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# Urban poverty in Vietnam – a view from complementary assessments

by **HOANG XUAN THANH**, with **TRUONG TUAN ANH**  
and **DINH THI THU PHUONG**

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**October 2013**

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## Abbreviations

AAV	ActionAid International in Vietnam
ATM	Asian Trends Monitoring
CBN	Cost of Basic Needs
CPI	Consumer Price Index
DFID	Department for International Development (United Kingdom)
GOV	Government of Vietnam
GSO	General Statistics Office
HCMC	Ho Chi Minh City
HDI	Human Development Index
HDR	Human Development Report
MCP	Monetary Child Poverty
MDCP	Multidimensional Child Poverty
MDGs	Millennium Development Goals
MOLISA	Ministry of Labour, Invalids and Social Affairs
MPI	Multi-dimensional Poverty Index
PPP	Purchasing Power Parity
SCOLI	Spatial Cost of Living Index
SEDP	Socio-economic Development Plan
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UPS-09	Urban Poverty Survey in Hanoi and Ho Chi Minh City in 2009
VHLSS	Vietnam Household Living Standards Survey
VND	Vietnamese dong
WB	World Bank
WTO	World Trade Organisation

## Summary

This paper reviews how poverty is measured in Vietnam with a particular interest in how accurately it measures urban poverty. Poverty has been seen as a rural phenomenon in Vietnam and only recently, with rapid urbanisation, has attention been given to urban poverty. Two different approaches are used by the government to measure poverty. The first sets rural and urban income-based poverty lines that are then used by communes to determine who is 'poor' and eligible for targeted poverty reduction programmes and social welfare benefits. The second is based on expenditure needed for a daily food intake (2,100 kilocalories per person) with an additional allowance for non-food needs based on the consumption patterns of the poor. Applying these poverty lines, or the international US\$1.25 a day poverty line, show a rapid fall in the proportion of the population defined as poor from the early 1990s to 2010. By 2010, the proportion of the urban population considered poor was between 6 and 7 per cent, depending on which of the two approaches were used. There had also been substantial progress in other dimensions of well-being including school enrolment and improved health.

However, many households have incomes very near these poverty lines and remain vulnerable to shocks and stresses. In addition, different poverty lines give different figures; the per cent of the urban population in poverty varies from 0.3 to 8.3, depending on which poverty line is used. There are also concerns that monetary poverty lines are set too low in relation to the costs of living faced by low-income groups in urban areas, especially in the large cities; and that urban poverty statistics are not including many urban residents who have migrated to urban areas but are not registered as urban dwellers.

This paper reports on the findings of four studies that have sought to improve the basis for defining and measuring urban poverty: an Urban Poverty Survey in 2009 that included recent migrants in Hanoi and Ho Chi Minh City; a survey that monitored poverty in a range of sites in Hanoi, Hai Phong and Ho Chi Minh City over five years and that included participatory appraisals; an inequality perception study that included sites in large and small cities as well as rural areas; and an analysis of living conditions among Hanoi's poor population.

The four studies show that poverty lines remain low in relation to living costs in urban areas - even with the raising of official poverty lines in 2010. One respondent to a survey noted that it takes the equivalent of at least US\$50 per person to survive for a month in Hanoi – which is twice the official urban poverty line.

There is also a concern that a focus on income or expenditure-based poverty lines misses many poverty-related deprivations. Assessing poverty based on multidimensional measurements highlights how the proportion of Vietnam's urban population facing deprivations are higher than those defined as poor by official poverty lines. The 2009 Urban Poverty Survey of multi-dimensional poverty in Hanoi and Ho Chi Minh City showed how the proportion of the population facing a range of deprivations associated with poverty was much higher than the proportion that were poor according to the income-based poverty lines. This survey explored 8 dimensions of deprivation including access to social security (receiving any benefit from work, pension or regular social allowance), access to housing services (including electricity, water, sewer connection and waste disposal services), housing quality and space, access to schools, access to health care, physical safety and social inclusion, as well as income.

Figure 3 in this paper highlights the high proportion facing deprivation in several of these – and how much higher the proportions were when compared to income. The per cent of the population of Hanoi and Ho Chi Minh City facing non-monetary deprivations is particularly high in relation to social security, housing and, for Ho Chi Minh City residents, education. An

assessment in 2008 found that the proportion of urban children suffering multidimensional poverty was 2.5 times the proportion in monetary poverty. There is also a concern that the conventional measures of poverty are not capturing increasing inequality in outcomes, opportunities and voice.

The paper discusses a wide range of factors relevant for poverty for migrants and registered residents including limited education and skills, unstable jobs, adverse working conditions, lack of a labour contract, poor housing and living conditions and inadequate access to clean water and toilets and to health care and education. Migrants suffer deprivations in more of the dimensions assessed than registered urban residents. Households with only one main worker are more likely to face chronic poverty. Many migrants rent accommodation and this accounts for a significant proportion of their income. The urban poor struggle to meet the costs of keeping children at school and of health care, especially for those not on the official 'poor' list that can get subsidised health care. The paper also reports on how food and non-food costs have risen faster than incomes, especially for migrants and on the impacts on poverty of the global financial crisis and slower domestic economic growth.

Those who are defined as migrants are an integral part of urban development and an important source of remittances for rural households. Yet they are disadvantaged in development plans, service provision and poverty reduction policies. Pressure on infrastructure and overloaded public services should not be seen as unwanted impacts of migration but as challenges to be addressed.

## 1. Introduction

Poverty in Vietnam tends to be seen as a rural phenomenon; but following a period of rapid urbanisation, it is becoming a significant issue in urban areas. Vietnam is urbanising rapidly. The urban population grew by 3.4 per cent every year between 1999 and 2009, compared to only 0.4 per cent in rural areas. The urban population is forecast to reach 45 per cent of the total population by 2020 – a major increase on the 30 per cent registered in the 2009 Housing and Population Census. In the light of this rapid change, there is a growing need to understand and address urban poverty (World Bank, 2012, p.80).

While current measures of poverty have been fairly effective in tracking the progress of poverty reduction and identifying those living under or near the "poverty line" in urban areas, there are significant data gaps. Recent studies have attempted to address these gaps, by complementing and completing the picture of urban poverty in Vietnam provided by official statistics.

### 1.1. Current measures of poverty in Vietnam

#### *Two approaches to measuring poverty*

Vietnam has used two very different approaches to measure poverty. Both were initiated in the early 1990s and both have evolved over time. Neither approach is considered better than the other; they are designed to serve different but equally valid objectives (World Bank, 2012, p.4).

**The first approach was developed by the Ministry of Labour, Invalids and Social Affairs (MOLISA).** Its main objective is to determine budget allocations and define who is eligible for a number of targeted poverty reduction programmes and public social welfare benefits. It produces a "poor list" based on household income.

MOLISA proposes the official urban and rural income poverty lines at the beginning of each five-year Socio-Economic Development Plan (SEDP). For the purposes of this review, household incomes are counted after tax and social assistance in cash. Using the official poverty lines, MOLISA is responsible for updating its list of low-income households below these lines (the "poor list") on an annual basis, using a bottom-up mix of local surveys and village-level consultations to count the number of poor at commune levels, which are then used to calculate provincial and national poverty rates. Every commune in the country carries out a five-step poverty review process:

- (i) set up a commune steering committee, and train a core group of commune and village officials;
- (ii) this core group compiles a list of potential poor households using a proxy means-tested approach (assigning "points" to each households' characteristics and assets);
- (iii) the core group undertakes household surveys to calculate incomes earned during the past 12 months for those listed;
- (iv) it produces a draft poor list for consultation with villagers; and
- (v) the group convenes a village meeting to discuss and vote on the final poor list.



MOLISA poverty lines were initially based on rice equivalents<sup>1</sup> but since 2005 have been calculated using a Cost of Basic Needs (CBN) methodology. The official poverty lines are not adjusted for inflation, but are revised in real terms only every five years.

**The second approach is led by the General Statistics Office (GSO).** Its main objective is to monitor changes in poverty in Vietnam over time. The GSO measures poverty statistically (without producing a “poor list”) on the basis of nationally representative Vietnam household living standard surveys (VHLSS). It uses two different methods to measure poverty – one based on MOLISA poverty lines (adjusted for inflation) applied to per capita incomes, and one using an approach developed by a joint GSO and World Bank team (GSO-WB), based on expenditure. The GSO-WB “expenditure poverty line” is constructed using a standard CBN methodology, based on an estimated daily food intake (2100 kilocalories per person per day in 2008) plus an additional allocation for essential non-food needs based on general consumption patterns of the poor (not adjusted for rural/urban or regional consumption patterns).

The GSO-WB lines have been kept roughly constant in real purchasing power since the late 1990s, and are used to measure per capita expenditures in successive rounds of the VHLSS (every two years) to estimate changes in poverty over time at the national, urban or rural, and regional level. The strengths of the GSO-WB approach lie in consistent and comparable measurement over time and its independence from budgetary or political considerations. The GSO-WB lines have been used widely in Vietnam to monitor changes in poverty since 1993 (World Bank, 2012, p.13).

#### *Remarkable poverty reduction by any measure*

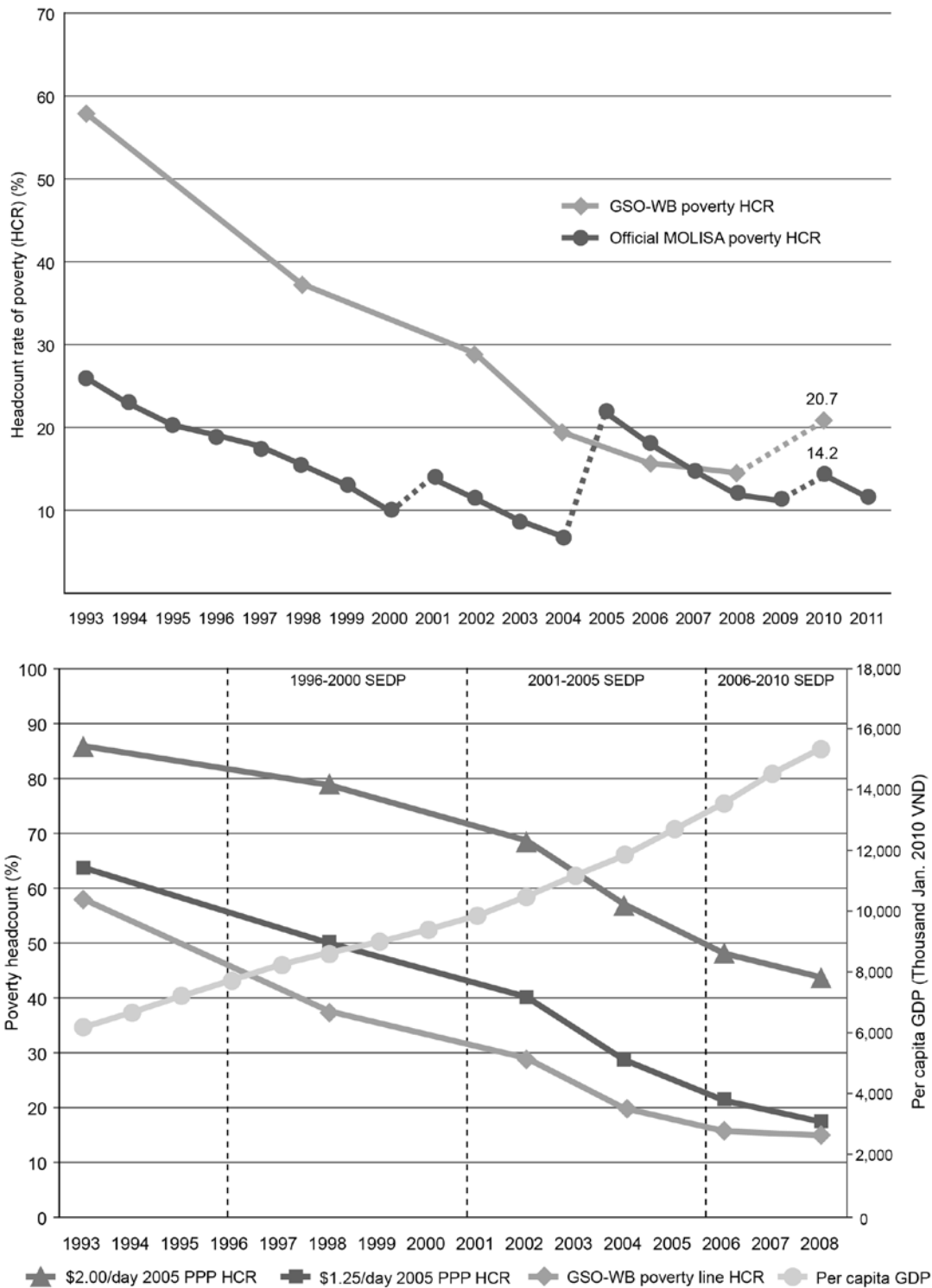
Vietnam’s record in economic growth and poverty reduction over the past two decades has been remarkable. Any measure used to monitor progress shows a dramatic decline in poverty, whether the official income poverty lines (using the MOLISA bottom-up community-based method) or the GSO-WB expenditure poverty lines (using the nationally representative household survey method).

Using the GSO-WB poverty line, the poverty headcount fell from 58 per cent in the early 1990s, to 14.5 per cent by 2008, and by this GSO-WB standard was estimated to be well under 10 per cent by 2010. In total, nearly half of Vietnam’s population was lifted out of poverty in less than two decades. A reduction in the total poverty headcount has been accompanied by a notable reduction in the depth and severity of poverty. Steadily rising incomes are also evident against the standard international poverty line of US\$1.25 and US\$2.00 per person per day (at 2005 “purchasing power parity” or PPP) used by the World Bank to measure global progress in reducing poverty (Figure 1). Progress has also been substantial in other dimensions of well-being, ranging from high primary and secondary school enrolments to improvements in health, and reduced morbidity and mortality. Vietnam has achieved most, and even surpassed many, of the Millennium Development Goals (MDGs) (World Bank, 2012, p.1-13).

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<sup>1</sup> Before 2000, Vietnam used rice-equivalent poverty lines (i.e. the household income thresholds expressed as quantities of rice) to identify poor households. In the period 1997–2000, poverty lines were 15kg, 20kg, and 25kg of rice equivalent monthly income for mountainous, rural and urban areas, respectively (according to MOLISA’s Decision 1751/LDTBXH dated 20 May 1997).

**Figure 1. Economic growth and poverty reduction in Vietnam: Two decades of progress**



Source: World Bank, 2012, p.10–14

*A low rate of urban poverty by monetary measures*

Urban poverty in Vietnam has reduced substantially by monetary measures. According to the former GSO-WB expenditure poverty line (before it was revised in 2010), urban poverty came down to around three per cent between 2004 and 2008. When the poverty rate is very

low, reducing it further can be difficult. According to the new GSO-WB expenditure poverty line, the poverty rate in urban areas in 2010 was 6 per cent compared to 27 per cent in rural areas (Table 1). Because only 30 per cent of the Vietnamese population live in urban areas, the urban poor comprise 8.6 per cent of the total poor in Vietnam.

**Table 1. Percentage of population below the GSO-WB expenditure poverty lines, 1993–2010**

	Former expenditure poverty line						New expenditure poverty line
	1993	1998	2002	2004	2006	2008	2010
<b>National</b>	58.1	37.4	28.9	19.5	16.0	14.5	<b>20.7</b>
Urban	25.1	9.5	6.6	3.6	3.9	3.3	<b>6.0</b>
Rural	66.4	44.9	35.6	25.0	20.4	18.7	<b>27.0</b>

Source: GSO, 2010 and World Bank, 2012

Urban poverty is notably concentrated in smaller cities and towns, according to measurements based on the GSO-WB poverty line. There is an important correlation between city size and poverty – poverty levels are lower in larger cities. Only 1.9 per cent of the population are poor in the two largest cities (Hanoi and Ho Chi Minh city; over four million inhabitants each), while the poverty rate is 5.8 per cent in small cities (average population 86,000), and 11.2 per cent in towns (including district towns, average population 11,000). Poverty depth (the poverty gap) and poverty severity (the squared poverty gap)<sup>2</sup> also decrease with increasing city size. Small cities and towns account for only 43 per cent of the urban population but over 70 per cent of the urban poor. Conversely, 32 per cent of Vietnam’s urban population live in Hanoi and Ho Chi Minh city (HCMC), but only 11 per cent of the urban poor live in these two cities. Smaller cities and towns can be thought of as more “rural” than larger cities; urban poverty is accordingly concentrated in the more “rural-like” urban areas (World Bank, 2012, p.80-81).

According to the official income poverty line used for 2006–2010, the urban poverty rate reduced slightly. In late 2010, the MOLISA introduced new income poverty lines for 2011–2015 that was nearly twice as high as the poverty line for 2006–2010. According to the new poverty lines, national urban poverty incidence in 2010 increased by two per cent. However, by 2011 urban poverty incidence had returned to the figure for 2010 as calculated using the former poverty line (Table 2) (Oxfam and AAV, 2012a, p.10).

**Table 2. Percentage of population in poverty according to the MOLISA’s official income poverty lines, 2004–2011**

	Former income poverty line				New income poverty line	
	2004	2006	2008	2010	2010	2011
<b>National</b>	18.1	15.5	13.4	10.7	<b>14.2</b>	<b>12.6</b>
Urban	8.6	7.7	6.7	5.1	<b>6.9</b>	<b>5.1</b>
Rural	21.2	17.0	16.1	13.2	<b>17.4</b>	<b>15.9</b>

Source: GSO, 2012 and 2011a.

### *The emerging challenges for poverty reduction*

<sup>2</sup> The poverty gap (depth) measures the average, across all people, of the gap between the living standards of the poor and the poverty line. The squared poverty gap (severity) is calculated using a similar methodology, but gives greater weight to households whose living standards are further away from the poverty line.

Despite remarkable progress, the task of poverty reduction in Vietnam is not complete, and in some respects it has become more difficult. The remaining poor are harder to reach: they face difficult challenges – of isolation, limited assets, low levels of education, poor health – and poverty reduction has become less responsive to economic growth. Ethnic minority poverty is also a persistent challenge. Although tens of millions of Vietnamese households have risen out of poverty, many have incomes very near the poverty line<sup>3</sup> and remain vulnerable to falling back into poverty as a result of "idiosyncratic shocks" (such as job loss, accidents, or the death or illness of a household member) or economy-wide shocks (such as the effects of climate change on rainfall and temperature, human and animal influenza pandemics, and the impact of the 2008–09 global financial crisis).

Rapid structural transformation and Vietnam's ongoing transition to a market economy have given rise to new patterns of development that bring additional challenges for poverty reduction. Citizen aspirations are rising, and Vietnam's development policies must reflect both new economic realities and the multi-dimensional aspirations for shared prosperity and sustainable well-being. Public concern about inequality has been intensifying, underpinned by a persistent gap in development between and within rural and urban areas and across different socioeconomic groups (see Section 2.10 below).

Urbanisation is increasing and a growing number of workers from rural areas are migrating to the cities to work. Many of these jobs are informal and lack social welfare benefits. While there is a growing demand for young, skilled workers, many older workers do not have the training or skills to compete for jobs in the expanding modern economy (World Bank, 2012, p.1–2).

## **1.2. Gaps in measuring urban poverty**

### *Low monetary poverty lines*

Both official lines for the period 2006–2010 and the original GSO-WB line (before they were revised in 2010) are low by international standards. The original GSO-WB poverty line is at only USD 1.10 per person per day (2005 PPP), which is substantially lower than the USD 1.25 (2005 PPP) "international" poverty line (World Bank, 2012, p.22). Unlike many other fast-growing economies, the original GSO-WB "basic needs" estimate for calculating the poverty line has not been revised since it was agreed in the mid-1990s. By 2010, key aspects of Vietnam's poverty monitoring system had become outdated. The methods used to measure household welfare and calculate the original poverty line were based on the economic conditions and consumption patterns of poor households in the early 1990s. Conditions have changed, and Vietnam today – especially the consumption patterns of poor households – is very different to 1993, the reference period used to calculate the original poverty line.

In 2010, the World Bank and GSO proposed that the expenditure poverty line should be brought into line with the current structure of household expenditure, as well as current prices, and adjusted for geographical areas. They suggested a new expenditure poverty line for 2010, set at a monthly income of VND 653,000 (USD 2.24 per day, 2005 PPP); substantially higher than the original GSO-WB poverty line. Before 2010, adjustments for different geographical areas were based on regional consumer price indexes (CPIs) provided by the GSO. However, for 2010, adjustments were made for regional cost-of-living

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<sup>3</sup> Vietnam has defined "near-poor" poverty lines that are 1.3 times the official poverty line. If a similar approach is used to define the near-poor for the 2010 GSO-WB poverty line, there were 13 million near-poor households in 2010 in addition to 18 million poor households (World Bank, 2012, p.24).

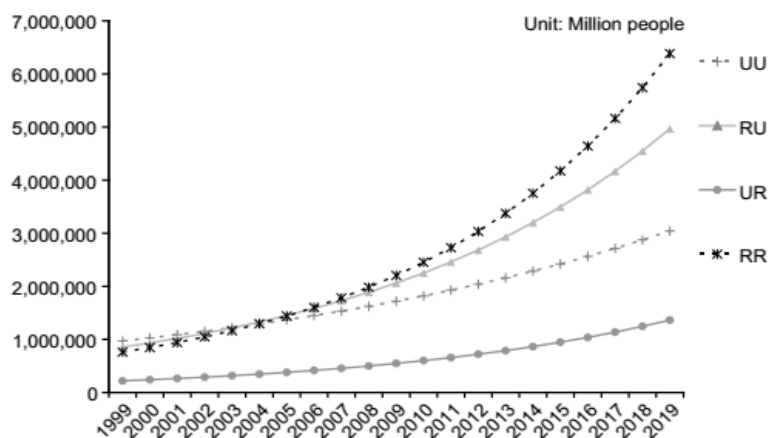
differences using market price data from new spatial cost-of-living indexes (SCOLIs) instead of regional CPI deflators to calculate poverty rates (World Bank, 2012, p.46-47)<sup>4</sup>.

In September 2010, the government also announced new official income poverty lines for the period 2011–2015. The official poverty line for urban areas was raised from a monthly income of VND260,000 (USD1.34 per day, 2005 PPP) to a monthly income of VND 500,000 (US\$ 1.61 per day, 2005 PPP). The official line for rural areas was raised from VND 200,000 per month (USD 1.03 per day, 2005 PPP) to a monthly income of VND 400,000 (USD 1.29 per day, 2005 PPP) (World Bank, 2012, p.15-16). However, there are concerns that even the updated income poverty lines for the period 2011–2015 are themselves inadequate and do not represent the full minimum costs of living in urban areas, especially in the light of high inflation in recent years.

### *The "missing" poor migrants*

Population re-allocation and labour mobility have been widespread in Vietnam, as shown by the resident registration system. The most recent population census (in 2009) showed that of the more than 78 million people aged five and older in 2009, 8.6% (or about 6.7 million people) were migrants. It is forecast that the number of migrants of all types will greatly increase (Figure 2). However, as the population census did not count short-term (seasonal, temporary) or return migrants, the actual number of migrants will be much higher (GSO, 2011c, p.26).<sup>5</sup>

**Figure 2. Annual migration flows between urban and rural areas: 1999–2009 and projection to 2019**



Note: UU: urban-to-urban migrants; RU: rural-to-urban migrants; UR: urban-to-rural migrants; RR: rural-to-rural migrants.

Source: GSO, 2011c, p.26

<sup>4</sup> SCOLI is more appropriate than CPI in calculating poverty rates. The CPI aims to give equal weight to every VND spent; it is used as a deflator to ensure the real value of currency remains unchanged. In contrast, the SCOLI is population-weighted rather VND-weighted; the SCOLI is estimated using the prices paid by the average individual from each area, and prices are aggregated into a population-weighted index that treats everyone equally.

<sup>5</sup> Vietnam population censuses lack important information on migration, such as: reason for migration, place of birth, and duration of residence in destination area. Comparing current place of residence with five years prior to the survey as a proxy measure of migration has several shortcomings. It does not allow us to identify the timing of the last move nor duration of residence in the destination area. It also does not allow us to capture seasonal and temporary migration, or return migration within the five years prior to the time of the survey. Consequently, census analysis results underestimate people's actual mobility (GSO, 2011c, p.17).

One of the challenges in monitoring and evaluating poverty reduction in Vietnam is collecting sufficient, reliable and comprehensive data on the scope and characteristics of poverty in all population groups, including temporary and unregistered migrants, particularly in urban areas. The VHLSS is an official and popular data source for poverty measurement. However, until 2008 the VHLSS's sampling design was not able to capture information for all population groups, especially migrants. Even the VHLSS 2010, which contains a number of improvements in sampling design (including a new sampling framework, with more focus on reaching formal and informal migrants), still did not succeed in surveying all groups of people (UNDP, 2010, p.7).

The MOLISA's manual for annual poverty review for 2011-2015 requires that households that reside in a locality for six months or more regardless of their resident registration status (permanent, temporary resident or not registered) are included in the poverty review. In fact, at the monitoring sites of Oxfam and ActionAid International in Vietnam (AAV) project (2012a, p.12), only some long-term temporary residents or those owning houses or land in the locality are included in the poverty review. Most households who rent (which tend to be migrants) have been omitted. The insecure housing that is mainly associated with migrants therefore creates additional problems in capturing the poverty data.

*"Multi-dimensional poverty" is not integrated into formal urban poverty reviews*

The conventional way to evaluate whether a person is living above or below the minimum poverty level is to use income or expenditure as a measure. However, taking these as the only measure of well-being has some limitations. "Multi-dimensional poverty" takes into account a series of deprivations that households and individuals may suffer besides the economic dimension, including inadequate levels of education, health, employment, housing, physical safety, and so on (UNDP, 2010, p.18). Oxfam and AAV's monitoring of urban poverty in Vietnam also shows that while urban poverty levels based on economic indicators of income or expenditure are relatively low, a multi-dimensional assessment of poverty may reveal more serious problems (Oxfam and AAV, 2012a, p.vii).

Recent years have witnessed a greater focus on composite indicators of poverty and deprivation in Vietnam, beginning with the Human Development Index (HDI) in the early 1990s; the multi-dimensional child poverty index in 2008 by GSO and MOLISA with support from UNICEF; the multi-dimensional urban poverty index used in the 2010 Urban Poverty Survey; and more recently the Multi-dimensional Poverty Index (MPI) launched in the 2010 Vietnam Human Development Report (HDR) (World Bank, 2012, p.19).

In 2008, GSO, MOLISA and UNICEF developed a Vietnam-specific multi-dimensional poverty measurement approach, based on the Convention on the Rights of the Child. The approach incorporates eight poverty "domains": deprivations in education, nutrition, health, shelter, water and sanitation, child labour, leisure, and social inclusion and protection. Poverty prevalence can be calculated for any one of these domains, and a multi-dimensional child poverty (MDCP) rate constructed to measure the percentage of children who are poor in at least two domains. The MDCP rate is systematically higher than the monetary child poverty rate (MCP), indicating that around one-third of children living in Vietnam – or an estimated seven million children – are considered multi-dimensionally poor, in contrast to around one in five who are poor according to conventional income or expenditure criteria (World Bank, 2012, p.85). The difference is even more striking in urban areas. For instance, in 2008 the incidence of multi-dimensional poverty was 2.5 times higher than monetary poverty among urban children, but only 1.5 times higher among rural children (GSO, 2010).

However, a formal review of multi-dimensional poverty – especially in urban areas where monetary poverty is relatively low – has not yet been carried out. Therefore, some targeting

measures may be misleading, as many urban residents may not be poor in monetary terms, but are poor in terms of education, health care, housing, employment and so on.

### *Poorly captured inequality*

Vietnam has seen dramatic income growth, poverty reduction and social transformation in the last two decades. And, unlike other fast growing economies such as China, conventional empirical measures suggest that the fast growth seen in Vietnam over the last two decades has not been accompanied by an appreciable rise in inequality. The Gini coefficient<sup>6</sup> of income inequality remained fairly stable in the 2000s, as it was 0.42 in the years of 2002, 2004 and 2006; 0.43 in the year 2008; and 0.434 in the year 2010 (GSO, 2011a). The Gini coefficient of expenditure inequality increased from 0.33 to 0.35 between 1993 and 2002, but remained fairly stable between 2002 and 2008. The "rich/poor gap" measure of income inequality also shows only a modest rise. Between 2004 and 2010, the ratio of mean per-capita income of the top 20 per cent relative to the bottom 20 per cent increased from just over 7 to 8.5 (World Bank, 2012, p.149–150).

In particular, empirical measures see a modest rise of income inequality in rural areas, but no rise in urban areas. The Gini coefficient of income inequality in rural areas rose from 0.365 in 2004 to 0.413 in 2010, while in urban areas the Gini remained stable over the same period, at approximately 0.381 (World Bank, 2012, p.151).

Conventional empirical measures may not adequately capture the reality of increasing inequality in Vietnam in terms of outcomes (such as income, expenditure and assets), opportunities (such as education and healthcare) and procedures (such as voice and power). Widespread concerns are emerging about increasing disparities between and within urban and rural areas, between regions as well as between social and ethnic groups, in relation to the unequal distribution of development achievements and growth across the country. An interest in inequality has been intensifying in the press and among policy makers, academics and various groups since Vietnam became a lower-middle income country. The term *bat binh dang* (inequality) is now mentioned in Vietnam more than ever before, including a rapid rise in Google searches since 2008 (World Bank, 2013).

### **1.3. Studies to complement official measures of urban poverty**

Four studies were published recently in response to the widening gaps in Vietnam's data on urban poverty. These studies complement official measures of urban poverty in an attempt to provide a more complete understanding of the issue. Three of the studies were funded by the UK's Department for International Development (DFID) in Vietnam to directly address the most pressing gaps in urban poverty measurement; the fourth was carried out by the Asian Trends Monitoring (ATM) initiative.

The three studies funded by DFID are:

- **an urban poverty assessment** (UNDP, 2010), which aims to provide deeper empirical measures of multi-dimensional poverty among migrants as well as residents;
- **participatory monitoring of urban poverty** (Oxfam and AAV, 2012a), exploring the voices of local people on multi-dimensional poverty and aiming to provide timely detection of the outcomes of risks and shocks; and
- **a qualitative study on perceptions of inequality** (Hoang *et al.*, 2012). This study investigates how groups from different socioeconomic backgrounds perceive

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<sup>6</sup> The "Gini coefficient" is used to determine the equality of income or expenditure across a nation. It ranges between 0 (perfect income equality) and 1 (perfect income inequality).

inequality – including inequalities in outcomes, opportunities, and procedures – that are difficult to capture by empirical measures.

Each of these studies is described in more detail below.

### *Urban poverty assessment*

The Urban Poverty Survey in 2009 (UPS-09) was undertaken by the United Nations Development Programme (UNDP) in collaboration with Hanoi and Ho Chi Minh City (HCMC) municipal statistical agencies. The survey was designed to identify key issues of urban poverty and analyse the multi-dimensional characteristics of the urban poor, with special attention to their employment and earnings, as well as ownership of "consumer durables" (such as televisions, motorbikes or mobile phones) and ability to cope with risk. The UPS-09's strength is in its wealth of information on immigration status and unregistered households and individuals (which the VHLSS could not adequately cover), as well as information about the registered population. For example, the VHLSS 2006 only included households living in the enumeration area for six months or longer; and migrants who came to the city alone or without a family were not included at all. In contrast, the UPS-09 included households living in the survey area, no matter how recently they had moved there, as well as individual migrants who had come to the city alone or without a family.

The survey was conducted in 2009 in HCMC and Hanoi with a total of 3349 households and individuals, divided fairly evenly between the two cities. Almost half of the questionnaires were administered to households; the rest were administered to individuals living in the city alone, as domestic workers, on construction sites, in business premises, in dormitories or in group living arrangements. Households and individuals who have registration permits to live in the city are called "residents" while those that are registered to live in a different city/province to their current location are referred to as "migrants." The survey found that 17.4 per cent of those surveyed were migrants, with the proportion being almost twice as high in HCMC (20.6 per cent) as in Hanoi (11.4 per cent). This is fairly consistent with the results of the 2004 mid-term census in HCMC, which found that the proportion of the population who were unregistered or registered elsewhere was 20.6 per cent.

With its large sample size, the UPS-09 provides the "highest resolution" empirical picture of residents' poverty and of formal and informal migrants in Vietnam's two largest cities. This survey is a unique data source on poverty and migrants' livelihood in both cities. Because of the sample design,<sup>7</sup> all summary statistics were adjusted according to the sampling weights.

### *Participatory monitoring of urban poverty in Vietnam*

This was a longitudinal (annually repeated) monitoring project of urban poverty in the three cities of Hanoi, Hai Phong and HCMC over five years (2008–2012), undertaken by Oxfam, AAV and their local partners. The monitoring sites comprised three communes or wards and six residential quarters (one commune or ward and two residential quarters per city) which were typical for areas of their urban poverty status and had a migrant population. The monitoring sites provided qualitative evidence about urban poverty status, and served as an early warning system to identify changes in the living standards of the poor. The sites also

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<sup>7</sup> The UPS-09 used a stratified two-stage sampling method. Stage 1: Entire wards/communes in each city were first divided into two strata: the priority stratum consisted of the wards/communes believed to have a high rate of poverty, a large unregistered population, high population growth, and many enterprises with 300 or more employees; the non-priority stratum included the other areas. Each city then selected 80 enumeration areas (EAs), including 40 EAs in the priority stratum and 40 EAs in the non-priority stratum; within each stratum the EAs were selected based on probability proportional to size. Stage 2: Households and individuals were selected using a random systematic sample. For the survey, a total of 11 households and 11 individuals were selected in each EA (UNDP, 2010, p.25).



helped to assess the vulnerability of the poor to risks and shocks, following accession to the World Trade Organisation (WTO).

The urban poverty monitoring was organised around three main themes:

- (i) Overview of urban poverty: people's awareness of changing lives; perceptions of inequality and socialisation.
- (ii) Multi-dimensional poverty: exploring various dimensions of urban poverty and emerging issues that concern poor local residents and migrants, such as vulnerability and social protection.
- (iii) Poverty related to migrants working in informal sectors: living conditions, education, skills, livelihoods and vulnerability.

The annual reports present data captured from group discussions using "participatory appraisal tools". The groups included those defined as poor according to the national poverty line; the non-poor; migrants; and local officials. There were also in-depth interviews with typical households. Approximately 500 people engaged in interviews and group discussions and 180 migrant workers completed questionnaires. Direct observation, photographs and information sheets about the monitoring sites were used as tools to provide additional information.

Participatory monitoring of urban poverty has used consistent methodologies over the last five years to generate in-depth information on urban poverty. However, the qualitative survey used in the Oxfam and AAV initiative is context-specific; for compatibility purpose its findings should be interpreted in conjunction with other, empirical measures.

#### *Qualitative study on perceptions of inequality*

The inequality perception study provided inputs for the World Bank's 2012 Vietnam Poverty Assessment, by collecting and analysing qualitative evidence on how inequality is perceived by groups with diverse backgrounds. The study's four main questions were:

- (i) Inequality of what? What does inequality mean to Vietnamese people? Is inequality viewed in multiple domains?
- (ii) Is inequality, in particular "outcome inequality", perceived to have risen in the last five years?
- (iii) Is inequality tolerated, or seen as acceptable?
- (iv) What should be done to address unacceptable levels of inequality?

The sampling was based on the principle of diversity, in an attempt to sample perceptions from a wide variety of population groups in different areas across the country. The socio-economic diversity of the sample is broken down into:

- (i) Geographical diversity by regions (Northern Mountainous, Red River Delta, Central Region, Southeast; Mekong Delta). Each region is broken down into urban and rural areas. Urban areas are further divided into cosmopolitan (Hanoi/HCMC) versus small towns (or recently urbanised) areas.
- (ii) Population group diversity, divided by wealth (poor versus non-poor); age (old versus young); geography (urban versus rural); residence (local versus migrants), ethnicity (Kinh/Hoa versus ethnic minorities).

In total, 11 sites were selected for fieldwork, of which 5 were sites in big cities (2 in Hanoi, 2 in HCMC and 1 in Da Nang), 2 were sites in small cities (Hai Duong city and Tam Ky city), and 4 were sites in rural areas (Son La in the Northern Mountains, Hai Duong in the Red River Delta, Quang Nam in the Central Region and An Giang in the Southern Region).

Within each site, focus groups were chosen according to the different socio-economic characteristics of the participants. In total 69 focus groups were held in 11 sites across the

country, of which 45 groups were in urban areas and 24 groups in rural areas, comprising 547 respondents. The study also benefited from the inputs of one focus group of high-ranking professionals in Hanoi and 15 additional focus groups run as pilots and later stages by World Bank staff in 4 sites, comprising 1 urban site (HCMC) and 3 rural sites (Lao Cai, Dak Lak, Tra Vinh).

This comprehensive qualitative study in early 2012 was the first in Vietnam to explore people's perceptions of inequality in many rural and urban sites across the country (Oxfam and AAV went on to include similar questions on inequality perception in its agenda of urban poverty monitoring in late 2012). It is noted that this study's sample is diverse but slightly unbalanced, in that it lacks the voices of more educated and informed groups in inner cities.

### *The Asian Trends Monitoring study on "Empowering Hanoi's Poor"*

Finally, a more narrowly focused study adds to the three complementary studies described above. The Asian Trends Monitoring (ATM) initiative, undertaken by the Lee Kuan Yew School of Public Policy in Singapore, focuses on the analysis of pro-poor projects and innovative approaches that will contribute to alleviate poverty. ATM aims to identify major trends for the poor in rural and urban areas, highlighting sustainable and scalable concepts, and analysing how these could impact the future of Asia's well-being and future development.<sup>8</sup>

The Asian Trends Monitoring Bulletin No. 18 (2012), *Empowering Hanoi's Poor*, analyses the living conditions that Hanoi's poor residents must contend with, and the services that are in place to assist them. More specifically, it looks into the potential roles of empowerment strategies such as microfinance and social businesses as viable ways to close service gaps in cities like Hanoi. The bulletin was based on a questionnaire survey among Hanoi's poor population in May 2012 with a total of 351 responses.

## **2. The findings**

This chapter will discuss key approaches and associated findings on urban poverty in Vietnam, based on the up-to-date studies described above which complement current urban poverty measurements.

### **2.1. Inadequate poverty lines create problems for poverty reviews**

As almost all urban people have to buy food and other necessities, the complementary studies outlined above all confirm that the official poverty lines, though raised in 2010, remain low in the context of the rising cost of living in urban areas. Empirical measures from the Urban Poverty Survey in 2009 (or the "UPS-09") sample show that the average monthly expenditure of one person of the lowest-income quintile in Hanoi and HCMC had already reached VND885,000 in 2009 (UNDP, 2010, p.68). Expenditure is on food consumption, housing (including electricity, water, sanitation, communications and rent) and several major (but not all) expenditures are on non-food consumption, which include education, health, transport, clothing, shoes, gifts, and remittances (money sent back home) (Table 3). This figure is much higher than the official poverty line at the time of VND260,000, and also higher than the current official poverty line of VND500,000 in urban areas.

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<sup>8</sup> See [www.asiantrendsmonitoring.com](http://www.asiantrendsmonitoring.com).

**Table 3. Monthly expenditure in Hanoi and HCMC in 2009 (thousand VND)**

	Food	Housing	Of which					Major Non-Food	Of which			Total
			Water	Electricity	Phone	Rental	Hygiene		Education	Health care	Transport, clothing, shoes, gifts, and remittances	
<b>Average</b>	<b>1010</b>	<b>287</b>	19	81	115	65	8	<b>556</b>	118	78	360	<b>1853</b>
Lowest income quintile	520	121	8	38	39	26	9	244	41	46	157	885
Highest income quintile	1671	554	33	150	235	127	10	1127	301	138	688	3352
Residents	1075	266	20	88	117	32	9	530	150	95	285	1871
Migrants	858	335	13	38	88	191	5	619	43	38	538	1812

Source: UNDP, 2010, p.17&68-69

Each city and province in Vietnam is allowed to define its own income poverty lines based on the local costs of living and budget availability to support poor people, provided that the specific lines are not lower than the government's official lines. Several big cities and well-off provinces have used their own poverty lines. In early 2011, Hanoi set its own poverty lines 1.5 times higher than the government's. HCMC has also adopted a poverty line twice as high as the government's line since 2009 (Table 4). Even with the city-specific poverty lines that are higher than the government's, the number of urban households in the "poor list" is relatively small, as only a hard-core group of extremely deprived households remains (Oxfam and AAV, 2012a, p.10–11).

**Table 4. Government and city-specific poverty lines (monthly income in VND)**

	2006	2007	2008	2009	2010	2011	2012
<b>Government poverty lines</b>	200,000 in rural areas <b>260,000</b> in urban areas					400,000 in rural areas <b>500,000</b> in urban areas	
<b>Poverty lines defined by Hanoi</b>	270,000 in rural areas <b>350,000</b> in urban areas			330,000 in rural areas <b>500,000</b> in urban areas		550,000 in rural areas <b>750,000</b> in urban areas	
<b>Poverty lines defined by HCMC</b>	<b>500,000</b>			<b>1,000,000</b> (no distinction between rural and urban areas)			

Source: Oxfam and AAV, 2012a, p.10

Setting income poverty lines low gives inaccurate results in the annual "poor list" process in urban areas. A typical example is Lam Ha ward (Hai Phong city) where 17 households were listed as "poor" among more than 3000 households in the ward in late 2010. Local officials in charge of poverty review revealed that if income was the sole criterion for the review then only two of the 17 households could be considered poor, having monthly incomes lower than VND500,000. The remaining 15 households were listed as poor since they had ill, disabled, or elderly family members, or were single parents caring for small children, or working as casual simple labourers with an unstable income and so on, even though their income, if properly accounted for, would be higher than the formal poverty line (Oxfam and AAV, 2011a, p.12). Oxfam and AAV research into urban poverty reveals that there are many possible reasons for inaccurate poor lists. It is more difficult to calculate or verify households' incomes in urban areas than in rural areas, as urban residents rely on a cash economy which is harder to quantify than rural households' incomes from crop and animal production. The urban poor often work in informal sectors where employment is insecure and incomes unstable. The local officials may not fully understand the relevant (cumbersome) regulations

and templates in the poor listing process. Listing poor households is subject to personal judgment, so various personal connections may unjustly influence the results. In addition, annual poverty reduction targets may put pressure on local officials in producing the poor lists.

The ATM bulletin also reports that in every interview on government services in Hanoi, respondents never failed to mention this infamous “poor list” and what they believed were its flaws. The main concern for many was that they consider the MOLISA’s official poverty line to be set unrealistically low. The Hanoi’s “poor list” threshold is barely above the US\$1 per day poverty line. Locals argue that there are a large number of households that are unable to meet their basic needs despite having a household income that is too high for poor list eligibility. As one respondent said, “It takes a minimum of VND1,000,000” [approximately US\$50] for a person to survive for a month in Hanoi” – similar to the current city-specific poverty line for HCMC (ATM, 2012, p.8). This anecdotal view on minimum spending also agrees with the UPS-09 survey data presented in Table 3 above.

Every year the government of Vietnam stipulates a general “minimum wage” in accordance with the pace of inflation. From 2006 to 2012, the minimum wage increased by 2.33 times in current prices (i.e. VND450,000 in 2006, VND540,000 in 2007, VND650,000 in 2009, VND730,000 in 2010, VND830,000 in 2011 and VND1,050,000 in 2012). The minimum wage is used to calculate certain social welfare benefits (such as pensions or social insurance) by multiplying it with fixed coefficients. However, there is no clear link between official poverty lines and the minimum wage, as the poverty lines are updated only once every five years. The official poverty lines do not correspond to annual inflation and quickly become obsolete in the two-digit inflation of recent years.

## **2.2. Housing insecurity creates additional problems for poverty line-based reviews**

Home ownership is a significant issue for the urban poor. Families and individuals who do not own property have more problems accessing public services than local residents who do, and also receive less support and interest from the surrounding community. Housing is also a productive asset for many households. The low-income households who do not own a house or apartment will have many difficulties in repairing, renovating and upgrading their homes. Legally owned property is one of the most mortgageable assets in contemporary Vietnam, allowing households to borrow capital for production, business and to improve household income.

The 2009 poverty survey shows that more than one third of the people surveyed live in rented and borrowed houses, or houses with other types of ownership: 38.8 per cent for HCMC and 24 per cent for Hanoi. Most migrants rent their accommodation (64 per cent of migrants, compared with 8 per cent of residents). People who rent houses find it a significant burden on their expenditure (rental costs are 19.8 per cent of total expenditure of those households who rent). Nonetheless, renting is probably the only available option to many households with an average income or less (UNDP, 2010, p.71-74).

Oxfam and AAV’s monitoring of urban poverty in the past five years (2008–2012) reveals that housing insecurity is one of the important factors explaining why most immigrants are excluded from the annual poverty reviews (Oxfam and AAV, 2012a, p.12):

- (i) The definition of “migrant household” is not clear. Officials in charge of poverty reviews at the monitoring sites said it is hard to identify a “migrant household” and that they do not receive guidance on the issue. MOLISA’s manual provides no instruction on what a migrant household is. Therefore, local officials only include easily recognisable migrant households (those who own houses or land and have

lived for a long time in the locality) and exclude those less easy to identify (those who rent houses and have just arrived).

- (ii) There are no procedures to cross-check migrants' poverty status with that in their place of origin. Officials in charge of poverty reviews in urban areas are worried that some migrant households might be classified as poor in their hometown or that although they have poor housing in the cities, they may own good houses and have adequate incomes from agricultural production and other activities in their homeland.
- (iii) In suburban areas with large migrant populations, it can be costly – in terms of both finances and human resources – to conduct income surveys for all registered and unregistered households. Local officials are also worried that funds are insufficient to implement support policies for migrant groups; therefore they do not conduct income surveys among migrants in case they identify more low-income households that should be helped.

Vietnam is an economy with a high growth rate and almost half of this growth is concentrated in Hanoi and HCMC. Economic growth increases the disparity in housing situations among income quintiles. The strong urbanisation process and migration make housing and living environments a burden for the poor. If the criteria of poverty in Vietnam included degraded housing and bad living conditions, then the present urban poverty rate would increase by several times (UNDP, 2010, p.70).

### 2.3. A higher rate of poverty among migrants than residents

The UPS-09 offers estimates of the poverty rate among migrants; this figure has not been available in any other measures of urban poverty. Table 5 shows very low poverty rates among all groups of the population, except for those based on the city-specific poverty lines (which are rather high in HCMC). Applying the 2006 national poverty line – as used to measure poverty with the VHLSS 2008, and adjusted for prices to give the equivalent in 2009 – to the UPS-09 data, one finds that in 2009 migrants' poverty rate is 1.16 per cent compared to the residents' rate of 0.54 per cent. The migrant poor account for about two thirds of all poor in the two cities. If the two lower poverty lines are used (the national poverty line and the international US\$1.25 poverty line), migrants are seen to suffer from higher poverty than residents. However, if the two higher poverty lines (US\$2 and city-specific), no statistical difference between migrants and residents can be seen (Table 5) (UNDP, 2010, p.90–91).

**Table 5. Percentages of those in poverty, according to income-based poverty lines**

	2006 National Poverty Line	US\$1.25 /person/day	US\$2 /person/day	City-Specific
<b>Overall</b>	0.65	0.65	2.95	9.62
<b>Hanoi</b>	1.27	1.34	4.57	1.56
<b>HCMC</b>	0.31	0.29	2.08	13.92
<b>Urban</b>	0.28	0.23	1.68	8.28
<b>Rural</b>	1.69	1.86	6.51	13.42
<b>Migrants</b>	1.16	1.03	2.64*	9.74*
<b>Residents</b>	0.54	0.58	3.01*	9.60*
<b>% migrants in total poverty</b>	68.69	72.64	84.41	82.37

\* Not statistically significant

Source: UNDP, 2010, p.90

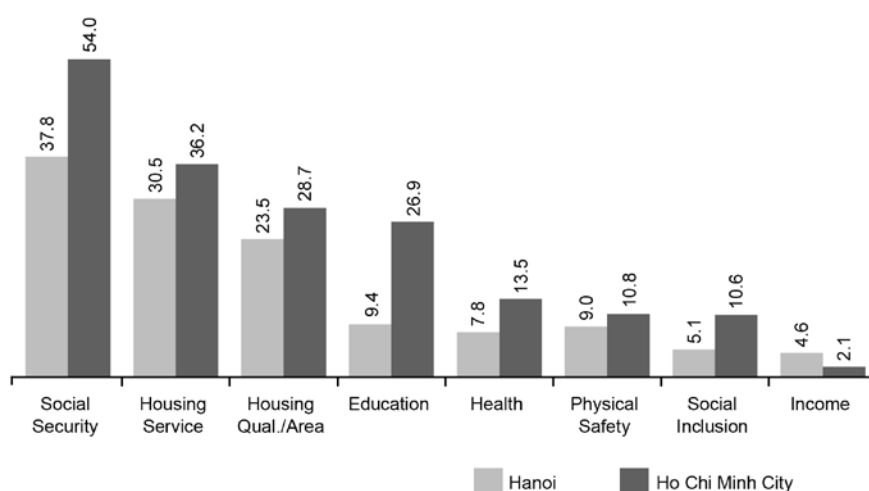
Oxfam and AAV (2012a) and ATM (2012) also point out that some migrants and seasonal workers are among the city's poorest residents, but they are by default not eligible for the

“poor list” because they are not official residents. The most vulnerable migrants are often people without education and skills doing unstable jobs in the informal sector; workers working and studying at the same time, or laid off by employers in difficult times; and young couples with small children.

#### 2.4. Multi-dimensional poverty rather than income-based poverty in urban areas

The UPS-09 adopted the multi-dimensional measure of poverty and explored the eight dimensions of “deprivation”, which include: income, education, health care, access to the social protection system, housing quality and space, housing services, participation in social activities and social security. Figure 3 shows that the quality of life of Hanoi and HCMC residents is still limited, even though there is a low rate of poverty based on income. In both cities, the four top deprivations are access to social security (receiving any benefits from work, receiving a pension, or a regular social allowance), access to proper housing services (including electricity, water, sewage drains, and waste disposal services), access to dwellings of decent quality and size,<sup>9</sup> and access to educational services. Although being richer in terms of income, HCMC has a higher poverty rate for all the social poverty dimensions (UNDP, 2010, p.19).

**Figure 3. Percentage of urban poor with non-monetary deprivations**

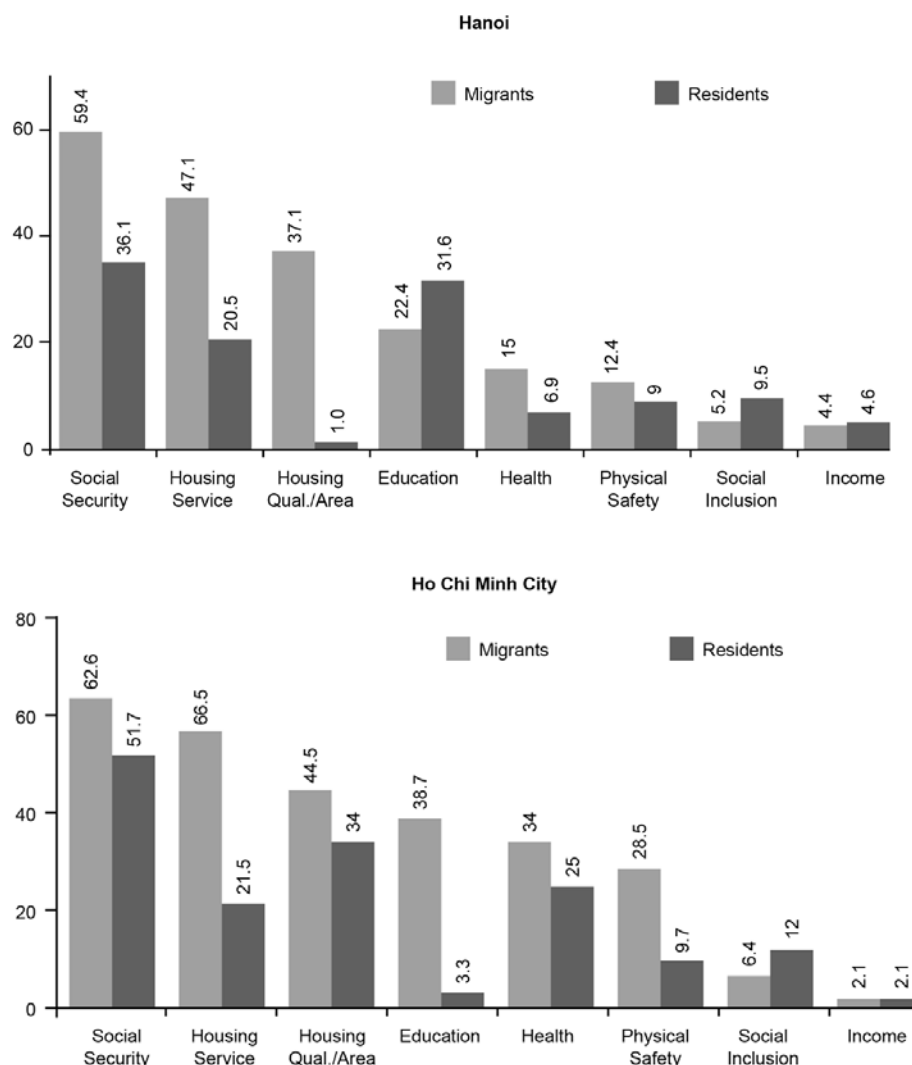


Source: UNDP, 2010, p.95

Migrants suffer deprivations in more of the dimensions than people with permanent registration. Migrants’ lack of participation in social organisations and activities (lack of social inclusion) is very high (37 per cent in Hanoi and 39 per cent in HCMC) and much higher than the lack among permanent residents (only 1 per cent in Hanoi and 3 per cent in HCMC (Figure 4; UNDP, 2010, p.96). Noticeably, migrants – especially in Hanoi – are slightly less likely to say that they have housing problems (such as noise, dust and smoke, electricity outages, flooding), or threats to physical safety (such as theft). It is possible that migrants are more tolerant of these hardships, and so complain less, because they expect to experience relatively high levels of noise, dust, and flooding given the relatively low cost of their accommodation (UNDP, 2010, p.16).

<sup>9</sup> Various indicators of deprivation in housing quality and size are used in UPS-09. They are - House type: temporary; Roof: leaves/thatch/oil-paper; Wall: dirt/lime/thatch, bamboo wattle/bamboo screen/plywood; Floor: clay/earthen; Toilet: poor hygiene toilet or no toilet; and Area per person: less than 7m<sup>2</sup>.

**Figure 4. Percentage of urban poor with deprivations by residence status**



Source: UNDP, 2010, p.96

The UPS-09 also calculates composite "multi-dimensional poverty indexes" (MPIs), taking into account seven other indicators of poverty alongside income. The indexes are higher for HCMC than Hanoi, and for migrants than residents. The proportion of migrants is also higher among population groups who have a higher number of deprivations. In both cities, three top contributors to the multi-dimensional poverty index are deprivations in social security, housing services and housing quality/area. In HCMC, the education deprivation also contributes a considerable portion to the multi-dimensional poverty index. These results reaffirm the advantages of the multi-dimensional poverty approach over the "uni-dimensional" (measuring income only) approach in urban areas. Measuring income alone does not accurately reflect the reality of multi-dimensional poverty, since deprivation in income forms an insignificant part of multi-dimensional poverty overall, and is unchanged when the number of deprivations increases) (UNDP, 2010, p.100).

The concept of multi-dimensional poverty also better reflected people's perceptions of poverty at the Oxfam and AAV monitoring sites. During the "household well-being" ranking exercise, local officials and others often mentioned different dimensions of deprivation other than income to reflect differences between poor and richer households, especially in labour (quantity and quality), occupation, education, health care, access to social protection,

participation in social activities, and housing (quality, space and services) – see Table 6 (Oxfam and AAV, 2011a, p.11–12).

**Table 3. Criteria used to rank "household well-being"**

Kim Chung (Dong Anh, Hanoi)	Lam Ha (Kien An, Hai Phong)	Ward 6 (Go Vap, HCMC)
Income	Income	Income
Labour	Labour	Labour
Occupation	Occupation	Occupation
	Education	Education
	Health care	Health care
	Access to social protection	Access to social protection
Participation in social activities	Participation in social activities	Participation in social activities
Housing (quality, space, services)	Housing (quality, space, services)	Housing (quality, space, services)

Source: Oxfam and AAV, 2011a, p.12

Most criteria used for the household well-being ranking are consistent with the dimensions of deprivation mentioned in the UPS-09 (education, health care, social protection, participation in social activities and housing). However, there are some differences. In the UPS-09 report, “labour” and “occupation” shortages were not measures of multi-dimensional poverty, yet these two criteria were the ones mentioned the most by local people and officials at the Oxfam and AAV monitoring sites. Households classified as poor often have members with chronic illnesses, elderly members, small children, and are characterised by little education, lack of skills, and unstable informal employment. Since poor people often work in the informal sector they do not have access to the social protection system such as benefits from employers, or regular social benefits (Box 1).

**Box 1. Voices of local people and officials on multi-dimensional poverty in cities**

The various dimensions of poverty are of great concern to local people and officials at the monitoring sites:

“Poverty is a chain; low education leads to poor employment; poor employment means low income, then no housing... then poverty.”  
(Group of officials in Ward 6, Go Vap District, HCMC)

“In poverty, everything is equally difficult; no money to cover education and medical treatment costs. Occupation, good health and education: lack of these things means one remains poor.”  
(Group of poor households, Residential Quarter 3, Lam Ha Ward, Hai Phong)

“Being dependent on several *sao* of land and several *thuoc* of vegetables, illnesses, and low education means poverty. With stable employment, good health, good education for children, you are not poor.”  
(Group of poor households in Bau Hamlet, Kim Chung Commune, Hanoi)

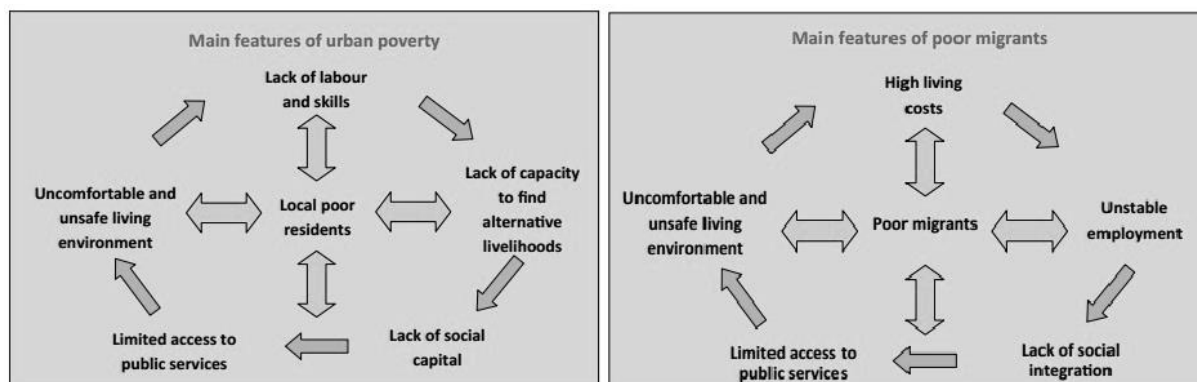
“They [the migrants] have income much higher than many local residents. Compared to the poverty line of one million VND, they are not poor. But they lead a hard life, without social interaction and are disadvantaged in education. They are not poor in terms of money but poor in spiritual life.”  
(Core group of Residential Quarter 27, Ward 6, Go Vap District, HCMC)

Source: Oxfam and AAV (2012a)



Oxfam and AAV's summary (2012a, p.21–29) of the multi-dimensional deprivations of the resident and migrant groups are shown in Figure 5. Five dimensions of the resident poor's deprivation are: lack of labour and skills; lack of capacity to find alternative livelihoods; lack of social capital; lack of access to public services; and uncomfortable and unsafe living. And five dimensions of deprivation of the migrant poor are: high living costs in urban areas; unstable employment; lack of social integration; limited access to public services; and uncomfortable and unsafe living conditions.

**Figure 5. Main features of urban poverty**



Source: Oxfam and AAV, 2012a, p.22 & 29

We note that perceptions of the importance of different poverty dimensions have changed in the last five years among people and officials, based on the results of participatory wealth ranking exercises that have been conducted annually with the same groups at six monitoring sites in three cities. In 2008, lack of labour was considered the most serious deprivation. However, in 2012, lack of capacity to find alternative livelihoods was considered the greatest problem. During economic difficulties, urban poor livelihoods become unstable, and it is more important to find alternative livelihoods. Limited access to education is also of greater concern to local people than before. Housing and infrastructure has much improved in the last five years. Most respondents said that the shortage of living environments was reduced in 2012 compared to 2008. However, a shortage of entertainment and recreation are an emerging issue. When general living standards improve, non-material factors become more important to local people (Oxfam and AAV, 2012a, p.21–22).

## 2.5. Low skills, unstable jobs and incomes of the urban poor

### *Unemployment and high rates of non-working family members*

According to Oxfam and AAV (2012a, p.22), labour shortage remains the prominent feature of local poor households. Chronically poor households often have single parents or elderly or disabled people or people with long-term illnesses (Box 2). Households who are supporting members with drug addictions also have great difficulties. The UPS-09 shows that households in the lowest income quintile were somewhat less likely to be working than those in the highest income quintile (60.4 per cent compared to 67.8 per cent). Migrants are far more likely to be working than permanent city residents (84.9 per cent versus 59.1 per cent), which is clear evidence that migrants are attracted to cities by work opportunities (UNDP, 2010, p.51).

## **Box 2. “Chronic poor” and “temporary poor” in urban areas**

Local people and officials at Oxfam and AAV's monitoring sites usually put the urban poor into two distinct groups: the "chronic poor" and the "temporary poor". Chronic poor households account for 20–30 per cent of poor households in Kim Chung (Hanoi) and Ward 6 (Go Vap District, HCMC), and most remaining households in Lam Ha's poor list (Hai Phong), where the government's national poverty line applies.

The major difference between chronic and temporary poor households is the number of workers. Temporary poor households have more available labour (two or three members able to work) and the will to do business; however, they also tend to have many dependents, face risks and unforeseen difficulties, and have unstable employment. The living standards of temporary poor households have improved slowly in the last five years.

“Some households have many children going to school, others suffer from illnesses, but they have manpower and the will to earn their living; if they are supported they will become better.”

(Group of officials in Residential Quarter 27, Ward 6, Go Vap District, HCMC)

Most chronic poor households, on the other hand, only have one main worker and no land. Many are single parent households with young children, or members who are elderly or disabled. Quality of life for the chronic poor has remained unchanged in the last five years, and livelihood support policies have had little impact.

“For these households, only when they die can they can escape poverty. Much livelihoods support has been given but it hasn't been effective. They should be included in the list of social welfare beneficiaries.”

(Group of officials in Kim Chung Commune, Hanoi)

Source: Oxfam and AAV, 2012a, p.13–14

The UPS-09 also shows that although the authorities in the two cities have tried their best to facilitate children's education and prevent child labour, an estimated 2.3 per cent of children aged 10–14 are working. However, there is a sharp contrast between migrant children in this age bracket, 14.7 per cent of whom work, and permanent resident children, of whom only 1.1 per cent work (UNDP 2010, p.50). Labour among school-age children in migrant households as recorded by the 2009 survey is consistent with the findings of Oxfam and AAV – that many rural poor households have sent their children to cities to work in the past five years (Oxfam and AAV, 2012b, p.104).

### *Low incomes*

According to the UPS-09, monthly income<sup>10</sup> in the two cities was VND 2404 million at current prices. The monthly income of the lowest quintile (quintile 1) of households was VND 805,000, which contrasted with VND 5219 million in the highest quintile (quintile 5). Thus the income disparity between quintile 5 and quintile 1 is 6.5 to 1. The average pay of workers with permanent contracts was VND 4.46 million per month, which is 4.7 times higher than the average pay of workers with no contract (or only an oral agreement), which was only VND 944,000 per month. The average monthly pay earned by migrants was 89.2 per cent of that of permanent city residents. To some extent this reflects differences in job

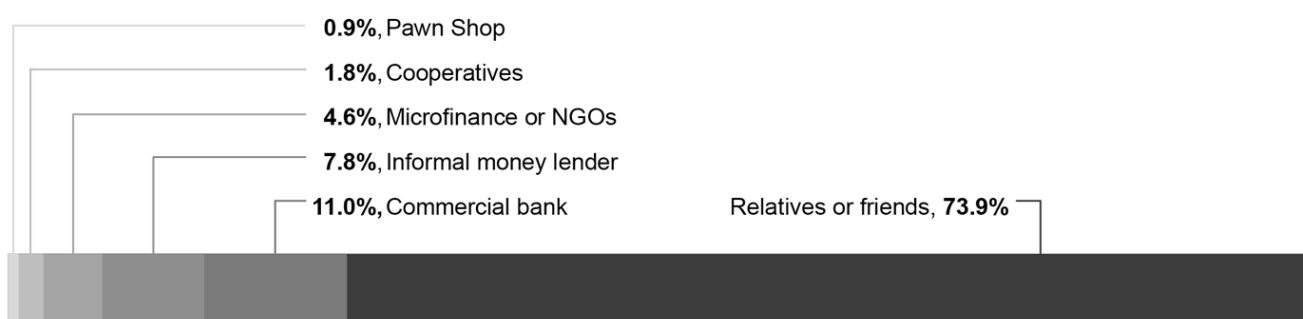
<sup>10</sup> Monthly incomes used in USP-09 are after tax but before social benefits, as opposed to the monthly incomes used in MOLISA's poverty review which are after tax and social benefits.

characteristics, qualifications, and contractual status between the two groups. However, it is worth noting that pay earned by unskilled migrants – i.e. those without technical or professional qualifications – was 1.5 times higher than that of unskilled residents. This reflects migrants' longer working hours, and perhaps higher intensity of work (see more in the “adverse working conditions” paragraph below). This result is also consistent with the information on pay by type of contract: migrant workers usually work without a formal contract, or with a seasonal or short-term contract, and in these categories they earn more than residents. On the other hand, migrant workers who have long-term contracts (one to three years), or permanent contracts, on average get just 75 to 80 per cent of the amount residents are paid (UNDP 2010, p.62).

When in need of money, the urban poor often rely on their relatives or friends for small private loans. The UPS-09 shows that about one household in six borrowed money in order to cope. By far the most common source of borrowing was friends and relatives (10.9 per cent of households). Individual money-lenders were a distant second, lending to 2.1 per cent of households (2.9 per cent in HCMC, 0.7 per cent in Hanoi). Relatively few households borrowed from policy banks (1.4 per cent), or regular banks (2.3 per cent). It thus appears that access to formal credit remains difficult, prompting people to turn to the informal credit sector when they need money. One important reason is that this sector often does not require collateral, and the loan procedures are simple and convenient. Residents are more than twice as likely to borrow from the formal sector than migrants are (UNDP, 2010, p.112).

Data from the Asian Trends Monitoring survey (ATM, 2012, p.6) also suggest a lack of choice when Hanoi's poor are in need of credit. The overwhelming majority of respondents (73.9 per cent) take private loans from relatives or friends. Even the services of informal money lenders, often the next most popular alternative when the formal financial system is inaccessible, are only used by 7.8 per cent (Figure 6). However, the cities' specific initiatives may help improve poor resident's access to credit. Many residents classified as “poor” in Oxfam/AAV monitoring points in HCMC can borrow up to VND 10 million without collateral from the city's Poverty Reduction Fund for livelihood improvement, under close supervision of local mass organisations such as Women Union (Oxfam and AAV, 2012a, p.25).

**Figure 6. Response to the question: Where do you primarily borrow money?**



Source: ATM, 2012, p.7

### *Low education and limited skills*

Migrants are generally less skilled than residents. The UPS-09 shows that, among migrants, 76 per cent lacked professional training, compared to 60 per cent of residents; and only 10 per cent of migrants had any college education, compared to 25 per cent of residents. Nor is it surprising that poor households are less professionally qualified than their richer counterparts. The proportion of workers who have no professional qualification falls from

87 per cent in the lowest income quintile to 32 per cent in the highest income quintile. Conversely, just two per cent of workers in poor households have been to college or university, compared to 46 per cent of those in the top quintile (UNDP, 2010, p.52).

According to the 2009 Urban Poverty Survey (UNDP, 2010, p.54), more than three quarters of the workers of the lowest income quintile are manual or unskilled workers who are prominently in the informal sector. Most of the rest of the work is in basic services or in sales. This contrasts with workers in the top income quintile, where almost half are business leaders or owners, or middle- or high-level professionals. According to Oxfam and AAV (2012a, p.23) in peripheral urbanised areas such as Lam Ha ward (Hai Phong) and Ward 6 (HCMC), poor residents often work as small traders, shop assistants, construction workers, day labourers and motorbike taxi drivers<sup>11</sup> Less education and a lack of skills make it difficult for poor people to find jobs in the formal sector, where there is access to social protection and more stable incomes (Box 3). In urbanised areas such as Kim Chung Commune (Hanoi), members of poor households mainly work in the agricultural sector where they face the immense difficulties of arable land becoming more scarce as the city encroaches on it, and irrigation and drainage systems becoming congested.

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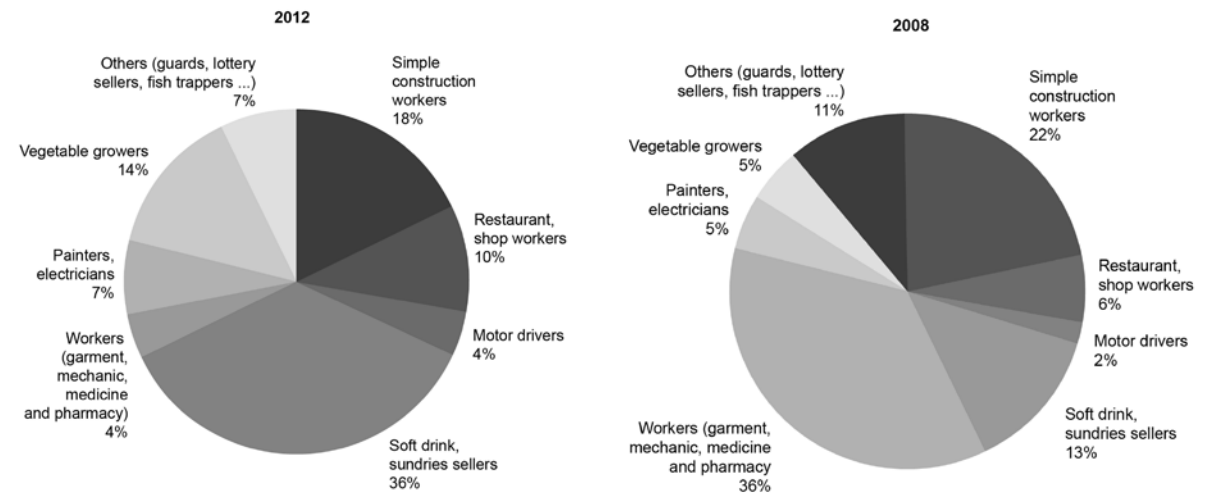
<sup>11</sup> Also known as "moto-taxis". Drivers offer rides to passengers on the back of their motorbikes.

**Box 3. Xom Chua – a typical residential cluster with large numbers of poor people doing informal jobs**

In early 2007, Residential Cluster 27 (“Xom Chua”) of Ward 6, Go Vap district of HCMC, had just seven poor households under the former city-specific poverty line (yearly income of less than VND6 million) among a total of 60 households. In 2009, when HCMC applied a new poverty line (yearly income below 12 million), Xom Chua became the cluster with the highest poverty rate (35 per cent) in Ward 6 with 21 poor households.

Most of Xom Chua's poor households work in the informal sector due to their low levels of education and lack of skills. Longitudinal monitoring of all poor households' working members in Xom Chua shows that the number of people working in the informal sector increased dramatically between 2008 and 2012. In 2008, about 60 per cent of poor labourers worked in the informal sector (as construction support workers, shop assistants and other self-employed jobs, such as soft drinks sellers, small grocery storeholders, motorbike taxi drivers, vegetable growers, fish trappers, lottery sellers and so on). More than 40 per cent of poor labourers were workers in the formal sector (such as tailors and mechanics) or skilled labourers (such as carpenters, silversmiths or painters); and no one worked as officials or office employees. However, by 2012, up to 89 per cent of poor labourers worked in the informal sector. Only 11 per cent were workers in the formal sector or skilled labourers (Figure 7). Xom Chua's situation is not uncommon. Consultations with district and provincial officials (who participate in the Oxfam/AAV poverty monitoring project in three cities) confirm the presence of a high concentration of poor labourers in diversified informal activities across Vietnam's big cities.

**Figure 7: Employment structure of all poor households' working members in Xom Chua, 2008-2012**



Source: Oxfam and AAV, 2012a

**Unstable jobs**

Work stability varies according to income: those in the top income quintile had jobs that were stable, and so had a higher working rate for every month of the year. Residents also had more stable work in all months than migrant workers. In the course of the year prior to the UPS-09, 4.6 per cent of workers had changed their principal occupation; the figures were 4 per cent for residents and 6.5 per cent for migrants. There was little turnover among those in the highest income quintile (2.6 per cent), compared to those in the lowest income quintile (8.1 per cent); migrants in the lowest income quintile were especially likely to change their main job in the course of the year (11.2 per cent) (UNDP, 2010, p.59-63).

The poverty monitoring of Oxfam and AAV shows that unstable work for the poor is a big concern. Migrants' work mobility is high, especially in difficult times. Demand for some

occupations, such as 'cyclo'<sup>12</sup> drivers and masseurs has fallen, forcing migrants to find other jobs. The incomes of migrants working as informal self-employed labourers or as casual vendors are dependent on factors such as weather, the season and the progress of construction projects. A stricter urban management policy has also limited migrant vendors' opportunities. Urban residents' changing consumption habits, such as going to supermarkets more, could have a bad impact on the poor small traders and street vendors. Due to the external factors of the global financial crisis and declining economic growth, many migrant workers lost their jobs or were under-employed and had to either find new jobs or return to their rural hometown (Oxfam and AAV, 2012a, p.30).

### *Adverse working conditions*

Some groups face poor working conditions, such as construction support workers, scrap vendors and motorbike taxi drivers (according to Oxfam and AAV; 2011a). Most of them do not have proper labour protection instruments. Very few people have health insurance, so when they have accidents, they often have to pay high treatment costs – the contractors or other parties making only a small contribution. Scrap vendors usually bring home the purchased or gathered waste scraps for storing and classification before selling, which may affect their health and pose a fire and pollution risk. Results of the mini-survey on migrant workers in three cities (Hanoi, Hai Phong and HCMC) by Oxfam and AAV also show that migrant workers at the monitoring sites mainly work for labour intensive industries, such as clothing, footwear and on factory assembly lines. The issues most complained about are temperature, chemicals, dust and smoke, lighting and noise; “lack of information about the rights and responsibilities of employers and employees”; “too many workers in a small space”; and “the work is boring and/or stressful” (Oxfam and AAV 2012a, p.78).

One notable finding of the UPS-09 is that, on average, migrants work ten hours more every week than residents (58.2 hours compared with 48.3 hours). Despite having lower skills and working in jobs that are less secure, the average monthly earnings of migrants who work is 89.3 per cent of the amount that resident workers earn. While 15 per cent of those in the lowest quintile had two jobs, this figure fell to 6 per cent in the top two quintiles (UNDP, 2010, p.59 and 126).

### *No labour contract*

According to UNDP (2010, p.58), permanent contracts are far more frequent among permanent resident workers (26.9 per cent) than migrant workers (8.5 per cent), although migrants are more likely to have medium-term contracts of one to three years (20.6 per cent compared to 13.5 per cent for residents) or short-term contracts of three to twelve months (8.5 per cent versus 4.3 per cent). Even so, migrants are less likely to have a written job contract (60 per cent) than permanent city residents (55 per cent). While 73.2 per cent of those in the lowest income quintile do not have a contract, only 42.3 per cent of those in the top quintile lack a contract.

Seasonal workers and workers in private and small workshops tend not to have written contracts, according to Oxfam and AAV (2012a, p.79). However, more workers surveyed had contracts in 2012 compared to 2009 (the rate of migrant workers without labour contracts dropped from 19 per cent in 2009 to seven per cent in 2012).

Without a labour contract, the working poor find it hard to access their basic rights. The UPS-09 shows that workers' rights are not guaranteed without a written contract, and that they typically do not receive the benefits, such as health insurance or vacation payments, that a worker with a permanent or medium-term contract receives. The effect is striking. Overall,

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<sup>12</sup> three-wheeled pedalled or motorised taxi in Asia

41 per cent of workers had received benefits from their principal occupation in the previous 12 months (38 per cent for migrants, 42 per cent for residents). But just four per cent of those working without a contract had work-related benefits, compared to 96 per cent of those with permanent contracts (UNDP, 2010, p.58).

## **2.6. Uncomfortable and unsafe living conditions for the urban poor**

### *Infrastructure has improved in recent years*

Infrastructure at Oxfam and AAV's monitoring sites has improved in the last five years thanks to government investment and local contributions (Oxfam and AAV 2012a, p.27). In 2008, none of the three monitoring sites had access to safe water, but by 2012 every household had access to a safe water supply. By 2012 most roads were paved with concrete. Better household waste collection services have helped improve sanitation (though waste collection fees have also increased). Developments in infrastructure are most clearly seen in Residential Quarter 14, Lam Ha Ward (Hai Phong). In 2008, residents of Residential Quarter 14 used a muddy access road and shared an electricity meter at prices three or four times the average. By 2012 the main road through the quarter and most of the roads within it had been laid with concrete or asphalt, and each household had a separate electric meter.

### *But the infrastructure still has many shortcomings*

At Oxfam and AAV's monitoring sites, many sections of roads between and within residential quarters are unpaved and muddy in the rainy season. Many also experience severe flooding. Some planning projects have been "suspended" or "delayed" for the last five years. At monitoring sites, there is very little public space for children to play in. Poor children play football in the streets or on unoccupied grounds, but residential quarter guards or local households often prevented them (Oxfam and AAV, 2012a, p.28).

### *Poor living conditions for migrants*

There are almost no large-scale "slums" in Vietnam's cities (though small slums exist), unlike countries such as Africa. But people talk about "vertical slums": multi-floored houses with very small and poorly-equipped living spaces, rented to poor migrants at a low daily or monthly rate. The displacement rate is high, due to the owners' informal "first come, first served" policy.

Oxfam and AAV's work (2012a, p.79) shows that migrants tend to have uncomfortable and unsafe living conditions as they try to minimise their cost of living. Many rent cheaper rooms in areas with poor infrastructure and housing services. Small rooms, pollution, bad sanitation, muddy access roads, poor water and electricity supply, high prices and poor security are common problems. Migrant women are more disadvantaged than men when living conditions are poor, finding it more inconvenient than men, for example, to use shared WCs and bathrooms. Because migrants rent cheaper rooms they tend not to take advantage of the newer, more spacious and better-furnished rooms that have been constructed recently. A typical example is Kim Chung Commune (Hanoi), where 65 per cent of surveyed migrant workers report "uncomfortable and unsafe living conditions". They often live in small rooms (around just 10m<sup>2</sup>) in groups of two to four people. The thin walls and "fibro" (fibrous cement sheet) roof mean the room is very hot in summer. The worsening security situation is also a worry for workers in Kim Chung Commune. In Lam Ha Ward (Hai Phong), many have to live in rooms built before 2000, with leaking walls and unsanitary water tanks.

### *Pollution remains a pressing issue*

Oxfam and AAV (2012a, p.28) report that there are many factories and enterprises close to the residential areas in their monitoring sites, and the surface water sewage system is not complete. In Lam Ha Ward (Hai Phong), untreated waste water from factories is discharged directly into residential areas. In Kim Chung Commune (Hanoi), local residents are worried about their living environment, which has long been affected by factories in nearby Thang Long Industrial Park.

### *Small, poor quality housing*

For big cities, the urban poor can often be identified by the shabby or cramped housing in which they live; the fact that they do not own their homes; the lack of amenities such as clean air and water; and lack of physical security. Despite the fact that housing conditions have improved in recent years, many poor people still live in small spaces. According to 2009 poverty survey, up to 34.5 per cent of the poorest households have an area less than seven square metres per person. This corresponds to a rate of 30.8 per cent in the poor group and 34.3 per cent in the middle-income group, but it dropped to 31.4 per cent for those with a decent income and 17.1 per cent for the most well-off. More than one third of the population on a median income or less live in these minimal housing conditions. Permanent city residents have, on average, 20.3m<sup>2</sup> per person, compared to just 8.4m<sup>2</sup> for migrants. 62 per cent of migrants are living in less than 7m<sup>2</sup> per person (UNDP, 2010, p.70-72). This proves how important social housing policies are in both Hanoi and HCMC for the poor in the future.

The Oxfam and AAV report shows that a lack of housing or land ownership (i.e. households who do not have a “red book” – the official certificate acknowledging a household's right to use the land) is quite common in poor resident groups in some suburban areas. Typically, in Residential Quarter 14, Lam Ha Ward (Hai Phong), nearly 90 per cent of residents don't have red books. Many have no legal evidence of the origin of their land; cannot afford the high fees to obtain a red book; do not know how or cannot complete the procedures to receive a red book. In Residential Quarter 27, Ward 6 (Go Vap District, HCMC), most poor households do not have red books because they live on land informally allocated by the local pagoda or set aside for the construction of a park. Without red books, poor local residents cannot access bank loans, as they have no collateral (Oxfam and AAV, 2012a, p.28).

### *Migrants have limited access to clean drinking water and hygienic toilets*

According to data from the General Statistics Office (GSO, 2011b), the percentage of urban resident households with access to clean drinking water<sup>13</sup> and hygienic toilets<sup>14</sup> is high. In 2002, 92 per cent of resident households had access to clean drinking water; by 2010, this figure had risen to more than 98 per cent. In 2002, 85 per cent of households used hygienic toilets; by 2010, it was 94 per cent. However, unlike the permanent residents, migrants still have limited access to these services. The UPS-09 shows that the major sources of potable water for residents are private tap water (65.3 per cent) and deep wells with pumps (24.9 per cent). Migrants are less likely to have private tap water (39.6 per cent) or water from deep wells (28.9 per cent), and so they are more likely to need to buy bottled or canned water (30.9 per cent). The great majority of migrants (91.5 per cent) and residents (91.4 per cent) use toilets that feed into a septic tank. However, a third of migrants have to share toilets with other households, compared to only nine per cent of residents (UNDP, 2010, p.128 & 141).

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<sup>13</sup> Sources of “hygienic drinking water” consist of running (tap) water, bottled/canned water, hand dug/constructed/drilled wells with pumps, filtered spring water and rain water (GSO, 2011b, p.684).

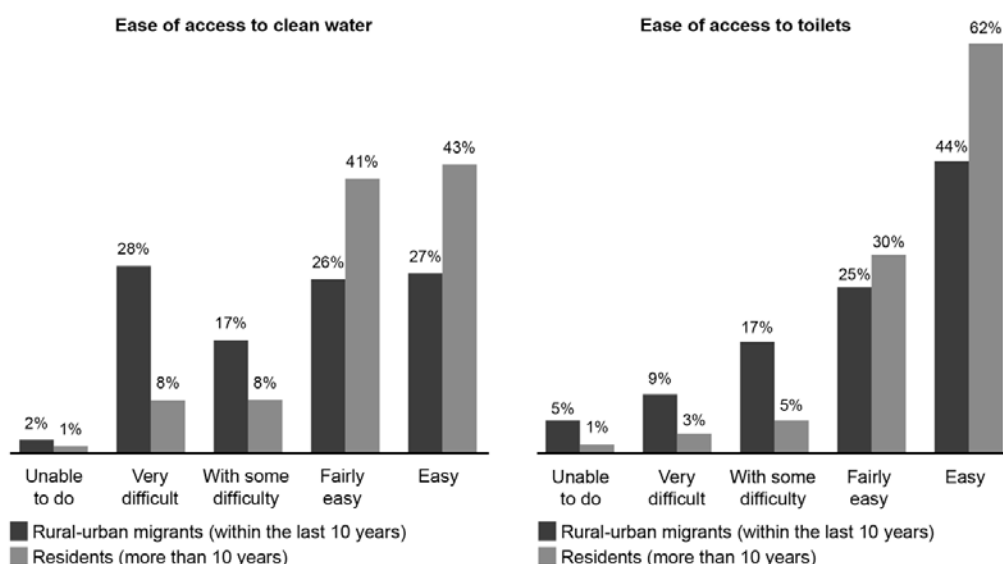
<sup>14</sup> “Hygienic toilets” include flush toilets with septic tanks, sewage pipes, “pour flush” toilets, and double vault compost latrines (GSO, 2011, p.684).



The Oxfam and AAV report (2012a, p.32) finds that in Kim Chung Commune (Hanoi) and Ward 6 (Go Vap District, HCMC) migrants mainly use well water, because the price of tap water is quite high.<sup>15</sup> In both sites unfiltered well water may be contaminated as the wells are close to an industrial zone in Kim Chung Commune and to an old cemetery in Ward 6 of Go Vap District.

The 2012 ATM study on the urban poor in Hanoi also shows that clean water is perceived as very difficult to access by 28 per cent of the migrant group, compared to only 8 per cent of residents. As for access to flush toilets, 14 per cent in the migrant group said this was difficult compared to only 4 per cent in the resident group. This discrepancy becomes more pronounced looking at the other end of the spectrum, where 92 per cent of residents found accessing flush toilets to be easy or fairly easy, as opposed to only 69 per cent in the migrant group (Figure 8).

**Figure 8. Ease of access to clean water and flush toilets**



Source: ATM, 2012, p.9–10

### Security concerns

According to the UPS-09, many households regard theft or robbery as relatively serious, at 14.1 per cent, ranking fifth out of the 11 concerns discussed in interviews. Hanoi seems to have better security, since theft is a concern for only 10.9 per cent of households, but in HCMC it is a concern for 15.6 per cent. Social evils are less serious in both cities but those in low-income quintiles seem more concerned about them than the highest income quintiles (UNDP, 2010, p.81).

However, social order and security are a concern for local residents at the Oxfam and AAV's monitoring sites in suburban areas, who worry about the increase in migrant numbers and rising levels of crime. In 2011, Kim Chung Commune was identified as one of ten communes and wards with serious social order and security problems in Hanoi. The commune established "self-governed migrant workers' groups for social order and security" with the participation of rental accommodation landlords, the quarter head and under the management of the District Police. By 2012 the situation had improved (Oxfam and AAV, 2012a, p.28).

<sup>15</sup> In Kim Chung commune (Hanoi), the cost of tap water for rented accommodation is VND12,000/m<sup>3</sup>.

### *Improved ownership of durable assets*

Urban households' "consumer durables" (goods that last more than a year, such as televisions) have increased in recent years, including in poor households. Motorcycles and mobile phones have been very popular. Because motorbikes are the main means of transport in the two cities, poor households with motorbikes can find it easier to trade, do business, or simply look for a more distant job with a better income. Having a mobile phone can help the poor update social information, find jobs and help access the necessary skills to improve their lives.

However, the percentage of households owning at least one type of durable good is significantly lower for migrant households, at 87.6 per cent (77.2 per cent for Hanoi and 91.4 per cent for HCMC); while all residents have at least one durable good (Table 7). The lower ownership rate for migrants may be due to: (i) the uncertain status of their accommodation – households who are renting or living in cramped space are less likely to invest in purchasing durable goods; (ii) the insecurity of housing – temporary houses, or improvised tents or shacks with poor security, do not allow people to purchase and use valuable assets, including durable goods; and (iii) the low income of some migrants does not allow them to own valuable assets (UNDP, 2010, p.84).

**Table 4. Percentage of households with durable assets**

		Rate of households with durable assets (%)	Percentage of households with durable assets (%)								
			Motorcycle	Video player	Colour television	Refrigerator	Washing machine	Water heater	Computer	Fixed-line phone	Mobile phone
Income quintile	Poorest	89.6	63.6	43.1	70.3	41.6	18.8	9.9	13.7	42.1	70.8
	Richest	99.7	91	71.5	86.3	75.4	67.6	52.2	67.5	65.4	96.5
Registration status	Residents	99.8	91.3	74.5	96.2	80.6	56.7	39.5	47.7	73.7	90.2
	Migrants	87.6	46.9	24	40.3	13.2	7.4	2.6	11.9	8.2	80.7

Source: UNDP, 2010, p.85–87

In addition, as pointed out by the Oxfam and AAV report, although many urban poor households have durable goods such as TV sets, motorbikes and telephones, most are old and have little value. Some households purchase new goods by paying in instalments (Oxfam and AAV, 2012a, p.27).

## **2.7. Limited access to education and health care services for the urban poor**

*People increasingly value education for their children, including the poor*

In general, the net enrolment rates for children in urban areas are relatively high. According to the UPS-09, the rate is 99.8 per cent at kindergarten level; 99.2 per cent at primary school, 92.9 per cent at lower secondary school, and 90.9 per cent at upper secondary school. The rate is 98.0 per cent in both the lowest and highest income quintiles. This similarity between poor and rich groups could be because the poor realise the benefit of education for future employment and income, and therefore give a high priority to enabling their children to go to school (UNDP, 2010, p.42).

Oxfam and AAV also shows that even households facing severe difficulties try to send their children to school, and many households consider education to be a means of escaping poverty. Wards or communes strive to attain the "national standard of universalisation"<sup>16</sup> in lower or upper secondary education. The success of several areas is a testament to this effort: Lam Ha Ward in Hai Phong (since 2008) and Ward 6 in Go Vap District, HCMC (since 2003) have achieved universal upper secondary education, and Kim Chung Commune, Hanoi (since 2010) have achieved universal lower secondary education (Oxfam and AAV 2012, p.35).

The early school dropout rate is low. As mentioned by Oxfam and AAV (2012a, p.26), in the last five years, no children of primary and secondary school age at their monitoring sites have dropped out of school due to family difficulties, and boys and girls' education is treated equally. However, poor children still face many disadvantages in education. As they often have to support their parents, they have little time for homework or play. They rarely attend extra classes and have little money to buy aids to learning. Poor parents who are busy, or who are not getting along well, rarely attend parents' meetings or help their children with their schoolwork.

#### *Difficulties for migrants accessing education in cities*

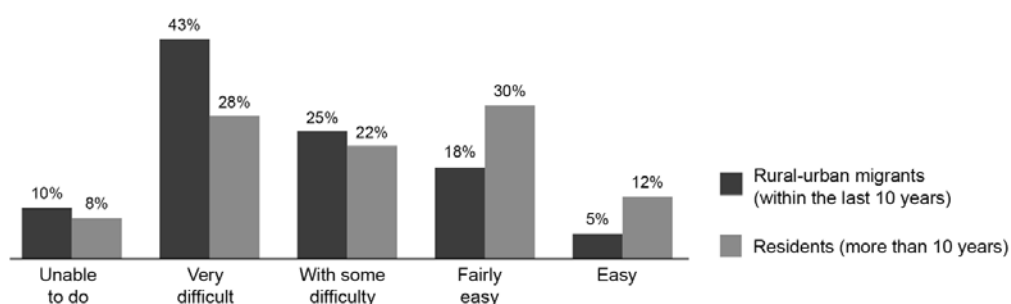
The UPS-09 data show that there is a gap in the net enrolment rate between migrants (92.3 per cent) and residents (97 per cent) (UNDP 2010, p.42). At any given age, a lower proportion of migrants attend school than do residents. To illustrate, among 5–9 year olds, 99 per cent of permanent city residents attend school, but the figure for migrants is ten per cent lower than this. Similarly, for the 10–14 age group, 97 per cent of residents attend school, but just 71 per cent of migrants. And in the 15–19 age bracket, the proportions of residents and migrants attending school are 77 per cent and 21 per cent respectively (UNDP 2010, p.122).

Surveys by Oxfam and AAV at monitoring sites which have a large population of migrants confirms that, as many public kindergartens are oversubscribed, migrants often have to enrol their children in private kindergartens that charge higher tuition fees and are often poorer quality (Oxfam and AAV, 2012a, p.32). The ATM report (2012) also give the impression – by looking at the data alone – that migrant children are discriminated against when applying for schools. 15 per cent more migrants than residents say that finding good schools for their children is "very difficult" (Figure 9). One of the ATM interviewees pointed out that it is not uncommon to pay bribes higher than USD 200 to "buy" admission to decent primary schools. If it is true that migrants, on average, earn less than the longer-established urban populace, an inability to pay this expensive bribe could explain these results.

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<sup>16</sup> There are many conditions for a commune or ward to achieve the "national standard of universalisation" in lower secondary education. For example, it must have at least 95% of pupils who have graduated from primary school continuing to attend lower secondary school (80% for the difficult areas). The ratio of children at 15–18 years old graduating annually from lower secondary school must be at least 80% (70% for the difficult areas). Similar standards apply for universal primary, or upper secondary, education.

**Figure 9. Ease of finding good schools for children**



Source: ATM, 2012, p.10

### *Differences in educational costs between social groups*

According to the UPS-09, the average cost of education per capita for the last 12 months was VND1.413 million. City residents spend 3.6 times as much on education as migrants (VND1.8 million per capita versus VND0.5 million). Educational spending increases steadily as one goes from the lowest income quintile (VND0.47 million yearly income) to the fourth quintile (VND0.98 million), and then rises sharply in the fifth and highest income quintile (to VND3.7 million) (UNDP, 2010, p.53-54). This difference in educational costs may reflect the difference in educational quality between the rich and the poor.

### *The urban poor struggle to meet the costs of their children's education*

At the start of the new school year, poor parents often struggle to pay their children's tuition and many extra fees. In many cases, they have to borrow money or pay in instalments. Some parents have to delay payment until the end of the school year. Many poor households are unable to invest in their children's higher education, and can only try to pay for their children to finish upper secondary school before they have to find work (Oxfam and AAV, 2012a, p.26).

"Socialisation" in education is the most discussed issue at Oxfam and AAV's monitoring sites. Parents are often asked to contribute various sums to serve students' needs, such as for water, meals and paper, and also to upgrade schools, buy teaching aids, and pay for extra activities such as the "green fund", "campaign fund", "socialisation fund", "education support fund" and "parents' fund". Socialisation has helped improve schools and provide a better learning environment for students. The biggest worry, however, is that many contributions to the socialisation campaign are too much for poor households. Some activities have concessions for poor households, but because these households consider payment their "responsibility", and worry that their children may be ashamed if they do not contribute, or that the teachers will ignore their children, most still try to borrow money in order to contribute. Most groups agree to paying contributions because they consider socialisation to benefit the community. However, they believe that the authorities should intervene to make contribution levels proportionate for poor households. People complain that socialisation causes the over-commercialisation of education, leading to unhelpful phenomena such as uncontrolled extra classes, competition for good schools, and giving teachers "envelopes" (bribes). Socialisation is also said to be the reason there are "too many bachelors and not enough workers". There are now many universities and colleges with easier entry conditions, and many graduates. However, it is difficult for so many graduates to find jobs in their specialist areas (Oxfam and AAV, 2012a, p.67-69).

### *Limited access to health care services by poor residents and migrants*

The UPS-09 shows that local residents tend to seek examination or treatment by health professionals more than migrants, with the proportion of residents visiting doctors being twice as high as migrants (23.4 per cent compared to 11.4 per cent). By contrast, 34.7 per cent of residents, compared with 45.4 per cent of migrants, bought medicine for self-treatment at home. Rich households have more favourable health care conditions than poor households. 58 per cent of the lowest income quintile get professional treatment when they are ill, and 16.2 have regular health checks; this rate is lower than the highest income quintile, at 24.9 per cent. Notably, the number of lowest-quintile households buying medicine for self-treatment is higher than highest-quintile households (41.5 per cent compared to 30.1 per cent; UNDP, 2010, p.46–47).

#### *A big gap in the quality of health care services*

The poor on the official “poor list” can receive subsidised medical attention at hospitals with free medical insurance cards. However, as stated in the Oxfam and AAV report, the poor lack the funds to cover extra costs, hospitals are often overcrowded and the quality of health care available to the poor is often worse than for better-off patients due to disparities in the affordability of medicines, health checks, medical treatment and doctor visits or appointments, and so on. Commune and ward healthcare services are overloaded in such monitoring sites as Kim Chung (Hanoi) and Lam Ha (Hai Phong), where the situation has got worse in the last five years, particularly for immunisation for children under six. Some migrant children have to return to their hometown for vaccinations, or parents have to pay for vaccination services as they do not know how to register for vaccinations, or the local medical centres lack vaccines. Kim Chung Commune Health Station (Hanoi) was allowed to register its services for medical insurance beneficiaries, but is dependent on supplies from the district’s social insurance fund and so has to refer patients elsewhere as it does not have sufficient drugs for the large number of patients (Oxfam and AAV, 2012a, p.27-32).

#### *Health care costs are a burden for the urban poor*

The UPS-09 shows that health spending varies between social groups in the two cities. The permanent residents annually spent VND1.14 million on health care, compared to VND0.46 million for migrants. Those in the highest income quintile spent VND1.66 million per person per year on health care, compared to VND0.56 million in the lowest income quintile. The burden of medical costs for poor groups is shown by the total medical costs as a percentage of non-food expenditure: 18.8 per cent, which is higher than the rich group (12.3 per cent). The comparable proportions are 21 per cent for migrants and 17 per cent for permanent residents. “Lacking money” as a reason for not visiting doctors when ill is two per cent for residents but 15.3 per cent for migrants (UNDP, 2010, p.49–50).

“Socialisation” in health care has allowed private health care services to develop (providing private clinics, hospitals and pharmacies) so people have more choice to suit their economic situations. However, households also have to save more money to pay for the increased user fees, especially for those suffering serious illness. This has a negative impact on the poor and disadvantaged households, particularly when their savings are reduced in the face of high inflation (Oxfam and AAV, 2012a, p.68–69).

#### *The purchase of voluntary health insurance has increased but is still limited*

According to the Oxfam and AAV report, voluntary purchases of health insurance at the monitoring sites have increased in recent years, but not many medical insurance cards have been sold in relation to the size of the population at these sites. Few medical insurance

cards are sold to the near-poor group, although they can receive a 50 per cent discount.<sup>17</sup> Many people do not recognise the importance of health insurance (most only buy health insurance for the elderly and those suffering from chronic illness). The price of health insurance has increased in line with increases in the minimum wage, limiting the number of buyers. Many people do not know about price concessions in buying health insurance cards for families,<sup>18</sup> and people are concerned about long waiting times and the low quality of health care (Oxfam and AAV, 2012a, p.54).

Specifically, the UPS-09 records people's main reasons for not having health insurance: unnecessary (34.6 per cent), not interested in a health insurance card (25.9 per cent), not convenient to use a health insurance card (20.2 per cent), lack of money (17.2 per cent), do not know where to buy (9 per cent), no residential registration (4.4 per cent), do not know about health insurance cards (4.2 per cent) and other reasons (10.7 per cent). For the poor group, the most common reason for not having a health insurance card is the lack of money (37.2 per cent) (UNDP, 2010, p.49–50).

## **2.8. Constraints of social capital and social inclusion of the urban poor**

The Oxfam and AAV report shows that the urban poor have limited social relationships, and that the situation has not much improved in the last five years. Poor people mostly rely on informal relationships within a small circle of relatives and neighbours. They tend to have limited social exchanges with those who have better economic conditions. In urbanised areas, the community and village lifestyle is being replaced by a closed, more individualistic lifestyle. To reduce costs, the poor have to reduce social spending, which further reduces the extent of their relationships. The urban poor rarely participate in local activities due to a sense of inferiority; being busy from long and unstable working hours; or being tired after work. They do not regularly participate in residential quarters' or villages' plenary meetings. If they attend, they often sit listening passively. They do not share opinions or speak up when there are issues directly affecting their lives. Some poor households think that as they do not have much money to contribute, they will not be listened to. Whether or not people participate in social activities depends on local authorities and mass organisations, and particularly on the enthusiasm of the heads of residential quarters and villages (Oxfam and AAV, 2012a, p.25–26).

According to the UPS-09 data, the lowest-income groups participate less in social activities. Just 47.8 per cent of those in the lowest quintile participated in social-political organisations, compared to 57.2 per cent of those in the top quintile; the relative proportions for social activities in residential areas are 70.9 per cent and 80.5 per cent respectively. In this case, poor households are mainly taking part in obligation-related meetings (such as meetings on family planning, and in making contributions to social funds or donations), rather than in right-related meetings (such as voter contact meetings or meetings to comment on local policies and regulations) (UNDP, 2010, p.116).

Lack of social integration is also typical among migrants since Vietnam still has a “household registration” system and many procedures and policies depend on household registration.

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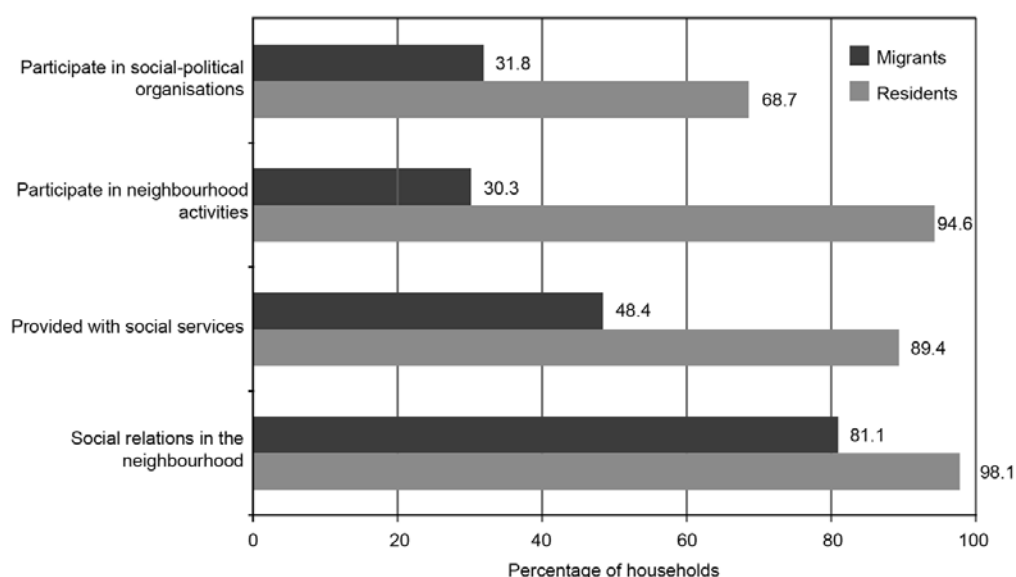
<sup>17</sup> The government recently decided to increase assistance towards the cost of social insurance from 50 per cent to 70 per cent for near-poor households (Decision 797/QĐ-TTg dated 26/6/2012 signed by the Prime Minister). In the roadmap for universalising health insurance, the Ministry of Health is considering higher support for health insurance costs for farmers, students, near-poor households and households that have just escaped poverty.

<sup>18</sup> The level of contributions for family health insurance will be: the first person is to pay 4.5% of the monthly minimum wage every month. For the second, third and fourth person, the level will be 90%, 80%, 70% of the first person's payment respectively. The fifth person onward will pay 60% of the first person's payment.

Migrants rarely participate in local social activities. Without household registration or being listed as a poor household, migrants find it hard to rely on formal institutions and to access social protection (Oxfam and AAV, 2012a, p.30–31).

The 2009 Urban Poverty Survey shows that the proportion of permanent city resident households taking part in all kinds of social activities is higher than that of migrants. For instance, the percentages of migrants participating in social-political organisations and in neighbourhood activities are the lowest (Figure 10). Although 30.3 per cent of migrant households participate in neighbourhood activities, this mainly consists of contributing to social funds or donations (27.2 per cent); the proportions involved in family planning meetings (14.7 per cent), meetings for voter contact (6.2 per cent), or meetings for comments on local policies/regulations (9.6 per cent), are very low compared with permanent city residents (UNDP, 2010, p.116).

**Figure 10. Types of social inclusion, by residence status<sup>19</sup>**



Source: UNDP 2010, p.116

The migrant worker survey in the Oxfam and AAV’s poverty monitoring work also records that the ratio of migrant workers who are not trade union members is high, especially in Lam Ha Ward, Hai Phong (63 per cent) and Ward 6, Go Vap, HCMC (67 per cent). There were virtually no workers who could name a specific instance of the trade union representing and protecting their interests (Oxfam and AAV, 2012a, p.80).

There are many reasons for migrants not to participate in local social activities: they want to earn money, and have little interest in social interactions with local residents; they work long hours; they are always on the move and frequently change accommodation and workplace; they have a limited social circle outside their own social network among migrants; they want to cut down on social costs; they are not invited to participate by local residential representatives and mass organisations. Most migrants want to save money and then return

<sup>19</sup> Participation in social-political organisations includes membership or activity in a youth, trade, or farmers’ union, or in a formal association of women, veterans, elders, or students. Participation in neighbourhood activities includes attendance at meetings related to family planning, or neighbourhood organisations, or donating/contributing to a social fund. Provided with social services includes obtaining information about family planning, disease, health care, immunisation, or disease. Social relations in the neighbourhood cover participation in local events (such as weddings and funerals), and interaction with neighbours (including visiting and chatting).

home, so they tend to prioritise maintaining social relationships in their hometowns over those in cities (Oxfam and AAV, 2012a, p.31).

## 2.9. Risks and shocks deepening the dimensions of urban poverty

Urban poor people are disproportionately affected by continuous and multiple shocks. Over a five-year period people were affected by high inflation, in 2008 and 2011; the global financial crisis in 2008-2009; and domestic economic difficulties in 2012.

*Price hikes have reduced purchasing power and impoverished people's quality of life*

Price hikes have especially impacted nutrition and health; and badly affected access to public services, thus deepening the dimensions of urban poverty. Rising prices for electricity, petrol, food, health care and education have stretched the budgets of the poor and people living on pensions and social protection allowance. Incomes are rising at a slower rate than inflation, and most people on low incomes are forced to save less, meaning they are more vulnerable to unexpected shocks, particularly health care costs.

The poor group have responded to price hikes by working longer hours, reducing the quality of their meals and spending less on health care. They tend to buy less or cheaper food, make fewer visits to health care units, or take less medication. These responses have a negative impact on the health and nutrition of children and other family members (Oxfam and AAV, 2011b).

Migrants to urban areas have been strongly hit by inflation. They have faced a heavy reduction in savings and remittances; job instability; and increased tension in working relationships. As well as food, migrants have to pay rent and higher (unofficial) electricity prices than those with their own homes. Migrant couples with children face further costs, such as milk, nappies, school fees and childcare. Some women work fewer hours in order to take care of their children, and so earn less money. There have been signs of increasing tension in working relationships due to this situation, and due to the reduction in money that the migrant workers can send home (Oxfam and AAV, 2011a and 2012a, p.48–49).

While daily expenses have increased significantly, migrant workers' incomes have not. Table 8 shows that the total average monthly income of sample workers in 2011 increased by about 66 per cent compared to 2008. However, total individual expenses increased by 87 per cent. Facing this situation, migrant workers have had to limit the money they send home, as well as the amount they save for themselves. In 2011 emigrant workers only sent home 7 per cent of their total income, compared to 14 per cent in 2008. They saved 9 per cent of their total income in 2011; in 2008 it was 12 per cent (Oxfam and AAV, 2011a, p.46).

**Table 5. Monthly income and expenditure for migrant workers, 2008–2011**

Unit: thousand VND, current prices

	2008	2009	2010	2011
<b>Total income (=1+2+3)</b>	<b>1.677</b>	<b>1.863</b>	<b>2.180</b>	<b>2.777</b>
<b>1. Total personal expenditure</b>	<b>1.247</b>	<b>1.435</b>	<b>1.679</b>	<b>2.328</b>
Rent	197	259	369	438
Meals	526	565	666	951
Clothing	77	113	97	154
Travel	84	124	129	138
Entertainment	51	78	80	91
Social costs	127	132	158	223



Personal purchase	62	82	77	107
Other	123	82	103	226
<b>2. Personal savings</b>	<b>196</b>	<b>165</b>	<b>209</b>	<b>260</b>
<b>3. Remittance</b>	<b>234</b>	<b>263</b>	<b>292</b>	<b>189</b>

Source: Oxfam and AAV, 2011a, p.47

However, no extreme effects of rising prices have been recorded at monitoring sites such as parents taking their children out of school, selling assets or taking out additional loans to pay for daily expenses (Oxfam and AAV, 2011a, p.24).

### *The global financial crisis particularly affected workers in export industries*

Companies in the footwear, clothing, and with factory assembly lines reduced their workforce between the fourth quarter of 2008 and the second quarter of 2009. For the remaining workers, overtime opportunities were reduced, and many received only 50–70 per cent of their basic salary because their companies had no new orders; workers had to reduce their normal working days or cut their overtime working hours, thus reducing their incomes. By mid-2009, once orders began to recover, companies were again short of labour, so labour fluctuations were high.

Female workers were more vulnerable than male workers in the crisis. Many female labourers work in labour intensive industries that depend on export markets. Female workers who became pregnant or had to take care of children were more likely to be made redundant than men.

Many migrant workers who lost their jobs returned home as their incomes were too low, or there were no jobs. Some found work at industrial parks and companies nearer to home. Others stayed and worked as street vendors, construction workers or in restaurants. A third solution was to continue to work and study at the same time. Most small traders and street vendors say that their income in 2009 was not high, or even fell because of increased competition (particularly from workers who had lost their jobs) and reduced demand (Oxfam and AAV, 2012a, p.49–50).

### *Slow domestic economic growth in 2012*

Slow domestic growth has also created difficulties for companies producing for the domestic market. Many companies are no longer operating, but cannot register as bankrupt because of cumbersome bankruptcy procedures. Companies cope by reducing their workforce, many by as much as 50 per cent. The majority of workers who lose their jobs are low-skilled. There was little new labour recruitment in small and medium enterprises in 2012. However, jobs in 2012 are more stable among the foreign enterprises that focus on the export market (such as Japanese companies in North Thang Long industrial park in Hanoi), and workers' incomes are not seriously affected.

Falling demand in the construction sector has reduced job opportunities for construction workers, porters, and cyclo drivers. With people spending less, and more competition, small traders' revenues have fallen. Motorbike taxi drivers are also struggling as there are more transport alternatives and fewer customers.

The economic slowdown also makes it more difficult for enterprises to participate in "socialisation" activities and support the poor. The mass organisations and residential units' officials have also been less ambitious in raising voluntary funding and donations from enterprises and the better-off residents for community works in 2012 (Oxfam and AAV, 2012a, p.50–51).

### *Rural-urban links are important in reducing rural poverty*

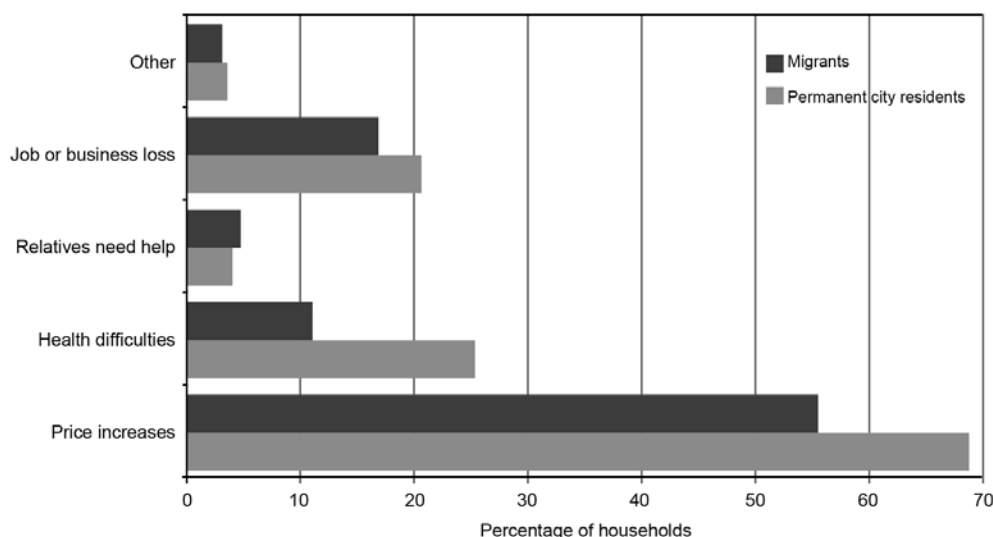
Hardship for migrants in cities affects rural poverty too. Livelihood instability in urban areas did not only cause urban poverty, but also affected rural poverty, as it limited migrants' ability to send money back home. More than half of migrant workers in the survey sample say they could not send money home in 2012. Migrants also depend more on their home towns in difficult times. Many buy rice, vegetables and eggs from home to reduce costs. Migrants with children invite their parents or relatives to come and take care of their children.

Many more workers have returned home to work in local industrial parks or find other jobs. There are now more industrial parks in rural areas. A representative from the Go Vap (HCMC) labour division reported that between the end of 2011 and early 2012, about 20 per cent of migrant workers returned home to work at industrial parks near their homes (Oxfam and AAV, 2012a, p.49–52).

### *Risks and coping strategies*

A quantification of people's risks and coping strategies in Hanoi and HCMC was offered by the Urban Poverty Survey in 2009, at a time when the world economy was in recession and economic growth in Vietnam had slowed down. Among the reported difficulties, by far the most commonly mentioned was higher prices for food and essentials. The proportion of households facing difficulties with higher consumer prices did not vary widely, although it seemed to rise somewhat with the age of the head of the household, and seemed to be a bigger problem for permanent city residents than for migrants, perhaps because the latter households tend to minimise their spending in the cities in order to secure personal savings and send money home (although they still cited price increases as their main difficulty) (Figure 11).

**Figure 11. Proportion of households reporting difficulties in the past year**



Source: UNDP, 2010, p.107

Health problems were the second most important issue that people reported. It is revealing that the reported incidence of health problems among permanent city resident households (25.2 per cent) is more than twice that of migrant households (11.0 per cent), perhaps because the latter households are on average younger, and fewer members per household (so fewer to fall ill).

The third greatest source of difficulty was a slowdown in business. This was a greater problem in HCMC (13.8 per cent) than Hanoi (5.5 per cent), and is more serious among permanent city residents than migrants, and among high-income than low-income households. Business problems disproportionately hit those with a primary education only, and households whose heads were in their prime working years (aged 40–49). Natural disasters and epidemics were not seen as major risks in either city in the 12 months prior to the UPS-09 survey: the proportion of households reporting such problems were 1.7 per cent overall.

Most people chose to use their savings, sell assets, or delay investments in order to cope with economic risks and difficulties. However, about one household in six borrowed money, and one in seven worked more hours when faced with economic problems. To cope with a shock, households in the lowest income quintile are more likely than others to sell assets (57 per cent of households reported this), borrow money (27 per cent), work extra hours or take on a part-time job (21 per cent), or reduce expenditure on education (7 per cent of households). In contrast, only 1.6 per cent of households in the top income quintile cut down on expenditure on education in times of hardship. In those cases where educational spending was reduced, the cuts were mainly applied to learning materials (73 per cent of the total), but also to extra classes (17 per cent of all cuts). Just 0.1 per cent of respondents said that they took their children out of school in response to an economic shock or difficulty, although the figure was 0.4 per cent for those in the lowest quintile. An estimated 14.3 per cent of survey households worked extra hours or did part-time jobs to cope with a shock. Households with low to average income were almost twice as likely to cope with a shock by working more, compared to those in the top income quintile (UNDP, 2010, p.106–112).

## **2.10. Perceptions of increasing inequality**

### *Methods and model*

The purpose of this study was to collect and analyse qualitative evidence on how inequality is perceived across Vietnam. It used a total of 69 focus groups across diverse geographical regions, socio-economic backgrounds, and life stages (see Section 1.3 above for more detail).

People perceive inequality in multiple domains, and they are closely interlinked. Unequal access to employment is therefore often explained as a consequence of unequal access to education; and employment inequality is then linked to inequalities in income, expenditure and assets. Process inequalities (the unfair roles of power, connections and nepotism) is a key factor seen to "grease the wheels", especially in transforming education to employment, and a means by which productive capital is turned into incomes.

Perceptions of inequality in Vietnam differ from empirical measures of inequality according to the groups used for comparison. Perceptions of inequality are often rooted in group participants' direct life experiences and expectations. Different groups appear to focus on different types of inequality, and place differing weights on types of inequality. People tend to first compare themselves within their own communities, and then go on to compare themselves with people in more favourable places or slightly higher positions.

It is impossible to distinguish people's perceptions of the increase of *absolute* inequality from the increase of *relative* inequality, which is only hinted at in this study. Some respondents may focus on relative inequality by comparing the pace of development of the rich with that of the poor, but others may focus on absolute inequality by looking at the gap between the rich and the poor (Hoang *et al.*, 2012).

### *Trends in outcome inequalities*

Almost all focus group respondents perceived inequalities in "outcomes" (typically defined by incomes, but also expenditures and assets) to have risen in both urban and rural areas, and to have risen significantly in big cities over the last five years. The connection between the rise in "conspicuous consumerism" and greater outcome inequality is more widely perceived in urban areas, mostly by youth and student groups.

Respondents typically linked inequalities in outcomes to the income generating mechanisms which drive the differences in incomes across groups. In urban areas, respondents inevitably focus more on wage employment opportunities and non-agricultural businesses when explaining the widening outcome inequality. As such, people who manage to do business with good incomes and savings, or work as senior officials, or have stable and high-paid jobs in formal sectors will become richer. Those on low incomes, who work in the informal sector as street vendors or manual labourers, will have unstable jobs and are unable to save much, and thus their lives remain difficult. Inequalities in access to capital are perceived to perpetuate and reinforce existing disparities in incomes.

Education was seen as an important source of upward mobility across focus groups. Education is considered a means to improve the living standards of younger participants and opportunities for the older participants' children. There was a common perception that higher education and skills are increasingly associated with better employment opportunities or upward mobility. As such, differences in education lead to unequal job opportunities and unequal incomes, which subsequently manifests itself in unequal expenditures and assets (Hoang *et al.*, 2012).

### *Trends in opportunity inequalities*

The transmission of deprivations across generations was reflected in multiple focus group discussions, where participants highlighted that children born to poorer households were likely to drop out of school earlier than those born to richer households, and to work in less skilled occupations. Many participants recognised that gaps in education enrolment have narrowed between better-off and worse-off households at lower levels of education, but suggest that gaps remain at higher levels of education, and quality gaps arise at all ages, implying that poverty perpetuates across generations. Gender inequality in education is also perceived to be declining in most places, as parents now try to send both their sons and daughters to school.

The most serious inequality in educational quality was perceived between the rich and the poor in urban areas. In the past, there was little differentiation in the quality of education services, but now a great differentiation is perceived in Vietnam's cities, with only the rich having the capacity to invest in a better quality education for their children from early childhood. For example, richer children can go to high-quality (both public and private) schools, and attend expensive private tuition, including in English and computer skills. Meanwhile poorer children just attend average schools with hardly any private tuition.

There were a lot of complaints across the focus groups on high out-of-pocket education costs becoming an increasing burden for the poor, especially for children's secondary education and higher. Parents' lack of support for their children's education was perceived as another important reason for the lower educational quality of the poor (Hoang *et al.*, 2012).

Unequal access to health care has increased in the last five years and was a concern for many groups. Poor people often use health insurance, which provides a "minimum" service,

while well-off people can pay for a better quality service. Most groups thought that different categories of health care services are sold at different prices; and they resented the attitude of health workers toward poor patients (Oxfam and AAV, 2012a, p.63).

The “socialisation” movement in health care and education creates two-tier services. Socialisation is often understood as the requirement to make contributions in return for services (more “user fees”), thus creating financial burdens for the poor and widening inequalities in accessing services. According to most discussion groups, service providers' attitudes to the public depend on whether you are rich or poor (Oxfam and AAV, 2012a, p.69).

### *Trends in process inequalities*

People's perceptions of inequality are strongly influenced by "procedural injustice" (or "process inequalities"). Some focus groups suggest that the rich-poor disparity on its own is not an inequality – inequality stems from procedural injustices resulting from corruption or the misuse of power.

Process inequalities were said to have increased in the last five years. Poor governance was perceived as the primary cause of unfair power roles, leading to unequal access to public assets and information, thus creating unequal opportunities that favour certain groups or individuals who become significantly richer than others in society. Some people raised concerns about the weaknesses of the current mechanism, which fails to stop some people from capitalising on their privileged working positions in society.

Many focus groups complained about rich people's much higher use of bribes (“envelope money”) nowadays to get better access to education or health care services. They expressed concern that monetary value takes precedence over employees' traditional, ethical values in public services, as outcome inequalities widen.

The recruitment mechanism in the public sector was perceived to be inefficient, and the substantial role of power and connections was subject to the most critical comments of the focus groups from all backgrounds. Many people worried about the increasing roles of power and connections in getting a job in the public sector, in state-owned corporate giants (though nobody was willing or able to provide concrete evidence) despite their educational qualifications. Some young students believe that the role of power and connections also extends to the private sector where public servants (for example tax officials) may have a strong influence (Hoang *et al.*, 2012).

“It's difficult to get a job even if you graduate from university. I have a child in the second year, and now have to save money for him. But I don't have money, and even if I have money I don't have relationships. There are two types of relationship, either based on kinship, in which case you don't have to pay, or you have to have a thick pocket. This trend is increasing” (poor group, Quarter 14, Lam Ha Ward, Hai Phong).

“Money is not enough. Money without connections can't get you a job in the public sector. I know some cases where workers quit their job in pursuit of higher education but after graduation, they returned to work in the previous position as if they had never attended such courses” (better-off group, Cam Hung commune, Hai Duong).

### *Spatial inequalities in cities*

Differences in incomes from non-agricultural business sources were linked to differences in non-agricultural opportunities, physical capital, loans or savings, education and power,

connections or nepotism. Multiple groups claimed that there is a widening income gap between the peri-urban and the inner-city areas because the latter has more trading and service opportunities than the former.

Most groups in the urbanising areas perceived a substantial rise in outcome inequality there. Previously, when all households were farmers, the rich-poor gap was almost invisible. However, the employment structure became polarised after agricultural land was acquired for urbanisation. Some better-off "quick movers" were able to utilise the urbanisation process to change their occupation from agricultural work to services and trading, and their children found opportunities working in private sector companies and the public sector. Their success was linked to good initial access to resources: they had better education and skills, well-located and substantial land or had relatively large savings that they generated over the years, and so on. Meanwhile, the poor "slow movers" were stuck in employment that was perceived to be unstable, such as street vendors, motorbike taxi drivers or manual labourers (the so called "pavement economy"). These individuals also had less education, more limited savings and land, and were therefore perceived to have fared worse during the land conversion process (Hoang *et al.*, 2012).

### *Residents versus migrants*

Residents tend to see migrants as having both positive and negative qualities. Residents recognise that the large inflow of migrants has positively contributed to the local economy. As most migrants rent living spaces and go shopping in local markets, they stimulate the rental market and small trade services. However, residents perceived a negative side to the migration flow, such as an increased burden on the infrastructure, living environment and social services, street food vendors who do not comply with food safety regulations, more social evils and security related issues.

The migrants themselves tended to accept their "natural disadvantages" when coming to the cities in search of work or study. However, they were frustrated by local residents' discriminatory attitudes towards them. For example, the migrant student group in Me Tri (Hanoi) felt that they are sometimes considered "second rate citizens". According to these respondents, their Hanoian peers often looked at them through a lens of discrimination and prejudice, though over the past five years this segregation has gradually reduced (background notes of Hoang *et al.*, 2012).

Unequal access to education between residents and migrants is recognised at all monitoring points of Oxfam and AAV. Migrants with children at schools in urban areas say they are more disadvantaged than urban residents. As public schools are oversubscribed they give priority to residents, so children from migrant families have to attend private schools with higher fees, or go to schools in their rural homeland. Some migrants in Kim Chung Commune, Hanoi, say they have to pay higher school fees than local residents (Oxfam and AAV, 2012a, p.62).

The inequalities in employment between local residents and migrants are reflected in access to employment information. Urban residents have better access to information than migrants, so they have a greater choice of profession. Some groups believed that urban residents were given higher priority in some jobs. Inequality in employment between local residents and migrants was considered unreasonable, and some groups say that the state should intervene to enforce non-discriminatory recruitment procedures in both state and non-state sectors, as stipulated in the Labour Code (Oxfam and AAV, 2012a, p.64).

### *Attitudes towards inequality*

People from a variety of backgrounds, demographic and socio-economic characteristics in the survey sites tended to accept the rising outcome inequalities associated with positive processes rewarding education, skills, hard work, talent, and even privileged family background. Rising outcome inequality, therefore, is largely viewed as acceptable and even desirable among respondents, as long as it comes through legitimate means. It seems that the wide acceptance of outcome inequality is a major shift in public attitudes, moving away from the previous focus on egalitarianism towards market-based mechanisms and incentives.

Inequality in outcomes generated through illegitimate processes or sources such as corruption, nepotism and dishonest business are seen as unfair and unacceptable. In particular, people do not accept unmerited forms of unequal opportunities – such as bribery – particularly in accessing employment, education and health care services.

Many respondents expressed a wish that richer people would consume reasonably, contribute more to social welfare and provide more support to poor and disadvantaged people. They believed that if this were the case, unequal outcomes would be morally acceptable. Some young people even indicated that they would accept the rich-poor disparity if rich people improved their lives based on their legitimate capacities without harming poor peoples' benefits or preventing growth among the poor.<sup>20</sup>

Most of the young respondents accepted conspicuous consumption among the rich (provided that their wealth is the result of hard work and legitimate means) because they perceive this consumption to be a way of paying taxes to the state, thus redistributing their wealth to society. However, the youth groups often disagreed with excessively conspicuous consumption. Some young people perceived that excessive consumption just proves that the rich earn money easily and do not respect the value of labour (Hoang *et al.*, 2012).

Most groups did not accept any inequality stemming from the abuse of relationships and power, considering this a social injustice. However, some groups of young skilled people mentioned the positive role of “social capital” in forming social relationships to find jobs in the private sector. They value relationships with acquaintances who help them find jobs without having to pay money (Oxfam and AAV, 2012a, p.64).

### *Perceived consequences of inequality*

First, outcome inequalities affect the transmission of poverty across generations, and affect upward mobility so that children born to poorer households don't have the same chances in life as those born to better-off households. It is likely that children from poor households remain poor since they get a lower quality education, and continue to do manual work with low or unstable incomes like their parents. Second, nepotism in recruitment practices in the public sector and low educational quality may dampen the recent motivation among parents for investment in education, especially in ethnic minority areas. People may feel less motivated to invest in education because they feel that they can't translate education into jobs. Third, substantial inequalities resulting from unfair processes such as the abuse of power, corruption and nepotism, are seen as inconsistent with the Vietnamese vision for social justice and its sustainable development strategies. This may undermine people's confidence in public administration, and could be a potential root cause for social conflict and disturbances. Fourth, large inequalities in outcomes combined with the conspicuous

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<sup>20</sup> It was noted in Section 1.3 that the sample of this “inequality perception” study was diverse but slightly unbalanced, i.e. lacking the voices of more educated and informed groups in inner cities. There are therefore very few opinions on tax rates to be imposed on the rich. Among the 69 focus groups in the main fieldwork, together with 12 focus groups in prior pilots, there were only two groups who proposed measures to impose higher income tax on high earners.

consumption and extravagant lifestyle choices by some wealthy people was viewed by some participants as immoral and provoked frustration, particularly in urban areas (Hoang *et al.*, 2012).

### *Implications for policy*

There was no radical suggestion from any focus group about limiting inequality, such as limiting the legitimate incomes and consumption of the richer groups. Market principles may work their way in stratification which is believed to be widened in the coming years.

Given the existing rich-poor disparity in society, focus groups from various backgrounds (both old and young, rich and poor) suggested that the Government should provide more redistributive assistance to poorer people and regions. They suggested a variety of solutions for supporting poor areas and people. They tended towards measures such as infrastructure; more focused targeting in pro-poor programmes; better access to (more) credit for the poor; better social protection support; promotion of small businesses and professions; effective compensation and employment support for land lost during urbanisation; controlling input prices; increasing the minimum wage, and so on.

In terms of employment, the focus groups (especially local officials, senior and youth groups) suggested that the mismatch between supply and demand in the labour market should be lessened, for example by improving educational quality and reorganising the educational system, especially at high school level. During land conversion, policies for securing local people's employment should be strictly implemented. There should be stronger policies to facilitate businesses working with the government to support employment for the poor.

Better governance was another high-priority recommendation from the focus groups, in order to reduce the abuse of privileged positions, deal with corruption, scrutinise and further simplify administrative procedures, ensure equal opportunities for everybody towards greater social mobility, promote the voices of the poor and work closely with local people (Hoang *et al.*, 2012).

### **3. Conclusions**

Although income-based poverty has remained substantially low, quality of life in urban areas is still limited in many respects, particularly in access to social protection, housing services, education and health care. The findings of the complementary assessments described in this paper show that measures of poverty based on income and expenditure poverty lines alone do not seem to be effective for urban areas, especially in big cities like Hanoi and HCMC. A comprehensive, multi-dimensional approach appears to be more suitable, in which people's living standards are measured based on a number of economic and social dimensions. Poverty reduction programmes and policies will be better formulated using this multi-dimensional approach. A regular multi-dimensional poverty measurement system (to complement the income-based measurement) should be established. This should also include the means to quickly detect and measure the impact of economic risks and shocks, and provide support to vulnerable groups.

Macro policies should support small enterprises and household businesses (including "social businesses"),<sup>21</sup> enhance corporate social responsibilities, and recognise and provide appropriate support to those working in the informal sector, such as introducing specially

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<sup>21</sup> "Social business" is a development buzzword that has grown in popularity in recent years. Loosely defined, any private enterprise with poverty alleviation as one of its objectives can be considered a social business. A detailed definition of social business can be found in ATM (2012).



adapted training programmes and social welfare schemes. This will help the poor negotiate employment risks and gain better access to the social protection system.

Migrants (defined as people moving between provinces or cities to find work, whether registered or non-registered, permanent or temporary migrants) are an integral part of urban development; and migration is a powerful force for inclusive growth in Vietnam. Employment in urban areas and money sent home by migrants play an important role in the diversification of livelihoods for rural households, thus contributing to rural poverty reduction. Changes are needed first in the perception of policy makers based on a thorough understanding of migrants' roles and difficulties. The unwanted effects of migration such as pressure on infrastructure and overloaded public services in areas with a dense migrant population should be considered as challenges to be addressed, rather than reasons for excluding migrants from support policies. Socio-economic development plans, service provision and poverty reduction policies in rural and urban areas should not discriminate against migrants or rely on people's ownership of a resident registration book. Instead they should lower the barriers to a mobile labour force, both between occupations and geographically.

Support extended to migrants should help ensure their basic rights and promote their social integration, for instance helping to find safe employment, accessing social protection and reducing urban living costs. Migrants' social capital can be improved by creating more opportunities to participate in community activities, self-help services, peer group activities, cultural activities and dissemination of legal knowledge and life skills, with the active participation of stakeholders. Urban planning and budget allocations should be based on the total population, including migrants, to work towards solving the problem of overloaded housing services, health care and education, with priority given to urbanising and suburban areas with large migrant populations.

The only assets poor urban residents and migrants possess to improve their lives are skills and education. Policies should be designed to support effective vocational training for the urban poor, such as supporting enterprises to provide training for workers, supporting parallel study and work in conjunction with private household businesses or urban business associations, and providing more in-depth and objective vocational information for secondary school graduates.

Rising inequality is a growing concern across the population, although people tend to accept outcome inequality when it rewards education, skills, hard work and talent. Migrants and the informal sector must be included in policy-making, not only to create better redistributive policies and a better social protection system, but more importantly, better governance. This will ensure equal opportunities for everybody, reduce nepotism, deal with corruption, make procedures transparent, and promote the voices of migrants and the poor.

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