



Chapter 18

Challenges for Inclusive Growth in Viet Nam

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1. Introduction

The concept of inclusive growth – which refers to economic growth that provides equitable benefits and opportunities for society as a whole – has been gaining attention in academic research and policy discussions related to economic development since the 2000s. Inclusive growth, however, does not have an exact definition; thus, appropriate targeting for its realisation is challenging. According to Ranieri and Ramos (2013), inclusive growth in existing studies is multifaceted – both poverty and inequality are reduced; all groups in society, including the poor, the middle class, and the rich, are targeted for growth; participation in the process is equitable, and development outcomes are equitably distributed; and emphasis is placed not only on income but also on other development outcomes. Indeed, Ranieri and Ramos (2013) stated that inclusive growth is an elusive concept.

Equality in income distribution is an important condition for sustainable economic growth (Berg and Ostry, 2011). The equal distribution of benefits and opportunities of economic growth – not just income – is important for social stability and sustainable growth. Yet some groups are unquestionably left behind. For inclusive growth to lead to sustainable development, it is necessary to examine the reality of inequality and to identify the boundary between inclusion and exclusion.

During the 13th National Party Congress in 2021, Viet Nam set a goal of becoming a high-income country with social stability by 2045; inclusive growth is key to achieving this goal. The country's economic growth to date may be evaluated as growth without increasing inequality if looking at only the Gini coefficient at the national level. The income-based Gini coefficient has remained relatively unchanged over the past 15 years, from 0.424 in 2006 to 0.423 in 2019. In addition, the consumption-based Gini coefficient has also remained steady since the 1990s – 0.354 in 1997 to 0.357 in 2018.¹ The reality is, however, that there are various forms of inequality that do not show up in the Gini coefficients, and these appear to be magnifying in Viet Nam.

As of the early 2010s, there was already a growing perception amongst the Vietnamese that inequality in the country is widening (World Bank, 2012). The number of the super-rich in Viet Nam – that is, those whose net assets are \$30 million or more – has increased from only 34 in 2003 to 1,234 in 2021 (World Bank, 2014; Knight Frank Research, 2022). The increase in their numbers is remarkable worldwide, and some articles provide glimpses into their lavish lifestyles (e.g. *VietnamNet Global*, 2022). It appears that the gap between the top and bottom is growing wider. Although there is no doubt that poverty was significantly reduced through the 2010s, many people

¹ World Bank, World Development Indicators, <https://databank.worldbank.org/source/world-development-indicators> (accessed 31 October 2022).

still move abroad to work under various adverse conditions to escape the poverty in Viet Nam (World Bank, 2021a). The Vietnam Household Living Standards Survey (VHLSS) – which is used to calculate the Gini coefficients – tends to underestimate inequality, because the super-rich are either missing from the sample or, when included, do not provide accurate information on their assets (World Bank, 2014; 2021a). Therefore, to clarify which groups are left behind from inclusive growth, it is necessary to examine Viet Nam's economic growth from a more multifaceted angle, referring to qualitative as well as quantitative information.

Kimura and Oikawa (2022) presented a framework that captures inclusiveness from three dimensions: geographical, industrial, and social. Geographical inclusiveness mainly considers inequality between urban and rural areas, industrial inclusiveness considers inequality amongst companies due to their sizes and ownership structures, and social inclusiveness considers individual inequality due to differences in attributes. Using this framework, this chapter examines Viet Nam's economic growth from two angles – the regional level (i.e. geographical inclusiveness) and individual/household level (i.e. social inclusiveness) – to reveal inequalities at each level. Next, socio-economic structural problems are discussed that provide the background for inequality at each level; this is closely related to the issue of industrial inclusiveness in Kimura and Oikawa (2022). Based on the realities identified in the discussion, the chapter concludes by highlighting challenges for inclusive growth, taking into account factors such as digitalisation and climate change that may further increase inequality in the future.

2. Inclusion and Exclusion

2.1. Inequality at the Regional Level

In Viet Nam, when economic growth is viewed from the perspective of regional development, rural areas and mountainous and highland areas – with large ethnic minority populations – are viewed as being left behind from growth. However, statistics show that the inequality between urban and rural areas has not increased significantly. Although the income gap between urban and rural areas widened in absolute terms through the 2010s, it has been shrinking in percentage terms (Figure 18.1). In addition, the poverty rate remains higher in rural areas than in urban areas, but the gap between the two is steadily narrowing (Table 18.1).

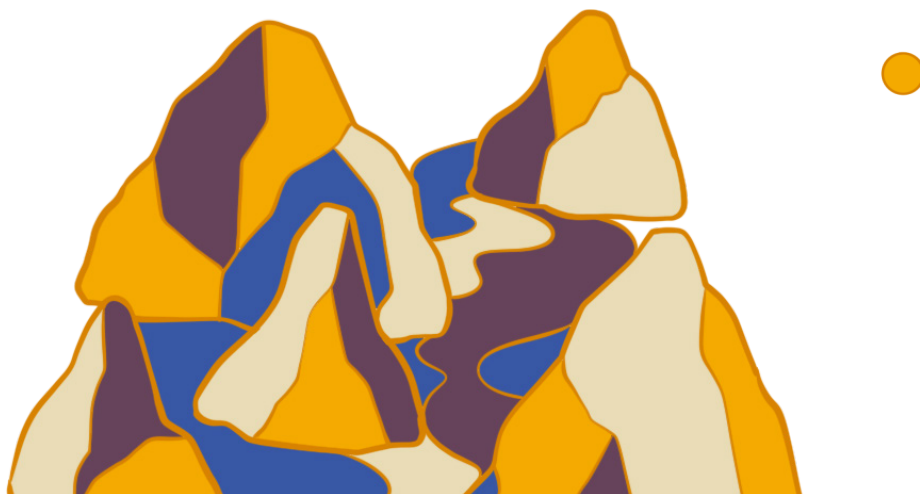
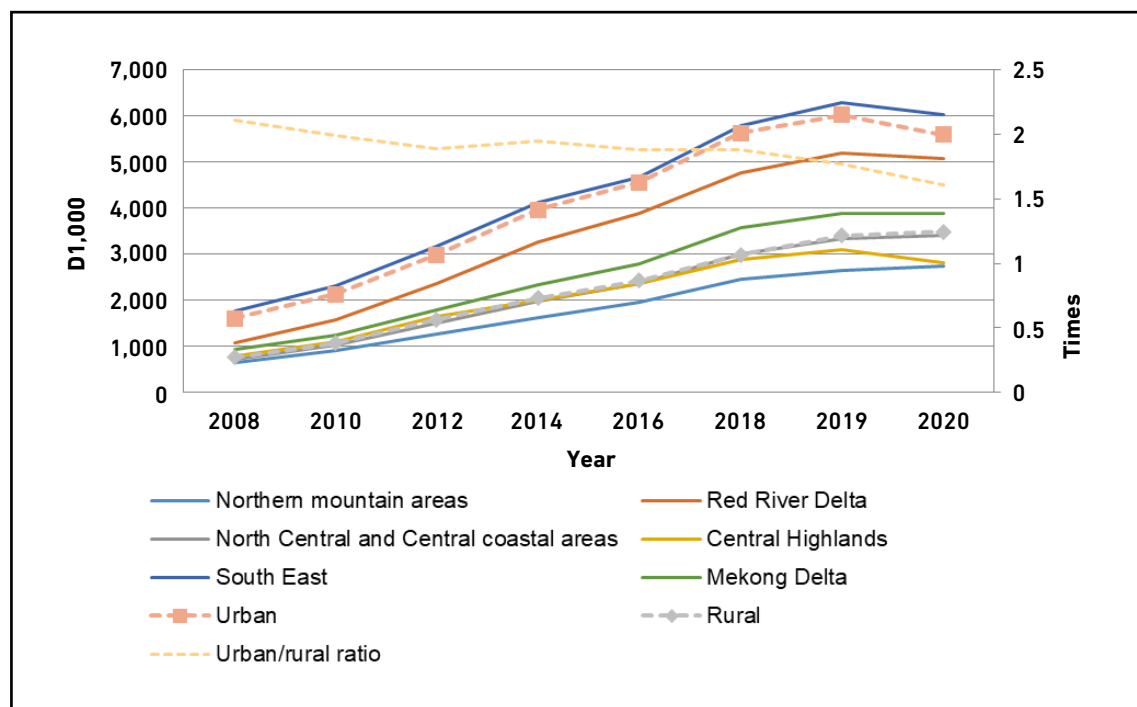


Figure 18.1. Monthly per Capita Income by Region, 2008–2020 (D1,000)



Note: The urban–rural ratio is the urban per capita income divided by the rural per capita income.
Sources: GSO (2016, 2021b).

Table 18.1. Multidimensional Poverty Index by Region

Region	2016	2018	2020
Whole country	9.2	6.8	4.8
Urban	3.5	1.5	1.1
Rural	11.8	9.6	7.1
Region			
Red River Delta	3.1	1.9	1.3
North mountain areas	23.0	18.4	14.4
North-central and central coastal areas	11.6	8.7	6.5
Central Highlands	18.5	13.9	11.0
South-east	1.0	0.6	0.3
Mekong Delta	8.6	5.8	4.2

Note: The criteria for measuring the index for 2016–2020 is set forth in Decision No. 59/2015/QĐ-TTg.
Source: GSO (2021b).

Urban–rural inequality has not worsened, largely thanks to the economic development in rural areas. From the 2000s to the 2010s, agriculture and non-agriculture developed significantly in rural areas, and many rural people improved their household incomes by combining various income opportunities. In addition, labour mobility from agriculture to non-agriculture within rural areas increased. In 2002, 70% of the rural population ages 15 years and over was engaged in agriculture; but by 2020, that percentage shrank to 40% (GSO, 2016; 2021b). This situation is related to the fact that some areas – which have experienced de-agrarianisation – are practically urban but still maintain their rural status, as the change of classification from rural to urban occurs on an application basis (Sakata, 2017b).

However, looking at income trends in the six regions shown in Figure 18.1, there are marked disparities. While incomes in the South-East and Red River Delta show almost the same trends as urban areas, the trends in the other regions are closer to those of rural areas. Amongst these four regions, the northern mountain areas – where many ethnic minorities² live – have remarkably low-income levels. In addition, the Central Highlands – which also has a large ethnic minority population – has had stagnant average incomes since the late 2010s. Indeed, the income gap between these ethnic minority regions and other regions is widening. The northern mountain areas and Central Highlands also have significantly higher poverty rates than other regions (Table 18.1).

It can thus be inferred that poverty in Viet Nam is concentrated in rural areas inhabited by ethnic minorities. In fact, a comparison of the communes³ of Kinh (i.e. ethnically Vietnamese people) and the Hoa (i.e. ethnically Chinese persons living in Viet Nam) – a relatively affluent ethnic minority group – with those of other ethnic minorities reveals considerable disparities in the socio-economic conditions amongst them.

Table 18.2 shows the changes in the percentage of communes with non-agricultural wage employment opportunities in enterprises or craft villages⁴ in communes or within commuting distance of communes. Although non-agricultural wage employment opportunities have increased amongst all ethnic communes since 2010, non-agricultural employment opportunities in ethnic minority communes are significantly lower than in Kinh and Hoa communes.



² In Viet Nam, there are an estimated 53 ethnic groups (e.g. Hmong, Khmer, Lao, Tay, and Thai) in addition to the Kinh, who make up just under 90% of the population. Ethnic minorities refer to those 53 ethnic groups.

³ Commune (*xã*) is an administrative unit regarded as rural.

⁴ Craft villages (*làng nghề*) are clusters of small- and medium-sized entities engaged in the production of specific industrial products (Sakata, 2017a).

Table 18.2. Communes with Non-Agricultural Employment Opportunities (%)

Commune	2010	2020
Kinh and Hoa	82.7	91.0
Ethnic minority	41.4	57.0

Note: Specifically, this shows the percentage of communes with non-agricultural employment opportunities within the communes or commuting distance.
Source: GSO (2021).

As shown in Table 18.3, the communes of ethnic minorities have witnessed poorer development than those of Kinh and Hoa communes. In particular, the presence of private pharmacies, radio relay stations, and markets is significantly less in ethnic minority communes than in Kinh and Hoa communes, indicating that ethnic minority communes tend to be left behind in the flow of goods and information. This situation may be related to the locations of ethnic minority communes, as ethnic minorities tend to live in remote areas.

Table 18.3. Commune-Level Economic and Social Infrastructure, 2020
(% of communes possessing)

Infrastructure	Kinh and Hoa	Ethnic Minority
Primary school	95.4	85.6
Lower-secondary school	89.2	78.5
Health station	99.6	98.4
State-owned pharmacy	16.3	12.1
Private pharmacy	92.3	58.4
Electricity	99.9	99.5
Post office	91.3	84.6
Radio relay station	93.3	70.9
Market	72.6	47.0

Source: GSO (2021a).

Such disparity is part of the background for the growing inequality in rural areas. The discussion based on Figure 18.1 and Table 18.1 above, together with the trends in the Gini coefficients by urban and rural areas (Table 18.4) – suggest that growing inequality in rural areas is a more serious problem than the inequality between urban and rural areas. Inequality in rural areas can be viewed from two aspects – inequality within the same region (i.e. intra-rural inequality) and inequality amongst regions (i.e. inter-rural inequality). The inequality between Kinh and Hoa communes can be considered and ethnic minority communes can be considered is the main background for inter-rural inequality.

Table 18.4. Gini Coefficients, Viet Nam

Year	Whole Country	Urban	Rural
2006	0.424	0.393	0.378
2008	0.434	0.404	0.385
2010	0.433	0.402	0.395
2012	0.424	0.385	0.399
2014	0.430	0.397	0.398
2016	0.431	0.391	0.408
2018	0.424	0.372	0.407
2019	0.423	0.373	0.415
2020	0.375	0.330	0.373

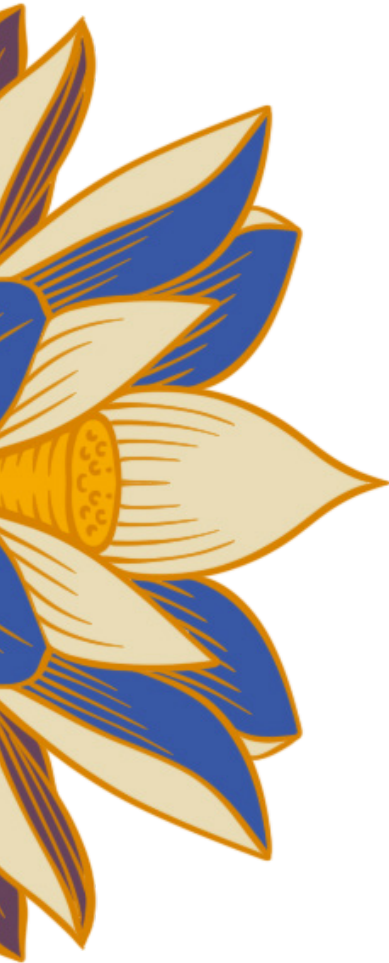
Source: GSO (2021b).

Inequality in rural areas can be better explained by intra-rural inequality, however. The World Bank (2012) broke down the overall inequality in Viet Nam by the following five factors: (i) urban–rural inequality, (ii) inter-rural inequality in different regions, (iii) intra-rural inequality in the same region, (iv) inter-urban inequality in different regions, and (v) intra-urban inequality in the same region. The analysis showed that intra-rural inequality in the same region is the largest contributor to overall inequality (World Bank, 2012:151). Intra-rural inequality, therefore, best demonstrates inequality at the individual and household level.

2.2. Inequality at the Individual and Household Level

Benjamin, Brandt, and McCaig (2017) – who analysed the determinants of rural inequality without distinguishing between inter-rural and intra-rural inequality – found that while agricultural income remains a determinant of rural inequality, non-agricultural wage income is gaining importance. This is probably due to the acceleration of de-agrarianisation in rural areas, as noted in the previous subsection. The percentage of rural households whose main income comes from the non-agricultural sector increased from 42.5% in 2011 to 59.2% in 2020 (GSO, 2021a). Yet in some areas of the Mekong Delta, while non-agricultural income is becoming increasingly important as a determinant of income inequality, the inequality is mostly rooted in the size of farmland holdings from the previous generation (Kojin, 2020).⁵ In general, access to non-agricultural income opportunities and access to agricultural land appears to be the main factors defining intra-rural inequality.

⁵ As the determinants of intra-rural inequality have become more diverse and complex with the diversification of livelihoods in rural areas, regional differences have emerged. In particular, the importance of the size of farmland holdings in intra-rural inequality is exceptionally observed in the Mekong Delta, according to Ravallion and van de Walle (2008) and Đỗ (2018).



According to various studies (World Bank and MPI, 2016; Oxfam, 2017; Benjamin, Brandt, McCaig, 2017), ethnic minorities, migrant workers, women, people with disabilities, and smallholder farmers have been disproportionately behind in economic growth. These groups are generally economically poor; face poor infrastructure and institutional constraints; and do not fully benefit from growth in terms of education, health, and sanitation. They are also physically and institutionally disadvantaged in terms of access to productive capital, often unable to find employment opportunities that would lead to higher incomes and are thus unable to escape poverty.

The situation is particularly serious for ethnic minorities. According to the World Bank (2021a), the poverty rate amongst ethnic minorities in Viet Nam was as high as 66.3% in 2010, but it shrunk significantly to 37.1% in 2018.⁶ The gap with the Kinh and Hoa is large (i.e. the Kinh and Hoa poverty rate was 12.9% in 2010, falling to only 1.1% in 2018); thus, poverty is becoming concentrated amongst ethnic minorities. Indeed, as of 2018, ethnic minorities accounted for only 15% of the total population, but their share of the poor was 86% (World Bank, 2021a:9). Compared to the Kinh and Hoa, ethnic minorities tend to have lower levels of educational attainment and nutritional status as well. They are more prone to disease due to this poor nutritional status, while they often lack adequate access to sanitation, clean water, and health care. Low educational attainment and poor health status are factors that prevent them from obtaining employment opportunities in the non-agricultural sector that would lead to higher incomes.

This vicious cycle seems to persist across generations. As of 2020, the percentage of communes with child malnutrition problems stood at 12.4% in Kinh and Hoa communes, compared to 27.4% in ethnic minority communes (GSO, 2021b:770). Many ethnic minorities were unable to escape poverty in the 2000s and 2010s, when Viet Nam's economy experienced rapid economic growth (World Bank, 2012; Oxfam, 2017; Mbuya, Atwood, and Huynh, 2019). Although the labour force shift from agriculture to industry has basically occurred across all ethnic groups in Viet Nam, ethnic minorities remain highly dependent on agriculture and forestry (Table 18.5).

⁶ World Bank (2021a) defined a per capita daily consumption expenditure of \$3.34 at 2011 purchasing power parity as the poverty line.

Table 18.5. Main Economic Activities, Aged 15 Years and Over (%)

Year	Ethnicity	Agriculture	Forestry	Fishery	Industry	Construction	Wholesale and Retail	Other Services
2010								
	Kinh,	35.0	0.5	2.9	19.1	7.5	13.8	21.4
	Ho							
	Other	75.6	1.6	1.0	11.0	2.3	2.4	6.2
2020								
	Kinh,	19.0	0.4	3.0	27.5	8.9	15.4	25.9
	Ho							
	Other	59.5	5.3	1.1	14.4	7.9	4.2	7.7

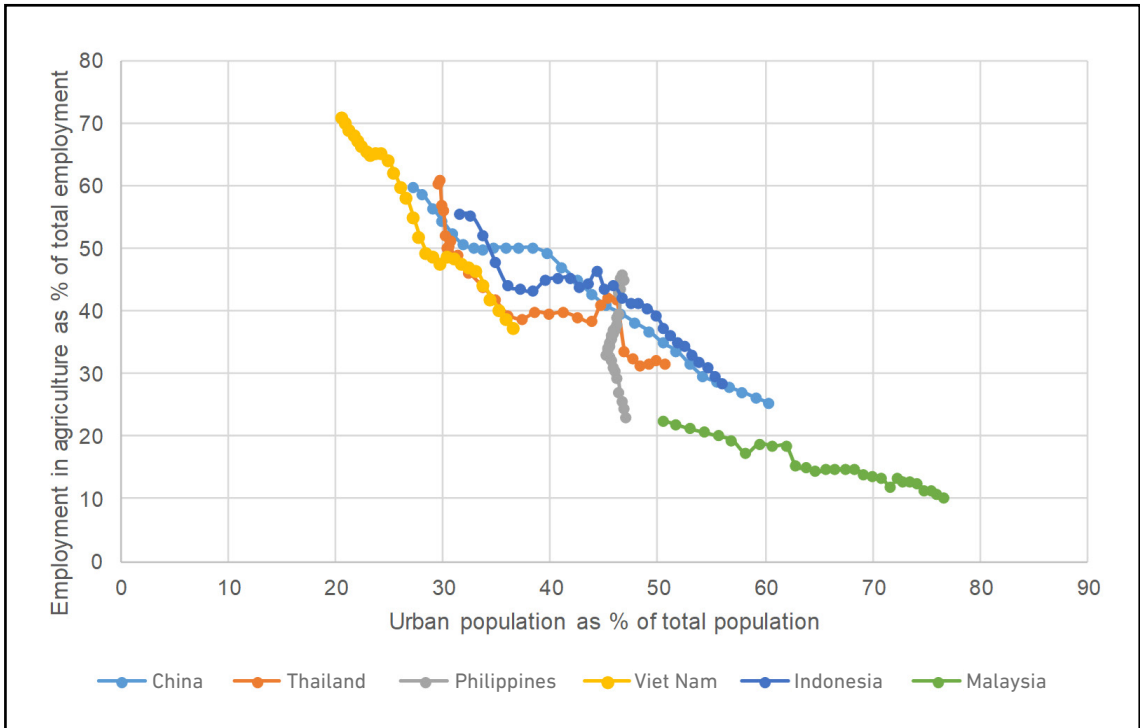
Source: GSO (2021).

Along with ethnic minorities, rural-to-urban migrant workers often have low standards of living. In Viet Nam, the rural-to-urban population inflow has not been as rapid as it could have been, given the labour force shift from agriculture to non-agriculture, probably due to the development of rural areas (Figure 18.2). Nevertheless, inequality within rural areas is growing, and many people who cannot earn sufficient incomes in rural areas migrate to big cities such as Ha Noi and Ho Chi Minh City or to emerging cities such as Da Nang, Dong Nai, and Binh Duong. Therefore, the urban population as a percentage of the total population has increased by nearly 20 percentage points in about 30 years (Figure 18.2). The presence of rural-to-urban migrant workers is the main factor explaining this trend.⁷



⁷ However, according to Luong (2018), from the 2000s to the early 2010s, the pattern of migration changed. While migration for the purpose of higher education rose, migrant workers were increasingly returning to their native rural communities for economic reasons as well as out of a sense of obligation to take care of their parents and/or children.

Figure 18.2. Labour Force Shift from Agriculture due to Urbanisation



Note: Data are from 1991 to 2019.

Source: World Bank, World Development Indicators, <https://databank.worldbank.org/source/world-development-indicators> (accessed 31 October 2022).

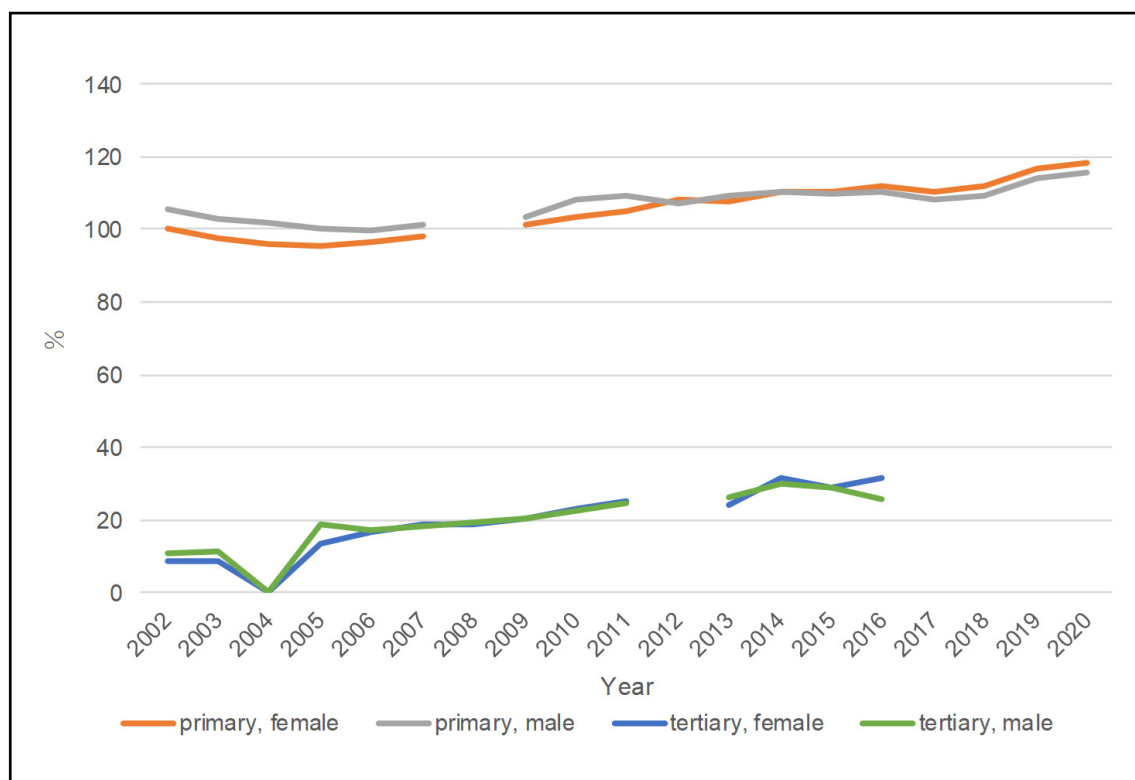
Many migrants are engaged in informal low-wage work – such as street peddling, garbage collection, and day labour at construction sites – and their lives are far from affluent, both in terms of housing and consumption levels, especially in the face of high urban living costs. Numerous studies have pointed out that migrant workers face many difficulties in accessing better housing and public services, such as schools and hospitals, because it is difficult to obtain the necessary permanent household registration (*hộ khẩu*) in their urban destinations (Luong, 2009; World Bank and MPI, 2016; La, Tran, Nguyen, 2019). Migrant workers without permanent household registration are also not eligible for support measures for the poor, such as discounted electricity rates (De Luca, 2017).

Furthermore, the plight of left-behind children in rural areas should not be overlooked. While migrant labour can have the positive effect of increasing educational investment in children through higher incomes, negative impacts on left-behind children due to the absence of parents – especially mothers – can cancel out such economic benefits. According to Ligg (2016) and Nguyen (2021), children left behind in rural areas tend to perform poorly academically, because they are working, are not cared for, and/or suffer psychologically from parental absence. In addition, the nutritional status of these children is generally poor because caregivers are often unable to prepare enough food, or the children are too depressed to eat.

As the situations of ethnic minorities and migrant workers demonstrate, the vicious cycle of poverty tends to persist from generation to generation. The Great Gatsby Curve shows that there is, in general, a negative correlation between income inequality and intergenerational social mobility – that is, the greater the income inequality, the less likely intergenerational social mobility is to occur (Kruger, 2012; Corak, 2013). Oxfam (2018) noted that Viet Nam is not far off this curve; intergenerational mobility in Viet Nam is low given its Gini coefficients. According to Oxfam (2018), those left behind from growth tend to have less intergenerational social mobility, whether by income, occupation, or skill.

Regarding gender inequality in Viet Nam, women have less access to education and assets – such as land – than men, putting them at a disadvantage in obtaining wage employment opportunities or starting businesses (Oxfam, 2017). Concerning education, however, the situation has improved (Figure 18.3). At both the primary and higher education levels, males had higher enrolment rates than females in the 2000s, but in the 2010s, females began to outnumber males.

Figure 18.3. Gross School Enrolment Rate by Sex, 2002–2020 (%)



Source: World Bank, World Development Indicators, <https://databank.worldbank.org/source/world-development-indicators> (accessed 31 October 2022).

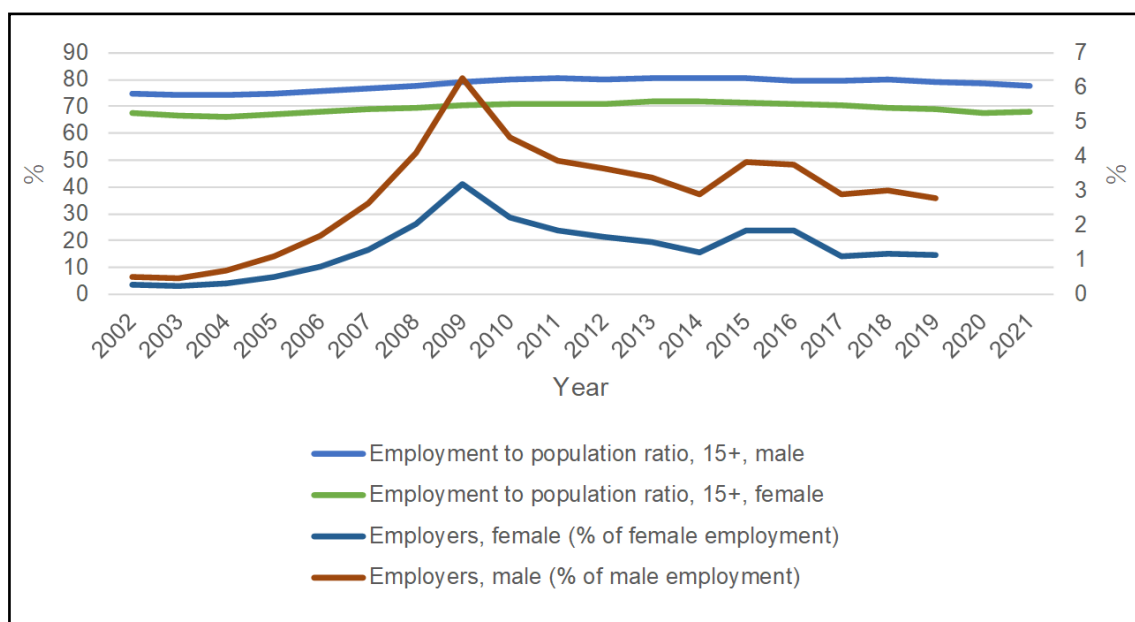
Yet female attainment rates are still lower than those of males at all stages of education (Table 18.6). There is also a clear difference between males and females in terms of employment status after finishing school. Females are less likely than males to be employed, and their share as employers is notably smaller (Figure 18.4). Overall, women still tend to be left behind economically, although this situation is moving in the direction of improvement.

Table 18.6. Educational Attainment Rate in the Population over Age 25 Years (%)

Degree	Sex	2009	2019
Lower secondary	Male	71.2	69.6
	Female	59.4	61.3
Upper secondary	Male	30.4	34.5
	Female	21.4	29.5
University (Bachelor's)	Male		11.0
	Female		9.5

Source: World Bank, World Development Indicators, <https://databank.worldbank.org/source/world-development-indicators> (accessed 31 October 2022).

Figure 18.4. Employment Status by Sex, 2002–2021 (%)



Source: World Bank, World Development Indicators, <https://databank.worldbank.org/source/world-development-indicators> (accessed 31 October 2022).

3. Structural Challenges

The government has taken steps to address those who are left behind in growth, such as through increased spending on education and social security, continued increases to the minimum wage, farmland-use tax exemptions, and poverty reduction programmes. However, these policies and programmes have not necessarily led to fundamental solutions to inequality due to the following socio-economic structural problems.

3.1. Large Share of State Sector in Upper Social Strata

The Vietnamese social stratification framework presented by Đõ (2012) divides Vietnamese society into nine occupational strata, with each stratum ranked according to schooling, consumption, assets, and occupational prestige: (i) political leaders, (ii) managers of enterprises, (iii) high-level professionals, (iv) office clerks, (v) services and sales workers, (vi) technical workers, (vii) craft workers, (viii) non-agricultural unskilled workers, and (ix) farmers/farm labourers. Đõ (2012: 62), using the VHLSS, demonstrated that the higher the hierarchy, the lower the number of people included – and the larger the share of the state sector.

However, since the 2000s, with the development of the market economy and globalisation, elite positions in the non-state sector have also increased, allowing some opportunities for people without formal connections to the state sector to enter into elite positions (Fujita, 2020). As a result, dual pathways to socio-economic advancement have emerged – the state pathway, which tends to require educational credentials and familial connections, and the private pathway, in which entrepreneurship and risk tolerance are important (Kojin and Coxhead, 2020).

Nevertheless, the expansion of elite jobs in the non-state sector has not – so far – resulted in enough change to overturn the situation where many elite jobs that require education are within the state sector. According to Phan and Coxhead (2013, 2020), the expansion of the unskilled labour market in the non-state sector associated with the foreign investment boom has led to a lower rate of return on education, especially for low-income groups. The expansion of the unskilled labour market instead increased the opportunity costs associated with higher education for low-income groups. While opportunities to obtain a full return on educational investments outside of the state sector are still scarce, employment in the state sector often requires conditions beyond an individual's ability and effort, such as familial connections. Thus, poor families without such conditions – especially ethnic minority families – tend to refrain from investing in education because of the low likelihood of earning a return on their educational investments (Phan and Coxhead, 2013, 2020).

Moreover, according to Coxhead, Nguyen, and Vu (2019), due to these labour market conditions as well as the customs of traditional societies, geographic mobility – through migration and other means – is low amongst ethnic minorities. Those who remain within the community are thus highly dependent on agriculture. Coxhead, Nguyen, and Vu (2019) noted that this is one of the factors contributing to the persistence of poverty in ethnic minority communities.

3.2. Significant Presence of the Informal Sector

Although the Vietnamese economy has experienced rapid high growth since the 2000s, the informal sector remains significant – even in the 2020s (Table 18.7). Almost all employment in the agricultural sector is informal. Even in the non-agricultural sector, the share of informal employment of the population never fell below 50% throughout the 2010s, and informal employment continues to account for around 70% of the economy. The share of informal employment in the non-agricultural sector had been gradually declining, but after the COVID-19 pandemic, it has grown again (VOV, 2022).

The informal economy is composed of workers without education or skills as well as small and low-productivity entities. While there is a notable disparity amongst enterprises – specifically disparity between a very small number of large enterprises and most small enterprises – there is even greater disparity amongst the entities that make up the informal economy and these enterprises. The entities that make up the informal economy are micro entities – not even small enterprises. As the informal economy is not covered by labour laws and social security, working conditions and business conditions tend to be very poor (ILO, 2018). Although the minimum wage has been raised repeatedly in Viet Nam, informally employed workers are not covered by this measure; their wages are generally very low.⁸ In addition, small and micro entities in the informal economy are not eligible for business support measures. Many lack financial resources and are unable to raise funds from banks, making it difficult for them to expand the scale of their operations and to introduce new technology and equipment. As a result, the working environment is poor from the standpoint of health and safety.

Table 18.7. Informal Employment by Economic Activity
(%)

Year	Total	Agriculture	Non-Agriculture
2013	79.5	99.2	62.2
2014	76.9	99.2	57.6
2015	75.5	98.9	57.1
2016	74.1	98.8	56.3
2017	73.3	99.1	56.1
2018	71.4	98.7	54.9
2019	69.7	99.1	54.2
2020	69.2	98.8	54.9
2021	70.4	98.7	60.1

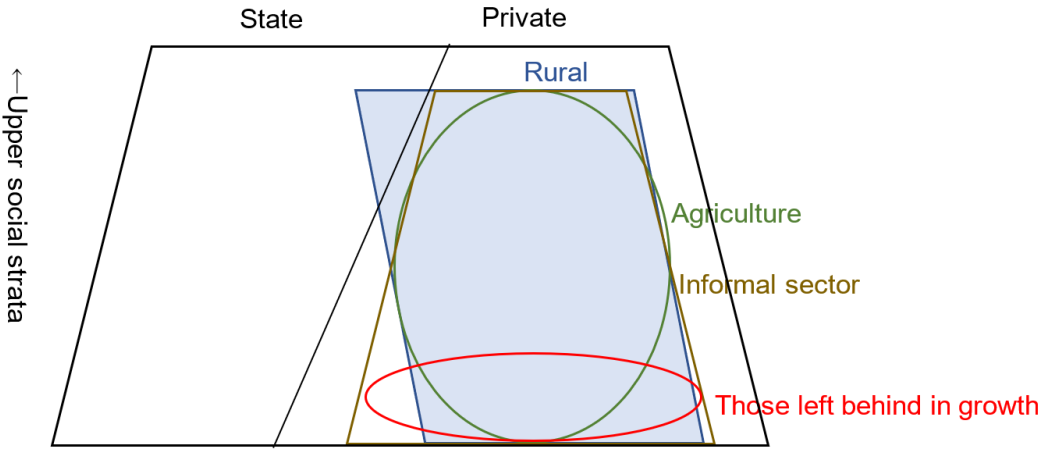
Source: ILO, Statistics on Employment, ILOSTAT, <https://ilostat ilo.org/topics/employment/> (accessed 31 October 2022).

⁸Some informally employed workers appear to receive relatively high wages. Sakata (2017a) found that informally employed workers in craft villages engaged in steel production receive higher wages than the average worker. However, this is compensation for working under poor conditions that may put their lives at risk.

3.3. Structural Barriers around Those Left Behind

Figure 18.5 examines the position of those left behind from growth in Vietnam's socio-economic structure. In Vietnamese society, there are spheres in which social upward mobility can be achieved through the state pathway as well as spheres in which it can be achieved through the private pathway. Although there is some mobility between the two (Kojin and Coxhead, 2020), many of the occupations that are positioned in the upper social strata are in the state sector; these can only be reached through the state pathway. In addition, there are more opportunities for economic upward mobility in rural areas than in urban areas – even without education or connections – but many of these occur in the informal sector. Although they are exempt from taxation, they are not covered by social security or other formal benefits. Some people have achieved economic advancement by starting businesses or developing large-scale farms in the rural informal sector. Yet those left behind from growth have not seized these opportunities and are either farming on small plots of land or working in unskilled non-agricultural jobs in rural or urban areas with low wages and poor working conditions.

Figure 18.5. Socio-Economic Structure around Those Left Behind



Source: Author.

It is noteworthy that those left behind may voluntarily choose low-wage informal employment. As noted by Phan and Coxhead (2013, 2020), the poor who have been left behind have decided that it is a rational choice to refrain from investing in education and to work in the low-wage unskilled labour market, given the socio-economic structure. Sakata (2017a) also noted the reality that informally employed workers in craft villages – who often work under harsh conditions – are not necessarily forced to stay there, but rather choose these flexible forms of employment that are not bound by contracts, taking into account the division of labour within a household. These arguments suggest that inclusive growth will not be achieved simply by providing direct support in education and other areas to those left behind.

4. Conclusions

Viet Nam has always suffered from various disasters, but in recent years, the country has been hit by historic typhoons, torrential rains, floods, erosion, droughts, and salinity intrusion. According to Bangalore, Smith, and Veldkamp (2019), coastal areas – that are home to about 70% of Viet Nam's population – are at risk of residential erosion and major flooding. Floods often damage employment for those involved in agriculture, aquaculture, and tourism, many of whom are already poor. The Mekong Delta, with its low elevation, is particularly vulnerable to climate change. The increase in natural disasters associated with climate change has already imposed restrictions on agri-based livelihood activities in the delta, and many poor people whose livelihoods are threatened have been forced to migrate out of the Mekong Delta (Vu et al., 2021).

During the COVID-19 pandemic, the increased burden of household chores and caregiving associated with school closings and other circumstances limited women's labour market participation, as women reduced their working hours or retired from the workforce (World Bank, 2021b). While the digital economy developed rapidly during the pandemic, those left behind – such as poor households, small businesses, and non-metropolitan areas – were also left behind in terms of adapting to digital technology and continuing education (World Bank, 2021b; Trần, 2021).

Thus, amid new trends, such as climate change and digitalisation, the vulnerability of the groups and regions left out of growth is becoming amplified. To include them in growth and to achieve inclusive growth, direct support for these groups and regions is needed.

Short-term measures include income redistribution through the expansion of social protection. Under the current social protection system, public insurance – social insurance, health insurance, and unemployment insurance – does not cover all citizens, partly because informal employment accounts for a large proportion of the workforce. Support through family and kinship ties has supplemented such deficiencies, but the nature of family is changing. The challenge is to expand public insurance coverage to all segments of the population, including informally employed workers. There will also be a continuing need to provide social assistance to the poor, persons with disabilities, and other groups left behind. Given that many of those left behind live in remote areas with limited access to banking infrastructure, the introduction of e-payments in the provision of social insurance and assistance should also be considered, as noted by the World Bank (2019).

In addition to these short-term measures, medium- and long-term measures include supporting the education of those left behind and encouraging infrastructure improvement and industrial development in regions left behind.

The World Bank and MPI (2016) noted that improving access to education for ethnic minority children is a top priority. Oxfam (2018) and World Bank (2021a) emphasised the importance of promoting upper-secondary education, which is required for upwards skills mobility. In addition to improving access to education, improving its quality is also an important issue. Due to the low quality of existing education in areas with large ethnic minorities, education does not always lead to high-income jobs (Oxfam, 2018). In particular, the expansion of digital education for those groups and regions left behind is key, given the recent progress of digitalisation.

For migrant workers, obtaining permanent household registration in urban areas should be made easier (World Bank and MPI, 2016). However, a rapid increase in urban populations may cause problems in keeping up with the development of urban infrastructure. Also, based on lessons from the pandemic, it would be wise to avoid population concentration in urban areas (Trần, 2021). As a trend is emerging of migrant workers returning to their native villages out of an obligation to care for children and/or parents, employment opportunities should be expanded that allow people to commute from such rural areas. Several companies are already operating commuter busses (*Xe chở công nhân*) from rural areas to industrial parks. In addition to these efforts, the development of public transport infrastructure, such as roads and railways, would enable more people to commute. It is also important to strengthen agriculture and to encourage the development of non-agricultural activities in regions left behind.

Furthermore, a long-term commitment to socio-economic structural change is required. Specifically, the expansion of the formal sector is crucial. To achieve this, the formalisation of the informal sector, as pointed out by Sakata (2017a), should be considered. The conversion of individual business establishments (*cơ sở cá thể*) – the main constituents of the informal sector – into enterprises will expand the number of entities and workers eligible for social security and other public support, as well as open possibilities for financing and technology adoption (Sakata, 2017a:156–7). Sakata (2017a) pointed to this as a challenge in the development of craft villages, but it will also be an important challenge to inclusive growth.

In addition, it is necessary to support the development of private enterprises through improvement of the business management environment. If private enterprises continue to expand white-collar jobs – such as high-level professionals and office clerks – this will increase opportunities for diverse groups, including those with disadvantaged family backgrounds, to achieve social upward mobility.

The above measures are expected to benefit the newly expanding middle class. Although in terms of income level it has expanded significantly, according to Bonnet and Kolvev (2021), the middle class in Viet Nam is more like the poor than the affluent class in terms of education level, number of children, and incidence of informal employment. Therefore, it can be assumed that the measures for the groups and regions left behind are consistent with the demands of the middle class. Demands specific to the middle class – specifically greater political transparency, broader civic participation, and avoidance of excessive inequality – are also expected to become increasingly apparent (World Bank and MPI, 2016). The inclusion of the middle class in growth is essential for maintaining political and social stability; thus, these must be properly identified and addressed.

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