

Inclusive Growth: A Case Study of Vietnam

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This study aims to examine the concept, measures and causation of inclusive growth in Vietnam. Using the data from the Vietnam Household Living Standard Survey (2010, 2012, 2014), the proposed research applies econometric models (fixed effects and difference-in-difference) to show whether economic growth is inclusive, to construct an index of the level of inclusiveness and investigates possible causes of the current inclusive growth.

Vietnam presents an interesting case study. The Vietnamese economy has recorded a remarkable growth rate since the beginning of Doi Moi (renovation) in 1986. The World Data Bank indicates that the annual GDP growth, on average, was about 6.5% in the period 1990–2015. As a result, the proportion of poor population decreased tremendously from about 60% to 18% according to the \$1.25/person/day. Income inequality, measured by the Gini coefficient of household consumption, stabilised at 35–37 in the 0–100 scale. This means that Vietnam's growth was rather pro-poor as it achieved the target of economic expansion without considerable expenses of equity. Nevertheless, pro-poor growth does not mean inclusiveness and the concept of inclusive growth cover more social and economic spheres. It encompasses inequality of opportunities, employment, education, health and the safety net. We try to bridge the gap in evaluations of Vietnam's economic achievements with respect to inclusive growth despite a plethora of studies in economic growth, poverty and inequality. Economists have reached a consensus that inclusive growth can create economic opportunities for all (especially the poor), reduce poverty, enhance the social safety net to minimizing risks and vulnerabilities for disadvantaged regions and people. However, research in inclusive growth is still in its infancy with fundamental concepts such as its core components, as well as measurement and causes. The proposed research includes the contents as follows:

First, the research discusses the concept of inclusive growth as a new approach to studying the relationship between sustainable growth, multidimensional poverty and inequality; the necessity of the research in the Vietnamese context.

Second, the study proposes the criteria to determine the level of inclusive growth in the case of developing country. Then, it identifies the data that match the criteria stated in this step and initially provide information on the growth in Vietnam.

Third, the survey data are analysed with the econometric models where the dependent variable is the composite index of inclusive economic growth and the independent variables are income, employment, migration, education, health/longevity. Econometric models will be used to address the correlation between these economic variables.

Fourth, the policy implication for inclusive growth is discussed based on the empirical results.