Abstract

Using household panel data constructed from the Vietnam Living Standard Survey (VLSS) 1992-1993 and 1997-1998, this paper examines the level of risk sharing among households, as well as identifies the vulnerable households and their risk-coping strategies to address whether the poor are insured from adverse income risks and how existing public social welfare programs perform its function in Vietnam. The results show a good level of risk sharing taking place within very small community, but income risks are not insured larger scale, justifying a shortage of effective national risk pooling mechanisms. Fives findings on the identification of vulnerable households emerge: female headed households are more vulnerable than male headed households; ethnic minority households are more vulnerable; households who own agriculture land are less vulnerable than households who do not own any land; poor households are most vulnerable; households reside in Red River Delta regions are most vulnerable, probably due to the more frequent floods. These findings are still consistent when controlling for household wealth level.

The paper also provides evidence on the risk coping strategies adopted by households. The main coping devices are self insurance strategies – sold asset, borrowing from kinships and friends, and credit - which expresses a good performance of credit market. However, the results also show that households have access to safety net programs only when they face with natural disasters. This reflects that social safety net programs made only a negligible contribution to the poverty reduction process in Vietnam.