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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

	National pov. line	Hanoi pov. Line	HCM City pov. line	1.25$ PPP/day	2$ PPP/day
Poverty line (thousand VND/year)	4,778 for urban; 3,701 for rural	6,000 urban, 3,960 rural	12,000	4,135	6,612
Hanoi	1.27	1.56	17.38	1.34	4.57
HCM city	0.31	12.52	12.52	0.29	2.08
Total	0.65	8.71	14.21	0.65	2.95

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: $P(PI = 1 \mid X) = G(\alpha + X\beta)$

  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
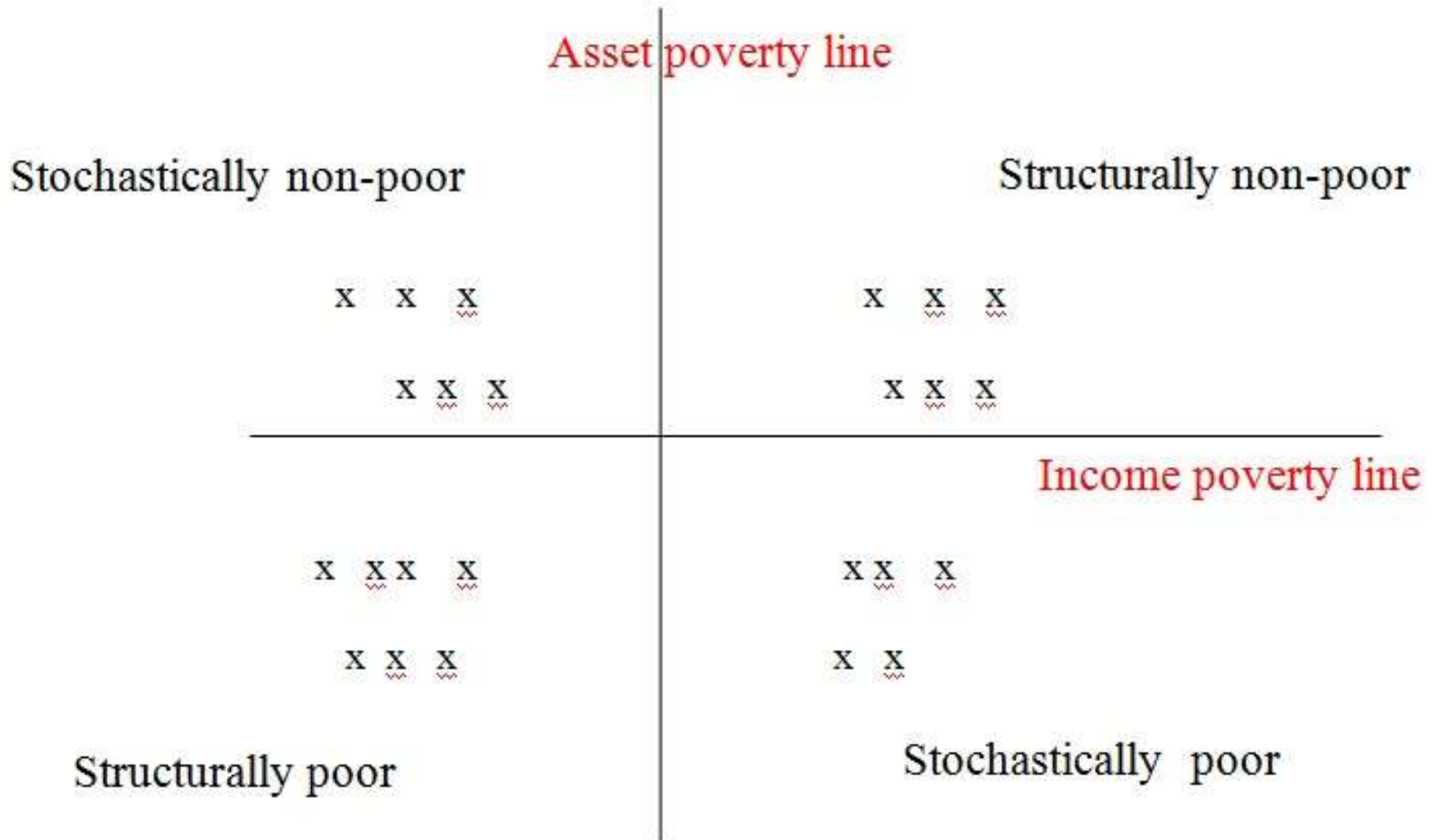
Model results

- 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

Dynamic aspects of poverty

Cities	Poor	Structurally poor	Stochastically poor	Stochastically non-poor	Structurally non-poor
The poverty line of HCM city					
Urban					
Hanoi	6.61	1.26	5.34	3.48	89.48
HCM city	10.36	1.69	8.67	3.51	85.23
All	9.29	1.57	7.72	3.50	86.45
Rural					
Hanoi	34.01	17.91	16.10	12.33	53.66
HCM city	21.63	5.58	16.05	16.00	58.87
All	28.09	12.02	16.08	14.08	56.15

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.