



E P R E S S

Viet Nam: a transition tiger? Causes of continuing poverty

Abstract for chapter 15

The Vietnamese government estimates that almost one-third of the population is below the poverty line. An analysis of the poverty problem has identified a number of facts that are associated with continuing poverty and relative exclusion from the benefits of economic growth.

This chapter looks at poverty within rural and urban conditions. Many poor live in areas that have few natural resources and with harsh natural conditions in mountainous, remote and isolated areas where the population is subjected to effects of natural disasters. The poverty rate is lower in urban areas, but there is inequality still in the distribution of the benefits of growth. Poverty is linked to a lack of access to social service provision.

Keywords:

agriculture, credit, education, gender, health, income, literacy, Living Standards Measurement Study (LSMS), low average income, migrants, natural disasters, poverty line, schools, social services

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CAUSES OF CONTINUING POVERTY

PERSISTENCE OF POVERTY AND CONTINUING VULNERABILITY

The Vietnamese government estimated that almost one-third of the population is still receiving an income below the poverty line, highlighting the critical challenge posed by remaining poverty in Vietnam.

In one sense, as in all developing countries, it is not difficult to explain widespread poverty—it reflects the low level of average income. Despite a period of successful growth, Vietnam's average income is still low and the income of a large segment of the population lies just above the poverty line. Even a small adjustment in the position of the line or a modest decline in household income would put many more households below the poverty line. With low average incomes, changes in definition and small changes in average incomes can have a great effect on the numbers identified as poor. For example, the definitions chosen in the surveys conducted by the Ministry of Labour, Invalids and Social Affairs identify a much smaller proportion of the population as being poor than the norms applied in analysing the Living Standards Measurement Study (LSMS) (11 per cent in 2000 as compared to just under one-third using the LSMS analysis and definitions).

As economic growth continues, and average incomes rise, it will become of increasing interest to analyse why some groups are falling behind, benefiting

little from the general increase in prosperity. The government's analysis of the poverty problem has identified a number of factors that are associated with continuing poverty and relative exclusion from the benefits of economic growth.

POVERTY AND RURAL CONDITIONS

The government places a good deal of emphasis on the many poor who live in areas that have very few natural resources and harsh natural conditions such as mountainous, remote and isolated areas. Also, the poor are often subject to the effects of natural disasters. Over 90 per cent of the poor live in rural areas and most of their income comes from agriculture. Agricultural income is unstable and vulnerable to climatic uncertainty and natural shocks. The income level of many rural households is close enough to the poverty line that natural calamities can easily push them back into poverty. The Mekong River delta region and the Central region are particularly subject to climatic uncertainty (typhoons, floods). This means that, while many families escape from poverty each year, that progress is offset to a significant extent by families falling back into poverty.

Differentials in the development of infrastructure also cause widening income gaps because inability to access to markets holds back the development of many poor areas.

Although Vietnam does not have a highly skewed land distribution, rural groups with relatively poor access to land or who have access to land of a poor quality or geographic location, find it difficult to achieve food security and invest in productivity improvements. Poor people also have limited access to various sources of credit despite the government's attempts to raise credit access and availability through the expansion of formal credit to agricultural areas.

URBAN POVERTY

The poverty rate is lower in urban areas, but within urban areas there has been a great deal of inequality in the distribution of the benefits of growth, with those working in the state and foreign-invested sectors doing better than for those working in the domestic non-state sector. Many of those who were made redundant as a result of state enterprise restructuring and other reductions in public employment have suffered a loss of income. Incomes are low in the growing urban informal sector, where the labour force is swollen by the influx of unregistered migrants from rural areas. Many migrants usually do not secure permanent registration and have no stable jobs; consequently their income is

unstable and they are unable to gain access to basic public social services (health care, education) and may also be excluded from social surveys used for poverty targeting.

POVERTY AND ACCESS TO SOCIAL SERVICE PROVISION

One reason why the benefits of economic growth have been diffused is the broad spread of education and literacy. While education cannot ensure increases in income, illiteracy and lack of basic education can exclude the uneducated from economic opportunities.

While there was some deterioration in some aspects of education provision¹ the overall educational profile remained strong for a country with Viet Nam's income level. Programs to abolish illiteracy and to promote universal primary education contributed to the achievement of an adult literacy rate to 93 per cent by 1995, and an increase in the share of children of primary school age attending school from 75 per cent in 1991 to 99.9 per cent in 1997, with 55 per cent of the secondary level age group also attending school (UNDP 2001). Viet Nam's literacy and school attendance rates are on a par with economies that have per capita income levels ten times higher.

Not only have the number of pupils and students attending school increased, but there has also been some qualitative improvement, with repetition and drop-out rates and the number of three-shift classes declining. Vocational schools and classes have expanded.

There has been considerable progress in most aspects of education, but some aspects of the change in the delivery of education deserve careful monitoring, particularly in relation to the identification of poverty and gender issues. Almost daily reporting in the press suggests that the lack of funds to meet school fees and other costs is reducing access by the poor to education.

Increased schooling costs could have a negative impact on girls' access to higher education. The gender imbalance is already worse at the higher levels of the educational system. This may reflect prejudice but may also reflect a rational response to investment in human capital in the face of a job market which, while not subject to extreme imbalance, tends to provide more lucrative job opportunities to men. This imbalance could be reinforced if the government proceeds vigorously with plans for the 'socialisation' of social service provision.²

Poverty is associated with poor access to education both as cause and effect. Low educational attainment limits access to jobs and higher household incomes

which are key to greater access to education. The results of the LSMS demonstrated the strong correlation between poverty and education, with the poverty rate declining as the level of education rises. Low educational attainment among parents also affects the economic prospects for the next generation, influencing decisions about education, child delivery and child rearing.

Large family size is also both a cause and the effect of poverty. In 1998, the average number of children per woman in the poorest quintile was 3.5 compared to 2.1 in the richest quintile. As a result, the dependency level among the poorest quintile was 0.95 compared to 0.37 among the richest quintile.

Poor health is also a factor pushing families into poverty, because of both the loss of income and the medical costs. Preventative health has improved through programs to expand immunisation, eradicate polio and also blindness caused by Vitamin A deficiency (dry eye blindness), increase malaria protection, prevent goitre, increase the proportion of the population with access to clean water, and improve access to health services in rural areas. The health insurance system has been expanded and partial cost recovery in hospitals has contributed to the financial viability of health centre operations.

However, despite remarkable improvements in health standards over the past decade, health inequality has widened. The 1998 Household LSMS found that the annual average number of sick days of the poorest quintile is 3.07, compared to about 2.4 for the richest quintile. Over the period 1993–97, the sickness status of the richest quintile was reduced by 30 per cent while that of the poor remained unchanged.

NOTES

- ¹ For example, the erosion of the communal resource base at the village level, as a result of the reduction in the role of the cooperatives in rural production, resulted in a reduction in the provision of pre-school facilities at the early stages of the reform process.
- ² The government has adopted this somewhat strange choice of terminology to describe proposals to increase user charges for social services.