Rich-Poor Polarisation in Vietnam and Its Impacts on Vietnamese Society

Dinh Quang Hai

1Institute of History, Vietnam Academy of Social Sciences.
Email: dinhquanghai08@gmail.com

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Abstract: After 30 years of the comprehensive Đổi mới, or Renovation, policy, Vietnam has reaped important achievements in the economic, political, military, diplomatic, cultural and social aspects. The great achievements affirm the Party's correct and creative policy of reform. The national development path is consistent with the reality of Vietnam and the trend of history. Nevertheless, the country is still facing many difficulties and challenges. The gap between rich and poor in present-day Vietnam and its impacts have really become special concerns of the entire political system and society. In order to minimise the gap, and to realise social progress and equity, the country must develop the right strategy of socio-economic development, and the practical and specific policy of poverty alleviation, continuing strongly the Đổi mới cause to achieve the goal of "a rich people, strong country, and an equitable, democratic and civilised society". Under the leadership of the Party, given the solidarity of the whole people, the increasingly deeper international integration, the poverty alleviation, the improvement of the people's living standards and the reduction of the gap between the rich and the poor in Vietnam will achieve new successes on the path of comprehensive and sustainable development.

Keywords: Rich-poor polarisation, income, living standards, life, equity.

1. Introduction

Since the 6th National Congress of the Communist Party of Vietnam (1986) up to now, Vietnam has undergone 30 years of its comprehensive Đổi mới (Renovation) policy and gained important achievements in many areas, and the people's life has been improved remarkably. Evaluating the results gained after 30 years of renovation, the Resolution of the 12th Party Congress (2016) states that Vietnam "has made great achievements of historical significance; at the same time, many major complicated problems, limitations and shortcomings remain to be resolved and overcome with focused efforts in order for the country to continue with more rapid and sustainable development" [6, p.16]. The achievements have reaffirmed that “the Party's renovation policy is correct and creative; the path to socialism in our country is suitable with the reality of Vietnam and the development trend of history. The achievements, experiences, and lessons learnt from reality create important
preconditions and foundations for our country to continue to renovate and grow strongly in the coming years” [6, p.17]. However, besides the achievements gained, Vietnam is also facing many difficulties and challenges that need to be addressed on the path towards the goal of “a rich people, strong country, equitable, democratic and civilised society” in which the issues of sustainable poverty reduction and of the gap between the rich and the poor in the society are among the very important ones, attracting the attention of the whole political system and society.

Within the scope of this paper, the author wishes to contribute to better clarifying the reality of the rich-poor polarisation in Vietnam at present and its impacts on Vietnam’s society in the time of renovation, accelerated industrialisation, modernisation and international integration. To better clarify these issues, first of all, we need to be have clear awareness and take steps with appropriate solutions.

2. Status of the rich-poor polarisation in Vietnam

After many decades of wars and a period of implementing the centrally planning, bureaucratic subsidised economy, before the Party initiated and started leading the Đổi mới cause, the Vietnamese economy was facing various difficulties. The country was in a serious socio-economic crisis with inflation rates soaring to 3 digits. Generally, from 1976 to 1985, the national income grew only by 38.8% with an average annual growth rate of 3.7% only [12, p.5]. Agriculture is a key economic sector of the country, which often generates around 50% of the income, but, during the period, the average annual value of total agricultural output increased by 3.8% only [12, p.5].

Huge shortage of food happened. Over the 5 years period of 1976-1980, food consumption in the State sector was 11.8 million tonnes of rice equivalence, but only 5.8 million tonnes was mobilised domestically, or only 49% of the consumption level [15, p.254].

Until the early 1990s, Vietnam remained one of the poorest nations in the world, being an agricultural country that still had to import food annually to relieve famine for the people. Economic indicators per capita were recorded very low. The rate of the population facing chronic extreme hunger in the country was around 6%-8%. In the years when natural disasters and other risks occurred, in rural areas, people facing extreme hunger accounted for 27%, and those facing acute extreme hunger accounted for 19%-21%, or 3.7 million people. A traditionally agricultural country, Vietnam saw the total number of hunger-stricken farming people in 36 localities amounted to 4.81 million, and the number of those facing extreme hunger was 1.9 million [7, p.75]. Such “talking” statistics were really saddening. The phenomena of poverty and hunger found their direct expressions in hunger, lack of food and having no food to eat, let alone other criteria such as housing conditions and living equipment of households which can be said to have been very poor. Generally, those with the level of income per person being from 8 to 15 kg of rice equivalence per month were considered “hungry” households, from 8 to 22 kg - poor households, in the delta and midland regions; 15 kg - poor households in mountainous and rural areas, and from 20 to 25 kg - poor households in urban areas. As such, the number of poor
households in Vietnam in 1986 accounted for 45% and in 1992 accounted for 26% - 28 % of the population [7, p.79]. Poverty and hunger in Vietnam became frequent and grave, which gave rise to an inevitable requirement for the large scale implementation of poverty reduction and hunger elimination.

During the implementation of the policy of national renovation and construction with socialist orientation since the 6th Party Congress (1986), with the guidelines of economic growth and development having to go hand in hand with solving social issues and gradual realisation of social equity in appropriate economic conditions, poverty reduction and hunger elimination have been considered of strategic importance in the country’s socio-economic development strategy.

In its strategy for socio-economic stability and development up to the year 2000 adopted at the 7th Congress of the CPV (1991), Vietnam’s leading goal was to strive to stop being a poor and underdeveloped country, and make efforts to improve the people’s lives. Of the four tasks set forth to achieve the goal, the second one was “to strive to eradicate hunger, to reduce the number of people living in poverty, to create jobs, to ensure the meeting of basic needs, to improve material, cultural and spiritual lives of the people” [3, p.157].

Following the 7th, 8th, 9th, 10th, 11th, and 12th Congresses of the CPV in 1991, 1996, 2001, 2006, 2011 and 2016 respectively, the viewpoint of the CPV and the State of Vietnam has consistently been that hunger eradication and poverty reduction remained both a goal and a requirement, as well as a driving force for socio-economic development, contributing to ensuring social security and social equity.

Based on the policy and guidelines of the CPV, the Government of Vietnam has issued many policies on hunger eradication and poverty reduction, reflecting its determination in the fight against poverty and hunger. The tasks of hunger eradication and poverty reduction have gradually been institutionalised through development of legal documents, socio-economic development plans, concrete objectives and specific policies in a principle of “harmonious combination of economic growth and realisation of social equity and progress”, “gradually narrowing the gaps in the development level and in living standards amongst regions, ethnic groups and all walks of life”.

Over the 30 years, the Party and the State have maintained a consistent policy of sustainable poverty reduction in parallel with encouragement of lawful wealth creation. Efforts were made to promote the implementation of resolutions of the Government and the national target programme on poverty reduction, which focused on multidimensional poverty reduction policies and overcoming the risk of falling back into poverty, especially for the poor districts, with priorities given to poor ethnic minority groups living in the districts, border communes, “security zone” communes, communes and villages faced with extreme difficulties, the coastal areas and islands; narrowing the gap in living standards and social security as compared to the national averages [5, pp.109-110].

However, in reality, besides the great economic, political, cultural and social achievements, the rich-poor gap - “the central axis of social stratification” [10, p.10] has been revealed clearly and has becoming more intense, leading to the rich-poor polarisation. The rich-poor polarisation in Vietnam in recent years have taken diverse forms and extents with extreme complexity.
Rich-poor polarisation happens between urban and rural areas, amongst regions, age groups, occupational and ethnic groups, and the locations of residence. The clearest expression of the polarisation can be found in the following aspects:

* Rich-poor polarisation in terms of income

Results of the survey on living standards and households of Vietnam from 1992 to 2012 conducted by the General Statistics Office (GSO) show that the gap between the 20% highest income group and the 20% lowest income group in the country tended to widen, from 4.9 folds in 1992 to 9.4 folds in 2012 [14, p.201]. And, during the ten years of 2002 - 2012, incomes of the poor household group accounted for only 3.8% - 5.3% (with an average of 4.7%) of the total income of the society. Meanwhile, at the other extreme, the richest income group accounted for a much larger part - approx. 50.8% - 65.4% (with an average of 54.4%), although each wealth quintile accounted for the equal 20% of the population. This shows that in Vietnam, the rich tended to get richer because they enjoyed more favourable conditions, while the poor, though possibly not getting poorer, found it difficult to improve their incomes because of limited capital, education or job skills.

On the other hand, based on data from the GSO during the 20 years of Đổi mới, especially based on the findings of the 2012 survey, it can be seen that inequality in Vietnam was growing with the Gini coefficient increased from 0.33 in 1992 to 0.424 in 2012 for the whole country.

Reports from 900 corporates in Ho Chi Minh City with the total workforce of over 310,000, showed that the highest 2015 Tet (lunar new year) bonus of corporates outside the export-processing zones (EPZs) and industrial parks (IPs) were recorded at VND 400 million per person and the lowest - at VND 3.1 million, with a differential of 129.03 folds. For corporates operating in EPZs and IPs in the City, the highest was VND 457 million, while the lowest was VND 2.9 million, with a differential of 157.59 folds. According to a survey conducted by the Department of Labour, Invalids and Social Affairs of Da Nang City, the highest was VND 300 million and the lowest was VND 300,000 VND [16, p.8], with a differential of 1,000 folds. If compared with the highest level of VND 482 million in Binh Duong province, the lowest level of VND 30,000 in the adjacent Binh Phuoc province saw a huge differential of 16,066.7 folds. Such differentials are well worth thinking of with regard to the rich-poor polarisation in terms of real incomes.

* Rich-poor polarisation in terms of assets

The disparity in terms of assets in Vietnam has in recent years grown even faster than the disparity in terms of income. In 2014, Vietnam had 116 “superbly rich” persons, with an increase of 40 persons compared with 11 years before (2003). The Knight Frank forecast in 2015 that, in a decade’s time since then, Vietnam will be the country with the highest growth rate in the number of superbly rich persons in the world, achieving the number of about 300 persons [11], of whom the 100 richest people on the stock market will hold the assets worth more than VND 70 trillion - approximately equivalent to USD 3 billion, and equivalent to 1.7% of the country’s Gross Domestic Product (GDP) in 2013. In reality, the number of superbly rich persons in Vietnam could be much higher than in the forecast because the figures were primarily based on reported assets through the disclosed ownership of stocks in listed companies, not yet taking into account the
ownership of assets of the rich held in the names of their relatives as well as via companies. The increases in the number and asset values of superbly rich persons in Vietnam was positive signs, reflecting the growth of the economy to a certain extent. However, an opposite picture remains with currently nearly 2 million poor households [1] and a situation of 1 - 2 months of food shortage in regions populated by ethnic groups, stricken by floods and droughts, and with over 1 million people (equivalent to 200,000- 20,000 households, accounting for 5% of the households) faced with food shortage each year, according to the new poverty standards and 1.2% of the households nationwide.

* Rich-poor polarisation through access to and enjoyment of basic social services

If in 2002, the difference in the percentage of population with college and university degrees between the highest income 20% and the lowest income 20% was recorded at 3.45 folds, then, in 2012, that increased to 50.25 folds (1.3% against 20.1%) [14, p.73]. Most of those in households with lower levels of education (being illiterate, having never been to school, having no degrees) belonged to the poor group (11.77% in 2002; increased to 15.7% in 2012) and only a very small percentage belonged to well-to-do groups (5% in 2002, dropped to 1.2% in 2012).

Many children of poor farmers, especially those living in poor communes in mountainous, ethnic minority populated areas, did not have access to literacy and vocational training, and were not in a position to have access to and to enjoy high quality education. Therefore, they were hardly able to improve their mentality and social capital, or to get high income jobs. On the contrary, the rich usually choose good international schools or those which meet national standards, right from the kindergarten level, for their children’s education, or they even send their children to study abroad. Their offspring thus can enjoy good opportunities for the future careers.

In 2014, spending by households on healthcare remained high, accounting for nearly 48% [2, p.23], against the figure of 62.9% in 1995; (according to the World Health Organisation, only when the figure is below 30% can equity in healthcare be achieved). This can make households with average incomes fall into poverty when their family members fall sick. There is an extensive healthcare system in the country but it is unevenly distributed, with large hospitals mainly concentrated at the central level, big cities and urban areas in general, and going with those large hospitals are teams of nurses and doctors of higher professional qualifications and huge budget priorities. Meanwhile, the majority of poor people live in rural and remote mountainous areas. Access to good quality health services and healthcare by poor people in the areas is very difficult. Such a reality causes inequity to the people, especially to the poor living in remote areas, with regard to accessing services. At the same time, it causes “reverse subsidy”, when the rich enjoy state budget expenditures more than the poor do.

In particular, the situation of inequity in healthcare is higher among population groups. Poor people, people with low education, ethnic minorities and children are prone to face disadvantages. The results of the international research entitled “The Young Lives” in Vietnam released on 19 January 2015 showed that stunted children were increasingly concentrated among children of the poorest families, only 9% of
children from wealthier households were stunted, compared with 31% of children from poor families, and only 14% of children of the Kinh majority were stunted compared with 52% among ethnic minority children. That demonstrates the increasingly widening gap between the rich and the poor in Vietnam. Apparently, a large part of the population was still marginalised from a better development trend if one failed to take effective measures to reverse such a situation.

Of the coverage of all social insurance schemes, the extreme poverty groups enjoyed only 11.2%, whereas the richest quintile enjoyed 58.1%; urban areas - 56.2%; rural areas - only 22.0%; the Kinh and the Hoa (Vietnamese of Chinese origin) - 35.2%, whereas minority groups - only 14.0%. The rate of social insurance contribution of the poorest groups was 7.5%, and by contrast, the richest quintile accounted for 50%. The poorest groups enjoyed merely 29.6% of medical benefits while the richest groups enjoyed 33.7% [9, p.85].

There was shortage of electricity and clean water supply for domestic usage, with 21% suffering domestic electricity shortage, and 18.2% having to use natural water from rivers, streams, lakes and ponds which were not hygienic. A high proportion of poor people still did not have or lacked land for production. In 1993, approx. 8% of farmer households did not have farming land. That mostly happened in the Mekong Delta (39%), the Southeastern region (31%), the Tay Nguyen, or Central Highlands (3%) and the Central Coast (9%). Infrastructure for production was still underdeveloped, with people lacking market outlets and production knowledge because of low educational levels, having no technical expertise or being illiterate. To make things worse, outdated customs and discrimination still existed which made children drop out of school and the sick unable to receive healthcare, causing wastefulness, high costs and inability to repay loans. Social disparity and inequality among regions, genders and population groups were increasing. While urban areas benefited the most from the policies of economic reform and growth, poverty was still persistent in many rural areas of Vietnam, and at a very high level in ethnic minority populated regions.

Despite many limitations and shortcomings in the work of poverty alleviation, in general, Vietnam is considered by the world to have made impressive achievements in poverty reduction. The national poverty rate was reduced by an average of 1.5-2% per year; districts and communes with special difficulties reduced their poverty rates by 4% per year in accordance with poverty standards for each period. In 1993, the nationwide poor household rate was 58.1%, in 2011 it was 9.5%, in 2013 - 7.8%, and in 2014 - 5.8%-6%. Efforts were made in 2015 so that the nationwide poor household rate was reduced to less than 5%, and, in particularly difficult areas, to less than 30% [5, p.110]. Economic growth taking place on a large scale has resulted in significant improvements in quality of life for most people. The quality of life of even the people who still live in poverty was also improved significantly. The shortage in consumption faced by the poor was seen as being at a medium level against the poverty line, measured by the poverty gap ratio, and was also continuously decreased. The characteristics of the poor groups also changed significantly during the period. The household size of a typical poor family fell from 5.2 persons to 4.8 persons. The contemporary Vietnamese society had become more diverse than two decades
before when the country began implementing the renovation process.

Both qualitative and quantitative studies show that the gap between the rich and the poor in Vietnam is increasingly widened, leading to a rich-poor polarisation. Therefore, the Party and State of Vietnam have taken timely and effective mitigation measures to avoid facing an acute rich-poor polarisation which may lead to social polarisation in the future. The reality also requires that the Party and the State be more cautious regarding scenarios and policies for socio-economic development to contribute to a reduced rich-poor polarisation.

3. Impacts of the rich-poor polarisation on today’s society of Vietnam

The resolution of the 7th plenum of the Party Central Committee (the 11th tenure) points out: “The rich-poor gap, the social stratification, along with bureaucracy, corruption, distance from the people, infringement of people's right to mastery reduce the people's trust in the Party, and are the challenges against the relationship between the people and the Party” [4, p.39].

To contribute to reducing the rich-poor polarisation to the lowest level possible, thus implementing of social equity and progress, over the past years, the State has been formulating and implementing many socio-economic development policies. However, in the process of implementation, a no small number of limitations have been preventing the polarisation from being minimised in reality.

The Party’s resolution has also identified that the rich-poor polatisation tends to increase, and social stratification tends to grow in a complicated manner...; poverty reduction remains unsustainable; a well-aligned mechanism of multidimensional and multi-purpose poverty reduction remains unrealised; various social welfare and poverty reduction policies overlap and duplicate with one another and with other policies. In addition, part of the population are still faced with a hard life; social infrastructure in many localities and regions, especially in remote and isolated areas, are limited; and part of the population has not been able to equitably enjoy the fruits of the renovation process. Social inequality in terms of income, education, health, culture, social security, etc. is still slow to be overcome [5, p.11].

The rich-poor polarisation has exerted impacts on the modern society of Vietnam in multiple dimensions. In that regard, positive impacts include the fact that the polarisation has contributed to arousing social dynamics of man of various social groups, stimulating them to search for and exploit opportunities to develop and to move forward, stimulating the people’s creativity in order to create a strong environment of competition, thereby screening and selecting outstanding members, thus creating driving forces for the development of each sector, each field or each locality. Especially, many people and groups of people in the society have got rich by doing business in accordance with law. Wealthy households provided guidance to the poor people on how to earn living/do business and to generate incomes, thus helping the economy to develop with high labour productivity, increasing social welfare (healthcare, education...) for citizens, with income taxes levied on the rich...

However, the rich-poor polarisation, if not mitigated in a timely fashion, will hinder the process of economic growth and
development, reducing the amount of resources used in the State’s policies of social welfare and social security. A deep rich-poor polarisation is also one of the causes of moral degradation and increased social evils and crimes. Moreover, in the long-term, the rich-poor polarisation could lead to social polarisation, weakening social cohesion and giving rise to the “potential” social conflict, diminishing the people’s confidence to the regime.

The rich-poor polarisation could lead to social polarisation. Besides those getting rich by means of their true talents and efforts, there are also a considerable number of “corrupt officials”, “business barons” or “nouveaux riches” getting rich quickly in an illicit and illegal fashion, by taking advantage of loopholes of the law to exploit natural resources and labour, and to plunder of social assets. These illicit earnings increase the gap between the rich and the poor, making the poor poorer. Because of the fact that such money is primarily ill-earned through non-labour, not as the results of sweat and tears, those nouveaux riches lead a very lavish, wasteful, even downright snobbish way of life [8].

The rich-poor polarisation in the long run will dissatisfy and frustrate the people, reducing social cohesion, increasing the number of lawsuits and destabilising the society. The polarisation also leads to such negative consequences as public officials and party members being prone to self-evolution for the worse, seriously affecting internal political security; ineffective functioning of the State apparatus; the Party and the State’s guidelines and policies being disabled and distorted; and weakening of the leadership by the Party. All this facilitates the hostile forces’s continuation with their plots of “peaceful evolution”, diminishing the people's trust in the Party and threatening the survival of the socialist regime which we are building step by step. The rich-poor polarisation contains not only latent contradictions and conflicts but also the risks of destroying the renovation process and the realisation of the nation’s development goals.

The deep rich-poor polarisation can become factors constraining economic growth and development (if it is illicit creation of wealth) because gravely growing income inequality will cause economic growth to be unstable. This causes mechanical migration from rural to urban areas, from disadvantaged areas to more favourable ones, thereby putting pressure on the overloaded urban infrastructure and causing social disturbance. Therefore, good problem solving of the rich-poor polarisation will exert a positive impact on the economic development goals in a sustainable way.

From a social perspective, the rich-poor polarisation negatively affects social security, and increasing social evils and crimes. Always faced with economic difficulties, many poor people feel that their lives are threatened. Poverty and hunger often go hand in hand with illiteracy, which easily plunges part of the poor people into a dead end of their lives. Considering themselves having “nothing to lose”, some poor people may desperately do things which violate the law and ethical rules, such as committing theft, robbery, fraud, smuggling, prostitution...

In terms of ethics, the rich-poor polarisation makes some people go astray with deviant orientations of ethical values and standards, and of social lifestyle. Along with the promotion of a market economy, there emerges a philosophy of “the strong win and the weak lose, the smart survive
and the stupid die” (*literally translated*), and the burning desire to run after money disregarding emotions and gratitude. Moral degradation is a factor to destroy good values and traditions in many families. Domestic violence, trafficking in children and women, and the number of abused children, homeless children having to earn their own living, and children violating the law, all tend to increase.

The rich-poor polarisation can also cause stratification of social classes, which can lead to dissatisfaction of a certain group of people. The disparity between the rich and the poor, if too great, will lead to attitudes of “hostility” of the poor to the rich. This is demonstrated in the appearance and existence of a psychology of grudge with wealth, envy against entrepreneurs, and an aversion to successful people who do not fit with the old traditions and concepts.

Thus, poverty and hunger breeds social inequality. It is not true that the gap between the rich and the poor would be eliminated merely with stepping up the market economy. On the contrary, the freer the market economy, the more widened the gap between the rich and the poor. The question is how to prevent and restrict the rich-poor polarisation caused by unusual and illicit wealth creation, and by corruption, fraudulent trading and business activities performed in a “snapping and grabbing” fashion in a “twilight” period of a market mechanism, enabled by unreasonable policies formulated by man. At the same time, it is necessary to commend and replicate examples of lawful wealth creation - to a certain extent, they are bright examples for poor people to follow with great efforts. There is the need to encourage and help farmers to get rich legally. On the other hand, it is necessary to improve the living standards of the poor through capacity building and raising their self-consciousness to get out of poverty. Therefore, eradication of the “hunger of knowledge” and the “poverty of awareness” would be the most radical way of hunger eradication and poverty reduction for the sake of sustainable growth and social stability. Providing the poor with a “fishing rod” and teaching them how to “fish” effectively and efficiently will be a much more effective way than simply giving them a fish to eat. Therefore, reducing the rich-poor polarisation is the reduction, to the lowest possible level, of the contrast or opposition between the two extremes of richness and poverty in terms of economic conditions and quality of life. This is an important goal which requires the State, policy makers and the entire society to be calm and wise to consider and to resolve in a careful and scientific manner.

4. Conclusion

During the renovation process, the Vietnamese Party and State have made enormous efforts in establishing a system of socio-economic development policies, directly organising the implementation of and creating the consensus of the whole society for the minimisation of the rich-poor polarisation. When the country had just been through decades of wars at the costs of huge losses of life and property, it saw itself faced with a number of choices in terms of development paths: the first was to achieve a high economic growth with a market mechanism, which was deemed to sacrifice, inevitably, social equity, thus due attention was not to be paid to social policies and narrowing the gap between the rich and
the poor, as well as the proper handling of social issues and problems is not to be stepped up, either. Another option was to accept the alternative of speeding up economic growth first, and once high economic growth rates are achieved, social problems can be resolved. There were so two different options. However, for Vietnam, it was clear that, once the path of national liberation had been chosen and associated with liberation of society and man, which the 1945 August Revolution started, followed by two resistance wars, the country could accept neither of the two paths of development as afore mentioned. The question is how to be able to come up with a correct socio-economic development strategy including poverty reduction policies which are practical, specific and popular, constituting a powerful driving force for the renovation process towards the attainment of the goals of “a rich people, a strong country and an equitable, democratic and civilised society”. This is really neither easy nor simple. New effective solutions can only be gradually found with the creativity of the masses under the Party’s correct guidelines. It is from this spirit that the people of Vietnam have found for themselves a most clear-sighted path. The Party was determined “to formulate and implement policies suitable with social strata; to effectively solve pressing social problems; to gradually overcome the imbalances in development among sectors and regions; to ensure the harmony of interests and social relations, to pay due attention to vulnerable and marginalised groups in the society, and ethnic minorities in highland remote areas, and to reverse the widening trend in the gap between the rich and the poor”.

Notes


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