



Rural–Urban Migration, Household Vulnerability, and Welfare in Vietnam

LOC DUC NGUYEN, KATHARINA RAABE and ULRIKE GROTE*
Leibniz University Hannover, Germany

Summary. — This paper investigates the interaction of migration, vulnerability to poverty, and welfare of rural households in three provinces in Central Vietnam. It addresses three questions. (1) To what extent do shocks motivate rural household members to move to urban areas?, (2) Are migrants in the new urban settings better off in terms of working conditions and quality of life?, and (3) What is the effect of migration on rural household’s welfare and vulnerability to poverty? The analysis uses panel data of 2200 households from rural Vietnam covering the period 2007–2010, and a tracking survey of 299 migrants from 2010. The empirical evidence from a probit model shows that migration, especially migration for employment, is a livelihood support strategy for households exposed to agricultural and economic shocks. Migration for education is more likely observed among households with higher human capital and being financially better off. Nevertheless, the probability of migration decreases with the employment opportunity in the village. Migrants perceive themselves to be better off at the place of destination, but income losses from shocks of their rural households may reduce their employment quality. The results from difference-in-difference specifications with propensity score matching techniques suggest that migration has positive income growth effects, and that these effects are more pronounced in provinces with fewer job opportunities. These effects help not only migrant households moving out of poverty, but it also improves the poverty situation in rural areas.
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Key words — migration, vulnerability to poverty, difference-in-difference, propensity score matching, Vietnam

1. INTRODUCTION

Rural households in developing countries face several types of unpredictable events threatening their livelihoods. Among others, these include economic shocks like price fluctuations, and natural disasters like droughts or floods. Due to the absence of basic social safety nets and sufficient and comprehensive insurance schemes, rural people, especially the poor, often have to cope with the effects of shocks and associated risks on their own. Specifically, they diversify their livelihoods, save for precautionary purposes, or join mutual support networks (Dercon, 2002).

Migration is one livelihood strategy that households in ecologically vulnerable communities pursue to diversify their income sources and to overcome the adverse welfare effects of social, economic, and institutional constraints in their places of origin (Ezra, 2001; Tongruksawattana, Schmidt, & Waibel, 2010). Migration increases household income and smoothes income fluctuations mainly through remittances (Stark & Bloom, 1985).

Like in other developing countries, rural households in Vietnam, whose livelihoods deeply depend on agriculture, face substantial income variability because of climate change and price fluctuations in the context of rapid liberalization and reform processes. Moreover, the gap between government support and the loss through damage have increased over time (see Appendix Figure 1). Therefore, rural residents smooth their consumption through savings, mutual support, or private transfers including remittances (Newman & Wainwright, 2011; Phung & Waibel, 2009).

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 (Cu, 2005, chap. 5; Dang, Tacoli, & Hoang, 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 (Le, Tran, & Nguyen, 2011), or the limited access to affordable health care services, among others (United Nations Population Fund (UNFPA), 2010) made the migrants become vulnerable in their destinations. Moreover, the 2008 global economic crisis aggravated the vulnerability of migrants. Some migrants stopped sending remittances or returned to their households at the place of origin (Oxfam & VASS, 2010). These challenges are likely to affect the motivation of migration and the welfare of rural households.

The main objective of this paper is to assess the success of migration as a livelihood support and risk coping strategy of rural households who sent some of their household members to urban areas during the period 2008–2010. However, not only original households in the rural areas are analyzed, but also migrants from the urban areas. Therefore, an employment quality index (EQI) is developed that deploys information on a variety of indicator variables of working and living conditions to quantify the success of individual migrants in the city. The effectiveness of migration as livelihood support strategy of rural households is determined by comparing the changing welfare outcomes of migrant and non-migrant

* The research was financed by the German Research Foundation (DFG) under the umbrella of the research project ‘Impact of shocks on vulnerability to poverty: Consequences for development of emerging Southeast Asian economies’ (DFG FOR 756). The authors would like to thank Mulubrhan Amare, Lena Hohfeld, Dean Jolliffe, and Hermann Waibel as well as two anonymous reviewers for their valuable comments.

households by means of the propensity score matching procedure.

Past studies on migration in Vietnam are based on Household Living Standard Surveys which are not appropriate to study migration as only officially registered migrants are included in the sample. This current paper builds on (1) a panel data set of about 2200 rural households from three provinces in Vietnam and (2) a tracking migrant survey of 299 migrants. Given this unique data set, the results provide a new perspective on migration in Vietnam.

The paper is structured as follows. Section 2 reviews the main theories of migration and related empirical evidence. Section 3 describes the data set and methodology applied to assess the success of migration in rural and urban Vietnam. Section 4 presents and discusses the empirical results of the panel data analysis and the migrant survey analysis. Finally, Section 5 concludes.

2. LITERATURE REVIEW

The economic literature on migration assumes that individuals or households rationally consider various locations and choose the place that maximizes the expected gains from migration. The expected gains from migration depend on a large number of factors such as personal characteristics and experiences, social networks, wealth, or reduced vulnerability to poverty. Different theories and models have advanced to account for their importance.

In his “laws of migration”, [Ravenstein \(1885, 1889\)](#) linked migration patterns to conditions of labor force surpluses and deficits, with people moving from surplus labor areas to deficit labor areas in order to improve their living conditions. He also developed the idea of the “pull” and “push” factors in order to explain the forces driving migration. Pull factors are social, economic, political, or environmental incentives at the place of destination, such as job opportunities, better education, and living conditions. Push factors are incentives at the place of origin that force people to out-migrate. Specific factors include insufficient job and employment opportunities, insecurity regarding political, social, or economic conditions, or the loss of wealth ([Lee, 1966](#)). Other classical migration models exist from [Sjaastad \(1962\)](#) and have been further developed by [Harris and Todaro \(1970\)](#) and [Mincer \(1978\)](#).

[Stark and Bloom \(1985\)](#) developed a fundamentally different theory of migration called the New Economics of Labor Migration (NELM). According to this approach, migration decisions are joint family decisions, although this does not imply that household members move jointly. In fact, households decide on the migration of few household members so as to maximize and smooth household income and ensure sustainable livelihoods through the spatial/local diversification of household resources such as labor. Migration is thus a strategy for managing and minimizing risk to household income and survival.

One of the important contributions of NELM is the link between migration decision and risks. The costs of migration (including those associated with risks and opportunities) are shared among household members, thus creating a co-insurance system between migrant and non-migrant household members. The co-insurance system involves (1) family support to the migrant in the case of need (risk) in the destination area and (2) migrant support to the family via remittances to facilitate risk coping at the place of origin. In addition to risk and wage differentials, models also link migration to social capital, the existence of functioning social networks among migrants,

non-migrants and return migrants, and migration institutions ([Massey, 1990](#)).

Migration studies also depart from the NELM approach to identify the factors behind migration and the well-being of migrants. For instance, [Agesa and Kim \(2001\)](#) used data from Kenya to identify the determinants of migration decisions. Their results show that migration is relatively more likely among workers facing a positive urban to rural earnings difference, suggesting that skilled workers self-select to migrate to urban areas. [Giesbert \(2007\)](#) reports evidence from Western Kenya according to which the propensity to migrate depends on education and migrant networks, but not on household wealth. [Ezra \(2001\)](#) finds that individuals belonging to economically poor households in ecologically vulnerable communities have a higher propensity to out-migrate than those from less vulnerable regions in Ethiopia.

Several empirical studies investigated the impact of migration on rural households’ welfare but with ambiguous results. Evidence from Thailand suggests that migration reduces income inequality mainly through changes in the distribution of productive assets ([Garip, 2010](#)). Another study from Thailand reveals that poor rural households tend to produce poor migrants, which could be one of the reasons for the continuous existence of a wide rural–urban gap in welfare ([Amare, Hohfeld, & Waibel, 2012](#)). Similarly, [Azam and Gubert \(2006\)](#) report findings from Mali and Senegal according to which remittances cause rural households to reduce their work effort, which reduces the effectiveness of migration as a poverty reduction instrument. [Fuente \(2010\)](#) uses household panel data from Mexico for the period 1998–2000 to assess how likely households with a high level of vulnerability to poverty receive remittances. However, contrary to the expectation, households with a higher level of vulnerability to poverty have a lower probability to receive remittances.

The working and living conditions of migrants in the destination places are also analyzed in several studies. [Shah \(2000\)](#) uses four indicators to assess the degree of success of migrant workers in Kuwait. The indicator variables include (1) objective measures such as the migrant’s salary and job permission and (2) subjective measures regarding job satisfaction. Among others, migrant workers are asked to indicate whether the job is the same or better than expected prior to migration. The results show that human and social capital are the main factors contributing to the success of migrants. [Akay, Bargain, and Zimmermann \(2011\)](#) use general health questionnaires to identify the factors that affect the subjective well-being of rural workers, migrants, and local urban workers in China. Their study finds that the well-being of migrants positively depends on the length of the migration period, the quality of working conditions, and the existence of community ties. [Amare et al. \(2012\)](#) calculate employment quality indices for migrants in Thailand. They confirm that human capital is a major factor. Along with government support, human capital can improve living and working conditions of migrants in the city.

In Vietnam, most empirical studies on migration are based on data from three surveys of the General Statistical Office in Vietnam (GSO): (i) the population census which is conducted every 10 years, (ii) the Vietnam Living Standard Survey (VLSS) from 1993–94 and 1997–98 which was replaced by the Vietnam Household Living Standard Survey (VHLSS) published biannually from 2002 onwards, and (iii) the migration survey from 10 provinces conducted in 2004 in cooperation with the United Nations Population Fund (UNFPA) ([GSO & UNFPA, 2005](#)).

Based on the population census of 1999 and 2009, [GSO \(2011\)](#) analyzed the patterns and trends of internal migration,

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