.573	0.590	0.611	0.614	0.617	0.638

Source: HDI Report 2013

1.3.3 The limitations

Firstly, income and living standards is unsustainable growth. The improvement in the people's livelihood is slower than other countries in the region. Although the nominal income improved but high consumer price index increase higher than the countries in the region and it has impacted negatively to real income of the people.

The consumer price index had increased at 10% for 11 years (1996-2006). The following years, it increased faster: 12.6% in 2007; 19.9% in 2009 and 11.75% in 2010. In recent years, the consumer price index had declined (6.8% for 2012 and 2013 for 6.6%) but still higher than other countries in the region and around the world. This is one of the key issues to be addressed in the process of economic growth because it impacts directly to the people's daily living.

Secondly, although the unemployment figures which were announced are low but lacking status for jobs is popularity in fact. The underemployment in rural areas increased because of the process of urbanization, industrial zones development and massively hydropower development. In urban areas, the "disguised unemployment" status still exists and is likely to increase. The unemployment in rural area because of lacking of training, losing of land and the unemployment in urban area because of strong urbanization are the alarm problem it causes consequences in the process of implementing the social security policy.

Thirdly, poverty reduction achievements are unstable and poverty rate is still high. The pace of poverty reduction is in tending slower than before. The national poverty standard is lower than the current living standard of the Vietnam and world's poverty standard.

Table 6: Poverty rate from 2004 – 2012

Year	2004	2006	2008	2010	2010	2012
Vietnam -%	18.1	15.5	13.4	10.7	14.2	11.1
Urban area -%	8.6	7.7	6.7	5.1	6.9	4.3
Rural area -%	21.2	18	16.1	13.2	17.4	14.1

Source: GSO poverty headcount calculated using 2004–2012 VHLSS

The back into poverty rate is still high. Average there is one household back into poverty every three households are out of

poverty, meaning that about 30% of households have escaped poverty falling into poverty. In particular, in the ethnic

minority areas, the poverty rate is more than 50%. Many households are out the poverty but continued back into poverty for a short time after.

Fourthly, inequality in income distribution has increased during the economic growth

process. The income differentiation between social strata is widening. Especially, the property differentiation between the social strata is also widening and creating potential risk in class struggle.

Table 7: Per capita income / month according to five income groups Unit: Dollars

Year	2002	2004	2006	2008	2010	2012
Vietnam's per capita income	16.95	23.05	30.29	47.38	66.05	95.19
Group 1	5.10	6.71	8.76	13.10	17.57	24.33
Group 2	8.48	11.43	15.14	22.71	31.81	46.86
Group 3	11.95	16.52	21.81	33.29	47.62	71.38
Group 4	17.62	24.48	32.29	50.81	70.95	10.57
Group 5	41.52	56.29	73.38	117.05	162.43	227.81
Disparity between group 5 and 1 (times)	8.10	8.34	8.37	8.94	9.24	9.35

Source: Households living standards survey of 2010 of GSO and VLSSH 2012

Fifthly, the health care, education and recreation for people have still limitations, especially for the poor. Overcrowding of hospitals and rising of health care costs creating difficult for low-income people in

accessing to health care services. Tuition fees and related contributions in education have increased the burden for poor households. An entertainment service in rural areas is poorly.

Table 8: Number of hospital beds per 10,000 people and health care expenditure per capita

Year	2004	2006	2008	2010	2011	2012
Number of hospital beds per 10,000 people	-	23.73	25.72	29.08	24	24.9
Health care expenditure per capita per month - dollar	1.20	1.40	2.15	2.94	3.29	3.71

Source: Department of Health (2011), Summary health statistics for 2006-2010. VLSSH 2012 and summary statistics yearbook 2013

Sixthly, under the impacts of the market economy and climate changes, the increasing of environmental pollution has impacted directly on the people's living. The economic - social policy were not effectiveness as expected. Many regions where appear the epidemics, strange diseases because of the water, climate pollution ... has caused the panic in the population strata and society.

1.3.4 The causes of the limitations

Firstly, the economy's slow starting point and the old mechanism caused the difficulties to make progress, social justice in the growth process. The remnants of the old mechanism are manifested in subsidized thinking with the privileges subsidies and incentives for state-owned enterprises. The bureaucracy and corruption have prevented

people accessing opportunities in health care, education and civil rights

Secondly, the development of the market economy would create a inevitable gap between rich and poor. Accepting the development follow the market economy means recognizing the rich and poor existence. Competitive rule would inevitably lead to selecting good producers, skilled labor and the eliminating bad manufacturers, bad labor. Therefore, the disparities in income between social groups, between the industries are inevitable.

Thirdly, the distribution based on the different contributions of resources in production has led to the inevitable result that the wealth gap increased. At under a certain angle, this distance represents the fair because it reflects commensurate

achievements with their contributions and talents. However, this also has certain restrictions for those without the productive assets or the low ability

Fourthly, the urbanization created the big pressure for the large cities in resolving jobs, housing and essential services for immigrants. The alleviation and poverty reduction in urban areas is increasingly difficult because the migration into the big cities increasingly increasing. This created the pressure on the infrastructure of urban areas and raised many other social problems. This is the nature role of most countries in the industrialization and modernization process.

Fifthly, growth patterns and mechanisms in resource allocation were not appropriate. These are two of the causes creating the unequal society in the economic growth process. Vietnam remained growth model based on exploiting the resources and muscles labor in the long time. Allocating resources to public investment projects, inefficient economic projects caused losing the state resources, rising interest groups, and corruption. The inevitable consequences of these are wealth gap increasing seriously.

Sixthly, the development strategy for the key economic regions dilated wide gap with the less developed regions. Capital investment of the government, the enterprises, mainly focuses on the key economic regions of the South, the North and the big city. Meanwhile, investment in rural areas is still less. Therefore, the economic restructuring, rural economic developments were very slow, low income in rural areas created migration from rural to urban. The shortage of skilled labor in rural areas under the pressure of migration has turned many rural areas into areas of the elderly and children.

Seventhly, low literacy and skill that impeded the workers accessing the labor market and employment opportunities to increase income and sustainable poverty reduction. In large urban areas, the pressure about the labor and employment is increasing while investors don't want to

invest in rural areas because of the shortage of skilled labor.

1.4 Some solutions to resolving effectively the relationship between economic growths with social equity in Vietnam in the coming time

The first, Vietnam must express the relationship between economic growth with social equity in all policies and developed orientation of Vietnam.

Vietnam must continue affirmed the necessity and importance of implementing the relationship between economic growth with social inequality and equity in the resolutions of the Congress Party in the coming time. This is solid basis for issuing policies and laws which will service for implementing the equity, social safety and welfare.

The governments need to have toward in implementing the social progress and equity in the social - economic development strategy in the next stage. This is basis for the preparation of the necessary resources to implement in the long term.

Raising the awareness of community about the relationship between social equity and economic growth. The government must propagate to all levels of state administration departments, state agencies and whole people, especially in the departments planning and performing economic development policies. Do not skip the harmonious combination between social policy economic policy during the planning and performing economics development policies.

The second, Vietnam must innovate the thought in implementing progress and social equity in the new era.

The implementing process of the social policy in Vietnam in recent years seems only focus on "the top part" but not focus on solving "the original part". Most of social safety and welfare policy only converge on income redistribution, social support ... but not converge on the underlying causes of

poverty is "inequality in opportunity" to offer applicable solution. So that, besides continuing implementation of subsidy programs and income redistribution, Vietnam should change the thought in formulating the solutions to implement social progress and equity and address the roots of poverty. To do this, the orientation in next time is.

Firstly, the government must create favorable opportunities for all people, especially the poor who need have the ownership and used right of production elements. Among them, ownership and used right of land is most important. The uneven distribution of productive assets among different strata created distance between the rich and poor too far in Vietnam.

Secondly, Vietnam must formulate facilitate mechanisms which can help the poor getting "input factors" of production such as education, vocational training, land, credit, fertilizer, seed.. Creating opportunities for the poor find stable employment or self-employment is the best way for sustainable poverty reduction. Income redistribute or social supports after the massive industrial development not only can not offset for work people from loss of land, loss of work but also create high risk in falling into poverty and generate more complex social problems.

Thirdly, Vietnam should create more favorable opportunities for all people in accessing information and basic social services for production and business development. This can improving the individuals lives, family's lives and communities. The government need review the political and institutional system which must be ensured transparency, equality and opening up equal opportunities for all segments of the population.

The third, Vietnam need promote constructing, adjusting, perfecting and concretizing legal policies which support efficiency in implementing social equity and welfare process.

The governments need issuing prioritized policy to solve urgently social problems,

combination harmonious between economic policy and social policy. The state administration departments must specified the policies, social programs which can suit each segment of population, each locality. Parallel with finalization the distributed policy, the government should regulate the income of wealthier strata of the population. Besides that, Vietnam should focus on distributing the policy to increasing the income for the poor, regulating prices and supply and demand relation in the market, creating equal opportunities for low-income people in stabilizing production and living. In the long term, should expand the social welfare policies become to system of social welfare policy with many levels and determine that this is one of the important points in a just and civilized society.

The fourth, Vietnam need to build the mechanisms and devolve for specific subjects to execute all issued policies. The orientation in next time is.

Firstly, constructing the executed mechanism for enacted social policies, assigning the state department and person who must be responsible for each administrative level in localities.

Secondly, minimizing staff in the managerial apparatus in implementing of the social safety policies. Besides that, government need to deployment synchronous solutions in fighting corruption and using the aid effective. This can help reducing managerial cost maximize and providing full the money of social safety projects to the poor.

Thirdly, enhancing the participation and supervision of the community in the constructing and implementing the social safety programs to reduce the leakage and waste and enhance investment performance of the social welfare program.

The Fifthly, Vietnam must actively prepare the necessary resources and focus on mobilizing the social resources for performing the social equity goal.

When enacting social policies, government must prepare the enough capital from the

state budget and other sources for the implementation of that policy to create the trust for the people and the elites in society. The state should gradually reform social safety system in the direction of socialization to reduce the budget burden

and match with the social-economic development conditions. Promoting the humanitarian support of the foreign organizations and individuals for implementing of social safety programs in Vietnam.

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