Decomposing Inclusive Growth: Application to Household Survey Data in Vietnam *

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Abstract

Ray and Genicot (2023) proposed a novel metric of upward mobility that also captures the broader concept of inclusive growth. Building on this framework, we develop several decomposition approaches using household-level data to identify the key drivers of inclusive growth. We apply these methods to Vietnam, a country that has experienced rapid yet relatively equitable economic development in recent decades. Our analysis shows that rural residents–who initially lagged behind–experienced greater gains in inclusive growth than their urban counterparts, contributing substantially to national-level progress. In contrast, changes in household demographic characteristics such as education and employment status played only a limited role. This limited contribution appears to reflect the fact that the poorest segments of the population were predominantly low-educated elderly individuals, who did not directly benefit from recent improvements in educational attainment and largely remained in the agricultural sector. Instead, regional economic performance emerged as a key driver of inclusive growth. These findings highlight the importance of complementing economic growth with the expansion of social protection systems–such as old-age pension programs–to ensure that the gains of development are broadly shared.

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