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Income Composition and the Perception of Income Fluctuation in Rural Households: Evidence from Thailand and Viet Nam

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Abstract

The concept of vulnerability to poverty continues to gain attention among researchers and practitioners of development because it better captures the dynamics and complexity of poverty as compared to the FGT (Foster-Greer-Thorbecke)-type poverty indicators. However measurement of vulnerability remains an issue because of the problem to choose appropriate vulnerability indicators the need for longitudinal datasets. In a DFG sponsored research unit (DFG 756) a comprehensive household survey drawing a representative sample of rural households in three provinces in Thailand and Viet Nam was conducted in 2007. A second survey wave that is presently underway to complete a panel data set for about 4,400 households, will establish a database suitable for advancing the vulnerability concept.

In this paper we investigate the composition of the household income aggregate. Comparison of total household and per capita income estimates to existing survey data like the Thailand household socioeconomic survey yields very close correspondence for Thailand and a reasonable correspondence for a more dated wave of the Viet Nam Household Living Standards Survey. While average household size does not differ very much between the two countries, incomes are more diversified in Thailand with a mean Simpson index of 0.53 and 0.48 for Viet Nam. The contribution of agriculture to total household income is only between 20–26 % in all provinces except for the province of Dak Lak, where coffee-production drives the agricultural income share above 45 %. On average of the three provinces in Thailand, remittances take a share of 13–19 %. In Nakhon Phanom, a province with relatively low per capita income, remittances are the 2nd largest contributor to household income. Subjective assessment of income fluctuation was obtained from the perception of the respondents on an ordinal scale. Interestingly perceived income fluctuation does not correspond closely with the income diversity indicator based on cross sectional data.

Keywords: Income diversity, rural livelihoods, Thailand, Viet Nam, vulnerability to poverty