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## Coffee price volatility and intra-household labour supply: Evidence from Viet Nam

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WIDER Working Paper 2016/16

# **Coffee price volatility and intra-household labour supply**

Evidence from Viet Nam

Ulrik Beck,<sup>1</sup> Saurabh Singhal,<sup>2</sup> and Finn Tarp<sup>1,2</sup>

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**Abstract:** Volatility in commodity markets poses an acute risk to farmers in developing countries who rely on cash crop agriculture. We combine a time series of international coffee prices with a long-running panel on coffee-growing households in Viet Nam to investigate coping mechanisms employed by farmers in a transitioning economy. We find that households cope with lower coffee prices by increasing wage labour of adults with children and adolescents substituting for adults on the farm and in home production. Account should be taken of this finding in formulating and implementing social protection and inclusive growth policies.

**Keywords:** intra-household allocation, commodity prices, income shocks, labour supply

**JEL classification:** Q02, J22, O12

**Figures and tables:** provided at the end of the paper.

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## 1 Introduction

Volatility in the commodity markets poses an inherent risk to small farming households eking out a living in developing countries. Volatility in the agricultural commodity prices has been higher in the 2000s relative to the preceding decades, raising concern among policy makers and various international organizations (FAO et al. 2011).<sup>1</sup> In order to formulate policies to insulate farmers from the vagaries of the commodity markets, it is essential to understand the welfare effects of commodity price volatility and household responses in such risky environments.

Rural households in developing countries engage in a number of production activities. In addition to farming, households may have off-farm wage employment, operate household enterprises, tend to livestock, and produce household goods, and the labour required for these activities is spread over various household members. In the absence of well-developed credit markets, shocks that close one avenue of income will typically lead to the reallocation of labour of household members as the household attempts to maintain consumption. What is the extent of such intra-household spillovers? In particular, what is the burden borne by children and adolescents? Using a long panel of rural Vietnamese households, we exploit exogenous variation in the international price of coffee, a key export commodity, to causally identify the effects of temporary income fluctuations on welfare as well as intra-household labour allocation decisions, with a particular focus on the use of child and adolescent labour.

Adult and child labour supply overlap in a variety of activities, and the reallocation of time across various work alternatives and members in the face of an income loss would depend, in part, on the degree of substitutability. For example, Doran (2013) finds that exposure to the PROGRESA conditional cash transfer programme in Mexico induced a simultaneous reduction in children's participation in farm work and an increase in adult labour supply indicating that adults substituted for child labour. Similarly, Duryea et al. (2007) find that 16-year-old girls are more likely to enter the labour market in the event of their fathers becoming unemployed in Brazil. In related work from Peru, Field (2007) finds that land-titling reduced child labour as titling freed up adult labour (which has comparative advantage in security provision) from guard duties and enabled them to substitute for children in the labour market.

While most of the existing literature has studied the labour supply response of adults and children in isolation, we examine the labour supply adjustment behaviour of adults and children in the same families, thereby allowing us to provide a better picture of the dynamics of intra-household labour supply decisions. As the Vietnamese economy develops, an important aspect of its transformation is a shift in the focus from primary to secondary and tertiary education. To that end, while the literature typically considers the labour market responses of those aged above 14 years together as a single group, we separate out the adolescents, who may attend higher secondary school (aged 15–19 years) from the adults (aged 20–54).

This paper aims to contribute to the literature on labour substitution patterns between adults and children in the event of fluctuations in household income. We first show that international prices are indeed strongly transmitted to small coffee growers (in the form of farm-gate prices) and turn next to our main analysis. It emerges that coffee farmers are not able to perfectly smooth consumption when faced with a fall in the price of coffee, even though their households rely on

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<sup>1</sup> Price volatility is particularly true for the case of coffee (The Economist 2013).

several strategies to counteract the negative price change. Coffee price shocks are strongly associated with *ex-post* (re)distribution of work within the household. Our results indicate countercyclical wage employment in coffee-growing households in Viet Nam. These results are driven by working-age adults, and to a lesser degree, by adolescents. While children do not engage in wage employment, we find strong evidence that children and adolescents substitute for adults on the farm in low price periods. Similarly, we find children substitute for adults in household production and chores during periods of low coffee prices.

The burden borne by children is of particular concern as participation in child labour can have severe adverse long-term consequences for human capital accumulation (Beegle et al. 2009). But in the context of commodity prices, theoretically it is not clear if changes will work to increase or decrease the reliance on child labour.<sup>2</sup> Consider a household consisting of adults and children deciding how to allocate the labour of both adults and children among different activities. The activities for adults include working on the farm, non-farm activities such as wage work and household chores, and leisure, while children can spend their time working on the farm, doing chores or on leisure.<sup>3</sup> A decrease in the price of the agricultural commodity will decrease the return to child labour tending to lower child farm labour supply (i.e. the substitution effect). On the other hand, it will also decrease household income, which will increase child labour due to the income effect. Similar effects hold for adults: adults can try to switch to a relatively better-paying occupation such as wage work or increase leisure, while the loss of income necessitates more work (either on- or off-farm). Finally, the net change in labour allocated to the farm also depends on whether adult and child labour are substitutes or complementary to each other. Therefore, the combination of income and substitution effects and the degree of complementarity means that the overall direction of impact for both children and adults is theoretically ambiguous *a priori*.

This study sits within a broader literature that investigates the welfare impacts of commodity price shocks in an increasingly globalized world (Goldberg and Pavcnik 2007). As supply chains stretch across the world, shocks at one end reverberate to the other end with important distributional consequences (see Lederman and Porto 2016 for a recent review). For example, Danzer et al. (2013) find that a sudden spike in cotton prices in 2010–11 led to greater labour force participation among women in rural Tajikistan. In the context of Viet Nam, Edmonds and Pavcnik (2005, 2006) find that an increase in rice prices, resulting from removal of trade restrictions, led to increased off-farm work for adults and decreased the reliance on child labour among rice producers. Our paper addresses a broader set of issues, and two key distinctions should be kept in mind. First, we consider changes in the price of coffee instead of rice. Smallholder farmers typically consume rice which adds additional channels through which household behaviour is affected by prices. Coffee, on the other hand, is almost entirely produced for sale and the estimated effects are not confounded by substitution and income effects through consumption. Second, while Edmonds and Pavcnik (2005, 2006) use data collected over the years 1993–98, our period of analysis covers the period 2006–14. Viet Nam has experienced rapid development in recent decades—in 2013, GDP per capita was four times that of 1993. It is therefore of interest to explore whether price changes had similar effects in the 1990s and in the post-2000 period or whether behaviour changed in the process.

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<sup>2</sup> See Basu and Van (1998) for a theoretical model and Edmonds (2007) for a recent review of the literature on child labour.

<sup>3</sup> That children do not engage in the wage market is consistent with our data which is introduced in Section 2.

Our study is related as well to the research on coping mechanisms in the face of income shocks. The literature has identified various other coping mechanisms such as wage employment, migration, sale of assets and livestock, increase in household debt, or a reduction in savings (Paxson 1992; Kochar 1999; Dercon 2002). Adhvaryu et al. (2015) identify switching to a greater reliance on household enterprises as an additional channel. Furthermore, while we examine the *ex-post* response to price shocks, households may also undertake *ex-ante* adjustments to perceived future income uncertainty (Rose 2001; Fitzsimons 2007).

Finally, we highlight that the evidence on coping mechanisms employed by households in the Central Highlands of Viet Nam can be used both more generally and to inform policy when faced with future coffee price booms or busts. In particular, we show that adolescents completing lower-secondary education at around 14 years of age are vulnerable to transient income shocks with implications for the formation of human capital in the face of price fluctuations. Account should be taken hereof in the future provision of safety nets and the pursuit of inclusive growth.

The rest of the paper is organized as follows. Section 2 provides background on coffee production in Viet Nam and the data sources, while Section 3 describes the empirical strategy. The main results are presented in Section 4 along with a variety of robustness checks. Section 5 discusses the results and the heterogeneity effects, and Section 6 concludes.

## 2 Background and data

Coffee production in Viet Nam has increased very significantly since the beginning of the 1990s. In 1989, Viet Nam produced just 1.2 per cent of the world's coffee output. A decade later, Viet Nam was the world's second largest supplier, with a global market share of 12.4 per cent. So far the majority of the coffee grown has been of the 'robusta' variety. Compared to 'arabica', which is the other main variety. Robusta is more resilient to variations in growing conditions and weather shocks and typically has higher yields, but also fetches a lower price in the international market. More than 85 per cent of coffee in Viet Nam is grown by smallholder farmers. In 2006, coffee accounted for around 17 per cent of the country's commodity exports and provided livelihood for an estimated four million people (Luong and Tauer 2006).

The majority of Vietnamese coffee production takes place in the Central Highlands region. Once coffee trees are planted, it is not easy to switch out of coffee production. Coffee trees have a life span of more than 50 years, and it is a labour-intensive task to cut the trees to make plots suitable for other types of agricultural production. In 2004, the price of removing a single coffee tree was estimated to be 2,000 Vietnamese Dong (VND) or around 0.15 US dollars (Giovannucci et al. 2004). This corresponds to VND 5,200 in 2014 prices which amounts to half of the average per capita daily food expenditure of our sample. Since the farmers in our sample have on average about one hectare of land dedicated to coffee production, and assuming plantations consist of 1,100 trees per hectare (D'haeze et al. 2003), it is a very costly task to stop coffee production. This means that we do not expect many farmers to abandon coffee production when coffee prices are low. The inability to adjust the area dedicated to coffee trees in the short term means that households must instead use other strategies, such as reallocation of labour, when faced with low coffee prices. Further, since coffee is a cash crop, households consume very little of their own production. This implies that on the consumption side, household responses are almost entirely through changes in household income and not through

changes in relative prices of consumption items. These two factors make this setting very useful for identifying the impact of agricultural price shocks on on- and off-farm responses.

International coffee prices are quite volatile and are driven by a mix of climatic conditions in the largest coffee-producing countries, expectations about future prices, changes in demand and interest rates, as well as speculation (Deaton 1999). This means that future coffee prices are difficult to estimate, and for the smallholder farmer they are virtually impossible to predict. The fluctuations in the world price for robusta over time are illustrated in Figure 1, along with a 12-month backward-looking average. This data comes from the International Coffee Association. The vertical bars indicate the months where the data collection for the survey employed in this paper took place. For the year preceding the survey rounds of 2006, 2010, and 2014, coffee prices were relatively low, while coffee prices were higher for the year preceding the survey rounds of 2008 and 2012. The changes in prices are substantial: the price in the 12 months preceding the 2008 survey was almost 50 per cent higher than the price in 2006; the 2012 price was around 30 per cent higher than the 2010 price. The same pattern of price changes over time can be found in the unit prices recorded at household-level detailed in Table 1—while prices rose from 2006 to 2008 and again from 2010 to 2012, they fell from 2008 to 2010 and again from 2012 to 2014.

The data used for this paper come from five waves of the Vietnam Access to Resources Household Survey (VARHS hereafter; see CIEM 2007, 2009, 2011, 2013, and 2015). This panel survey has been collected in the months of May–September every second year since 2006 among rural households from 12 provinces of Viet Nam.<sup>4</sup> Additional households were added in 2008. In 2012, the sample was again expanded to compensate for the aging of the panel sample relative to the existing household structure in Viet Nam giving us an unbalanced panel of households. The VARHS includes three provinces in the Central Highlands—Dak Lak, Dak Nong, and Lam Dong. It is the households in these three provinces which constitute our main empirical sample. We further restrict our main sample to households that appear in at least two rounds and that report having harvested coffee at least once over the period 2006–14. Data on households residing in the remaining nine provinces is used for robustness checks reported in Section 4.3. The sample of households varies from 209 households in 2006 to 562 households in 2012. The total sample consists of 2,355 household-year observations.

In order to investigate the effect of coffee price shocks we merge the VARHS survey data with monthly robusta coffee prices, converted into real 2014 VND. In order to take into account that it is not the coffee price at the time of the interview that matters, but rather the coffee prices faced by the household in the year preceding the survey (the time period over which the survey asked questions), we use a 12-month backward-looking moving average. Thus, the relevant coffee price for a household surveyed in month  $m$  is the average coffee price over the months from  $m-13$  to  $m-1$ . Our key explanatory variable is constructed by dividing this lagged coffee price by its standard deviation over the survey period (2006–14).

Table 1 shows descriptive statistics for the total sample, as well as by year. The information in the survey gives a telling picture of contemporary rural life in Viet Nam’s Central Highlands—39 per cent of households belong to ethnic minority households. While this share is high compared to the rest of the country, it is typical of the Central Highlands. According to the latest

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<sup>4</sup> The 2006 round was collected in July, August, and September; the 2008 and 2010 rounds were collected in June, July, and August; the 2012 and 2014 rounds were collected in May, June, and July.

population census, 35 per cent of the population in the Central Highlands region belonged to a minority ethnic group (GSO 2010). The VARHS includes a brief module on the value of consumption of some important food items. The average real food expenditure during the last 28-day period before the survey is VND 1.54 million, measured in June 2014 prices.<sup>5</sup> However, there has been substantial improvement over the period. This is perhaps best illustrated using the asset index which is a composite index of a range of different asset indicators, the relative weights of which are determined using principal component analysis.<sup>6</sup> There has been a substantial increase in the index from 2006–14, going from a mean of -.15 to a mean of 0.97. Of the households in the sample, most depend on coffee for a substantial share of their agricultural production; on average, households dedicate slightly under half of their land to coffee production. Since 2008, this variable has been increasing.<sup>7</sup> These increases correspond well with the increases in the amount of coffee produced. The average household produced 2,316 kg of coffee, and production generally increased between each survey round, except from 2010 to 2012 where there is a small drop. Farm sizes are large compared to other areas of Viet Nam, with a mean farm size of 1.7 hectares (17,000 square metres). Many households supplement the agricultural income with either a wage job or through a household enterprise; on average, 16 per cent engage in a household enterprise and 58 per cent engage in wage work. Most wage work consists of unskilled jobs in agriculture and forestry (65 per cent of job observations in the sample), followed by unskilled jobs in mining and construction (8 per cent). Table 1 also gives the farm-gate price the household received per kilo of coffee sold, in June 2014 prices. Again, in order to ease interpretation of subsequent regressions, we normalize this variable by dividing by its standard deviation.<sup>8</sup> Prices were highest in 2008 and 2012. This is consistent with the evolution of the world market coffee prices, as illustrated in Figure 1.

In order to investigate intra-household responses, we also work at an individual level. This results in an unbalanced panel of 10,022 observations across rounds of individuals who appear at least twice over the course of the survey period in the same age group: children (aged 6–14; 2,246 observations), adolescents (aged 15–19; 1,733 observations) and adults (aged 20–54; 6,043 observations).<sup>9</sup> Summary statistics in Table 1 show that a fifth of households employ child labour in agriculture. This has declined substantially over time, particularly over 2010–12. In contrast, only around one per cent of households utilize child labour in wage employment and in household businesses.

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<sup>5</sup> Due to some outliers in the food expenditure variable, we have opted to winsorize this variable by replacing all values above the 99<sup>th</sup> percentile with the value of food expenditures at the 99<sup>th</sup> percentile.

<sup>6</sup> The asset index is based on the following variables: number of cows, number of buffaloes, number of pigs, number of colour TVs, number of video/DVD machines, number of telephones, number of motorcycles, number of bicycles, and number of cars, number of pesticide sprayers owned by the household; square meterage of the household's house; and indicator variables equal to one if the household has access to an improved water supply, a modern form of lighting, and improved toilet facilities. The index is normalized to have a mean of zero and the weights are based on the full survey sample (12 provinces).

<sup>7</sup> The drop in the share of land dedicated to coffee production from 2006 to 2008 is primarily caused by the expansion of the sample in 2008.

<sup>8</sup> Due to outliers in this variable, we have winsorized it by replacing all values above the 99<sup>th</sup> percentile with the value at the 99<sup>th</sup> percentile.

<sup>9</sup> We define child labour as work done by household members who are 14-years old or younger. This is in keeping with the International Labour Organization (ILO) definition of 'child' for employment purposes and also reflects the minimum legal working age in Viet Nam of 15 years (ILO 1973; MoLISA 2013a, 2013b).



There is some suggestive evidence that wage labour is not a preferred occupation in the setting we are considering. This can be seen by comparing agricultural households who have at least one member participating in wage labour, compared to those who do not. The mean per capita food expenditure of coffee-growing households who participate in wage labour is VND 311,000 per capita, compared to VND 390,000 for those who do not. The same pattern is evident for the asset index, with the mean asset index for those who participate in wage labour being 0.37 and 0.73 for those who do not. Further, based on the households in all 12 provinces of the 2012 VARHS wave, Markussen et al. (2014) find that wage workers are generally less happy than those working on their own farm, even when income is controlled for. This is indicative of households preferring to stay out of wage labour. Therefore, we expect that households or members of households will only switch to wage labour when they are forced to do so, i.e. when returns from working on their own farm are no longer sufficient to sustain household welfare.

As in all panel surveys, some amount of attrition is inevitable. However, we find a very low attrition rate in the survey in the range of 0–1.6 per cent from round to round in the survey. This is partly a testament to the high quality of the survey but also a consequence of the relative stability of conditions in rural Viet Nam. Rural-to-urban migration is lower than in many other countries in the region.

### 3 Estimation strategy

In order to evaluate the effects of coffee prices on household outcomes we estimate the following household-level equation using a linear model with fixed effects:

$$y_{it} = \alpha + \beta p_{mt} + \delta_c t + \lambda x_{it} + \eta_i + \epsilon_{it} \quad (1)$$

where  $y_{it}$  is the outcome of interest for household  $i$  at time  $t$ .  $p_{mt}$  is the international coffee price which varies by month  $m$ .  $x_{it}$  is a vector of additional control variables. We include dummy indicators to control for household exposure to shocks in the preceding two years (since the previous survey). Specifically, we control for three kinds of shocks: natural disasters (floods, droughts, etc.), pest attacks, and health shocks (death of a household member or illness). We also include household size, household size squared, and the asset index. As discussed earlier,  $p_{mt}$  is the average international coffee price in the 12 months preceding the survey, normalized dividing by its standard deviation. The coefficient  $\beta$  measures the marginal effect of a one standard deviation in price and since the individual farmer does not influence the international coffee prices, we interpret this as causal. All household-specific time-invariant characteristics are captured by the household fixed effect,  $\eta$ . In order to avoid any spurious correlation caused by underlying time-variant effects, we include a linear time trend variable. To allow for spatial heterogeneity in time trends, we use province-specific time trends ( $\delta_c$ ). We cluster the standard errors at the level of the commune to allow household decisions to be correlated within a commune and also over time.

In order to study individual-level outcomes, we also employ a linear model with fixed effects at the individual level:

$$y_{jt} = \alpha + \beta p_{mt} + \delta_c t + \lambda x_{jt} + \eta_j + \epsilon_{jt} \quad (2)$$

where  $j$  denotes individual and  $i$  denotes the household of individual  $j$ . All remaining notation is as in Equation (1). Decisions of members of the same household are expected to be correlated. However, as we continue to cluster errors at commune level we make no assumptions about the correlation structure of within-household error terms.

Our results could be biased if transitory shocks to household income affect fertility and/or mortality, thereby altering household size, i.e. the dependency ratio, motivating a reallocation of labour within the household. We test this directly by checking whether the probability of a birth or death in the coffee-growing household responds to changes in the price of coffee. We also test whether household size is affected by the coffee price. None of the three variables are significantly affected by coffee prices. These results are presented in Table A1 in the appendix. Further, we control for this in the main regressions by including an indicator for whether a household member died or fell seriously ill during the preceding year, as well as household size and household size squared.

One may be concerned that differential returns to education may explain the labour allocation decisions for children. Glewwe and Jacoby (2004) argue that school enrolment in Viet Nam is driven by increases in income rather than changes in the returns to education. Further, in all our specifications, we include province-specific time trends to control for unobserved province-specific time-varying factors.

Similarly, our results could overestimate the effect of coffee prices on schooling and labour market decisions related to children if the supply of schooling also changed with the price of coffee. This could happen, for example, if the provision of local schooling depended on tax revenue. While school funding is nominally allocated to the provinces, and to the districts within each province, from the state budget the reality is more complicated as funding is often complemented by local funding which is dependent on tax revenues (Cobbe 2011).<sup>10</sup> Finally, one may speculate that macroeconomic trends other than international coffee prices could affect both labour supply decisions and coffee prices. While the inclusion of time trends addresses this concern to some extent, we also present a variety of alternative estimation strategies in Section 4.3 to highlight the robustness of our results.

## 4 Results

### 4.1 Coffee prices and household welfare

We begin by analysing the effect of international coffee prices on households in Viet Nam. These results are presented in Table 2. The first column shows, as expected, that the international price is highly correlated with the farm-gate price received by farmers. An increase in the international price of one standard deviation increases the farm-gate price by 0.13 standard deviations indicating that international prices do strongly affect observed farm-gate prices. While one might have expected a higher correlation, other things such as local climatic and crop disease conditions affect the farm-gate price. Further, intermediate traders, and transactions costs more generally, absorb a share of the price changes (Fafchamps and Hill 2008).

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<sup>10</sup> Taxes where revenue accrues at least partly to the provincial governments include land taxes, VAT, and personal income taxes (World Bank 2011).

Next, we examine if coffee price shocks affect household welfare. Column 2 shows that the monthly household food expenditure is positively affected by coffee prices such that a one standard deviation increase in coffee prices increases the monthly food expenditure by VND 47,950 (or 3.1 per cent from a mean of VND 1,540,000). This indicates that households are not able to perfectly smooth consumption when faced with price volatility in the coffee market. Similarly, column 3 shows that the index of durable assets is also significantly and positively affected by the international coffee price. Overall, these results indicate that volatility in international prices translates into transitory income changes, affecting household food expenditure and asset ownership.

Lastly, we examine whether international coffee prices affect the probability that coffee-growing households participate in the labour market. These results are presented in column 4. Coffee prices negatively affect the probability that at least one member of the household engages in off-farm wage employment. The effect is economically meaningful; a one standard deviation increase in coffee prices results in a 3.7 percentage point drop in the propensity to engage in wage work. Given a mean of 58 per cent, this translates into a 6.3 per cent decrease. This strong negative effect indicates that wage work is used as a coping mechanism—in periods when coffee prices are low, household members engage in wage work in order to sustain income. This in turn has implications for the allocation of labour within the household. As the incentives for the distribution of labour within the household change, what is the burden borne by children and adolescents? In order to examine the effects of coffee prices on intra-household labour supply, we now turn to an individual-level analysis.

## **4.2 Coffee prices and individual labour supply**

In order to explore individual-level responses to transitory income shocks, we construct three age groups: children (aged 6–14 years); adolescents (aged 15–19); and working-age adults (aged 20–54). The children age group is consistent with the age group used to define child labour and the adolescent age group corresponds with the typical age of senior high-school students in Viet Nam. We examine intra-household labour complementarities and substitution across three primary activities: off-farm wage employment, farm work, and house work. Equation 2 is estimated separately for each age group and work category and the results are presented in Table 3. Since we see a very low incidence of wage employment among children (1 per cent on average) we do not examine this work category for children.

Panel A examines whether coffee price shocks affect the probability of engaging in wage employment. Coffee price shocks, however, strongly affect the probability that adolescents and adults engage in wage employment. We find that a one standard deviation increase in the international price decreases the probability of undertaking wage work by 3.2 percentage points for adolescents and by 6.1 percentage points for adults, corresponding to decreases of 33 per cent and 19 per cent in the propensity to work, respectively. This provides evidence of countercyclical wage employment among the adolescents and working-age adults such that when coffee prices are high adolescents and working-age adults are less likely to engage in wage employment.

In Panel B we examine the decision to work on the farm. We find that an increase in coffee prices significantly reduces the probability that children and adolescents work on the farm with a one standard deviation increase in price reducing the probability of doing farm work by 4.5 percentage points for children and by 6.1 percentage points for adolescents. This corresponds to reductions of 19 per cent and 10 per cent, respectively. Column 3 also indicates a small decline

of adults working on the farm (1.1 percentage points). The results indicate that in periods of low prices, adults try to supplement household income by engaging in wage employment while the children substitute for them on the farm. Adolescents are vulnerable to price shocks as well. Their supply of labour to both wage employment and farm work increases.

Finally, we turn to participation in housework in Panel C. We find that engagement of children and adolescents in housework is not sensitive to movements in international coffee prices. On the other hand, adults are more likely to take part in housework when prices are high. This ties in with the results noted for wage employment and farm work above—when coffee prices are high, adults are less likely to spend time outside the house (in wage employment) and are more likely to have time available for housework.

The finding that adults increasingly participate in wage work in the face of low prices differs from Edmonds and Pavcnik (2006), who found that an increase in the rice price increased wage work participation in Viet Nam. Whether this is due to our focus on coffee instead of rice, or the difference in terms of temporal and spatial coverage of the two datasets is strictly speaking not clear. *A priori* we expected the effect to be at least in the same direction for the two crops since the large majority of farmers were net-sellers of rice also in the 1990s. Arguably, Edmonds and Pavcnik (2006) may have picked up a specialization effect for rice farmers that does not exist for coffee farmers as coffee cultivation is already a specialized enterprise.

To summarize, within-household labour decisions are affected by changes in the coffee price. When prices fall, we find an increased participation in wage work for adults, and they become less involved in housework. The labour supply of adolescents is also sensitive to changes in the coffee price as we find increased participation rates in both wage work and agriculture. This is a potential problem if it means that adolescents are pulled out of upper school in order to work for a wage and on the farm. Perhaps even more worrying, we find an increase in child labour on the farm when coffee prices are low.

### 4.3 Robustness checks

We now test the robustness of our main results reported in Table 3 to a variety of alternative assumptions. First, one may worry that the province-specific trends are not sufficient to control for potential spurious correlation caused by changes in the underlying macroeconomic variables. We alleviate this concern by adding quadratic province-specific time trends to the estimations of Equation (2) and do not find results to be sensitive to this change. These results are presented in Table A2 in the Appendix.

Second, it might be that outcomes are correlated at a higher level than the commune level. More specifically, if labour markets clear at the district level, the labour market participation decisions may be correlated within the district. In order to account for this, we estimate standard errors clustered at the district level. Since we have 28 districts in our sample, which may be considered a small number for the purpose of clustering, we employ a clustered wild bootstrap-t method to estimate standard errors as described by Cameron et al. (2008). As the results reported in Table A3 in the Appendix show, we do not find the significance of our results to differ.

Third, it is possible that slight within-year variations in price could spuriously affect the results. We check the robustness of our results to an alternative definition of price shocks. In Appendix Table A4, we replace our price variable with a binary indicator equal to one for the survey months where the relevant 12-month moving average real price for the month is above the

median price. This is the case for the survey months in the years 2008 and 2012. Although this price shock indicator is less precise than our preferred price variable, we find that the effects are qualitatively the same except for a significantly negative estimate on the engagement of children in housework.

Fourth, the province-specific time trends may hide within-province variation if local labour or coffee markets exhibit different trends. One such possibility arises from the fact that traders are assigned licences at the district level. We check this by re-estimating our models with district-specific trends (28 districts). Once again these results, reported in Appendix Table A5, are both qualitatively and quantitatively comparable to those of the main specification.

Fifth, one may be concerned that even though we include province-specific linear time trends in the analysis, other macro trends, which are not linear in time but rather correlated with the coffee price, are driving the results. This is a possibility given the high correlation between international commodity price series (Deaton and Laroque 1992; Byrne et al. 2013). We conduct two robustness checks in order to address this concern.

We first use farm-gate prices in place of the international world market coffee price. We have already shown how the farm-gate price is affected by world market price, and this check directly exploits variations in price changes faced by households, who were making decisions under the same macroeconomic conditions. The regression we run is the following:

$$y_{it} = \alpha + \beta p_{it}^{farmgate} + \delta_c t + \lambda x_{it} + \eta_i + \epsilon_{it} \quad (3)$$

Where  $p_{it}^{farmgate}$  is the observed farm-gate price of coffee for household  $i$  at time  $t$ , divided by the standard deviation of unit prices. A potential issue is that farm-gate prices are endogenous to household choices if quality of coffee varies. The inclusion of individual-fixed effects as well as the perennial nature of coffee trees alleviate this concern. Note also that farm-gate prices are only available for those household-year observations where the household sold coffee. This means that the sample is somewhat reduced, compared to Table 3

Results are presented in Table 4. Results are comparable to those of the main specification of Table 3. For wage work, we continue to find negative effects for both adolescents and adults. While, for agricultural work, we continue to find negative effects for children and adolescents and we find no significant effects on housework using this approach.

The second robustness check to address the above issue, exploits the information in the survey from nine Vietnamese provinces outside the Central Highlands where coffee is not grown. More specifically, we include non-coffee-growing farmers living in nine provinces outside the Central Highlands in the sample and augment Equation (2) by including an interaction of price and a dummy indicator for the Central Highlands ( $p_{hmt} * CH$ ):

$$y_{it} = \alpha + \beta p_{mt} + \gamma p_{mt} * CH_i + \delta_c t + \lambda x_{it} + \eta_i + \epsilon_{it} \quad (4)$$

The coefficient on the interaction term now captures the effect of temporal variation in the price of coffee for an individual residing in the Central Highlands relative to individuals outside the coffee-growing region. This allows us to estimate the additional effect of coffee prices in coffee-growing provinces. The underlying assumption is that other time-varying trends which correlate

with the coffee price affect households in the same way in both Central Highland provinces and non-Central Highland provinces.

These results are presented in Table 5. For wage work, we continue to find a negative effect for adults in the Central Highlands. This supports the fact that coffee prices do indeed affect coffee growers directly—and over and above any other macroeconomic trends correlated with the coffee price. Turning to agricultural work in Panel B, we find that relative to children and adolescents in non-coffee-growing regions, those in the Central Highlands are less likely to work on the farm when coffee prices increase. This supports the results of the main specification that children and adolescents are increasingly used in agricultural work of coffee-farming households when prices are low. Finally, the estimates on housework in Panel C support our main finding that working-age adults are more likely to participate in housework when prices are high.

Overall, we find that our main conclusions continue to hold using a wide range of alternative identification strategies and definitions of the key dependent variable providing strong robust evidence on the effect of coffee price volatility on intra-household labour allocation decisions.

## **5 Additional analysis**

This section explores the implications of our main results further. First, we investigate whether there is any heterogeneity in response between different groups of households and different types of household members. Second, we explore the implications of the reallocation of labour within the household on the schooling of children and adolescents. Finally, we investigate other mechanisms such as credit and household enterprises that could have been used by households to smooth consumption.

### **5.1 Heterogeneity in response**

We begin by exploring the degree to which household labour allocation responses to international coffee prices vary by the characteristics of the household. Table 6 presents the results of heterogeneity of responses along three dimensions: (i) gender; (ii) household's wealth (as measured by the asset index); and (iii) ethnicity (measured by an indicator variable that takes the value 1 if the household head does not belong to the majority Kinh group).

Panel A in Table 6 shows the heterogeneity of the results for wage employment. We find that wage employment of adult females is more sensitive to fluctuations in coffee prices. Females have a lower overall rate of participation in wage employment (13.5 per cent) compared to males (21.1 per cent), which is, however, more elastic when faced with economic hardship. Consistent with wage work being a coping mechanism, we find that households with a higher asset index are less likely to have to resort to the labour market to tide over low coffee price periods. Further, adolescents and adults in non-Kinh minority households are more likely to seek wage employment. A vast literature has found that non-Kinh households are systematically worse off compared to Kinh households, including in access to credit (Singhal and Beck 2016; Baulch et al. 2004). Our results indicate that exclusion of non-Kinh households from alternative coping mechanisms has resulted in increased vulnerability to vagaries of the commodity markets.

Looking at heterogeneity in agricultural work in Panel B, we find that households with a higher asset index are more likely to work on the farm when prices are low. This indicates that households with more assets, including larger landholdings, have a greater reliance on family

labour during low price periods. This is possibly explained by a decreased reliance on hired labour in periods of low prices. Households with high levels of asset ownerships are also more likely to rely on hired labour (see Figure A1 in the Appendix). Further, we find that households rely less on hired labour when coffee prices are low (results not reported). Taken together, this suggests that in low price periods, coffee-growing households with greater wealth substitute hired labour with unpaid family labour. Finally, heterogeneity of responses in the context of household work is examined in Panel C. While adults are more likely to spend time at home in high price periods, this response is weaker for females.

## 5.2 School attainment

The main results of Table 3 imply that a decline in the international coffee prices leads to greater participation in agriculture (by children and adolescents) and labour market (by adolescents). This could adversely affect educational attainment of these age groups both directly (dropping out of school) and indirectly (for example, less time for homework may lead to grade repetition).

As discussed earlier, theoretically the net effect of a price increase on child investment (and labour) is ambiguous due to countervailing income and substitution effects. The existing empirical literature finds mixed results, depending on the country, context, and type of shock studied. For example, Cogneau and Jedwab (2012) find investments in children to be pro-cyclical to cocoa prices in Côte d'Ivoire. Beegle et al. (2006) find a similar result of transitory income shocks to farming households in Tanzania, and Jacoby and Skoufias (1997) uncover negative income effects on school attendance in the Indian ICRISAT villages. On the other hand, Kruger (2007) finds evidence of counter-cyclical to temporary fluctuations in coffee prices in Brazil. In a developing country such as Viet Nam, where existing literature finds strong associations between household income and education (Behrman and Knowles 1999; Glewwe and Jacoby 2004), we would expect the income effect to dominate.

We explore the impacts on education outcomes in Table 7. Once again, as this information is not available for 2006, the period of analysis is restricted to 2008–14. In the first column for each age group, the dependent variable takes the value 1 if the child is 'currently attending school'. We do not find coffee prices to affect school attendance for either age group. Undeniably, attendance does not necessarily translate into learning. We try to capture educational attainment in two ways. In columns a2 and b2, the outcome variable is the highest grade attained by the child. Columns a3 and b3 capture age-grade distortion, similar to the method used by Patrinos and Psacharopoulos (1997) and Dammert (2008) where the outcome variable takes the value 1 if the child is over age relative to her grade (as measured by the index).<sup>11</sup> Once again, for both measures we do not find strong evidence that coffee prices have affected educational attainment; only the grade variable is significant at the 10 per cent level for the adolescents group. While these measures may not adequately capture human capital accumulation of children in coffee-growing households exposed to severe price volatility, overall the results indicate that some amount of work done by children on the farm (in response to low prices) may be compatible with schooling.

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<sup>11</sup> More precisely, we specify the age-grade distortion as  $AGD = \text{grade} - (\text{age} - 7)$ . The over-age indicator takes the value of 1 if  $AGD < 0$ . Children usually start school at the age of 6 years, so if they are older than 7 after having completed the first year of primary school then they are over-age for their grade level.

### 5.3 Other coping mechanisms

Faced with volatility in international coffee prices, we have shown that coffee-growing households in Viet Nam primarily rely on wage employment and increased labour of children and adolescents in agriculture in order to smooth consumption. We now examine the extent to which these households use other means of coping with the resulting income fluctuations in Table 8.

Operating a household enterprise can be another channel through which households may attempt to diversify income. For example, Adhvaryu et al. (2015) find enterprise ownership increases significantly in periods on low coffee prices in Tanzania. In column 1 of Table 8 we do not find any effect of coffee prices on the propensity to engage in household enterprises.

The result of Table 2 that household consumption is affected by coffee prices means that smoothing of consumption is less than perfect. With well-functioning credit markets this would not be the case. It is therefore relevant to ask whether this is caused by credit constraints. In column 2 of Table 8, we find that the coffee price is negatively correlated with whether the household took a loan in the two years preceding the interview.<sup>12</sup> This indicates that households attempt to smooth consumption by borrowing money in low price years. Splitting the loan indicator on investment loans (i.e. loans with the stated purpose of building a house, buying land or other assets, etc.) and other types of loans (mainly consumption loans) supports this conclusion—investment loans are unaffected by coffee price swings and the whole effect is driven by other types of loans.

Finally, households could also respond to dips in international coffee prices by sending members to work in urban areas. Overall, the level of migration in Viet Nam remains low, arguably due to a complex household registration system (Ho Khau). Nevertheless, we have insufficient information in the VARHS data to investigate this channel. The VARHS survey contains information on migrants only for the 2012 and 2014 survey rounds, and we find that the proportion of households where a household member had migrated within the last year was 7.3 per cent in 2012 and 13 per cent in 2014.

## 6 Conclusions

In this study we have established that households in the Central Highlands of Viet Nam were unable to smooth consumption during the period 2006–14 where they faced highly volatile international coffee prices. We detected both sale of assets as well as increased uptake of credit for consumption, and our results show that households attempted to cope with the loss of income via intra-household labour reallocation. More specifically, we have demonstrated that decreases in the coffee price lead to significant increases in wage employment for both adults and adolescents. We also found substantial and significant increases in employment in agriculture by children and adolescents; these results are robust to a number of different checks.

Concerning the labour supply of children, our results are similar to Edmonds and Pavcnik (2005), even though the spatial and temporal context is different. Since coffee is not consumed

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<sup>12</sup> The sample size is smaller as the 2006 VARHS did not collect information on credit that is strictly comparable with subsequent survey rounds.



by the household to any substantial degree, this is evidence that the effect from a loss of income dominates any potential substitution effects stemming from changes in relative returns to work and other activities. While we did not find evidence that the uptake of agricultural work in low price periods by children affected school attainment, the potentially debilitating effects of such a coping strategy should not be understated. The quality of the learning may well have suffered and there could also be negative consequences in dimensions not assessed here such as health and psychological wellbeing (Friedman and Thomas 2009; Miller and Urdinola 2010). Importantly, such effects can persist into adulthood and result in chronic poverty.

Historically, international coffee prices have been quite volatile. From a public policy perspective there is a need for social safety nets that protect household consumption in lean years, and help children and adolescents transition safely to adulthood. Access to insurance schemes or cash transfer programmes are some of the policy instruments that could insulate households from volatile commodity markets. For example, while the cash transfer scheme—*Red de Protección Social*—in Nicaragua was not explicitly designed to respond to shocks, Maluccio (2005) finds that the programme protected small coffee farmers from a sharp decline in coffee prices in the early 2000s. Such a scheme could reduce incentives for labour substitution patterns between children and adults observed in this study. As the impact of coffee price fluctuations on food expenditures shows that households are unable to perfectly smooth consumption through the credit markets, policy makers could also consider deepening the credit markets and reducing imperfections in the land and labour markets more generally. In contrast, our labour substitution results suggest that a public works programme approach might be of limited benefit as it would lead to children spending more time on the family farm.

Viet Nam has experienced high growth rates in the last decades and is no longer categorized as a low-income country. In this light, it is revealing that smallholder farmers continue to use the labour market to cope with price changes for their outputs. The results of this study suggest that it is likely to be socially beneficial to put in place countervailing policy measures to address future coffee market volatility. Greater stability and predictability for coffee farmers is desirable for welfare and human capital accumulation and in the final analysis most likely for coffee output as well.

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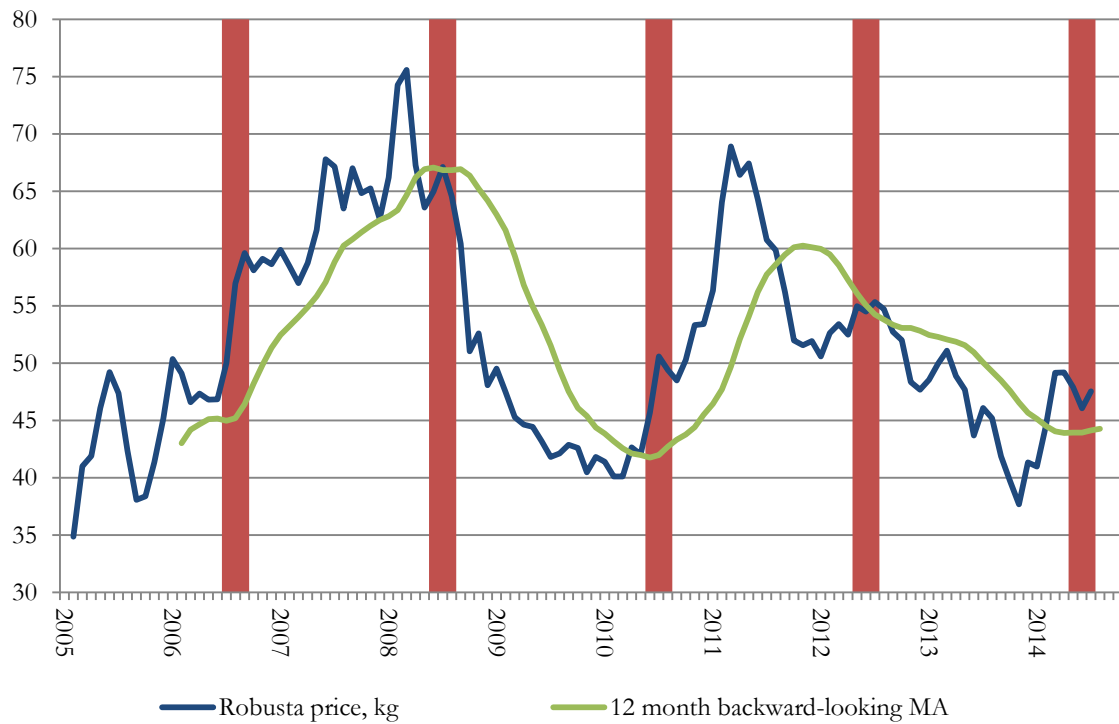
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## Figures and tables

Figure 1: World market coffee prices, '000 real June 2014 VND/kg



Note: The red bars denote the three-month periods of the VARHS survey rounds.

Source: Authors' illustration based on ICO (2015) and World Bank (2015).

Table 1: Descriptive statistics

	All years		2006	2008	2010	2012	2014
	Mean	SD	Mean				
Household size	4.88	1.74	5.06	5.03	4.91	4.78	4.75
HH head is Kinh (=1)	0.61	0.49	0.69	0.59	0.60	0.61	0.61
Real food expenditures (28 days) <sup>1</sup>	1,540	1,055	1,402	1,406	1,503	1,802	1,485
Asset index	0.52	1.38	-0.15	0.07	0.41	0.85	0.97
Unit price of coffee /SD	1.26	0.48	1.22	1.43	1.06	1.36	1.19
Area of plots, m <sup>2</sup>	17,334	16,470	15,993	16,626	17,391	18,328	17,454
Share of area dedicated to coffee	0.48	0.41	0.60	0.40	0.47	0.49	0.51
Coffee produced, kg	2,316	3,922	1,608	1,763	2,547	2,482	2,821
HH sold coffee (=1)	0.99	0.11	0.99	0.99	0.98	0.99	0.99
HH engages in household business (=1)	0.16	0.37	0.18	0.13	0.19	0.18	0.12
HH engages in wage work (=1)	0.58	0.49	0.59	0.48	0.62	0.61	0.59
Child work in agriculture (=1)	0.20	0.40	0.28	0.23	0.31	0.12	0.14
Child work in wage employment (=1)	0.01	0.08	0.01	0.00	0.01	0.01	0.01
Child work in household business (=1)	0.01	0.07	0.02	0.00	0.01	0.00	0.00
No. of observations	2,355		209	516	515	562	553

1: '000 VND.

Source: Authors' calculations based on VARHS.

Table 2: Coffee prices and household welfare

	(1) HH unit price/SD	(2) Food Exp.	(3) Asset index	(4) Wage work
Coffee price/SD	0.128*** (0.008)	47.953*** (16.752)	0.049** (0.020)	-0.037*** (0.008)
Constant	0.088 (0.122)	-343.564 (266.773)	-2.243*** (0.254)	0.358*** (0.132)
Province time trend	Yes	Yes	Yes	Yes
HH size	Yes	Yes	Yes	Yes
Shocks	Yes	Yes	Yes	Yes
HH Fixed Effects	Yes	Yes	Yes	Yes
Mean of dep. var.	1.26	1,540.09	0.52	0.58
R-Square	0.13	0.067	0.27	0.046
N	1,922	2,355	2,355	2,355

Note: Coffee price and HH unit price are both in real prices. Food expenditure is in real '000 VND. Wage work is an indicator variable equal to one if the household participated in wage work in the last year. Standard errors are clustered at commune level. The unit price can only be calculated for households that report selling coffee in a given year. This reduces the sample in column 1. \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.

Table 3: Coffee prices and intra-household labour responses by age

	Age 6–14	Age 15–19	Age 20–54
<i>Panel a: Wage work</i>			
Price/SD		-0.032 (0.007)***	-0.058 (0.005)***
Mean of dependent variable		0.09	0.30
<i>Panel b: Agricultural work</i>			
Price/SD	-0.045 (0.013)***	-0.061 (0.017)***	-0.011 (0.004)***
Mean of dependent variable	0.24	0.59	0.74
<i>Panel c: Housework</i>			
Price/SD	-0.000 (0.015)	0.002 (0.011)	0.035 (0.007)***
Mean of dependent variable	0.53	0.70	0.68
N	2,246	1,733	6,043
Province time trend	Yes	Yes	Yes
HH size, asset index	Yes	Yes	Yes
Shocks	Yes	Yes	Yes
Individual Fixed Effects	Yes	Yes	Yes

Note: Each coefficient represents a separate regression. The panels denote the outcome variable. This is regressed on the coffee price as well as additional controls. Within each age category, the number of observations is the same in all regressions. \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.

Table 4: Coffee prices and intra-household labour responses by age using farm-gate prices

	Age 6–14	Age 15–19	Age 20–54
<i>Panel a: Wage work</i>			
Price/SD		-0.042 (0.022)*	-0.039 (0.019)**
Mean of dependent variable		0.09	0.30
<i>Panel b: Agricultural work</i>			
Price/SD	-0.062 (0.034)*	-0.146 (0.032)***	-0.014 (0.011)
Mean of dependent variable	0.24	0.59	0.74
<i>Panel c: Housework</i>			
Price/SD	-0.074 (0.051)	-0.032 (0.034)	0.017 (0.014)
Mean of dependent variable	0.53	0.70	0.68
<i>N</i>	1,842	1,454	4,991
Province time trend	Yes	Yes	Yes
HH size, asset index	Yes	Yes	Yes
Shocks	Yes	Yes	Yes
Individual Fixed Effects	Yes	Yes	Yes

Note: Each coefficient represents a separate regression. The panels denote the outcome variable. This is regressed on the coffee price as well as additional controls. Within each age category, the number of observations is the same in all regressions. \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.

Table 5: Coffee prices and intra-household labour responses by age using all provinces

	Age 6–14	Age 15–19	Age 20–54
<i>Panel a: Wage work</i>			
Price/SD*CH		-0.010 (0.007)	-0.019 (0.006)***
<i>Panel b: Agricultural work</i>			
Price/SD*CH	-0.033 (0.014)**	-0.061 (0.018)***	-0.001 (0.004)
<i>Panel c: Housework</i>			
Price/SD*CH	0.015 (0.016)	0.001 (0.013)	0.049 (0.009)***
<i>N</i>	11,932	9,145	38,164
Province time trend	Yes	Yes	Yes
HH size, asset index	Yes	Yes	Yes
Shocks	Yes	Yes	Yes
Individual Fixed Effects	Yes	Yes	Yes

Note: Each horizontally bordered segment represents a separate regression. CH is an indicator variable equal to one if the household resides in the Central Highlands. Each coefficient on the price variable and its interaction with CH represents a separate regression. The panels denote the outcome variable. This is regressed on the coffee price as well as additional controls. Within each age category, the number of observations is the same in all regressions. \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.



Table 6 Heterogeneous responses

	Age 6–14	Age 15–19	Age 20–54
<i>Panel a: Wage work</i>			
Price/SD		-0.031 (0.009)***	-0.040 (0.007)***
Female*Price/SD		-0.002 (0.011)	-0.036 (0.011)***
Price/SD		-0.043 (0.008)***	-0.063 (0.005)***
Asset index*Price/SD		0.024 (0.006)***	0.013 (0.004)***
Price/SD		-0.017 (0.005)***	-0.053 (0.006)***
Non-Kinh*Price/SD		-0.035 (0.012)***	-0.012 (0.006)**
<i>Panel b: Agricultural work</i>			
Price/SD	-0.051 (0.017)***	-0.066 (0.019)***	-0.009 (0.005)*
Female*Price/SD	0.012 (0.015)	0.009 (0.016)	-0.004 (0.006)
Price/SD	-0.045 (0.013)***	-0.053 (0.015)***	-0.008 (0.004)**
Asset index*Price/SD	-0.001 (0.008)	-0.018 (0.009)**	-0.008 (0.003)***
Price/SD	-0.037 (0.015)**	-0.063 (0.023)***	-0.012 (0.005)**
Non-Kinh*Price/SD	-0.015 (0.017)	0.004 (0.028)	0.003 (0.007)
<i>Panel c: Housework</i>			
Price/SD	-0.025 (0.017)	0.028 (0.015)*	0.059 (0.009)***
Female*Price/SD	-0.012 (0.016)	-0.034 (0.015)**	-0.037 (0.011)***
Price/SD	-0.030 (0.015)**	0.013 (0.011)	0.043 (0.005)***
Asset index*Price/SD	-0.017 (0.009)*	-0.003 (0.007)	-0.006 (0.004)*
Price/SD	-0.040 (0.017)**	0.027 (0.013)**	0.039 (0.005)***
Non-Kinh*Price/SD	0.016 (0.016)	-0.037 (0.022)*	0.004 (0.007)
<i>N</i>	2,246	1,733	6,043

Note: Each horizontally bordered segment represents a separate regression. The panels denote the outcome variable. This is regressed on the coffee price as well as interactions with either an indicator for being female, the asset index, or an indicator for being non-Kinh. All regressions include the same controls as in Table 3. Within each age category, the number of observations is the same in all regressions. \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.

Table 7 Education outcomes

	Age 7-14 years			Age 15-19 years		
	(a1)	(a2)	(a3)	(b1)	(b2)	(b3)
	Attending school	Grade	Over age	Attending school	Grade	Over age
Price/SD	-0.000 (0.006)	-0.049 (0.059)	0.005 (0.006)	-0.010 (0.013)	-0.076* (0.043)	0.019 (0.013)
Constant	0.790*** (0.189)	2.625* (1.513)	-0.100 (0.142)	1.246*** (0.324)	6.950*** (0.974)	-0.736** (0.326)
Province time trend	Yes	Yes	Yes	Yes	Yes	Yes
HH Size	Yes	Yes	Yes	Yes	Yes	Yes
Shocks	Yes	Yes	Yes	Yes	Yes	Yes
Indiv. Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
R-Square	0.024	0.36	0.055	0.22	0.39	0.18
N	1,725	1,725	1,725	1,367	1,367	1,367

Note: All regressions include the same controls as in Table 3. 'Attending school' is a dummy which is equal to one if the child is currently attending school. 'Grade' is highest grade attained. 'Over age' is equal to 1 if the person does not have a normal progress in terms of schooling years for his/her age. Education outcomes are not available for the 2006 survey round. \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.

Table 8: Coffee prices, household enterprises, and loans

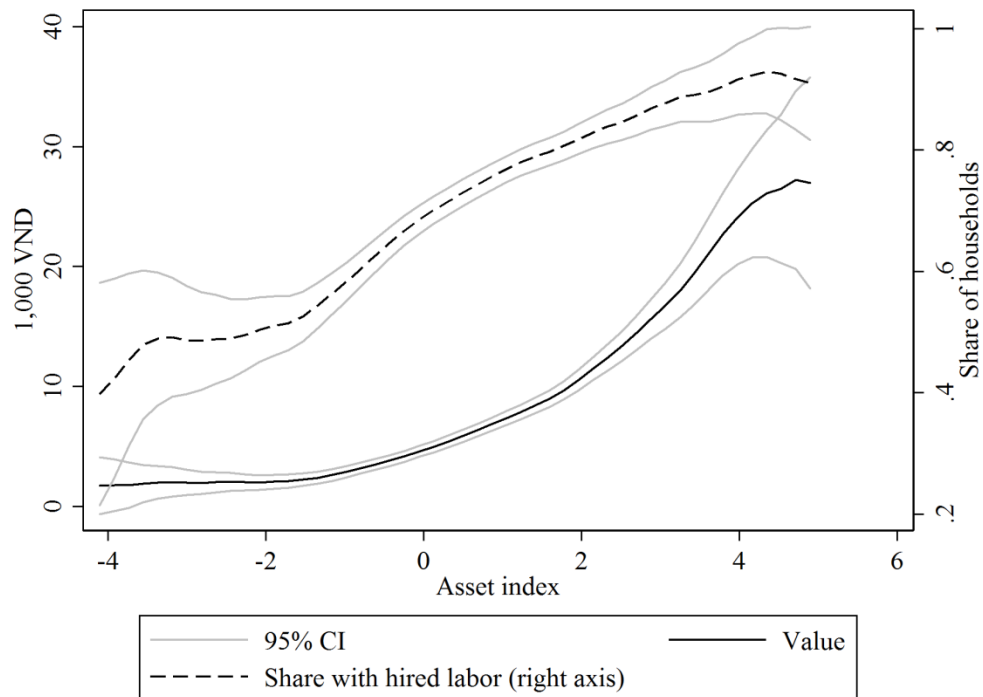
	(1) HH enterprise	(2) HH took Loan	(3) HH took investment loan	(4) HH took other loan
Coffee price/SD	-0.008 (0.007)	-0.023** (0.010)	0.014 (0.012)	-0.037*** (0.011)
Constant	0.154 (0.098)	0.540*** (0.174)	0.087 (0.149)	0.444*** (0.164)
Province time trend	Yes	Yes	Yes	Yes
HH size, asset index	Yes	Yes	Yes	Yes
Shocks	Yes	Yes	Yes	Yes
HH Fixed Effects	Yes	Yes	Yes	Yes
Mean of dep. var.	0.17	0.58	0.39	0.19
R-Square	0.014	0.020	0.020	0.049
N	2,355	2,146	2,146	2,146

Note: Credit information is not available for 2006. This reduces the sample in columns (2)–(4). \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.

## Appendix

Figure A1: Relationship between hired labour in asset index and hired agricultural labour



Note: Kernel-weighted local polynomial regressions. The solid line is the average value of hired agricultural labour over the last year in real 2014 Vietnamese Dong. To avoid undue influence of outliers, values above the 99<sup>th</sup> percentile were replaced with the value of the 99<sup>th</sup> percentile. The dashed line is the local share of households who have used agricultural wage labour in the last year. Eight outlier households with asset index values above 5 were discarded before running these regressions.

Source: Author's calculations based on VARHS.

Table A1: Do coffee prices affect household size?

	(1) Birth	(2) Death/serious illness	(3) HH size
Coffee price/SD	0.006 (0.004)	-0.009 (0.010)	0.006 (0.011)
Constant	0.036 (0.035)	0.188** (0.082)	5.072*** (0.112)
Province time trend	Yes	Yes	Yes
HH size	No	No	No
Shocks	Yes	Yes <sup>1</sup>	Yes
HH Fixed Effects	Yes	Yes	Yes
R-Square	0.13	0.067	0.27
N	1,922	2,355	2,355

Note: Coffee price is both in real prices. Births are not observable in 2006. This leads to a reduction in the sample of column 1. Standard errors are clustered at the commune level. \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%. 1: Only includes pest and natural disaster shock variables.

Source: Authors' calculations based on VARHS.

Table A2: Main results with linear and quadratic time trends

	Age 6–14 years	Age 15–19 years	Age 20–54 years
<i>Panel a: Wage work</i>			
Price/SD		-0.033 (0.007)***	-0.064 (0.005)***
<i>Panel b: Agricultural work</i>			
Price/SD	-0.053 (0.013)***	-0.060 (0.017)***	-0.012 (0.004)***
<i>Panel c: Housework</i>			
Price/SD	-0.000 (0.015)	0.007 (0.011)	0.040 (0.006)***
N	2,246	1,733	6,043
Linear and quadratic time trends	YES	YES	YES
HH size, asset index	YES	YES	YES
Individual Fixed Effects	YES	YES	YES
Shocks	YES	YES	YES

Note: \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.

Table A3 Main results with clustering at the district level

	Age 6–14 years	Age 15–19 years	Age 20–54 years
<i>Panel a: Wage work</i>			
Price/SD		-0.032 (0.000)*** [0.002]***	-0.058 (0.000)*** [0.002]***
<i>Panel b: Agricultural work</i>			
Price/SD	-0.045 (0.011)** [0.036]**	-0.061 (0.009)*** [0.024]**	-0.011 (0.006)*** [0.014]**
<i>Panel c: Housework</i>			
Price/SD	-0.000 (0.986) [0.950]	0.002 (0.875) [0.856]	0.035 (0.000)*** [0.000]***
<i>N</i>	2,246	1,733	6,043
Province time trend	Yes	Yes	Yes
HH size, asset index	Yes	Yes	Yes
Shocks	Yes	Yes	Yes
Individual Fixed Effects	Yes	Yes	Yes

Note: Standard errors are clustered at district level. Normal parentheses report clustered p-values. Square brackets report p-values based on 999 iterations of the clustered wild bootstrap-t procedure of Cameron et al. (2008). \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.

Table A4 Main results using price indicator variable

	Age 6–14 years	Age 15–19 years	Age 20–54 years
<i>Panel a: Wage work</i>			
Price/SD		-0.055 (0.015)***	-0.084 (0.014)***
<i>Panel b: Agricultural work</i>			
Price/SD	-0.126 (0.025)***	-0.153 (0.042)***	-0.030 (0.009)***
<i>Panel c: Housework</i>			
Price/SD	-0.078 (0.032)**	-0.029 (0.028)	0.050 (0.012)***
<i>N</i>	2,246	1,733	6,043
Province time trend	Yes	Yes	Yes
HH size, asset index	Yes	Yes	Yes
Shocks	Yes	Yes	Yes
Individual Fixed Effects	Yes	Yes	Yes

Note: Each coefficient represents a separate regression. The panels denote the outcome variable. This is regressed on the coffee price as well as additional controls. Within each age category, the number of observations is the same in all regressions. \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.

Table A5 Main results using district time trends

	Age 6–14 years	Age 15–19 years	Age 20–54 years
<i>Panel a: Wage work</i>			
Price/SD		-0.032 (0.007)***	-0.053 (0.006)***
<i>Panel b: Agricultural work</i>			
Price/SD	-0.047 (0.013)***	-0.062 (0.017)***	-0.013 (0.004)***
<i>Panel c: Housework</i>			
Price/SD	-0.004 (0.016)	0.001 (0.012)	0.034 (0.008)***
<i>N</i>	2,246	1,733	6,043
District time trend	Yes	Yes	Yes
HH size, asset index	Yes	Yes	Yes
Shocks	Yes	Yes	Yes
Individual Fixed Effects	Yes	Yes	Yes

Note: Each coefficient represents a separate regression. The panels denote the outcome variable. This is regressed on the coffee price as well as additional controls. Within each age category, the number of observations is the same in all regressions. \*significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

Source: Authors' calculations based on VARHS.