Upward Mobility and the Role of Government Performance

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Abstract

Research on upward mobility often emphasizes individual or household characteristics such as education, occupation, or family background, with limited attention to how the broader living environment shapes mobility prospects. This paper addresses that gap by examining the role of government performance on upward mobility in Vietnam, a country marked by rapid growth but facing income and regional inequality. Using panel data from the Vietnam Household Living Standard Surveys (2012–2018) combined with the Provincial Governance and Public Administration Performance Index (PAPI), we apply a generalized ordered logit model to assess both perceived and income-based mobility. The findings show that improvements in governance raise the likelihood of households moving upward. Civic participation and control of corruption mainly enhance perceived mobility, while better public service delivery supports income mobility. These effects are heterogeneous: rural households, the majority ethnic group, low-income families, and northern residents benefit clearly, while urban households, minorities, and southern residents are less benefited. The results suggest that strengthening local governance is a critical policy lever for fostering the upward mobility of citizens.

Keywords

upward mobility, government performance, Vietnam, generalized ordered logit, PAPI

Introduction

Upward mobility refers to the capacity of individuals, households, or social groups to improve their social or economic status. Enhancing the quality of life for citizens is a development goal for many countries worldwide, making this topic a significant area of interest for researchers. Various factors influencing upward mobility have been analyzed from multiple dimensions, ranging from individual characteristics such as education level, labor skills, and social capital to institutional and environmental factors such as the quality of governance, access to public services, and infrastructure. According to Kalleberg and Mouw (2018), upward mobility is influenced by two primary groups of factors: individual and contextual. Individual characteristics include race or ethnicity, gender, immigration status, age, educational attainment, and social capital. Researchers argue that upward mobility is usually considered an individual effort (Turner et al., 2022). As Turner et al (2022) stated, "The notion that individuals can improve their economic lot in life through hard work, education, and risk-taking is not a uniquely American one." Therefore, the impact of individual characteristics on upward mobility has been studied quite thoroughly.

By contrast, contextual factors—particularly governance—remain less explored. A government that listens to citizens and ensures fair resource allocation can enhance opportunities for economic success. Responsive and just governance has been identified as one of the five key predictors of upward mobility, alongside inclusive neighborhoods, high-quality education, rewarding work, and access to healthcare (Turner et al., 2022). This highlights the need for empirical evidence linking government performance to upward mobility.

Previous research has faced three main limitations. First, measuring mobility requires panel data, which are often unavailable in developing countries. As a result of this limitation, a second research gap in the field appears: most

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empirical studies on upward mobility have been conducted in developed countries, particularly in North America and Europe (Dang, 2020; Fields et al., 2007). This induces a limited understanding of mobility in low- and middle-income countries. Third, most studies emphasize family background, education, or health, while the role of political and institutional factors remains underexplored. This study addresses these gaps by investigating the influence of local government performance on household upward mobility.

Vietnam provides a compelling case to study this topic. Despite remarkable growth and a "growth with equity" agenda in the 2000s (C. V. Nguyen & Pham, 2018), income inequality persists, particularly across regions and population groups (G. Q. Nguyen & Tran, 2021). Governance quality is thus crucial for ensuring equitable development. Using representative household data and the multidimensional PAPI index (Provincial Governance and Public Administration Performance Index), this study examines how different dimensions of governance—such as citizen participation, transparency, accountability, corruption control, service delivery, and environmental governance—affect both subjective and income-based measures of mobility at the household level.

This paper makes three contributions. Firstly, it broadens the literature by explicitly linking government performance to upward mobility, showing that mobility is not solely driven by individual efforts but also shaped by institutional context. Secondly, the results provide novel evidence from a developing country, thereby extending global debates that are still dominated by cases from advanced economies. Thirdly, it reveals the heterogeneous impacts of local governance on household mobility, demonstrating that households differ by region, ethnicity, and income level in their benefits from improved governance—an aspect often overlooked in studies that focus solely on national averages.

The remainder of the paper is organized as follows: Section 2 reviews the literature; Section 3 describes the data and methodology; Section 4 presents empirical results; and Section 5 discusses findings and policy implications.

Literature Review

Studies on upward mobility have predominantly concentrated on developed countries, with a particular emphasis on calculating intergenerational elasticity of income (IGE). A large body of research has examined the relationship between family background and upward mobility, highlighting how parental income strongly predicts the income of offspring (Atkinson et al., 1993; Bhattacharya & Mazumder, 2011; Björklund & Chadwick, 2003; Chetty et al., 2014; Corak, 2013; Dang, 2020; Lefranc et al., 2014). Other strands of literature have investigated the influence of education (Haveman & Smeeding, 2006; Simard-Duplain & St-Denis, 2020; J. Yang & Qiu, 2016), health (Campos-Matos & Kawachi, 2015), and family characteristics on mobility. According to Kalleberg and Mouw (2018), upward mobility is influenced by two primary groups of factors: individual characteristics and contextual factors. Individual characteristics include factors such as race or ethnicity, gender, immigration status, age, educational attainment, and social capital. While the evidence on individual determinants—such as education, health, or family background—is robust, institutional and structural factors remain relatively underexplored.

Recent studies have begun to emphasize governance as a key contextual factor shaping mobility outcomes. Turner et al. (2022) identify responsive and just governance as one of five predictors of upward mobility, alongside inclusive neighborhoods, education, quality jobs, and healthcare. Governance can empower citizens, ensure equitable resource distribution, and foster opportunities for economic success (Hajnal & Trounstine, 2010).

Government performance is often measured through criteria such as efficiency in public service delivery, corruption control, accountability, and political stability. Ott (2011) highlights six core dimensions of governance quality—control of corruption, government effectiveness, regulatory quality, rule of law, political stability, and accountability—captured in the World Bank's Worldwide Governance Indicators (WGI). Although governance is increasingly acknowledged as a determinant of well-being, few studies have directly connected improvements in government performance with household-level upward mobility, especially in developing countries.

A substantial literature documents how governance quality enhances growth and well-being. Holmberg et al. (2009) and Rothstein and Teorell (2008) show that effective governance fosters social trust and growth, particularly in developing and transitional nations. Helliwell et al. (2018) find that government quality improves life evaluations in 157 countries. Similarly, Peiró-Palomino et al. (2020) demonstrate positive effects of government quality on well-being across 10 welfare dimensions in Europe. Improved efficiency in public service delivery—including education, healthcare, and social security—has been shown to reduce income inequality (Liu & He, 2019) and increase life satisfaction (Liu et al., 2020). Conversely, poor control of corruption undermines service delivery (Suryadarma, 2012; Tiongson & Hamid Davoodi, 2001) and exacerbates inequality (Gupta et al., 2002). Despite this extensive literature, the link between governance quality and upward mobility remains indirect. Most studies focus on outcomes such as

life satisfaction, poverty reduction, or inequality, but not explicitly on household upward mobility. Moreover, they typically rely on national or regional averages as the unit of analysis rather than household-level data, which prevents them from capturing how individual household characteristics interact with local governance quality in shaping well-being. This gap highlights the need for empirical evidence that directly examines how government performance shapes mobility trajectories.

In summary, the effectiveness of government performance plays a crucial role in enabling households to enhance their income and quality of life by creating a supportive environment for development. The performance of the local government is expected to be a factor influencing citizens' capacity for upward mobility. The existing literature thus highlights two key insights. First, while individual and family characteristics are well-established determinants of upward mobility, the institutional dimension, particularly the quality of governance, remains insufficiently examined. Second, most empirical evidence comes from advanced economies, leaving mobility in developing countries relatively underexplored. This study seeks to address these gaps by focusing on Vietnam, a rapidly growing but unequal economy, where government performance has the potential to shape households' chances of improving their socio-economic status. We combine nationally representative household panel data with a multidimensional measure of governance quality. The next section presents the data and empirical strategy employed to investigate this relationship.

Data and Methodology

Data Source

This study uses the Vietnam Household Living Standard Survey (VHLSS), a nationally representative survey conducted every 2 years by the General Statistics Office in Vietnam. Our methodology involved matching households that were present in the survey at both time points, as VHLSS is a rotating module household survey. Our analysis focused on the datasets from VHLSS 2016 and VHLSS 2018. To assess upward mobility, we also incorporated household income per capita data from VHLSS 2012 and VHLSS 2014. Among the surveyed households, we identified 1921 that were present in both 2012 and 2016, as well as 1897 households present in both 2014 and 2018. These overlapping sets of households were crucial for our analysis, enabling us to explore their self-reported and income upward mobility patterns across these distinct time frames. This approach was pivotal in our efforts to trace and analyze the developmental trajectory of these households effectively. By aligning and matching these households across the survey's iterations, we were able to track changes in their intragenerational income and subjective well-being over time.

The information regarding government performance in each province is derived from the Vietnam Provincial Governance and Public Administration Performance Index (PAPI) Report (https://papi.org.vn/eng). This report is collaborative work between the Centre for Community Support Development Studies (CECODES) under the Viet Nam Union of Science and Technology Associations (VUSTA) and the United Nations Development Programme (UNDP) in Vietnam. The report is based on a comprehensive questionnaire that includes 500 substantive inquiries about Vietnam's policy landscape, resulting in the assessment of 120 indicators. The questionnaire is standardized and focuses on citizens' experiences and evaluations of governance, public administration, and public services. Data collection is primarily conducted through in-person interviews at households; in the 2014 PAPI survey, the average interview duration was approximately 60 min. Respondents' answers are transformed into measurable indicators and aggregated according to the structure of each dimension. By using a defined scoring scale, component scores are standardized. For example, in PAPI 2016, the core dimensions (dimensions 1–6 at that time) were converted to a 1 to 10 scale to facilitate comparison across provinces (Centre for Community Support and Development Studies (CECODES), Centre for Research and Training of the Viet Nam Fatherland Front (VFF-CRT), & United Nations Development Programme (UNDP), 2015).

PAPI is organized in a hierarchical sequence: indicators, components/sub-components, dimensions, and finally the overall provincial score. This structure is designed to capture both the overall governance picture and specific "bottlenecks," thereby helping local authorities identify priority areas for improvement. PAPI index includes eight dimensions: citizen participation at the local level, transparency in local decision-making, vertical accountability to citizens, control of corruption in the public sector, public administration procedures, public service delivery, environmental governance, and e-governance. PAPI primarily highlights score trends and group comparisons over time rather than creating mechanical competition based on rankings. A detailed presentation of the PAPI index dimensions can be found in Table A1 in the Appendix A.

Other information related to province characteristics is extracted from the Statistical Yearbook of General Statistics Offices of Vietnam.

Variables

The Upward Mobility of Households. This study evaluates household upward mobility by examining both self-reported perceptions of households regarding their circumstances and the transitions of these households toward higher income brackets. Firstly, the upward mobility of households is constructed based on a question from VHLSS. For example, in the 2018 VHLSS, households were asked: "Compared to this year with 5 years ago (2014), have your household's lives improved?" From this question, we created a categorized variable with the following values: 1 for households that felt their lives had worsened, 2 for those who felt their lives remained unchanged, 3 for those who experienced a slight improvement, and 4 for those who reported significant improvements. In their lives. Additionally, we established a dummy variable, where a value of 1 indicates the respondents perceived their lives to have improved either slightly or significantly. In contrast, households received a value of 0 if they reported no improvement or a decline in their quality of life.

Secondly, upward mobility is defined as households experiencing a shift toward a higher income bracket. To analyze this, we calculate the income per capita for households at two specific time points, separated by a 5-year gap. We categorize earnings into income groups at each time point, utilizing 5 quintiles and 10 deciles. In the case of 5 quintiles, each group represents approximately 20% of the population based on income, while for 10 deciles, each group corresponds to 10% of the population. Additionally, a dummy variable is established to capture upward mobility, assigning a value of 1 to households that experience an increase in their income group and a value of 0 to those that either remain in the same income group or fall into a lower one.

In 2016, 38.68% of households saw an upward shift in income deciles, while 33.99% experienced an increase in income quintiles. These figures slightly decreased to 37.16% and 30.05%, respectively, in 2018. In contrast, self-reported upward mobility exhibited a higher consistency, with 84.54% of households in 2016 and 85.45% in 2018 expressing a sense of improvement in their lives. Interestingly, among the households that reported an improvement, only about 40.52% in 2016 and 38.68% in 2018 achieved income upward mobility. This suggests that roughly 60% of these households perceived their lives had improved without actually transitioning to a higher income quintile.

Conversely, among households experiencing a rise in their income quintile, a significant majority—about 88.56% in 2016 and 88.94% in 2018—believed that their life had improved.

This study utilized proxies based on households' subjective evaluations to capture personal perceptions, acknowledging any degree of perceived progress as a sign of upward mobility. In other words, self-reported upward mobility is a straightforward assessment of life improvement when households compare their current circumstances directly to those of 5 years ago. Conversely, proxies linked to income quintiles or deciles provide a comparative perspective among households, offering a more objective measure of mobility. Income upward mobility reflects a household's income progress relative to others. Self-reported upward mobility indicates absolute upward mobility, while income upward mobility refers to relative upward mobility. Households experiencing intragenerational income mobility showed a 25% higher probability of perceiving an improvement in their lives compared to those without such upward mobility. Utilizing different proxies for measuring upward mobility offers a more comprehensive understanding of household upward mobility, encompassing both tangible income shifts and corresponding subjective perceptions of quality improvement life.

Government Performance Index. This study utilizes the Performance Province Administration and Performance Index (PAPI) as a measure of government performance. The aim is to assess the influence of shifts in local government efficacy within provinces on the upward mobility of local households over 5 years. Consequently, the model necessitates accounting for government performance from 5 years prior and estimating the variation between recent and past governance quality. To capture governance from 5 years ago, the variable $PAPI_{p,t-5}$ was constructed, while $\Delta PAPI_{p,t}$ expresses the alterations in PAPI after 5 years. Moreover, $\Delta PAPI_{p,t}$ is disaggregated according to changes in each of the six main dimensions, including participation at the local level, transparency in local decision-making, vertical accountability toward citizens, control of corruption in the public sector, public administration procedures, and public service delivery.

Control Variables. To account for other factors influencing households' upward mobility capacity, our study includes control variables across two primary groups of characteristics. Firstly, we encompass household characteristics such

as the age, educational attainment, marital status, and gender of the household head. A spectrum of household-specific attributes is also considered, including income per capita, household size, number of dependent members, living area, location of residence, total fixed asset value, water source, garbage service, education level of head, and toilet facilities. These variables capture the demographic characteristics of the household. Secondly, the model incorporates province-level characteristics, encompassing GDP per capita growth, unemployment rates, and birth rate. Table 1 presents the definitions of these variables. The descriptive statistics of the variables are presented in Table A2 in the Appendix A. Household and province characteristics capture differences in human capital, demographic structure, and structural constraints that shape mobility prospects.

This study does not conduct an in-depth analysis of household characteristics but treats them as control variables. The objective of this paper is to examine how the quality of local government governance impacts household upward mobility, based on a tight control for family characteristics. In this approach, governance attributes and household characteristics are considered supplementary factors, not independent effects of upward mobility. However, due to the large number of control variables, this paper will not present the coefficients of these control variables. The full coefficient will be presented in Table A3 of the Appendix A.

Methodology

To investigate the relationship between changes in governance performance and upward mobility of household capacity, we use the following model:

$$M_{ipt} = \alpha PAPI_{p,t-5} + \beta \Delta PAPI_{pt} + \boldsymbol{X}_{\boldsymbol{ipt}}^{\boldsymbol{H}} \gamma + \boldsymbol{X}_{\boldsymbol{pt}}^{\boldsymbol{P}} \delta + \mu_p + \theta_t + \varepsilon_{ipt} \quad (1)$$

Where M_{ipt} is the upward mobility probability of household i at province p at time t. $\text{PAPI}_{\text{p,t-5}}$ is the Provincial administration performance index of the province p 5 years ago. $\Delta\text{PAPI}_{\text{p,t}}$ capturing the change of $PAPI_{p,t}$ is the difference between the PAPI index at time t and the PAPI index 5 years ago. $\boldsymbol{X}_{\boldsymbol{ipt}}^{\boldsymbol{H}}$ is a vector of household characteristics of the household i at the province p at time t.

$\boldsymbol{X}_{\boldsymbol{pt}}^{\boldsymbol{P}}$ is a vector of the provincial characteristic of province p at time t. μ_p and θ_{t} respectively are provinces and year-fixed effects to capture any unobservable factors that can affect upward mobility at the province and each year. ε_{ipt} is the error term and is clustered at the province level.

The dependent variable in our analysis captures the probability of upward mobility for households, including self-reported and income mobility. Self-reported upward mobility is measured using two proxies: a categorized variable and a dummy variable. Income upward mobility is represented solely through a dummy variable.

To better understand the impact of governance performance on upward mobility, we incorporate seven variables that evaluate different aspects of provincial governance performance. The second model is as follows:

$$Mipt = \boldsymbol{S}_{\boldsymbol{p,t-5}} \boldsymbol{\alpha} + \Delta \boldsymbol{S}_{\boldsymbol{pt}} \boldsymbol{\beta} + \boldsymbol{X}_{\boldsymbol{ipt}}^{\boldsymbol{H}} \boldsymbol{\gamma} + \boldsymbol{X}_{\boldsymbol{pt}}^{\boldsymbol{P}} \boldsymbol{\delta} + \mu_p + \theta_t + \varepsilon_{ipt} \quad (2)$$

$\boldsymbol{\Delta S}_{\boldsymbol{pt}} = (S_{pt}^1, S_{pt}^2, S_{pt}^3, S_{pt}^4, S_{pt}^5, S_{pt}^6, S_{pt}^o)$ are the vectors of the change in the score for each dimension, where S_{pt}^1 for dimension 1 (civic participation at the local level), S_{pt}^2 for dimension 2 (transparency in local decision-making), S_{pt}^3 for dimension 3 (vertical accountability toward citizens), S_{pt}^4 for dimension 4 (control of corruption in the public sector), S_{pt}^5 for dimension 5 (public administration procedures), S_{pt}^6 for dimension 6 (public service deliver) and S_{pt}^o other dimensions respectively. We control for the scores of each dimension 5 years ago, $\boldsymbol{S}_{\boldsymbol{p,t-5}}$. Other variables in regression 2 are similar to those in regression 1.

In this study, the dependent variables capturing upward mobility include SBW, SBW2, M, and M10. Within SBW is a categorical variable, while the remaining variables are binary variables. When testing the model with a categorical variable, the Brant test was conducted to examine the proportional odds (parallel lines) assumption underlying the ordered logit model. The results indicate that the null hypothesis of parallel regression is rejected (p-value $< .05$), suggesting that the effects of the independent variables are not constant across different thresholds of the dependent variable. In other words, the proportional odds assumption is violated. Therefore, the conventional ordered logit model is not appropriate. To address this issue and allow the coefficients to vary across outcome categories, the generalized ordered logit (GOL) model is employed.

The Generalized Ordered Logit (GOL) model addresses the limitations of the ordered logit model by relaxing the parallel lines assumption (Mahama & Maharjan, 2018; Williams, 2006; L. Yang et al., 2023). The GOL model allows

Table 1. Variables Definition.

Variables	Type	Definition
SBW	Categorical	Subjective upward mobility(1 Worsen, 2 No change, 3 Improve a little, 4 Improve a lot)
SBW2	Dummy	Subjective upward mobility (1 if Life has improved, 0 if others)
M10	Dummy	Households received value 1 if have an increase in the higher income percentile, 0 if others (10% percentile)
M	Dummy	Households received value 1 if have an increase in the higher income percentile, 0 if others (20% percentile)
Pre_PAPI	Continuous	Provincial administration and Performance index 5 years ago
d_PAPI	Continuous	Difference in PAPI index after 5 years
d_D1	Continuous	Difference in civic participation dimension after 4 years
d_D2	Continuous	Difference in transparency in local decision-making after 4 years
d_D3	Continuous	Difference in Vertical Accountability Toward Citizens after 4 years
d_D4	Continuous	Difference in Control of corruption after 5 years
d_D5	Continuous	Difference in Public Administrative Procedures after 5 years
d_D6	Continuous	Difference in Public Service Delivery after 5 years
Other_d	Continuous	Difference in E_government and Environment after 5 years
Age_head	Continuous	Age of head
Head_no_degree	Dummy	Head does not have any educational degree
Head_primany		Head finishes primary school
Head_lower_secondary		Head finishes lower secondary
Head-upper_secondary		Head finishes upper secondary
Head_high_edu		Head finish college or university or higher education
Married_head	Dummy	Head got married
Male_head	Dummy	Head of family is male
A_income	Continuous	Income per capita (adjusted according to inflation rate)
Hhsize	Continuous	Household size
Dependant	Continuous	Number of dependent members in the household
Rural	Dummy	Household lives in rural
Agri_job	Dummy	Households having at least one member working in agriculture
Fixed_asset	Continuous	Value of fixed asset of household
Tap_water	Dummy	The main sourse of drinking water come from tap
Toilet	Dummy	Family have seperate toilet
Living area	Continous	Area of the living house
High_edu	Dummy	Family has at least a person graduating college or university or higher education
Majority	Dummy	Houshold belongs majority race (KINH)
Garbage	Dummy	Household using collecting garbage service
Area	Catagorical	Red River Delta (1) Midlands and Northern mountainous Area (2) Northern and Coastal Central Region (3) Central Highlands (4) Southeastern Area (5) Mekong Delta (6)
Rgdp	Continuous	The growth rate of GDP percapita of that provinces compared to 5 years ago
Birthrate	Continuous	Birth rate of the province
Unemployment rate	Continuous	The employment rate

for a more parsimonious estimation compared to non-ordinal alternatives, such as the multinomial logit model. The specification of the GOL model is:

$$Pij = Pr\left(Mipt > j\right) = \frac{\exp\left(\partial j + \alpha\, jPAPI_{p,t-5} + \beta\, j\Delta PAPI_{pt} + \boldsymbol{X}^{\boldsymbol{H}}_{\boldsymbol{ipt}}\boldsymbol{\gamma}\,\boldsymbol{j} + \boldsymbol{X}^{\boldsymbol{P}}_{\boldsymbol{pt}}\boldsymbol{\delta}\,\boldsymbol{j}\right)}{1+\left\{exp(\partial j + \alpha\, jPAPI_{p,t-5} + \beta\, j\Delta PAPI_{pt} + \boldsymbol{X}^{\boldsymbol{H}}_{\boldsymbol{ipt}}\boldsymbol{\gamma}\,\boldsymbol{j} + \boldsymbol{X}^{\boldsymbol{P}}_{\boldsymbol{pt}}\boldsymbol{\delta}\,\boldsymbol{j})\right\}}, j = 1, 2, M-1$$

- $M_{itp:}$ upward mobility of household i at province p at time t.
- ∂j intercept
- M: Maximum value of the upward mobility (set at 4 for this study, representing 4 ranks in self-reported upward mobility)

The GOL model works better with data fit compared to the ordered logit model. Nevertheless, the interpretation and justification of the GOL model are less straightforward than those for the ordered logit model. In this study, we will present the empirical results both in the GOL model and the ordered logit model.

It is important to note that the ordered logit model is a specific case of the GOL model, where the coefficients $(\alpha, \beta, \gamma, \delta)$ remain constant across all categories (j).

$$\text{Pij} = \Pr\left(Mipt > \text{j}\right) = \frac{\exp\left(\partial j + \alpha PAPI_{p,t-5} + \beta \Delta PAPI_{pt} + \boldsymbol{X}_{\boldsymbol{ipt}}^{\boldsymbol{H}}\gamma + \boldsymbol{X}_{\boldsymbol{pt}}^{\boldsymbol{P}}\delta\right)}{1 + \left\{exp(\partial j + \alpha PAPI_{p,t-5} + \beta \Delta PAPI_{pt} + \boldsymbol{X}_{\boldsymbol{ipt}}^{\boldsymbol{H}}\gamma + \boldsymbol{X}_{\boldsymbol{pt}}^{\boldsymbol{P}}\delta)\right\}}, \text{j} = 1, 2, M-1$$

In this study, we also use the binary dependent variables. In this case, $M = 2$, the GOL model resembles the standard binary logit model.

Results

The Impact of Government Performance on the Upward Mobility of Households

Table 2 presents the estimated results for the impacts of the change in governance performance on self-reported upward mobility using Generalized ordered logit regression.

Each column in the table illustrates the effect of a one-point increase in the PAPI index and each dimension on the likelihood of households reporting a specific level of self-reported mobility. The results indicate that improvements in government performance positively influence self-reported upward mobility. Among eight dimensions assessed, only the enhancement of civic participation at the local level (Dimension 1) demonstrates a significant impact on self-reported upward mobility.

As the estimated coefficients in Table 2 offer limited information about the correlation between government performance and self-reported upward mobility, we present the Average Marginal Effects (AMEs) in Table 3. AMEs illustrate how the probability of self-reported upward mobility changes with a 1-point increase in the general PAPI index. Notably, an increase in the PAPI index exerts negative effects on downward mobility while simultaneously yielding a positive impact on upward mobility (especially significant for those in the highest rank).

Table 4 shows the average marginal effects of the improvement in civic participation at the local level. While the change in civic participation has a negative effect on downward mobility (however, it is not significant), it positively supports upward mobility at the highest level. Specifically, a 1-point increase in local civic participation raises the probability that households report substantial improvements in their lives by .005 points.

We estimate the impact of a change in the PAPI index on upward mobility among households using dummy variables; the findings are presented in Table 5.

The results indicate that improvements in government performance consistently enhance both subjective and objective upward mobility. For self-reported upward mobility (Columns 1–2), a one-unit increase in government performance raises the log-odds by about 0.07 to 0.08, equivalent to an odds ratio of roughly 1.08. This means that households are around 8% more likely to report upward mobility, which translates into an increase of about 1.8–2.0 percentage points in probability at a baseline of .5.

For income upward mobility measures (Columns 3–4), the estimated coefficients range from 0.0521 to 0.0558, corresponding to odds ratios of 1.05–1.06. In other words, each additional point of improvement in government performance increases the odds of moving to a higher income group by 5% to 6%, which is equivalent to a probability gain of about 1.3–1.4 percentage points at the same baseline. Overall, these findings suggest that government quality has a robust and meaningful effect on both perceived and actual household upward mobility. Overall, improved local government quality significantly enhances the upward mobility of the community's residents.

Next, we estimate how different dimensions of government performance affect the upward mobility of households. The result is presented in Table 6.

The results highlight that among the various dimensions of governance, three stand out as having significant impacts on upward mobility. First, greater citizen participation at the local level is positively associated with

Table 2. Impact of Changes in Government Performance on Upward Mobility (in the Generalized Ordered Logit Model).

Self_reported upward mobility	Coefficients (Change of government performance)	Coefficient (Change in dimension 1)	Coefficient (Change in dimension 2)	Coefficient (Change in dimension 3)	Coefficient (Change in dimension 4)	Coefficient (Change in dimension 5)	Coefficient (Change in dimension 6)	Coefficient (Change in other dimensions)
Worsen	0.0212 (0.0561)	0.281 (0.184)	−0.384 (0.253)	−0.0823 (0.213)	0.134 (0.163)	0.203 (0.337)	0.121 (0.219)	−0.0390 (0.220)
No change	0.0860** (0.0389)	0.199 (0.151)	−0.0361 (0.148)	−0.0547 (0.126)	0.159 (0.126)	0.292 (0.194)	0.0714 (0.171)	0.0683 (0.0683)
Improve a little	0.0823*** (0.0288)	0.267** (0.123)	0.0008 (0.116)	0.0709 (0.141)	0.107 (0.087)	0.0784 (0.173)	−0.0839 (0.187)	0.220 (0161)
Base outcome (Improve a lot)								
Control household characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Control provincial characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo R^2	.09	.09	.09	.09	.09	.09	.09	.09
N	3,727	3,688	3,688	3,688	3,688	3,688	3,688	3,688

Note. Column 1 presents the coefficients of change in the PAPI index on self-report upward mobility according to regression (1). The other columns present the coefficients of different dimensions of the PAPI index on upward mobility according to regression (2), in which Dimension 1-civic participation at the local level, Dimension 2-(transparency in local decision-making, Dimension 3-Vertical accountability toward citizens, Dimension 4-Control of corruption in the public sector, Dimension 5-Public administration procedures, Dimension 6-Public service deliver and other dimensions.
Control household characteristics include income per capita, household size, number of dependent members, living area, location of residence, total fixed asset value, water source, garbage service, and toilet facilities, working in the agriculture sector, age, educational attainment, marital status, and gender of the household head.
Control provincial characteristics include the growth rate of provincial GDP per capita, birth rate, and unemployment rate.
The standard error is clustered at the provincial level.
Standard errors in parentheses $^{**}p < .05$, $^{***}p < .01$.

Table 3. Average Marginal Effects of Change in PAPI Index on Self-Reported Upward Mobility in the Generalized Ordered Logit Model.

Predict	dy/dx	Std_err	z	$p>\|z\|$	95% Confidence interval	
Life is worse	−0.0009	0.0024	−0.38	.706	−0.0057	0.0038
Life unchange	−0.0084	0.0032	−2.66	.008	−0.0146	−0.0022
Life is improved a little	−0.0064	0.0067	−0.97	.334	−0.0195	0.0066
Life is improved a lot	0.0158	0.0055	2.88	.004	0.0050	0.0265

Table 4. The Average Marginal Effect of Change in Civic Participation on Self-Reported Upward Mobility in the Generalized Ordered Logit Model.

Predict	dy/dx	Std_err	z	$p>\|z\|$	95% confidence interval	
Life is worse	−0.0119	0.0078	−1.53	.125	−0.0273	0.0033
Life unchange	−0.0095	0.0132	−0.72	.470	−0.0354	0.0163
Life is improved a little	−0.0293	0.2527	−1.16	.245	−0.0789	0.0201
Life is improved a lot	0.0051	0.0234	2.18	.029	0.0051	0.0967

Table 5. Impact of the General Change in Government Performance on Upward Mobility.

	Self-evaluated upward mobility		Income upward mobility	
	(1)	(2)	(3)	(4)
Change of government quality	0.0792*** (0.0239)	0.0734* (0.0416)	0.0521* (0.0278)	0.0558** (0.0268)
/cut 1	3.667*** (1.084)			
/cut 2	4.992*** (1.101)			
/cut 3	7.897*** (1.116)			
Control households characteristics	Yes	Yes	Yes	Yes
Control provincial characteristics	Yes	Yes	Yes	Yes
N	3,727	3,733	3,733	3,733
Pseudo R^2	.08	.14	.10	.10

Note. The first column represents a dependent variable indicating self-evaluated upward mobility, with categories 1 (worsened), 2 (unchanged), 3 (slight improvement), and 4 (significant improvement). The second column has a dummy variable indicating life improvement (1) or not (0). The third and fourth columns include dummy variables for income upward mobility, in which an increase to a higher income group (1) and no change or a decrease to a lower income group (0). The third column divides income per capita into 5 quintiles, while the fourth column uses 10 deciles.

Column (1) shows coefficients under the Generalized order logit specified without parameters constrains all independent variables to meet the proportional-odds/parallel-line assumption (similar to the ordered logit).

Columns (2) (3) (4) shows coefficients under the GOL model with M = 2 (similar standard binary logit regression).

Standard errors in parentheses $^*p<.1$, $^{**}p<.05$, $^{***}p<.01$. The standard error is clustered at the provincial level

self-reported upward mobility. As shown in column (1), a one-unit increase in local participation corresponds to a 0.243 rise in the log-odds of reporting upward mobility, equivalent to about a 27% higher probability of households perceiving themselves as moving upward. This finding resonates with Pacheco and Lange (2010), who emphasize that stronger civic engagement enhances life satisfaction by empowering individuals and strengthening their belief in collective action for social welfare.

Second, improvements in controlling corruption are also important. A one-unit increase in corruption control raises the log-odds of self-reported upward mobility by 0.121, translating into roughly a 13% higher likelihood that households view themselves as better off. This echoes the argument of Gupta et al. (2002), which shows that corruption exacerbates inequality and poverty. By curbing corruption, governments allocate resources more effectively, expand access to essential services, and ultimately create fairer conditions for upward mobility (Peiró-Palomino et al., 2020).

Finally, the results in columns (3) and (4) indicate that better public service delivery significantly boosts income mobility. A one-unit improvement in service delivery is associated with a 0.271 increase in the log-odds of moving up

Table 6. The Effect of Multidimensional Government Performance on Upward Mobility.

	Self-reported upward mobility		Income upward mobility	
	(1)	(2)	(3)	(4)
Change in civic participation	0.243** (0.104)	0.184 (0.162)	0.0912 (0.131)	0.173 (0.106)
Change in transparency in local decisions	−0.0320 (0.107)	−0.0419 (0.147)	0.0053 (0.111)	−0.0652 (0.0955)
Change in vertical accountability	0.0353 (0.123)	−0.114 (0.142)	0.0292 (0.0754)	0.0037 (0.0752)
Change in control of corruption	0.121* (0.0727)	0.164 (0.130)	0.0114 (0.102)	0.0990 (0.106)
Change in public administrative procedures	0.139 (0.139)	0.304 (0.194)	0.0677 (0.175)	−0.185 (0.157)
Change in public service delivery	−0.0312 (0.144)	0.0830 (0.171)	0.271** (0.131)	0.332** (0.145)
Change in other dimensions	0.148 (0.129)	0.0383 (0.169)	−0.0202 (0.115)	−0.0472 (0.101)
Control households characteristics	Yes	Yes	Yes	Yes
Control provincial characteristics	Yes	Yes	Yes	Yes
N	3,688	3,694	3,694	3,694
Pseudo R^2	.08	.14	.10	.11

Note. Column (1) shows coefficients under the Generalized order logit specified without parameters constrains all independent variables to meet the proportional-odds/parallel-line assumption (similar to the ordered logit).
Columns (2) (3) (4) shows coefficients under the GOL model with M = 2 (similar standard binary logit regression).
Standard errors in parentheses *$p < .1$, **$p < .05$, The standard error is clustered at the provincial level.

the income quintiles (around 31% higher probability), and a 0.332 increase in the log-odds of advancing in income deciles (about 39% higher probability). Public service delivery here covers education, healthcare, infrastructure, and law enforcement—all essential foundations for long-term mobility. These findings are consistent with Turner et al. (2022), who highlight education, health, and responsive governance as pillars of equitable upward mobility.

The result indicates that civic participation influences upward mobility in both self-reported and income-based measures, whereas improvements in public service delivery affect only income mobility. According to the survey results, more than 80% Vietnamese households reported improvements in their living conditions, even though their position in the income ladder did not move upward. In other words, perceived upward mobility does not necessarily coincide with actual changes in income or relative income rank.

This discrepancy can be explained by the different mechanisms through which civic participation and public service delivery affect households. Firstly, the changes in civic participation may affect self-reported upward mobility through two channels: psychological and economic opportunity channels. On a psychological dimension, more civic engagement provides people with a stronger sense of empowerment and voice. When citizens feel that they are listened to and involved in local decision-making, their trust in institutions and local authorities increases. This fosters greater security and optimism about the future, leading to higher life satisfaction. Such findings are consistent with prior papers examining the association between civic participation and life satisfaction. In the Vietnamese context, where the political system is controlled by a single party, when such opportunities expand, the subjective impact on perceived upward mobility can be particularly strong.

Second, civic participation may influence income mobility through informational and opportunity channels. Increased civic participation can improve access to information about social assistance programs, reduce exclusion from public benefits, and strengthen social networks and social capital. Moreover, this dimension may enhance the targeting efficiency of local development policies. These mechanisms create tangible opportunities for income improvement, especially for low-income and rural households—an interpretation that is consistent with the heterogeneity analysis results.

In contrast, public service delivery operates primarily through material and structural mechanisms. Improvements in education, healthcare, infrastructure, and law enforcement mainly contribute to human capital accumulation, labor productivity, market access, and reductions in transaction costs. These are structural channels that generate real income gains. However, improvements in public services do not necessarily alter individuals' subjective perceptions of their life trajectories. Households are less likely to directly attribute improvements in their living conditions to the quality of government-provided services. As a result, public service delivery has limited influence on subjective upward mobility, even though it contributes to objective income mobility.

Table 7. Heterogeneity of the Impact of Government Performance on Upward Mobility.

		Self-evaluated upward mobility		Income upward mobility	
Sub-sample		Ordered logit	Logit	Logit (5 quintiles)	Logit(10 deciles)
Rural	Change in PAPI	0.0759*** (0.0282)	0.0943* (0.0524)	0.0636** (0.0031)	0.0719** (0.0296)
	N	2,676	2,680	2,680	2,680
	Pseudo R^2	.08	.14	.11	.13
Urban	Change in PAPI	0.0887** (0.0433)	0.0445 (0.0551)	0.0055 (0.0548)	0.0111 (0.0525)
	N	1,051	1,053	1,053	1,053
	Pseudo R^2	.07	.17	.09	.08
Δ(Rural – Urban)		−.0128	.0498	.0581	.0608
North	Change in PAPI	0.115*** (0.0301)	0.0688 (0.0431)	0.0801** (0.0335)	0.0737** (0.0344)
	N	2,355	2,359	2,359	2,359
	Pseudo R^2	.07	.15	.11	.12
South	Change in PAPI	−0.00875 (0.0500)	0.0181 (0.0786)	−0.0511 (0.0453)	−0.0239 (0.0413)
	N	1,372	1,374	1,374	1,374
	Pseudo R^2	.08	.13	.09	.10
Δ(North – South)		.1237***	.0507	.1312**	.0976*
Majority ethnicity	Change in PAPI	0.0850*** (0.0259)	0.0762* (0.0438)	0.0485 (0.0304)	0.0505* (0.0292)
	N	3,066	3,070	3,070	3,070
	Pseudo R^2	.07	.14	0.09	0.10
Minority ethnicity	Change in PAPI	0.00304 (0.0725)	−0.0115 (0.0972)	0.0504 (0.0763)	0.0671 (0.0811)
	N	661	663	663	663
	Pseudo R^2	.09	.22	.16	.16
Δ(Majority – Minority)		.0820	.0877	−.0019	−.0166
High income	Change in PAPI	0.107*** (0.0323)	0.0921 (0.0578)	0.0362 (0.0444)	0.0223 (0.0377)
	N	1,873	1,875	1,875	1,875
	Pseudo R^2	.07	.15	.11	0.16
Low income	Change in PAPI	0.0572 (0.0378)	0.0530 (0.0498)	0.0897* (0.0468)	0.0944** (0.0415)
	N	1,854	1,834	1,858	1,858
	Pseudo R^2	.08	.15	.50	.49
Δ(High – Low income)		.0498	.0391	−.0535	−.0721

Note. High income (encompassing households earning above the median income per capita) and low income (encompassing households earning below the median income per capita) at the base year.
Standard errors in parentheses*$p < .1$, **$p < .05$, ***$p < .01$

The Heterogeneity of the Impact of Government Performance on Upward Mobility

The purpose of this analysis is to clarify the heterogeneity in how government effectiveness influences people's lives. While previous studies often measured government impact only at the aggregate level—using average outcomes such as national average income or overall life satisfaction—our approach highlights the differences between sub-groups. Even within the same province, households may experience different effects depending on their income, education, ethnicity, or geographical location. This section explores the heterogeneity in the impact of government performance on upward mobility, aiming to highlight how and why certain households are more responsive to governance improvements than others. Understanding these differences is important because it can help policymakers design targeted actions to reduce inequality and support more inclusive development. Table 7 illustrates the varied impacts of government performance on upward mobility across different groups of households.

We categorize the overall data into groups based on criteria such as geography, political history, ethnicity, and income. In the context of living areas (rural or urban), the results indicate that improvements in government performance have a positive effect on both self-reported and income upward mobility among rural households. Specifically, for each one-point increase in government performance, rural households report a 0.0759 log-odds rise in self-evaluated upward mobility and a 0.0636 log-odds rise in income upward mobility (quintiles).

This translates to about a 7.9% higher likelihood of reporting upward mobility and a 6.6% higher likelihood of moving into higher income groups. In contrast, while urban households also show a positive response in terms of self-reported mobility with a 0.0887 log-odds rise, or roughly a 9.3% increase in probability. However, government

performance does not significantly affect their actual income upward mobility. This suggests that income mobility among rural households is more sensitive to changes in government effectiveness than among urban households, possibly because urban households already enjoy higher baseline incomes.

In the context of geography and history, we divide the two groups geographically (South-North) because Vietnam's history was divided by two regimes (the communist regime and the republican regime before 1975). After 1975, the whole country was under the management of the communist government. Therefore, we argue that there may be differences in the level of government influence on people in these two regions. The results also reveal clear regional differences. In Northern provinces, a one-point increase in government performance is associated with a 0.115 log-odds rise in self-reported upward mobility and a 0.0801 log-odds rise in income upward mobility (quintiles), translating into about 12.2% and 8.3% higher likelihoods, respectively. By contrast, in Southern provinces, no significant association was found between government performance and either self-reported or income upward mobility. The difference between the two regions is statistically significant, with the coefficients showing that the impact of government effectiveness on upward mobility is around 13% stronger in the North. This result resonates with Dell et al. (2015), who argue that historical differences in governance norms explain part of the regional divergence: the North developed stronger local governments and civic engagement, whereas the South relied more on patron-client structures with weaker collective institutions.

When considering the impact of government effectiveness on different ethnic groups, the findings show that improvements in government performance mainly benefit the majority ethnic group. For the majority group, a one-point increase in government performance leads to a 0.085 log-odds increase in self-reported upward mobility and a 0.0505 log-odds increase in income upward mobility (deciles), corresponding to around 8.9% and 5.2% higher probabilities, respectively. Nonetheless, there was no significant impact detected within the minority ethnic group. This highlights the necessity for government policies that specifically foster an environment conducive to improving the upward mobility of minority groups.

In the context of different income levels, we divided the sample into two categories: high-income households (those earning above the median income per capita) and low-income households (those earning below the median income per capita) at the base year. Among high-income households, a one-point increase in government performance results in a 0.107 log-odds rise in self-reported upward mobility (about 11.3% increase in probability), but no significant effect on income-based upward mobility. For low-income households, the effect is reversed: while the improvement in government performance does not significantly affect self-reported mobility, it is strongly associated with income mobility—specifically, a 0.0897 log-odds increase in quintile mobility and a 0.0944 log-odds increase in decile mobility, equivalent to roughly 9.4% higher chances of moving upward in the income ladder. These results suggest that governance improvements help low-income households catch up in real economic terms, while higher-income households are more likely to feel the benefits subjectively.

Overall, the heterogeneity analysis underscores that the effect of government performance on upward mobility is not evenly distributed. Rural households, Northern provinces, majority ethnic groups, and low-income households tend to benefit the most in income, while high-income and urban households mainly perceive improvements in subjective mobility. These findings emphasize that government performance does not exert the same influence across society. Instead, its impact varies substantially depending on households' location, income, and ethnicity, as well as regional historical legacies. This provides important evidence that policies aiming to improve governance should be designed with attention to group-specific contexts, ensuring that the benefits of better government are more evenly distributed and effectively promote inclusive upward mobility.

Robustness Check

The methodology utilized in this study is based on the theoretical framework of logistic regression. This analytical approach necessitates compliance with several fundamental assumptions, including the presence of a binary outcome variable, independence of error terms, appropriate model specification, a linear relationship between predictor variables and the logit transformation of the outcome, the absence of influential outliers, and no significant multicollinearity among predictors. Most importantly, the model must exhibit a good fit to the observed data. To evaluate the adequacy of the model, various diagnostic tests for goodness of fit were conducted. These tests assess whether the estimated model, which incorporates one or more independent variables, provides a better prediction of the outcome compared to the null model, which excludes predictor variables.

Table 8. Colinearity Test.

Variables	VIF	SQRT VIF	Tolerance	*R*-squared
last_PAPI	2.18	1.48	0.4585	.5415
d_D1	1.4	1.18	0.7131	.2869
d_D2	2.09	1.44	0.4793	0.5207
d_D3	1.56	1.25	0.642	0.358
d_D4	1.87	1.37	0.5358	0.4642
d_D5	1.73	1.32	0.5764	0.4236
d_D6	1.34	1.16	0.744	0.256
other_d	2.58	1.61	0.3881	0.6119
Majority	1.75	1.32	0.5719	0.4281
Income	1.66	1.29	0.6035	0.3965
Rural	1.59	1.26	0.6291	0.3709
Household size	2.08	1.44	0.4801	0.5199
Number of dependent	1.75	1.32	0.5707	0.4293
Work in agriculture sector	1.67	1.29	0.5972	0.4028
Age of head	1.36	1.17	0.7343	0.2657
Male head	1.8	1.34	0.5559	0.4441
Married_head	1.99	1.41	0.5013	0.4987
Living_are	1.32	1.15	0.7549	0.2451
Garbage service	1.61	1.27	0.6214	0.3786
Type of toilet	1.47	1.21	0.6822	0.3178
Fixed_asset	1.3	1.14	0.767	0.233
Head finished primary	1.73	1.31	0.5797	0.4203
Head finished lower_secondary	2.01	1.42	0.4972	0.5028
Head finished pper_secondary	1.81	1.35	0.5521	0.4479
Head finished high_edu	2.13	1.46	0.4688	0.5312
Having member graduated university	1.85	1.36	0.5402	0.4598
Rate of GDP	1.26	1.12	0.7959	0.2041
Birth_rate	1.94	1.39	0.516	0.484
Unemployment rate	1.89	1.37	0.5301	0.4699

As part of the diagnostic process, continuous variables in the model were examined for outliers. To mitigate the impact of extreme values, the data were winsorized at the 1st and 99th percentiles, as these percentiles provide consistent estimators.

Additionally, the presence of multicollinearity was assessed among the independent variables, which is a critical assumption in regression models. Variance inflation factor (VIF) values were used to evaluate multicollinearity, with thresholds interpreted as follows: $VIF < 5$ indicates no multicollinearity issues; $5 \leq VIF < 10$ suggests moderate multicollinearity; and $VIF \geq 10$ indicates severe multicollinearity (Alkan & Güney, 2021).

According to the VIF results provided in Table 8, no significant multicollinearity issues were identified in the model. The variable with the highest VIF value, *other_d*, had a VIF of 2.58, well below the threshold of 5. The variable growth rate of provincial GDP *(rgdp)* exhibited the lowest VIF value of 1.26, suggesting negligible multicollinearity. The mean VIF across all variables was 1.75, further confirming the absence of multicollinearity concerns.

Another critical assumption of binary logistic regression is the linearity of the logit concerning continuous independent variables. To test this, quadratic terms for the continuous variables were created and included in the logistic model alongside the original terms. If the quadratic terms were significant, this would indicate potential non-linearity. However, the coefficients of all quadratic terms were found to be statistically insignificant, suggesting no violations of the linearity assumption. Thus, the model satisfies the assumption of a linear relationship between the continuous predictors and the logit transformation of the dependent variable.

Finally, we perform the Hosmer-Lemeshow (HL test), a widely used test to assess the goodness-of-fit of a logistic model. The data is divided into groups based on the predicted probabilities from the model and the test examines whether the observed and predicted counts in each group align. The test result provides a chi-square statistic and a *p*-value. If $p\text{-value} > .05$: There is no evidence to reject the hypothesis that the model fits the observed data. This

Table 9. Result of the Goodness of Fit Test.

	Number of observation	Number of group	Hosmer-Lemeshow Chi^2	Prob > Chi^2
Model 1	3,733	5	2.43	.4877
Model 2	3,694	10	9.04	.3386

means the logistic model is considered a good fit for the data. If p-value ≤ .05: Evidence indicates that the model does not fit the observed data well. You should recheck the model or consider using an alternative model. In the first model, the Hosmer-Lemeshow goodness-of-fit test yields a chi-square statistic of 2.43 with 3 degrees of freedom ($\chi^2(3) = 2.43$) and a corresponding p-value of .4877. As the p-value exceeds the commonly used significance threshold of .05, there is no evidence to reject the null hypothesis, indicating that the model adequately fits the observed data. Similarly, in the second model, the test produces a chi-square statistic of 9.04 with 8 degrees of freedom ($\chi^2(8) = 9.04$) and a p-value of .3386. Since the p-value is also greater than .05, the null hypothesis cannot be rejected, suggesting that this model also aligns well with the observed data. Furthermore, the low chi-square value reinforces the conclusion that the model demonstrates an acceptable fit. The result is presented in Table 9.

Discussion

This study provides new evidence on the relationship between governance and household upward mobility in Vietnam. Previous research using the Provincial Governance and Public Administration Performance Index (PAPI) has often relied on data at the national or provincial level, with outcomes such as average income, whereas this study uses household-level data to show more clearly how government performance influences families. The results confirm that better governance supports upward mobility, though the impact varies across governance dimensions and social groups.

Civic participation and control of corruption play the strongest role in improving self-reported mobility, while better public service delivery increases the chance of income mobility. These findings align with studies that link democracy, participation, and subjective well-being (Altindag & Xu, 2011; Blume et al., 2009; Samanni & Holmberg, 2010). In Vietnam's context, the strong influence of civic participation and corruption control can be explained by the political and social system: as a communist state, opportunities for citizens to engage with local decision-making are limited, so when people feel that they can contribute to community affairs, their satisfaction rises, and they become more confident about future opportunities. At the same time, corruption has long been a major obstacle for developing countries, reducing efficiency in resource allocation (Suryadarma, 2012; Tiongson & Hamid Davoodi, 2001) and deepening inequality (Gupta et al., 2002); therefore, better control of corruption not only improves fairness and effectiveness in governance but also strengthens both income growth and life satisfaction (Peiró-Palomino et al., 2020)

The heterogeneity analysis reveals clear differences in how government performance affects various groups. Majority ethnic households benefit more strongly from improvements in governance. This can be explained by the fact that they hold a larger share of the population, have stronger economic foundations, and enjoy greater support from their communities. As a result, they are in a better position to take advantage of policies and programs introduced by the government.

Rural households also experience stronger positive effects compared to urban ones. In Vietnam, rural residents are often the focus of state policies and social programs, as the government has historically emphasized rural development and poverty reduction. Consequently, when governance quality improves, rural households are more likely to get benefits in both income and perceived upward mobility.

Households in northern provinces are likewise more responsive to governance improvements. Northern Vietnam has a stronger political base and more stable local administrative systems, which are better connected to citizens. These factors allow government actions to be translated more effectively into benefits for households.

In contrast, minority ethnic households frequently live in mountainous and disadvantaged regions where administrative capacity is weak. The limited state presence in these areas reduces the reach and effectiveness of government programs. Similarly, urban households and residents in the South experience weaker effects from governance improvements. For these groups, upward mobility is more closely tied to market opportunities and economic competition than to government support, meaning that changes in governance have a less direct influence on their mobility outcomes.

These findings point to several concrete policy implications. First, improving governance quality is essential for promoting upward mobility, particularly through expanding opportunities for civic participation, strengthening

anti-corruption efforts, and improving the delivery of public services such as education, healthcare, and basic infrastructure. Second, because minority ethnic groups and residents in the South often benefit less from governance improvements due to weaker local administrations and less effective policy reach, the government should prioritize strengthening local institutions in these areas. Building stronger and more accountable local governments, fostering closer connections between local authorities and communities, and ensuring that national policies are effectively implemented at the grassroots level would help reduce regional and ethnic disparities. For ethnic minorities in remote areas, targeted programs that combine infrastructure development with mechanisms for citizen participation can ensure that they have both access to essential services and a voice in local decision-making. In urban areas, where the effect of governance on income mobility is weaker, policies should focus on improving the quality and efficiency of public services to complement market-driven opportunities. Finally, the fact that other governance dimensions, such as transparency, administrative procedures, and e-government, show limited influence suggests that these reforms are still underdeveloped. Strengthening these areas would help create a more responsive and efficient administrative system, thereby enhancing the overall impact of governance on household mobility.

The study has some limitations that should be acknowledged. First, the observation period covers only two survey waves over 5 years. While this timing aligns with the political cycle of local governments in Vietnam and provides useful insights for short-term policy evaluation, it may not capture longer-term structural changes in social mobility. Extending the analysis to cover a longer time span would help clarify whether the observed effects are temporary or sustained. Another concern is the reliance on subjective indicators, which may introduce perception biases. Although PAPI is widely used as a tool to assess governance and public administration in Vietnam, its survey-based nature means that it primarily reflects citizens' perceived institutional environment rather than an entirely objective measure of state capacity. Respondents' assessments may be shaped by personal experiences, access to information, media narratives, or the socio-economic conditions of their region. To mitigate this, the analysis incorporates household and local characteristics as controls; however, caution is still required when interpreting the results

A further methodological concern relates to potential endogeneity between governance quality and subjective well-being. Although the study uses lagged PAPI data to reduce simultaneity bias, it cannot fully rule out reverse causality, whereby households' perceptions of their life circumstances may also shape how they evaluate local governance. Moreover, unobserved variables, such as psychological traits or local cultural factors, might simultaneously influence both governance perceptions and reported well-being, raising the risk of omitted variable bias. Without appropriate instrumental variables, causal inference remains limited.

Future research should therefore expand the scope by incorporating richer longitudinal data, exploring the use of mixed-method approaches to reduce perception bias, and employing advanced econometric techniques or suitable instruments to address endogeneity. Such improvements would allow for a clearer distinction between correlation and causality, while also providing deeper insights into how governance interacts with broader socio-economic dynamics to shape household mobility in Vietnam.

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Appendix A

Table A1. Provincial Administration and Performance Index (PAPI) Dimensions.

Dimensions	Sub-dimension
Dimension 1: participation at the local level	Civic Knowledge
	Opportunities for Participation in Elections
	Quality of Village Head Elections
	Voluntary Contributions
Dimension 2: transparency in local decision-making	Access to Information
	Poverty Lists Transparency
	Commune Budgets Transparency
	Transparent Land Use Plans/ Price Frames
Dimension 3: Vertical Accountability Towards Citizens	Interactions with Local Authorities
	Government Responsiveness to Citizens' Appeals
	Access to Justice Services
Dimension 4: Control of Corruption in the Public Sector	Limits on Corruption in Local Governments
	Limits on Corruption in Public Service Delivery
	Equity in State Employment
	Willingness to Fight Corruption
Dimension 5: Public Administrative Procedures	Certification Procedures
	Land Title Procedures
	Personal Procedures
Dimension 6: Public Service Delivery	Public Health Care
	Public Primary Education
	Basic Infrastructure
	Law and Order
Dimension 7: Environmental Governance	Environmental Protection
	Quality of Air
	Quality of Water
Dimension 8: E-Governance	Access to E-Government Portals
	Access to the Internet
	E-Responsiveness of Provincial Authorities

Table A2. Descriptive Statistics.

Variable	Type	Obs	Mean	Min	Max
Upward mobility	Categorical	3,812	3.11	1	4
Upward mobility	Dummy	3,818	0.85	0	1
Income mobility (10 deciles)	Dummy	3,818	0.379	0	1
Income mobility (5 quintiles)	Dummy	3,818	0.32	0	1
Pre-PAPI	Continuous	3,818	35.76	0	40.62
d PAPI	Continuous	3,751	3.779	−4.898	46.834
d D1	Continuous	3,741	0.222	−1.036	1.615
d D2	Continuous	3,712	−0.389	−1.835	1.372
d D3	Continuous	3,741	−0.776	−2.536	0.366
d D4	Continuous	3,712	0.2	−2.101	1.938
d D5	Continuous	3,741	0.319	−0.638	1.544
d D6	Continuous	3,741	0.147	−1.068	1.247
Other d	Continuous	3,712	3.625	0	8.738
Majority ethnicity	Dummy	3,818	0.825	0	1
Income per capita	Continuous	3,800	3150.662	289.5	27175.834
Rural	Dummy	3,818	0.716	0	1
Household size	Continuous	3,818	3.759	1	12
Number of dependents	Continuous	3,818	1.366	0	6
Work in agriculture sector	Dummy	3,818	0.661	0	1
Age of head	Continuous	3,818	52.423	17	101
Male head	Dummy	3,818	0.757	0	1
Married head	Dummy	3,818	0.799	0	1
Living area	Continuous	3,818	85.374	10	460
Garbage service	Dummy	3,818	0.512	0	1
Type of toilet	Dummy	3,818	0.751	0	1
Fixed asset	Continuous	3,818	46,022.282	0	1,313,800
Head finished primary	Dummy	3,818	0.261	0	1
Head finished lower secondary	Dummy	3,818	0.301	0	1
Head finished upper secondary	Dummy	3,818	0.143	0	1
Head finished high education	Dummy	3,818	0.067	0	1
Having member graduated university	Dummy	3,818	0.175	0	1
Grdp	Continuous	3,818	0.408	−0.465	1.19
Birth rate	Continuous	3,818	15.652	9.8	24.1
Unemployment rate	Continuous	3,818	2.166	1.05	2.89
Area	Categorical	3,818	3.243	1	6

Note. d_D1, d_D2, d_D3, d_D4, d_D5, d_D6, other_d is the change in dimension 1 (civic participation at the local level), dimension 2 (transparency in local decision-making), dimension 3 (vertical accountability toward citizens), dimension 4 control of corruption in the public sector, dimension 5 (public administration procedures), dimension 6 (public service deliver) and other dimensions respectively.

Table 3. Impact of the General Change in Government Performance on Upward Mobility.

	Self-evaluated upward mobility		Income upward mobility	
	(1)	(2)	(3)	(4)
Pre_PAPI	0.0921***	0.1108**	0.0505	0.0546*
d_PAPIindex	0.0792***	0.0734*	0.0521*	0.0558**
A-Income	0.0002***	0.0003***	0.0004***	0.0005***
Majority	−0.0363	−0.1861	0.0367	0.0990
Rural	0.3870***	0.5632***	0.4886***	0.4034***
Hhsize	0.0427	0.0575	−0.0141	−0.0002
Dependant	−0.0277	−0.0466	−0.1179	−0.0931**
Agri_job	0.5419***	0.5468***	0.3497***	0.2961***
Age_head	−0.0018	−0.0016	−0.0048	−0.0093***
Male_head	0.0644	−0.0281	0.1108	0.1833**
Married_head	0.3985***	0.4409***	−0.1437	−0.1379
Living_area	0.0034***	0.0034**	0.0000	0.0003
Garbage	0.0320	0.0467	0.0092	−0.0162
Toilet	0.2625***	0.0795	0.1048	−0.0046
Fixed_asset	0.0000	0.0000***	0.0000**	0.0000**
Head_primary	0.1931*	0.2357**	−0.0029	−0.0064
Head_lower_secondary	0.2248**	0.1541	0.1150*	0.1190***
Head_upper_secondary	0.4177***	0.1716**	0.1476***	0.1551***
Head_high_edu	0.2289	0.3323	−0.7872***	−0.8553***
High_edu	0.1647	−0.1961	−0.2441*	−0.1906
Rgdp	0.6154***	0.2581	0.0594	0.2874
Birth_rate	0.0685***	0.1027***	0.0196	0.0178
Unemploymentrate	−0.0570	−0.1793	0.1605*	0.0863
Constant		−6.1376***	−4.2105***	−3.9671***
/cut1	3.6769***			
/cut2	4.9921***			
/cut3	7.8970***			
N	3,688	3,694	3,694	3,694
Pseudo R^2	.08	.14	.10	.11

Note. The first column represents a dependent variable indicating self-evaluated upward mobility, with categories 1 (worsened), 2 (unchanged), 3 (slight improvement), and 4 (significant improvement). The second column has a dummy variable indicating life improvement (1) or not (0). The third and fourth columns include dummy variables for income upward mobility, in which an increase to a higher income group (1) and no change or a decrease to a lower income group (0). The third column divides income per capita into 5 quintiles, while the fourth column uses 10 deciles. Column (1) shows coefficients under the Generalized order logit specified without parameters constrains all independent variables to meet the proportional-odds/parallel-line assumption (similar to the ordered logit).
Columns (2) (3) (4) shows coefficients under the GOL model with $M = 2$ (similar standard binary logit regression).
Standard errors in parentheses *$p < .1$, **$p < .05$, ***$p < .01$.