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The relation between economic growth and social equality is a concern to policy-makers and economists in each stage of development at both national and local level. This article tries to examine this relation in HCMC in the years 1994 – 2008 and suggests some measures to deal properly with this problem in the coming years.

1. Some arguments about the relation

Simon Kuznets (1901 – 1985), an American economist, maintains that inequality is a consequence of the economic growth. In the first stage of development the social inequality grows as per capita GNP grows, and at later stages when the GNP grows, the inequality starts to decrease, and then, income and social benefits are distributed more evenly. Thus, he represents his conclusion on this relation as an inverted U curve.

Arthur Lewis (1915 – 1991) shares Simon Kuznets' view on the relation between economic growth and inequality as an inverted U curve and he tries to explain the origin of the inverted U curve by introducing his concept of a dual economy. He argues that in the first stages of development the economy contains two sectors: an industrial sector with high wages and a traditional, or agricultural, one with low wages. Expansion

of production in the industrial sector attracts a lot of laborers from the agricultural one and capitalists start to lower the wages. Thus, capitalists' income increases thanks to both expansion of their production and labor of their employees.

In later stages, the inequality decreases when the surplus labor is absorbed by industrial and service sectors and becomes rarer. When the supply of labor falls and the demand rises, capitalists should raise the wages, which reduces inequality. He says that the inequality is not only a result of the economic growth but also a necessary condition for the economic development. Thus, any haste to quickly get rid of inequality of distribution of income in the first stages of development may affect badly the economic growth.

According to WB experts, the main reason for inequality is the unequal ownership, especially the ownership of means of production. Thus, it's nec-

essary to redistribute the fruits of the economic growth with a view to improving the distribution of income over time. This task includes redistribution of wealth and of the fruits of economic growth. In developing countries, wealth can be redistributed by policies on land reform and equal opportunity for education.

The Eighth Congress of the VCP (1996) points out that “to develop the production, Vietnam should make the best use of resources from all classes, accept the existence of exploitation and gap between the rich and the poor and the Government should try its best to protect laborers’ interest, encourage efforts to get rich legally, prevent illegal ones, pay full attention to poverty alleviation, and realize the social equality by degrees, and then trying to help everybody get rich.” [4]

The fourth Conference of the VCP Chapter in HCMC (1996) affirms that: “Along with the economic growth, cultural and social problems must be solved properly, and the economic growth must be linked with social progress and equality in all stages of the development.” [5]

Thus, views of economists and policy-makers show that the relation between economic growth and social equality is the one between two opposites in which the economic growth is material condition for the social equality while the latter serves as a dynamic of a sustainable development. The economic growth is both an objective and instrument for solving social problems. There is no social equality based on underdeveloped and backward economy, and similarly, there is no a sustainable, fast and effective development in a society with inequalities and a poor and underemployed population.

2. Relation between the economic growth and social equality in HCMC in 1994 – 2008

a. Employment, income and living standard:

The HCMC economy has developed well in recent decades, which help improve the employment, income and living standard in this city.

In the years 1991- 1995, some 100,000 jobs on average were created every year. This figure rose to 180,000 in 1996-2000, 210,000 in 2001-2005 and 270,000 in 2006 -2008. This achievement

helped reduce the unemployment rate from 6.8% in 2001 to 5.4% in 2008.[2,8]

Steady economic growth made the personal income in HCMC rose by 11.16% in 1990 -1995; 7.8% in 1996 – 2000; and 7.06% in 2001- 2005. The HCMC personal income was US\$1,365 in 2000; 1,920 in 2005 and 2,500 in 2008.[3]

Improvements in the HCMC living standard show themselves in increases in the average monthly spending. This figure rose from VND665,980 in 2000 to 802,170 in 2002; 1,025,110 in 2006 and 1,618,150 in 2008.

b. Economic growth and poverty alleviation:

The poverty alleviation program was officially launched in early 1992 when 17% of households in HCMC (or 121,722 households) were considered as poor. To the end of 1998, this figure fell to 88,826 households, or 11.82%. In 2004, the second stage of this program was carried out and criteria for the poor was set higher (personal income below VND6 million a year for both inner city and suburbs), and 89,090 households, or 7.72%, were classified as poor. Up to the end of 2008, these figures were 5,025 households and 0.34%. [9]

The fund mobilized for the HCMC poverty alleviating program in 1992-2008 reached VND7,250 billion; and it has directly helped over 200,000 household escape the poverty.

c. Economic growth and income divide:

Achievements in job creation and poverty alleviation in HCMC have reflected spread of economic growth over the whole city, and, however, the income divide gets wider. According to the HCMC Statistics Office, difference in incomes of the richest 20% and the poorest 20% of the population has become wider, from 6.17 times in 2002 to 6.19 times in 2004; 6.24 times in 2006 and 6.37 times in 2008.

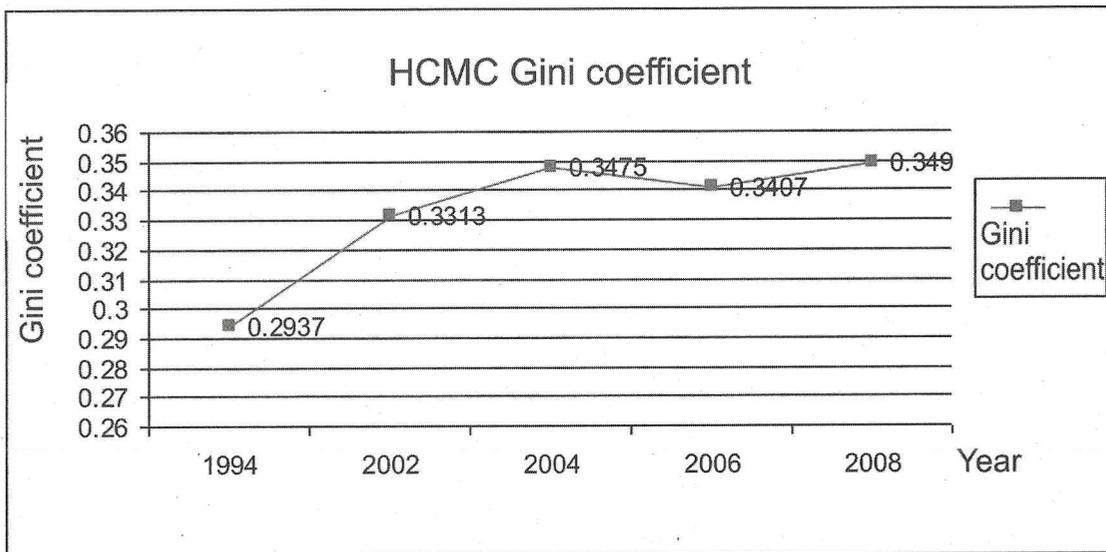
Table 1: Monthly personal income in HCMC (VND1,000)

Income bracket	1994	2002	2004	2006	2008
Average personal income	413.3	904.1	1,164.8	1,465.0	2,263.4
Group 1	158.3	316.4	430.8	552.4	838.9
Group 2	240.6	525.2	635.4	826.2	1,275.8
Group 3	322.3	721.6	870.0	1,080.6	1,672.5
Group 4	439.8	1,008.8	1,219.0	1,490.0	2,231.5
Group 5	1,081.6	1,951.7	2,668.3	3,448.9	5,297.6
Difference between Groups 1 and 5	6.83 times	6.17 times	6.19 times	6.24 times	6.37 times

Source: 30 năm – TP.HCM số liệu thống kê chủ yếu 1976 – 2005 (Thirty Years in HCMC: Principal data about 1976 – 2005), and HCMC Statistical Yearbook 2008

The above data allows us to work out the rural and urban areas has been contracted to a certain extent (the monthly income divide HCMC Gini coefficient.

Figure 1: HCMC Gini coefficient in 1994 - 2008



Results of calculations show that the HCMC Gini coefficient rose from 0.2937 in 1994 to 0.3313 in 2002 and 0.3475 in 2004, and fell to 0.3407 in 2006 and mount again to 0.349 in 2008. This means that the gap between the rich and the poor is widening.

The income divide between inner city and suburbs is also a matter for concern during the development process. Although the income gap between

tween those two areas reduced from 1.5 times in 1994 and 1.8 times in 2002 to 1.75 times in 2004; and 1.57 times in 2006 and then rose to 1.78 times in 2008), it is still a wide gap as the economy develops rather well.

Table 2: Monthly personal income by areas in HCMC in 1994 – 2008 (VND1,000)

Area	1994	2002	2004	2006	2008
Average personal income	413.3	904.1	1,164.8	1,465.0	2,263.4
Urban area	460.8	987.0	1,266.9	1,552.7	2,409.3
Rural area	306.6	549.0	726.0	988.3	1,352.2
Difference (time)	1.5	1.8	1.75	1.57	1.78

Source: 30 năm – TP.HCM số liệu thống kê chủ yếu 1976 – 2005 (Thirty Years in HCMC: Principal data about 1976 – 2005), and HCMC Statistical Yearbook 2008

As for the living standard, the divide reflects in the average spending per month by rural and urban residents. The average spending by an urban resident in 2002 was VND724,510 compared with VND331,910 by a rural resident and the gap was 2.24 times. This gap fell to 1.7 times in 2004 and 2006 and rose to 1.88 times in 2008.

Table 3: Average personal spending in HCMC (VND)

Spending	2002	2004	2006	2008
HCMC	665.98	826.8	1,052,130	1,618,150
Urban area	742.51	894.35	1,135,100	1,739,580
Rural area	331.91	524.28	667.63	924.57
Difference (time)	2.24	1.7	1.7	1.88

Source: HCMC Statistical Yearbook 2008

d. Economic growth and improvements in social benefits:

As the economy grows, the HCMC Government tries its best to improve the social benefits. Education and health care are considered as central tasks in the plan to enhance the population quality and develop the human resource for the municipal economic growth.

Health care service in HCMC, however, still reveals some shortcomings. At present, army of doctors in most hospitals is small. The ratio of eight doctors to 10,000 residents makes all hospitals overloaded and makes it hard to ensure high-quality service. High prices of medicines cost of treatment have become a burden to patients, especially the poor ones. Hospitals still discriminate against

patients with health insurance. Service quality, medical ethics and state control over the health care services are still worries to patients and health authorities.

There are also problems with education service. Increased tuition and other contributions required of students' parents are burdens to many families, even middle-class ones.

Improvement in technical facilities is not as quick as the economic growth and urbanization, which cause unnecessary difficulties and problems to residents. Traffic jam and poor drainage in HCMC have become more serious and unsolvable. Increased water and air pollution has become a threat to the public health and life.

3. Economic growth and social equality in our survey

To get practical knowledge of what HCMC residents think of the relation between economic growth and social equality, we have conducted a survey of public opinions about various aspects (housing, traffic, water and power supply, education, and health care, etc.). We issued questionnaires and 530 ones were sent back. Groups of respondents are as follows.

Table 4: Respondents to our survey in April 2009

Occupation	Returned questionnaires	As %
Civil servant	73	13.54
Company employee	270	50.09
Worker	44	8.16
Peasant	8	1.48
Small trader	52	9.65
Others	92	17.07
Total	539	100.00

Source: Author's calculation

Results of the survey are as follows:

- As for the living standard, 11.26% of respondents say it was improved and 3.56% say the opposite was true. Meanwhile, 82.18% agree that the living standard was improved but the pressure was higher. Of the ten most worrying concerns, daily food ranked third while social relationship ranked eighth, entertainment ninth and world and national politics tenth. This shows that the economic growth has improved the quality of life but the pressures of city life were much higher.

- Regarding housing condition, only 4.5% of respondents think that it was better; 51.22% agree that it was better but housing price was on the increase; 28.52% say it was much improved but the house price was beyond their reach; 10.69% maintain that the housing condition got worse while the house price was increasing; and 2.81% say it was worse and they couldn't afford a house for all their lives. It's worth noting that housing ranks second among the ten most worrying problems. We can conclude that the housing price has skyrocketed and got beyond the reach of many groups of residents. In fact, a big proportion of HCMC residents is living in rented houses or apartments. The survey results show that 40.63% (or 219 respondents) lived in their own houses or their parents' and 59.37% (320 respondents) lived in rented houses.

- As for water and power supply, 7.94% of respondents estimate that the service was better and 22.68% say it was worse while 51.98% of them think the service is better and increasingly dearer. This shows that higher cost of this service became a burden to HCMC residents, especially the ones with low incomes.

- As for the infrastructure, only 5.08% of respondents say the traffic and communication got better while 55.26% say it was much worse and 34.4% hope that it might be improved when major works are completed. Regarding the drainage, 3.95% say it was improved while 43.05% think it went from bad to worse and 25.56% hope that it might be improved by completion of major works. As for traffic jam, only 0.75% say it was improved while 60.53% say it was much worse than the past and 22.18% expect some improvements in future.

- When asked about the education service, 21.63% say it has become better and 10.2% think it was worse; 8.98% admit that it was better but beyond their reach and 48.98% agree that it was

better and much costlier. Of the ten most worrying problems, the survey results show, personal education ranked fourth and education for their children ranked seventh.

- Answering questions about the health care service, 17.18% of respondents say the service got better; 5.53% say the opposite; 9.92% say it was better but beyond their reach; and 50.95% say it was better and much dearer. The survey also discovers that the personal health ranked first among the ten most worrying problems to respondents.

Results of the survey allow us to figure that the high economic growth in HCMC in the past has helped improve the living standard and quality of various services. A majority of residents, however, agreed that many services, such as housing, education, health care, and power and water supply, etc. have become much dearer, which is a burden to residents, especially ones with low incomes. The best part of respondents say that the traffic congestion and drainage have gone from bad to worse. This is an alarming fact about the building of infrastructure in HCMC.

4. Measures to solve effectively the relation between economic growth and social equality

Firstly, more jobs must be created. It's necessary to research, adjust and deal with mechanism-related obstacles to encourage all classes to develop their business with a view to creating more jobs, especially the development of small and medium enterprises. The municipal government should provide information, technical assistance, and loans for family businesses and SMEs to help them expand their market and secure good inputs. Various programs should be carried out to help family businesses and self-employed concerns develop into private or limited companies. If encouragements to such transition produce good results, great resources can be mobilized for the economic growth and a lot of jobs are created.

An overall vocational training program is very necessary to the development of the labor market. Such training courses must be given to the youth who have just take part in the labor market, laborers who want to find new employment or improve their skills as required by changes in the market demand.

More publicly-run employment offices must be

opened to help laborers find jobs appropriate to their skills and knowledge.

Secondly, municipal authorities must review the use of public land and buildings and ask the central government for permission to take back land and buildings ineffectively or wrongly use by agencies from the central government working in HCMC. These buildings and pieces of land can be used for building schools, hospital, nursing homes, parks or recreation grounds for local residents and the poor.

Thirdly, the housing program for low income earners must be carried out successfully. At present when the stimulus package is offered by the central government, the HCMC government had better take this opportunity to encourage investments in the housing programs. To implement successfully such programs, there must be a mechanism for separating the management of public fund for housing projects and the building of such projects and distribution of apartments in these projects with a view to ensuring that government support goes to residents in need of accommodation.

Fourthly, taxes must be used for redistributing income among classes. The government should impose taxes, especially the progressive one, on immovable property in which high tax rates are put on villas, high-class houses, and land for housing projects that developers have not carried out with a view to prevent speculation and ensure social equality.

As for personal income tax, the municipal government should ask for a mechanism for big cities in which calculation of taxable income is based cost of living and housing condition of individual taxpayers with a view to ensuring equality in taxation.

Strong measures should be taken to force everybody to pay their taxes in order to increase the tax take and ensure equality in taxation. Tax evasion or frauds must be punished severely. Besides tax collecting, use of tax take must be well under control. The use of tax take as investment in public works in HCMC must be publicized in order to help residents know where their tax payments go to.

Fifthly, struggle against persons who make money illegally, especially dishonest businesspersons and corrupted civil servants, must be beefed

up■

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