Urban Poverty in Vietnam: Determinants & Policy Implications

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Motivation

- Poverty in Vietnam is widely considered as a rural phenomenon.
- No previous studies on determinants of urban poverty and income.
- Questions to be answered:
  - Poverty targeting: who are the urban poor?
  - Is urban poverty permanent or transitory?
  - Inequality in urban areas: intensity? difference between the two cities?
Outline

- Urban poverty and characteristics of the urban poor
- Determinants of poverty, income and consumption expenditure in HN and HCM City
- Analysis of dynamic poverty
- Policy implication & conclusion
Data and Methodology

- **Main dataset:** Urban Poverty Survey (UPS) 2009
  - 1,637 households/individuals in Hanoi and 1,712 in Ho Chi Minh city (Including migrants)

- **Poverty line:** HCM City Poverty line
  - 1 million VND/month

- **Income instead of expenditure**
## Poverty rate (%) by different income lines

<table>
<thead>
<tr>
<th>Poverty line (thousand VND/year)</th>
<th>National pov. line</th>
<th>Hanoi pov. Line</th>
<th>HCM City pov. line</th>
<th>1.25$ PPP/d day</th>
<th>2$ PPP/day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hanoi</td>
<td>1.27</td>
<td>1.56</td>
<td>17.38</td>
<td>1.34</td>
<td>4.57</td>
</tr>
<tr>
<td>HCM city</td>
<td>0.31</td>
<td>12.52</td>
<td>12.52</td>
<td>0.29</td>
<td>2.08</td>
</tr>
<tr>
<td>Total</td>
<td>0.65</td>
<td>8.71</td>
<td>14.21</td>
<td>0.65</td>
<td>2.95</td>
</tr>
</tbody>
</table>
Characteristics of the urban poor

- Small households with one to two members.
- Female-headed or young-headed households
- Lower education and low skilled jobs
- Migrants (without legal registration)
- The poor live in poorly-conditioned houses: much lower access to tap water and flush toilet.
- On average, income of the non-poor is ten times higher than that of the poor.
- Similar income and consumption patterns between the poor and non-poor.
Determinants of urban poverty

Model:  \[ P(PI = 1 | X) = G(\alpha + X\beta) \]

*PI* is a binary indicator of poverty status,
*PI* = 0 when a household is above poverty line
*PI* = 1 when below the (HCM City) poverty line

*X* is a vector control variables

- Individual/household characteristics: household composition; human assets, physical asset, policy variables
Model results

- Lower education => poorer.
- Lower skilled workers => poor.
- Higher proportions of children => poorer.
- Unmarried heads => poorer.
- Physical assets (motorbike, housing) are strongly related with poverty status.
- Having health insurance significantly lower the probability of being poor.
Dynamic aspects of urban poverty

- Stochastically non-poor
- Structurally non-poor
- Structurally poor
- Stochastically poor
## Dynamic aspects of poverty

<table>
<thead>
<tr>
<th>Cities</th>
<th>Poor</th>
<th>Structurally poor</th>
<th>Stochastically poor</th>
<th>Stochastically non-poor</th>
<th>Structurally non-poor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td><strong>The poverty line of HCM city</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Urban</strong></td>
<td></td>
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</tr>
<tr>
<td>Hanoi</td>
<td>6.61</td>
<td>1.26</td>
<td>5.34</td>
<td>3.48</td>
<td>89.48</td>
</tr>
<tr>
<td>HCM city</td>
<td>10.36</td>
<td>1.69</td>
<td>8.67</td>
<td>3.51</td>
<td>85.23</td>
</tr>
<tr>
<td>All</td>
<td>9.29</td>
<td>1.57</td>
<td>7.72</td>
<td>3.50</td>
<td>86.45</td>
</tr>
<tr>
<td><strong>Rural</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hanoi</td>
<td>34.01</td>
<td>17.91</td>
<td>16.10</td>
<td>12.33</td>
<td>53.66</td>
</tr>
<tr>
<td>HCM city</td>
<td>21.63</td>
<td>5.58</td>
<td>16.05</td>
<td>16.00</td>
<td>58.87</td>
</tr>
<tr>
<td>All</td>
<td>28.09</td>
<td>12.02</td>
<td>16.08</td>
<td>14.08</td>
<td>56.15</td>
</tr>
</tbody>
</table>
Conclusions & Policy Implication

- Hanoi has higher poverty rate but higher per capita income as compared to those of HCM city.
- Large proportion of the poor are found stochastically poor, tends to be higher in urban areas => short-run support to help this group escape from poverty.
- The proportion of structurally poor is low, especially in urban areas.
- The proportion of stochastically non-poor is rather high, especially in rural areas => protection policies to protect them from falling into poverty.