

INEQUALITY ON THE RISE: WHAT DO PEOPLE THINK?



OXFAM



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ABBREVIATIONS

AAV	ActionAid Vietnam
FFS	Farmer Field School
GDP	Gross Domestic Products
GSO	General Statistics Office
HCMC	Ho Chi Minh City
ILLSA	Institute of Labour Science and Social Affairs
MoLISA	Ministry of Labour - Invalids and Social Affairs
SASSP	Social Assistance System Strengthening Project
VHLSS	Vietnam Living Standards Survey
WB	World Bank



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EXECUTIVE SUMMARY

Inequality is a rising topic of concern in Vietnam. Measured in income terms, inequality remains at average levels compared to other countries, and relative inequality indexes did not change considerably during the 2004 – 2012 period. Yet public perceptions of inequality paint a different picture. This study shows that many Vietnamese perceive that the actual inequality situation differs from that shown in economic statistics. Although income inequality is the most worrying form of inequality, Vietnamese citizens are also strongly concerned about inequality of opportunities, such as access to education, healthcare and employment; and inequality in processes, especially regarding the ability to use social connections for personal gain.

This pioneering study employs mixed quantitative and qualitative survey methods to explore the perceptions of inequality amongst more than 2,000 Vietnamese – men and women, Kinh and ethnic minorities – in six provinces across the country. The quantitative part of the survey was implemented by the World Bank and the Institute of Labour Science and Social Affairs (under MoLISA); corresponding qualitative research was conducted by Oxfam and Truong Xuan (Ageless) Consulting Firm in 2013.

The study findings demonstrate that the extent of concerns about inequalities in the ownership and use of land varies between lowland areas inhabited by the Kinh majority and mountainous areas inhabited by ethnic minority groups. In lowland rural areas, the rise of opportunities for non-agricultural employment and migration has resulted in a reduced role of land inequality in contributing to income inequality. Meanwhile, in mountainous areas, land inequality remains an important determinant in increasing income inequality agriculture remains a very important role in increasing wealth through the production of cash crops and perennial trees.

Most of the respondents do not accept income inequality seen as being derived from illegitimate sources. They are inclined to accept the higher living standards of better-off people who earn their money in a legitimate manner, as long as the respondents believed that they and their children also have an opportunity to improve their own living standards. 'Social fairness' is usually interpreted as fair opportunities rather than equal outcomes. Respondents believe that boys and girls from poorer households do not enjoy the same opportunities to improve their living standards as their peers from better-off households. The role of family background in the ability to change employment in order to improve living standards is considered to be very important, as better-off households have more privileges in terms of resources, education, power, and personal connections.

Respondents express a growing concern about the illegitimate role of personal connections, power, and corruption as evidenced in the search for employment in the public sector. Generally, trust in better-off people is rather low, which is related to the respondents' awareness of inequalities in opportunities, regarding accessibility to education, healthcare and employment, and in processes regarding the role of voice and power. Less than one-third of respondents believe that 'most people can be trusted'; rates of trust among younger respondents are lower than older generations. The decreasing social trust has implications for the negative attitude and behavior of the people and the community. In particular, respondents in more urbanised areas with greater access to information are more aware of income inequality between better-off and poorer people. Younger respondents are more

concerned about all forms of inequality than older respondents. This finding has a clear message: perceptions and concerns of inequalities amongst social groups in Vietnam are expected to rise in the coming time. In a context of relatively rapid urbanisation, young people are especially likely to migrate for employment or to study outside their own communities, thus having more access to diverse sources of information.

Finally, respondents express a strong consensus in favour of redistributive measures for alleviating poverty and inequalities. Over 80% agree with the statement that 'the government should transfer part of the wealthy/rich group's income to the poor group'. They believed that priority should be given to measures that promote more effective distribution through use of existing resources, rather than to measures to increase future redistribution.

KEY POLICY RECOMMENDATIONS:

Commitments: Policy-makers and leaders should include the issue of tackling inequalities in the working agendas of the National Assembly, the central government, and local People's Councils and People's Committees. At the same time, researchers and experts outside state institutions should gradually assume greater responsibility for consultation and advice to the authorities on measuring inequalities, setting goals, and supporting the monitoring and evaluation of programmes and projects to combat inequalities.

Poverty reduction should continue to be a key step in the roadmap to tackle inequalities. The budget for poverty reduction should be allocated a pre-determined percentage of government spending, which may be increased gradually depending on the availability of the funds. In addition, the government should institutionalize the participatory planning process, promote decentralization, and empower communities in implementing poverty reduction programmes and projects, thus decreasing inequalities in voice and processes to bring benefits to the poor in proportion to economic growth rates.

Governance: Law-makers, policy-makers, and the people should continue to join hands in improving institutions and tackling corruption, in order to enhance fairness and ensure access to opportunities for the majority of people, increasing their social trust and developing a meritocratic society governed by laws, with a transparent governance system. This means creating and maintaining a foundation for the people to enrich themselves in a legitimate manner.

Improved social capital and cohesion play an important role in decreasing inequalities, especially in rural and ethnic minority areas. Policy-makers should draw lessons from experience and develop further incentives to support community initiatives and grassroots social institutions which are essential for 'horizontal redistribution', and to implement community-based social protection. In particular, it is important to improve local governance in a participatory manner, taking into account the needs and capabilities of both the poor and women.

Public policies to promote fair access to services: It is essential that public policies ensure every citizen has access to and benefits from basic social services through generating equal accessibility and beneficial conditions for citizens. For vulnerable groups in especially difficult situations, it is necessary to strengthen social assistance programmes in terms of both coverage and levels of benefit, coupled with providing direct advice and support within communities so that these groups can enjoy a minimum living standard and have access to basic social services.

Restructuring and using resources more efficiently: The Government should concentrate its resources on public policies and investment programmes to expand coverage and increase basic opportunities for the most disadvantaged groups, including ethnic minority groups in remote and isolated areas, migrants in urban areas, rural youths, and women. This focus will equalize accessibility and the quality of education, healthcare, employment, social protection, sanitation, and clean water.

More importantly, it is necessary to increase the efficiency of resource distribution and use in public services, and in programmes and projects on development and poverty reduction. The approach of "results-based budget management" should be widely applied to shift the focus from internal management of inputs to efficient management of outputs in government programmes and projects.



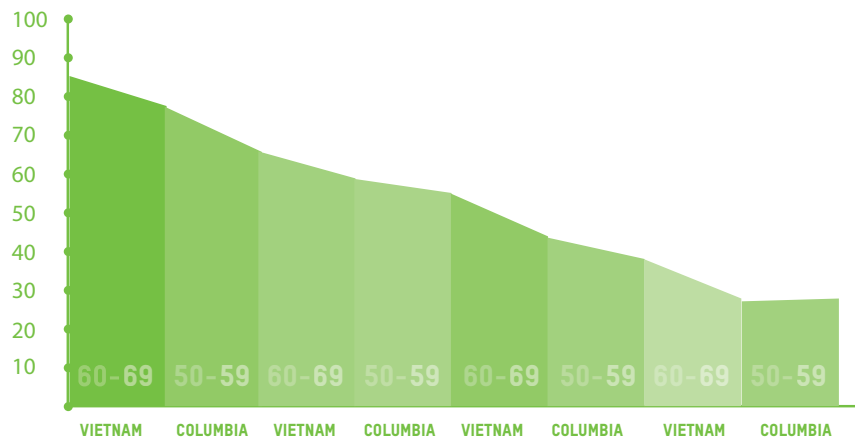
1. INTRODUCTION

1.1. AN OVERVIEW OF INEQUALITY IN THE GLOBAL AND VIETNAMESE CONTEXT

'The Outlook on the Global Agenda 2014' released at the World Economic Forum in Davos in 2013 ranked widening income disparities as the second greatest global risk in the ensuing 12 to 18 months. In 2014, Oxfam, quoted a shocking figure: The bottom half of the world's population owns as much as the 85 richest people in the world (Oxfam, 2014). The trend of rising inequality is also felt within a single developing country such as Vietnam.

Standard economic statistics often fail to capture the nature of widening disparities. The Gini co-efficient of overall income inequality in Vietnam remains at an average level compared with other countries. Vietnam's Gini in 2012 was 0.394 – much lower than that of other rapidly-growing economies in Asia, including China, Indonesia, and Thailand, but higher than that of Cambodia and India (Figure 1). In reality, Vietnam's Gini co-efficient rose only slightly over the previous two decades, with a steady increase from the 1990s to 2004, followed by stabilization and a recent decline (WB, 2014b).

FIGURE 1: GINI INCOME CO-EFFICIENT BY COUNTRY, 2012

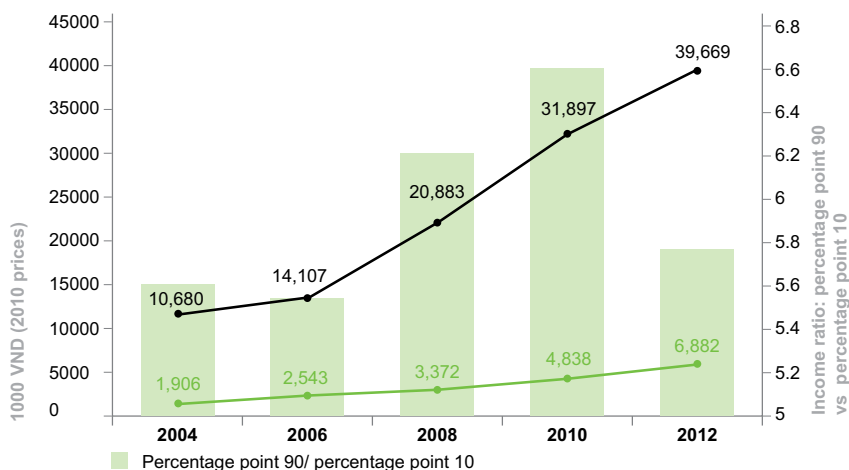


Source: World Bank, 2014b.

Analysis of another common index of relative income inequality, which is the '90/10' index (the ratio between the income of the poorest person in the richest 10 percent and that of the richest person in the poorest 10 percent), shows a similar trend. In the 2004-2010 period, the 90/10 index rose from 5.60 to 6.59, but then declined to 5.76 in 2012, close to that in 2004 (Figure 2).

Nevertheless, absolute income inequality has risen over the years. As proof of this, the absolute gap between the income of the poorest person in the richest 10 percent and that of the richest person in the poorest 10 percent (according to 2010 prices) increased from 8.8 million VND/person/year in 2004² to 27.1 million VND/person/year in 2010, and continued this rise to reach 32.8 million VND/person/year in 2012.

1. The Gini co-efficient is a measurement of relative income/expenditure inequality that has been used commonly. The Gini co-efficient is calculated on a basis of the income/expenditure distribution in the whole population. The Gini at 0 (or 0 percentage point) means absolute equality, while the Gini at 1 (or 100 percentage point) stands for absolute inequality.
2. Deeper analysis of VHLSS data indicates that a slight decline in relative inequality was a result of the temporarily slower increase in incomes of better-off households in urban areas in the 2010-2012 period. Incomes of average households in urban areas still rose substantially in this period. As a consequence, income inequality increased slightly in rural areas and decreased in urban areas in the period.

FIGURE 2: THE 90/10 INDEX IN VIETNAM, 2004-2012

Source: WB staff estimates using the data from GSO's VHLSSs.

However, for various reasons the data from VHLSS do not seem to reflect actual inequality in Vietnam. For instance, it is likely that better-off people do not provide accurate information on their actual incomes to survey enumerators.³

Meanwhile, many people believe that inequality in the country has risen considerably over the past decade,⁴ as evidenced by media articles on the incomes and assets of a small group of super-rich people, luxury shops, and conspicuous consumption, especially in big cities such as Ha Noi and Ho Chi Minh City (HCMC). According to a report on the world's super-rich, published by Wealth-X Company in 2013, there are as many as 195 super-rich people in Vietnam (a "super-rich person" is defined by the company as possessing assets worth more than 30 million USD). These super-rich own combined assets of 20 billion USD, which is more than half of the GDP of HCMC solely and around 12 percent of the GDP of the entire country. This phenomenon may explain the disparity between Gini co-efficient statistics and popular perceptions of rising inequality.⁵

1.2. SOME CONCEPTS OF INEQUALITY

Some basic concepts used in this study are understood as follows:

- **Inequality:** At its simplest, inequality is a difference (disparity or gap) in living standards amongst individuals, households, or social groups in a geographical area, a country, and amongst countries. As those differences become bigger, for instance through an unequal rise in incomes amongst individuals or social groups, inequality worsens. Inequality is usually measured in the form of either 'relative inequality' (the disparity in an aspect, for instance in average incomes between the richest group and the poorest one) or 'absolute inequality' (the gap in an aspect, for instance in average incomes between the richest group and the poorest one).
- **Inequality in outcomes, opportunities, and processes:** Inequality in outcomes refers to disparity in incomes, expenditures, and assets – also known as 'economic inequality' in numerous publications (Oxfam, 2014). Meanwhile, inequality in opportunities focuses on

3. This applies not only in Vietnam, but also in other countries.

4. See Chapter 6, the Poverty Assessment Report 2012 (WB, 2012).

5. Wealth-X and UBS, 2013. World Ultra Wealth Report 2013. <http://www.wealthx.com/Wealth-X%20and%20UBS%20World%20Ultra%20Wealth%20Report%202013.pdf>.

the inequality caused by circumstances that individuals cannot control, such as education, healthcare, social assistance, and the labour market.⁶ Inequality in opportunities comes from at least three sources, namely, the indigenous characteristics of individuals and households, discrimination, and access to basic, quality social services (Paes de Barros et al, 2009). Inequality in processes reflects unfair practices concerning power and voice, implying consequences of privileges, non-transparent information, and corrupt behaviour and bribes. Different forms of inequality can interact. Inequalities in opportunities and processes generate inequality in outcomes, while inequality in outcomes, in turn, leads to inequality in opportunities and processes, which results in a 'vicious circle of inequalities'.

- **Social mobility:** Social mobility is a change in social position or status of an individual, household or group in society over a period of time. Social mobility can be upwards, downwards, or horizontal. Social mobility can also be a change in a person's position or status compared with his or her parents or previous generations (inter-generational social mobility), or a change within a life cycle (intra-generational social mobility).

Inequality exists in various forms in any society. However, extreme inequality may be detrimental to economic growth, social cohesion, and poverty reduction (Oxfam, 2014). Wilkinson and Pickett (2009) conducted a comparative study of developed countries and 50 states in the US, and concluded that most of the problems in modern society, such as disease, crime, weak community links, and teenage pregnancy, tend to be more prevalent in areas with higher levels of inequality. According to Robert Putnam (2000), the rise of inequality over the past five decades is one of the main reasons for the erosion of social capital, cohesion, and community in the US at present.

1.3. RESEARCH OBJECTIVES AND QUESTIONS

The objective of this study is to better inform both central and local policy-makers to aid them in designing and implementing policies to reduce poverty and inequality in Vietnam. Through analysis of both qualitative and quantitative data from the two surveys funded by Oxfam and WB, this report addresses three main questions:

- *To what extent do social groups worry about their perceived inequalities? What are the drivers of these inequalities?*
- *How do social groups perceive the impacts of inequalities, especially in terms of voice, power, and process, on their social trust? How do these perceptions affect their expectations, decisions, motivations, and behaviour in improving their living standards?*
- *How do public perceptions of inequality affect the demand for redistribution in government policies and programmes as well as in community initiatives for inclusive growth in Vietnam?*

6. Many countries, including Vietnam, stipulate fundamental principles on human rights, which state 'everybody is equal before the law' and 'no one should be discriminated against in political, civil, social, economic and cultural life'. See Chapter 2 in the 2013 Constitution of the Socialist Republic of Vietnam.

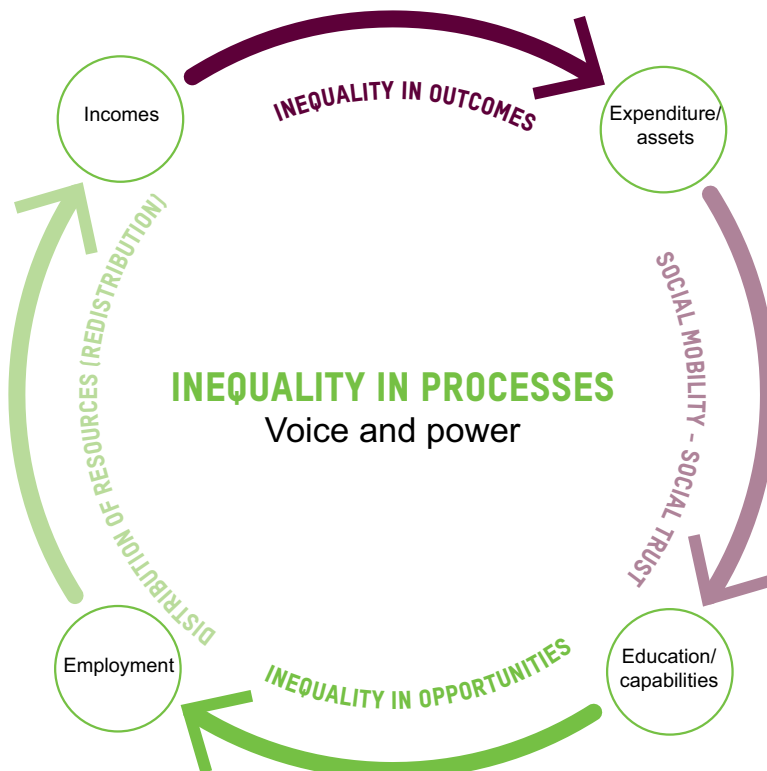
1.4. ANALYTICAL FRAMEWORK

The analytical framework for this study is based on three main findings of a qualitative study conducted in 2012 (Hoang et al., 2012). Firstly, people perceived inequality from closely inter-related perspectives, through which inequality in employment opportunities is usually interpreted as a consequence of education inequalities and a cause of inequality in income, expenditure, and assets. Inequality in processes (the unequal role of voice and power) is an important determinant in converting education into employment and productive capital into incomes.

Secondly, whether unequal outcomes (in income, expenditure, and assets) can be accepted depends on how these unequal outcomes came about. Most respondents accept a rise of inequality in outcomes if it is a result of positive and deserving processes undertaken by people who have education, skills, and talent, who work hard and are willing to take risks. But not all aspects of inequality are accepted. Inequality in outcomes or opportunities generated in an illegitimate manner, for instance through the use of power, personal influence, privileges and corruption, are not usually accepted.

Thirdly, inequality is crucial in inter-generational social mobility – children born into poor households often do not have the same opportunities as those born in better-off households. The perception of inequalities generated from unequal processes may decrease people’s social trust (Figure 3).

FIGURE 3: ANALYTICAL FRAMEWORK FOR THE PERCEPTION OF INEQUALITY



This report will examine in a more systematic manner the public perception of inequalities, the interactions between rising inequalities and social mobility, social trust, and distribution of resources. These are fundamental issues in inclusive and sustainable development that have not been covered adequately in previous studies.

1.5. COMBINED QUALITATIVE AND QUANTITATIVE STUDIES

As the current data fail to reflect actual inequality in Vietnam for various reasons, a quantitative survey implemented by WB and ILLSA under MoLISA and a qualitative study conducted by Oxfam and Truong Xuan (Ageless) Consulting Firm in 2013 explored various social groups' perceptions of inequality at several sites across Vietnam. More information on the survey and study can be obtained in Annexes 1 and 2.

The quantitative survey

The quantitative survey was designed to explore public perceptions of different forms of inequality through direct questionnaire-based interviews with household representatives. The survey was carried out by WB and ILSSA in four cities/provinces, namely Ha Noi (in the area belonging to the former Ha Tay), Quang Nam, Long An, and HCMC. The research team completed 1,645 questionnaires, one short of the expected number due to an unidentified household in Ha Tay, including 1,266 from the official household sample list (76.9 percent), 202 from the replacement household list for HCMC (12.3 percent), and 35 replacement households selected by supervisors in Ha Tay, Long An, and Quang Nam (2.1 percent).

The qualitative study

The qualitative study was implemented in five cities/provinces. This included three of the same cities/provinces as in the quantitative survey, namely Ha Noi, Quang Nam, and HCMC, to enable the sharing of information and the merging of findings from both the quantitative survey and the qualitative study. It was also conducted in two provinces with Oxfam-supported projects, namely Lao Cai and Tra Vinh, to understand the perception of inequality by ethnic minority groups. In each city/province, the research team selected two study sites (two wards/communes), one with better-off conditions and another with poorer conditions. There were a total of 10 study sites. The research team conducted 69 focus group discussions (FGDs) and 45 in-depth interviews (IDIs) with respondents from diverse social groups, such as commune officials, village cadres, elderly people, youths, better-off people, poor people, women, and migrants. The study involved 417 respondents, including 210 ethnic minority people and 207 Kinh people, and 196 men and 221 women.

1.6. THE STRUCTURE OF THE REPORT

The report is divided into five parts. The introduction provides an overview of the actual situation of inequality in its global and Vietnamese contexts, as well as the main concepts and the analytical framework for understanding the perception of inequality. The second part presents the findings of the survey and a study of the perception and drivers of different forms of inequality by social groups, with a deeper analysis of the perception of inequality in opportunities. The third part examines the relationship between the perception of inequality and social trust. The fourth part analyses the linkage between the perception of inequality and distribution of resources. The last part discusses policy issues relating to the findings of both the quantitative survey and the qualitative study. In the second, third and fourth parts, quantitative data are usually presented first to demonstrate the representativeness of the issue under discussion, which is later complemented and clarified by empirical evidence from the qualitative study.



1.7. LIMITATIONS OF THE RESEARCH

References are rather limited as there have been very few in-depth studies on inequality in Vietnam. As the concept of inequality has not been commonly used in the country, the quantitative survey employed a number of complex tools to demonstrate some of the more abstract questions in the questionnaire. As a result, the accuracy of some responses may suffer, although it is hard to identify such bias as it depends substantially on the skills of the enumerators and the respondents' actual perception. The qualitative study also faced similar problems in terms of the respondents' awareness of the concept of inequality, which was compounded by language barriers in ethnic minority areas. Some FGDs were time-consuming as a consequence of the need for long explanations and facilitation.





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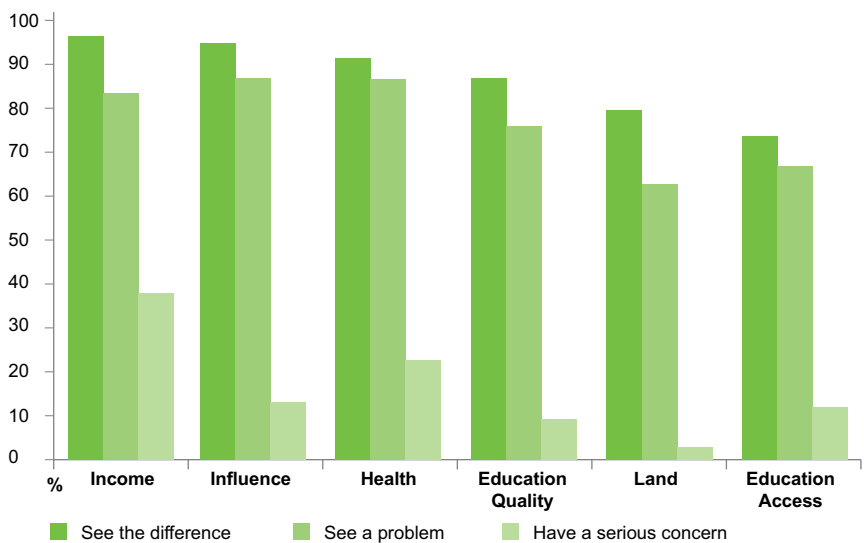
PERCEPTIONS OF VARIOUS FORMS OF INEQUALITY

Part two examines the social groups' perception of various forms of inequality and whether these groups are concerned about inequalities. It also explores some of the drivers of public perceptions of inequality. The end of this part focuses on an analysis of the respondents' perception of unequal opportunities.

2.1. PERCEPTIONS AND CONCERNS ABOUT INEQUALITY

Most of the respondents were aware of and concerned about inequality. Figure 4 reflects the forms of inequality as seen by the respondents in their daily life, and their concerns about these inequalities. More than 95 percent of respondents were aware of inequality in income and social connections (defined as the ability to take advantage of social connections for personal benefits), and more than 90 percent of them were conscious of inequality in healthcare. As many as 85 percent of respondents expressed concern about these forms of inequality. The amount of respondents who observed inequality in access to general education was lower, at around 75 percent, respondents' lowest concern was about inequality in the ownership and use of land, although this was still at almost 65 percent.

FIGURE 4: THE RESPONDENTS' PERCEPTIONS AND CONCERNS ABOUT INEQUALITY



Source: WB staff estimates using data of the PIS2013.

Income inequality was seen as the most worrying form. When asked about which form of inequality was the most worrying (amongst all the perceived inequalities), nearly 40 percent of respondents selected income inequality (Figure 4). In addition, income inequality was always a starting point for FGDs in the qualitative study. Whether income inequality is seen as a concern largely depends on the respondents' awareness of the legitimacy of income sources and opportunities for social mobility. Most respondents in the FGDs and IDIs did not accept income inequality as a result of illegitimate sources, but tended to accept rising income inequality as long as its sources were legitimate. In particular, respondents accepted the higher living standards of the 'better-off' if the latter had achieved them in a legitimate manner,⁷ and if the former continued to have hope for their own and their children's

7. As many as 95 percent of the respondents stated that they accept rising income inequality as long as sources of income are legitimate. This finding confirms the information in the Poverty Assessment 2012 (WB, 2012).

opportunities to improve their standards of living. The concept of social fairness is usually interpreted as fairness in opportunities rather than a form of egalitarian outcomes. The poor groups were not extremely concerned about ascending the ladder of wealth slowly while people around them climb quicker in a legitimate manner, for instance through studying hard or taking part in honest business transactions. Even in ethnic minority communities where residents used to practice 'equal sharing of resources', people now accept the fact that some amongst them have enriched themselves in a legitimate manner in the market economy.

"Groups 9-10⁸ comprise educated and determined people. If we had studied more and made more efforts, our lives would be better".

- A group of Kinh women, Ha Noi -

"I grow vegetables for sale, and my wife sells embroidery, so our living standards are fine. Our villagers used to sell and buy things in the market, not within a village. But now they sell and buy things within our village. We feel glad for our villagers if they have money. No envy!"

- A better-off H'mong respondent, Lao Cai -

The respondents expressed their perceptions of and serious concerns about inequality related to the use of social connections for personal benefits. Figure 4 shows that more than 95 of

respondents were aware of this inequality, and more than 85 percent were concerned about it, although only 14 percent ranked it as the most worrying form. Most of the FGD respondents strongly expressed their concern about inequality in voice and power regarding employment opportunities, especially in the public sector, which has had a negative impact on their social trust. Furthermore, most of the FGD respondents claimed that education could only lift people up to an average level on the ladder of well-being, while social connections would be required for further advancement. This finding confirms one of the two major barriers in translating education into employment opportunities, which are believed to be the illegitimate role of social connections, power, and money (in employment opportunities in the public sector), and the quality of education.

Nevertheless, the perceived role of connections and power in employment opportunities varied across the study sites. Respondents from northern cities/provinces mentioned this more frequently than their counterparts in southern cities/provinces. At those sites where the private sector is more strongly developed, such as in HCMC and Tra Vinh, the role of connections and power in employment opportunities in the public sector was alluded to less frequently. The FGD respondents in these southern sites even discussed several positive aspects of social connections in seeking employment opportunities in the private sector, such as the ability to obtain jobs for acquaintances and those coming from the same local area. They considered individual capabilities to be the most important determinant in finding employment.

Inequality in education and healthcare opportunities was a serious concern. Figure 4 demonstrates that more than 20 percent of respondents regarded inequality in education (including access to and quality of education) and in healthcare as the most worrying forms.

In lowland rural areas, namely outer Ha Noi, Quang Nam, and Tra Vinh, and urban areas (HCMC), perceptions of inequality in education and healthcare are often related to negative impacts of the 'socialisation'¹⁹

8. According to the results of the wealth ranking exercise based on a score range from 1 to 10 in the qualitative study, groups 9 and 10 are believed to have the highest living standards.

9. People's awareness of socialisation: The most common understanding of socialisation is the sharing of infrastructure, health, education and other costs by the people, patrons and enterprises on the one hand the state on the other: "State and People joining hands", "joint contribution". "Diversification of services" is another understanding of socialisation, mostly by officials, the young and the well off and average income groups. According to this understanding, socialisation means there are more models of education and health care for people to choose from. The idea that socialisation improves the "participation and empowerment" of citizens is less well understood.

policy. Most of the FGD respondents, especially poorer ones, expressed concern about the costly contributions required by public schools, including both official and unofficial (also known as 'voluntary') contributions, the latter often being collected through parent boards. Some informal costs, such as gifts in cash and in kind to healthcare workers for better service, or to teachers for better schools and better care, have become increasingly common.

"You have to wait for the whole day if you use a health insurance policy... My son-in-law had a heart attack. He has a health insurance policy. He was hospitalised. They called his family members in and asked for advance payment of 40 million dong. His family had no money, so his siblings contributed money so that he could have an operation ... What if no money was contributed? A guy from a poor household would have died. How could they collect money at midnight...? Nowadays you really need money if you want better care from a doctor..."

"I've heard that richer households contributed dozens of thousands of millions of dong to school construction, and their children have been given better care. ... The media talks about the ban against extra-curricular coaching but it is impractical. From the stories of my grandchildren, I have become aware that teachers give kids different marks if they don't attend their extra-curricular coaching sessions. If you don't have money, your kid will be given a low mark. Whether the relationship between a teacher and student is close or not depends on money... Teachers argue that they can't survive without extra-curricular coaching. They say frankly that living costs and all sorts of contributions having risen while their salaries have not."

- A group of elderly Kinh people, HCMC -

The FGD respondents said they have spent a considerable share of their household income on education and healthcare. These costs impose an additional burden on poor people, and limit their opportunities to improve their living standards, thus widening the polarisation of wealth.

"We have three school-age children. Early in the school year, we contributed more than seven million dong, not to mention the money we spent to buy learning tools, and to pay coaching fees and hundreds of other things. So, we farmer-parents can never improve our living standards, not to mention enrich ourselves."

- A group of poor Kinh respondents, Ha Noi -

The story of a student uniform worth 100 kilos of paddy rice in the former Ha Tay provides a stark example of the polarisation of wealth in education as a consequence of socialisation.¹⁰ The FGD respondents said that most of the socialisation activities have been imposed by schools rather than initiated by parents due to the imbalance in the voice between the two stakeholders in the decision-making process.

10. In a school in Thuong Tin district (formerly part of Ha Tay province), the school administration and the parent board decided to change the student uniforms. The prices of both summer and winter uniforms were double those of the previous year, reaching 600,000-700,000 dong per uniform, which is equivalent to the price of 100 kilos of paddy rice (Hoang Thuy, 2013). Rural parents concerned about a uniform worth 100 kilos of paddy rice, published on vnexpress.net, August 19, 2013. <http://vnexpress.net/tin-tuc/loi-su/giao-duc/phu-huynh-nong-thon-buc-xuc-vi-dong-phuc-gia-1-ta-thoc-2866953.html>

“They say there is no rich-poor discrimination but when richer households contribute more to a school, their kids are looked after better. [The school administrator] shows us a donation booklet; we cannot donate just a few thousand, it needs to be a few million dong. Poor people dare not say ‘no’ for fear of negative consequences for their kids. So, they agree to contribute and then pay by instalments.”

- A parent of a primary school student, HCMC -

In the healthcare sector, respondents were particularly concerned about health workers discriminating between insurance policy holders and non-holders, as well as between bribe-givers and non-givers.

“There is different quality of service between an insurance policy holder and non-holder. The non-holder is prescribed lower-quality medicines. In hospital, poorer people see richer ones give bribes, then the former have to follow suit. So, the poor become poorer ...”

- A group of Kinh women, Quang Nam -

In mountainous areas inhabited by ethnic minority groups in Lao Cai and Quang Nam, the FGD respondents believed that, despite a recent decline, inequality in accessibility to education still exists at the senior secondary level, resulting from long distances from home to school, high education costs, and household demand for labour. However, they argued that inequality in the quality of education between their mountainous areas and the Kinh-dominated lowlands remains substantial. Inequality in the quality of education is a major concern amongst ethnic minority respondents, who note that many tertiary education graduates in their communities are unemployed due to competition in the labor market.¹¹

Unlike their counterparts in lowland rural and urban areas, the ethnic minority FGD respondents alluded to some positive impacts of socialization in education. In the mountainous areas, socialization is often interpreted as mobilization of labour and other resources, such as rice, wood, and bamboo, and the ability of parents and the community to repair schools, build semi-boarding facilities and bring children to school. In Sin Cheng commune, Lao Cai, families have cooperated closely with schools and commune officials to enrol children into schools at the stipulated ages and encourage them to attend school regularly.

The extent of concern about inequality in the ownership and use of land varies between lowland and mountainous areas. The rate of respondents who were concerned about land inequality was lower than those concerned about other forms of inequality. However, land inequality remains a major concern and public perceptions of the role of land in income inequality vary between lowland rural and mountainous areas. In the lowland rural areas, opportunities for non-agricultural employment and migration have resulted in a reduced role of land inequality in increasing income inequality. But in mountainous areas, such as in Lao Cai and Quang Nam, land inequality still significantly increases income inequality as agriculture is crucial for land owners to improve their living standards during the transition to cash and perennial crops in these areas. However, in some cases, the concern about land inequality is historical rather than newly-emerging, as with other forms of inequality (Box 1).

11. See component reports for the Vietnam Poverty Assessment Report 2012 (WB, 2012), and Section 2.3 of this report. Another important reason for this situation is a lack of social connections required to be employed in the public sector (as presented earlier in this report).

BOX 1: SEVERE LAND INEQUALITY IN AN ETHNIC MINORITY COMMUNITY

Village 2 in Tra Giap commune, Bac Tra My district, Quang Nam, has 168 households, most of them belonging to the Co ethnic group. There is a substantial difference amongst these households in their possession of mountainous and low-lying farmland. With regard to mountainous land, three households own as many as 20-30 hectares, while 22 are landless and 16 have less than one hectare. For low-lying land, more than one third of the households are landless while another one third have five or more sào of land (a sào is equivalent to 500 square metres).

Inequality in low-lying farmland is the most serious local issue as it is traditionally a major productive input. The difference originates from the history of land reclamation. Before 2000, when deforestation was rather common, households with many labourers reclaimed and then claimed considerable areas of land. Since 2000, when the battle against deforestation intensified, local people have been unable to reclaim more land. Therefore, households that had few labourers before 2000 now possess only limited mountainous land, and labourers who have reached working age since 2000 cannot reclaim any more land. In addition, after the Anti-American War, households which moved down from mountains to lower land first were given paddy land left over by liberation soldiers. Also, households which have more laborers and work hard can reclaim more paddy land.

Consequently, the households with no or limited land experience difficult living conditions. Around six households have neither mountainous nor low-lying farmland. They borrow land from relatives and therefore cannot grow perennial crops, such as wattle and rubber, for higher income. The respondents were particularly concerned about inequality in mountainous field land.

'Low-lying farmland cannot be divided among other people as the owners expended effort to reclaim it. The State has to pay them compensation if they want to acquire the land. But mountainous farmland belongs to the ancestors. Everyone here sacrificed their sweat and blood to the revolution to keep it. Why do some people possess more than others? Some never use it while those who need it do not have it. It would be fairer to redistribute it.'

- A group of Co village cadres, Quang Nam -

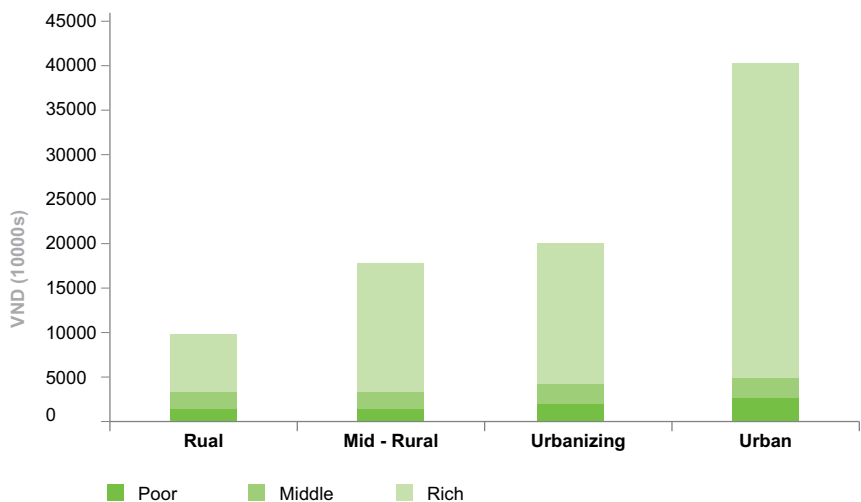
2.2. DRIVERS OF PERCEPTIONS OF INEQUALITY

Analysis of the survey data enables the disaggregation of some important drivers of public perceptions of inequality, namely, the extent of urbanisation and exposure to the outside world, and age ranges.

The extent of urbanisation

The perceived incomes of the richest groups vary considerably between rural, peri-urban, urbanising, and urban areas. Figure 5 shows that the respondents believed that the ‘better-off’ have a median per-capita income of around 10 million VND per month in rural areas. Meanwhile, this figure is nearly 20 million VND in peri-urban and urbanising areas, and 40 million VND in urban areas. As the perceived median incomes of the poor are fairly consistent across the areas, the income gap between the better-off and poor groups increases with the level of urbanisation. This finding is similar in both the quantitative survey and the qualitative study. The FGD respondents said that the process of urbanisation is a significant reason for the increased economic gap amongst social groups in terms of occupations, income, and assets. The process of urbanisation is taking place relatively rapidly in Vietnam, thus public perceptions of inequality are forecast to continue to rise.

FIGURE 5: THE PERCEIVED MEDIAN INCOMES OF THE BETTER-OFF, AVERAGE AND POOR GROUPS

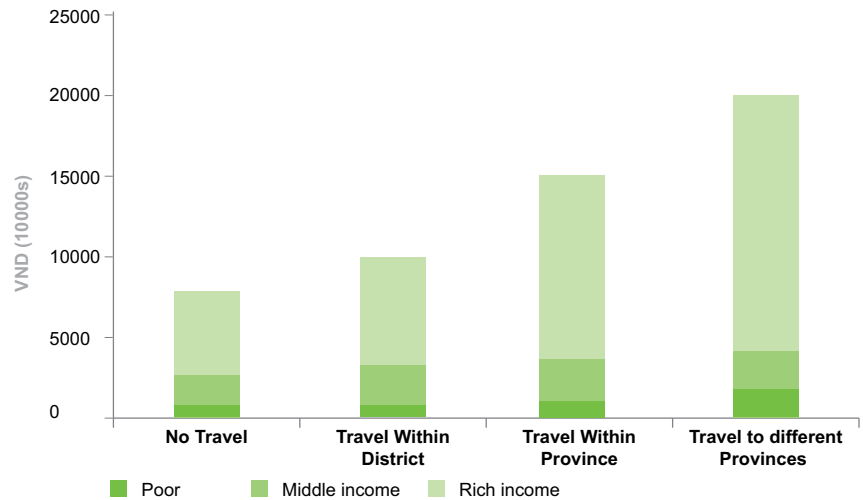


Source: WB staff estimates using the data of PIS 2013.

The extent of exposure to the outside world (travel and information)

Respondents’ perceptions vary regarding the characteristics of the better-off and poor groups, and the extent to which respondents are concerned about inequality also varies, partly as a result of their exposure to the world outside their place of permanent residence. Figure 6 shows that, amongst the rural respondents, those who travelled more frequently within their provinces or to other provinces during the preceding 12 months for employment, study, or sightseeing are better informed and thus more knowledgeable about income inequality than those who only travelled within their communes or districts during the preceding 12 months.

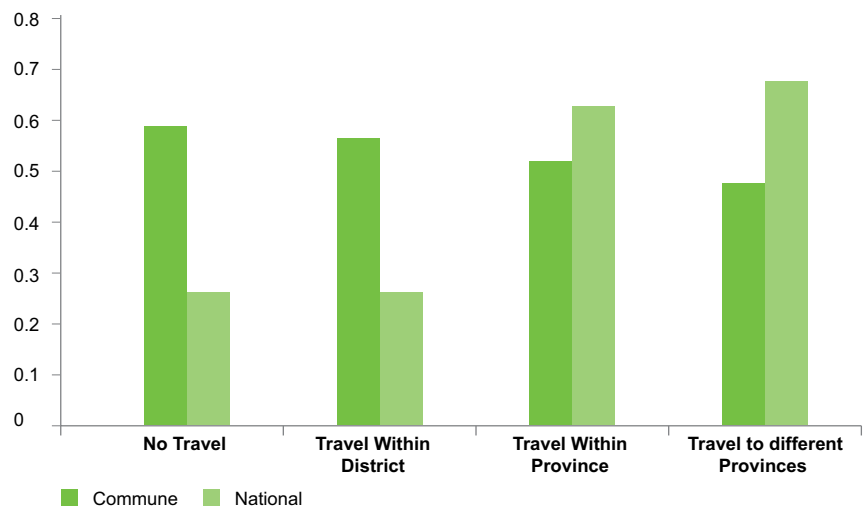
FIGURE 6: THE PERCEIVED MEDIAN INCOMES OF THE BETTER-OFF, AVERAGE AND POOR GROUPS AMONGST RURAL RESPONDENTS, COMPARED WITH THEIR TRAVEL OVER THE PRECEDING 12 MONTHS



Source: WB staff estimates using the data of PIS 2013.

Generally, the rate of respondents who were concerned about inequality in living standards at the national level was higher than that at the commune level. Once again, the extent of exposure to the outside world is a very important driver of perceptions of inequality. The rate of the respondents who had travelled to other provinces during the preceding 12 months and were concerned about inequality in living standards at the national level was more than twice as high as that of the respondents who had travelled only within their communes, and 1.5 times higher than those who had travelled only within their districts (Figure 7).

FIGURE 7: THE EXTENT OF CONCERN ABOUT INEQUALITY IN LIVING STANDARDS AT NATIONAL AND COMMUNE LEVELS

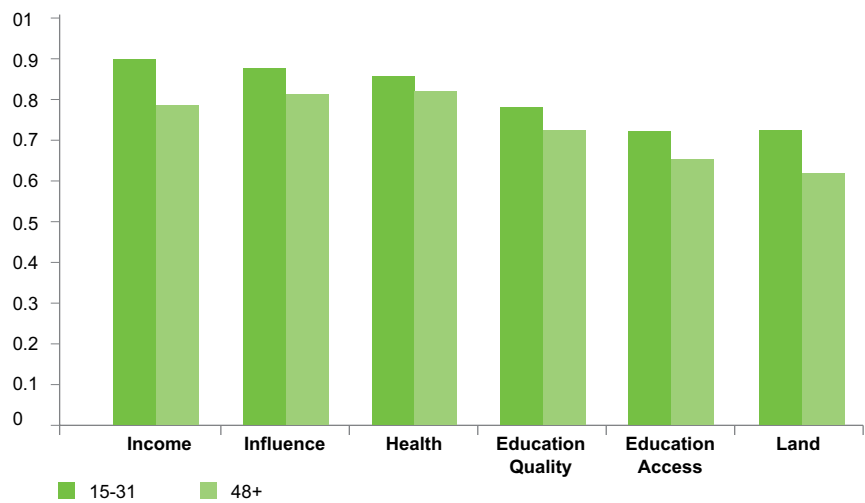


Source: WB staff estimates using the data of PIS 2013.

Age ranges

Different age-based groups have different perceptions of inequality. Figure 8 demonstrates that more young respondents, aged 15 to 31, expressed their concern about various forms of inequality than senior respondents, aged 48 or above. For instance, as many as 90 percent of the younger respondents worried about income inequality, while nearly 80 percent of senior respondents were concerned about the same form of inequality. The difference is an indication of youths having better access to diverse sources of information, including from the Internet, than senior people.

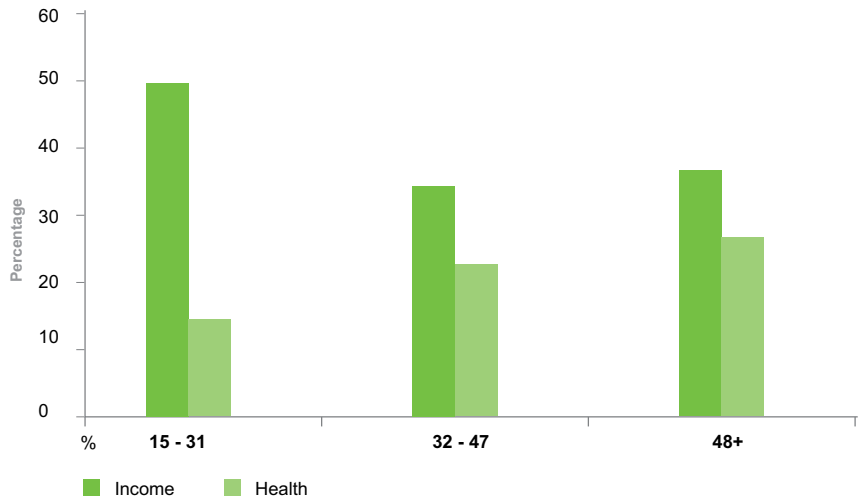
FIGURE 8: CONCERN ABOUT INEQUALITY BY AGE RANGES



Source: WB staff estimates using the data from PIS 2013.

There is a substantial difference between young and senior respondents in their extent of concern about inequalities in income and healthcare. A relatively high number of younger respondents considered income inequality to be the most worrying form, while a very low amount regarded inequality in healthcare as the most worrying form. Meanwhile, the opposite trend was recorded amongst senior respondents (Figure 9). This difference is understandable. For young people, income generation to improve their living standards is usually the top concern, rather than healthcare issues.

FIGURE 9: INEQUALITY IN INCOME AND HEALTHCARE AS THE TOP CONCERN, AS DISAGGREGATED BY AGE RANGE



Source: WB staff estimates using the data from PIS 2013.

2.3. INEQUALITY OF OPPORTUNITY

Inequality in opportunities is recorded in various dimensions and at various stages of the life cycle. Differences in access to nutrition and general education services are noted in the early years of life. Meanwhile, differences in access to tertiary education, decent employment, social protection, and voice and power happen in the later stages of the life cycle.

Respondents paid special attention to inequality in opportunities.

Inequality in basic opportunities in education, healthcare, and employment was discussed in most of the FGDs. The quantitative survey confirmed that in its survey population, especially amongst rural and senior respondents, inequality in opportunities, including those in accessibility to and the quality of education and healthcare, was considered more worrying than inequality in outcomes (income) and in processes (use of social connections for personal benefits) (Figure 10).

FIGURE 10: THE MOST WORRYING FORMS OF INEQUALITY- IN PROCESSES, OPPORTUNITIES, AND OUTCOMES



Source: WB staff estimates using the data from PIS 2013.

Causes of inequality in opportunities can be divided into two major groups, namely, differences in social treatment, and conditions.¹²

2.3.1. INEQUALITY IN OPPORTUNITIES CAUSED BY SOCIAL DISCRIMINATION

Social discrimination may include discrimination against ethnic minority groups, migrant groups, and gender-based groups. Previous qualitative studies have indicated discrimination against migrant labourers and their families, including women and children, when they live and work in cosmopolitan cities such as Ha Noi and HCMC. In a city, lacking a ‘hokou’ (officially registered permanent residence status) negatively impacts migrants’ access to education, healthcare, social protection, employment, and participation in making decisions on issues that may affect their own lives. This qualitative study also acknowledges some cases of poor migrants discriminated against in the labour market. They are usually employed in low-skilled jobs, subject harmful working conditions, with low and unstable incomes.

Discrimination may come from public services or social groups. For instance, children from different ethnic minority groups may be treated equally by schools when they enrol, and even given preferential treatment as stipulated, but may be discriminated against by fellow student groups or by their teachers once they are studying. In some study areas, ethnic minority students were somewhat concerned about discrimination between Kinh and ethnic minority groups, as evidenced in their daily life and the attitude of public service providers.¹³

Opportunities for employment with decent incomes are different for men and women. Men were believed to have more advantages than women in terms of social mobility, i.e. they have better healthcare, a privileged domestic division of labour, more social connections, and prioritised household investment. In rural areas, a greater number of men migrate to search for employment and opportunities, while women stay home to take care of children and carry out agricultural work. For newlywed

12. See the analytical framework for inequality in opportunities, as presented by the WB. http://siteresources.worldbank.org/LACEXT/Resources/258553-1222276310889/Chapter1_HOI.pdf

13. See Hoang et al. (2012).

couples, husbands are often given priority for career development. Single mothers with small children face more constraints in taking up new livelihood opportunities to improve their living standards.

“My dad died at a young age, leaving behind my mom and myself. My husband also left me. I take care of my kids on my own, so everything is hard. We rely on some farmland and conical hat making to make both ends meet. I can't travel, either, as I can't leave my old mom and small kids at home.”

- A poor single mother from a Kinh group, Ha Noi -

“We women have to rely on men. They earn money to improve household wellbeing. We take care of the household chores and do some casual work, if any. We just go around and can't migrate as we still have housework and the kids to care for.”

- A group of Kinh women, HCMC -

An increasing trend of household investment in education in the study areas has resulted in a sharply narrowing gap between boys and girls in access to general education, although girls remain subject to more obstacles. In ethnic minority areas, most of the FGD respondents reported no gender discrimination in giving children an opportunity to pursue further education. In fact, they said, the parents' decision depends on their children's abilities. But ethnic minority girls often get married early and are supposed to take more responsibility for household chores, therefore the number of girls who pursue further education is lower than that of boys.

“I got married when I was at senior secondary school. My husband and I went to school then. After senior secondary school, my husband pursued further education, but I stayed home to take care of the kids and worked on mountainous farmland to support my husband's education. My husband and officials from the commune's women's union advised me to study further. But priority should be given to my husband. He is a man.”

- A H'mong woman, Lao Cai -

“There is no gender discrimination. But women take more responsibility for housework, so more men can pursue higher education.”

- A group of Co village cadres, Quang Nam -

Men usually enjoy more privileges in employment opportunities. Many girls believed that parents often give priority to male siblings in making decisions on using connections or money to secure employment. In addition, in some cases, men have more advantages in the recruitment process and are offered higher salaries than women even though they apply for the same job.

“I'm a girl. My parents would never spend as much as 300 million dong to obtain employment for me. But they would spend it on my brother because, in my homeland, it is assumed that boys will stay with their parents while married women will become members of their husbands' families, giving very limited support to their own parents.”

- A Kinh girl, Ha Noi -

2.3.2. INEQUALITY IN OPPORTUNITIES CAUSED BY DIFFERENCES IN CONDITIONS

Differences in conditions relating to family circumstances, resources, and the location where a person resides, are considered as the most common causes of inequality in opportunities. A lack of resources constrains not only access to basic opportunities but also the chance to benefit from these opportunities. For instance, children from poor families have less chance of going to school and more unfavourable conditions for study, such as no books to read at home or illiterate parents, than their peers from better-off households. Therefore, children with similar abilities but different social backgrounds do not enjoy the same opportunities, for reasons outside their control.

Many studies, including those on perceptions of inequality, have pointed out the gap in urban development, especially in relation to access to services in big cities. Meanwhile, many rural areas where many ethnic minority groups reside do not have sufficient basic services, or have services of a much lower quality than those in urban areas. Barriers against translating education investments into employment opportunities for rural youths include high costs of education relative to average incomes in rural areas, and a lack of information for career orientation.¹⁴

“We have to choose an occupation which we don’t really know about. Then, at school we study only general subjects that are not practical for work. Ideally, career orientation should start during senior secondary school so that we students would have more time to choose. I mean that orientation should be more efficient.”

- A group of Kinh youths, HCMC -

“They train post-harvest workers but the post-harvest industry infrastructure is unavailable, so how can trainees be employed? Some young people were not aware of that, attended the course, and now cannot find employment.”

- A group of Khmer village cadres, Tra Vinh -

High costs of education have prevented many young people, especially those from poor ethnic minority groups, from pursuing higher education. In many ethnic minority communities, the distance from students’ homes to their senior secondary schools (located in the district centre) is usually long, making it hard for poor households to send their children to these schools. The costs for tertiary education are even more challenging for ethnic minority households. Many parents discontinue their children’s education after the completion of either junior or senior secondary school. Some children may continue their education but at nearby schools to save costs.

“Where is the money to study? It is good enough for the kids to finish junior secondary school. It is very costly to attend senior secondary school in the district centre. They can go if they’re admitted to a boarding school. Otherwise, the kids stay home.”

- A group of Co village cadres, Quang Nam -

“It is impossible to study in Can Tho or HCMC. We couldn’t afford several million dong for living costs in HCMC. My child wanted to go to Can Tho but we couldn’t afford it either. We told him to apply to the school in Tra Vinh. We also heard that it is hard to find a job with a degree from the university in Tra Vinh but we have no choice. So, it is up

14. See component reports for the Vietnam Poverty Assessment Report 2012 (WB, 2012), the Rural and Urban Poverty Monitoring Reports (Oxfam and AAV, 2012a and 2012b).

to him to manage after his graduation, I don't know what to do. We can't plan for it, really."

- A poor Khmer resident, Tra Vinh -

However, in some communities studied, education has brought about positive changes by narrowing the gap between regions, the rural and urban areas, and the Kinh and ethnic minority groups, despite limited employment opportunities. Timely interventions are needed to keep people motivated to study (Box 2).

BOX 2: SIN CHENG HAS DEVELOPED THANKS TO EDUCATION

Sin Cheng is a relatively developed commune in the mountainous district of Si Ma Cai, Lao Cai, with a high H'mong population. The commune can supply itself with sufficient food and performs well in cash maize and livestock, particularly buffaloes. In addition, its commercial activities are relatively good. With relatively stable incomes, many households have invested in their children's higher education.

Local policies on infrastructure investment for education have brought more children to school. A junior secondary school has been built in the commune so children do not have to travel to the district township. Social assistance for semi-boarding and poor students has motivated the local study movement. The commune has completed the universalisation of net pre-school enrolment, and began universal junior secondary education in 2007. During the 2012-2013 school year, no dropouts were reported in the commune schools. The rate of students who pursue tertiary education is relatively high, at around 75 percent of the secondary school graduates, as estimated by commune officials. In particular, in 2012, as many as 30 young people passed their entrance exams to universities and colleges. Some kinship networks have maintained good study encouragement movements. For instance, the Ly kinship network has as many as 24 people who have completed or are following tertiary education. Also, H'mong families have paid more attention to their girls' studies, with considerably less discrimination in education investment for boys and girls.

Many local graduates have been employed by the State agencies and thus can improve their household living standards. According to a commune official, all nine villages have graduates from tertiary education who now work in public services, the armed forces, and the people's committees at various levels. However, in recent years, graduates from tertiary education have found it hard to secure employment, which has become a concern for the community. The number of unemployed young graduates, especially in the education and healthcare sectors, has risen sharply.

In fact, rural students have a much lower chance to access the necessary information to make important decisions about their choice of study and career after completing senior secondary school than their urban peers.¹⁵

Every year, a great number of graduates from junior and senior secondary schools are not able to pursue further education, as a consequence not only of their limited academic ability but also of high costs. Meanwhile, demand in the local agricultural and non-agricultural labour market is low, and young people no longer want to work on farms. Over the past five years, many vocational training courses have been held in the study sites, for example through Programme 135, the vocational training programme for women, and the vocational training project for rural youths under Decision 1956. Despite State assistance in the form of fee waivers, fee exemptions, and job referral after graduation, all young respondents expressed their dissatisfaction with short-term training courses (less than three months) for various reasons, such as their low quality and irrelevant subject matter that does not meet the demand of the local labour market.

Furthermore, the illegitimate role of power and connections in the public sector has discouraged young people. Young respondents were pessimistic about their chances for social mobility in the next five years if relying merely on their abilities and efforts. Nevertheless, in a few sites with more opportunities for production and business, young respondents held a different view. For instance, in Phuong Trung commune, Thanh Oai district, Ha Noi, Tan Dan 2 village practices the traditional handicraft of making conical hats. In recent years, village youths have also sought to develop other livelihoods, such as mechanics, carpentry, painting, production of birdcages, tourism, and truck-based transportation. Many successful residents have created jobs for their fellow villagers. Their driving factors include good skills, enterprise, hard work, and their location near large urban areas. Other factors such as qualifications, family background, connections and power do not matter much in these cases.

“The people from groups 7-10¹⁶ include those aged below 35. They are carpenters, doctors, painters, and construction contractors. Most of them are business owners who have very limited education. Our commune has the greatest number of cars, with more than 50 lorries and vans. The people from groups 9-10 are intelligent. They do not need connections or high education. Our villagers are the most hard-working in the commune.”

- A group of village cadres, Tan Dan 2 village, Ha Noi -

“I don’t think family background matters much. The secretary of the village’s Youth Union has emerged as one of the richest people in the village after being the poorest one.”

- A group of Kinh youths, Ha Noi -

15. See Oxfam and AAV (2012b)

16. According to the wealth ranking exercise with a range from 1 to 10 in the qualitative study, groups 9 and 10 are considered to have the highest living standards.

2.3.3. OPPORTUNITY INEQUALITY AND INTER-GENERATIONAL MOBILITY

Inter-generational mobility is reflected in the correlation between incomes and choice of occupations of older generations and those of their offspring. Inter-generational mobility and inequality are closely related concepts, as social connections, networking and well-being are factors that can be transferred from one generation to the next, and also determinants of individuals' employment and income.

In the study sites, most of the FGD respondents argued that boys and girls from poorer households do not have the same chance to move up in life as their peers from better-off households. Most of the poor respondents believed that their living standards would improve in five years, although not to the same level as other economic groups.¹⁷

“Our conditions will remain poor in five years but be better than now. We move step by step, not as fast as others. We compare among ourselves only.”

- A group of poor Kinh people, HCMC -

The role of family background, including economic conditions, education, power, and personal connections, is extremely important for social mobility. Most of the FGD respondents argued that the saying 'a son of the King will end up a King' remains true nowadays in the sense that children from rich and powerful households will have more opportunities to maintain their parents' wealth and position.

“Education is only one thing. Whether education can lead to employment is another story. Inequality in employment opportunities takes place between the people with connections and those without. But money is required as well. Money and connections should be coupled... In most cases, connections are crucial.”

- A group of Kinh youths, Ha Noi -

“The people to be sent to universities without entrance exams should be selected on the basis of general academic merit and results of the 12th grade final exam. However, many of the young people selected have not completed junior secondary school but are children of local officials who help them to get seats.”

- A group of poor Co and Ca Dong people, Quang Nam -

To be employed as an official is considered as a common pathway to move up in rural areas. Many rural respondents like this 'job', particularly in the northern areas and mountainous areas inhabited by ethnic minority groups facing extremely difficult circumstances.¹⁸

“If a father is a state employee, he can get a state job for his child after the latter's graduation from a university, but it is never the case with a farmer's child. You can't get a job if what you have is capabilities only, not power. Capabilities are important but power is more important. Capabilities do not matter in a recruitment exam to join a state agency.”

- A group of better-off Kinh people, Ha Noi -

17. As many as 86 percent of the poor respondents believed that their living standards would be improved in five years.

18. Most of the FGD respondents from the Northern and ethnic minorities areas believed that to be employed as an official is a pathway to move up. 'Employment as an official' refers to the work of people with state salaries, who include: (i) public servants at the commune, district, provincial and central levels; (ii) civil servants, such as teachers, doctors, and postmen; (iii) people in the armed forces; and (iv) employees from state-owned enterprises. Some reasons for the preference of employment as an official are, job security, high unofficial incomes, and a work location near home.

However, in areas with opportunities for production and business, some FGD respondents viewed family background as a subsidiary factor with individual dynamics as the decisive one. Despite the existence of barriers, most of the FGD respondents in rural areas (in 42 out of the 54 FGDs) and in urban areas (in 10 out of the 15 FGDs) believed in the important role of education in inter-generational social mobility. They did not agree with the saying ‘a child of a layman who takes care of a Buddhist temple will end up sweeping the fallen banyan tree leaves’, citing many cases of children having a better social status than their parents thanks to the former’s better education. Therefore, education has been successfully promoted in many communities, such as in Phuong Trung commune (Ha Noi), Dien Minh commune (Quang Nam) and Sin Cheng commune (Lao Cai).

There remains a big gap in the quality of education between lowland areas and remote mountainous ones, and between the Kinh majority and ethnic minority groups. Primary education has been universalised fairly effectively in areas inhabited by ethnic minority groups, which has gradually reduced inequality in access to education. Nevertheless, better access to education is not, on its own, sufficient to increase the opportunity for upward mobility. Most poor students, especially ethnic minority students in mountainous areas, do not perform well at higher levels of education as a result of poor teacher quality and study conditions, and poor household attention and investment while they are at the lower level. The number of ethnic minority students from mountainous areas who pass entrance exams to state-funded national universities and colleges remains very low. Most of them can only be admitted to regional and provincial universities and colleges, with a high number following in-service academic courses, or must wait for a chance to be sent (as an exception) to universities or colleges without entrance exams.¹⁹ Most of the students from these areas have landed ‘employment as an official’ in their homeland, which has to some extent distorted the local labour market and created space for connections, power and money to undermine the recruitment process.

“In our village, many young people follow tertiary education, but chiefly go to two- or three-year colleges. Some go to in-service university courses, and take several weeks’ leave every quarter to study full-time. Others have been sent to universities without entrance exams. Not many can pass the entrance exams as their total scores for three exam subjects hover around only 10 or under.”

- A group of H’mong village cadres, Lao Cai -

Generally, widespread evidence shows that respondents from various socio-economic backgrounds, different study sites, and varied ethnic groups consider equality in opportunities to be important. Once opportunity equality matters to the public, it should become important for policy makers too. The current situation should be controlled and regulated through adequate redistribution policies to avoid serious inequality in living standards amongst social groups. This point of view, closely related to the attitude of the public towards redistribution policies, is discussed in greater depth later in this report.²⁰

19. For instance, over the last five years, Say San Phin village in Man Than commune, Simacai district, Lao Cai, had 16 graduates from or students of tertiary education, including two from state-funded schools, five from two-year colleges (four of them remain unemployed after graduation), and the remainder following in-service university courses in Lao Cai (they work on farms and study at the same time).

20. A study conducted by Alestina and La Ferrara (2005) shows that those who believe in ‘fair’ mobility do not support the government’s redistribution. But those who believe that social mobility is not a fair game, partly because social connections are crucial, or because not all have an equal chance in education, express stronger support for redistribution policies.





3.

PERCEPTIONS OF INEQUALITY AND SOCIAL TRUST

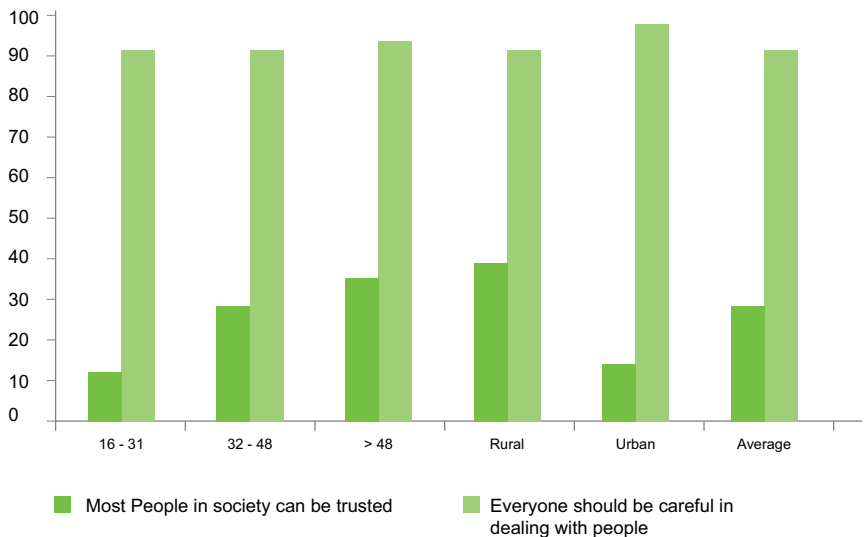
Part three explores social trust through the findings of the quantitative survey and the qualitative study, and analyses influential factors on social trust, including perceptions of inequality. It also examines the implications of social trust for the expected well-being, attitude and behaviour of social groups.

3.1. PERCEPTIONS OF INEQUALITY AFFECT SOCIAL TRUST

Social trust, including trust in people in general, and trust in the better-off, the poor, and officials in particular, is an important indicator of inclusive and sustainable development. Many international studies have proved that a perception of increased inequality can weaken social trust.²¹

Figure 11 shows that **less than one third of the respondents believed that 'most people in society can be trusted.'** This rate is lower amongst young respondents than senior ones. It is also lower in urban areas than in rural ones. On the contrary, most of the respondents thought that 'everyone should be careful in dealing with people.' Deeper analysis of the data demonstrates that people place more trust in those they have close connections with, such as relatives and neighbours. Only around 20 percent of respondents trusted strangers outside their villages or neighbourhoods. Trust in strangers is much lower in urban than in rural areas, possibly because urban people have more isolated lifestyles while being more exposed to negative stories in mass media.

FIGURE 11: RESPONDENTS WHO BELIEVE THAT 'MOST PEOPLE IN SOCIETY CAN BE TRUSTED', AND 'EVERYONE SHOULD BE CAREFUL IN DEALING WITH PEOPLE.'



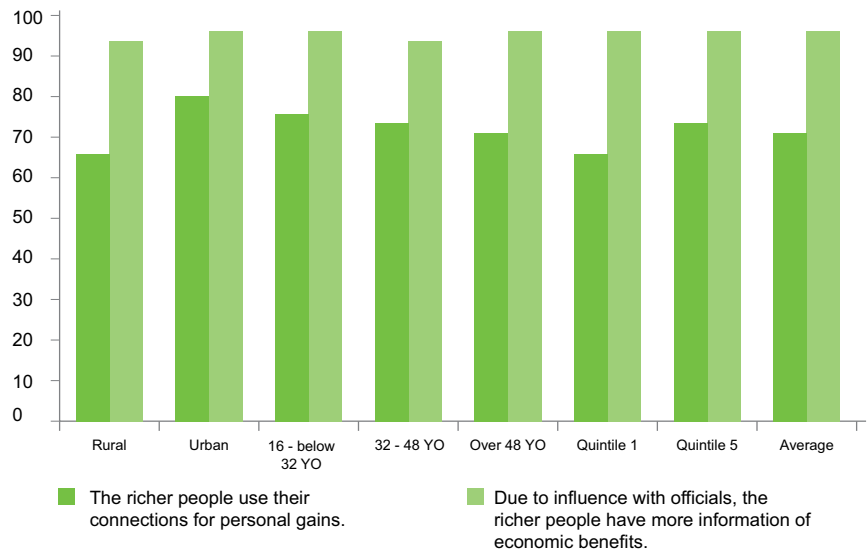
Source: WB staff estimates using the data from PIS 2013.

21. Also see Jordahl (2007), Steijn and Lancee (2011), Louise and Tim (2009).

Trust in better-off people is relatively weak. This is a strong reflection of how public perceptions of inequality can negatively affect social trust. No belief in legitimate wealth is linked to the perceived illegitimacy of inequality in opportunities, such as in access to education, healthcare and employment, and of inequality in processes, such as voice and power. The quantitative survey and the qualitative study provide considerable evidence for this argument.

In particular, nearly three quarters of the survey respondents believed that better-off people take advantage of their influence for personal gain. Most of the survey respondents thought that, thanks to connections and influence, better-off people could access information that benefits them economically. Trust in better-off people is remarkably weaker in urban areas than in rural ones (Figure 12).

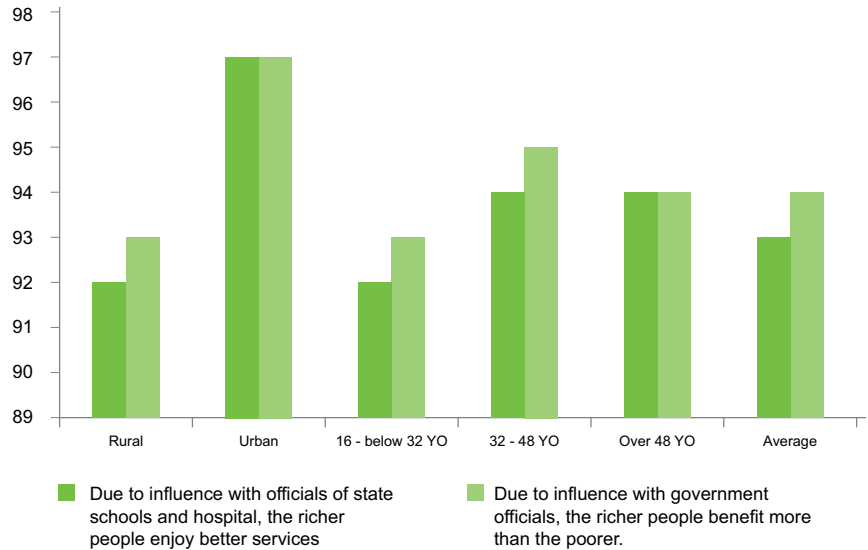
FIGURE 12: PUBLIC TRUST IN BETTER-OFF PEOPLE



Source: WB staff estimates using the data from PIS 2013.

Similarly, most respondents believed that better-off people enjoy more benefits and are at an advantage when securing employment and processing administrative procedures, thanks to their connections with state employees and people working in state schools and hospitals (Figure 13).

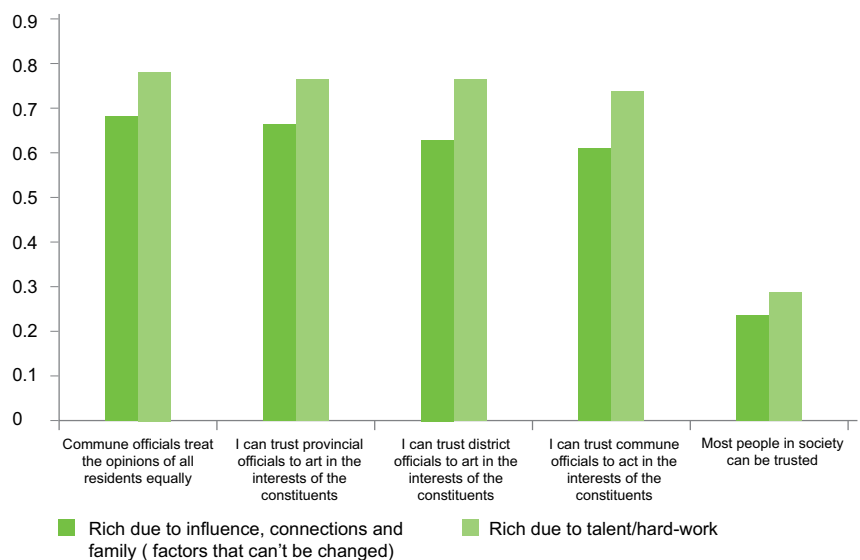
FIGURE 13: BETTER-OFF PEOPLE BENEFIT MORE FROM PUBLIC SERVICES



Source: WB staff estimates using the data from PIS 2013.

Perceptions of better-off people's pathways to improving their living standards can affect social trust. Figure 14 shows that those who believed that better-off people have higher living standards thanks to their talent and hard work expressed stronger trust in other people and senior officials than those who believed that better-off people have exploited their influence, social connections, and family circumstances.

FIGURE 14: SOCIAL AND POLITICAL TRUST, AND INCOME SOURCES OF THE RICH



Source: WB staff estimates using the data from PIS 2013.

Similar to the findings from the quantitative survey, most of the FGD respondents expressed their trust in a few better-off people with legitimate wealth within their own communities. The respondents cited various reasons for their trust or lack of trust in better-off people (Table 3). They tended to trust better-off people who they know well

and who have enriched themselves in a legitimate manner from long-term effort, practicing thrift and offering a helping hand to the poor. In cohesive rural communities that have not undergone major socio-economic transformations, such as urbanisation, resettlement, land conversion, or migration, local residents were well aware of the circumstances, occupations, and mobility pathways of better-off people within their communities. Therefore, they usually trust local better-off people and accept rising income inequality in their own communities as a result of the perceived causes.

“First of all, to get rich requires possession of land. Secondly, some people who have land and have done well in livestock production have invested in their children’s education as a pathway to move up. Better-off people in my village have moved up in a legitimate way. I trust them.”

- A group of H’mong youths, Lao Cai -

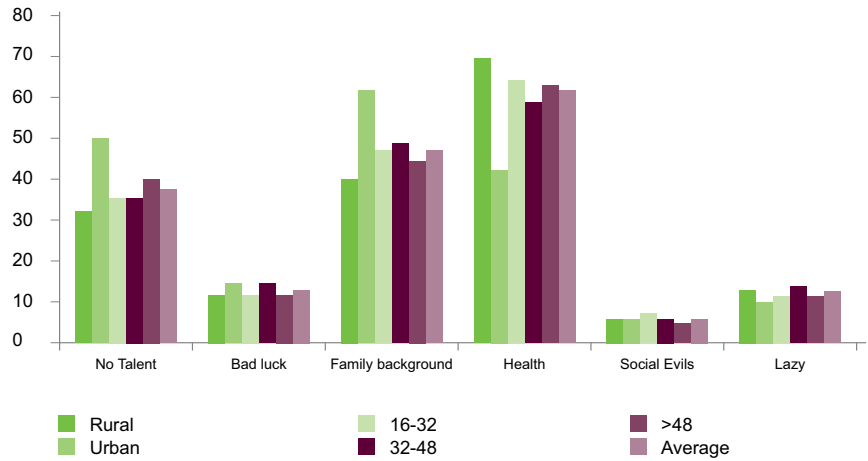
Nevertheless, respondents do not trust most of the better-off people outside their communities. The FGD respondents from various socio-economic backgrounds in the study sites usually did not trust most of the better-off people in other areas, claiming that the latter are dishonest, avoid taxation, cheat other people, and exploit poor people. Rich officials are usually not trusted by the people if the former cannot demonstrate transparent sources of income. A lack of transparency in income sources and assets can considerably affect the respondents’ trust in better-off people outside the former’s communities (Table 1).

TABLE 1: MAJOR REASONS FOR RESPONDENTS’ TRUST OR LACK OF TRUST IN BETTER-OFF PEOPLE

REASONS FOR TRUST IN BETTER-OFF PEOPLE	REASONS FOR NO TRUST IN BETTER-OFF PEOPLE
<ul style="list-style-type: none"> • Legitimate business; • Gradual enrichment; • Support given to the poor; being a role model for the poor; • Consistent efforts; practice of thrift. 	<ul style="list-style-type: none"> • Business people are usually dishonest; • Many cases of bankruptcy; • Illegitimate transactions: avoidance of taxation, fraud, exploitation of legal loopholes, and bribes; • No trust in sudden enrichment for unknown reasons; • Rich officials with non-transparent, considerable income; • Exploitation of workers; • No sense of community; limited contributions; selfishness; • Loan sharks; • Heartlessness.

In contrast to this lack of trust in the legitimacy of better-off people’s wealth, **respondents tended to sympathize with the poor, who have lagged behind in recent years.** Most respondents believed that the poor fail to improve their living standards for reasons out of their control, such as poor health and family background. Only a small number of respondents cited subjective factors, such as laziness and social evils as major causes of poverty (Figure 15).

FIGURE 15: REASONS FOR THE POOR'S LOW LIVING STANDARDS



Sources: WB staff estimates using the data from PIS 2013.

The FGD respondents alluded to various reasons for having trust or no trust in the poor (Table 2). Respondents trusted the poor who are honest, hardworking, sociable, and willing to contribute to and participate in social activities, or who are old and sick. But they argued that a small number of poor people cannot be trusted, such as those who are lazy and dishonest, drink heavily, rely on state assistance, and do not contribute to the common cause.

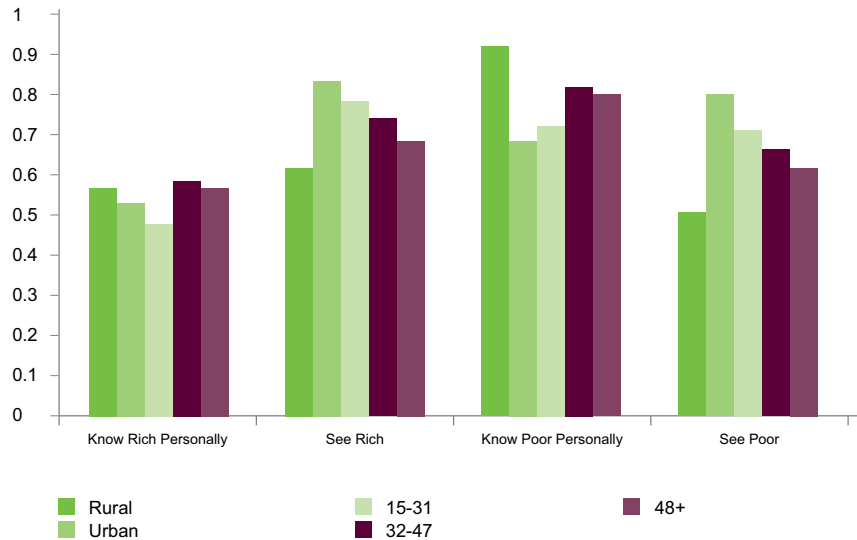
TABLE 2: MAJOR REASONS FOR RESPONDENTS' TRUST OR LACK OF TRUST IN THE POOR

REASONS FOR TRUST IN THE POOR	REASONS FOR NO TRUST IN THE POOR
<ul style="list-style-type: none"> • Honesty; • No reason to cheat; • Hard working; • Willingness to contribute to and participate in social activities; • Sociability; politeness; • Elderly, sick people. 	<ul style="list-style-type: none"> • Laziness; • Hanging around; frequent drinking of alcohol; use of state benefits for drinking; • Reliance on assistance; desire to be on the poor list; fraudulent application to the poor list; • Unwillingness to contribute to the common cause; • Dishonesty; • Speech without actions; • Very practical mind-set as a result of the market mechanism.

A lack of trust in better-off people, and sympathy with poor people, as mentioned above, are closely linked to respondents' direct experience ('know') or indirect experience ('hear', and 'see') with better-off and poor people. Figure 16 clarifies these linkages, showing that most of the respondents 'knew' the poor directly (some poor people are their relatives, neighbours, or friends). This rate is particularly high in rural areas (91 percent) compared to urban ones (68 percent), possibly because the poor live chiefly in rural areas with a strong

sense of community and are therefore more aware of the lives of those surrounding them than those in urban areas. Middle-aged and senior respondents with more life experience know more about the life of the poor than younger respondents. Meanwhile, the rate of the respondents who claim that they know better-off people is much lower than that who claimed to know poor people.

FIGURE 16: KNOWLEDGE OF BETTER-OFF AND POOR PEOPLE



Source: WB staff estimates using the data from PIS 2013

Social interactions and support can have a substantial impact on mutual trust amongst the people.

In many study sites, community initiatives and institutions characterised by ‘horizontal redistribution’²² to decrease the poor’s financial contributions or provide community-based assistance have maintained social cohesion and trust amongst the local people. In ethnic minority communities, with few people migrating for employment (such as the two study communes in Lao Cai) local residents often meet up at parties, weddings, festivals, and labour exchanges, and support each other in cases of food shortage, sickness, and funerals. Therefore, their trust in other people within their communities remains relatively high. On the contrary, in the study communes in Tra Vinh, many local residents expressed their lack of trust in migrants who had left to find work, who, the former believed, now have limited communication with their neighbours and participate little in community activities. As a result, when families of these households face difficulties, they can rely on limited support from neighbours and mass organizations.

‘I can’t trust them as I don’t know in which of the ten directions [the migrants] have gone. I have no basis to trust them. Perhaps some of them are in difficult circumstances, and are honest and hardworking, but I am not sure, anyway.’

- A mixed group of Khmer and Kinh village cadres, Tra Vinh -

22. ‘Horizontal redistribution’ refers to reciprocal supportive measures in cash, in kind, or in labour, usually within a community or extended family network.

“The better-off here often contribute to the ward’s charity movements, such as rice for the poor and scholarships for poor children. In the women’s unions, better-off women support poorer ones, no one is calculating. Whatever support they can provide to poor people is OK, the point is their hearts. So, we don’t have a gap between the rich and the poor, and hope that the better-off can get richer, and the poor may receive more support.”

- A group of Kinh women, HCMC -

Poor respondents seem to feel a sense of weakened social interactions more intensely than other respondents. Most of the poor FGD respondents believed the gap between themselves and the better-off has widened. Some better-off people look down on the poor, and the poor themselves feel uncomfortable while communicating with the better-off. Many poor people feel ‘excluded’ or ‘self-excluded’ through weakened social interactions and separation of themselves from wider social linkages; being confined to a small circle of people facing the same circumstances. For instance, in Phuong Trung commune, Ha Noi, known for its traditional conical-hat making, local residents establish hat-making groups according to residence location, gender and age. But poor people usually do not join these groups for fear of differences in their spending and lifestyles. Furthermore, in the two study communes in Lao Cai, H’mong people still maintain their practice of labour exchange, but some poor people said that they tend to separate themselves into a group both while working and resting.

“I don’t like to sit with hat-making groups. They have money and communicate with each other. They compete in clothing, sandals and hairstyles; I can’t follow them. I’m poor, so I don’t want to be too sociable. I just work at home and take care of the kids. Sometimes I go to the field and back. I work hard but don’t have money to go anywhere.”

- A poor Kinh woman, Ha Noi -

“During our labour exchange within the group, I just talk with people like myself. I’m poor so [the better-off] are not interested in what I talk about, so I rarely talk with them.”

- A group of poor H’mong people, Lao Cai -

Significantly, while increased interaction amongst people maintains mutual trust, in some cases, more interaction between local officials and people does not necessarily promote public trust in the authorities. In recent years, numerous policies, programmes and projects have been implemented, communication has become more convenient, and local officials interact with the people more frequently. But some FGD respondents in ethnic minority areas stated that local officials nowadays are no longer the role models they were in the past. Some local officials do not pay due attention to, nor handle people’s issues effectively – in other words, ‘their speech is better than their deeds’.

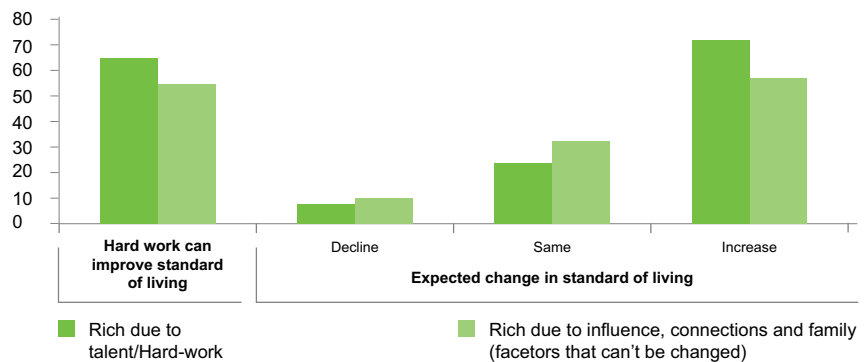
“Now programs are under way, so local officials come to us more frequently. But we used to listen to officials more in the past as they set good examples through both speech and deeds at the same time. Now officials just talk, without meaningful deeds.”

- A group of Co and Ca Dong elderly people, Quang Nam -

3.2. PERCEPTIONS OF INEQUALITY AFFECTS EXPECTED WELL-BEING, ATTITUDE, AND BEHAVIOUR

Respondents’ perceptions of better-off people’s pathways to enhance their situation is clearly related to their expectations regarding their own future well-being. Those who believed that the better off can move up thanks to their capabilities and hard work (changeable factors) usually have higher expectations of their own future living standards than those who believed that the better-off move up thanks to influence, social connections, and family background (unchangeable factors, as a consequence of inequality in processes and outcomes) – see Figure 17.

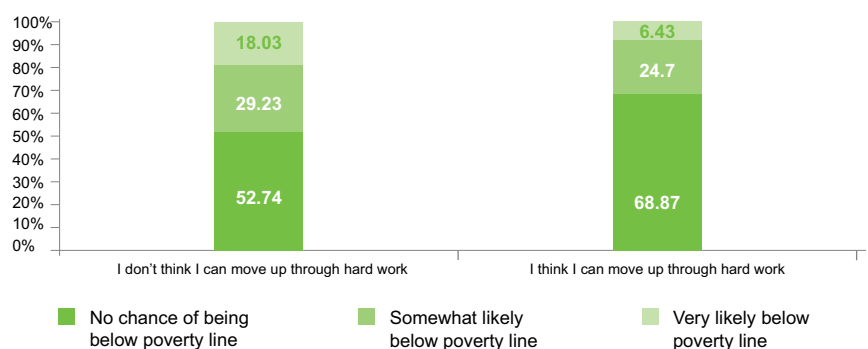
FIGURE 17: VIEW OF HOW RICH BECOME WELL OFF, AND EXPECTATIONS FOR FUTURE WELL-BEING



Source: WB staff estimates using the data from PIS 2013.

Amongst poor and near-poor respondents, those who believed that their positions in the ladder of well-being can be changed through hard work tended to expect higher future living standards than those who did not believe so (Figure 18).

FIGURE 18: POOR AND NEAR-POOR RESPONDENTS EXPRESS THEIR EXPECTED WELL-BEING



Source: WB staff estimates using the data from PIS 2013.

Indifference, silence and not expressing views regarding social issues in community meetings are implications of a lack of social trust. Respondents in nearly two thirds of the FGDs agreed that people choose to be silent regarding issues in their villages and societies, as they believe their views cannot be heard, and that they alone cannot change anything. People are usually interested in negative cases in the mass media which, they hope, will be tackled effectively by the

authorities. This hope is seen as a means to encourage the people to raise their voice.

“The higher level of the authorities should be serious. If their speech is not coupled with deeds, the people won't say anything. We're not sure whether local officials really work for the sake of the people, but we fear saying the wrong things. Our speech is useless. We can't raise our voice to the higher level of authorities...”

- A group of elderly Kinh people, Quang Nam -

“What should be said has been said, there's no use saying more. Many things were published in newspapers, in broadsheets, not tabloids. If the State can change anything, just change what has been said in these newspapers. If the people see a change, they would speak more.”

- A group of better-off Kinh people, HCMC -

People may react to inequality in voice and power through their 'behaviour language'. For instance, in Lao Cai, while selling inputs to a tobacco company, some H'mong people realised that the company provided an unfair favour to local officials by increasing the grading and thus purchasing these officials' inputs at a higher price. These H'mong people refused to sell their products, instead letting them spoil at home.

“The four-party linkage here includes a cigarette-production model but it doesn't work well. Businesses retain the right to make all decisions, without clarifying what grade 1 or 2 means. They can arbitrarily set grades, and people have to accept them. The people don't like it.”

- A group of H'mong commune officials, Lao Cai -

As finding employment is hard and requires connections, some poor households discontinue their children's education early, arguing that further education does not lead to better employment. Another common behaviour, which is considered an implication of weakened social trust in health service providers at most of the study sites, is that many insurance policy holders, seeking better treatment, pay their own way to visit private clinics and buy medicines themselves. Also, despite their economic hardships, many patients pay informal fees to doctors. This situation has placed a greater financial burden on the shoulders of the poor, and decreased how effective health support policies are for them. In addition, when the public in some areas, as reported widely in the media, attempt to solve their problems by themselves without relying on local authorities, it contains the worrying implication of weakened social trust.²³

23. Thanh Hai and Pham Khang, 2013. Protest against coastal sand exploitation: Thousands of Quang Ngai residents block Highway 1. Lao Dong newspaper: <http://laodong.com.vn/xa-hoi/phan-doiviec-khai-thac-cat-ven-bien-hang-ngannguoi-dan-quang-ngai-cat-ql1a-144873.bld>

Xuan Nhan, 2012. The people safeguard protection forests, preventing businesses from titan exploitation. Lao Dong newspaper: <http://laodong.com.vn/Xa-hoi/Dan-gac-rung-phong-ho-chan-doanh-nghiep-khai-thactitan/56888.bld>

Xuan Nhan, 2012. The titan 'battlefield'. Lao Dong newspaper: <http://laodong.com.vn/Phong-su/Cuocchien-titan/67511.bld>

Hai Binh and Duc Chung, 2013. Thousands of people prevent policemen from detaining two dog thieves. Vnexpress: <http://vnexpress.net/tin-tuc/phap-luat/nghi-n-nguo-i-canduong-canhsat-trong-vu-bat-giu-2-cautac-2819920.html>

Vu Toan, 2013. It is extremely hard to identify the killer of the dog thief. Tuoi Tre online: <http://tuoitre.vn/Chinh-tri-Xa-hoi/557818/xac-dinh-nguoi-danh-chetke-trom-cho-cuc-ky-kho.html>



4.

PERCEPTIONS OF INEQUALITY AND DISTRIBUTION OF RESOURCES

This section examines horizontal redistributive measures (community initiatives) at the study sites and public perceptions of vertical redistributive measures (distribution of resources according to the government's policies and programmes).

4.1. COMMUNITY INITIATIVES PROMOTE 'HORIZONTAL REDISTRIBUTION'

People have been extremely active in contributing to community activities. Table 3 shows that more than four-fifths of the respondents contributed to community funds in various ways over the last 12 months, such as through labour, with cash and in kind. The 'horizontal redistribution' of community initiatives is demonstrated by the different values of contributions, as the better-off contribute more than the poor. For example, the average contribution value of the top quintile is more than three times as high as that of the bottom quintile.

TABLE 3: CONTRIBUTIONS TO COMMUNITY ACTIVITIES

	CONTRIBUTION TO VILLAGE FUNDS OVER THE LAST 12 MONTHS	CONTRIBUTION VALUES ('000 DONG)	WILLING TO CONTRIBUTE TO COMMUNITY PROJECTS DESPITE NO DIRECT BENEFITS (%)
Quintile 1 (20% poorest)	81	198	96
Quintile 5 (20% richest)	90	643	96
Average	87	469	96

Source: WB staff estimates using the data of PIS 2013.

Table 3 shows that most of the respondents are willing to contribute to community projects that benefit people other than themselves. The qualitative studies demonstrated no considerable differences in the attitude towards contribution to community initiatives between the better off and the poor. Some poor households are willing to participate despite their economic hardships. In practice, however, the circumstances of poor households are always taken into account in determining contribution values.

"A village meeting is held to address common issues. In recent years, local people have made contributions towards the construction of the cultural house's yard and two sections of the road. All households have made contributions. The better-off can pay immediately while the poor can pay later or be employed for civil works to get cash for their contributions."

- A group of H'mong village cadres, Lao Cai -

“Three to five years ago, local people contributed land and money for the building of a common road. Those who had substantial land contributed more land. The contributions were made per land-amount-owned rather than per household or per head, which could alleviate the contribution of the poor [who usually had limited productive land]. And all the villagers were happy.”

- A group of Khmer and Kinh elderly people, Tra Vinh -

At many study sites, initiatives or ‘community-based social protection’ activities have been conducted to support the poor.

These initiatives are based on reconciled contributions and an equal voice between the better off and the poor, between men and women, in order to engage more vulnerable people, such as the poor and women, in the community (Table 3).

BOX 3: COMMUNITY INITIATIVES

The State and the people join hands. In recent years, joint efforts made by the State and the people in the programmes “Concretising rural roads” and “New-type rural areas” have changed rural infrastructure. The rule of thumb is equal contributions from all households as they receive the same benefits from public works. However, some communities have employed a flexible approach to alleviate the financial burden for poor households. In particular, the contribution value is determined on the basis of land area owned. Alternatively, poor households can contribute labour in lieu of cash, or have their cash contributions rescheduled over a longer period.

Village funds. Some villages have established public funds with the people’s contributions in cash or in kind. According to Oxfam and AAV (2011),²⁴ village funds serve various purposes, including support for households that face temporary food shortages or those that have a sick or dead member.

Social assistance groups. Some groups have been established spontaneously to provide social assistance to local residents in need, such as the San Khum group²⁵ of the Khmer people in Tra Vinh. Households participate in this group on an equal and voluntary basis. Group members contribute labour to community work, and cash and rice to households that have funerals or death-commemorative ceremonies. The group, in collaboration with a pagoda, mobilise resources to help households that face difficulties, such as those with no one to rely on or with seriously ill members. The local authorities and mass organisations have also incorporated their activities into the group’s meetings.

Community forests. In mountainous areas, traditional community forests, such as ‘sacred forests’ (rừng thiêng), ‘ghost forests’ (rừng ma), ‘shrine forests’ (rừng miếu), and ‘natural water tank forests’ (rừng mó nước), are important community assets which have a spiritual function coupled with ethnic identity, and are supposed to protect watershed forests and

24. Oxfam and AAV, 2011. Participatory poverty monitoring in rural communities in Vietnam. Oxfam - 110525/HAKI.

25. San Khum (Son Kum) is translated into Vietnamese as ‘a group of unity’. The group comprises Buddhist followers, divided by their areas of residence. The group members support each other in their daily life.

biodiversity, preserving a natural local landscape. Wood from these forests is used for public works or construction materials for some households facing economic hardship.

Exchange of labour. The conventional exchange of labour within ethnic minority communities is a form of labour redistribution. This is particularly useful for poor households that have neither labour nor the relevant productive instruments. The exchange of labour also promotes the spread of good practices, facilitating the poor's access to technical information and production lessons from the better-off. To some extent, the exchange of labour leads to the redistribution of social capital and strengthened social cohesion, therefore increasing the poor households' chances of integrating into society.

Study encouragement funds. To promote education, study encouragement funds have been established in some areas²⁶ with contributions from better-off households, migrants, and business owners. These funds provide scholarships and gifts to poor students who have made efforts to overcome their hardships, and other high-achieving students, such as those who have passed entrance exams to universities and those awarded with certificates of excellence in talent contests.

Capital-pooling groups. These groups help members reduce loan interest and provide revolving loans for households in need. Poor households are usually given priority to receive soft loans.

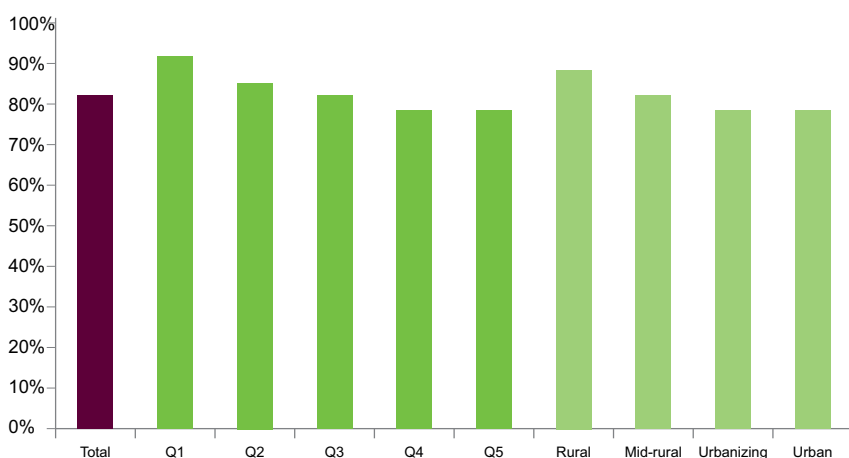
Other social protection activities. In the study communities, other redistribution initiatives have been conducted, such as equalised grants amongst some ethnic minority groups, the movement to keep rents unchanged for migrants, and targeted support programmes for the poor as broadcast on TV. Other initiatives include, fund-raising for charity houses, mass organization support for each poor household to escape poverty (HCMC), and other support programmes for poor households on local TV (particularly on Vinh Long Provincial TV), such as 'Golden Bells' (Luc lac vang), 'Enlightening the Trust' (Thap sang niem tin), and 'The God of Luck Knocks on Your Door' (Than tai go cua).

26. Most of the FGD respondents in these areas hoped that education can help their children climb the social ladder (also see 2.6.5).

4.2. HIGH DEMAND FOR REDISTRIBUTED RESOURCES

Respondents expressed strong support for pro-poor policies on resource redistribution. Figure 19 shows that ‘the government should transfer part of the wealthy/rich group’s income to the poor group’ is strongly supported by respondents. Policies on resource redistribution are supported more by the poor and groups in rural areas.

FIGURE 19: THE RATE OF THE RESPONDENTS WHO AGREED WITH THE STATEMENT: THE GOVERNMENT SHOULD TRANSFER A PART OF THE WEALTHY/RICH GROUP’S INCOME TO THE POOR GROUP’S



Source: WB staff estimates using the data from PIS 2013.

Similarly, most of the respondents in both rural and urban areas, with different living standards and different age ranges, support the statement ‘the government should help poorer people to improve their living standards’. However, they want to increase the effectiveness of redistributive measures, particularly pro-poor policies, programmes, and projects. Therefore, most of the respondents believed that there should be **binding conditions to make the government’s assistance for poor people effective** (Table 4).

TABLE 4: ATTITUDES TOWARDS THE GOVERNMENT’S ASSISTANCE FOR POOR PEOPLE (% OF RESPONDENTS AGREEING)

	GOVERNMENT SHOULD HELP POORER PEOPLE TO IMPROVE THEIR LIVING STANDARDS	GOVERNMENT ASSISTANCE FOR POOR PEOPLE SHOULD BE CONDITIONAL
Rural	100	93
Urban	99	98
Aged 16 to below 32	100	92
Aged 32-48	99	95
Aged more than 48	100	97
Quintile 1 (20% poorest)	100	93
Quintile 5 (20% richest)	100	96
Average	100	95

Source: WB staff estimates using the data of PIS 2013.

Amongst the redistributive measures, the FGD respondents usually gave a higher priority to the measures for more effective distribution and use of the existing resources, i.e. increasing the efficiency of investment through reduced waste, corruption and scattered investment than to the measures for a continued increase of redistribution, for instance raising taxes on the rich. In particular, the FGD respondents were asked to prioritise the four options as follows: (i) More thrifty and effective spending, reduced waste and corruption; (ii) Involvement of the community, the people, the better-off, and businesses; (iii) Higher taxes on the rich; and (iv) Reduction of ineffective policies, programmes and projects. The results of the ranking exercise show that the top priority was given to 'more thrifty and effective spending, reduced waste and corruption', followed by 'reduction of ineffective policies, programmes and projects' and 'involvement of the community, the people, the better-off and businesses'. The lowest priority was given to 'higher taxes on the rich'.

Respondents argued that the top priority should be given to more effective distribution and use of existing resources, as spending practices in the ongoing programmes and projects remains wasteful, with low investment. Furthermore, they stated that if existing resources cannot be used effectively, investment efficiency would never improve however much money the rich may contribute, and whatever amount of human and physical resources the community contributes. On the contrary, respondents gave the lowest priority to taxation of the rich because: (i) Higher taxes on the rich may retard development; (ii) The rich and business people are sources of employment for many people, therefore taxing them should be sensitive to maintaining this employment; (iii) Higher taxes on the rich and business people may result in higher prices of products and services, thus people could suffer.

"Wastefulness is common in the country, so it is important to reduce wastefulness first. The State should practice thrift first, then it can mobilise contributions from the public."

- A group of Kinh youths, HCMC -

"If higher taxes are imposed on the rich, the latter will increase their prices, and the people will suffer at the end of the day. Business people never lose, only farmers do. In particular, the consumers will bear the brunt of higher taxes and higher costs of petroleum. If the rich suffer a blow, it will be passed on to farmers."

- A group of elderly Khmer people, Tra Vinh -



5.

POLICY RECOMMENDATIONS

The knowledge of underlying factors in social groups' perceptions of inequality is important for policy discourse. It helps assess whether these issues can be explained, and whether policies should and can address these issues.

5.1. INTERNATIONAL LESSONS

Thanks to improved access to social services, some Latin American countries can act as a lesson in reducing inequality²⁷ (Paes de Barros et al, 2009; Oxfam, 2014). Reduced inequality is a result of an adequate combination of redistribution policies, increased public spending on social issues, and increased opportunities for the poor to improve their living standards. This combination includes progressive taxation – such as direct or income taxes – increased spending on healthcare and education – especially at the primary and secondary levels²⁸ – large-scale conditional cash transfers, increased minimum wages, and opportunities for decent employment to ensure a sustainable livelihoods.

5.2. THE REALITY IN VIETNAM

Amongst the aforementioned measures, Vietnam has imposed only progressive taxation. But the tax collection system remains extremely problematic, especially in the informal economy, with considerable cash transactions, which leads to a common belief that many eligible taxpayers have been overlooked. As the actual income of many high earners has not been recorded, the potential impact of progressive taxation on narrowing the income gap remains unclear.

The Vietnamese government is piloting a cash transfer programme²⁹ for vulnerable groups and considering an annual adjustment of minimum wages to ensure minimum living standards for the working population. However, increased public spending and job creation are major challenges in the context of economic hardship.

5.3. POLITICAL COMMITMENTS

In addition to the awareness and determination of the administration at various levels to narrow the wealth gap and the disparity in living standards between geographical areas and social groups, genuine political commitments are needed for more effective practical action. In particular, it is necessary to include the reduction of inequality in the agendas of the National Assembly, the Central Government, plus local People's Councils and committees. Furthermore, it is important to gradually establish and develop the role of key stakeholders from the central to local level. They would have responsibility for research, conducting consultations and providing advice to the authorities to enable these authorities to make decisions on and develop goals for reducing inequality. Other responsibilities would include, measuring inequality, as well as developing support programmes and projects on inequality reduction. These are prerequisites for implementing the other policy recommendations presented below.

27. According to some estimates, social spending as a percentage of GDP in Latin American countries has increased by 66 percent over the last two decades (ECLAC, 2012). The impacts are tangible as this region used to, only recently, have the lowest public spending in the world. Increased spending on healthcare and education had produced the biggest impacts on reducing inequality (N. Lustig, 2013).

28. Many poor people can have access to free basic services, without falling into debt as result of paying for these services.

29. According to the feasibility report of the Social Assistance System Strengthening Project (SASSP).

5.4. SOCIAL COMMITMENTS

Stakeholders should develop innovative, rights-based approaches to social policies through ‘social guarantees’; promoting the enforcement of ‘positive rights’, for instance for ethnic minority groups, and ‘negative rights’³⁰ for migrant groups in the city, to ensure their equal access to social services.

Some instruments for creating ‘social guarantees’ include, a sound legal system, an effective mechanism for addressing grievances, popular communication campaigns, and a monitoring and evaluation system to ensure the continued improvement of services. Public policy discourse plays an important role in obtaining social consensus for initiatives.

Poverty reduction should be continued as an important step in the process of reducing inequality in the future. Funding for poverty reduction should be stipulated as a certain percentage of the state budget, which could be raised gradually depending according to specific conditions. Great effort should be made to institutionalise participatory planning and implement concerted measures to promote decentralisation and the empowerment of communities in executing poverty reduction programmes and projects. On this basis, inequality in voice and processes should be reduced so that the poor can have the chance to benefit more from economic growth.

Policy-makers should develop more creative measures in promoting non-agricultural employment for ethnic minority groups in mountainous areas facing difficult circumstances, especially through investing in infrastructure to connect them to the market, and supporting people and businesses to develop value chain linkages for specific products and services that these ethnic minorities can produce. In more developed ethnic minority areas with outward migration flows, it is important for projects to support the domestic migration of ethnic minority labour to increase its effectiveness and mitigate risks. The support could include information, assistance for female migrants, industrial and construction skills training, and the development of social networks and rural-urban linkages in cases where exporting ethnic minority workers remains problematic. In urban areas, it is necessary to revise policies to reduce the barriers to urban management that the local poor and migrants in the informal sector – such as street vendors – face, and to provide more equal treatment of migrants in terms of their access to social services (education and healthcare), public utilities (water and electricity), and social protection benefits.

5.5. GOVERNANCE

Law-makers, policy-makers and implementers, and the public should continue to join hands to improve institutions, tackle rent-seeking and corruption so as to create fair opportunities for everyone, consolidate the trust of the society, and make progress towards a meritocratic and law-governed society with a transparent governance system. That is, to create and maintain a foundation for people to enrich themselves in a legitimate manner. A recent report published by Oxfam contains the positive message that the capture of power by the elite, coupled with economic inequality, is not inevitable. This report provides some examples of good governance practices which limit the influence of the elite and enable social resources to be shared more equitably.³¹ The example of Latin American countries shows that increased public

30. Many scholars distinguish these types of rights as follows: ‘I have the right X, i.e. either someone is obliged to provide or support me to have X; or no one has the right to prevent me from having X.’ The former is a positive right while the latter is a negative right.

31. Some argue that some countries with a fast-growing number of billionaires, such as China and Russia, are not necessarily admirable models, as this number does not mean increasingly shared prosperity in a country, and thus cannot be used as a measurement of success for its development.

spending to decrease inequality is closely related to a more transparent and democratic government (Oxfam, 2014).

Improved social capital and cohesion play an important role in decreasing inequality, especially in rural and ethnic minority areas. Policy-makers should review their experiences and develop more incentives to support the community initiatives and grassroots social institutions that are essential for horizontal redistribution, and implement community-based social protection. In particular, it is important to improve local governance in a participatory manner, taking into account the needs and capabilities of the poor and women.

5.6. COMMUNICATION AND ADVOCACY

Communication agencies and campaigns should promote consensus on the need to focus policy discourse on measures to increase fairness and decrease inequality, identifying the most relevant social groups for targeted support, and providing orientation on the policies necessary for the effective creation of fair opportunities for all people.

5.7. PUBLIC POLICIES TO PROMOTE FAIR ACCESS TO SERVICES

It is essential that public policies ensure every citizen has access to, and benefits from, good quality, basic social services, through generating equal accessibility and beneficial conditions. This has extremely important policy implications. The government should implement policies to support everyone's access to basic social services, especially poor and vulnerable groups. For some vulnerable groups in especially difficult situations, it is necessary to strengthen social assistance programmes in terms of both coverage and the level of benefits, coupled with the provision of direct advice and support within the community so that these groups can enjoy a minimum living standard and have better access to basic social services.

More investment is needed to improve infrastructure in the most difficult and hard-to-reach ethnic minority communities in mountainous areas, which can be selected on a difficulty ranking basis. The investment should be focused on providing higher quality infrastructure, which would not necessarily result in a considerable rise in the total investment budget. For isolated and poor ethnic minority communities, improved infrastructure, particularly roads, irrigation works and electricity, is considered as a starting point for tackling their structural problems, thus creating opportunities to decrease inequality in access to education, healthcare, information, and the labour market.

5.8. PROMOTING OPPORTUNITIES FOR SOCIAL MOBILITY

The international experience shows opportunities for policy interventions to equalise opportunities and promote social mobility. Ashenfelter and Rouse (2000) state that, when interventions in the education sector are strengthened independent of students' individual capabilities, schools can create an adequate environment for students to improve their skills, thus promoting equal opportunities and social mobility. Furthermore, in addition to the knowledge and skills taught, the school should attach importance to making an impact on values, attitude, and soft skills, to

enable young people to have more employment opportunities, which can be translated into income (WB, 2014b).

Priority should be given to implementing fundamental measures in a comprehensive and fundamental reform of education and training in order to reduce inequality in the quality of education between ethnic minority groups and the Kinh majority, between mountainous and lowland areas, and between rural and urban areas. The measures should be taken during the early years of life (pre-school), and also reach the higher levels of education (primary, junior and senior secondary school). Teaching children in their native language(s) should be applied widely in ethnic minority areas, coupled with raising the number and quality of local ethnic minority teachers. It is important, concurrently, to develop and implement the teacher recruitment process in the public sector in a transparent manner to create more equal opportunities in translating education investment into opportunities for decent employment. It is essential to promote career orientation for students, especially those in rural and ethnic minority areas, before they start tertiary education, so that they can choose study subjects that meet the needs of the labour market.

It is important to revise vocational training policies coupled with local job creation for poor people in both rural and urban areas, so that they can learn and practice an occupation at the same time, in order to gradually improve their income.

In particular, it is necessary to correct the understanding and implementation of 'socialisation' in education services, such as the development of 'high-quality schools' and 'good classes' in the public sector on the basis of higher parental contributions, which may unintentionally exclude poor students from higher quality education.³² On the contrary, there should be incentives for, and replication of, positive deviances from socialisation that are linked to encouraging poor students to study, such as the kinship-based study encouragement in Ha Tay, and other activities conducted by Buddhist pagodas in Quang Nam and Tra Vinh.

5.9. RESTRUCTURING RESOURCES AND PROMOTING EFFICIENT USE OF RESOURCES

The government should concentrate its resources on public policies and investment programmes that expand coverage and increase basic opportunities to access opportunities for the most disadvantaged groups, including ethnic minority groups in mountainous areas, migrants in urban areas, rural youths, and women. This focus will result in more equal access to education, healthcare, employment, social protection, sanitation and clean water. The use of common resources should be changed in such a way that disadvantaged groups will receive benefits more proportionate to their needs. However, it is acknowledged that it is not easy to revise the structure of public spending to increase opportunities for disadvantaged groups, as the government will face higher costs as a result, especially in creating opportunities for ethnic minority groups scattered over mountainous areas and those working in the informal sector in urban areas.

More importantly, it is necessary to promote the efficient distribution and use of resources in public services, and in development programmes and projects. A 'results-based budget management' approach should be applied widely, to shift the focus of programmes and projects from internal management of inputs to efficient management of outputs. Consequently, the results will be used to improve the quality of discourse and decisions on budget issues, and resources will be distributed and used more effectively to meet the expectation of policy-makers and the public.

32. In an article in the Sai Gon Economic Times dated October 3rd, 2013, education expert Prof. Tran Huu Dung stated, 'There is a risk that the policy on socialising education may become a source of future social inequality. Rich families are willing to contribute more to their children's schools, while poor families rely on the state's modest favour. As the state is increasingly relying on parents' contributions, the existing income inequality in society may find its way into schools and cause long-term consequences for future generations.'

5.10. SOME TECHNICAL INNOVATIONS

- It is necessary to concurrently measure multi-dimensional poverty and inequality through combining an income dimension and other dimensions relating to basic social needs, such as education, healthcare, and living conditions. As a result, it is possible to establish objectives and monitor indicators of multi-dimensional poverty (deficiency in each dimension) and indicators of inequality (differences in each dimension between areas, and between social groups, with gender-disaggregated data).
- It is important to classify beneficiaries not only by income deficiency but also by basic social needs. This would be the basis for designing specific policies, coupled with relevant budget allocation and a targeted support mechanism, to reduce both poverty and inequality between areas and social groups. The implementation of direct support policies should be decentralised and further empowered. It is essential to utilise the role of community institutions in localising policies for each particular social group, ensuring their voices are heard, and to avoid the top-down approach in each step of the policy making process.
- It is recommended that livelihood support policies be restructured in the direction of improving the capacity to escape poverty through giving increased support to 'soft' factors, such as surveys, communication, training, community institutions, and monitoring and evaluation. At the same time, it is necessary to gradually decrease direct grants, and make the shift to both increasing preferential credit for farmer groups and empowering grassroots institutions to establish and operate revolving funds that recover part of the funding. Agricultural extension in mountainous areas requires a particular organisational model and suitable implementation methods, with due attention paid to improving ethnic minority women's opportunities to access extension services, such as tested participatory extension methods (farmer field school - FFS) and 'farmer-to-farmer' programmes. It is important, in parallel, to strengthen support for farmer cooperative linkages, such as the cooperative-business linkage model in Tra Vinh, to address the existing constraints in market access. Attention should be paid to promoting women's participation in the linkages to increase their role in market access.
- Last but not least, further studies are needed to explore the relationship between different forms of inequality and the labour market. The existing studies have indicated important domains relating to inequality, particularly land, education, and employment, and have examined the linkages between inequality, on the one hand, and land and education, on the other hand, in greater depth. However, research remains limited regarding the linkage between inequality and the labour market. Below are some suggested study questions to further understand this issue:
 - How has the labour market in Vietnam been stratified? Who occupies the upper, middle and lower strata?
 - What are the main drivers of this process of stratification? They may include, though not be confined to, the imbalance of labour supply and demand, the poor general education and vocational system, industrialization and modernization, emerging multi-national corporations seeking profits through cheap labour and poor governance, and state interventions.
 - To what extent has such stratification formulated or reinforced the existing forms of inequality in outcomes and opportunities?
 - How do policy interventions contribute to mitigating the described impacts of the labour market on the different forms of inequality?



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We look forward to receiving feedback from the readers of this report.

The Research Team

ANNEX 1: THE QUANTITATIVE SURVEY

Within a collaborative framework between WB and ILLSA in the survey on perceptions of inequality, WB experts and ILLSA staff conducted fieldwork in four cities and provinces in 2013, namely Ha Noi (former Ha Tay), Quang Nam, Long An, and HCMC (see WB, 2013). The quantitative survey was designed to explore the public perceptions of inequality, and implemented through direct questionnaire interviews with household representatives.

1. Timing of the fieldwork

- Ha Noi (former Ha Tay): from August 21 to August 31;
- Quang Nam: from September 3 to September 15;
- Long An: from September 3 to September 16;
- HCMC: from September 16 to September 27.

2. Implementation

The team completed 1,645 questionnaires, one short of the plan, as it was impossible to identify one household in Ha Tay. The completed questionnaires included those of 1,266 households (76.9 percent) in the official sample list, 202 replacement households (12.3 percent) in the reserve list in HCMC, and 35 replacement households (2.1 percent) chosen by supervisors, chiefly in Ha Tay, Long An, and Quang Nam.

- The main reasons for the replacement of households in Ha Tay, Quang Nam and Long An is that either households had moved, members of single-member households had died, or members refused to respond.
- The main reasons for the replacement of households (taken from the reserve list) in HCMC include:
 - Households had moved: HCMC is the most dynamic labour market in Vietnam, therefore many households from the sample list produced in 2011 had moved out of the study sites, especially migrant households and households in the outer districts.
 - The chosen respondents no longer lived in the households as they had left the household or married.
 - The chosen household respondents refused to respond, chiefly several Chinese respondents in Districts 5 and 3; Other reasons were that the chosen respondents had migrated away from home for study or employment, or had to take care of a sick member in hospital;

Two replacement households in HCMC were chosen by supervisors, not from the reserve list, because on the first day of the survey, the provided sample list did not have a sufficient number of respondents; supervisors therefore chose a neighbour of the household on the official sample list for an interview. WB experts and the survey steering board agreed upon this approach.

THE SCOPE OF THE SURVEY

SITES	COMPLETED QUESTIONNAIRES	INCLUDING		
		OFFICIAL SAM- PLE LIST	REPLACEMENT FROM THE RESERVE LIST	REPLACEMENTS CHOSEN BY SUPERVISORS
Ha Tay	549	392	0	15
Quang Nam	290	278	0	12
Long An	306	300	0	6
HCMC	500	296	202	2
Total	1645	1266	202	35

ANNEX 2: THE QUALITATIVE STUDY

1. The study sites

The sample is produced using the principle of diversity, to understand different trends in the perceptions of different groups across the country. The following aspects demonstrate the socio-economic diversity in the sample:

- Geographical diversity: the study sites are located in rural areas, such as the northern mountainous region, the Red River Delta, the central region, the Mekong Delta, and also in urban areas across Vietnam;
- Diversity in population groups: the groups are differentiated by wealth (poor and non-poor), age range (young and senior respondents), gender (men and women), position (local officials and residents), residential status (migrants and local people), and ethnicity (the Kinh majority and ethnic minorities).

The fieldwork was conducted in five cities and provinces. They include three of the same provinces as in the quantitative survey implemented by WB and ILLSA – for information sharing and the integration of both quantitative and qualitative data – and two provinces with Oxfam projects which explore perceptions of inequality within ethnic minority groups. In each city or province, two wards/communes were selected, including a more developed and a less developed ward/commune. There were a total of 10 study sites across the country.

In particular:

- In Lao Cai province, located in the northern mountainous region, with a high population of ethnic minority people, the two communes selected were:
 - Sin Cheng commune in Si Ma Cai district (Mao Sao Phin village: H'mong respondents); and
 - Man Than commune, Si Ma Cai district (Say San Phin village: H'mong respondents).
- In Ha Noi (former Ha Tay), located in the Red River Delta, one commune selected was:
 - Phuong Trung commune in the transitional district of Thanh Oai. In this commune, Tay Son and Tan Dan 2 villages, containing Kinh respondents, were selected.

- In Quang Nam province, located in the central region, the two communes selected were:
 - Dien Minh commune in Dien Ban district. In this commune, Bong Lai village, containing Kinh respondents, was selected; and
 - Tra Giap commune in the less developed district of Bac Tra My. In this commune, village 2, containing Co and Ca Dong respondents, was selected.
- In Tra Vinh province, located in the Mekong River Delta, the two communes selected were:
 - Chau Dien commune in Cau Ke district. In this commune, O Mich village, containing Kh'mer respondents, was selected; and
 - Tam Ngai commune in Cau Ke district. In this commune, Ngoc Ho village, containing Kh'mer respondents, was selected.
- In HCMC, a large city in the South, the two wards selected were;
 - Tan Quy ward in the outer district Tan Phu. In this ward, neighbourhood 9, containing Kinh respondents, was selected; and
 - Ward 2 in inner district 6. In this ward, neighbourhood 2, containing Kinh respondents, was selected.



2. Data collection instruments

- Desk review; and
- Participatory qualitative methods:
 - FGDs were carried out with respondents from various socio-economic backgrounds. Each FGD comprised six to eight people. Around six to eight FGDs were conducted at each study site. A semi-structured questionnaire was used, with a variety of illustrative instruments, such as the 10-point scale, the Venn diagram, a listing and ranking matrix, and the cause-effect diagram.
 - Around four to five in-depth interviews were conducted at each study site to explore the life history of families that had moved up or down the ladder of well-being and to capture stories of positive deviances relating to inequality in various communities.
 - Non-participant observation and photographing of communities and families related to inequality issues were conducted.



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