

Policy brief: Diversity Among Rapid Transformation: Welfare Dynamics in Rural Vietnam, 2006 to 2012

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- This policy brief summarises an in-depth study that uses four rounds of data collected by the Vietnam Access to Resources Household Survey (VARHS) from 2006 to 2012
- The study studies changes in household welfare in 12 provinces in rural Vietnam.
- Results show impressive progress on average in terms of each of the three welfare measures: food expenditure, household income and assets.
- But this average success story hides significant variation: there are large differences in progress by province, and within all provinces a large minority of households did not increase their welfare.
- Households with more productive assets and higher levels of education were much more likely to have higher welfare.
- However, ethnic minorities were much less likely than the average household to have increased food expenditure. They also have lower assets and income.
- Economic growth has benefited many rural households. Household data suggests that policy should now focus on ethnic minority households and areas that have not shared equally in these benefits.

Introduction

To provide a resource for policymakers, the Vietnam Access to Resources Household Survey (VARHS) has been implemented in 12 provinces of Vietnam. This policy brief summarises an in-depth study using data collected in the 2006, 2008, and 2010, 2012 rounds of the survey.

A central feature of the 2006, 2008, 2010 and 2012 surveys is their panel structure, with over 2,100 households surveyed in all four rounds. We evaluate changes in households' welfare by measuring changes over time in:

- Spending on food
- Income
- Ownership of assets

Attrition for 2006-2012 is 8.4%, which is not substantial (the key findings discussed here account for the effect of this attrition on the sample).

Welfare can have several different definitions, but we expect that food consumption, income, and asset ownership are strongly related to many other measurements of welfare.

Food expenditure, income, and assets

Food expenditure is an intuitive measure of household welfare, since we value food consumption for its own sake (consuming more and better food) and also as a measure of welfare since when households become richer they consume more food that is higher quality, giving researchers a useful measure of how much

rural households are benefiting from national economic growth.

The average level of food expenditure is significantly lower in the provinces of the North East and North West (Lao Cai, Lai Chau and Dien Bien) than anywhere else; throughout the period levels of food expenditure tend to be highest in Long An in the south, Dak Nong in the Central Highlands, and Khanh Hoa in the south central coast, excepting a serious shock experience in 2008. The fastest growth is experienced over the period in Ha Tay and Phu Tho, provinces relatively close to the capital Hanoi.

The level of food expenditure is consistently twice as high among the most educated 25% of households compared to the least educated 25% of households, and consistently twice as high among households from the majority kinh group compared to the non-kinh minority.

A similar analysis in terms of household income (which is quite comprehensively measured in the survey) shows similar patterns.

Many of the differences across provinces in consumption or income are also very apparent in asset ownership, summarised by an index that includes a variety of physical assets (like land, and quality of housing), human capital measures (education), and social capital measures (membership in groups / associations).

In particular, more educated households, households that are of the Kinh majority, and the households with migrants have significantly higher asset levels than those without these categories, and the North-eastern and North-western provinces remain the poorest judged by levels of asset ownership.

The analysis again here shows a pattern of significant accumulation over this period in most categories, and maybe here some evidence of catching up: the non-kinh minority and households without migrants have shown larger increases in their asset ownership over the period 2006-12 compared to their counterparts.

But at the same time the level of assets owned has marginally declined over the period in Lao Cai province, the same province where growth in both food consumption and income was very slow over the period.

Comparing the level of income across provinces, Lai Chau and Dien Bien unambiguously have the lowest levels, and the province with the highest reported average income in 2012 is Long An.

Changes in Consumption, 2006-2012

| 2012 food spending quintiles | | | | | | |
|------------------------------|-----|-----|-----|-----|-----|-------|
| 2006 food spending quintiles | 1 | 2 | 3 | 4 | 5 | Total |
| 1 | 159 | 94 | 70 | 40 | 47 | 410 |
| 2 | 92 | 96 | 89 | 71 | 59 | 407 |
| 3 | 79 | 87 | 94 | 86 | 62 | 408 |
| 4 | 52 | 75 | 77 | 102 | 105 | 411 |
| 5 | 27 | 58 | 78 | 110 | 136 | 409 |
| Total | 409 | 410 | 408 | 409 | 409 | 2,045 |

Finally, the table above summarises mobility between quintiles for food spending between 2006 and 2012. This table is about relative mobility and is therefore likely to be less affected by issues associated with adjusting for inflation over time. This table shows a lot of mobility.

Much less than half of the households that were in the bottom or top quintile in 2006 were in the same quintile by 2012; this shows a very high degree of mobility. Some households have moved between the bottom and the top quintile (in both directions) over this period, and in general there are quite a lot of movements of more than one quintile group. Mobility is still greater in the middle quintiles and in the food expenditure table.

There is apparently greater movement in food expenditure quintiles than income quintiles, which is somewhat surprising because it might be expected that food expenditure would be more stable over time than income.

Patterns of welfare and welfare change: what can we conclude?

All measures are reasonably consistent in identifying Lai Chau, Dien Bien and Lao Cai as the poorest provinces, and a number of measures suggest that Dak Nong, Long An and Ha Tay are often the best-performing provinces, measured by average household welfare.

But for the remaining provinces there are

significant differences between the different welfare measures and sometimes for the same welfare measure between one year and the next.

Long An is in fact ranked low according to the asset measure though not according to income or food expenditure; it seems that here high incomes do not necessarily translate into the household spending on accumulating assets.

Quang Nam is relatively well off and improving ranking in terms of food expenditure, towards the middle of the distribution (and dropping) in terms of assets but relatively low in its ranking in terms of income.

In several other cases, there is quite a lot of variability between years in terms of the same welfare measure; in 2006 Khanh Hoa and Lam Dong are at the top of the ranking according to food expenditure, but in 2008 they are in the lower half of the distribution, for example. What causes changes in welfare?

Regression analysis allows researchers to find out which household characteristics measured in the VARHS are related to changes in welfare. (The analysis accounts for the fact that some households have been excluded from the analysis because of attrition.)

Based on analysis of 2,296 households, some clear findings emerge:

- Household size is negatively associated with growth in food expenditure, but having more household members working in the base period is positively associated with the growth in food expenditure
- A higher level of education has a positive association with food expenditure growth, with a magnitude of around 3% per annum, and some assets (telephones, motorcycles) are also associated with growth in food spending
- Being from an ethnic minority reduces growth in food spending by -18%, and this effect is still large and negative when accounting for households that are remote
- Ethnic minorities also have substantially lower average levels of food consumption
- Migration has a strong and positive influence on food consumption.

The full paper also looks at changes in an index of assets (summarising various measures of physical wealth, human capital, and social capital) and household income. There are substantial differences across provinces, but two consistent results are that

- Households in Northern upland provinces are worse-off
- Ethnic minorities are worse off than Kinh households even when accounting for the households being remote (far away from markets or infrastructure)

Conclusions

The overall picture in rural Vietnam is positive, with the *average* household welfare increasing between 2006 and 2012 amongst households surveyed by VARHS. This confirms data from other sources, including household surveys by the GSO and analysis by MoLISA. This is true whether we examine food consumption, household income, or household ownership of assets.

But some groups and geographic areas are consistently losing out during this period of overall growth, and are not “catching up” with other households.

- Households in Lao Cai province has failed to make significant progress over this period, even though the average household in other provinces in the North West did see gains.
- Households with higher levels of productive assets, including education, social capital (membership in political and social groups), and productive assets (like land) are more likely to become better off
- Households that experience natural shocks (like crop damage from flooding) or economic shocks (like falling sick) experience lower growth rates in welfare by any measure. This suggests the government should continue to invest in the safety net for poor households.
- Ethnic minorities continue to be “left behind” and are not experiencing increased food expenditure, household income, or asset holdings. The VARHS data show that much progress can still be made to improve welfare.

The final point must be emphasised. Despite many high-profile efforts to assist ethnic minority groups in Vietnam, household data show that being of a non-Kinh ethnicity remains a big disadvantage in rural Vietnam.