



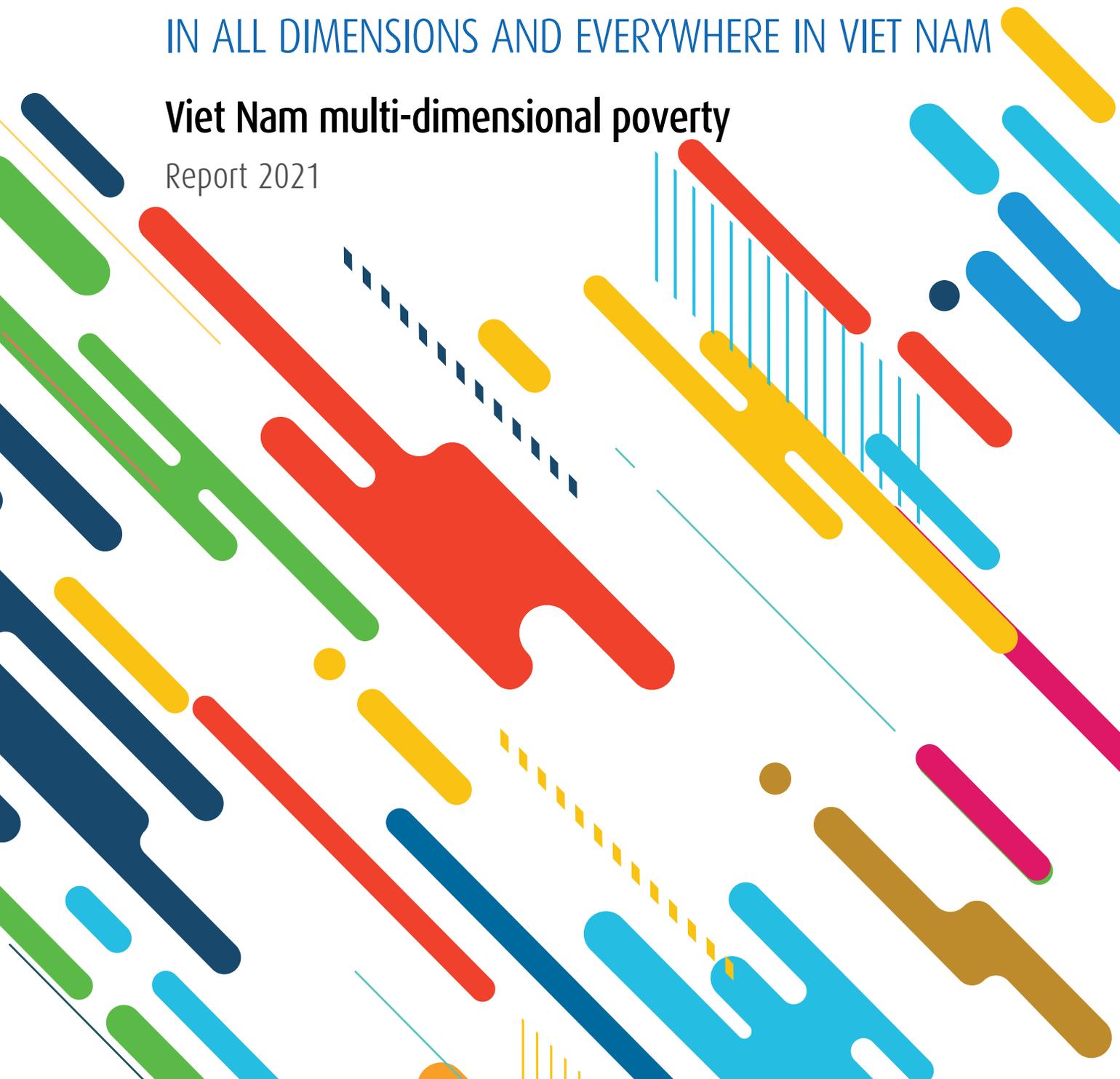
# SUSTAINING

## RAPID REDUCTION OF POVERTY

IN ALL DIMENSIONS AND EVERYWHERE IN VIET NAM

### Viet Nam multi-dimensional poverty

Report 2021





# FOREWORD

Viet Nam's remarkable achievement in poverty reduction is internationally recognized: the poverty headcount rate (measured in monetary expenditure) was reduced from 57 percent in the early 90s to 5.2% in 2020.<sup>1</sup> Aware that the quality of people's lives involves many more aspects than just income, in November 2015, the Government of Viet Nam promulgated national multidimensional poverty lines for application in the 2016-2020 period, marking an important step in Viet Nam's transition from an income-based to a multi-dimensional poverty approach.

Viet Nam is a pioneer in the region in applying multi-dimensional poverty lines, in line with the trend of international integration, as a basis for evaluating the results of implementing the United Nations' Sustainable Development Goals until the year 2030. Poverty measurement dimensions include income and lack of access to essential social services (health, education, housing, clean water, sanitation, and information). The measurement of poverty line supports the poor and people living in disadvantaged areas to achieve minimum standards of living in terms of food and non-food consumption, access to essential services and other factors affecting quality of life.

The first Multidimensional Poverty Report in 2018 showed that the poverty rate, regardless of the measurement method used, declined during the period 2012-2016. Expenditure poverty, income poverty and multidimensional poverty (MDP) all achieved large reductions. With the exception of adult education, deprivation rates in all national MDP indicators fell during 2012- 2016. This achievement was due to improvements in the social sectors, including strengthened universal health insurance policy, growth in mobile phones and internet penetration, better housing and sanitation conditions.

Although the poverty rate declined over the past period, the problem of poor households falling back into poverty, or vulnerable households falling into poverty, persisted. During 2012-2016, 6.7 percent of the population was "poor" in both, 2.6 percent fell into poverty and 9.4 percent escaped poverty in 2016.<sup>2</sup>

On January 27, 2021, the Government of Vietnam issued Decree No. 07/2021/ND-CP stipulating the multi-dimensional poverty line for the period 2021-2025. However, in 2021, the poverty line would continue to be the multidimensional poverty line for the 2016-2020 period. The new multidimensional poverty line will be applied in the 2022-2025. Therefore, in the period of 2022-2025, about 10 million people from multidimensionally poor households will benefit from poverty reduction policies and programs of the Government of Vietnam.

This MDP Report for 2021 is a joint research product of the Ministry of Labour - Invalids and Social Affairs (MOLISA), Committee for Ethnic Affairs (CEMA), General Statistics Office (GSO), and the United Nations Development Programme in Viet Nam (UNDP Viet Nam), co-financed by the DFAT-GREAT program and conducted by Centre for Analysis and Forecasting, Vietnam Academy for Social Science (CAF/VASS). Using data from various sources, such as the Viet Nam Household Living Standard Surveys (VHLSS), Population and Housing Census (PHC), Enterprise Census (EC), Survey on the socio-economic situation of 53 ethnic minorities, Labour Force Survey (LFS), the Report provides an update on Vietnam's progress in reducing poverty in all dimensions. Poverty reduction has been impressive regardless of the measure in use up until the beginning of the pandemic. However, vulnerabilities and disparities remain. Transient income poverty increased during Covid-19, and was felt more significantly among migrants and ethnic minority groups.

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1. Source: Household living standard survey by GSO  
2. Source: Multi dimensional poverty assessment in Vietnam, 2018

The Report also provides a detailed analysis of productive employment, basic social services, and social protection for all as key pathways to sustaining Vietnam's multidimensional poverty reduction achievements. In Viet Nam, productive employment increased substantially in the past ten years. However, it has shown to be vulnerable to economic shocks, as illustrated in the report. The impact of the pandemic was felt more heavily among groups with lower education, and women groups. Similarly, Viet Nam's social protection system has limited ability to respond to shocks. The already limited cash assistance programme is not extended to informal workers, who were shown to need this the most during the pandemic.

Based on this analysis, the report proposes recommendations for sustaining rapid reduction of poverty in all dimensions and throughout Vietnam along three pathways: (i) promoting broad-based growth and inclusive development through productive employment, (ii) improving delivery of quality social services, and (iii) enhancing resilience through expansion

of social protection, particularly the adoption of digital technology in registration and payment. These would not only enable the poor to better cope during external shocks, but also provide the basis for the future direction for sustainable growth.

A fundamental promise of the 2030 Agenda is to leave no one behind. After two years of the pandemic, we find ourselves in another crisis with rising costs of fuel, food and fertilisers. Without immediate actions, we risk leaving more people behind. The Government of Viet Nam and UNDP will continue to work towards poverty reduction and deliver the promise of the 2030 Agenda. Therefore, we recommend this Report to policymakers, researchers, development actors and other stakeholders who wish to gain an insight into poverty situation in Viet Nam and vulnerable groups. The Report is also recommended as contributions to the stakeholders' work in assessing poverty reduction policies and program and monitoring the progress towards achieving Viet Nam's Sustainable Development Goals.

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# ABBREVIATIONS

CAF	Center for Analysis and Forecasting
CP TPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CPI	Consumer Price Index
EM	Ethnic minorities
EV FTA	European Union - Viet Nam Free Trade Agreement
FDI	Foreign direct investment capital
FVA	Foreign Value Added
GDP	Gross Domestic Product
GSO	General Statistics Office
GVC	Global Value Chain
ILO	International Labor Organization
IT	Information Technology
LFS	Labor force survey
MDG	Millennium Development Goals
MOET	Ministry of Education and Training
MOLISA	Ministry of Labour, Invalids and Social Affairs
MPI	Multidimensional Poverty Index
NTPSPR	National Target Program on Sustainable Poverty Reduction
SDG	Sustainable Development Goals
SDGCW	Sustainable Development Goals for Children and Women
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
VHLSS	Viet Nam Household Living Standards Survey
WB	World Bank
WHO	World Health Organization

# INTRODUCTION

Traditional income or expenditure-based poverty measures do not capture important non-monetary dimensions of people's well-being. Multi-dimensional poverty measures seek to address this shortcoming and, in 2017, were adopted as an official UN indicator for the 2030 Agenda and its Sustainable Development Goals (SDGs) as "SDG 1.2.2: Proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions." Until recently, national multi-dimensional poverty data for more than 63 countries are available in the United Nations Global SDG Indicator Database, an open data repository tracking country progress on the 2030 Agenda. The 2021 global Multi-dimensional Poverty Index (MPI) covers 109 developing countries: 26 low-income countries, 80 middle-income countries, and three high-income countries. A particular feature of SDG Indicator 1.2.2, as opposed to others in the Global SDG Indicator Framework, is that a global methodology is not mandated; each country is expected to define its national measure of multi-dimensional poverty.

Viet Nam has embraced the approach of multi-dimensional poverty (MDP) measurement and has used it for strategic planning since the middle of the last decade. In 2015, by Decision 59/2015/QĐ-TTg dated November 19, 2015 "On the issuance of the multi-dimensional poverty line for the period 2016-2020," the Government of Viet Nam officially adopted a multi-dimensional approach to measure poverty for the first time. This was a significant step in Viet Nam's transition from an income-based to an MDP-based approach.

Accordingly, with income criteria, the Decision stipulates that the poverty line in rural areas is

VND 700,000 per person/month; VND 900,000 per person/month in urban areas. Regulations also set the near-poor thresholds at VND 1,000,000 and VND 1,300,000 per person per month in rural and urban areas, respectively. A household is defined as poor if it meets one of two criteria: (i) has a per capita income below the income poverty line; (ii) has a per capita income between the poverty line and the near-poverty line and also is deprived in at least three out of 10 indicators used to measure the extent of lack of access to 5 basic social services (healthcare; education; housing; clean water and sanitation; and information). Near-poor households are households whose income falls between the income poverty and near-poverty lines and deprived in under 3 out of 10 indicators.

The United Nations Development Programme in Viet Nam (UNDP in Viet Nam) released its first report on multidimensional poverty in December 2018. The report painted a broad picture of MDP reduction in Viet Nam, with a focus on ethnic minorities and people with disabilities. On this basis, it made recommendations to achieve the SDG of "eliminating poverty in all its dimensions and everywhere." This MDP report 2021 provides an update on Viet Nam's progress in reducing poverty in all dimensions. It also provides a detailed analysis of productive employment, social services, and social protection for all as key pathways to sustaining Viet Nam's multidimensional poverty reduction achievements. Furthermore, the report examines new global and domestic trends. On this basis, it makes recommendations for sustaining rapid reduction of poverty in all dimensions and across Viet Nam.

# PART 1. MULTI-DIMENSIONAL POVERTY IN VIET NAM: RECENT MAJOR TRENDS

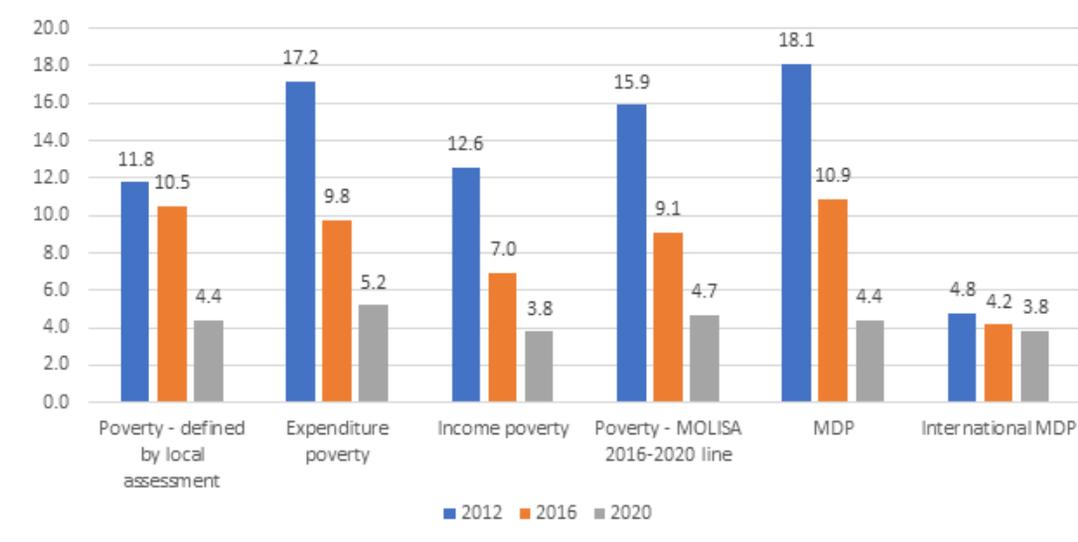
In the last decade, regardless of the measure used, poverty reduction has been impressive over the last decade, but vulnerabilities and disparities remain significant challenges.

## Poverty reduction has been impressive regardless of the measure in use

Figure 1 shows the poverty rate, irrespective of the measurement method, declined between 2012 and 2020. In particular, MDP declined

consistently and significantly, from 18.1 percent in 2012 to 10.9 percent in 2016 and 4.4 percent in 2020. It is worth noting that, while the income poverty rate has been consistently lower than the MDP rate over the last decade, the gap between the two has narrowed significantly, standing at only 0.6 percentage points in 2020. This implies that the proportion of the income near-poor population with at least three deprivations decreased significantly between 2016 and 2020.

**Figure 1. Poverty rate by different poverty measures (%)<sup>3</sup>**



Source: Calculation by the authors using VHLSS data<sup>4</sup>

3. Although MDP was not used for official policy purposes in Viet Nam until 2016, this report calculates it for 2012 to monitor progress over the entire decade. Furthermore, the poverty rate as shown in Figure 1 is calculated at the individual level, thus taking into account household size.

4. The indicators in this Report are calculated using the same set of data from the General Statistical Office's Viet Nam Living Standards Survey to allow for comparisons between different metrics. As a result, there is a discrepancy between the poverty rates in this report and those released by the Ministry of Labor, Invalids, and Social Affairs, which were compiled from statistical reports on reviewing poor households prepared by local authorities (according to which, the percentage of poor households in the entire country per year in was 9.6 percent, 8.23 percent, and 2.75 percent in 2012, 2016 and 2020, respectively).

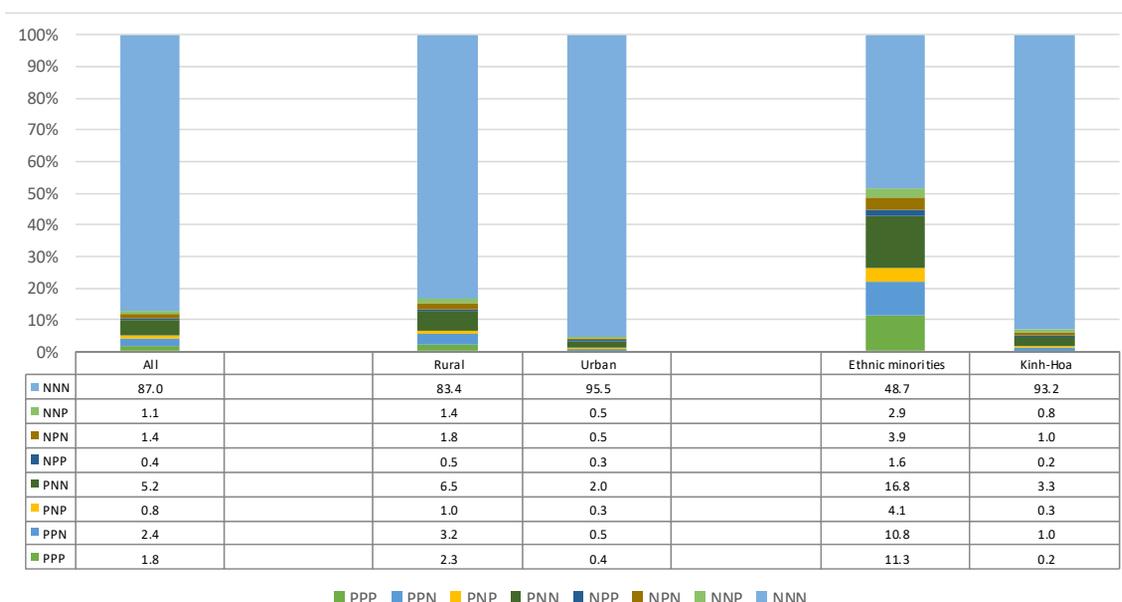
## One in ten people were poor in income terms in 2014, but half of them moved out of poverty sustainably in the pre-pandemic period

To analyze poverty transitions from poor to non-poor and vice versa (often termed “poverty dynamics”) in the pre-pandemic period, the authors used the three-wave panel dataset constructed out of VHLSSs 2014, 2016, and 2018, with 1,881 households resurveyed in those years. Since the VHLSS 2020 was sampled on the

2019 Census, one cannot connect it with earlier household surveys.

Based on the income poverty line applicable in 2016-2020, Figure 2 shows the poor (P) or non-poor (N) status of the population in 2014, 2016, and 2018 and their status in all three years.<sup>5</sup> A person who is not poor in all three years is denoted as NNN, and PNN is the status of poor households in 2014 and non-poor in 2016, 2018.

**Figure 2. Poverty status in 2014-2018 by the 2016-2020 poverty line**



Source: Calculation by the authors using VHLSS data

This figure shows that only a small percentage, (1.76 percent) of the total population was in persistent poverty in the three survey years, 2014, 2016, and 2018. Meanwhile, over 87 percent of the total population was non-poor in all three periods. Approximately 11.2 percent of the people changed status at least once in the 2014-2018 period. In 2014, one in ten people was poor by income (equivalent to more than 9.2 million people<sup>6</sup>), of which 5.16 percent (i.e. more than half of the poor, equal to about 4.6 million people) moved out of poverty sustainably (PNN), i.e., not poor in both 2016 and 2018. This rate

was significantly higher than the rate of falling back into poverty (0.81 percent), i.e., falling into poverty in 2018 after escaping poverty in 2016 (PNP).

The difference in the rate of sustainable movement out of poverty is not significant between rural and urban areas in all years. However, that difference is substantial between ethnic groups. The non-poor rate of the ethnic minority group is significantly lower than that of the Kinh-Hoa group (48.7 percent versus 93.2 percent). At the same time, the ethnic minority

5. If a household has an average income below the poverty line, it is considered poor and everyone in the household is considered poor.

6. Viet Nam's population in 2014 was 91.71 million people <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=VN>

group's escape from poverty was less sustainable than that of the Kinh-Hoa group: 20 percent of ethnic minorities who escaped poverty in 2016 fell back to poverty in 2018, while this rate of Kinh-Hoa group was only 7.6 percent.

### **Despite impressive overall progress, vulnerabilities and disparities represent significant challenges**

#### ***Transient income poverty increased substantially during the COVID-19 pandemic***

The pandemic has caused a big economic shock from the beginning of 2020. However, because the VHLSS, the dataset used to calculate poverty and inequality indicators, is conducted only in even years, there are no official data to assess the impact of the pandemic on transient income poverty in 2021. Nonetheless, as part of the UNDP and CAF-led Rapid Assessment of COVID-19 Impacts on Vulnerable Households in Viet Nam in 2021 (RIM 2021), Vu Hoang Dat and Pham Minh Thai (2021) combined two datasets from the VHLSS and the Labor Force Survey (LFS) to estimate the quarterly national poverty rate based on certain assumptions. According to their estimates, the poverty rate surged from 3.85 percent in Quarter 1 in 2020, when the pandemic began in Viet Nam, to 10.59 percent in Quarter 3 in 2021 at the peak of the pandemic. In absolute terms, the number of income poor people increased by approximately 6.6 million people.<sup>7</sup> Compared to Quarter 2 in 2021, the poverty rate increased by 7.34 percentage points in Quarter 3 in 2021, equivalent to an additional 7.16 million people falling into poverty. Poverty reduction programs with poor lists updated annually still struggle to keep up with monthly or quarterly changes in poverty status. Against the backdrop of the overall increase, the

income poverty rate in urban areas increased sharply in the third quarter of 2021. The rural income poverty rate also increased significantly in the third quarter of 2021, but at a slower rate than in urban areas. The most important cause was the imposition of prolonged lockdowns in a number of locations, particularly large cities in Viet Nam.

#### ***Evidence of substantial deprivation remains in some indicators***

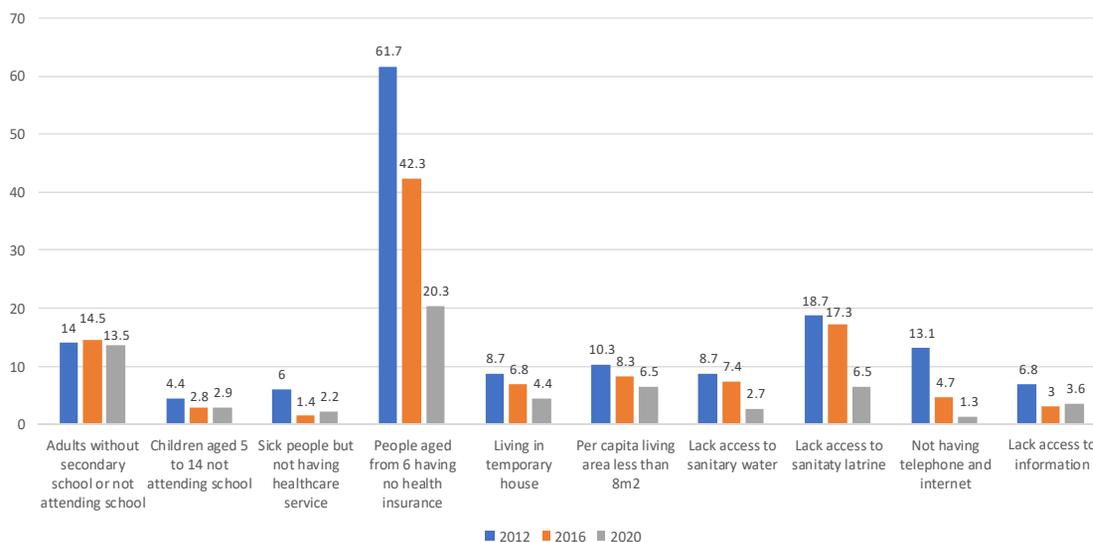
Figure 3 displays the proportions of people living in households who experienced deprivations in different dimensions of MDP.<sup>8</sup> Improvement has been registered in many indicators, except education for children, healthcare services, and access to information showing slight deterioration in the 2016-2020 period. Access to healthcare significantly improved thanks to the strengthened universal health insurance policy. Living conditions, hygienic water sources and sanitation, access to information, and telecommunications services have also greatly improved. Deprivation in housing conditions also reduced, but at a slower pace. The most significant deprivation is currently in access to healthcare insurance and adult education indicators. However, one should note some indicators may be far from perfect. For example, the healthcare indicator is measured by the proportion of sick people who did not make a medical visit. As such, it may understate the deprivation in healthcare access. In reality, the distance between home and medical facilities is considerable in remote and mountainous areas, and medical services in hospitals are frequently overloaded, thus impeding numerous sick people from receiving health services. Overcrowding is common in most hospitals at all levels, especially at the central and provincial levels.<sup>9</sup>

7. The total population of 97.58 million people in 2020 according to the GSO (Source: <https://www.gso.gov.vn/du-lieu-va-so-lieu-thong-ke/2021/01/infographic-dan-so-lao-dong-va-viec-lam-nam-2020/>)

8. It should be noted that the indicators are calculated at the household level, so the level of deprivation for an individual in the household can affect the level of deprivation for the whole household. For example, the proportion of households lacking health insurance will be much higher than the proportion of uninsured people because as long as one individual in a household is uninsured, the whole household is considered to be deprived in this indicator.

9. According to the Ministry of Health, compared to 2012, the overload of central hospitals in 2019 has decreased from 58% to 16%. There have been 37/39 central hospitals committed not to put 2 or more patients within a bed after 24-48 hours of admission. However, overcrowding still occurs in several large central and terminal hospitals, including Cho Ray Hospital and Ho Chi Minh City Oncology Hospital. According to a report by Cho Ray Hospital, on average, the hospital performs over 5,000 cases per day, over 300 emergency visits and more than 2,600 inpatients. Statistical results of Bach Mai Hospital - a central hospital - also show that up to 70% of patients do not need to be transferred to a central hospital for treatment. Source: National Assembly (2019), <https://quochoi.vn/UserControls/Publishing/News/BinhLuan/pFormPrint.aspx?UrlListProcess=/content/tintuc/Lists/News&ItemID=41631>

**Figure 3. The proportion of population deprived in national MDP indicators (%)**



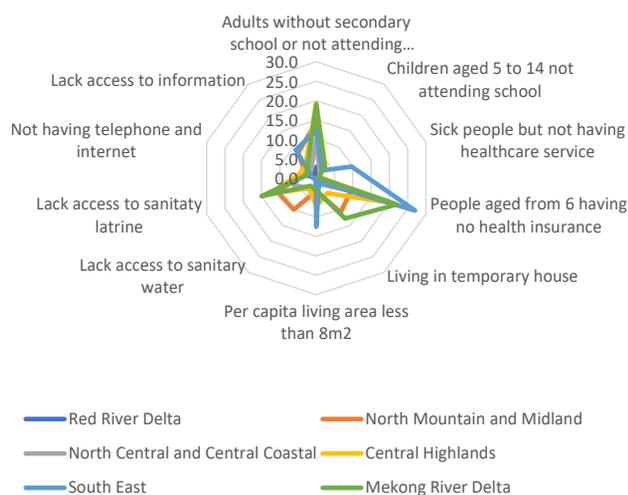
Source: Calculation by the authors using VHLSS data

**Types of deprivations vary considerably across different population groups**

Figure 4 shows the proportion of multi-dimensionally poor people who experienced deprivation with respect to MDP indicators across regions and expenditure groups. Specifically, multi-dimensionally poor people in the Central Highlands tend to be deprived of adult education, access to hygienic sanitation,

and health insurance, while in the Northern Mountains and Midlands, they suffer from deprivation in housing quality and drinking water. The deprivation rate in drinking water was the highest for the Northern Mountains and Midlands at 9.2 percent while being at a level lower than 3 percent for the Central Highlands and Northern Central and Central Coastal.

**Figure 4. Proportion of multi-dimensionally poor people, by deprivation indicators and geographical regions, 2020 (%)**



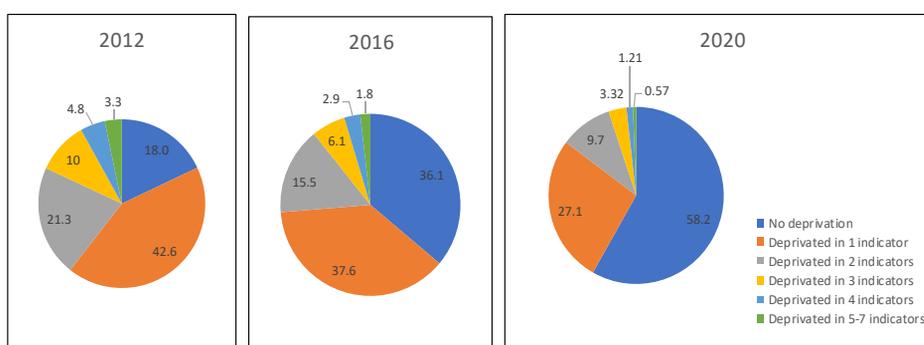
Source: Calculation by the authors using VHLSS data

**The proportion of people deprived in at least three indicators drops considerably**

The proportion of people not deprived in any of the ten multi-dimensional poverty indicators rose substantially, from 36.1 percent in 2016 to 58.2 percent in 2020. Meanwhile, 27.1 percent and 9.7 percent of the population were deprived of one and two indicators, respectively, in 2020.

The proportion of people suffering from “severe deprivation” - defined as deprivation in 5-7 indicators, was 1.8 percent and 0.6 percent in 2016 and 2020, respectively. One in ten people was deprived in at least three indicators in 2012, and this proportion decreased to 6.1 percent in 2016 and dropped further to 3.3 percent in 2020.

**Figure 5. Distribution by the number of deprivations (%)**

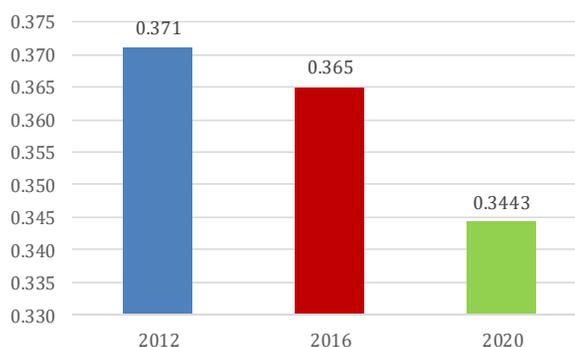


Source: Calculation by the authors using VHLSS data

The intensity of poverty (also called the breadth of poverty, defined as the average proportion of the relevant multi-dimensional poverty indicators in which the poor are deprived) also declined, from 0.371 in 2012 to 0.365 in 2016 and 0.344 in 2020. This report estimated the intensity of deprivation or the average number of deprivation indicators in the 10 indicators for MDP. A household is regarded as multidimensionally poor if its deprivation score is more than 0.3, or the number of deprivation indicators is greater than 3. The following figure shows the deprivation scores of MDP. For example,

in 2020 the national MDP deprivation score of 0.344 meant the multidimensionally poor had an average deprivation score of 0.344 or a 34.4% deprivation in MDP indicators. The deprivation score ranged from 0 (not deprived in any indicator) to 1 (deprived in all component indicators). The deprivation intensity of national and global MDP decreased slightly during 2012-2020, going from 36.5% to 34.4% indicating the multidimensionally poor of 2020 had less severe deprivations than the multidimensionally poor of 2012.

**Figure 6. Deprivation score**

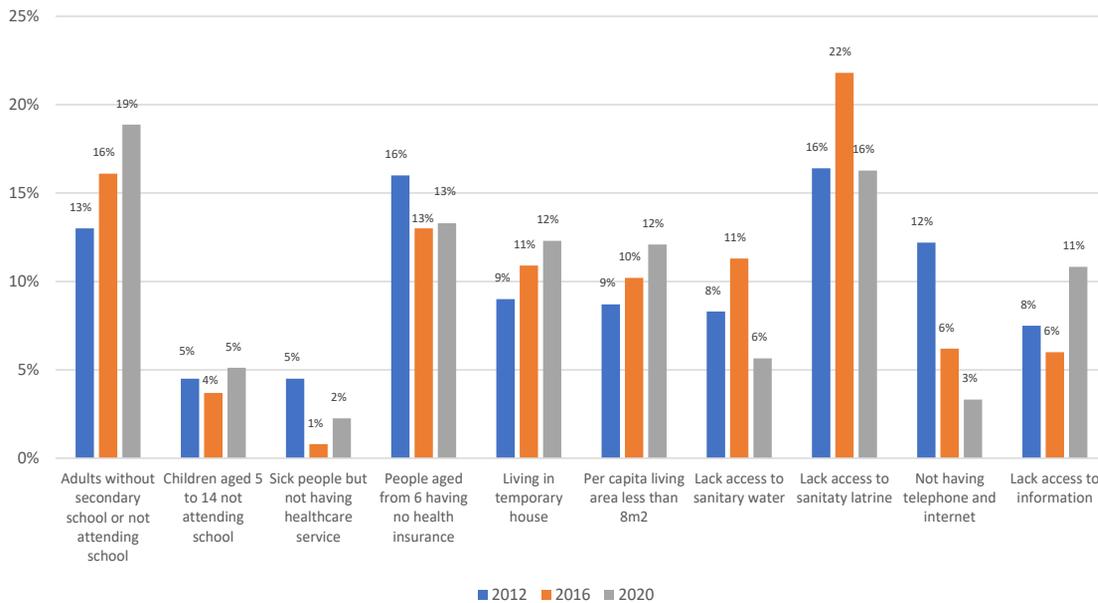


Source: Calculation by the authors using VHLSS data

A decomposition exercise finds that hygienic sanitation contributed the largest part to the overall multi-dimensional poverty index (MPI),<sup>10</sup> up to 21.8 percent in 2016, but reduced to 16.3 percent in 2020, which is the same level as in 2012

(Figure 7). In 2020, adult education contributed up to 18.9 percent to overall MPI, and access to hygienic latrines made the second-highest contribution, up to 16 percent. The dimensions of healthcare service access, communication,

**Figure 7. Contribution of indicators to MPI**



Source: Calculation by the authors using VHLSS data

### Multi-dimensional poverty varies considerably across population groups

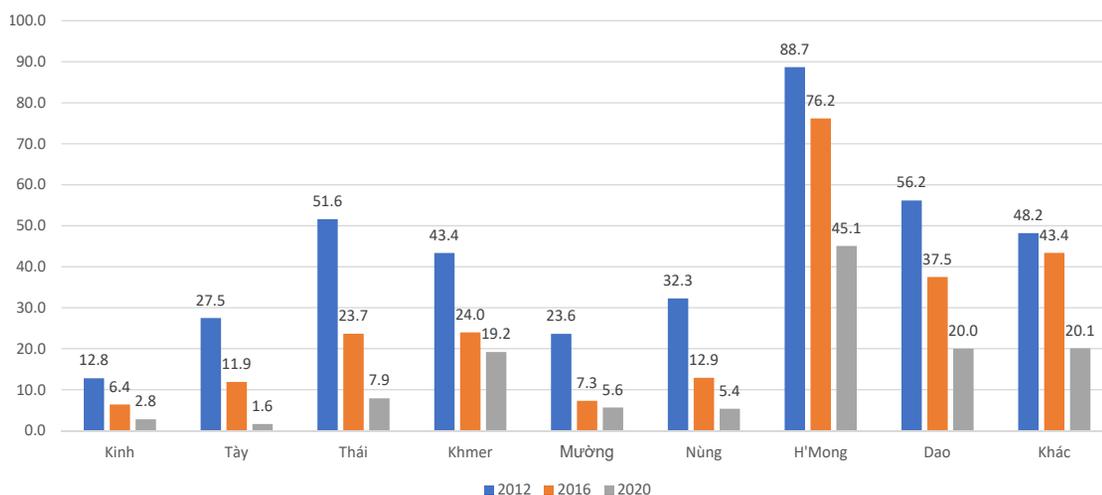
#### Poverty rates dropped across the board but are still high in some ethnic minorities

Figure 8 shows that MDP rates fell across all ethnic groups between 2012 and 2020. Notably, the Tay ethnic minority did exceptionally well, with MDP falling from 27.5 percent in 2012 to 1.6

percent in 2020. Nung, Muong, and Thai ethnic minorities also performed well, with MDP rates falling to a single digit in 2020. One in five people from Khmer, Dao, and other ethnic minorities was multi-dimensionally poor in that year. The MDP rate of H'Mong ethnic group was still as high as 45.1 percent in 2020, despite substantial reductions in 2012-2020.

10. Adjusted headcount ratio (M0), otherwise known as the MPI reflects both the incidence of poverty H (the percentage of the population who are multi-dimensionally poor) and the intensity of poverty A (the percentage of deprivations suffered by each person or household on average):  $MPI = H \times A$ .

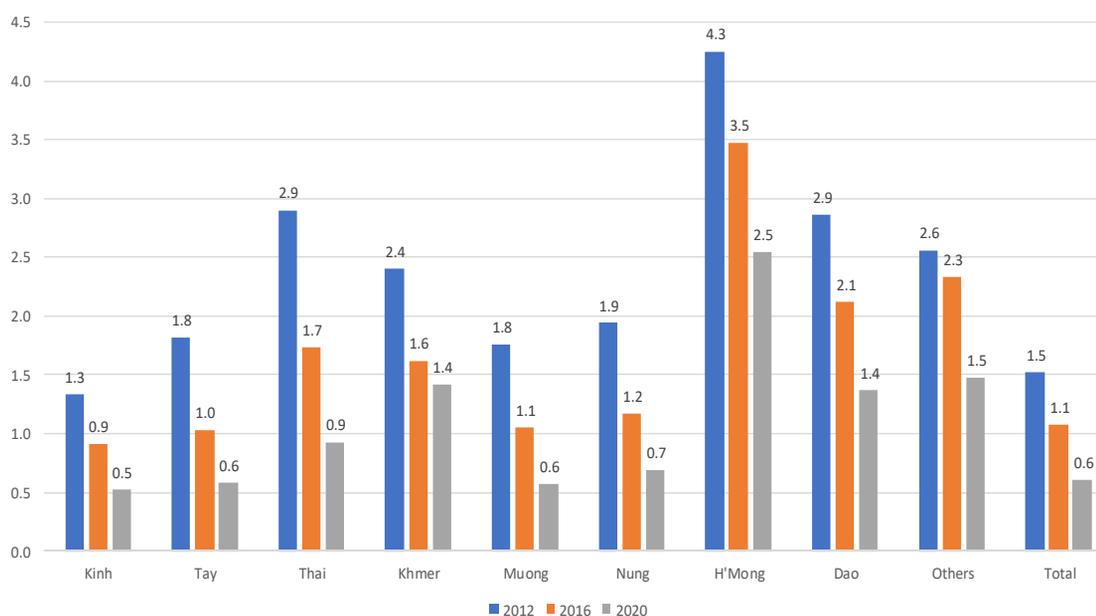
**Figure 8. The MDP rate by ethnic groups (%)**



Source: Calculation by the authors using VHLSS data

Figure 9 shows that the number of deprivation indicators fell from 1.5 in 2012 to 1.1 in 2016 and only 0.6 in 2020. The intensity of deprivation decreased in all ethnic groups. In 2020, the deprivation score for the H'Mong was high, followed by the Dao, Khmer, and other ethnic minority groups.

**Figure 9. The number of deprivation indicators by ethnic groups**

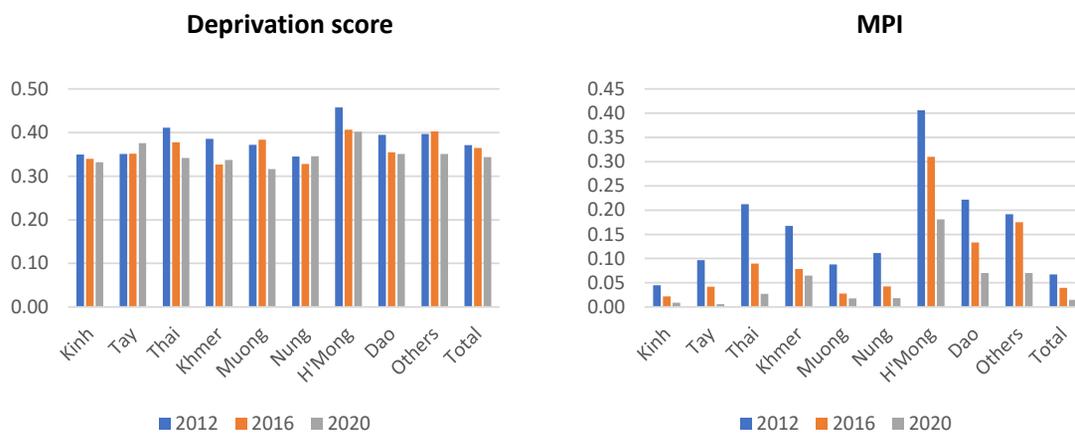


Source: Calculation by the authors using VHLSS data

Figure 10 shows the intensity of deprivation (measured by average deprivation score) of households in MDP and the multi-dimensional poverty index (MPI). The intensity of deprivation of the poor did not differ much among ethnic groups. The H'Mong ethnic minority had the highest deprivation scores during 2012-2020.

The MPI of ethnic groups decreased considerably during 2012-2020, with H'Mong, Thai, and Dao ethnic minorities experiencing the most significant reductions. In 2020, the lowest MPI was for Tay, followed by Kinh, Muong, Nung and Thai. The highest MPI was among the H'Mong and followed by Dao, other small groups, and Khmer.

**Figure 10. Deprivation score and MPI by ethnic groups**



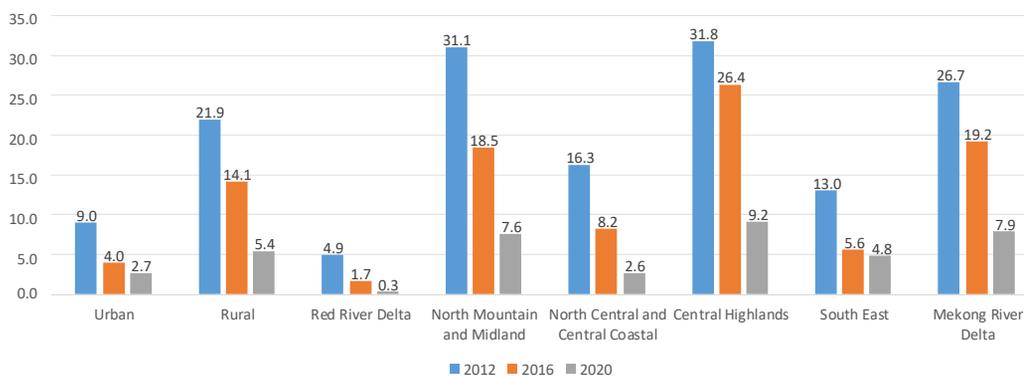
Source: Calculation by the authors using VHLSS data

**Mountainous regions, such as the Northern Uplands and the Central Highlands, have high rates of multidimensional poverty.**

The comparison between geographical regions shows that, in the period 2012-2020, the multidimensional poverty rate decreased in all geographical regions, but at different rates. The

lowest poverty reduction rate is in the Southeast region. The Central Highlands and Mekong River Delta experienced the slowest multidimensional poverty reduction from 2012 to 2016 but improved impressively in 2020, similar to the Northern Midlands and Mountains and the North Central Coast.

**Figure 11. MDP rate by geographical region (%)**



Source: Calculation by the authors using VHLSS data

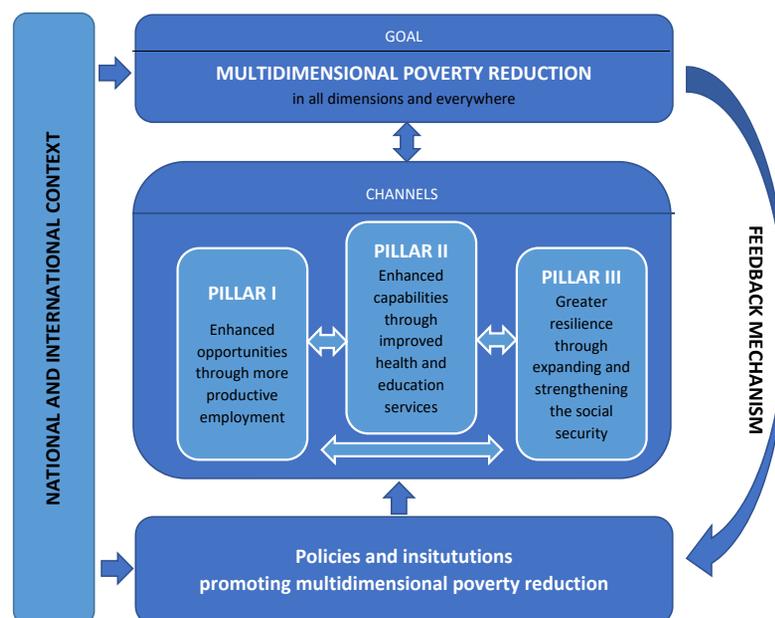
# PART 2: PATHWAYS TO RAPID AND SUSTAINABLE REDUCTION OF MULTI-DIMENSIONAL POVERTY

## 2.1. ANALYTICAL FRAMEWORK

This report uses a simple analytical framework to analyze the pathways (or pillars) through which institutions and policies influence multi-dimensional poverty (Figure 12). This analytical framework has three pillars, which are:

- Pillar I: Promoting productive employment for all
- Pillar II: Enhancing capabilities by improving access to basic social services, especially health, education, and information services
- Pillar III: Strengthening the resilience through expanding and improving the social security system

**Figure 12. Analytical framework**



Source: Constructed by the authors, based on the Analytical Framework of the Viet Nam National Human Development Report 2015

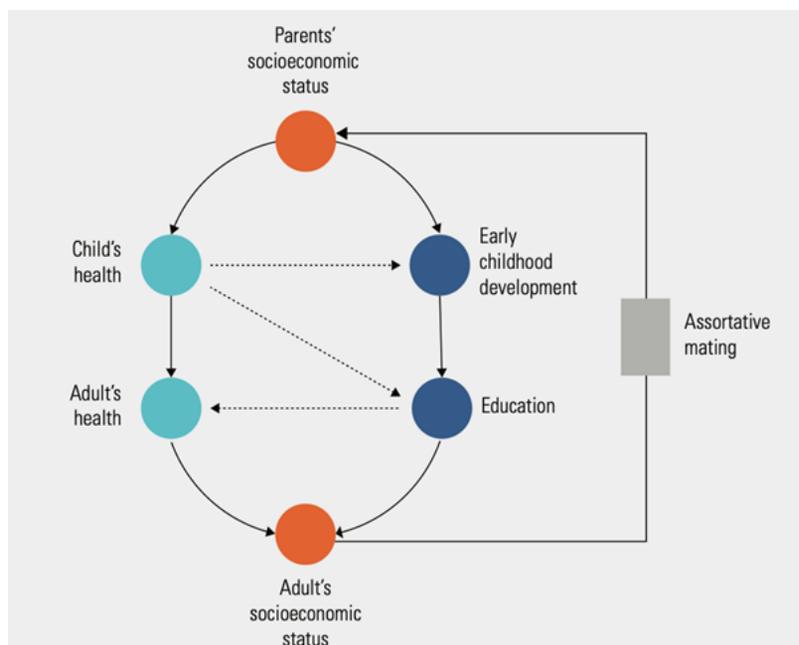
Productive employment and decent work are goals set out in the 2030 Agenda for Sustainable Development of the United Nations. Sustainable Development 8 (SDG 8) calls for “decent work, productive and adequate work for all.” The International Labor Organization (ILO) defines productive employment as “employment

yielding sufficient returns to labor to permit the worker and her/his dependents a level of consumption above the poverty line” (ILO, 2012b p. 3). Therefore, creating productive jobs is the most important channel for promoting rapid and sustainable poverty reduction.

The creation of productive employment interacts with the other two pillars of providing social services and social protection. For example, productive employment (Pillar 1) helps earners have a good income, from which they can invest in their children's education or take care of the health of everyone in the family (Pillar 2). When people are well cared for in terms of health and education, people of working age are more likely to secure productive employment associated with the country's global economic integration and other reforms. Productive employment (Pillar 1) also improves resilience by increasing the capacity of workers to save for the future (Pillar 3) and vice versa. When the resilience of the economy as a whole and the people improves, workers can take jobs or create businesses yielding higher returns but which are also associated with higher levels of risk. Therefore, in Figure 12, the relationships between these three pillars are presented as two-way arrows.

From the perspective of long-term sustainable poverty reduction, one can analyze this relationship through the life cycle lens. According to UNDP (2019a), inequalities in crucial areas of human development are interconnected and can persist from generation to generation (see Figure 13). Many aspects of children's developmental outcomes can be carried over to other stages of the life cycle, where they affect adults' ability to generate income. Intergenerational inequality increases if social mobility is reduced by limited access to education among lower socio-economic groups. The children of parents, especially mothers, of lower economic and educational attainment status are themselves less likely to complete secondary or tertiary education, reducing their income-earning prospects and those of their children. Improvements to child health and a range of other social indicators are closely associated with the educational attainment of mothers (see Section 2.3.1 below).

**Figure 13. Inequalities in human development can persist throughout the life cycle**



Source: UNDP (2019). *The Global Human Development Report 2019*.

The above discussion highlights the interdependence between the pathways of sustainable multi-dimensional poverty reduction: productive employment is an important factor

in improving the family's socioeconomic status, including non-income dimensions (education, health, etc.). In turn, improvements in education and health help strengthen access to productive

employment. Data from many countries around the world and in Viet Nam support these assessments.

One should note that education and health have both the intrinsic value of various dimensions of people's well-being and the instrumental value to promote rapid, sustainable and equitable development. In other words, in this multi-dimensional poverty framework with a focus on the life course perspective and inter-generational transmission of poverty, a higher level of education and good health are both the outcomes of development and the means to achieve other outcomes.

Growth and poverty reduction occur in a changing global and domestic context. The context influences both outcomes and policy instruments. For example, Viet Nam's signing of new generation trade agreements such as CP TPP or EV FTA necessitates changes in institutions and policies, such as labor codes or environmental standards, requiring legislative and regulatory action. In Figure 12, these relationships are illustrated by one-way arrows. Furthermore, poverty reduction results also affect institutions and policies through feedback mechanisms, requiring appropriate adjustments. In this Figure, this relationship is also represented by a one-way arrow.

### **Box 1. Drivers of productive employment: International experience**

Productive employment is the most important channel of poverty reduction. As a result, it is critical to learn from international experience on employment creation and poor households' access to better jobs.

#### ***Economic growth is important for the expansion of productive employment and poverty reduction***

While this relationship is not linear, growth is crucial for employment. Poverty has decreased in developing countries, mainly through employment. This decline is the result of many factors, but the creation of millions of new, more productive jobs taking place in Asia and many other developing countries is the major driver (World Bank, 2012).

#### ***Structural transformation is conducive to productive employment and poverty reduction***

In developing countries, workers' movement from agricultural activities to off-farm activities plays a vital role in promoting

productive employment. For example, research on the role of the non-farm informal sector in employment in sub-Saharan Africa, Adams et al. (2013) showed that (i) the average income of people working in the informal non-agricultural sector is lower than that of those working in the formal sector but higher than that of the agricultural sector; (ii) employment in the informal non-agricultural sector is associated with poverty reduction.

#### ***Globalization is an important driving force to promote the process of economic and employment transformation***

Around the world, globalization promotes structural transformation in countries to align with their comparative advantage in the global division of labor. This process has brought significant efficiency improvements, thereby helping to increase labor productivity and the share of productive employment in total employment. Some developing countries have managed to narrow down the productivity gap with industrial countries in just a few decades (ILO, 2009).

***The development of global value chains (GVCs) has a significant impact on employment in participating countries***

By promoting income growth and employment, the participation of firms and countries in GVCs helps reduce poverty through productive employment creation. Overall, the impact on growth and poverty reduction from GVCs is also larger than from traditional trade. For example, in Mexico and Viet Nam, countries with higher GVC participation in manufacturing also have higher rates of poverty reduction (World Bank, 2020).

***Technological progress and innovation have an increasingly powerful impact on employment structure and worker productivity***

In recent years, growing attention has been paid to the concepts of inclusive or pro-poor innovation – that innovation makes a significant contribution to poverty eradication and the needs of the poor. One branch of research is that of the bottom of the pyramid (Prahalad, 2006), focusing on developing new products that serve the needs of the billions of people who are the ‘bottom of the pyramid’ poor. The second research group focuses mainly on innovative start-ups that help create quality jobs for the poor (UNCTAD, 2011).

In addition to the direct impact of helping many poor workers get productive employment to escape poverty, technology and innovation,

specifically digital technology, can help workers, especially those with skills, join the middle classes. In developing countries, the middle classes plays an important role in creating national prosperity by contributing to economic growth, poverty reduction, and social stability (Banerjee and Duffler, 2007). Indeed, empirical evidence shows that in developing countries, the larger the middle classes, the faster the rate of poverty reduction (ADB, 2010).

***Economic shocks have a negative impact on employment in general and productive employment in particular***

Employment is vulnerable to economic shocks. Short-term crises can wipe out many years of poverty reduction and social progress. In 1995, a financial crisis in Mexico engulfed much of Latin America and other emerging nations. In 1997, a speculative attack on the Thai currency severely affected the economies of Indonesia, Malaysia, and South Korea. In 2007, alarmingly high food prices caused food supply problems and inflation, increasing poverty and reducing real wages in developing countries (Ivanic and Martin, 2008). In 2008, the bursting of an asset price bubble and the collapse of financial institutions in the United States and some European countries initiated a worldwide crisis, which in 2011 has not yet returned to normal levels before the crisis (ILO, 2012a).

*Source: A literature review by the authors*

## 2.2. PROMOTING PRODUCTIVE EMPLOYMENT FOR ALL

Although unemployment and underemployment are important causes of poverty, many people have a job but remain poor, especially in developing countries. This reality leads to the concept of the working poor. In contrast to the working poor, productive employment is defined as work that yields

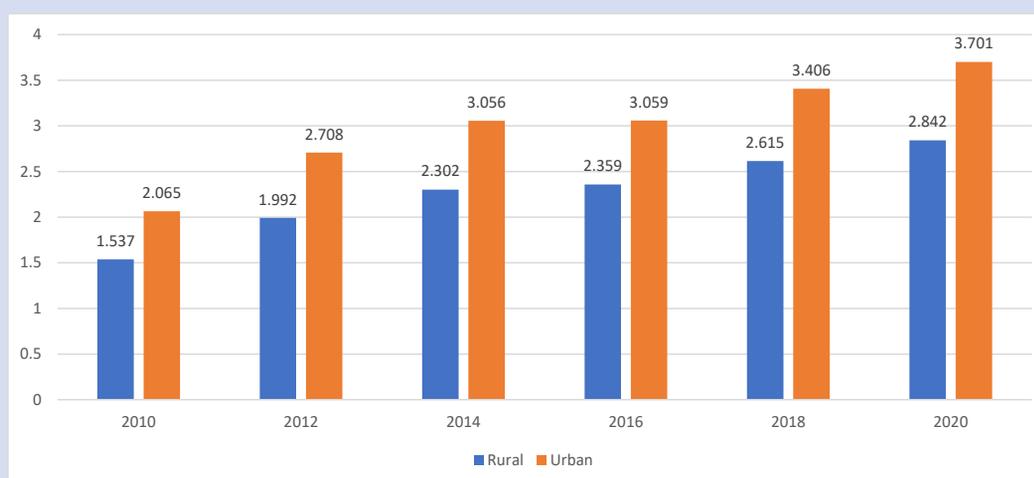
“sufficient returns to labor to permit workers and their dependents a level of consumption above the poverty line” (ILO, 2012b p. 3). Productive employment and decent work are stated in SDG 8 on providing “full and productive employment and decent work for all.” It presumably is the most important pathway, especially in developing countries, through which policy and institutional tools must target to reduce poverty.

### Box 2. Labor Income Threshold for Productive Employment

Although the ILO’s definition of productive employment links to the poverty line, it does not specify how it is determined. In this report, the poverty line that meets the minimum standard of living will be used in the analysis and calculation. MOLISA proposed a minimum standard of living of

VND 1,586,000 per person/month in rural areas and VND 2,065,000 per person/month in urban areas<sup>11</sup>. On that basis, workers are considered to have productive employment if having wage income in these two regions higher than the respective levels, or if not, to have unproductive jobs or to be the working poor in the more common terms (see Figure 14).

Figure 14. Income threshold of productive employment, 2010-2021 (monthly thousand VND)



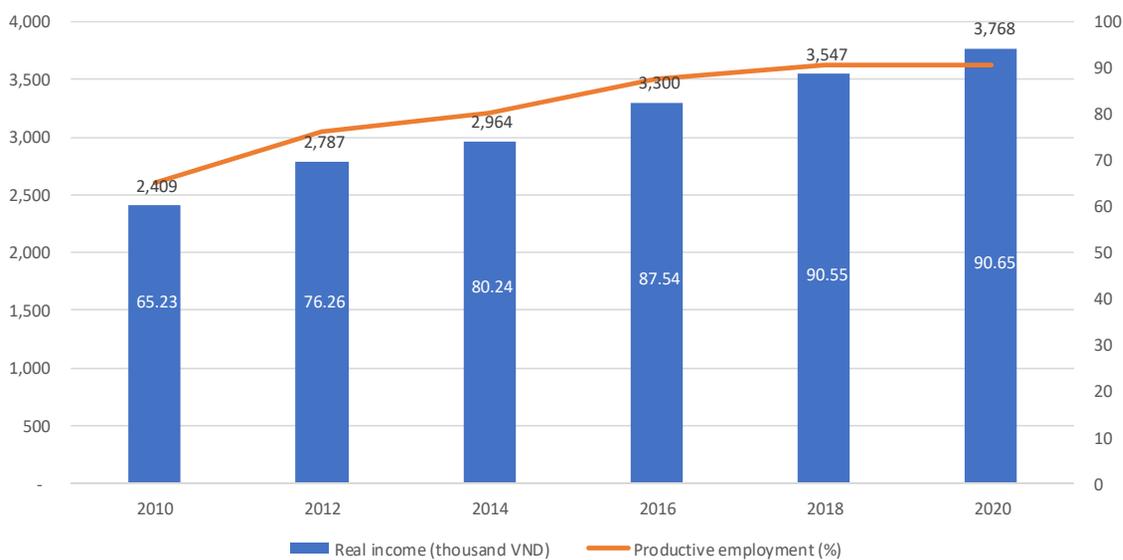
Source: Thai Minh Pham and Dat Hoang Vu (2021)

11. Source: <http://giamngheo.sldtbxh.quangnam.gov.vn/Default.aspx?tabid=294&NewsViews=3099>

### Productive employment expanded substantially in the past decade

In Viet Nam, the proportion of wage workers with productive employment<sup>12</sup> has risen rapidly in the last decade, rising from 65.2 percent in 2010 to 80.2 percent in 2014 and nearly 90.7 percent in 2020 (Figure 15). The increase more than doubled in terms of absolute numbers, from about 11 million waged workers with productive employment in 2010 to 23.5 million in 2020. Behind the rapid expansion of productive employment was the significant increase in real monthly income (nominal income deflated to January 2010 prices) of wage workers in 2010-2020. This level has increased more than 1.5 times, from about VND 2.4 million in 2010 to about VND 3.8 million in 2020.

**Figure 15. Productive employment share of wage workers (%) and real income (VND million), 2010-2020**



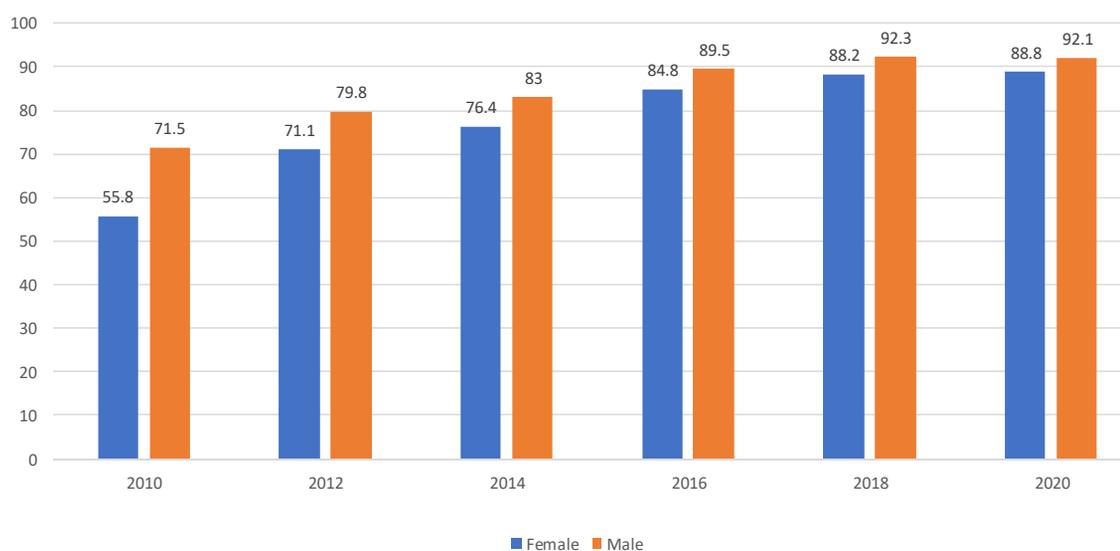
Source: Thai Minh Pham and Dat Hoang Vu (2021)

### Gender disparities related to productive employment are significant but tend to narrow down

There is significant gender disparity in productive employment, as evident from the share of productive jobs in each group of male or female wage workers (Figure 16). However, the gender gap has narrowed significantly between 2010 and 2020, from 15.7 percentage points in 2010 to 3.3 percentage points in 2020.

12. Because wage or income data for non-wage earners were not available from the Labor Force Survey until recently, it is not possible to estimate the proportion of non-wage workers with productive employment.

**Figure 16. Productive employment share of wage workers by gender, 2010-2020 (%)**



Source: Thai Minh Pham and Dat Hoang Vu (2021)

**Box 3. Unpaid domestic work is a barrier to the freedom of choice in the labor market**

Goal 5.4 (SDG 5.4) requires us to “Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies, and the promotion of shared responsibility within the household and the family as nationally appropriate.” In Viet Nam, however, the gender gap is evident in participation in unpaid domestic work and paid employment.

Analysis of the LFS data in 2019-2020 shows that women’s time spent in paid work is only 76.3 percent of men’s. Meanwhile, men only spend 19 percent of their total time on unpaid domestic work, much lower than women at 35.7 percent. Furthermore, the econometric analysis finds that men spend less time on domestic work, by 8.35 hours per week than women, controlling for individual characteristics (such as age, marital status, ethnicity, education, urban/rural, region, economic sector and formal/informal employment).

A recent study (CAF, 2021) finds that the burden of unpaid domestic work is a significant barrier to finding suitable work, cited by approximately three in ten respondents from ethnic minority households who did not look for a job. One of the reasons is related to social norms. Over seven in ten respondents believe that unpaid domestic work such as house cleaning, laundry, shopping, cooking, etc., is women's work. In addition, 66.6 percent and 68.6 percent think that taking care of children and the sick is suitable for women, respectively, and then women should do these things

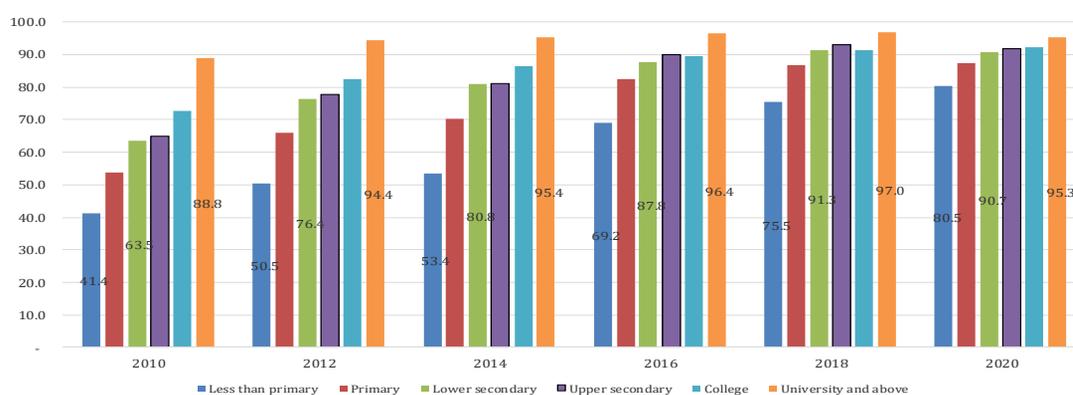
Furthermore, this study finds the lower the level of education the greater the perception that the burden of housework falls on women's shoulders. Among ethnic minority household heads who did not attend a school, 82.5 percent think domestic work is more suitable for women. The corresponding figure for household heads with a primary education is 80 percent; and 58.9 percent for those with secondary education; and 54.1 percent for those with experience of tertiary education. Among women, the lower the level of education, the more likely it is that domestic work is cited as a reason for not looking for a job.

Source: CAF. 2021. "Unpaid care and domestic work among ethnic minorities in Viet Nam in 2020"

## Higher productive employment is associated with higher levels of educational attainment

Figure 17 shows a clear relationship between productive employment and educational attainment. However, from 2016 onwards, the difference between the groups with lower secondary, upper secondary, and higher education levels have significantly narrowed. Furthermore, the percentage of productive employment among wage workers with a university degree or higher has been relatively stable at a high level of over 95 percent since 2014.

Figure 17. Productive employment share of wage workers by educational attainment (%)

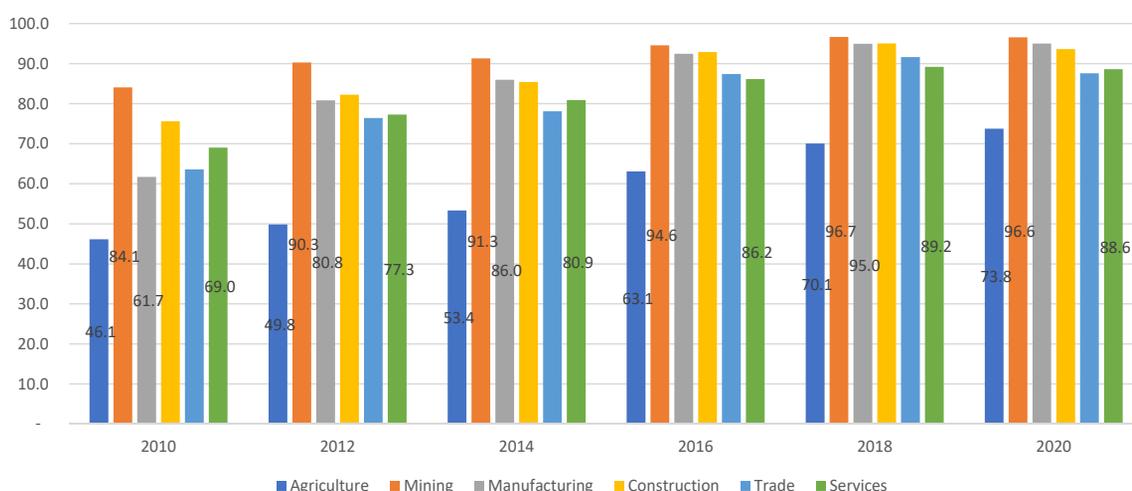


Source: Thai Minh Pham and Dat Hoang Vu (2021)

## The difference in productive employment across industries and regions tended to narrow considerably

Productive employment also varies widely among sectors (Figure 18). The productive employment share of wage workers is lowest level in agriculture and highest in mining. However, this difference narrowed significantly between 2010 and 2020. The share increased fastest in the manufacturing sector, from 61.7 percent in 2010 to 95.0 percent in 2020, reflecting the sector's boom over the past decade with a substantial increase in foreign investment and exports, increasing participation of firms and workers in global value chains. The share of wage workers in the agricultural sector who have productive employment has also increased significantly, from 46.1 percent in 2010 to 73.8 percent in 2020, resulting from the productivity growth in the sector in the past decade. As labor market conditions tighten, agriculture will generate more productive jobs as the sector mechanizes and transitions to higher value-added commodities. Rapid growth of productivity in manufacturing and services helps to drive productivity growth in agriculture, narrowing the productivity gap between sectors in the long run.

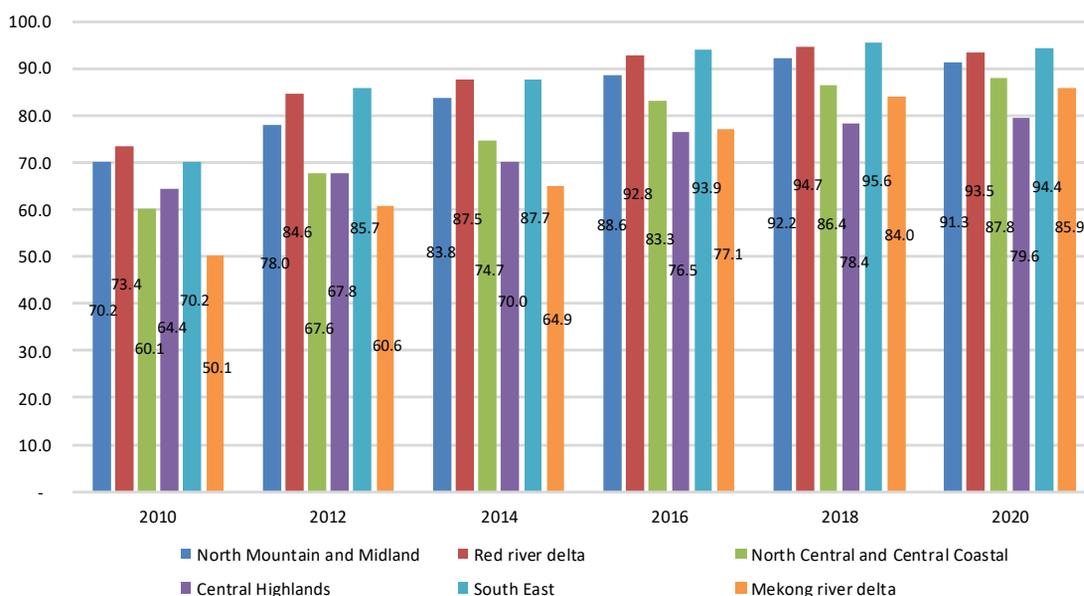
**Figure 18. Productive employment share of wage workers by sector, 2010-2020 (%)**



Source: Thai Minh Pham and Dat Hoang Vu (2021)

Productive employment was also unevenly distributed across geographic regions. **Figure 19** shows that the Southeast and the Red River Delta had the highest proportion of wage workers with productive employment. This is because these are also the most economically developed regions of the country and the highest concentration of export manufacturing. Conversely, the Central Highlands and Mekong River Delta were the regions with the lowest rates of productive employment. However, the gap in the shares of productive employment among regions in the period 2010-2020 tended to narrow, as the less developed regions also participated adequately in the growth process.

**Figure 19. Productive employment share of wage workers by region, 2010-2020 (%)**

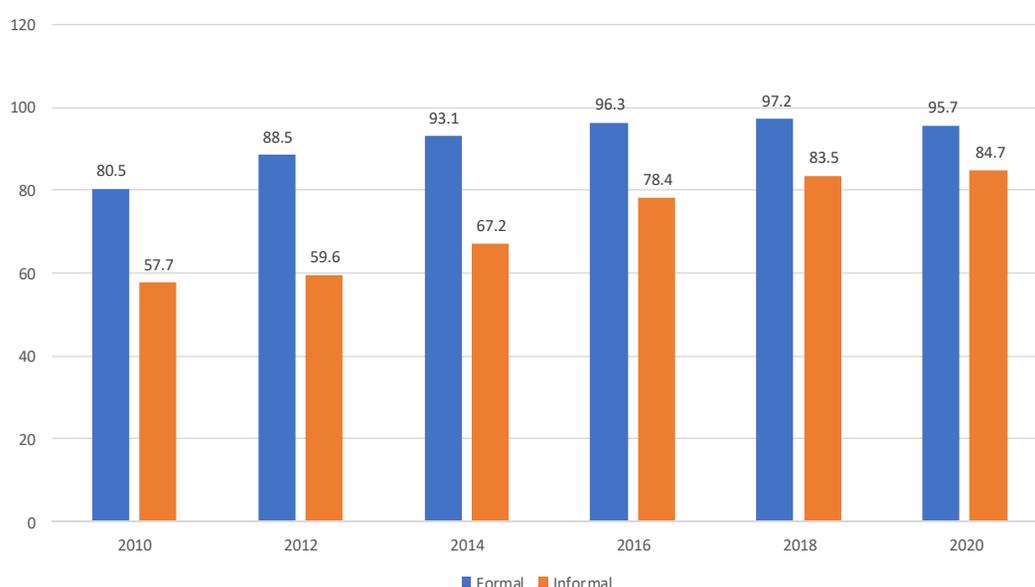


Source: Thai Minh Pham and Dat Hoang Vu (2021)

**Productive employment in the formal sector was significantly higher in the informal sector, but the gap has narrowed**

The gap in productive employment between formal wage workers (with social insurance) and informal wage workers (without social insurance) was significant but tended to narrow from 2010 to 2020. Accordingly, formal workers had a higher proportion of productive employment than informal workers, but the decreased significantly over the past decade, from 22.8 percentage points in 2010 to 11 percentage points in 2020 (see **Figure 20**).

**Figure 20. Productive employment share of wage workers by formality (%), 2010-2020**

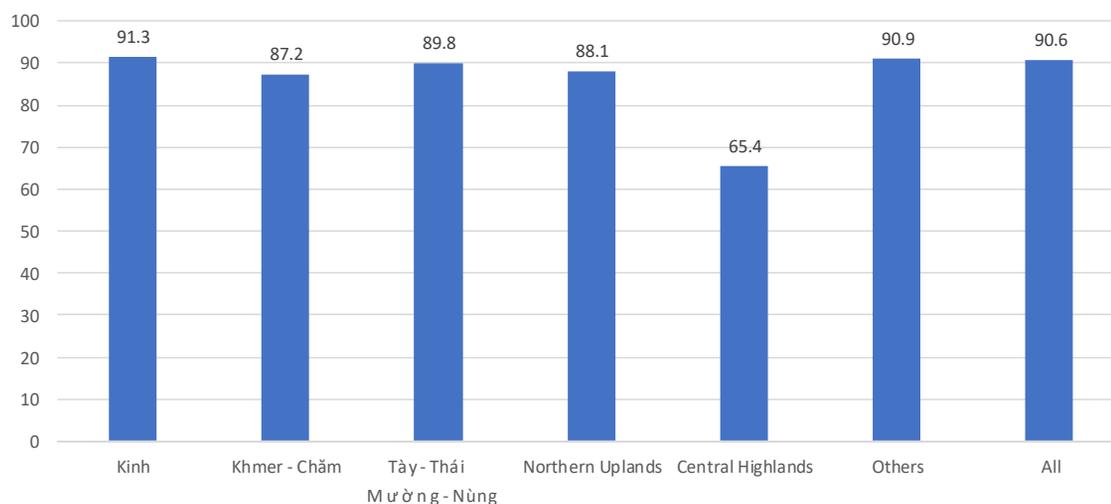


Source: Thai Minh Pham and Dat Hoang Vu (2021)

### Obtaining productive employment is still a big challenge for workers from certain ethnic groups

Due to data limitations, one can only analyze productive employment across ethnic groups in 2020 rather than the past decade. **Figure 21** shows that wage workers from the Kinh group had the highest rate of productive jobs at 91.3 percent, while workers from ethnic minorities in the Central Highlands had the lowest rate at 65.4 percent. Workers from the remaining ethnic groups have a productivity employment rate approximately the same as that of the Kinh group.

**Figure 21. Productive employment share of wage workers by ethnicity in 2020 (%)**



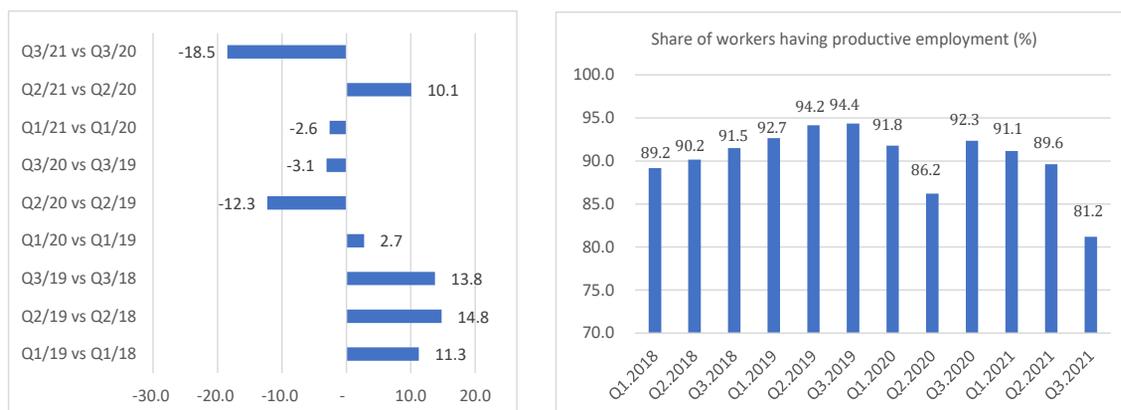
Source: Thai Minh Pham and Dat Hoang Vu (2021)

### Despite impressive progress, productive employment is highly vulnerable to big economic shocks

The COVID-19 pandemic was a great shock to the global and Viet Nameese economies in 2020 and 2021. In Viet Nam, the annual growth rate dropped to 2.9 percent in 2020 and 2.58 percent in 2021. For the first time since Viet Nam began reporting quarterly GDP growth, GDP fell by 6.17 percent in the third quarter of 2021 on a year-on-year basis. The primary cause of the decline was the disruption of economic activities due to widespread and lengthy lockdowns imposed from April to September 2021 in the country's major economic centers around Hanoi and Hochiminh City.

LFS data show that disruptions sharply reduced the number of wage workers and the proportion of wage workers having productive employment in 2020-2021. Specifically, the growth rate of productive employment slowed down significantly in 2018-2020, to only 0.1 percentage points, much lower than the growth rate in the 2016-2018 period at more than three percentage points. Quarterly data for 2018-2021 shows this trend even more clearly. **Figure 22** (left panel) shows a 12.3 percent and 18.5 percent quarter-on-quarter drop in productive employment in the second quarter of 2020 and the third quarter of 2021, respectively. The right panel of this figure shows that the share of productive jobs dropped substantially to 86.2 percent and 81.2 percent in these two quarters, respectively.

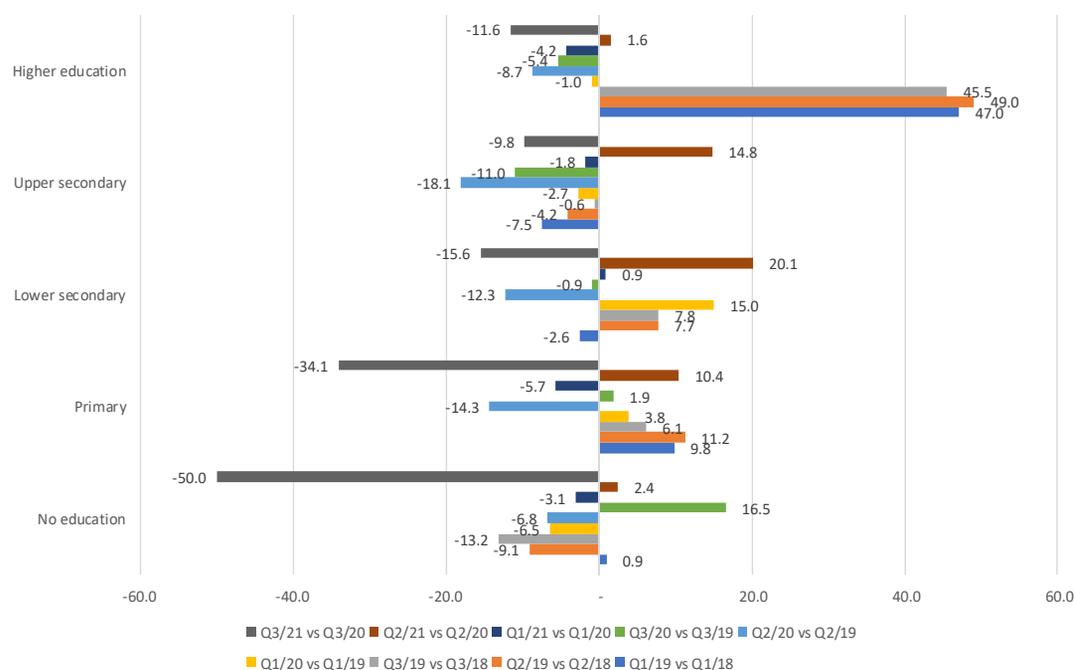
**Figure 22. Wage workers with productive employment, quarterly changes, 2018-2021 (%)**



Source: Thai Minh Pham and Dat Hoang Vu (2021)

Furthermore, the impact of the pandemic was uneven across different groups of wage workers, particularly between workers with varying levels of educational attainment. **Figure 23** shows that compared with the third quarter of 2020, the number of wage workers with productive employment has decreased sharply in the group of workers with no primary education, down by 50 percent. The reduction in productive employment for other workers who completed primary, lower secondary, upper secondary schools, and higher education was by 34.1 percent, 15.6 percent, 9.8 percent, and 11.6 percent, respectively. This differentiated impact of the pandemic was due to the tendency of people with lower levels of education to work in high contact sectors, which were disproportionately affected by lengthy lockdowns in the fourth wave. The number of female wage workers with productive employment in the second quarter of 2020 compared to the second quarter of 2019 dropped by 13.6 percent as opposed to 11.3 percent for male workers.

**Figure 23. Productive employment reduction by educational level (%)**



Source: Thai Minh Pham and Dat Hoang Vu (2021)

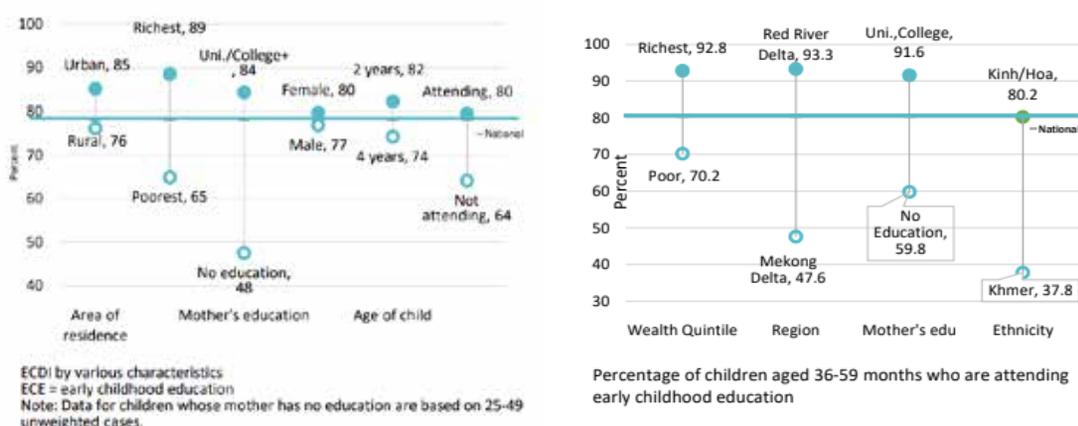
## 2.3. IMPROVING CAPABILITIES FOR ALL THROUGH IMPROVING ACCESS TO BASIC SOCIAL SERVICES

### 2.3.1. Access to education

#### The family's income level and the mother's education are associated with the development of children in childhood

Equal access of children to social services regardless of level of income, location, ethnicity, or other characteristics, is a key factor in breaking the vicious cycle of multi-dimensional poverty. However, as shown in **Figure 24** (left panel), there is a difference in the comprehensive childhood development index between groups with different socio-economic conditions, especially according to the education level of the mother (the difference of 36 percentage points), according to the rich or poor situation of the parents (the difference of 24 percentage points), by place of residence (rural or urban). Another indicator, the kindergarten attendance rate, shows a similar trend: a significant difference in kindergarten attendance rates among population groups with different socio-economic characteristics regarding living standards, geographic region, mother's education level, and ethnicity (**Figure 24**, right panel).

**Figure 24. Comprehensive child development index (left panel) and kindergarten attendance rate (right panel, %)**



Source: Viet Nam SDG indicators on Children and Women Survey 2020-2021 by GSO

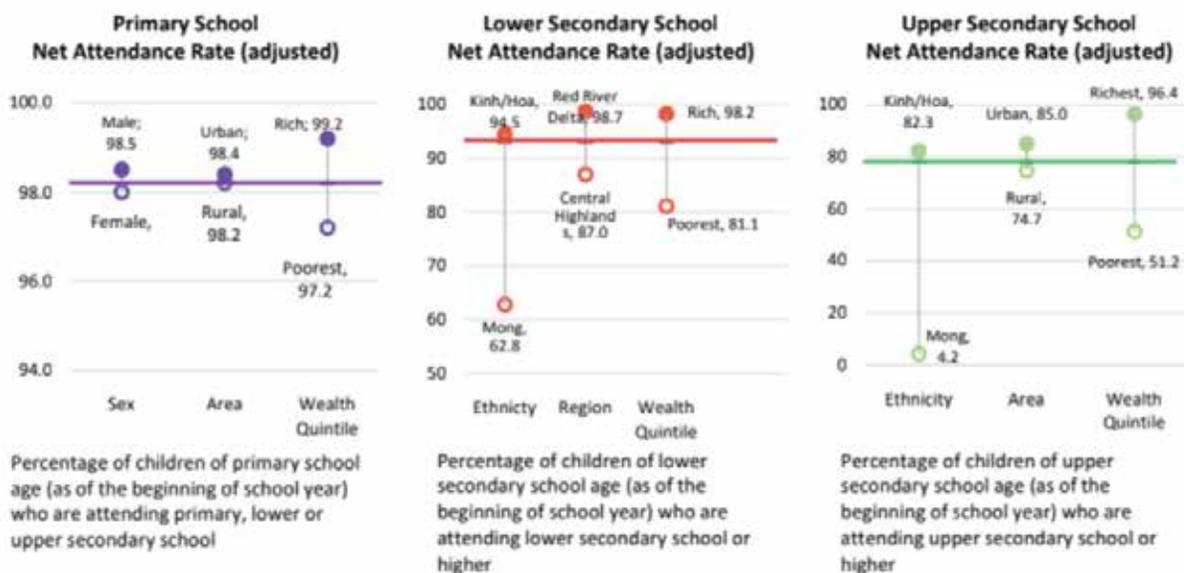
Meanwhile, early childhood education is crucial for children in development of hard and soft skills. In the context of population aging, limited accessibility to all levels of education in general, especially kindergarten in particular, is a barrier to policies to increase the birth rate and help women more fully participate in the labor market.<sup>13</sup>

13. One of the important reasons is that kindergarten education had a low starting point, a long time ago when kindergartens were mainly associated with cooperatives and enterprises. So when Viet Nam transitioned to a market economy, this system was no longer available and has not yet been replaced sufficiently due to the lack of proper investment attention from the State.

## Family circumstances influence the completion rate at the upper secondary school level

The completion rate also contains important information (Figure 25). Disparities between the different groups rise as students move up the educational ladder: these are negligible at the primary level but high at the upper secondary level. This phenomenon is common worldwide, as pointed out in the UNDP Human Development Report 2019: inequality tends to narrow for basic capabilities while increasing for others enhanced capabilities. In the education sector in Viet Nam, this limitation is due both to policies and socio-economic factors. Universal primary and lower secondary education and related policies and investments play a crucial role in reducing inequality at lower levels. Socio-economic factors include the opportunity cost of paid work for children at upper secondary school age and the geographical distance of some ethnic minority areas to upper secondary schools. Specific solutions are needed to address these problems, for example subsidies to certain groups of students.

Figure 25. Educational completion rate (%)



Source: Viet Nam SDG indicators on Children and Women Survey 2020-2021 by GSO

A recent study has documented the relationship between the economic condition of the family in the previous period and the academic performance of children in the later period. (Box 4).

#### **Box 4. Household wealth in Viet Nam helps children learn better**

To investigate the relationship between household wealth and children's learning outcomes, the authors of this study used data from a multi-round survey conducted within the framework of the Young Lives project - an international study on child poverty to improve understanding of the causes and consequences of child poverty in developing countries. Young Lives was designed as a cohort study of 12,000 lives of children in four low- and middle-income countries - Ethiopia, India (in Andhra Pradesh and Telangana), Peru, and Viet Nam, starting in 2002 and continuing today. The sample in each country included two groups of children: a group of 2,000 young children (born in 2001 and 2002) and a larger group of 1,000 older children (born in 1994 and 1995) (see details on this project at <https://www.younglives.org.uk/>). Prior to the pandemic, five quantitative surveys of children, households and communities were conducted in all four countries in 2002, 2006, 2009, 2013, and 2016.

This study uses two sets of measures. First, the economic situation of households is measured by the wealth index, which is defined as the average value of three components, including housing quality, accessibility to services, and the availability of durable assets in the household. Second, concerning learning outcomes, the study used three metrics: scores in math, reading comprehension, and vocabulary (Peabody Picture Vocabulary Test - PPVT), specifically designed to be taken in round 4.

However, to detect the effect of living standards in childhood, the authors used the conditional wealth index of households. Conditional assets reflect the degree of change caused by natural disasters, calamities (negative value of conditional assets), or the appearance of new business conditions, becoming richer compared to the previous period, when children were five years old (positive conditional assets).

In the econometric analysis, the authors of this study used several control variables, including child characteristics, household characteristics, and the economic region. Child characteristics included sex, height at birth, and ethnicity, while household characteristics included mother's school attendance, height, weight, father's school attendance, and household size. Dummy variables representing urban/rural and economic sectors and for fixed effects in the regions were also used.

The results of the econometric analysis show that change in household wealth for the period 2006-2013 (between round 3 and round 4) is indeed positively associated with the cognitive ability of 15-year-old children (at the time of 2015 when round 5 of the survey was conducted). The result is statistically significant in all the above-mentioned three measures. This finding confirms that late intervention after the first 1,000 days is still positively associated with children's cognitive performance and that economic development plays an important role in enhancing children's cognitive skills in Viet Nam.

*Source: Thai Minh Pham and Tuyen Quang Tran. 2021. "Does greater household wealth make young children perform better? The case of Viet Nam". Children and Society. 2021; 00:1-14*

The above analysis indicates that a vicious cycle exists: children born into poor families achieve lower levels of academic performance which negatively affects their earnings later in life. Breaking the vicious cycle of poverty that spans generations requires comprehensive solutions, including creating productive employment opportunities for children's parents, equal opportunities for children in school, and, subsequently, in the labor market.

### **Inclusive education in the digital age**

In recent years, Viet Nam has increased technology content in general education as part of the digital transformation process. The teaching of informatics has been promoted in primary schools and has achieved good results. The percentage of primary students studying informatics has increased year by year. According to the new education program, which is expected to be implemented from the school year of 2022-2023, Informatics and Technology will be a compulsory subject with 35 sessions per class per school year. According to the National Digital Transformation Program for the period up to 2025, with an orientation toward 2030, signed and promulgated by the Prime Minister, digital transformation in the education sector is given a top priority and expected to be a great success in digital transformation.

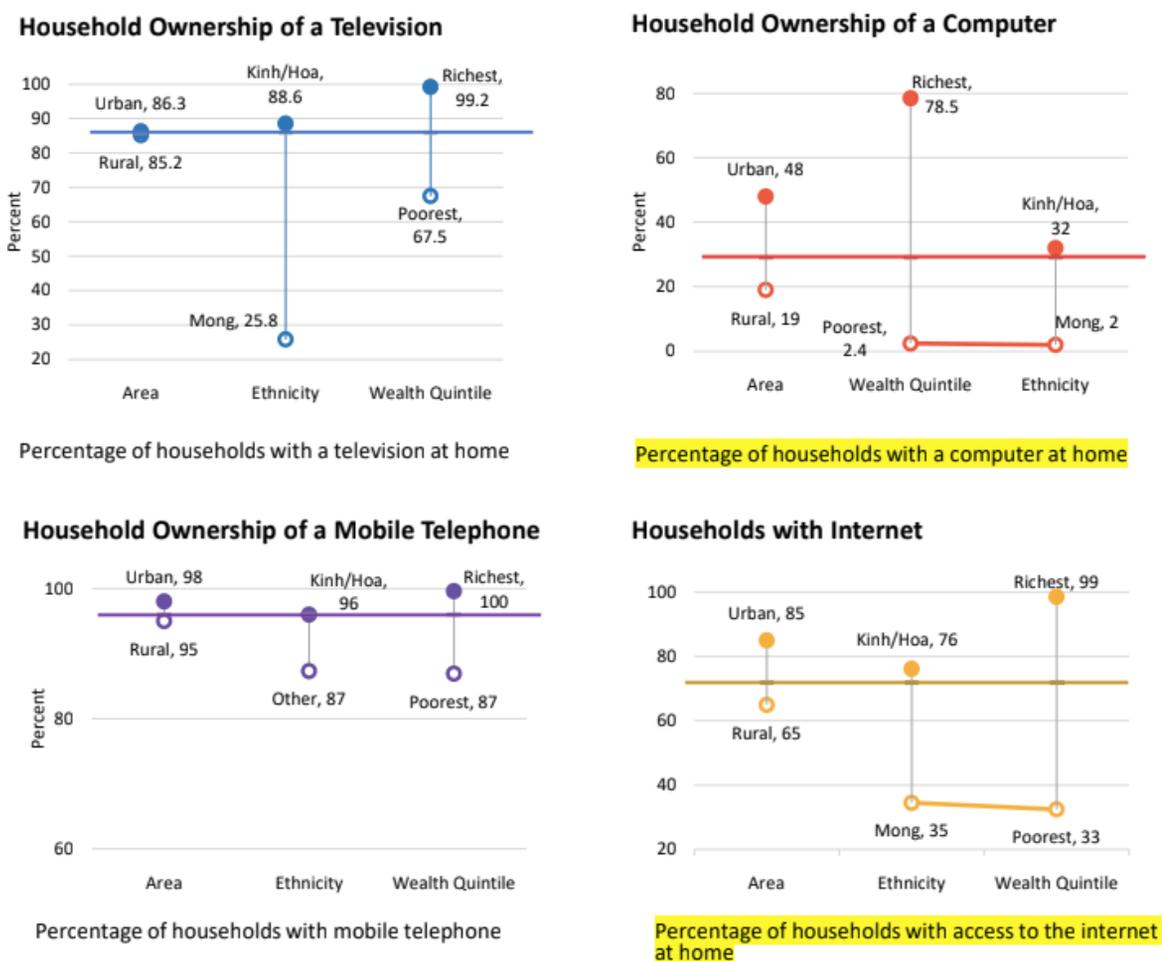
### ***The pandemic has accelerated digital transformation in the education sector***

The two years 2020 and 2021 were extraordinary periods for the education sector when schools across the country were closed for a long period and switched to online teaching due to the impact of the COVID-19 pandemic. However, the pandemic accelerated the use of IT in schools, with the preparation and implementation achieved in a short time. The results can be assessed as exceeding expectations, although there are many shortcomings in the implementation process and many weaknesses still need to be overcome.

### ***However, inequality in access to technology and equipment is a major challenge***

Figure 26 shows a significant difference in computer ownership and Internet access – the two most important tools for students' online learning in the context of the pandemic and accessing information in the digital era. Less than one in five households in rural areas had computers. This figure was 29 percentage points lower than that in urban families. This figure was very low at 2.4 percent for the poorest households, compared to 78.5 percent for the wealthiest households. Less than two-thirds of rural households had an Internet connection, compared with 85 percent of urban households. The disparity between households with different economic backgrounds was even larger, with 99 percent of the richest households having an Internet connection, while less than a third of the poor families have access to the Internet.

**Figure 26. Inequality in ownership of IT equipment and Internet at home (%)**



Source: Viet Nam SDG indicators on Children and Women Survey 2020-2021 by GSO

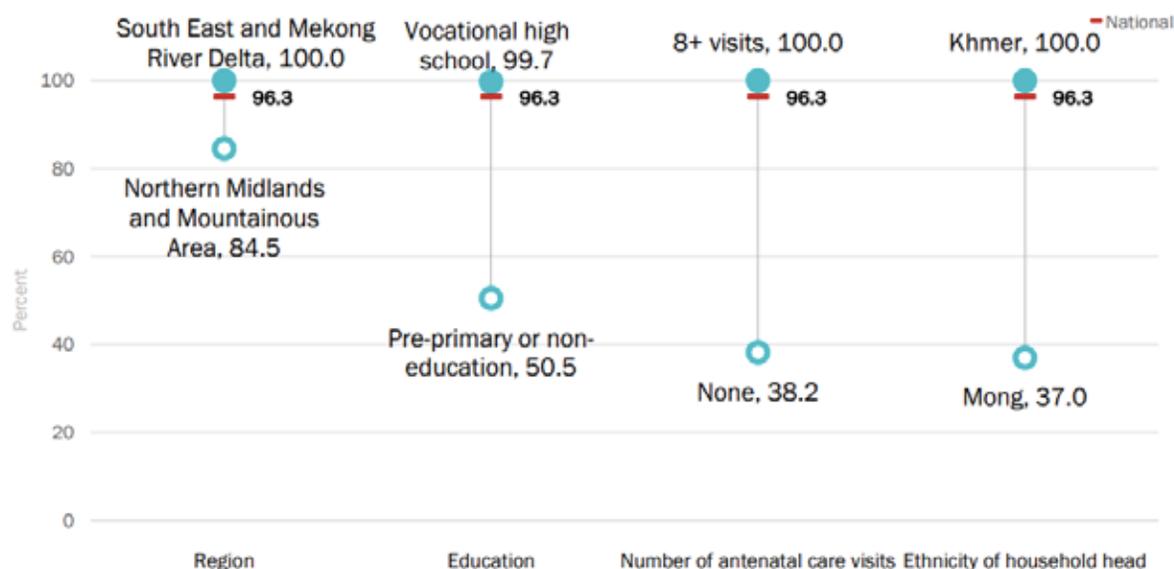
### 2.3.2. Access to health care: Key highlights

#### Education of the mother matters in the period before and after birth

Prenatal care plays a key role in the child’s development later in life. According to GSO’s SDG indicators on Children and Women Survey 2020-2021, most pregnant women are examined by doctors before giving birth. Specifically, 88.2 percent of pregnant mothers receive antenatal care four times or more. However, this rate is lower in the group of mothers who do not go to school or do not have any educational degree (29 percent), the group of mothers of the H’Mong ethnic group (10.6 percent), and the poorest group of women (62.3 percent).

The proportion of mothers giving birth in health facilities also shows a similar picture (Figure 27). The percentage of women aged 15-49 giving birth in health facilities was 96.3 percent (88.5 percent gave birth in public facilities, and 7.8 percent gave birth in private facilities). Only 3.6 percent of women gave birth at home. 96.1 percent of live births were delivered by skilled health workers (92.5 percent by doctors and 3.6 percent by nurses/midwives). However, this figure was lower for some groups, including women without educational qualifications (50.8 percent), women who did not have access to antenatal care by skilled health workers (33.8 percent), and H’Mong women (37.7 percent).

**Figure 27. Delivery at health facility (%)**



Source: Viet Nam SDG indicators on Children and Women Survey 2020-2021 by GSO

## Access to health services of disadvantaged groups: Significant progress, but disparities remain

### Health service infrastructure has improved significantly

The availability of health service infrastructure has improved thanks to investments in medical examination and treatment facilities and the quality of local medical staff. According to the Survey of 53 Ethnic Minorities by GSO, 83.5 percent of communes in the ethnic minority areas have had permanent or semi-permanent health stations at the national standard. 99.6 percent of communes have solidly or semi-solidly built health stations. The proportion of commune health stations with doctors rose from 69.2 percent in 2015 to 77.2 percent in 2019.

### Health insurance coverage expanded significantly to improve access to health services

Statistics of Viet Nam Social Insurance show that 91 percent of the population had health insurance at the end of 2021. This figure shows remarkable progress as only 76.5 percent of the population had health insurance when the Law on Health Insurance amendment came into effect in 2015.<sup>14</sup>

VHLSS data show that by 2020, the proportion of ethnic minority households that have at least one member aged 6 years or older without health insurance dropped to 7.8 percent in 2020 from 16.3 percent in 2016 as opposed to 20.8 percent and 44.5 percent for Kinh-Hoa households. These figures clearly show the effectiveness of policy to support ethnic minorities. However, medical examination and treatment services covered by health insurance continue to fall short of patient expectations, particularly at the grassroots level. Patients are still dissatisfied with the conditions of many health stations' facilities, medical examination and treatment procedures, referrals, and health insurance

14. Source: <https://dangcongsan.vn/bao-hiem-xa-hoi-bao-hiem-y-te-vi-an-sinh-xa-hoi/tin-tuc/bao-hiem-y-te-cham-lo-suc-khoe-cho-moi-nguoi-dan-584268.html>

payments. In particular, the Ministry of Health’s evaluation report of 1,400 hospitals nationwide in 2019 revealed that district-level hospitals only received 3.02 (on a 5-point scale of quality scores), which was lower than the national average of 3.19.

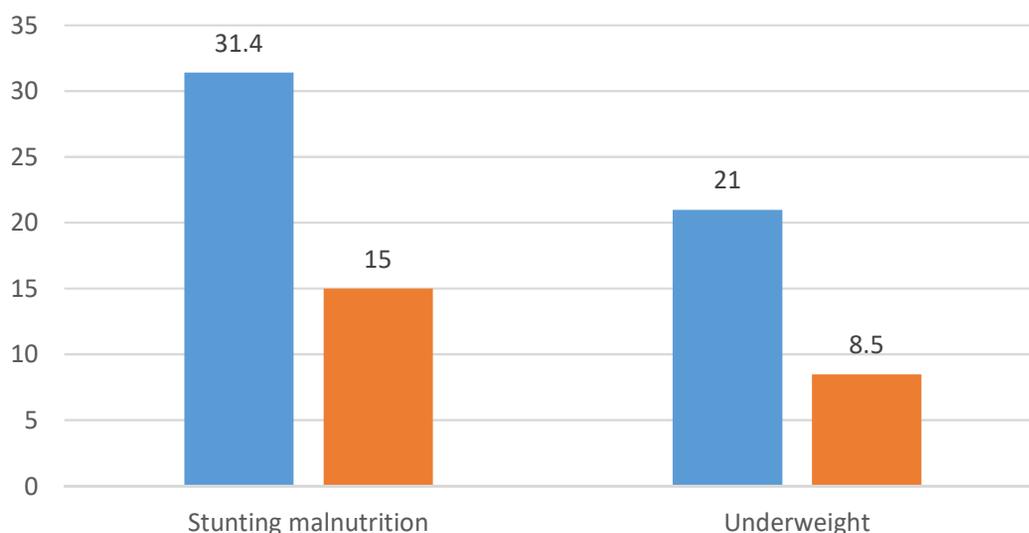
### **Access to health services is uneven across ethnic minority groups**

According to the Survey of 53 Ethnic Minorities, the proportion of ethnic minority households using health insurance cards reached 44.8 percent. Still, for some ethnic groups such as La Ha, Xtieng, Ngai, Xinh Mun, Muong, Gia Rai, Bo Y less than one-third of households used health insurance cards. Some ethnic groups have a very high percentage of women receiving antenatal care such as Tho (98.3 percent), Ta Oi (97.8 percent), Co Ho (97.6 percent). However, this rate is still relatively low in some ethnic groups such as La Hu (45.3 percent), La Ha (63.5 percent), Mang (65.9 percent). The Muong, Tay, Hoa, Khmer, and Nung ethnic groups have a very low rate, less than 10 percent, of giving birth at home and without a professional helper, while such figure as the Mang, Mong, Cong, and La Hu is very high at 50.6 percent, 38.8 percent, 37.0 percent, and 36.5 percent, respectively.

### **Undernutrition continues to hinder children’s opportunities to develop and realize their potential, especially in ethnic minority and mountainous areas**

While Viet Nam has achieved its goals of reducing maternal and child undernutrition, ethnic minorities and mountainous areas still have the highest rates of malnutrition compared to the national average. The National Nutrition Survey 2019-2020 shows that the stunting rate in mountainous regions is 38 percent, which is still very high according to WHO classification in 2018. Meanwhile, the rate for the whole country, at only 19.6 percent, is classified as an average level (under 20 percent). Figure 28 shows that the rates of malnutrition of ethnic minorities children are more than twice as high as those of Kinh children.

**Figure 28. Malnutrition in children in 2020 (%)**



*Source: The report of the Ministry of Health on the issuance of the Decision approving the National Strategy on Nutrition from 2021 to 2030 and a vision to 2045*

### **Box 5. Family's economic conditions affect children's height**

A recent study using the longitudinal survey data of the Young Lives project applies the concept of the conditional wealth of households to investigate the influence of living standards in childhood. Conditional assets reflect the degree of change caused by natural disasters, calamities (conditional assets have a negative value), or the emergence of new business conditions, becoming rich compared to the period before the child was five years old (conditional assets have a positive value). Overall, the results suggest that while household living standards in the early years of life affect children's height regardless of sex, a change in living standards

during mid-childhood (8-12 years) had a statistically significant effect on height growth for adolescent boys only. For all four countries in the study (Ethiopia, India – Andhra Pradesh, Peru, Viet Nam), the effect of conditional wealth on height for young men/adolescents was more significant than for girls of the same age. Evaluations show that for boys in Ethiopia, one standard deviation (SD) increase in family wealth during adolescence (12 years) is associated with a rise of 1 cm at age 15. For boys in India, Peru, and Viet Nam, the figures were 1.1 cm, 1.8 cm, and 1.2 cm, respectively. The effect of the family wealth of girls at the age of 12 on their height at the age of 15 is not statistically significant, except for some regions.

*Source: Le Thuc Duc (2019)*

### **Digital transformation has the potential to promote inclusive health**

Many countries accelerate the digitalization of health services to increase the system's efficiency and inclusiveness. A key requirement here is compatibility - that is, information technology (IT) systems and software can communicate and exchange information with each other. Viet Nam has a great advantage in applying digitalization in the health sector. More than 97 percent of the population has a mobile phone, 72 percent use a smartphone, and more than 70 percent have Internet access, which is higher than the world average at 59.6 percent. As one of the developing countries with a high rate of IT adoption, Viet Nam has great potential in digitalizing the healthcare sector.

Viet Nam has developed a project on developing information technology in health. It is gradually completing legal documents, standards, and regulations to develop information technology in the health sector. "Project on development of smart health information technology for the period of 2019-2025" was approved on October 18, 2019 according to Decision No. 4888/QĐ-BYT.

During the pandemic, digital transformation in the healthcare sector has accelerated. Specifically, on September 25, 2020, the Ministry of Health held the inauguration ceremony of 1,000 telehealth medical facilities in Hanoi. Prime Minister Nguyen Xuan Phuc, Deputy Prime Minister Vu Duc Dam attended the inauguration ceremony. Speaking at the ceremony, Prime Minister Nguyen Xuan Phuc said, "Expanding telemedicine is of great significance in the health sector's innovation to improve the quality of medical examination and treatment, towards the people's satisfaction with health services. People across the country, anywhere, have the opportunity to access and use the highest quality medical services at the district level, which would help to avoid referrals, overcrowding, and large numbers of patients at the higher level.<sup>15</sup> Even people at home can be examined, consulted

15. Public hospitals in Viet Nam are divided into three levels: central level (47 hospitals); provincial level (419 hospitals) and district level (684 hospitals).

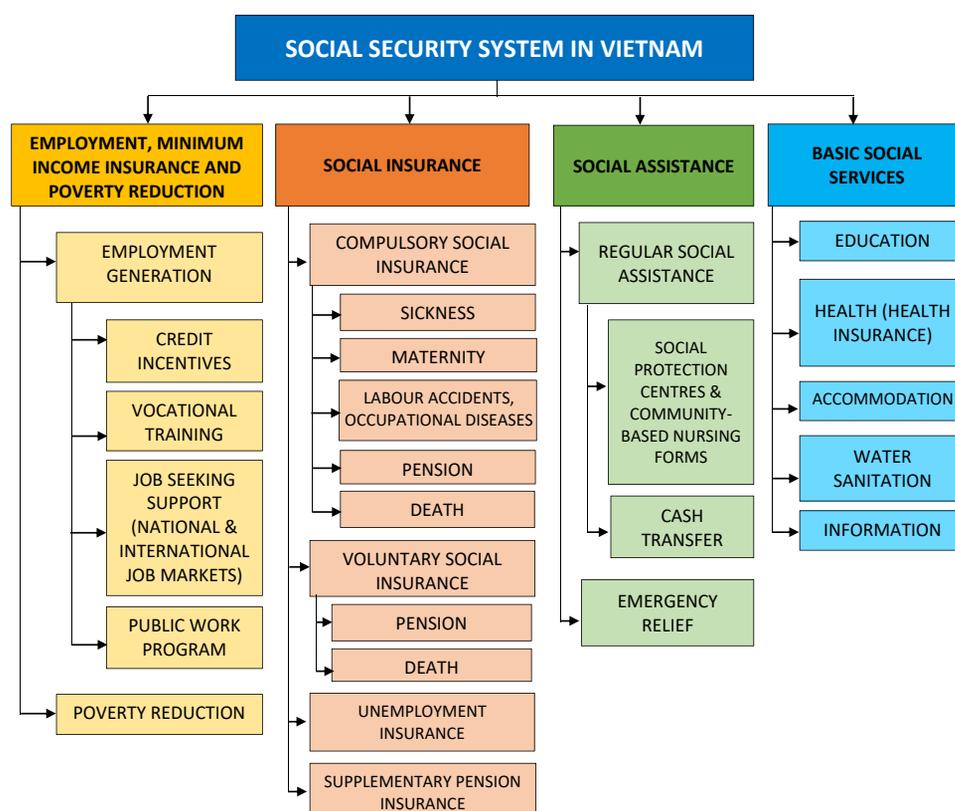
and treated by upper-level doctors through smart electronic devices.”<sup>16</sup> By applying technology, the solution for remote medical examination and treatment has reduced geographical barriers, created a medical network across all hospital levels, provided professional support, and marked a big step forward in the digital transformation in the health sector.

## 2.4. STRENGTHENING RESILIENCE THROUGH EXPANDING AND STRENGTHENING THE SOCIAL PROTECTION SYSTEM

### 2.4.1. Viet Nam’s social protection system has strengthened gradually

In recent years, Viet Nam’s social protection system (**Figure 29**) has undergone significant changes towards expanding coverage and improving quality. By 2021, more than 16.5 million people participated in social insurance, accounting for 33.8 percent of the labor force of working age, an increase of 2.1 percent compared to 2020. Over 1.4 million people (or 2.9 percent of the labor force) participated in voluntary social insurance in the same year, an increase of 28 percent compared to the same period in 2020. The number of people participating in unemployment insurance (UI) was nearly 13.4 million people (or 27.3 percent of the labor force) in 2021, which increased by 0.4 percent compared to that in 2020. The number of people participating in health insurance was more than 88.8 million people, rising by 0.9 percent compared to 2020. 91 percent of the population participated in health insurance.

**Figure 29. The social protection system in Viet Nam**



Source: ILLSA and GIZ (2013)

16. Source: [https://moh.gov.vn/tin-noi-bat/-/asset\\_publisher/3Yst7Yhbka5j/content/le-khanh-thanh-1-000-co-so-y-te-kham-chua-benh-tu-xa](https://moh.gov.vn/tin-noi-bat/-/asset_publisher/3Yst7Yhbka5j/content/le-khanh-thanh-1-000-co-so-y-te-kham-chua-benh-tu-xa)

**Poor households receive social assistance to improve living conditions. Poverty reduction programs have raised incomes and improved material and spiritual life for the poor, people in poor areas, and areas with extreme difficulties.**

The implementation of the National Targeted Program on Poverty Reduction, Program 135, and the participation of the whole political system, organizations, firms, and communities has made Viet Nam a bright spot in poverty reduction. The resources allocated and mobilized to implement the National Target Program on Sustainable Poverty Reduction in the 2016-2020 period were more than VND 93 trillion (see **Box 6**).

### **Box 6. Mobilizing resources for poverty reduction**

The Government has prioritized allocating and mobilizing resources to implement the Poverty Reduction Program in the 2016-2019 period with approximately VND 93,608 billion, which was 146.2 percent of the budget for the 2011-2015 period. Funding from the central government made up 45.33 percent of the total. Capital mobilized from socialization to support social security and poverty reduction accounted for 23.62 percent, the Fund “For the poor” and social security activities of the Viet Nam Fatherland Front at all levels accounted for 19.86 percent. Resources to spend on policies that directly support poor and near-poor households regularly, such as health insurance support, tuition fee exemption, and reduction, legal aid, electricity bills, etc., were approximately

VND 25,000 billion per year.

The support provided through more than 13,000 economic projects to diversify livelihoods and scale up good poverty reduction models has benefited over 2.2 million households. The total cost of implementation was VND 8 trillion. More than 2.5 million turns of poor and near-poor households received vocational training and job creation. 5,500 workers of poor, near-poor, and ethnic minority households received the support to go for work abroad.

A total of about 18 thousand infrastructure works have been carried out. About 15 thousand infrastructure works were put into use; approximately 7,000 works were maintained. Total investment capital is over VND 32 trillion.

*Source: MOLISA, Workshop on poverty reduction in the period 2016-2020<sup>17</sup>*

17. <http://www.molisa.gov.vn/Pages/tintuc/chitiet.aspx?tintucID=224559>

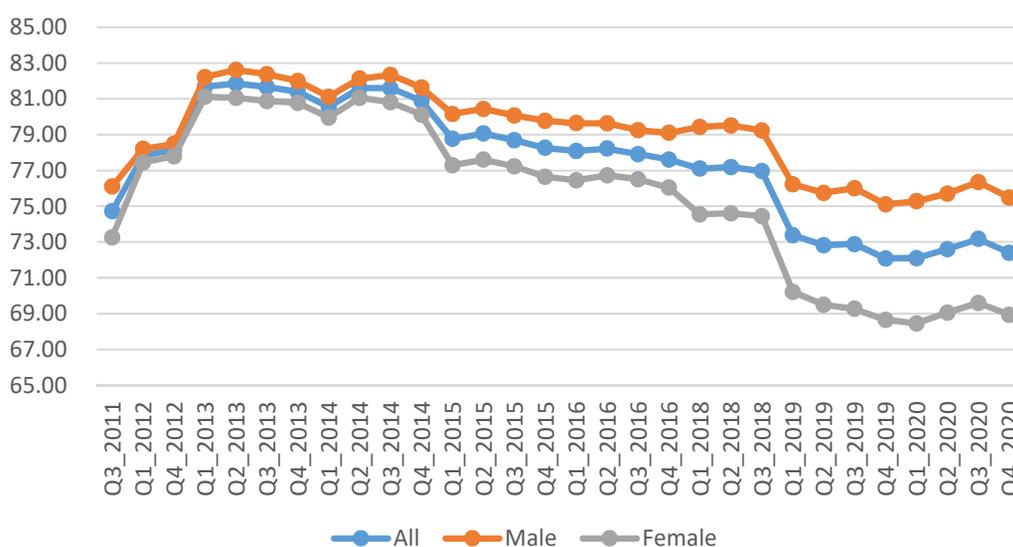
## 2.4.2. The social protection system still suffers from significant shortcomings

### Informal workers<sup>18</sup> are missing from the social protection system

Workers without labor contracts, also known as informal workers, often fall into a group that experts call the “missing middle” because they have jobs and incomes above the poor and near-poor thresholds but are not included in the list of beneficiaries of the national poverty targeting programs. They are therefore vulnerable to economic shocks because they have no access to support in the case of an unexpected loss of earnings. Without labor contracts, participation in the social security system is not automatic, and for various reasons, these workers choose not to participate voluntarily in this system. As a result, the vast majority of informal workers are not covered by the social protection system.

Meanwhile, informal workers make up a large share of the total number of workers in Viet Nam. The percentage of workers without social insurance is an important indicator of the quality of jobs. Low rates of participation in social insurance (**Figure 30**) indicates that the quality of employment is not guaranteed as many workers are not entitled to health insurance, unemployment insurance, or salary. As a result, such workers are more vulnerable to adverse economic shocks.

**Figure 30. The proportion of workers without social insurance, quarterly, 2011 – 2020 (%)**



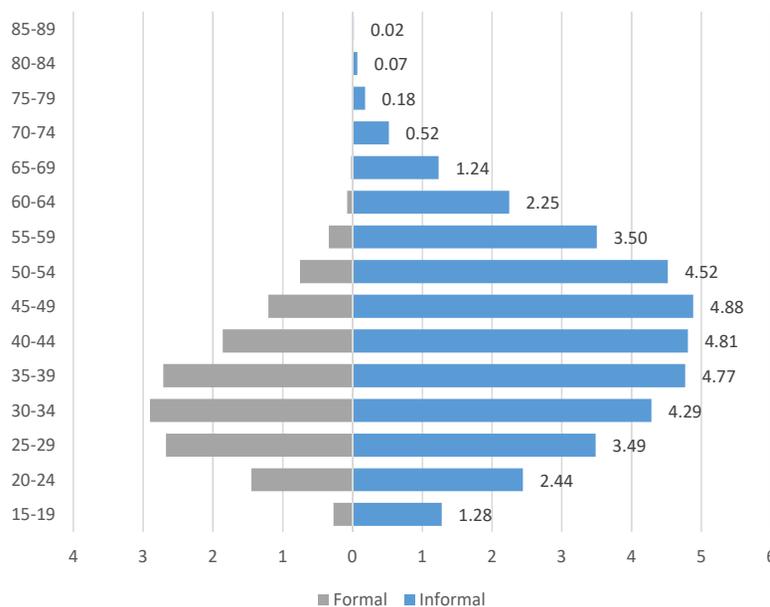
Source: Thai Minh Pham and Dat Hoang Vu (2021)

For the decade 2011-2020, the rate of informal employment decreased by less than two percentage points, a very modest reduction over a relatively long period. Quarterly data also show that the rate fluctuated in line with the economy’s performance, going down in good times and vice versa. These facts suggest that: (i) the informal employment share reflects the decline in job quality when the economy slows down (whereas other indicators such as the unemployment rate or working hours may be little changed); and (ii) it is procyclical.

18. A recent ILO report includes the agricultural sector to produce internationally comparable statistics on informal employment (ILO, 2021). Therefore, to ensure international comparability and as recommended by the ILO, we adopt the definition of informal employment as all employment (both agricultural and non-agricultural) without social insurance.

In the long term, having a significant proportion of workers not covered by the social security system will impact future poverty. The reason is that when these people retire, there will be no pension for them. Moreover, many of these people have low incomes, so they do not have savings for old age. **Figure 31** shows approximately 22.5 million workers aged 35 to 60 without social insurance, accounting for 58.8 percent of total informal employment and 42.8 percent of total employment. Therefore, it is difficult for them to participate in social insurance at such an age, creating pressure for multi-dimensional poverty reduction in the future.

**Figure 31. Formal and informal workers by age, 2020 (million workers)**



Source: Thai Minh Pham and Dat Hoang Vu (2021)

### The cash assistance program has limited coverage and low benefits

Coverage and benefits of the regular cash transfer program are both low. Social assistance policy in Viet Nam focuses more on protecting the most disadvantaged and less on preventing vulnerable people from falling into poverty or increasing safety for them. Benefits in cash assistance programs are among the lowest in the Asia-Pacific region. State budget spending on cash assistance programs in Viet Nam is only about 0.35 percent of GDP, much lower than other countries in the region (UNDP, 2021).

### The social assistance system has limited ability to respond to systemic and large-scale shocks<sup>19</sup>

Emergency relief policy is designed primarily to respond to small-scale shocks. Coverage and benefits are designed based on specific types/levels of damage resulting from specific shocks; a one-time (and low) allowance is designed to help those affected survive the first months after shocks occur. By design, emergency relief programs are funded by contingencies of local government budgets with limited funding. As a result, the policy of emergency support has not been designed to respond to

19. This section draws heavily on UNDP (2021)

large-scale shocks such as Covid-19, avian influenza, drought, floods and saline intrusion in large-scale shocks (crisis); the identification of affected people/beneficiaries and the extent of damage (to serve as the basis for determining the level of cash assistance) as well as the provision of cash assistance to the target groups will be very difficult. Recent experience in implementing short-term emergency support packages of the Government for people affected by the COVID-19 pandemic shows that a high proportion of beneficiaries receive benefits in the regular cash assistance group - such as the beneficiaries of Decree 136/20, poor, near-poor households and people with meritorious services. This rate is very low for affected groups (new beneficiaries) such as unemployed informal workers and affected household businesses. In other words, while the assistance targeting program works well with the “fixed targets”, not all “moving targets” are supported in time.

In response to large-scale shocks, it is important to finance emergency relief from the local budget's contingency fund. In 2021, due to the depletion of local contingency budgets, local governments in some provinces had difficulty in providing emergency support to those affected by COVID-19 and the rising healthcare costs. The central government's response is still slow in terms of time: it took two months for the central government to get the approval of the National Assembly Standing Committee on replenishing the central reserve budget with VND 14,000 billion.

### **Social assistance programs are still based on residence registration (Ho Khau) rather than citizenship<sup>20</sup>**

Access to social assistance programs in Viet Nam is based on residence. This, together with a reliance on local government budgets (to which local government budgets are also allocated based on the number of local residents), leads to the exclusion of migrant workers and their families from regular and emergency social assistance programs. During the pandemic, migrants could access social protection support packages of the Government of Viet Nam due to financial regulations that local budgets can only be used to support local people and require certification from the competent authority in the place of origin. A low degree of digitization in management and implementation (including electronic registration of beneficiaries, electronic management and execution of electronic transfers, electronic monitoring and reporting, possibly based on personal ID) of social assistance programs also limit migrants' access to the support.

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20. *This section draws heavily on UNDP (2021)*

# PART 3. SUSTAINING RAPID REDUCTION OF POVERTY IN THE NEW CONTEXT

International experience shows that economic growth, macroeconomic stability, globalization, global value chains, technological revolution and other factors affect growth and poverty reduction in developing countries (see details in **Box 1**). However, global and domestic contexts have changed rapidly with new opportunities and challenges intertwined in recent years. Identifying megatrends in the world and the country in the current period and the future, together with the current situation analysis in Part 2, will provide important information as a basis for policy recommendations to reduce multi-dimensional poverty in the coming period.

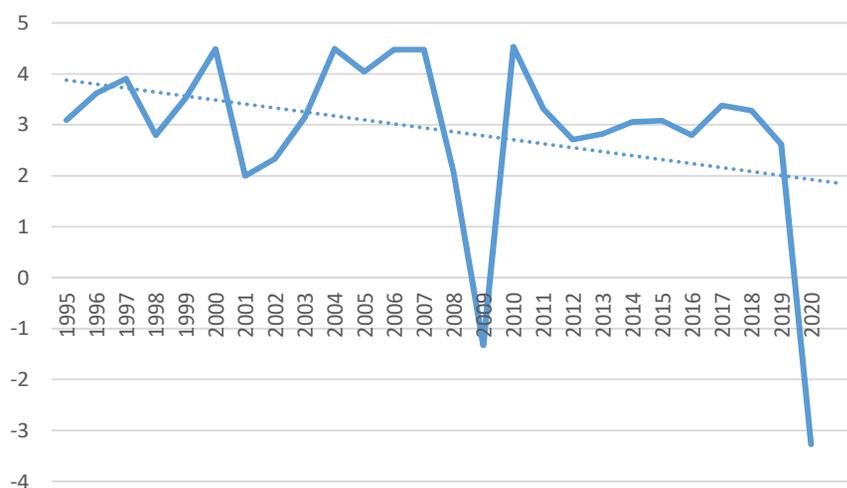
## 3.1. CHANGES IN THE GLOBAL AND DOMESTIC CONTEXT

### 3.1.1. The world is undergoing many important changes

#### The global economy slows down

The Viet Nameese economy has steadily reintegrated into global systems of trade and finance since the early 1990s. The pace of integration into global value chains has accelerated in recent years, especially within Asia-centric manufacturing networks. However, the rate of global growth has decelerated since the Global Financial Crisis in 2008 (see a linear trend line in **Figure 32**) even omitting the deep recession in 2009 and the Covid-19 recession of 2020. Average global economic growth in the period 1995-2007 was 3.57 percent, significantly higher than 3.17 percent in the period 2010-2019. Some of the main reasons include slowing labor productivity growth globally (Erber et al., 2017), rising inequality and demographic change (UN, 2019b). These trends present challenges to maintaining rapid growth coupled with sustainable poverty reduction in the medium and long term globally and in Viet Nam.

**Figure 32. The growth rate of the global economy in the period of 1995-2020 (%)**



Source: World Development Indicators by World Bank

## The process of globalization is undergoing many changes

Global economic integration is one of the most important drivers of Viet Nam's rapid growth and sustainable poverty reduction over the past three decades. However, this process may face new challenges in the coming period. In many developed countries, the globalization process is considered to have gone too far and too fast, which is one of the causes that negatively affect employment, causing polarization in the societies of these countries.<sup>21</sup> This has led to a growing demand by voters in some developed countries for a correction to the process, resulting in increased protectionism in some of the world's powers. Trade and investment flow tend to slow down. Some experts call this process "deglobalization" (James, H. 2018).

One of the major aspects of globalization today is the fragmentation of production processes. However, global value chains led by multinational corporations have tended to shrink, with fewer countries and enterprises' participation. This has increased competitive pressure among local firms to participate in GVCs successfully, thereby hurting countries participating in the lower segments of the global value chains.

## The Fourth Industrial Revolution (Industry 4.0) and its digital transformations are having a significant impact on the contemporary world

Another important reason explaining the process of de-globalization and the shrinking of global value chains is that the Fourth Industrial Revolution and digital transformation are accelerating. Artificial intelligence, the sharing economy, cloud computing, commerce based on digital platforms, 3D printing and solar energy have disrupted traditional business methods and changing structures of many industries and sectors. Moreover, automation could erode the advantages of cheap labor in many developing countries, including Viet Nam.

Over the past three decades, Viet Nam has mainly participated in global value chains in the outsourcing and assembly stage, which are activities at the bottom of the smile curve.<sup>22</sup> This process has played a key role in the country's structural transformation, helping to reduce the proportion of brown-collar workers working in agriculture and increase the proportion of blue-collar workers working in industries. This is the most important driver of productive employment and poverty alleviation. However, climbing up the ladder of GVCs will be associated with an increase in the share of the millennial workforce participating in pre-production and post-production activities. They require new skills that experts call 21st-century skills (the ability to reason, problem-solving, digital and soft skills, adaptability). These are very different from the skill set of the blue-collar workers of the 20th century when these people mainly performed routine and repetitive movements on mass production lines. This trend has also led to the process of "de-industrialization", with the share of labor and the value-added of the manufacturing industry stagnating at a low level compared to previously developed countries (Rodrik, 2015). Sustainable poverty reduction in particular, and socio-economic development in general, in the coming period, cannot be only based on the traditional method of industrialization but also more closely associated with new economic sectors that have been growing rapidly in the digital age.

21. In recent World Economic Forum (WEF) global economic outlook reports, rising inequality is one of the biggest economic challenges. Since 2015, 1 percent of the population, the richest people in the world, have owned more wealth than the rest of the world (Oxfam, 2017). According to the report, from 1980 to 2016, the richest 1 percent benefited 27 percent from economic growth, double the value received by the poorest 50 percent.

22. According to Stan Shih (Shih, 1996), the value-added created at various stages of the value chain (referred to by the author as the smile curve) is determined by a number of factors (e.g. labor vs. capital intensiveness, tacit knowledge, competition). In many manufacturing industries, the two ends of the value chain – conception, R&D at the beginning, and branding and marketing at the end – command a higher value per worker when added to the product than the middle part of the value chain – manufacturing.

## **Climate change is approaching the point of no return, creating one of the biggest challenges facing the world today**

According to the UN,<sup>23</sup> climate change refers to long-term changes in temperature and weather patterns.<sup>24</sup> These changes can be natural, such as through oscillations in the solar cycle. But since the 1800s, human activities have been the main cause of climate change, mainly due to the burning of fossil fuels such as coal, oil and gas. The consequences of climate change today include intense droughts, water scarcity, severe fires, rising sea levels, floods, polar ice melt, catastrophic storms, and biodiversity loss.

Climate change can affect human health, food, housing, safety, and employment. Some people are more vulnerable to climate impacts, such as those living in small island nations and other developing countries. Conditions such as the sea-level rise and saltwater intrusion have displaced entire communities, and prolonged drought has put people at risk of starvation. In Viet Nam, many communities have been significantly affected by climate change. The number of “climate refugees” is expected to increase in the future. Recently, the head of the United Nations warned of a “point of no return” to climate change.<sup>25</sup> The Government of Viet Nam has made a strong commitment to reduce carbon emissions to net-zero by 2050 and call for equity and justice for climate change.<sup>26</sup> To that end, protecting the poor and vulnerable groups from the impacts of climate change and the effects of the transition towards achieving zero carbon emissions by 2050 is very important in the strategy of sustainable and equitable growth and development in Viet Nam in the present and future period.

## **The prolonged Covid-19 pandemic has had a substantial impact on a global scale**

The year 2020 was marked by high uncertainty due to COVID-19, during which many countries restricted travel, implemented mobility restrictions, closed schools, and asked people to stay at home during large-scale and prolonged lockdowns. The impact of the pandemic was enormous, varying substantially across countries and regions. Economies or regions that highly dependent on high contact activities, exports and imports of goods have been hardest hit. According to various estimates made at different times, hundreds of millions of people have fallen into poverty during the pandemic.

Inequality has also increased significantly, especially between low-skilled workers who work in high contact sectors such as tourism, hotels, restaurants, passenger transport, etc., and skilled workers working in a contactless economy. The same thing has happened in Viet Nam during the past two years since the pandemic began.

23. Source: <https://www.un.org/en/climatechange/what-is-climate-change>

24. The Earth is now about 1.1°C warmer than it was in the late 1800s. The last decade (2011-2020) was the warmest period on record. But rising temperatures are only the beginning of the story. Because the Earth is a system where everything is interconnected, changes in one area can affect changes in all others.

25. Source: <https://www.politico.com/news/2019/12/01/climate-change-point-no-return-074610>

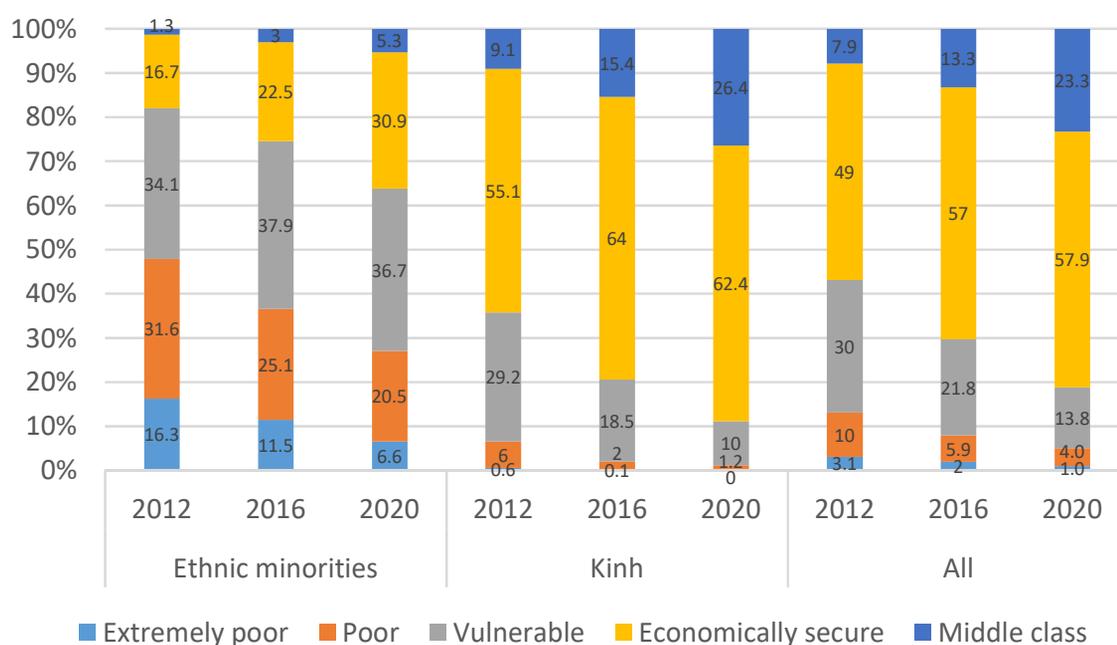
26. Source: <https://www.qdnd.vn/chinh-tri/tin-tuc/viet-nam-khang-dinh-cam-ket-giam-phat-thai-khi-carbon-dat-muc-bang-0-vao-nam-2050-676088>

### 3.1.2. Domestically, major trends are becoming increasingly apparent with important implications for growth and poverty reduction

#### The middle classes have been growing rapidly

Thanks to relatively rapid growth in the pre-pandemic period, reaching an average rate of 6.8 percent in the period 2016-2019 and 5.8 percent in the period 2012-2015 before, the proportion of poor and low-income groups has declined rapidly (**Figure 33**). The middle classes have expanded rapidly in the past decade; its population share increased significantly from 7.9 percent in 2012 to 23.3 percent in 2020, thus almost tripled in less than a decade.

**Figure 33. Structure of the population by economic classes (%)**



Note: The USD exchange rate was calculated in purchasing power parity in 2011. Extremely poor: under USD1.9 per day. Poor: USD1.9 to 3.1 per day. Vulnerable: USD3.1 to 5.5 per day. Economically secure: USD5.5 to 15.0 per day. Middle-class: USD15.0 per day, as per World Bank's classification

Source: Calculation by the authors using VHLSS data

This is a very impressive result and significant for the country's development. According to many studies, a robust middle class is considered a key factor for economic growth and stability. In developing countries, the middle classes play an important role in national prosperity by contributing to economic growth, poverty reduction, and social stability (Banerjee and Dufflo, 2008). The larger the middle class, the faster the rate of poverty reduction (ADB, 2010).

#### Viet Nam's demographic window of opportunity will end shortly and the country is entering a period of population aging

According to the General Statistics Office, Viet Nam still enjoys the demographic dividend in the period 2026-2039. However, the proportion of the population aged 65 and over has increased and reached over 10 percent. In 2026, Viet Nam will enter a period of an aging population. GSO forecasts that the aging population period will last for 28 years (2026-2054), as the share of the population aged 65 years of age rises from 10.2 percent to 19.9 percent. This will be followed by a period in which

20 to 30 percent of the population will be aged 65 and over (2055 to 2069).<sup>27</sup> Significant changes in demographic structure will have a negative impact on productive employment, increasing the burden on the social protection system and on poverty reduction programs in the coming period. At the same time, accelerated aging also indicates that a window of opportunity for growth based on cheap labor will soon be over. Firms need to provide workers with higher incomes and benefits in win-win cooperation – a prerequisite to improving Viet Nam’s international competitiveness in the medium and long term.

### **Urbanization has been happening relatively quickly, but still at rates slower than expected and biased towards megacities**

The proportion of Viet Nam’s urban population increased significantly, from 20 percent in 1986 when the country started to implement Doi Moi to nearly doubling to 34.4 percent in 2019 (about 33 million people) <sup>28</sup>, growing by 1.66 percent per annum during this period equivalent to an average rate of 1.6 percent for lower-middle-income countries. In Viet Nam, the development of manufacturing and service industries in urban areas are strong growth drivers, leading to the development of the remaining regions. Urbanization is both the outcome and driver of economic growth and development.

However, with about 55 percent of urban residents living in Hanoi and Ho Chi Minh City, this process has been biased toward megacities resulting in environmental pollution, traffic congestion, overloaded infrastructures, etc. The poor and low-income people have been most often affected by living in areas with high or very high population density. They have also struggled to make a living on the streets, thus disproportionately affected by air pollution and traffic congestion. In addition, during the ongoing pandemic, the poor and low-income people have been most affected by mobility restrictions, including lengthy lockdowns. Thus, the economic density in these two cities has exceeded the optimal threshold because the adverse effects of agglomeration have surpassed the positive impact of economies of scale, thus slowing growth and sustainable development of these two economic locomotives, thereby affecting the entire country.

### **Climate change has a negative impact on Viet Nam and the poor**

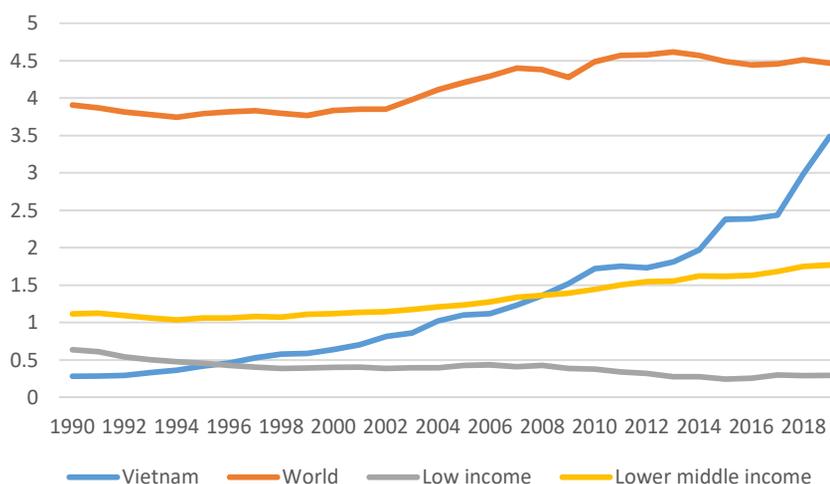
Viet Nam is one of the countries heavily affected by climate change and natural disasters. Environmental sustainability has emerged as a major challenge facing the country. If this issue is not solved, growth will slow down; the livelihoods and living conditions of the disadvantaged groups will be most affected.

CO<sub>2</sub> emissions per capita, one of the main indicators of climate change, indicates that Viet Nam is behind other countries with similar levels of development. Figure 34 shows that CO<sub>2</sub> emissions per capita in Viet Nam have increased rapidly since 1996 when the gap between Viet Nam and low-income countries began to widen rapidly. Since 2006, CO<sub>2</sub> emissions per capita in Viet Nam have started to exceed those of low-middle-income countries. That year was also close to when Viet Nam joined the group of low-middle-income countries. The UNDP Human Development Report 2019 ranked Viet Nam in the third lowest position among countries regarding carbon emissions per capita.

27. Source: <https://www.gso.gov.vn/du-lieu-va-so-lieu-thong-ke/2020/12/thong-cao-bao-chi-ket-qua-nghien-cuu-chuyen-sau-tong-dieu-tra-dan-so-va-nha-o-nam-2019/>

28. Preliminary results of GSO’s 2019 Population and Housing Census

**Figure 34. CO2 emissions (tons per capita), 1990-2019**



Source: World Bank. World Development Indicators

### **Viet Nam’s digital transformation has accelerated in recent years, but the digital divide remains a significant challenge**

On June 3, 2020, the Prime Minister of Viet Nam approved the “National Digital Transformation Program to 2025, with a vision to 2030”, officially recognizing the key role of digital transformation in proactively embracing and effectively participating in Industry 4.0. In the national digital transformation goal, Viet Nam has identified three main pillars of the digital transformation program: digital government, digital economy, and digital society, which reinforce one another.

Digital infrastructure has also experienced rapid developments. According to data from the Viet Nam Internet Center, Viet Nam has 68.72 million Internet users, accounting for 70.3 percent of the population. Internet speed in Viet Nam was ranked the 48th in the list of countries in the world in December 2021, reflecting a good Internet infrastructure level.<sup>29</sup> In the 2020 United Nations ranking, Viet Nam was ranked the 86th out of 193 UN countries, up to two places compared to that in 2018. Viet Nam has maintained a continuous ranking increase in 2014 - 2020 from position 99 to position 86.<sup>30</sup>

The process of digital transformation in firms and households has also accelerated over the past two years when the pandemic broke out. Online application platforms have been widely used in the economy and society. Many people and low-income workers have taken advantage of digital technology to sell goods online when they no longer have regular jobs under the impact of the pandemic. However, the digital divide becomes more pronounced, especially when the majority of students were forced to switch to online learning during the COVID-19 pandemic.

29. Source: <https://vnexpress.net/internet-viet-nam-dang-o-dau-so-voi-the-gioi-4405005.html>

30. Source: United Nations e-Government Survey 2020

## 3.2. Sustaining rapid poverty reduction in all dimensions and everywhere: Policy recommendations

Viet Nam has entered the second year of the Five-Year Socio-Economic Development Plan 2021-2025 and the Socio-Economic Development Strategy 2021-2030. The country continues to implement development goals after overcoming the most difficult period caused by the pandemic. Viet Nam will apply a new multidimensional poverty line in 2022, marking an important qualitative change in the measurement, monitoring, and implementation of poverty reduction policies and solutions.

Because of this change, the poverty line has been raised to the minimum standard of living for the first time. According to an assessment by MOLISA, the income criterion will correspond to the minimum standard of living of VND 1.5 million per person/month in rural areas (up 114.2 percent of the current line at VND 700,000 person/month), and VND 2 million per person/month in urban areas (up 122.2 percent of the current line at VND 900,000 person/month).

The major increase in the poverty line will result in an upturn in the number of poor and near-poor households and people. According to MOLISA<sup>31</sup>, based on the proposed new multi-dimensional poverty line for the period of 2021-2025, the multi-dimensional poverty rate (both poor and near-poor households) is estimated at about 10% (equivalent to about 2.4 million households). The statistics of poor and near-poor households in 2015, based on the 2015 multidimensional approach poverty line, show that there were 2.338 million poor households in the country, and 1.235 million near-poor households<sup>32</sup>. Thus, after applying the new multidimensional poverty line, estimated percentage of poor and near-poor households is lower than that of the beginning of the 2016-2020 period.

In addition, a new dimension on employment has been added, with an indicator on informal employment. As such, employment is now considered as an outcome, in addition to being a means to achieve the other outcomes in the multi-dimensional concept.

These changes are appropriate for a lower middle-income country with aspirations to achieve upper middle-income status in the medium term. A higher poverty line, and more rigorous multidimensional poverty standards, signal the Government's determination to improve living standards for all and to leave no one behind. However, sustaining performance in poverty reduction will not be easy, especially given the damage done by the Covid-19 pandemic and significant changes in the global and domestic context. Vietnam needs to implement comprehensive measures to promote productive employment, ensure social service availability, and expand coverage and improve quality of the social protection system for all. Accordingly, efforts need to be comprehensively implemented in all dimensions of multi-dimensional poverty reduction, including improving income, employment, education, health, nutrition, housing, clean water, environment, and access to information.

### 3.2.1. Promoting productive employment for everyone

Policies to promote the growth of productive employment fall into two main groups: (i) those oriented to strengthening the foundations of rapid, sustainable and inclusive growth and poverty reduction; (ii) and changes to labor market policies and institutions.

31. in the draft decree on the promulgation of the national multi-dimensional poverty line for the period of 2021-2025. Source: MOLISA (2020). <http://www.molisa.gov.vn/Pages/tintuc/chitiet.aspx?tintucID=223073>

32. Decision No. 1095/QĐ-LĐTBXH dated August 22, 2016 of the MOLISA approving the results of the 2015 poor and near-poor household census according to the multi-dimensional poverty line applied for the period 2016-2020

## Measures to strengthen the foundations of the economy to promote broad-based growth and inclusive development

Measures to strengthen the foundations of inclusive growth include:

- Controlling inflation, maintaining macroeconomic stability to ensure the economic sustainability of growth, avoid shocks to the economy and the labor market. This can be achieved by implementing careful monetary and fiscal policies to maintain macroeconomic balances at a sustainable level, implementing countercyclical fiscal policy. An important lesson from the Covid-19 pandemic is the need to ensure that fiscal policies are counter-cyclical, stimulating economic growth during recessions and reducing inflationary pressures during periods of rapid growth.
- Continuing to promote international economic integration, making good use of the country's geo-economic advantages, and new-generation trade agreements to deepen Viet Nam's participation in global value chains, thus minimizing the adverse impact of the process of "de-globalization" and "premature de-industrialization" on later industrializing countries. Increasing the domestic content of manufactured exports is important for job creation and sustainable income growth.
- Upgrading connective infrastructure and improving trade facilitation to enable Viet Nameese enterprises in to increase their participation in global value chains. Linkages between public investment, education, research, technology policy and industrial policy should be enhanced to encourage the growth of domestic firms and their competitiveness on international markets.
- Facilitating structural change from low-productivity agriculture to higher productivity agriculture, manufacturing and services. This requires a business and investment environment conducive to private sector development<sup>33</sup> and geographic and occupational labor mobility. The development and deepening of domestic capital markets is essential to encourage the growth and competitiveness of large private firms.
- Promoting sustainable and inclusive urbanization, focusing on a proper mix of cities of different sizes, and improving the quality of life and employment opportunities for rural to urban migrants.
- Increasing the use of digital technologies to promote productive employment. To that end, ecosystems in support of inclusive digital transformation must be put in place, including (i) proper regulatory frameworks to ensure the protection of privacy, cyber security, culture, and national digital sovereignty; (ii) improved Internet infrastructure with broad coverage, high quality (speed, stability), and low fees; (iii) the availability of smart mobile devices at reasonable prices and easy-to-use apps; and (iv) the nurturing of digital culture. Furthermore, appropriate policies are needed to promote specific areas highly relevant to inclusive growth: (i) cloud computing to reduce operational costs and disproportionately benefit small and medium-sized businesses; (ii) e-commerce to reduce transactional costs and expand broad-based trade; (iii) digital finance and payments to help low-income people overcome barriers to access to financial services; and (iv) inclusive tourism with digital platforms, with an emphasis on helping ethnic minority people.

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33. A recent study by Dao Van Le, Tuyen Quang Tran and Tinh Doan (2022) examined the role of private sector development (PSD) in reducing multi-dimensional poverty in Viet Nam, using provincial council data for 2010–2019. Research results show that each percentage point increase in private sector employment will reduce the rates of multidimensional poverty and monetary poverty by 0.30 percent and 0.31 percent respectively. Another study by Long Thanh Giang, Cuong Viet Nguyen, Tuyen Quang Tran (2016) also showed that the concentration of local businesses helps reduce poverty in the area.

## Strengthening labor market policies

- Effectively implementing active labor market policies in challenging times

Viet Nam has not implemented active labor market programs to help unemployed workers find new jobs in response to the COVID-19 pandemic. It would be useful to learn lessons from other countries in the region that have stepped up support to train laid-off workers during their unemployment period and connect these workers with new jobs. For example, Malaysia has supported short training courses on digital and other skills, increased the training budget through the unemployment insurance system, paid an additional training allowance to unemployment benefit beneficiaries, and paid training allowances to laid-off workers who are not covered by the unemployment insurance system.<sup>34</sup> It is also critical to have appropriate policies in place to assist workers in upskilling and reskilling in order to better adapt to rapidly changing domestic and global contexts. Vocational orientation and training should be based on the partnership between vocational training institutions and firms to best receive market signals and technology updates.

- Adjusting the minimum wage with a right pace

The minimum wage is one policy tool to protect workers. However, to help the economy grow sustainably, the minimum wage needs to be adjusted efficiently. For example, if minimum wages rise too much faster than productivity, formal sector firms may have to scale back production, thus reducing formal employment. On the other hand, if the minimum wage is adjusted properly, it will help create a “lighthouse effect” with a positive impact on workers’ income in the informal sector.<sup>35</sup>

### 3.2.2. Capacity building through improved delivery of quality social services for all

#### *In the field of education:*

- Improving preschool education, focusing on early childhood education for children from low-income families and ethnic minorities.
- Moving towards universalization of the upper secondary level in the near future.
- Promoting the development of 21st-century skills to adapt to the digital age demands. In the context of accelerating digitalization and automation, workers need to be equipped with the 21st-century skills, emphasizing reasoning, critical thinking, math skills, soft skills (adaptability, teamwork skills, presentation skills). In that direction, it is possible to outline some solutions for the education and training system to adapt to the changing context as follows: encouraging lifelong learning, real-time learning on the Internet, making the best use of technology to support education, and improving English language ability as a means to access global knowledge.
- Leveraging digital technology to support education, upskilling, and re-skilling programs. In particular, digital platforms, should be used and/or developed to train a large number of users in the growing sectors, including workers from the informal sector. Since these Internet-based training programs can be seen as a “public good” with positive externalities and social benefit, the Government should design and implement programs to expand the offerings available to Viet Nameese people of all ages and to link these training programs to recognized qualifications.
- Implementing support programs for disadvantaged groups, including ethnic minorities so that they are not left behind in the digital age. First, it is necessary to strengthen digital skill training for teachers and local officials. Second, programs are needed to increase awareness among ethnic

34. Source: Rahman, Schmillen, and Jasmin. 2020.

35. Many empirical studies show that, contrary to predictions from economic theory, wages in the informal sector increase after any increase in the minimum wage. This phenomenon is known as the lighthouse effect, which has so far been explained as a by-product of a signal conveyed by the statutory minimum wage to wage setting in the informal sector as if workers in this sector have considerable bargaining power (Source: Boeri, Garibaldi and Ribeiro, 2010).

minority groups in remote and isolated areas of opportunities created by digital transformation, ranging from the weather forecasts, agricultural extension techniques and specific skills to health advice.

#### *In the field of health care:*

- Strengthening the grassroots health care system should be prioritized because it is the service closest to the people, particularly the poor, low-income people, and people living in remote areas. The grassroots health system has clearly demonstrated numerous flaws in the context of the pandemic. Promote the quality of district hospitals in order to close the quality gap with the central level.
- Prioritize increased investment in medical examination and treatment facilities in areas where medical stations are still insecure or primitive, particularly in mountainous areas.
- Promote the quality of medical examination and treatment under health insurance, with a particular emphasis on increasing the level of budget support to increase coverage and support. Strengthen medical staff rotation to strengthen the medical workforce in areas facing numerous challenges, particularly in mountainous and ethnic minority areas.
- Focus on developing health care to serve disadvantaged groups, particularly women, children, and the elderly, in the context of a rapidly aging population. Attempting to make it possible for the elderly, as well as children and women, to access and pay for medical services at reasonable costs. Public communication programs on health and nutrition for mothers, children, and the elderly should be used to promote health services. Communication and improvement of practice on nutrition and physical activity should be promoted in the education system, especially in preschools and primary schools, and in the whole system in general.
- Focusing on raising the stature, intelligence, and reducing the rate of malnutrition among children from poor households, near-poor households, and children in poor and disadvantaged areas. In which, priority is given to improving nutritional status and reducing stunting, providing health care, and improving the health and stature of children aged 0-16 from poor households, near-poor households, and households just getting out of poverty, and children in poor and disadvantaged areas.
- Accelerate digital transformation in the health sector. Promoting telemedicine; increasing the use of electronic medical records - the foundation for the transition to digital health. Expanding the usage of digital technologies to provide quality health services to disadvantaged groups and people in remote and isolated areas.

### **3.2.3. Enhancing resilience through expansion and strengthening of the social protection system**

- Contributory mandatory insurance plans must achieve financial sustainability through expanding enrollment and adopting more equal benefits, not through high levels of contributions, which only hinder participation. The level of benefits of mandatory social insurance should ensure the minimum standard of living of workers when they retire. At the same time, it is necessary to develop additional facilities in the public sector (in the compulsory social insurance programs) or other public insurance schemes and the domestic private sector to provide workers with attractive savings opportunities. Reducing benefits at the highest levels (for those participating in the current system) will create space to raise benefits at the lowest levels: however, this must be done in tandem with a reduction in contributions to encourage coverage expansion and formalization of the labor market.

- Accelerating the implementation of the Master Plan for Social Support System Reform (MPSARD) approved in 2017 to expand regular cash assistance to all people in vulnerable groups, such as people with disabilities and their carers (most of whom are women), children (under 3 or 6 years old) and the elderly (60-79 years old) without a pension, pregnant women, single fathers and single mothers working in the informal sector.
- Converting existing emergency remittance programs based on individual/single risks into programs that address large-scale risks affecting large populations, such as natural disasters, pandemics, and economic crises. This can be done by designing and applying trigger mechanisms (i) based on clear criteria for large-scale emergency damage (based on the impact of the disaster, pandemics and large-scale economic crises for large numbers of people) and (ii) allowing automatic application of increased coverage and increased subsidy levels to the vulnerable groups of the regular cash transfer program when the situation meets specific criteria, as well as any new beneficiaries that the commune-level authorities determine to be in need of support.

When such mechanisms are automatically activated, the additional budget will be funded by the “Contingency Fund”, at both central and local government levels. This fund is (i) allocated from the central budget (at both levels) on a regular/annual basis, (ii) accessed/used only when the situation meets the large-scale emergency criteria outlined above, and during non-emergency years funding will be accrued. The Central National Contingency Fund will be used to provide larger support than that currently available by the central government to provinces and cities, especially those with limited financial resources, severely affected by the pandemic/emergency in order to increase coverage and accelerate support implementation.

- Moving from a registration-based social assistance system, which does not cover migrant workers well, to a nationality-based system, such as through the adoption of a digital-based system digital citizen database system, officially launched in July 2021 - for eligible beneficiaries to self-register, for local government verification and central government supervision check. This digital system allows for real-time monitoring of transient poverty. It will in turn enable the government to identify the targeted beneficiaries for support. If combined with the application of digital payment tools, not only helps to make the management and implementation of social assistance programs transparent but also helps to implement cash assistance quickly and safely, with easy post-supervision.
- Promote the application of information technology and digital transformation in poverty reduction; continue to replicate application in reviewing poor and near-poor households according to the multi-dimensional poverty line in the 2021-2025 period. Integrate the annual review of poor and near-poor households on the Vietnam Government Portal (National Public Service Portal). Develop and pilot digital applications in monitoring and evaluating the implementation of the National Target Program on Sustainable Poverty Reduction in the 2021-2025 period.
- Completing mechanisms and policies on housing for poor and near-poor households. Focus on giving priority to housing support for poor and near-poor households in poor districts and communes with extremely difficult socio-economic conditions, so that these households can have safe, stable and affordable housing, to withstand the impact of natural disasters, and gradually to improve their quality of life.

### **3.2.4. Promoting innovative solutions for accelerating MDP reduction**

Many poverty reduction projects have been piloted and replicated to accelerate poverty reduction by people, communities and businesses in many different localities, including those funded by National Targeted Programs (NTPs) and projects/programs supported by development partners (DPs). However, while the majority of these pilots are successful on a small scale, their replicability on a larger scale remains limited. Large-scale acceleration of poverty reduction in the poor poverty areas, the ethnic minority areas, particularly in the context of post-COVID-19 uncertainty, necessitates the NTPs 2021–2025 creating an ecosystem with more space/room for incentivizing and institutionalizing innovative solutions at the local level, emphasizing the empowerment of local communities and nurturing local leadership to create opportunities and change mindsets. Current learning mechanisms, which often take place on an irregular basis through NTPs review and periodic evaluation, do not allow related actors to adjust their roles or solutions in a timely manner in a rapidly changing context. Thus, a fast and active learning loop for real-time eco-system adjustment will be required to accelerate replication initiatives.

# CONCLUSION

In the last decade, Vietnam has achieved an impressive rate of poverty reduction across a wide range of indicators. Despite remarkable overall progress, vulnerabilities and disparities still represent significant challenges. Transient income poverty increased substantially during the COVID-19 pandemic. Poverty rates dropped across the board but are still high among some ethnic minorities.<sup>36</sup>

Overall progress has been driven by positive developments along all three main pathways: rapid expansion of productive employment, substantial improvements in social services, and the social protection system. However, vulnerabilities showed up along all these pathways during the pandemic time. Furthermore, the global and domestic context has been evolving, with opportunities and challenges intertwined. Meanwhile, the government has doubled the income threshold and added a new dimension of employment with ambitious indicators of the multidimensional poverty line effective in 2022, as well as focused resources and solutions to reduce poverty under the National Targeting Program on Sustainable Poverty Reduction for 2021-2025. Such significant changes require that comprehensive policy measures should be put in place and implemented effectively if Viet Nam is to achieve its ambitious objectives of rapid and sustainable reduction of poverty in all dimensions and everywhere in this decade.

These measures can be grouped into three categories based on the three pillars of multidimensional poverty reduction. First, the economy's foundations should be strengthened to promote productive employment, with a focus on macroeconomic stability, global integration, improved connective infrastructure, and trade facilitation, as well as accelerated structural change from low-productivity activities to higher-productivity agriculture, manufacturing, and services. This necessitates a business and investment environment that promotes private sector development as well as geographic and occupational labor mobility, allowing workers, particularly those from poorer provinces and families, to better participate in and benefit from the growth process. Furthermore, as Viet Nam strives to become a high-income country by 2045, policies should be designed to promote sustainable and inclusive urbanization, which is becoming an increasingly important driver of economic growth as countries move up the development ladder. Viet Nam should also accelerate its digital transformation in order to foster productive employment in the digital age. To that end, ecosystems supporting inclusive digital transformation must be established, as must appropriate policies promoting specific areas of high relevance to inclusive growth, such as cloud computing, e-commerce, digital finance, and payments. Viet Nam should also strengthen labor market policies, with a focus on the effective implementation of active labor market policies in difficult times, as well as assisting workers in upskilling and reskilling to better adapt to rapidly changing domestic and global contexts, while ensuring that the minimum wage is adjusted at the appropriate pace for the benefit of the workforce as a whole.

Second, it is critical to provide everyone with high-quality social services. In the field of education, policies should aim at (i) improving preschool education, with a focus on early childhood education for children from low-income families and ethnic minorities; (ii) moving towards universalization of the upper secondary level in the near future; (iii) promoting the development of 21st-century skills to adapt to the demands of the digital age; (iv) leveraging digital technology to support education, upskilling, and re-skilling programs; and (v) implementing support programs for disadvantaged groups, including ethnic minorities so that they are not left behind in the digital age.

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36. The MDP rate of the H'Mong ethnic group was still as high as 45.1 percent in 2020. In addition, one in five people from Khmer, Dao, and other ethnic minorities was multi-dimensionally poor in that year.

In the field of health care, it is critical to (i) strengthen the grassroots health care system because it is the closest service to the people, particularly the poor, low-income people, and people living in remote areas; (ii) promote the quality of medical examination and treatment under health insurance; and (iii) pay special attention to developing health care to serve disadvantaged groups, particularly women, children, and the elderly, in the context of a rapidly aging population.

Third, Viet Nam's social protection system should be expanded and strengthened. To that end, appropriate policy measures should be implemented to (i) ensure that contributory mandatory insurance plans achieve financial sustainability by expanding enrolment and adopting more equal benefits, rather than through high levels of contributions, which only hinder participation; (ii) accelerate the implementation of the 2017 Master Plan for Social Support System Reform (MPSARD) to expand regular cash assistance to all people in vulnerable groups. When combined with the use of digital payment tools, this digital system not only helps to make the management and implementation of social assistance programs more transparent, but it also helps to implement cash assistance quickly and safely, with easy post-supervision; (iii) promote innovative solutions for accelerating MDP reduction, with a focus on scaling up successful models of poverty reduction among ethnic minority people.

Fourth, the Poverty Reduction Strategy shifts from investment in poverty reduction on a large scale to investment in poverty reduction in depth; focus on the "core poverty area" and investing in people, improving the development capacity of the people.

- For poor areas, implement the goal of eradicating poverty, extremely difficult situations, by concentrating and integrating investment resources into socio-economic infrastructure development; focusing on regional and local economic development for sustainable poverty reduction through the implementation of production projects along the value chain in poor areas (hamlets, communes, inter-communal areas, districts, inter-district areas) to form production, livestock, and cultivation areas, creating a driving force for the development of poor areas.
- For poor households, renovate individual support methods for each household to support through production models (enterprises, cooperatives, cooperative groups, groups of households); participating households contribute by working days, in kind or in cash; step-by-step removal of the free policy; arouse the will to self-reliance, self-strengthening, rising out of poverty. Attention is given to vocational skill training, job creation, sustainable livelihoods for people, labor mobility in accordance with the needs of the labor market.

Fifth, to focus on raising incomes for the poor through the poverty reduction projects and production support under the National Target Program on Sustainable Poverty Reduction; prioritize focusing on supporting the poor to solve the most important issues such as livelihood, vocational training, technology transfer, employment, stable income, vocational education development, sustainable jobs, housing, improved nutrition, communication to propagate poverty reduction initiatives and arouse the will to rise out of poverty of poor people and communities.

In conclusion, while Viet Nam's record on reducing multidimensional poverty has been impressive, sustaining it in the medium and long term will necessitate comprehensive and innovative solutions to better adapt to rapidly changing domestic and global contexts. The effective implementation of these measures, combined with the Viet Nameese people's drive and dynamism, will keep the country on track to meet its ambitious development goals, which include reducing poverty in all dimensions and everywhere.

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