



Tropentag 2012, Göttingen, Germany
September 19-21, 2012

Conference on International Research on Food Security, Natural Resource Management and
Rural Development organised by:
Georg-August Universität Göttingen and University of Kassel-Witzenhausen

Rural-Urban Migration in Vietnam: Do Households and Migrants Get Better Off?

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1. Introduction

Over the past decade, Vietnam has experienced an exponential increase in the movement of people both within and across its borders. By meeting the demand for labor created by industrial development and foreign direct investments following the “Doi Moi” reforms, migration plays an important role in Vietnam’s economy, and contributes to poverty reduction (Dang et al., 2003). Migration has become a strategy for households in rural areas of Vietnam to reduce income fluctuation. However, a substantial share of individuals and households who migrated in search for better income opportunities could not improve their living conditions. These problems arise from the lack of knowledge and experience when living in modern cities. Additionally, the inadequate implementation of labor laws, or the limited access to affordable health care services, among others (UNFPA, 2010) made the migrants become vulnerable. The main objective of this paper is to determine the success of migration as a livelihood support strategy of rural households who sent some of their household members to urban areas during the period 2008-2010.

2. Data

The study uses a panel data set that contains information on a random sample of 2,200 households¹ from the three provinces Dak Lak, Thua Thien Hue, and Ha Tinh in Vietnam. The household data was collected in 2007, 2008, and 2010. Besides these data sets, it also uses the migration tracking survey of 299 migrant household members of the surveyed rural households. These migrants are living in Ho Chi Minh City and its two surrounding and highly industrialized provinces Dong Nai and Binh Duong. In Vietnam, these are the regions with the highest rates of net migration (UNFPA, 2010).²

3. Results and Discussions

3.1 Explaining the household’s migration decision

This section discusses the factors influencing the household’s migration decision by the probit model. In general, the coefficient estimates show the expected signs and the significance properties are robust to alternative model specifications.

The evidence suggests that migration is not the preferred livelihood support strategy of households experiencing demographic, agricultural, or economic shocks. Social shocks, however, are more likely to incite a migratory response within a household. Considering the socio-demographic household characteristics, the propensity of migration increases with the age of the household head, but decreases with the relative number of household dependents. The latter

¹ See Hardeweg and Waibel (2009) for details on the data collection procedure.

² The 2009 Vietnam Population and Housing Census reports net migration rates of 116 percent in Ho Chi Minh City, 342 percent in Binh Duong province, and 68 percent in Dong Nai province (see UNFPA, 2010).

finding suggests that the propensity to migrate is higher in households that are characterized by a larger share of productive labor.

Table 1: Determinants of household migration (Probit regression)

Variables	Coefficient	Standard Error
Household characteristics in 2008		
HH experienced demographic shocks (1-Yes, 0-No)	-0.007	0.089
HH experienced social shocks (1-Yes, 0-No)	0.709*	0.285
HH experienced agriculture shocks (1-Yes, 0-No)	0.067	0.076
HH experienced economic shocks (1-Yes, 0-No)	0.074	0.255
Female headed HH (1-Yes, 0-No)	-0.119	0.083
Age of HH head (years)	0.014***	0.003
Dependency ratio [†]	-0.160***	0.029
Share of HH members w/ completed secondary school	0.692***	0.124
Share of HH members w/ completed professional education	0.890***	0.182
HH members belong to political or social organization (1-Yes, 0-No)	0.322***	0.082
Log of monthly HH per capita income (PPP \$ in 2005)	0.106**	0.037
HH engaged in crop production activities (1-Yes, 0-No)	-0.225*	0.098
HH engaged in off-farm activities (1-Yes, 0-No)	0.217**	0.067
Log of land per capita (hectare)	0.015	0.029
HH is indebted (1-Yes, 0-No)	0.204**	0.075
Village characteristics in 2007		
Village road condition (1-Good condition, 0-Bad condition)	-0.113	0.096
Log distance from village to district headquarter (km)	-0.016	0.036
Ha Tinh province (1-Yes, 0-No)	0.599***	0.123
Thua Thien Hue province (1-Yes, 0-No)	0.431***	0.117
Constant	-2.133***	0.311
Observations	1,962	
Wald chi2 (19)	272	
Prob>chi2	0.000	
Pseudo R2	0.120	
Log pseudolikelihood	-1,162	

Note: ***, **, and * denote the statistical significance at the 1 percent, 5 percent, and 10 percent level, respectively. Standard errors are clustered at the village level.

[†] Dependents are household members below the age of 10 years and above the age of 65 years. The dependency ratio is the number of dependents relative to the total number of household members.

Source: Own calculations based on the DFG Rural Village Survey 2007, 2008 and 2010.

Consistent with the predictions of migration theory and existing evidence, household migration also depends on the level of human and social capital. It appears that the probability of household migration increases with the share of household members with completed secondary education and professional training. In addition, households with membership in political or social organizations also display a larger propensity to migrate.

As regards the measures of household wealth, households with larger per capita income levels in 2008 are more likely to be engaged in migration in 2010. Migration does not only depend on income, but also on the type of income activities that households pursue. It appears that migration

is less likely to be observed among households with crop production activities, but more likely to prevail among households with off-farm activities.

Considering indebtedness, migration is more likely to be observed among households with open financial debt positions. Rural households thus appear to perceive migration and expected remittance payments as a reasonable investment strategy that facilitates the repayment of outstanding debt.

Finally, the household's decision to migrate is not influenced by village characteristics related to remoteness and road infrastructure development. However, migration does depend on unobserved provincial effects. Specifically, the evidence suggests that households from Ha Tinh and Thua Thien Hue province are more likely to engage in migration in comparison to households from Dak Lak province.

3.2 Effect of migration on rural household welfare

Table 2: The impact of migration on household income growth

Outcome variable	Treatment	Control	Difference in average outcome ATT
Income growth (Kernel)	0.20	-0.00	0.20***(0.05)
Income growth (Nearest-Neighborhood)	0.20	0.01	0.19**(0.07)
By province categories (Kernel)			
Ha Tinh province	0.19	-0.02	0.21*(0.09)
Thua Thien Hue province	0.40	0.18	0.22*(0.10)
Dak Lak province	-0.07	-0.17	0.11 (0.10)

Note: ***, **, and * denote the statistical significance at the 1 percent, 5 percent, and 10 percent level, respectively. Standard errors (in parentheses) are bootstrapped using 1,000 replications of the sample. Estimates are derived by means of the difference-in-differences matching technique based on propensity score matching.

Source: Own calculations based on the DFG Rural Household Survey 2008 and 2010.

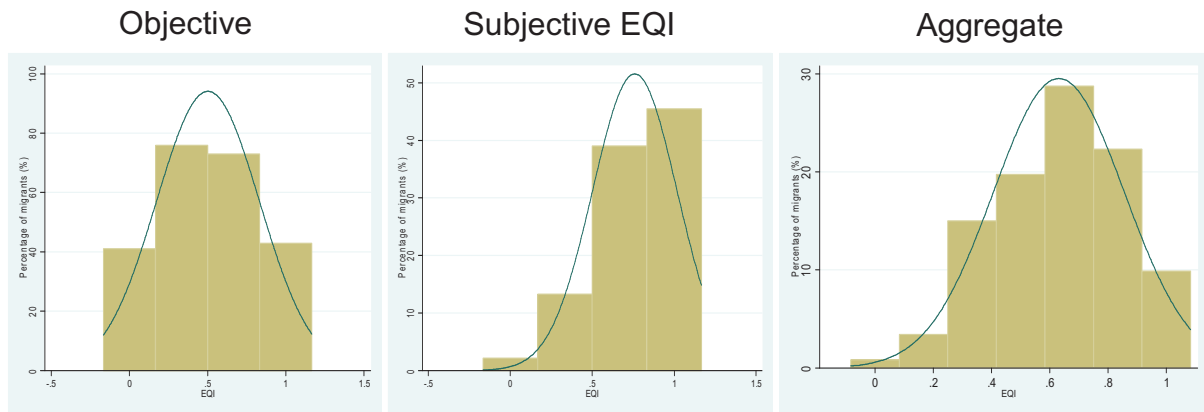
This section presents the results from difference-in-difference estimations with propensity score matching regarding the impact of migration on rural household income growth. Summarized in Table 2, the results show a large positive and significant effect of migration on rural households' income growth at least during the period 2008-2010. Dependent on the matching method, income growth of migrant households exceeds that of non-migrant households by 19 to 20 percent. Consistent with expectations, the income growth effect of migration is particularly pronounced for households from Ha Tinh and Thua Thien Hue province, while no significant effect prevails for households from Dak Lak province. This result points to the importance of migration as source of income growth in structurally weak provinces with poor employment and job opportunities (cf. UNFPA 2010).

3.3. Migrant employment quality index (EQI)

The migrant employment quality index combines information from a set of subjective indicator variables, which indicate whether migrants perceive their 1) income to be stable, 2) work conditions to have improved since their last job, and 3) living conditions to have improved since they have left the rural area. The EQI also includes objective indicator variables, specifying whether migrants have 1) accumulated savings, 2) above average income levels, and 3) a written employment contract. Figure 1 illustrates the distribution of the different employment quality indices across migrants. Evidently, the migrant distribution of the employment quality index depends on the definition of the index. Whereas the degree of employment quality is normally

distribution for the EQI based on objective assessment criteria, it is skewed to the left for the EQI based on subjective assessment criteria. Reflecting the effect of the subjective assessment criteria, the aggregate index is also slightly skewed to the left, suggesting that a relatively larger share of migrants is somewhat to very satisfied with the living and working conditions in the urban destination area.

Figure 1: Migrant distribution of employment quality indices (EQI)



Source: Own calculations based on the DFG Migrant Survey 2010.

5. Conclusions

This paper aimed at identifying the determinants of rural household migration decisions and at measuring the effect of migration on livelihood and welfare in Vietnam. The empirical evidence from a Probit model suggests that migration is an adaptation strategy for households experiencing social shocks. Else, migration is more likely to be observed among rural households with higher human and social capital endowments and among households that are financially better off. Migrant households are more likely to reside in agricultural-based provinces with few or less promising job and income generating opportunities.

Migrant households directly benefit from migration through positive income growth effects. Specifically, the results from difference in difference specifications with propensity score matching techniques suggest that migration increases income growth by 19 percent to 20 percent and that these effects are more pronounced in provinces with fewer job opportunities. While migration thus aggravates income disparities within villages, it may reduce those between provinces.

References

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