

# Income and Life Quality of Farmer Households Suffering Social Exclusion

**Mai Ngoc Anh**

*National Economics University, Vietnam*

*Email: maingocanh.ktqd@gmail.com*

**Do Thi Hai Ha**

*National Economics University, Vietnam*

**Nguyen Thi Ngoc Huyen**

*National Economics University, Vietnam*

## **Abstract**

*This study uses descriptive statistical method to analyze the income and life quality of 397 farmer households who are suffering social exclusion in an economic aspect out of a total of 725 households surveyed in five Northern provinces of Vietnam in 2010. The farmers' opinions of the impact of the policies currently practiced by the central government and local authorities to give them access to the labor market are also analyzed in this study to help management officers see how the policies affect the beneficiaries so that they can later make appropriate adjustments.*

**Keywords:** Farmers, social exclusion, life quality, policy implementation.

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## **1. Introduction**

The term “Social exclusion” has its original roots in France (Castillo, 1994). It refers to people who have no access to the fruits of economic and social development – a process in which individuals or a group of people are partly or entirely isolated from the society in which they live (European Foundation, 1995). Social exclusion and poverty are close (Alden and Thomas, 1998) but the two concepts do not coincide. Poverty is often defined primarily as a “lack of money or material possessions” (Atkinson, 1998), whereas social exclusion can be understood in terms of the following elements: relativity, agency and dynamics.

European communities and other developed countries today tend to solve the problem of “social exclusion” rather than the problem of “poverty” (Mai Ngoc Anh, 2005). Poverty involves a shortage of resources (Hagenaars and De Vos, 1988) Social management officers addressing a solution to poverty should focus on redistribution of income (through the means of aid) to raise the revenue of the poor (Robila, 2006). Social exclusion involves economic, political, cultural and social issues. In the economic aspect, social exclusion involves inadequacy of income (Silver, 1994) and employment (Bhalla and Lapeyre, 2004). Social management officers believe that attempts to find measures that directly help economically excluded people to have better access to labor markets is the best way for them to get out of this heart-breaking situation.

Over the past years of transition to a market economy, Vietnam, on one hand has enjoyed a high economic growth rate with the economic structure shifting for the better, and people’s material and spiritual life has been remarkably improved. However, the number of poor people, especially in rural areas, seems to be increasing (GSO, 2010). The number of economically excluded people has increased, since social exclusion in an economic aspect is associated with those who are poor, near poor, and those with incomes above the minimum standard but lower than the medium level of the local community by 60% (Scutella, Wilkins and Horn, 2009).

In recent years, many international researchers have been working on farmers’ income and life quality. These researchers include Shi, Nuetah and Xin (2007), Janvry and Sadoulet (2001), Humans and Shapiro (1976), and others. There have also been a number of researchers working on social exclusion in the economic aspect, and among them are Burchardt (1999), Gore and Figueiredo (1997). However, the studies that dig deep into the problem of farmers who are suffering social exclusion in an economic dimension are limited in number. In Vietnam, research on this matter has been done only by Mai Ngoc Anh (2006 a, b, c, d). However, his study has been confined to clarifying the theoretical rationale of social exclusion in general and social exclusion in the economic aspect in particular. It has not provided any assessment on social exclusion in the economic aspect in

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terms of farmers' income and life quality, nor any evaluation on what effects the policies currently practiced by the central government and local authorities have on the economically excluded farmers.

This paper, therefore, focuses on analyzing the income and life quality of the farmers who are suffering social exclusion in an economic aspect, and on the policies currently implemented by the local governments to improve the life quality of these farmers.

## **2. Research framework**

### ***Determining farmers who are considered to be economically excluded based on their current income***

Social exclusion, as defined by Jordan (1996) and Haan (1998), is associated with poverty, so those with income below the average income level of the community are considered excluded. According to Scutella, Wilkins and Horn (2009) economically excluded farmers are those with incomes that are 60% lower than the average income level of the community<sup>1</sup>. Taking a look at the quintile of income, we find that in each group lower and upper bounds exist. As a community, income of people in Quintile 5 is so high, the average income level of the community may be higher than the average real income of the average group. The methodology in determining economically excluded farmers depends on this perspective therefore is not convinced enough. This paper introduces another way to determine the level of social exclusion in the economic aspect

among farmers based on their income, as follow.

$$SEL = \frac{Y_{\min Q3} + Y_{\min Q4}}{2} - 40\% \left( \frac{Y_{\min Q3} + Y_{\min Q4}}{2} - Y_{\min Q3} \right)$$

where: SEL is the income level of social exclusion

$Y_{\min Q3}$  is the income level of the quintile 3 in rural area

$Y_{\min Q4}$  is the income level of the quintile 4 in rural area

According to this formular, the economically excluded farmers include those with income above the Quintile 3 but lower than the Quintile 4 of the rural areas, by 60%. Poor and near poor people are obviously belong to this category.

### ***Determining income of farmer households, including economically excluded farmer households***

From Pantazis's point of view (2006), people's income is defined as revenues from salaries, self employment, rent and sums of money they get from external sources. In this perspective, we know that people's income in general and farmers' income in particular is generated from two basic sources: (i) internal and (ii) external. Household income is calculated based on the total income of all the family members.

Household internal sources of income are generated by the family members directly taking part in the labor market. For farmer households, internal sources of income include (i) farming work and (ii) non-farming work per-

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formed by the family members within their residential area.

External sources of household income are in the form of financial assistance from outside. For farmer households, external income sources include (i) direct financial aid from the government and (ii) financial aid from family relatives.

Proceeds in the form of bank loans, loans from friends, or even from the sale of family assets are not regarded as farmers' income as they are raised by borrowing and the borrowers will have to use their savings or sell their own accumulated property for repayment. This study does not regard payment from insurance policies as one of the household income sources because, in order to get this, the beneficiaries have to pay premiums to the social insurance fund for at least 20-25 years. In addition, currently, very few Vietnamese farmers are taking part in the social insurance scheme, so very few people are likely to have income from that source. Thus, the income of farmers in this study is calculated as follows:

$$Y_{se} = \sum(I_{agr}, I_{p-agr}, I_{s-agr}, B_{gov}, S_f)$$

where

$Y_{se}$  : real income of household.

$I_{agr}$ : income from farming activities (cultivating, breeding and others) after production costs for those activities are deducted.

$I_{s-agr}$ : income from services delivered by farmers after deducting production costs and input expenses during low seasons.

$I_{p-agr}$ : income from production and trade after deducting expenses of production and trade during low seasons.

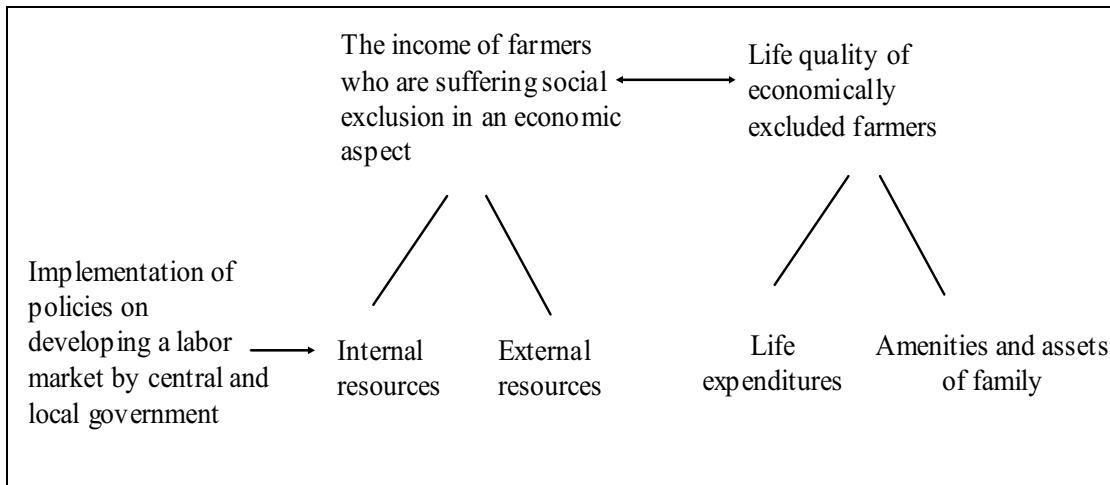
$B_{gov}$ : income from the government financial aid, in the form of monthly electricity fee, health insurance, school fee, and rice, etc., directly given to households in poverty and close to poverty.

$S_f$ : income from financial aid given by family relatives.

#### ***Determining life quality of farmer households, including economically excluded households***

According to Scutella, Wilkins and Horn (2009), evaluation of life quality is based on three groups of criteria, (i) health and happiness, (ii) habitat environment and (iii) crime. In economic terms, we believe that the life quality of people in general and of farmers in particular depends on the expenditures made for family health issues and ownership of amenities for daily life. Gao, Zhai and Gafginkel (2009) classified household spending needs into many different level groups. Generally, spending to ensure life quality of farmers in general and farmer households in particular include expenses on (i) food and foodstuffs for family daily diet and (ii) other necessities to maintain a good condition of life, health protection for family members, relationships with neighbors, and training and education for themselves and their children for development opportunities. In combination with Vietnam's household living standard sur-

**Diagram 1: Framework for studying economically excluded farmers**



vey (VHLSS) over the past years, this study calculates the household expenditure as shown below:

$$F_{ehr} = \sum(E_{food}, E_{bh}, E_{tr}, E_{cl}, E_{at}, E_{hc}, E_c, E_{pf}, E_{es}, E_{fr}, E_{os}), \text{ where:}$$

$E_{ehr}$  : Expenses of households.

$E_{food}$ : spending on food.

$E_{bh}$ : spending on building and repairing houses.

$E_{tr}$ : spending on commuting.

$E_{cl}$ : spending on children's education.

$E_{at}$ : spending on vocational training.

$E_{hc}$ : spending on health care.

$E_c$ : spending on audio and video.

$E_{pf}$ : spending on serving funerals and weddings in community.

$E_{es}$ : spending on help given to people in need required by local government.

$E_{os}$ : other spending.

Economically, life quality does not just reflect people's spending pattern, but also reflects their ownership of the assets for daily life, such as housing and household appliances (Dasgupta and Weale, 1992). In combination with the data in Vietnam's household living standard survey and the classification of the poor provided by the Ministry of Labour, War Invalids and Social Affairs (2010), this study has produced a classification of household life quality based on household ownership of assets for daily life as listed below: current status of house condition and the number of televisions, telephones, refrigerators, air conditioners, washing machines, etc., owned by each household.

#### *Determining the impacts of current policies on employment and income of economically excluded farmer households*

Income is generated mainly from employment and work conditions. Policies practiced

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by the central government and local authorities to produce positive impacts on the development of labor markets in rural areas in general and for farmers in particular will improve employment status, creating positive changes in terms of income for farmers and, as a result, sustainably improving the quality of life for this group.

The government's policies affecting the farmers' employment and workconditions studied in this report include policies on productive land, credit, infrastructure investment, employment support, technical application, seedlings, development of specialized farming areas, product pricing, fertilizer, distribution, tax, fees and other expenses of production, vocational training for farmers, and hunger elimination and poverty reduction.

Thus, the research framework on the income and life quality of the isolated farmers can be summarized in the diagram 1.

### **3. Research Methodology**

#### ***3.1. Designing survey samples***

Because social exclusion is a new term, used mainly in developed countries, so it is difficult for Vietnamese farmers to know exactly whether they are being socially excluded in an economic aspect or not. For simplicity, and to avoid interference during the survey process, the researchers designed a set of questionnaires for the survey, which helped with collecting data about household sources of income and expenses to ensure their daily life and the number and value of the amenities

that they own. The total number of the households surveyed was 725, all of which were in poor districts or districts suffering economic difficulties in five provinces, including Tuyen Quang, Yen Bai, Ha Giang, Quang Ninh, and Bac Giang. The survey questionnaires were designed in accordance with the content presented in the research framework and as specified below: The respondents were required to fill out the questionnaire with information about their income generated from agricultural work, services, production, aids from the State and their relatives. Expenses for production and consumption and the estimated value of the assets they owned were also included in the questionnaire to determine the income and life quality of the households surveyed.

To ensure the accuracy of the survey, the researchers used a nominal scale (also known as a classification scale) to perform cross-checking of the actual income of each household and where it stood in the 5-level scale: rich (Quintile 5), above average (Quintile 4), average (Quintile 3), near poor (Quintile 2) and poor (Quintile 1).

The survey questionnaires also allowed for determining the number of members in each of the households, because this helped the research team examine the labor situation of each household to determine the dependency ratio of the households in different income groups. In addition, the identification of the household members served as a basis to determine the average actual income of each mem-

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ber of the households surveyed.

To know the farmers' opinion of the validity and effectiveness of the policies that the local governments are deploying, the survey used a nominal scale for the farmers to give a score in the specified cells when they assessed the impact of the policies currently implemented by the central and local government to help them access the labor market to improve their working conditions and raise their income for a better life.

### ***3.2. Method of data processing***

The research employed the descriptive statistical method which compared and analyzed the household income, savings, consumption, property ownership, and the farmers' opinions of policies affecting the income of the 725 farmer households in general, and the 397 economically excluded households in particular.

In the matter of household income, the study analyzed and clarified the difference in contribution from internal and external sources to the total household income. It brought to light the main sources of income of the households in general and those of the economically excluded households in particular in the current period in the surveyed areas.

Regarding household saving, the study tried to clarify the difference in the accumulative capacity of the households surveyed and to find out how many out of the economically excluded households had negative savings<sup>2</sup>, and how many had positive savings in the five provinces under survey. The study also

focused on clarifying the difference between the lower bound and upper bound of savings of the economically excluded households.

With regard to housing conditions, the study analyzed and clarified the current house types owned by farmers and emphasized the difference in housing ownership of economically excluded households in five provinces surveyed. Besides analyzing the housing conditions, the study also focused on comparing the value of assets owned by the economically excluded households with that of the non-economically excluded households in the five provinces, contrasting the value of property serving the daily living needs of the economically excluded households in the area.

Additionally, the study tried to clarify all the items of expense in the economically excluded households in the surveyed area, pointing out which item was the most important in ensuring their life and which item got little attention. In addition, the study focused on clarifying the difference between the rate of spending of the economically excluded households and that of the non-isolated ones.

The impact of the policies currently executed by the central government and local authorities on the household income was evaluated based on the opinions of the households under survey on the current implementation of the policies. According to the questionnaire, if the average score given by the respondents was close to 5, then the policy on the labor market implemented by the central and local

**Table 1: Economically excluded households in 5 survey provinces**

		Quintile 5	Quintile 4	Quintile 3	Quintile 2	Quintile 1
Farmer households	725	13	97	305	41	269
Percentage	100%	1.8%	13.4%	42.1%	6.3%	36.4%
		Non-social excluded farmer households				Social excluded farmer households
Total farmer households	725	328				397
Percentage	100%	45.2%				54.8%
Tuyen Quang	125	45				80
						12 8 60
Yen Bai	160	71				89
						24 6 59
Ha Giang	146	61				85
						22 8 55
Quang Ninh	164	60				104
						23 13 68
Bac Giang	130	91				39
						6 11 22

Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011

government had positive effects on improving their income and life quality. On the other hand, if the score was close to 1, it meant that the policy implementation had no effect on improving their income and life quality.

#### 4. Survey results

##### 4.1. Economically excluded households

Based on the formula mentioned above, there are economically excluded 397 farmer households, in which 87 farmer households in Quintile 3, 46 farmer households in Quintile 4 and 264 farmer households in Quintile 1 according to the surveyed result. Bac Giang appears as the province with the number of farmer households suffering social exclusion in an economic aspect is the lowest.

Conversely, the number of economically excluded farmer households in Quang Ninh is the highest (look at table 1).

#### 4.2. Income

The survey results show that although farming is the main activity of the farmers, the income from it is lower than that from non-farming activities. This is true for all the provinces under survey, regardless of whether the households are suffering social exclusion in an economic aspect or not.

While the economically excluded households all have minimal income from agricultural activities, many other non-economically excluded households earn nothing from it<sup>3</sup>. One common thing existing among the sur-

**Table 2: Household income by source**  
*(million VND)*

	Total of household	Lowest	Highest	Average
Total income of economically excluded households				
Average annual income from agricultural activities	397	1.5	58.0	20.8
<i>Of which - income from cultivating</i>	397	1.0	28.0	11.7
<i>- income from breeding</i>	397	0	35.0	9.1
Average annual income from trade and service	397	0	45.0	8.1
Average annual income from other production and trade	397	0	25.0	5.1
Average monthly remittance from relatives	397	0	17.0	0.6

*Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011*

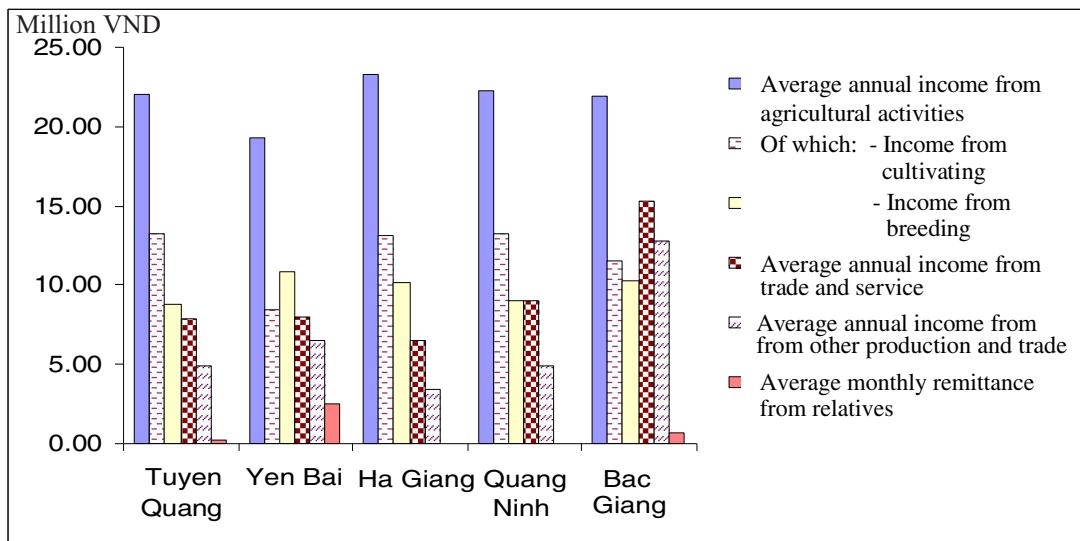
veyed households, whether they are suffering social exclusion in an economic aspect or not, and that is that they may take no activity in the non-farming area. In other words, earning nothing from non-agricultural activities is still the normal situation in farmer households.

With regard to the income sources of both groups of economically excluded and non-economically excluded households, it is said that farmer households who are suffering social exclusion in an economic aspect have higher incomes from cultivating than from breeding and vice versa for the latter. With regard to the revenues from non-farming activities, the survey results show that all the farmer households are capable of earning higher income from service sector than from production activities. (Look at table 2).

When analyzing the income sources of the economically excluded households in the five provinces (look at figure 1), we find that Ha Giang has the greatest number of households depending on income from agriculture, and their income from non-farming work is as low as that of the economically excluded households in Yen Bai. Meanwhile, Bac Giang's economically excluded households have the highest income from non-agricultural activities, and their income from farming is as high as that of households in Tuyen Quang and Quang Ninh.

The table 3 shows that, in all the provinces under survey, household income is generated mainly from internal sources, that is, from the family members' participation in the local labor market. Income from external sources

**Figure 1: Income sources of economically excluded households by province**



Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011

does not account for much in the total income of the household. Especially, the total external income of the non-economically excluded

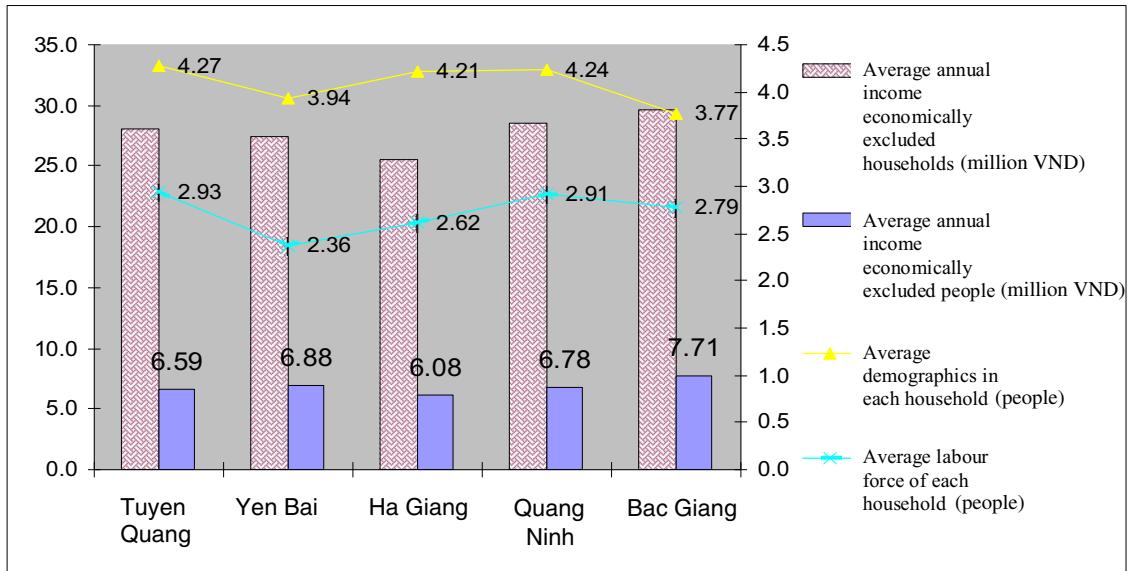
families (in most cases, it is the money sent home every year by the relatives working far away) makes up just less than 10% of their

**Table 3: Average annual aggregate income of economically excluded households**

	Million VND				
	Tuyen Quang	Yen Bai	Ha Giang	Quang Ninh	Bac Giang
Average annual aggregate income of households	40.64	65.37	36.45	41.33	46.28
Average annual aggregate income of economically excluded households from internal sources	34.65	33.71	33.33	36.10	35.42
Average annual aggregate income of economically excluded households from external sources	5.99	31.65	3.12	5.23	10.86
Average annual remittance from relatives	2.31	30.18	0.00	1.79	8.08
Aid from the State	2.92	1.09	2.80	2.66	2.64

Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011

**Figure 2: Demographics and real income of economically excluded households**



*Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011*

total internal income, while it makes up to 20% of the total income of the economically excluded households. In the provinces under survey, Yen Bai is the province where economically excluded households have the highest income from external sources. In contrast, Ha Giang's economically excluded households have almost no external income from family members working away from home, and the financial help from their relatives is also the lowest in the five surveyed provinces. It is this difference that makes Yen Bai the province where economically excluded households have the highest total income, and Ha Giang the province where economically excluded households have the lowest total income.

While in Tuyen Quang economically excluded households have the highest average number of members per family, in Yen Bai that

number is the lowest (look at figure 2). We can see a tendency in the surveyed provinces, except for Ha Giang, that the more family members an economically excluded household has, the more laborers that the province possesses.

Different households have different demographics and different numbers of members and numbers of people participating in the labour force, leading to differences in spending for production activities. Therefore, considering the total income of the economically excluded households surveyed, we see that Yen Bai is rated the highest in terms of total average income by household. However, Bac Giang is the province where the average real income of economically excluded households and of their members is the highest. Ha Giang is rated the lowest among the five provinces in

terms of average real income by household.

### **4.3. Saving**

Comparing the savings between the groups of economically excluded households and the non-economically excluded ones, we find that while up to 80% of the households in the former group do not have positive savings, the latter do. While over 40% of the economically excluded households have to borrow at least 5 million VND/year to maintain their life, 60% of the non-economically excluded households are able to save at least 5 million / year.

Of the 397 economically excluded households, Yen Bai has the most with negative savings while Ha Giang has the most with positive savings. Although Bac Giang has the fewest households with negative savings, the province at the same time reports the lowest number of households with positive savings (table 5).

According to table 5, approximately 80% of the economically excluded households in the five provinces have to base their life on debts

to bank, neighbors, and relatives to cover their living at the time of the survey. The economically excluded households that are able to save accounts for a small percentage, just less than 20% of the total economically excluded households. The number of the households with high positive savings is declining.

The fact that the economically excluded households would fall in debt because of their spending behavior. The table 6 shows that in the same income group, the expenses for daily life of the poor and almost poor households without savings are generally higher than those of the poor and almost poor households with savings. However, the most important reason why the economically excluded households have negative saving is that their expenses on property or home repairs and building are generally higher than those of the households with positive savings in the same group.

The reason why the farmer households often apply for loans of less than 5 million VND is that if they do not have big projects to spend

**Table 4: Comparison of saving capacity of households surveyed**

	Economically excluded households		Non-economically excluded households	
	Total number of households	Percentage (%)	Total number of households	Percentage (%)
From - 20 million to -10 million VND	33	8.3	5	1.5
From - 9.99 million to -5 million VND	146	36.8	6	1.8
From -4.99 million to -0.01 million VND	140	35.3	30	9.2
From million to 4.99 million VND	43	10.8	98	30
Over 5 million VND	35	8.8	189	57.5
Total	397	100	328	100

*Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011*

**Table 5: Saving ability<sup>4</sup> of households surveyed**  
*(Million VND)*

		Saving ability of households surveyed (C01811)					Total
		-20 to -10	-9.99 to -5	-4.99 to 0	0 to 4.99	5 to 15	
Tuyen Quang	<b>Count</b>	<b>1</b>	<b>29</b>	<b>35</b>	<b>10</b>	<b>5</b>	<b>80</b>
% within Province		1.3	36.3	43.8	12.5	6.3	100.0
% within C01811		3.0	19.9	25.0	23.3	14.3	20.2
% of Total		.3	7.3	8.8	2.5	1.3	20.2
<b>Count</b>	<b>21</b>	<b>36</b>	<b>17</b>	<b>14</b>	<b>1</b>	<b>1</b>	<b>89</b>
% within Province		23.6	40.4	19.1	15.7	1.1	100.0
% within C01811		63.6	24.7	12.1	32.6	2.9	22.4
% of Total		5.3	9.1	4.3	3.5	.3	22.4
<b>Count</b>	<b>3</b>	<b>25</b>	<b>36</b>	<b>5</b>	<b>16</b>	<b>85</b>	
% within Province		3.5	29.4	42.4	5.9	18.8	100.0
% within C01811		9.1	17.1	25.7	11.6	45.7	21.4
% of Total		.8	6.3	9.1	1.3	4.0	21.4
<b>Count</b>	<b>4</b>	<b>37</b>	<b>38</b>	<b>12</b>	<b>13</b>	<b>104</b>	
% within Province		3.8	35.6	36.5	11.5	12.5	100.0
% within C01811		12.1	25.3	27.1	27.9	37.1	26.2
% of Total		1.0	9.3	9.6	3.0	3.3	26.2
<b>Count</b>	<b>4</b>	<b>19</b>	<b>14</b>	<b>2</b>	<b>0</b>	<b>39</b>	
% within Province		10.3	48.7	35.9	5.1	.0	100.0
% within C01811		12.1	13.0	10.0	4.7	.0	9.8
% of Total		1.0	4.8	3.5	.5	.0	9.8
<b>Count</b>	<b>33</b>	<b>146</b>	<b>140</b>	<b>43</b>	<b>35</b>	<b>397</b>	
% within Province		8.3%	36.8	35.3	10.8	8.8	100.0
% within C01811		100.0%	100.0	100.0	100.0	100.0	100.0
% of Total		8.3%	36.8	35.3	10.8	8.8	100.0

Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011

**Table 6: Comparison of expenses rate of economically excluded households classified by saving (*million VND*)**

	Negative saving of Quintile 1 & 2			Positive saving of Quintile 1 & 2			Negative saving of Quintile 3		Positive saving of Quintile 3	
	Highest	Medium	Highest	Medium	Highest	Medium	Highest	Medium	Highest	Medium
Expenses on construction	60.0	3.8	20.0	7.1	4.0	0.3	12.0	2.4		
Expenses on property purchase	10.0	1.3	3.5	1.6	7.0	1.7	15.0	2.0		
Expenses on vehicles	10.0	1.4	2.4	0.8	10.0	3.3	9.0	2.1		
Expenses on children's education	10.0	3.4	8.0	3.5	6.0	2.4	35.0	6.3		
Expenses on vocational training	2.0	0.4	1.0	0.6	1.5	0.5	6.0	0.8		
Expenses on health care	12.0	2.7	6.0	2.7	16.0	2.2	7.0	3.5		
Expenses on audio and video devices	5.0	0.6	1.0	0.6	3.0	1.5	4.0	0.9		
Expenses on funerals and weddings	10.0	1.6	1.5	0.9	5.0	2.4	6.0	2.1		
Expenses on help for people in need	2.0	0.3	0.6	0.2	0.5	0.2	2.0	0.3		
Expenses on contribution to union	1.5	0.1	0.1	0.0	1.0	0.2	1.5	0.2		
Others	20.0	1.2	10.0	2.3	3.0	0.6	27.0	3.5		
Fixed expenses on household living	63.2	16.7	22.0	12.4	53.6	28.6	44.9	22.6		
<i>Estimate of daily expenses / year (on grains)</i>	19.4	8.1	11.6	8.2	15.3	8.3	13.1	9.4		

*Source: Surveyed data from 13.3.2010.08 funded by Nafosted 2011*

**Table 7: Household saving status and average amount of saving per year  
(supposing that large expenses do not incur)**

		Number of farmer households with		Positive saving of household	Million VND			Std. Deviation
		Negative saving	Positive saving		Lowest income	Highest income	Medium income	
C01	Quintile 3	59	69		.78	10.15	5.5038	2.8842
	Quintile 1	228	8		.62	3.54	1.6689	1.02925
	Quintile 2	32	1		-	-	-	-
	Total	319	78		-	-	-	-

*Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011*

money on (such as home repairs, or purchase of valuable property), they can save from 1 to 5, even 10, million VND a year. Therefore, when facing unexpected incidents that need large spending, they often borrow small amounts, and in the subsequent years, in order to repay the debt, they will just make adjustment to their spending behavior to be able to repay the debt. They apply for large loans only when they need to build a house, make major home repairs, or purchase valuable assets. However, these loans only serve as a supplement to their saving. And with their current saving ability, they are completely able to settle the debts incurred in their difficult times, supposing that no major incidents occur. This is the basis for the confidence they have when they apply for loans from their family members, relatives, and friends. In addition, the fine cultural traditions of the nation as expressed in the proverb “Good leaves cover torn leaves;

slightly torn leaves cover heavily torn leaves” is a great help for the people to overcome financial difficulties in life. (look at table 8)

#### **4.4 Housing and value of assets for daily life**

Most of the family members in economically excluded households live in the home with few amenities (tile-roofed, one-floored or thatch-roofed), and the number of the households living in more comfortable houses (concrete-roofed or multi-storey) represents only a small percentage.

In Tuyen Quang, the economically excluded households living in thatch-roofed houses and in one-floored tile-roofed houses are equal in number. While more economically excluded households in Quang Ninh, Bac Giang and Yen Bai live in tile-roofed houses than in thatch-roofed houses, it is the opposite for Ha Giang. For the average real income per household and per capita of the economically excluded

**Table 8: Borrowing status of economically excluded households in surveyed areas**

		Borrowing status ( <i>million VNĐ</i> )				Total	
		1 to 5	6 to 10	11 to 15	16 to 20	21 to 40	
Quintile 3	42	15	2	0	0	59	
Quintile 1	190	23	8	6	1	228	
Quintile 2	14	13	3	2	0	32	
Total	246	51	13	8	1	319	
<b>Tuyen Quang</b>	<b>Count</b>	<b>58</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>65</b>	
% within CTINH		89.2	7.7	1.5	1.5	100.0	
% within borrowing status		23.6	9.8	7.7	12.5	.0	20.4
% of Total		18.2	1.6	.3	.3	.0	20.4
<b>Count</b>	<b>43</b>	<b>25</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>74</b>	
% within CTINH		58.1	33.8	8.1	0	.0	100.0
% within borrowing status		17.5	49.0	46.2	0	.0	23.2
% of Total		13.5	7.8	1.9	.0	.0	23.2
<b>Yen Bai</b>	<b>Count</b>	<b>51</b>	<b>9</b>	<b>2</b>	<b>2</b>	<b>64</b>	
% within CTINH		79.7	14.1	3.1	3.1	.0	100.0
% within borrowing status		20.7	17.6	15.4	25.0	.0	20.1
% of Total		16.0	2.8	.6	.6	.0	20.1
<b>Ha Giang</b>	<b>Count</b>	<b>71</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>79</b>	
% within CTINH		89.9	7.6	1.3	1.3	.0	100.0
% within borrowing status		28.9	11.8	7.7	12.5	.0	24.8
% of Total		22.3	1.9	.3	.3	.0	24.8
<b>Quang Ninh</b>	<b>Count</b>	<b>23</b>	<b>6</b>	<b>3</b>	<b>4</b>	<b>37</b>	
% within CTINH		62.2	16.2	8.1	10.8	2.7	100.0
% within borrowing status		9.3	11.8	23.1	50.0	100.0	11.6
% of Total		7.2	1.9	.9	1.3	.3	11.6
<b>Total</b>	<b>Count</b>	<b>246</b>	<b>51</b>	<b>13</b>	<b>8</b>	<b>1</b>	<b>319</b>
% within CTINH		77.1	16.0	4.1	2.5	.3	100.0
% within borrowing status		100.0	100.0	100.0	100.0	100.0	100.0
% of Total		77.1	16.0	4.1	2.5	.3	100.0

Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011

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**Table 9: Housing condition of economically excluded households (%)**

	Tuyen Quang	Yen Bai	Ha Giang	Quang Ninh	Bac Giang
1. Thatched cottage	48.2	15.4	60.2	39.8	26.1
2. Tile-roofed house	49.4	64.4	36.1	55.6	50.0
3. Concrete-roofed house	2.4	16.3	3.6	4.6	15.2
4. Multi-storey house	0.0	3.8	0.0	0.0	8.7

*Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011*

households in Yen Bai and Bac Giang are higher, their housing conditions are better; even some families live in multi-storey houses.

Considering the ownership of amenities and consumption of essential goods to ensure daily life and work, such as bicycles, motorcycles, televisions, telephones, etc., Look at the table 10, we see that there is no difference in the ownership of televisions, bicycles and desk telephones among the economically excluded households in the provinces surveyed. It is a fact that if an isolated household in one

province owns more motorbikes than bicycles, then the mobile phone subscription also out-numbers the subscription for desk phones. However, considering the quality of each commodity used by the groups of economically excluded households and non-excluded ones, we can see that the quality of goods used by the former group is generally lower than the quality of goods used by the latter, because there is a big difference in value between the goods used by these two groups of households.

For the commodity group used to improve

**Table 10: Ownership of goods by households under survey (Million VND)**

	Non-economically excluded households				Economically excluded households			
	Quantity	Lowest	Highest	Medium	Quantity	Lowest	Highest	Medium
Bicycle	181	0.02	40	3.0	163	0.1	3	0.6
Motorbike	278	0.7	150	17.6	281	1	50	10.8
TV	291	0.15	42	2.9	307	0.1	21	1.84
Radio	30	0.09	1.8	0.6	25	0.1	2	0.4
Electric fan	258	0.08	4	0.9	228	0.1	4	0.6
Home phone	114	0.05	7	0.5	78	0.2	5	0.5
Mobile phone	246	0.2	15	2.1	203	0.1	15	1.4
Refrigerator	133	0.2	11	3.67	77	0.5	16	3.65
Washing machine	46	0.7	8	4.59	20	1	7	4.63
Air conditioners	11	0.7	14	6.2	6	0.2	14	4.8
VCD player	164	0.04	3	0.87	90	0.2	5	0.9
Computer	46	0.7	20	7.70	21	2	15	6.95

*Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011*

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consumers' life quality, such as refrigerators, washing machines, air conditioners, etc., Look at table 10, we see that VCD players and refrigerators are the things that most of the economically excluded households may be able to own. While they can own even more essential goods than the non-economically excluded households, the economically excluded households possess only half as many luxury goods as the non-excluded ones, and most of the owners of luxury goods are above the poverty line and with income lower than the average income level of the rural areas by only 40%.

#### ***4.5 Expenditures***

Taking a look at the spending of the households surveyed, we find that while the total average expenditure for daily life of the economically excluded households is just two times lower than that of the non-isolated ones, there is a much bigger difference in the largest expenses for life between these two groups. The largest expense of the non-economically excluded families may be up to 7.5 times as much as that of the economically excluded households.

Regarding the expenses to maintain life, there is the least difference in the yearly spending on food and drinks between these two groups as analysed in the table 11. That is, the farmers' average spendings are relatively equal to one another, regardless of their position on the five-level scale of income. However, considering the percentage of spending on food

and drinks in the total expense for daily life, we can see the spending on food and drinks of the economically excluded households is ranked the highest, which accounts for 1/3 of their total expenditure to maintain life. Meanwhile, for the non-isolated families, spending on food is not the highest, but just about 17% of their total expenditure for daily life. Also, while the economically excluded households prioritize spending on their children's learning and health care for family members, the non-isolated families spend more on purchasing property and amenities of life.

In these two groups, the spending on such events as funerals, weddings and commuting of one group is not equal to that of the other, but they both spend the same proportion of their total spending – about 7%.

When these households increase their spending, a change in spending priority occurs. The expenses on home construction and repairs of the farmers will replace the expenses on food to take the leading position in the range of expenses incurred by farmer households to maintain life.

Between the two groups of the households classified in the table 11, when they increase their spending in the absolute number, there is a proportional increase in the spending on assets purchase, and a proportional decline in the expense on commuting, audio/video, funerals and wedding, and a disagreement between the spending on children's learning

Table 11: Comparison of expenditure to maintain life by households under survey

	Economically excluded households				Non-economically excluded households			
	Highest (Million VND)	Rate (%)	Medium (Million VND)	Rate (%)	Highest (Million VND)	Rate (%)	Medium (Million VND)	Rate (%)
<b>Expenses to maintain life</b>								
Spending on food and drinks / year / household	222.0	100	27.7	100	1664.6	100	57.5	100
Spending on home construction and repairs	19.4	9	8.4	30	25.6	2	9.6	17
Spending on assets purchase	60.0	27	3.1	11	700.0	42	12.1	21
Spending on commuting	15.0	7	1.6	6	300.0	18	7.2	13
Spending on children's learning	35.0	16	3.8	14	38.0	2	6.5	11
Spending on vocational training	6.0	3	0.5	2	4.0	0	0.7	1
Spending on healthcare	16.0	7	2.8	10	150.0	9	3.8	7
Spending on audio and video appliances	5.0	2	0.8	3	5.0	0	1.7	3
Spending on funerals and weddings	10.0	5	1.9	7	50.0	3	3.8	7
Contribution for people in need	2.0	1	0.3	1	7.0	0	0.6	1
Contribution to union	1.6	1	0.2	1	5.0	0	0.4	1
Others	27.0	12	1.7	6	100.0	6	5.4	9

Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011

**Table 12: Estimate of average spending of economically excluded households**

	Tuyen Quang	Yen Bai	Ha Giang	Quang Ninh	Bac Giang	
	Million VND	Rate (%)	Million VND	Rate (%)	Million VND	Rate (%)
<b>Expenses to maintain life</b>	28.73	100	27.371	100	27.6	100
Spending on food and drinks/year/household	8.60	31.2	8.45	33.6	8.60	33.2
Spending on home construction and repairs	1.37	5.0	1.44	5.7	1.84	7.1
Spending on assets purchase	1.48	5.4	2.43	9.7	1.41	5.4
Spending on commuting	4.94	17.9	2.24	8.9	3.56	13.7
Spending on children's learning	0.71	2.6	0.53	2.1	0.38	1.5
Spending on vocational training	3.61	13.1	2.50	9.9	2.32	9.0
Spending on health care	0.76	2.8	1.33	5.3	0.45	1.7
Spending on audio and video appliances	1.57	5.7	2.30	9.1	1.84	7.1
Spending on funerals and weddings	1.67	6.1	1.70	6.8	1.90	7.3
Contribution for people in need	0.19	0.7	0.24	1.0	0.15	0.6
Contribution to union	0.51	1.9	0.00	0.0	0.82	3.2
Others	1.73	6.3	2.841	11.3	1.603	6.2

*Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011*

and on health care, etc. These changes are analyzed in the table 11.

In the instance of the spending of the economically excluded households in the 5 provinces under survey, we find that there is little difference between those provinces in household spending to maintain life. Most of them spend more on food, commuting and vocational training. The expenses for commuting, funerals and weddings are very high, second only to spendings on food, commuting and vocational training. Meanwhile, the spendings on health care and children's schooling are low, just above the expenses in the form of contribution to unions, aid programs or payment of bank interest.

Looking at the rate of spending to maintain life of the economically excluded households, we find that 30% is spent on food. While the economically excluded households in Ha Giang and Yen Bai spend the largest amount of money on food (over 33% of their total spending), it is the opposite for the economically excluded households in Bac Giang (about 27%).

Not only spending on food varies, but also other expenses are different among the economically excluded households in those five provinces. While the economically excluded households in Tuyen Quang, Ha Giang and Quang Ninh take spending for commuting and vocational training as a second priority, the economically excluded households in Yen Bai and Bac Giang set second priority for spending on property purchase, commuting and vocational training. The other expenses on such items as home repairs, audio and video appliances, funerals and weddings, or settlement of debts to friends, generally range from 6 to 7% of the total household expenditure in the surveyed area.

#### ***4.6. Impact of policy implementation on economically excluded households***

In general, all the households surveyed say that although the local authorities have supported them with access to the labor markets, it is not strong enough to create a positive impact on improving their employment status (look at table 13).

**Table 13: Assessment by households of impact of local government support on development of labor and employment**

	<b>Total observation</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Average</b>
		(1): is the lowest; (5): is the highest					
Non-economically excluded households	243	7	66	71	54	45	3.26
Economically excluded households	378	6	85	113	142	32	3.29

*Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011*

**Table 14: Assessment of farmers on the impact of policy implementation to support them with production development**

	Tuyen Quang	Yen Bai	Ha Giang	Quang Ninh	Bac Giang
<i>(1): is the lowest; (5): is the highest</i>					
Support on farming land	3.62	2.6	2.71	3.64	3.13
Support on credit	3.47	2.97	3.18	3.6	2.95
Support on infrastructure and irrigation	3.35	2.36	2.79	3.41	3.21
Support on employment creation	2.33	2.34	2.62	2.65	3.08
Support on technical application, seedling and breeding	3.29	2.88	3.01	3.45	2.56
Support on development of specialized farming zones	2.4	1.92	2.51	2.64	2.79
Support on farming produce prices	2.26	1.83	2.75	2.6	2.38
Support on supplies and fertilizer prices	2.84	1.88	3.42	3.05	2.77
Support on produce distribution	2.42	1.91	2.71	2.68	2.9
Support on tax, fee and other production inputs	3.71	2.64	2.78	3.73	3.28
Support on vocational training	2.59	2.48	2.62	2.74	2.9
Support on poverty reduction	3.66	3.45	3.69	3.8	3.41

*Source: Surveyed data from I3.3.2010.08 funded by Nafosted 2011*

Analysing the assessments made by the economically excluded households on each component of the policy system currently implemented by the local governments to improve the employment situation for the economically excluded households, we see a difference in their ideas. The households in Ha Giang say that only about 8 policies to support the farmers with access to the labor markets are acceptably effective (score 3 or more). However, the households in Yen Bai say that only the policy on poverty reduction, which helps them get adequate access to the labor market, is fairly beneficial. (look at table 14)

While most of the isolated farmers in the

five provinces have an optimistic opinion of the current policies on such issues as land, credit, and poverty reduction, the support policies on other items, including subsidies for agricultural products and fertilizer pricing or distribution and employment for farmers, receive a pessimistic assessment from the beneficiaries.

## 5. Conclusion and recommendations

This study analyzed the actual income, life and impact of the current policies on employment and income of 725 farmer households, of which 397 are isolated from economic society, in the five northern provinces of Vietnam in 2010.

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The data analysis shows that while the average income from the agricultural activities of the economically excluded households and that of the non-isolated ones are of little difference, there is a big difference in income from non-agricultural activities between these two groups. The economically excluded households earn only half as much as the non-isolated families do from non-agricultural work. The difference in income leads to a difference in saving, expenditure and asset ownership of the households in the two groups. In general, the income and life quality of the economically excluded households are much lower than those of the non-isolated families.

This study also points out that the economically excluded households make quite an optimistic assessment on the effect of the policies currently practiced by the central government and local authorities, on helping them access the labor market. However, when evaluating each component of the policy package, the respondents in the mountainous areas show a very pessimistic point of view about the measures which aim at helping them access the labor market; the respondents in the delta areas show a more optimistic assessment of the policies, but they think that the policies are not strong enough to bring them the most benefits from the labor market to increasing their income and life quality.

Thus, income is the key factor that determines a farmers' level of isolation from economic society, and their ownership of properties serving their daily life. The economically excluded households' income today still depends heavily on internal sources, where cultivating cultivation contributes more than breeding. Meanwhile, the non-economically

excluded households earn more from non-agricultural activities than from farming work. Therefore, creating more opportunities for farmers in general, and the economically excluded households in particular, to increase their income through non-agricultural economic activities is what the central government and local authorities should focus on in the coming period of time. To realize this, the local governments should take effective action to address the following issues:

First, conduct intensive reviews of the current policies and the implementation of the policies which help farmers access the labor market in order to find and minimize the limitations and promote the strengths of the policies to bring the most positive impacts on farmers.

Second, the programs of agriculture, forestry and fishery promotion should be carried out in a more practical way, not just in an orientative way as is currently the case.

Third, facilitate the development of non-agricultural economic activities in the rural areas, because this will not only provide opportunities for the farmers to improve their income, but also actively help solve the social problems arising when farmers move to urban areas to find work.

Finally, the capacity of the management officers working in the rural areas should also be enhanced. Improving and updating their knowledge and skills will help not only produce effective measures to attract foreign investments to their locality, but also prevent the brain drain situation, and thus generate opportunities for a sustainable development of the local economy.

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### **Notes:**

1. Average income is understood here as the average income of the group with middle income
2. The situation where a farmer has to borrow money to maintain the family's existence
3. Income source from farming activities may be deleted because the money received from farming is usually only just enough to cover the hire of labor for sloughing, seeds, spraying pesticides and harvesting as found in non economically excluded households
4. The amount saved is calculated on the total earnings of the household excluding the borrowings and deducting the fixed expenses (those to maintain living and to cover production costs)

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