

1. Background

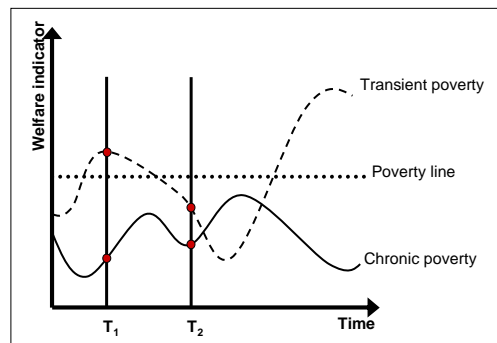


Figure 1: Time path of household welfare

The concept of vulnerability to poverty better captures the dynamics (Figure 1) and complexity of poverty than the FGT-type poverty indicators, which are based on retrospective cross-sectional survey data. On the other hand, there is so far no consensus on the relative merits of several proposed vulnerability indicators and studies based on longitudinal datasets required for such an evaluation are scarce. With the objective of contributing to closing this gap, a DFG research group has conducted two comprehensive household surveys among a representative sample of rural households in three provinces in Thailand and Vietnam in 2007 and 2008 (Figure 2). Such a panel data set is a suitable database for advancing the vulnerability concept.

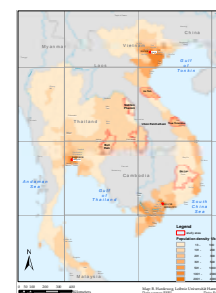


Figure 2: Research area

2. Objectives

- Report on household income and consumption aggregates from the 1st wave
- Compare income composition for both countries and provinces
- Relate income diversification and perception of income fluctuation

3. Results

Table 1: Per capita income (PCI), consumption (PCC) and poverty incidence (PI)

	PCI (PPP\$)	PI _{Income} ** (%)	PCC (PPP\$)	PI _{consumption} (%)
Thailand (3 provinces)	175.7	26.4		11.1
Buriram	160.1	30.6	140.4	12.7
Ubon Ratchathani	206.2	23.1	148.0	10.5
Nakhon Phanom	132.7	25.8	140.2	9.2
Vietnam (3 provinces)	108.3	47.5		25.8
Dak Lak	134.1	38.1	109.6	19.6
Thua Thien-Hue	96.5	44.0	102.9	19.2
Ha Tinh	87.7	60.0	87.8	36.3

Table 2: Share of different income components (%) and simpson index

Income source	Thailand			Vietnam		
	Buriram	Ubon Ratchathani	Nakhon Phanom	Dak Lak	Thien-Hue	Ha Tinh
<i>Observations</i>	808	944	391	745	710	693
Remittances	15.4	12.9	18.6	1.6	8.2	13.7
Owner-occupied dwelling	19.5	18.4	16.9	16.1	20.5	18.5
Land rent	1.1	0.7	0.7	0.8	0.1	0.0
Crop production	16.9	13.3	12.4	42.4	14.0	16.3
Livestock and aquaculture	4.9	6.6	4.4	3.7	5.3	11.9
Hunting, collecting/gathering	1.5	3.0	5.4	0.8	4.0	4.0
Off-farm employment	24.5	25.8	25.6	21.1	20.4	14.5
Non-farm self-employment	13.3	17.4	13.0	12.3	25.7	18.1
Interest earned on savings	0.7	0.2	0.0	0.2	0.0	0.0
Interest earned on savings	0.2	0.3	0.5	0.4	0.4	0.5
Public transfers received	1.6	1.2	1.8	0.5	1.2	2.0
Indemnities received	0.4	0.2	0.6	0.1	0.2	0.4
Simpson index	0.52	0.54	0.54	0.44	0.52	0.49

Table 3: Perception of income fluctuation and its effect on well-being

	Thailand			Vietnam		
	Buriram	Ubon Ratchathani	Nakhon Phanom	Dak Lak	Thien-Hue	Ha Tinh
Perception of income fluctuation (% of respondents)						
No fluctuation	23	43	23	41	58	40
Little fluctuation	55	41	57	59	40	60
Strong fluctuation	21	16	19	0	2	0
Perceived effect of income fluctuation on well-being (% of respondents)						
Low	21	25	15	64	60	41
Medium	40	44	48	34	35	50
High	21	16	19	0	2	0

4. Discussion

- Initial analysis of the first cross-section shows good correspondence to income estimates of other surveys.
- Differences in income and consumption poverty incidence suggest high capacity of consumption smoothing.
- Income shares from agriculture are 20% or less in Thailand and higher only in Ha Tinh and Dak Lak due to coffee production.
- In Thailand off-farm employment and remittances are much more important contributors to income in Vietnam.
- Diversification of income sources is only lower in Dak Lak, where coffee production is a main contributor to rural incomes.
- Income fluctuation and its effects on household well-being are perceived stronger in Thailand than in Vietnam.
- No significant relationship between income fluctuation and income diversification was found in logistic or multinomial logit regressions.

Further steps:

- Assessment of the relation between observed income fluctuation (based on panel data) and diversification
- Differentiation of households by socio-economic classes and include diversification within crop and livestock portfolios.