

Household income in present day Vietnam

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Abstract. Over the past years, along with the development of socio-economic conditions, the living standard of Vietnamese households has been markedly improved (Thi, 1990; Van, 2004). An overwhelming majority of the people think their living standards are now better than before (Anh&Mai, 2007). It is from household income has had rising and stable tendency. Nevertheless, there still exists a quite big difference in the income of rural and urban households, as well as between the richest and poorest households due to the structure of household income.

Keywords: Household, income, Vietnam.

1. Introduction

Based on the statistics from General Statistical Office from 2002 to 2008, the paper will analyse the total income of Vietnamese families to see the positive change year by year. It also compares the difference between rural - urban, the richest and poorest household income and clearly finds the reasons why it has the gap between them. The following part, we will examine the structure of household income in present day Vietnam.

2. Results

2.1. Average household income

The General Statistical Office (2008) defines household income as the total amount of money received (usually monthly), including salaries, revenues from agriculture, forestry, aquaculture, industry, construction, trade, services, etc.

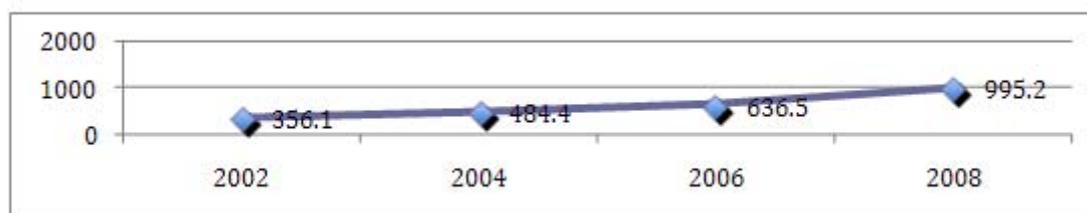


Fig. 1: Monthly household income per capita (Unit: 1000 VND)².

In 2008, monthly household income per head was 995.2 thousand dong, 2.8 times of that in 2002 (at 356.1 thousand), and 1.6 times of that in 2006. When comparing the growth rate of per capita income over a period of 2 years, we can see that the rate of later period is higher than the previous. In 2006 - 2008, monthly per capita income increased by 358.7 thousand, higher than the 152.1 thousand increase in 2004 - 2006 and the 128.3 thousand increase in 2002 - 2004. Monthly per capita income increase is attributed to the following factors. Firstly, Vietnam has shifted its economic structure to industrialisation with high and stable growth rate. Besides it, the structure of labor changes positively. The proportion of labor in industry, construction

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² Source: 2008 Vietnam Household Living Standard Survey

and services increase while the proportion of labor in agriculture decrease³. Secondly, Vietnam has always created new jobs over the past years. Employment rate is quite high and increases each year. In July 2007, a total of 45.6 million people were employed, up 10 million compared with 1997, showing the yearly increase with the fastest in 2006 (Ministry of Labor, Invalids and Social Affairs, 2009). Accordingly, unemployment rate across the country decreased gradually from 5.31% in 2005 to 4.64% in 2007 and to 4.65% in 2008 (Statistical Year book, 2010). Thirdly, in the early 2008, the minimum monthly wages for public sector workers increased from 450 thousand to 540 thousand. Wages for employers in businesses also rised, leading to an increase in public money. Moreover, production in this period kept rising. In 2008, agricultural production enjoyed a record increase, higher than 2006 and 2007. Rice yield⁴ saw the biggest increase in 11 years (Statistical Year book, 2008). Prices of agricultural and aquatic products such as paddy rice, live pig, coffee, rubber, cashew, shrimp, fish increased considerably compared with 2006.

Incomes in both rural and urban areas increase each year. Monthly income per head in 2008 in urban areas was 1605.2 thousand, much higher than in rural areas at 762.2 thousand dong. Monthly income per head in urban areas in 2002, 2004, 2006, 2008 was 2.26, 2.16, 2.09, 2.11 times as high as in rural areas respectively.

Monthly income per head of the poorest households⁵ (quintile 1) in 2008 was 275 thousand dong, increasing by 49.2%; that of the richest group (quintile 5) was 2,458.2 thousand dong, increasing by 59.4% compared to 2006. The difference of monthly income per head between quintile 5 and quintile 1 in 2006 was 8.4 times, 8.9 times in 2008, increasing in comparison with 2006. Therefore, the gap between wealth and poverty in Vietnam has had an increasing trend. In other words, the inequality and social stratification has been bigger and bigger. This requires Vietnam's more effort to shorten this gap.

Monthly income per head in 2008 according to current prices of geographical areas relatively increased compared to 2006. Poor households in Central Highlands and some particularly poor provinces in Northern mountainous area had relatively increasing income due to the influence of nation's supporting policies for poor areas, districts such as solving the problem of production land for ethic minority on the spot, providing accommodation, materials for building houses, supplying with plants, fertilizers, subsidy of health care and education, etc. However, income of different areas still has a big difference. If the area of lowest income - Northwest is considered as 1, so the Red River Delta is 1.91, the Northeast 1.4, North Central 1.17, South Central Coast 1.53, Central Highlands 1.45, Southeast 3.0, Mekong River Delta 1.71 (Figure 2). Thus, the gap between the highest income area (Southeast) and the lowest income area (Northwest) was 3 times.

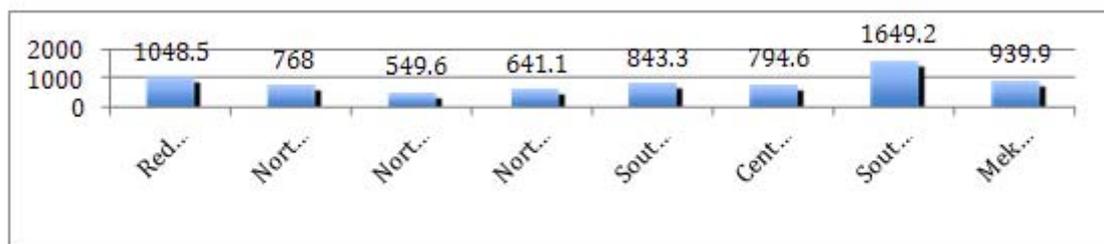


Fig. 2: Monthly income per head in 2008 in geography areas (thousand dong)⁶.

³ In 2000, almost two-thirds (65.3%) of all workers were employed in agriculture. However, by 2007 this had inclined to 52.2 per cent. The most substantial shift from 2000 to 2007 has been toward the industrial sector, which account for nearly one - fifth of the workforce, while services employed remaining 28.6 per cent of all workers in 2007.

⁴ Rice yield hit 38725.1 thousand tons in 2008, 35849.5 thousand tons in 2006, 35942.7 thousand tons in 2007 (Statistical Year book, 2008)

⁵ Income quintile means all surveyed individuals are ascending sorted by income per capita, then divided into 5 groups, each has the same number of individuals (20% of all surveyed individuals).

Quintile 1: Lowest income per capital group (Poorest).

Quintile 2: Near poorest.

Quintile 3: Middle.

Quintile 4: Near richest.

Quintile 5: Highest income per capital group (Richest).

(The General Statistical Office 2008).

⁶ Source: 2008 Vietnam Household Living Standard Survey.

The reason why the Southeast area has the highest average income is possibly that this area has an early-developed goods economy; its economic structure of industry, agriculture and service develops better than other areas in the country. The Southeast area has a very favorable geographic position for socio-economic development. This area is situated next to Mekong River Delta - the country's biggest area of food and food-stuff, the communication is easier due to a system of canals and roads. The good natural conditions and fertile resources facilitate the development of perennial industrial plants (coffee, rubber, cashew, and pepper), fruit and other industrial plants (soybean, sugar cane, tobacco, etc.) on a grand scale. The Southeast is located near big fishing areas with ideal conditions to build fishing ports. By the coast, there are saline forests, which are favorable places to raise salt-water and brackish-water fishes. The outstanding mineral resource of the area is oil on the continental shelf. The socio-economic condition of the Southeast area strongly attracts sources of from highly professional laborers, skilled workers to engineers, professors, and businessmen. The active development of economy facilitates this area has a big source of gray matter. In the Southeast, fund and technology has been accumulated, and the area has also been attracting domestic and international investment. All the above condition brings a lot of advantages to the Southeast in the socio-economic development progress.

On the contrary, the Northwest is an inconvenient geographical area with high mountains, separation and system of rough transportation. The system of roads has not been synchronously developed; the system of railroads is old and out of date. The ability of goods and passenger transportation is limited. Now, goods transportation is mainly by railway and road due to the limitation of waterway and airway. The above inadequacies of transportation infrastructure are an obstacle to an investment environment of the area, which contributes to the increase of product cost and decrease of businesses competitive ability. Also, the planning of population layout, as well as the building of concentrated industrial areas and large scale urban areas have faced with a lot of difficulties due to the condition of rather rough terrain. It is also difficult to enlarge the area of agricultural production in order to create the areas of specialized production towards the trend of industrialization and modernization. The climate of the Northwest is relatively severe, cold and dry greatly affects the structure of crops and the growth of plants. The Northwest is an area with a low starting point in our country; most provinces are in the area of especially difficult socio-economic condition, ethnic minority⁷ has a big proportion so people's life is very hard, the rate of poverty is high compared to other areas in the country (24% in 2009), leading to a low purchasing power. In the area, there is a serious shortage of trained labourers and the quality of labour in terms of both low and high skills is lower than that of other areas in the nation.

2.2. Structure of Vietnamese households' income source

Vietnamese households' income source can be defined as the income consisting of the follow: salaries; wages; agriculture, forestry, aquaculture activities; industry, construction, commerce, service and other activities yielding income sources (The General Statistical Office, 2008).

		Salaries	Agriculture	Forestry	Aquaculture	Industry	Construction	Commerce	Services	Others
2002	Rural	68.2	99.0	5.6	14.8	14.8	0.6	21.5	12.2	39.5
	Urban	274.7	28.0	1.0	13.7	35.8	4.8	79.6	66.4	120.7
	Whole country	116.4	82.4	4.5	14.5	19.7	1.6	34.4	24.8	57.7
2004	Rural	98.1	132.5	6.1	20.0	20.4	1.5	30.5	14.5	54.6
	Urban	346.1	37.8	0.7	9.5	43.4	4.3	101.9	90.0	181.8
	Whole country	158.4	109.5	4.8	17.4	26.0	2.1	47.8	32.8	85.5
2006	Rural	140.0	167.1	6.8	25.8	25.6	2.0	40.3	20.6	77.6
	Urban	453.8	46.7	0.8	10.6	63.6	8.0	129.2	116.0	229.6
	Whole country	218.0	132.0	5.1	21.2	34.8	3.5	62.3	44.5	115.1
2008	Rural	216.4	257.4	9.1	33.8	39.6	3.7	58.2	34.0	110.1
	Urban	683.5	58.1	1.1	18.5	78.8	9.5	191.0	181.7	383.1
	Whole country	345.5	203.2	6.9	29.5	50.4	5.3	94.9	74.9	185.6

Fig. 3: Monthly income per capita by sources of income, rural-urban over the years (Unit: 1000 VND)⁸

⁷ The Northwest is home of more than 30/52 ethnics: Tay, Nung, Dao, H' Mong, etc., in which 63% are ethnic minorities.

⁸ Source: 2008 Vietnam Household Living Standard Survey.

On the nationwide scale, it can be realized that the main income of households is from salaries and wages. This accounts for about 1/3 of the total income of households and has a stable trend over the years. Specifically, income from salaries and wages was 32.7% in 2002, 32.7% in 2004, 34.2% in 2006 and 34.7% in 2008. In 2008, this source of income was 345.5 thousand dong per head monthly. The second income source is from production activities in agriculture. This source of income was 82.4 thousand dong per head monthly in 2002 and grew up to 202.3 thousand in 2008. It is the main income source after salaries and wages due to the feature that Vietnam is an agricultural country with 70.4% of population living in the countryside (in 2009). It is agricultural activities bringing remarkable income source to Vietnamese households. Construction is the field yielding the least income source to households with the amount of 1.6 thousand, 2.1 thousand, 3.5 thousand and 5.3 thousand over the years 2002, 2004, 2006 and 2008, respectively. Income from services has had a considerable rise over the past years. This increased from 24.8 thousand in 2002 to 74.9 thousand in 2008. This growth is partly because Vietnam has been aware of how to exploit and use the tourism potentials with many famous beaches and resorts as Halong Bay⁹, Vung Tau, Nha Trang, Phu Quoc, etc.

The comparison of the income source's structure between rural and urban households

In rural area, the main income of households is from agricultural activities with 99.0 thousand dong in 2002 (28.2% of total income) and 257.4 thousand dong (equal to 25.8% of monthly total income of households). The income source from agricultural activities always ranks the top in the structure of income sources of rural households through the years. Besides this are other income sources from activities closely connected to agricultural activities as forestry and aquaculture. In agricultural activities of rural households, planting is the main sector. Up to 72.5% of households plant rice, and the Red River Delta has the highest rate with nearly 94% of households and Central Highlands with the lowest rate of 39% (Anh & Mai, 2007). Food plants have the proportion of 66.8% in the total revenue of planting sector, in which rice plants account for 60%. The next are industrial plants as coffee, cacao, rubber, etc. with 23.7% of the revenue, the lowest revenue of planting sector is from food plants as bean, peanut, sesame, vegetables, etc. with 3.2% (Anh & Mai, 2007). The main cause is that food planting is only in small scale in order to meet the demand of households, so the income from this source is very little. Accordingly, income from agriculture plays an essential role in rural households. This source is 3.53; 3.5; 3.58; 4.43 times as high as in urban areas through the years 2002, 2004, 2006 and 2008.

On the contrary, income from industry and construction of rural households is much lower than that of urban households (Figure 3). The biggest difference in the structure of households' income between rural and urban areas is the income from services and commerce. In 2008, urban households' income from services is 5.34 times as high as rural households', with income from commerce, the difference rate is 3.28 times. This difference of income brings us to a conclusion that activities concerning commerce and services have not been developed intensely in rural areas. This will restrict this area from the socio-economic development. On the contrary, urban area has conditions to improve income from these activities. In urban area, the biggest and main income of households is from salaries and wages. In 2008, salaries accounted for 42.6% of households' total income, with 638.5 thousand dong.

According to the survey results of Vu Tuan Anh and Nguyen Xuan Mai (2007), the proportion of people having income from public sector was 41.6%, from non-state sector was 60%. The trend of people with income from non-state sector is going to grow in the next period in the process of international economic integration, quickly fostering the process of industrialization and modernization in urban area.

The phenomenon of a part of public sector workers having extra jobs (with the proportion of the nation's urban households' income is 2.3%, particularly in Red River Delta, the North Central and the South Central Coast this rate is higher with under or above 4%), which indicates that salaries in public sector need adjusting to meet basic demands of urban households.

The structure of households' income varies from area to area. The proportion of income source from public sector is high in Northwest urban area - with the main role of administrative cities (52.2%). For cities

⁹ Now, Halong Bay has been in the process of voting to become one of the world's seven new wonders

with developed market economy as the Southeast, this rate is only 20.4%, 2.5 times as low as that of the Northwest.

However, income source from households' production business occupies a high proportion (33.5%) in the structure of urban households' income all over the nation. This shows that the feature of small-scale economy is still popular in cities, even in the region considered the most active and developed economic area - the Southeast also has the proportion of 34.7%.

Private sector in cities is still small, when income from this sector is only 12.1%. Also, the sector with foreign investment fund only brings income to a small part of urban people (5.3%), mainly concentrating in big cities as Hanoi, Ho Chi Minh, Vung Tau.

The role of urban households' income source from public sector has been decreasing and that of non-state sector has seen a gradual growth in accordance with the urban scale, in other words, the bigger the urban scale is - the more the market economy develops, the more the role of urban households' income from public sector increases and the more that of income from non-state sector is.

The difference in the structure of 5 quintiles income source

The main income source of quintile 5 (the richest) is from salaries and other sources. In 2002, quintile 5 income source from salaries accounted for 36.6%, 34.3% in 2004, 35.1 % in 2006 and 35.4% in 2008. The second income source in this group is from other sources. In 2008, this income source was 22.9% of quintile 5 total income. Other income sources of quintile 5 can be from activities as interest of bank deposit, interest of business equity contribution, etc. This group consists of wealthy households and they own a lot of money and business capital so the fact that they have many opportunities to earn high income is completely reasonable. Income from agricultural activities of quintile 5 only takes a small proportion of the income structure. In 2002, this rate is 10.9% of total income and 12% in 2008. Meanwhile, the biggest source of quintile 1 income (the poorest households) is from agricultural activities, it accounts for about more than 50% of households' total income. Specifically, agricultural activities of quintile 1 was 52.4% of households' total income and tends to decrease with the rate of 49.3% in 2004; 47.3% in 2006 and 48.4% in 2008. Quintile 1 income from agricultural activities has a reducing trend, along with this, this group's income from salaries has had the tendency of rising through each year (increasing from 19.2% in 2002 to 23.8% in 2008), proving that there exists the shift of profession from agricultural activities to profession with income from salaries: the number of workers and employees of quintile 1 has been going up. Agricultural activities of quintile 1 occupies a high proportion because often quintile 1 are people living in rural areas with a little capital, without high education level, etc. so they mainly do farming. Production depends much on conditions of nature and weather. These people have very few chances to have extra jobs to make income sources for households. It is not a surprise when income of quintile 1 from industry, construction, trade and services is very low. It is only equal to 1/3 of quintile 5's income from these sources.

3. Conclusion

Through the analysis of income and the structure of Vietnamese households' income over the past years, we can see that households' income has had a rising and stable tendency, this demonstrates that households' living standard has been improved better. Nevertheless, there still exists a quite big difference in the income of rural and urban households, as well as between the richest and poorest household groups. The Southeast is the region with households' highest income, whereas the Northeast has the lowest income of households.

As for the structure of income source, the biggest source is from salaries, the next is from agricultural activities. Meanwhile, the source from construction and forestry is lowest. There is a certain difference in the structure of income source of rural and urban households. Rural households get the biggest source of income from agricultural activities (50%), the next is the source from salaries. On the contrary, income source from salaries is the main income of urban households. Income from agricultural activities only takes a small proportion in the structure of urban households' income.

Quintile 5 (the richest group) has the biggest income source from salaries and others while the poorest group (quintile 1) has the main income source from agricultural activities.

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