FULL REPORT

COVID-19 Socio-economic Impact on Vulnerable Households and Enterprises in Viet Nam: A Gender-sensitive Assessment

June 2020

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FOREWORD

With the aim of helping to inform the Government of Viet Nam's response and recovery to COVID-19, UNDP and UN Women in Viet Nam commissioned a report *"COVID-19 Impact on Vulnerable Households and Enterprises in Viet Nam: A Gender-sensitive Assessment"* (RIM-2020). The report is evidence-based and captures the voices of vulnerable population groups and businesses. A telephone survey, with the purposive sampling of 930 vulnerable households and 935 vulnerable household businesses (HBs), micro, small and medium enterprises (MSMEs) in 58 (out of 63) provinces across Viet Nam, including sex-disaggregated data, was conducted over the course of April and May 2020. This enabled collection of the quantitative and qualitative information on both the COVID-19 impact at the peak of the pandemic in April 2020 and in the early stage of recovery in May 2020. Notably, as much as the overall survey sample size allows, the purposive sampling facilitated RIM-2020 to include a gender perspective to understand the experiences, challenges and opportunities of female-headed households and women-led MSMEs vis-a-vis those led by men.

The report findings include: (i) substantial income reduction of vulnerable households, especially households of Ethnic Minority people, migrant and informal workers; (ii) as a result, a surge in transient income poverty, especially among Ethnic Minority households; (iii) substantial reduction of revenue for both HBs and MSMEs forcing most MSMEs to cut back business operations in terms of reducing numbers of workers, due to the serious decrease in their output demand and supply disruptions; (iv) significant gender differentiated impacts exacerbated the vulnerability of female-headed households of informal workers and EMs, and showed particular resilience and social solidarity of women-led MSMEs; (v) increased burden of care and domestic work on women and higher risk of gender-based violence based on existing gender roles and gender stereotypes and the additional stress generated by COVID-19 on households and (vi) despite the intended results of preventing vulnerable people from falling into poverty and protecting those already poor from descending deeper into poverty, the Government's social protection support policy faced several issues in its design and implementation. The report also provides information on the coping strategies of vulnerable households and enterprises and their feedback on the design and implementation of the Government's policies responding to COVID-19 impact.

We offer the report's findings and recommendations as inputs to the Government's efforts in refining actions and their implementation to protect livelihoods of vulnerable households, support MSMEs in recovering their operations and ensuring continued employment for workers, and eventually to achieve the Sustainable Development Goals (SDGs) in the `new normal' of living safely with COVID-19.

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ACRONYMS

CAF	Center for Analysis and Forecasting
CECEM	The Centre for Community Empowerment
CEPEW	Center for Education Promotion and Empowerment of Women
COVID 19	Coronavirus disease of 2019
EM	Ethic Minority
EU	European Union
GoV	Government's
GSO	General statistics office
GVC	Global value chain
HB	Household business
HHs	Households
ISEE	The Institute for Studies of Society, Economy and Environment
MDRI	Mekong Delta Development Research Institute
MOH	Ministry of Health
MOLISA	Ministry of Labour, Invalids and social Affairs
MPSARD	Institute of Policy and Strategy for Agricultural and Rural Development
MSMEs	Micro, small and medium enterprises
NCIF	The National Center for Socio-Economic Information and Forecast
NEU	National Economics University
NHDR2015	National Human Development Report
PWD	People with disabilities
Q2	Quarter 2
RIM-2020	Rapid Impact Monitoring in 2020
SCOLI	Spatial cost of living index
SME	Small medium enterprise
SP	Social protection
SVF	Startup Vietnam Foundation
UNDP	United Nations Development Programme
UNWOMEN	United Nations Entity for Gender Equality and the Empowerment of Women
US	United States
VCCI	Vietnam Chamber of Commerce and Industry
VHLSS	Vietnam Household Living Standard Survey
VND	Vietnam Dong
WB	World Bank

EXECUTIVE SUMMARY

Since the coronavirus (COVID-19) pandemic was first recorded in Viet Nam on January 23, 2020 the Vietnamese authorities took swift action through testing, contact tracing, quarantine and social distancing measures to curtail the spread and limit community transmission. Nevertheless, the COVID-19 pandemic has substantially affected the economy and most vulnerable people and enterprises.

To this day, only limited data have been available on the socio-economic impacts of the pandemic on the vulnerable households and businesses and their coping strategies to the inter-linked health and economic shocks. The UNDP-UN Women commissioned *"COVID-19 Impact on Vulnerable Households and Enterprises in Viet Nam: A Gender-sensitive Assessment"* (RIM-2020, from now on) helps fill the above-mentioned information gap and provides evidence on the COVID-19 socio-economic impact on affected populations and enterprises.

The RIM-2020 survey applied purposive sampling, based on a telephone survey, of 930 vulnerable households and 935 businesses in 58 (out of 63) provinces across Viet Nam, covering all main affected sectors of the economy. As much as the overall survey sample size allows, the purposive sampling facilitates RIM-2020 to include a gender perspective to understand the experiences, challenges and opportunities of female-headed households and women-led MSMEs vis-a-vis those led by men. The RIM-2020 survey was conducted over the course of April and May 2020 to enable collection of the quantitative and qualitative information on both the COVID-19 impact at the peak of the pandemic in April 2020 and the signal of early recovery in May 2020. It also enabled interviewers to assess the coping strategies of households and enterprises as well as their feedback on the design and implementation of the Government's policies responding to COVID-19 impact.

COVID-19 impact on vulnerable households

COVID-19 has caused income to decline substantially across vulnerable households and workers, resulting in a surge in transient income poverty and pushing chronically poor households further into income poverty. The highest decline in household income due to COVID-19 was recorded in April 2020. The average income of surveyed households in April 2020 was only around 29.7% (in May 2020 this number increased to 51.1%) of the December 2019 level. In other words, the average income of surveyed households declined by over 70% in April 2020 and 49% in May 2020, compared to December 2019.

While the pandemic caused incomes to reduce and thus increased in transient income poverty across all surveyed household groups, the ethnic minority households and households of informal and migrant workers were disproportionately impacted. COVID-19 disproportionately affected the ethnic minority households and households of informal and migrant workers, resulting in a sharp reduction of their incomes as compared to the pre-pandemic levels:

- Average incomes of ethnic minority households in April and May 2020 were only 25.0% and 35.7% of the December 2019 level, while these figures were higher, estimated at 30.3% and 52% for the Kinh-Hoa majority.

- Migrant households' average incomes in April and May 2020 were estimated to be equivalent to only 25.1% and 43.2% of the December 2019 level, while these figures were 30.8% and 52.5% for non-migrant households. Among migrant households, the COVID-19 income impact recorded in April 2020 was similar between female-headed and male-headed households: their incomes were estimated at 25.6% and 24.9% of the December 2019 level. However, female-headed migrant households showed better recovery than male-headed counterparts: the May 2020 income of the former rose to 58.6% of the pre-pandemic level, while this figure for the latter was considerably lower, estimated at 37.9%.

The decrease in income resulted in a surge in the proportion of income poor and near poor households among the surveyed households in April 2020. In December 2019, the proportion of income poor was 11.3% on average, and it increased to 50.7% in April 2020. The proportion of near poor households rose from 3.8% in December 2019 to 6.5% in April 2020. In April 2020, the proportion of income poor among the surveyed EM households was 61.3% (Kinh-Hoa: 48.6%), migrant households 56.1% (non-migrant: 48.5%), informal worker households 59.1% (formal worker: 37.7%), and 49.9% and 49.7% for male-headed and female-headed households respectively.

The decline in income temporarily pushed 47.8% of the surveyed income-non-poor households (as of December 2019) below the income poverty line (VND 700 thousand for rural and VND 900 thousand for urban areas). Among the surveyed groups, (i) 60.3% of non-poor EM households (compared to 46.4% among non-poor Kinh-Hoa group), (ii) 56.7% of households of informal workers (compared to 36.4% among households of formal workers); (iii) 56.1% of households of migrant workers (compared to 45.8% among households of non-migrant workers); (iv) 48.3% of female-headed households (compared to 47.7% of male-headed ones) fell into income poverty in April 2020. Within the group of households with migrant workers, the poverty impact of the pandemic was smaller for female-led households than for their male-led counterparts, with respective figures estimated at 46.7% and 60.2%. Within the group of households with informal workers, the poverty impact was similar across female-headed and male-headed households, with figures at 58.7% and 56.4% respectively.

To complement these findings from the survey, which applied a sampling strategy purposively targeting vulnerable households, the RIM-2020 included a simulation of the COVID-19 impact on income poverty at the national level. Using the income poverty line of 3.2 USD, 2011 Purchasing Power Parity (PPP), which is commonly applicable to lower middle income countries, the dataset of the Viet Nam Household Living Standard Survey (2018), and the income reduction as derived from the RIM-2020 survey data, *it is estimated that the pre-pandemic national poverty rate of 4.6% may have jumped to 26.7% in April 2020 and reduced to 15.8% in May 2020. The respective numbers would be 0.6%, 15.7% and 4.2% for urban areas. Most striking, the pre-pandemic poverty rate of 22.1% among EM households could have jumped to 76.3% in April 2020 and then dropped slightly to 70.3% in May 2020.*

Signals of Early Recovery

Following the lifting of social distancing restrictions, in May 2020, incomes of surveyed households were significantly higher than the April 2020 levels. For all surveyed households, the average income in May 2020 recovered significantly, reaching 51% of the December 2019 level compared to only 30% in April 2020.

The proportion of income poor among all surveyed household groups reduced substantially in May 2020 as compared to numbers recorded in April 2020. However, the income improvements varied across the surveyed groups: the proportion of income poor among the surveyed rural households reduced faster (from 44.5% in April to 18.9% in May 2020) than among the urban households (from 56% in April to 31.7% in May). The smallest improvements with regard to income poverty were observed among the EM households. The reductions in the proportion of income poor households among these groups between April and May 2020 were estimated, respectively, at 14.6 percentage points (as compared to the reduction of 26.5 percentage points of Kinh-Hoa households). The share of income poor among surveyed female-headed households reduced by 23 percentage points (from around 49.7% in April to 26.7% in May 2020), as opposed to a 27 percentage point reduction (from 49.9% in April and 22.8% in May) recorded among the surveyed male-headed households. This may be explained by the domination of female workers in trading, agriculture, garment, footwear, tourism and restaurant sectors, which showed weak recovery in May 2020.

While transient income poverty reduced in May 2020, the least improvements were observed among Ethnic Minority, informal worker and women headed households. Recovery in May as compared to April 2020 also indicated a significant reduction in the proportion of the December 2019 non-poor households falling into income poverty amongst all household groups. The proportion in May 2020, however, remains higher amongst (i) households with informal workers as compared to households with formal workers, (ii) female-headed as compared to male-headed households and significantly higher amongst urban than rural, amongst EM than Kinh-Hoa households and migrants than amongst non-migrant households. Within the group of households with informal workers, female-headed households recovered slower from the poverty impact than male-headed ones. However, the opposite was observed with the group of migrant households, with female-headed households recovering faster from the poverty impact than male-headed ones. Various explanations for the latter observation may apply.

First, following the April 2020 lockdown, contact-intensive, urban-based services bounced back more strongly in May 2020. These are also sectors with a majority proportion of female migrant workers. Second, anecdotal evidence suggests that female workers are more proactive in searching and taking additional income opportunities. It was reported from a group of beneficiaries of UN Women's livelihood model in Lao Cai that after the COVID-19 outbreak in Wuhan, many returned male migrant workers only stayed at home waiting to return back to China. In the meantime, the burden of filling income gaps fell onto women's shoulders.

Household coping strategy

Vulnerable households and workers are struggling to sustain their livelihoods with the lowest ability to shift employment amongst workers in agriculture, aquaculture and construction sectors. The higher level and expected longer periods of income reduction of workers in tourism and related activities may explain the higher number of these workers moving to other jobs, compared to workers in agriculture, aquaculture, and construction. The majority of workers in the tourism sector are women.[1]

1 http://documents1.worldbank.org/curated/en/821801561652657954/pdf/Taking-Stock-Recent-Economic-Developments-of-Vietnam-Special-Focus-Vietnams-Tourism-Developments-Stepping-Back-from-the-Tipping-Point-Vietnams-Tourism-Trends-Challenges-and-Policy-Priorities.pdf

The ratio of moving to other jobs in the pandemic was generally low, i.e. 2.1 for agriculture and aquaculture, 2.2% as for construction, and 2.7% for trade and services, while this figure was 10.8% amongst the workers in tourism and related activities. Within each sector, higher age is also documented in this survey as an impeding factor to the job mobility of respondents. Moving to other jobs during a pandemic may often mean workers accepting higher health risks and lower income (also taking on multiple jobs, as reported by the media), especially in the city where there is a higher risk of infection due to frequent contacts with a lot of customers, e.g. drivers, cashiers etc. Vulnerable workers facing hardship may have no other choice but accepting the risks.

Most households used their savings and cut expenses to cope with reduced income. Approximately 74 % of households used savings (while many reported that savings could last for 2-4 months) and 70 % reported to have cut household expenses (among them 44.3% of all households and 47.7% of female-headed households reported cutting more than 30% of household expenses). Notably, gender-differentiated decision-making was recognized between two groups of respondents including male and female-headed households. Female-headed households tended to use more savings and cut more expenditures than the male-headed ones. Only a miniscule number of households sold valuable assets to cope, which may suggest that they either did not have much to sell or were not forced into such a situation. The survey showed that female-headed households cut more food and electricity expenses, while they cut less in education spending than male-headed households. Using savings could help the vulnerable households better maintain their regular consumption. Cutting essential expenses such as on food and education may on the other hand have lasting negative impacts on households.

COVID-19 also exacerbated gender stereotypes and creates tension in gender relations. This can be exemplified firstly with the increased women's burden on childcare (especially during school closure) and care of family members with serious illnesses, especially those in need of special in-patient hospital care treatment. In more than 70% of the surveyed households, women were responsible for purchasing daily necessities (with associated risk of getting infection), only 11% of households in which men undertook the responsibility, while in 18% surveyed households the responsibility was shared equally.

Given social distancing and restriction measures in controlling COVID-19, couples' tension was understandably reported to be increased. Among the surveyed households that reported non-economic problems, several interviewed households experienced increases in stress and domestic violence. According to external sources, during the social distancing and lockdowns in April 2020 domestic violence was on rise. The Call Center (1900969680) for responding to gender-based violence received around 350 calls from women who needed support, an increase by 7 times compared to the same period in 2019. The CWD's Peace House Shelter data shows an increase of 48% of women received face-to-face counselling related to domestic violence, and 80% of children and women made use of temporary shelter services as compared to the pre-COVID-19 period. The Shelter's personnel also suggested that staying-home requirements and fear of getting infected meant the actual number of women in need of counselling and temporary shelter (related to domestic violence) could be much higher. Households that are poor and of migrants and ethnic minorities reported difficulties in having their children participate in online learning (and fear of their children falling behind) and in accessing online information and services to meet their needs.

Support to vulnerable households

Surveyed households received more support from local governments and mass organizations than other sources. Within the generally low percentage of households reported receiving support, 5.4% households received support from local authorities and mass organizations. Notably higher percentages of female-headed households (8.9%), households of informal (7.1%) and migrant (6.0%) workers received this form of support than other types of households.

The GoV social protection (SP) support package recognizes the disproportional negative impacts on and rightly targets the poor and near-poor, as well as vulnerable workers, including laid off formal workers that are not eligible for unemployment insurance benefits, and informal workers who lost their jobs and incomes but are not covered by the current social assistance system.

Rapid, timely social protection payments could have significantly reduced the impact on poverty. The report, based on a simulation exercise, estimates that, if the GoV SP package was delivered in a timely manner (i.e. monthly cash transfers were made in April and May 2020) and reached all originally intended groups, the national income poverty rate could have been as little as 17.2% and 9.9% - red bars in Figure 7 - (instead of 26.7% and 15.8% if no cash transfers were made) respectively in April and May 2020. While the GoV SP package support could substantially bring down May 2020 income poverty rates in urban areas and among Kinh-Hoa households, the simulated impact of the Gov SP support on rural and EM households appeared to be less: the simulated "with GoV SP support" income poverty rates among rural and EM households in May 2020 were, respectively 14.1% and 54.8% (as compared to "without GoV SP support" rates 21.9% and 70.3%).

Despite the intended results of preventing vulnerable people from falling into poverty and protecting those already poor from descending deeper into poverty, the GoV social protection support policy faced *several issues in its design and implementation.*

Vulnerable groups missed or under-served by GoV social protection packages. The report identifies several specific groups that are left out of or under-served by the GoV social protection support package, both by policy design and implementation. These groups include: (i) families of young workers, especially those with small children, single mothers and/or single bread-winners, without savings and with house rent burdens; (ii) families with members suffering from serious illnesses and under treatment in specialized hospitals, with PWDs and elderly; (iii) households in rural areas (especially at a lower middle income level) that are engaged in both agriculture and non-agriculture activities (such as handicraft and other tourism related services in EM areas and families of cross-border migrant-workers). These families by design were not eligible for the GoV SP support package even though many of them lost jobs and income and became poor/near poor.

Complicated rules and procedures in identifying and verifying eligibility prevented several targeted groups from accessing GoV SP package. These targeted groups include (i) formal workers that lost jobs or reduced work hour/income (income less than the poverty line) but not eligible for unemployment insurance benefits, (ii) informal workers that lost their job/ experienced income reductions (less than poverty line) and (iii) affected enterprises that had insufficient resources (e.g. to borrow zero-interest loans from social policy bank) to pay

salary to workers. It is noted that these groups were not targets of the pre-existing SP system and thus mechanisms for targeting/delivering cash transfers were not developed and tested before. This together with the requirements for (i) applications for support for laid-off workers to be submitted by the enterprise, not the employee, (ii) applications for support for migrant workers to be certified at both original and destination places of migrant workers and (iii) local governments using their own budgets to cover the costs of the Decision 15, implementation resulted in very low level of actual coverage of these targeted groups.

COVID-19 impact on vulnerable enterprises

COVID-19 has had substantial impacts on vulnerable enterprises, with significant variations between enterprises with different characteristics and of different sub sectors. The surveyed HBs and MSMEs suffered from a sharp reduction of revenues as COVID-19 caused a scaling-down of their business activities. The revenue reduction was uneven across different types of enterprises. On the average, revenue in April 2020 of MSMEs and HBs as the proportion of December 2019 level were at 22% and 17% respectively. In other words, in comparison to the December 2019 level, MSMEs suffered a 78% reduction in revenue, while HBs faced a deeper decrease by 83%. Enterprise revenue in April 2020 as a proportion of December 2019 income was the lowest (13%) among MSMEs in the tourism and related services such as hotels, restaurants, and amongst HBs in the garment manufacturing and footwear sector. HBs in the tourism sector and related services recorded April 2020 revenue of 16% (suffered 84% reduction in revenue). Notably these sectors employ much more female workers than male.

In April 2020, at the peak of the pandemic, SMEs and HBs operating in ethnic minority areas suffered an 87% and 89% decline in income, respectively. Urban MSMEs experience a more severe revenue drop than rural-based ones. This can be explained by the fact that high-contact and international trade intensive activities are overwhelmingly concentrated in urban and Kinh-Hoa living areas. The average April 2020 revenue of surveyed MSMEs and HBs remained at a low proportion (13% and 11%, respectively) of their December 2019 level. During this peak period, the revenue of women-led MSMEs was as 17% of their December 2019 level, which is lower than the rate (24%) for men-led units, while women-led and men-led HBs suffered the same level of revenue reduction (April 2020 average revenue of both groups was at 17% of the December 2019 level).

Most MSMEs cut down business operations in terms of reducing numbers of workers, due to the serious decrease in demand for output and input supply disruption. At the peak of the pandemic, 23.8% of MSMEs reported a workforce reduction in April and May 2020 by more than 50% of the December 2019 level. Specifically, at the peak of the pandemic in April 2020, on average, the workforce of MSMEs was 33.8% of the December 2019 level. Notably, the average workforce of women-led MSMEs in April 2020 was 45.9% of the December 2019 level, while this rate was only 28.4% in men-led firms. Those operating in ethnic minority areas, and those of micro size, experienced the highest impact, as they reported their work force in April 2020 at 17.3% and 15.5% respectively of the December 2019 levels. The larger the size of the business, the lesser the impact COVID-19 had on the work force in April 2020.

The gender difference is modest concerning the proportion of work force in April and May 2020 as compared to the Dec 2019 level. A difference is, however, more pronounced during

the peak period on the medium-size firms' work force: these firms kept their female work force in April 2020 at 78% of the Dec 2019 level while they kept their male work force close to the same level (93% of the Dec 2019 level). The average level of both female and male workforce in medium-size firms was down to the same level (around 70% of December 2019 level) in May 2020. Large gaps in employment impacts were also noted between MSMEs operating in the ethnic minority and Kinh-Hoa living areas. Notably, the interviews revealed *a sense of social responsibility and solidarity on the part of business owners, mainly women-led, owners of MSMEs also helped to keep their workers, especially female, during challenging times.*

Early signals of recovery varied across enterprises with different characteristics and within different subsectors. The revenue decline of surveyed enterprises eased in May 2020. A partial recovery of revenues was recorded for all types of firms, as evident by smaller revenue reduction in May than in April. In May 2020 MSMEs reported a higher-level revenue as compared to the April level, though the May 2020 revenues were still much lower than the December 2019 level. Revenue in May 2020 of MSMEs and HBs, as compared to the April 2020 level, were 35% and 20% respectively. It should be noted that recovery was uneven: in May 2020, some groups of enterprises suffered further revenue reduction. HBs in the tourism and related services for instance recorded a further revenue reduction to 8% of December 2019 level. Notably, those MSMEs working in the agricultural sector did not experience a similar improvement to others, but instead a further decrease in revenue. While in May 2020, average revenue of MSMEs in EM areas increased substantially to 44% of their December 2019 level, the HBs in the same area suffered a proportionally slight revenue reduction. In May 2020, women-led HBs recovered better than men-led. The average May 2020 revenue of the women-led HBs was 25% of the December 2019 level. The average revenue of men-led HBs was subject to a slight reduction. The majority of firms perceived that the situation was still difficult, and no firms reported a full recovery back to the pre-epidemic level of December 2019.

In response to the health shock, most firms complied well with requirements on social distancing and other basic safety measures against health risks. The use of masks and hand sanitizers was commonly applied in more than 80% of MSMEs and HBs. Only few firms employed more costly measures, such as shifting to e-commerce, online operations and restructuring production lines/areas to meet the social distancing requirements. In response to the economic shock, exploring niches in the domestic market was done by 29% of surveyed MSMEs, followed by cost cutting (24%). A quarter of surveyed MSMEs did not report they had taken any measures to the economic shock. Most MSMEs did not report severe financial difficulties, possibly because of their low financial leverage. This may in turn partially be explained by their limited access to formal loans due to the nature of their business. Meanwhile, only few firms could access support packages, due to its design that is preferential towards existing clients of the banking system while most MSMEs lack a credit history with banks.

Surveyed, both men- and women-led, enterprises identified *three main difficulties in accessing government support: (i) Difficulties in access to specific information about the application procedure; (ii) Difficulties in filling applications for support and (iii) Difficulty in verification process for support approval.*

Gender differentiated impacts

Economically, COVID-19 has shown significant gender differentiated impacts closely linked with existing gender relations and roles that exacerbated the vulnerability of female-headed households of informal workers and EMs, and showed particular resilience and social solidarity in the case of women-led MSMEs.

- While EM households, migrant households, and informal households are among the groups most economically affected by COVID-19, female-headed households of informal workers and of EM households showed the least recovery. Yet, it is noteworthy that female-headed migrant households recovered better than their male-headed counterparts: the May 2020 income of the former rose to 58.6% of the pre-pandemic level, while this figure for the latter was considerably lower, estimated at 37.9%. Women's willingness to take any jobs including lower-paid or risker jobs and their pro-activeness in responding to income gaps might be the considerable reason.
- While women-led MSMEs suffered the greater reduction in term of revenue compared to men-led units (the revenue of women-led MSMEs was as 17% of their December 2019 level, the number for men-led units was 24% in April 2020), women-led and men-led HBs suffered the same level of revenue reduction. Yet, thanks to strong sense of social responsibility and solidarity, women-led MSMEs tended to keep their workers, especially female, during challenging times.
- At this time, from a gender perspective, the most notable gender-differentiated impacts of COVID-19 recorded in this study have been the emphasis of gender roles and gender stereotypes manifested in the increased burden for women on care responsibilities and domestic work - with an associated higher risk of infection from purchasing daily necessities, as well as an enhanced risk of gender-based violence as expressed in the respondents' sharing about higher tension and stress at home.

The situation changed fast and the immediate future has many unknowns

In the first half of 2020, Vietnamese households and enterprises faced a big COVID-19 storm with the direction of the wind changing in unpredictable ways. Manufacturing was hit the hardest in the first four months because of input supply disruptions along global value chains. Then numerous contact-intensive services were almost paralyzed during nationwide lockdowns in April 2020. Since May 2020, services have started to recover while export-oriented manufacturing has faced rising challenges because of weakened global demand. If numerous big manufacturing firms weathered the shock well in the first quarter of 2020, they have recently had to substantially downsize their business activities and workforce as they are running out of existing orders, while new orders become rarer. The business outlooks for many export-oriented manufacturing and service firms for the rest of the year are bleak as the global political and economic environment still has many unknowns.

Towards a bold, sustainable and resilient recovery - recommendations:

1. *Consistently implement the COVID-19 containment strategy and prepare for various scenarios as the pandemic evolves.* Viet Nam's initial success in containing the virus has saved lives and limited its socio-economic impact, thereby laying the groundwork for recovery. Economic prospects for MSMEs and households hinge on the continued success in containing COVID-19. The risk of resurgence of the pandemic will remain

high until an effective vaccine and/or treatments are available. The Government, firms, households and people must remain vigilant and prioritize human safety, including: (i) employing social distancing and basic preventive measures in the new normal as per MOH guidelines; (ii) preparing contingency plans to ensure that the supply of essential goods (such as food, drugs, personal protective equipment (PPE), and medical equipment and fuel) is not interrupted and not add the burden to women in purchasing these items; (iii) developing scenarios for keeping essential markets functioning; (iv) devising measures to prevent additional care burden falling on women and gender based violence caused by social distancing requirements, including behavior-change communication, counselling services and safehouses.

2. *The top priority is to assist people and communities vulnerable to extreme poverty because of the pandemic.* The impact of lost employment and earnings is felt most deeply by the poor. Government action should help those people who have the smallest margin of safety, for whom loss of income for a few months is catastrophic. Many of these people are migrant wage workers, work in the informal sector, female-head households or run their own micro-enterprises. Closure of small and micro businesses can create long-term problems as owners lay off workers, sell-off equipment and possessions or migrate in search of income, and this in turn would delay recovery in the new normal. Key policy actions include:
   - *Public work programs* provide immediate employment and income to the most vulnerable because they are self-targeting. Programs can be organized by local government agencies that have a backlog of maintenance or small infrastructure work as well as environment restoration that could be started and completed quickly. Such programs need to be designed and implemented in a gender-sensitive manner to meet the differentiated needs of female and male workers.
   - *Cash transfers to protect livelihoods of vulnerable people and boost domestic demand.* The 'GoV Social Protection Support to the Affected by COVID-19' was designed with this in mind but only reached a limited number of formal and informal workers. The experience of the pandemic has reinforced the need to revisit the design of cash transfer programs (as recommended in the UNDP NHDR2015), including: (i) accelerating the implementation of the Master Plan for Social Assistance Reform and Development (MPSARD) approved in 2017, and expanding *regular social assistance (cash transfer) targeting categories such as PWDs and their careers (most of them are women), young (under 3 or 6) children and elderly (60-79 years of age), pregnant women or considering the expansion to single-parents working in informal sectors ;* (ii) developing contingency plans for cash transfer programs to respond quickly to large-scale shocks such as natural disasters, economic crisis and health emergencies like the COVID-19 pandemic; and (iii) transforming *existing emergency cash transfer schemes based on idiosyncratic risks into programs that address risks affecting large numbers of people, for example natural disasters, pandemics and economic crises;'*
   - *Move from a residence-based system of social protection, which excludes Vietnamese migrant workers, to one based on national citizenship,* for example through digitalization of registration and verification of eligibility to application of digital payment tools. Actions on this will need to take place soonest in line with the GoV plan to abolish the resident registration (Ho Khau) in 2021;
   - *Consider central government matching grants to provinces with limited financial resources to increase coverage and accelerate implementation.*

3. *Support enterprises to drive the recovery and create alternative income earning opportunities for workers in the informal sector.* Some job losses are temporary, and employment will start up again once inputs are available and markets return to normal. Fiscal policy can play an important countercyclical role. The priority for the government should be to: (i) support healthy companies to drive the recovery, (ii) prevent job losses to the extent possible and, (iii) create alternative income earning opportunities for workers in the informal sector or who normally work in small and micro enterprises affected by the slowdown in normal business activity. Key measures include:

   - *Support enterprises to drive the recovery* - Some industries may require direct support. Airlines, tourism and tourism-related companies will need loans to keep them afloat during the pandemic. Among the industries affected, travel and tourism may suffer longer than most. Holidays cancelled now will not be rescheduled soon; international travel will recover slowly, and holiday-makers will remain risk averse for many months to come. Manufacturing, for example footwear and garments, will also suffer from weak demand (noting that these sectors and tourism and tourism-related services tend to employ more female workers). But it is not in the government's interest to allow these companies and service providers, especially household businesses and SMEs, to fail. GoV's decision to reduce and defer taxes, and defer payment of social and health insurance premiums for effected firms, will help, but procedures need simplification to speed up implementation. Deferment of social and health insurance premiums should not result in workers' loss of health insurance and reductions in their future pensions.
   - *Expand access to credit which is critical for household businesses, micro and small enterprises working in informal sector* - especially provide key jobs for many vulnerable people that have been hit hard by the pandemic. Innovative solutions, such as supporting financial service providers that serve these enterprises and accelerating the issuance of banking agent regulations by the State Bank of Viet Nam (SBV) to enable intermediaries to bring digital financial services to underserved groups, especially in rural and ethnic minority area, are needed. Such solutions should be designed and implemented with gender sensitive approaches to address the chronic issue of women-led enterprises having less access to credit.
   - *Extend agricultural credit* - Government credits can help some agricultural and agriculture processing producers remain solvent during a prolonged period of contracting global demand. This could take the form of purchasing/storing unsold production or extended working capital credits to enable them to continue to function during the downturn.
   - To help Vietnamese companies ramp up production of goods and services as conditions improve, *monetary policy should focus on tiding over otherwise healthy companies during the pandemic.* The government does not have full information on which companies are in good condition, but the banks do have this information. Therefore, SBV can work closely with commercial banks to enable them to extend existing credit lines for several months to enable good companies to survive during the prolonged pandemic. SBV can show some lenience in loan classifications to prevent a situation in which banks are penalized for rolling over loans for their valued clients. But the government must be careful to avoid a situation in which saving companies means undermining the financial stability of the commercial banks. New lending should be carefully targeted (prioritizing women-led enterprises which, as noted above, have less access to credit) and tied to employment guarantees for workers. SBV must also ensure that the credit market remains liquid so that normal transactions are not impeded.

- *Seek opportunities to develop domestic markets.* As it will take time for global demand to recover, Vietnamese firms in general, and MSMEs in particular, should explore niches in the domestic market of over 96 million people. MSMEs also need to explore transition and fast track e-commerce opportunities, including online platforms and digital transactions as a way to participate in the "contactless economy" that is expected to grow fast in the new normal. The Government should raise awareness and proactively provide MSMEs with low cost technical support for online trading, bearing in mind the risk of "digital divide" between men and women. This is critical for expanding reach in both domestic and international markets.
- *Strengthen domestic supply chains.* Better linkages of MSMEs to domestic supply chains could help limit the impact of international supply chain disruptions and help MSMEs recover faster. Recent experience of UNDP-supported EM women-led cooperatives and household businesses shows that expanding to new markets in other provinces and big cities through e-commerce platforms and online marketing tools, using more diverse supply sources and logistics services, and better experience in meeting the changes of domestic demands, were key for the businesses to suffer less revenue reduction in April and recover faster in May 2020.
- *Help Vietnamese firms attain international standards to improve access to global markets.* A key challenge is for the Vietnamese firms to enhance their productivity and quality to be able to provide goods and services at international standards and at competitive prices. At the first step, targeted support is needed to build capacity of Vietnamese firms with potential to become reliable suppliers to FDI firms that (are based in or will be moving to Viet Nam) lead the global value chains in several specific sectors. The challenge however is significant. For example, Vietnamese firms were engaged in production of protective gowns and masks, but few could obtain international certification required to penetrate export markets. Aligning Viet Nam's standards internationally and enhancing the ability of firms to get their products tested in Viet Nam and obtain the necessary certifications would improve protection for Viet Nam's frontline health workers and also initiate a race to the top among Vietnamese PPE producing firms. The "race to the top" will not only help the enterprises become reliable suppliers in the global supply chains but also maintain more employment for female workers.
- *Enhance labor mobility through reskilling and job matching services to smooth the employment across unevenly recovering sectors.* As firms working in different sectors will recover at different rates (with sectors employing more female workers such as tourism and related services, garment and footwear are recovering more slowly) adjustment across firms and sectors is inevitable. The GoV can facilitate labor mobility through reskilling, labor market information and job matching services, simplification of procedures including to ensure the continuity of the workers' participation in the social and unemployment insurances as well as their eligibility for the benefits (including cash transfer that would be based on the citizenship rather than residence registration). The special attention will be necessary to address the barriers to mobility that female workers face such as child/elderly care responsibility and lower retirement age.
- *Focus on preventing lay-offs and bankruptcy of the otherwise healthy enterprises.* An integrated set of policies could include deferment of tax and social and unemployment insurance and low-interest loans to pay workers' salaries, support for reskilling, diversifying supply chains and markets and digitalizing enterprise operations.

Conclusion

The RIM-2020 report provides a gender-sensitive assessment of COVID-19 Socio-economic Impact on over 900 Vulnerable Households and 900 Enterprises in Viet Nam. The evidence-based findings, the voices of vulnerable people, HBs and MSMEs, together with policy recommendations set out in the report aim to serve as inputs to the GoV efforts in refining policy actions and their implementation to protect the livelihoods of vulnerable households and support HBs and MSMEs in recovering their operations and ensuring continued employment for workers.

The report, recognizing the fast-changing situation, suggests the need for further, more in-depth, assessments of the changing impacts of COVID-19 and the GoV response policies to inform the design and delivery of an effective, sustainable and gender sensitive recovery plan.

Anticipatory, Adaptive and Agile governance approaches and innovations of the GoV and the Vietnamese people have been key to Viet Nam's initial success in containing the COVID-19 pandemic and limiting its negative socio-economic impacts - a success that is widely acknowledged by the domestic population and the international community. Such approaches are vital in helping Vietnamese enterprises and people achieve a bold, sustainable, resilient and gender sensitive recovery. This, in turn, is foundational to achieving the Sustainable Development Goals and Leaving No One Behind in the context of the new living with COVID-19 normal.

MAIN REPORT

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INTRODUCTION

Since the coronavirus (COVID-19) pandemic was first recorded in Viet Nam on January 23, 2020 the Vietnamese authorities have taken swift action through testing, contact tracing, quarantine and social distancing measures to curtail the spread and limit community transmission. Viet Nam has been widely recognized as one of the most efficient and effective countries in combating and containing the virus. Nevertheless, the COVID-19 pandemic has substantially affected the economy and most vulnerable people and enterprises. To this day, only limited data has been available on the socio-economic impacts of the pandemic on the vulnerable households and businesses and their coping strategies to deal with the inter-linked health and economic shocks.

Authorities have been actively designing and implementing measures to mitigate the COVID-19 negative impacts, protect vulnerable people's livelihoods and support enterprises to recover their operations and employment of workers.

To support the efforts of the authorities, research on the impacts of the COVID-19 pandemic on the Viet Nam's economy is on the rise. There are several surveys conducted on the impact of COVID-19 on enterprises (such as by the Private Sector Development Department (Dept. 4), NEU, VCCI and GSO). While these studies provide valuable information, they do not cover informal enterprises, especially micro, small and medium enterprises, informal household businesses (referred to as MSMEs), which presumably are highly vulnerable to large-scale shock caused by the COVID-19 pandemic. The mentioned surveys furthermore only collected information on businesses for the first quarter of 2020, whereas the situation has changed rapidly since April 2020. This leaves an important information gap on early recovery as enterprises and households started embarking on the new normal of "co-existing safely with COVID-19". Notably, there has been very limited information available on (i) the COVID-19 socio-economic impacts on the vulnerable households and (ii) coping strategies employed by vulnerable households and businesses to deal with the inter-linked health and economic shocks.

The UNDP-UN Women commissioned "COVID-19 Impact on Vulnerable Households and Enterprises in Viet Nam: A Gender-sensitive Assessment" (RIM-2020, from now on) helps fill the above-mentioned information gap and provides evidence on the COVID-19 socio-economic impact on affected populations and enterprises. Through the voices of vulnerable population groups and businesses, the report aims to help inform the Government of Viet Nam's response and recovery to COVID-19, hereunder on facilitating actions to protect livelihoods of vulnerable households, supporting MSMEs in recovering their operations and ensuring continued employment for workers, as well as achieving the SDGs and agenda 2030 in the 'new normal' of living safely with COVID-19.

The main questions the RIM-2020 attempts to provide answers for include: What are the socio-economic impacts (their levels and causes) on the vulnerable households and enterprises? Which vulnerable groups are at risk of falling behind and need support? How are they coping with shocks? What are the barriers for more effective support?

RIM-2020 survey design and samples *(see more details in the annexes 1-5)*

With the national coverage (58 provinces out of 63 provinces of Viet Nam: see Figure 4), RIM-2020 deliberately employed purposive sampling to target heavily affected segments of the economy and society. Namely, RIM-2020 has focused on:

- 930 vulnerable households and workers, including: households of ethnic minority people (10.9% of the whole sample, 89,1% being Kinh-Hoa), informal (57,4% of the surveyed workers)[2] and migrant workers (18.1% of the survey sample), female-headed households (18.1% of the surveyed households), poor households (accounting for 10.4% of the whole sample)[3], households with elderly (9.9%), PWD and people with special care (5.4%), etc.
- 935 vulnerable firms: 556 small and medium enterprises (SMEs)[4] (of which, 369 and 187 units are located in urban and rural areas, and 31.7 % of them are female-led); and 248 micro enterprises and household businesses (of which, 114 are located in urban and 134 in rural areas, and 56% are without business registration). In addition, 131 self-employed businesses (of which, 95 and 36 units are located in urban and rural areas, respectively), which do not have a fixed location for production and business activities, are added into the sample of RIM-2020.

As much as the overall survey sample size allows, the purposive sampling facilitates RIM-2020 to include a gender perspective to understand the experiences, challenges and opportunities of female-headed households and women-led MSMEs vis-a-vis those led by men.

RIM-2020 category business units into 4 groups, including the Medium, Small and Micro-size enterprises (MSMEs) and household businesses (HBs)[5]. The proportion of surveyed Household, Micro, Small and Medium Enterprises in tourism and related services. i.e. hotels and restaurants are 23.1%, retail, transportation and other services 35.9%, manufacturing sector 12.2%, food processing sector 10.1%, construction 6.4%, and the rest 12.3% is the agricultural and aquaculture sector.
33.6% of surveyed firms were women-led and 18% of surveyed households are female-headed. Other key characteristics of enterprise and household samples are presented in below Figure 1 to Figure 3.

2 Informal workers include such as lottery ticket salesman and other street vendors, motorbike taxi drivers, waste collectors, and informal waged workers in restaurants and shops who do not have formal labor contracts. 59.2% of surveyed households had waged workers amongst them: the proportion of those working in the sector of tourism, hotels, restaurants is 14.2%, 6.2% of them work in foreign-invested enterprises, 41.8% work for domestic enterprises, and 52% work for micro-size enterprises.

3 Income poverty is defined by the average household income in December 2019. The average monthly income per capita of households participating in the survey is estimated at about VND 2.8 million in December 2019, which is lower than the same figure for the whole Viet Nam, being estimated by GSO at VND 4.2 million and VND 3.9 million in 2019 and 2018 respectively. Near-poor households account for 3.4% of the whole sample and the rest is non-poor households.

4 Being registered under the Law of small and medium enterprises: SMEs have less than 200 workers with social insurance, and a turnover of less than 200 billion VND annually (or less than 100 workers with social insurance and a turnover of less than 300 billion VND annually for those providing services). HBs are non-agricultural establishments that do not register under the Enterprise Law. Self-employed workers are free to decide their own business and production activities, do not hire workers, and do not have a fixed location for production and business activities.

5 The medium-size enterprises have from 100 to less than 200 workers, or 50 to less than 100 workers in trade and services. The small-size enterprises have from 10 to less than 100 workers, or 50 workers in trade and services. The micro-size enterprises have less than 10 wage workers, include both formal enterprises and household businesses having formal business registration. The final category includes those self-employed and household businesses without wage workers.

Figure 1. Enterprise sample by figure size(%)

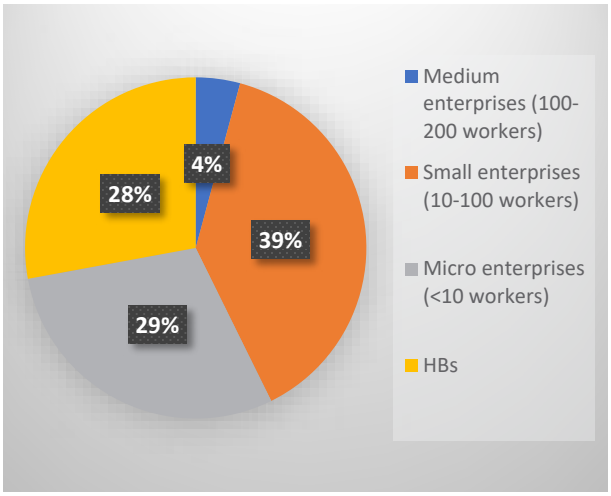
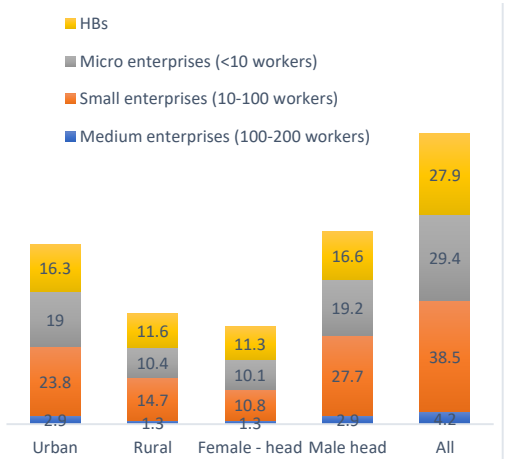
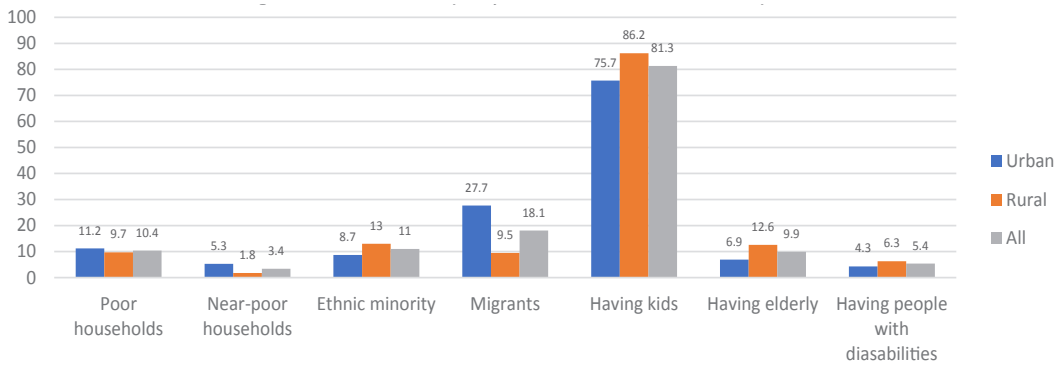


Figure 2. Enterprise sample distribution by area and gender of managers (% of the total sample)



Source: Authors' calculation. RIM-2020.

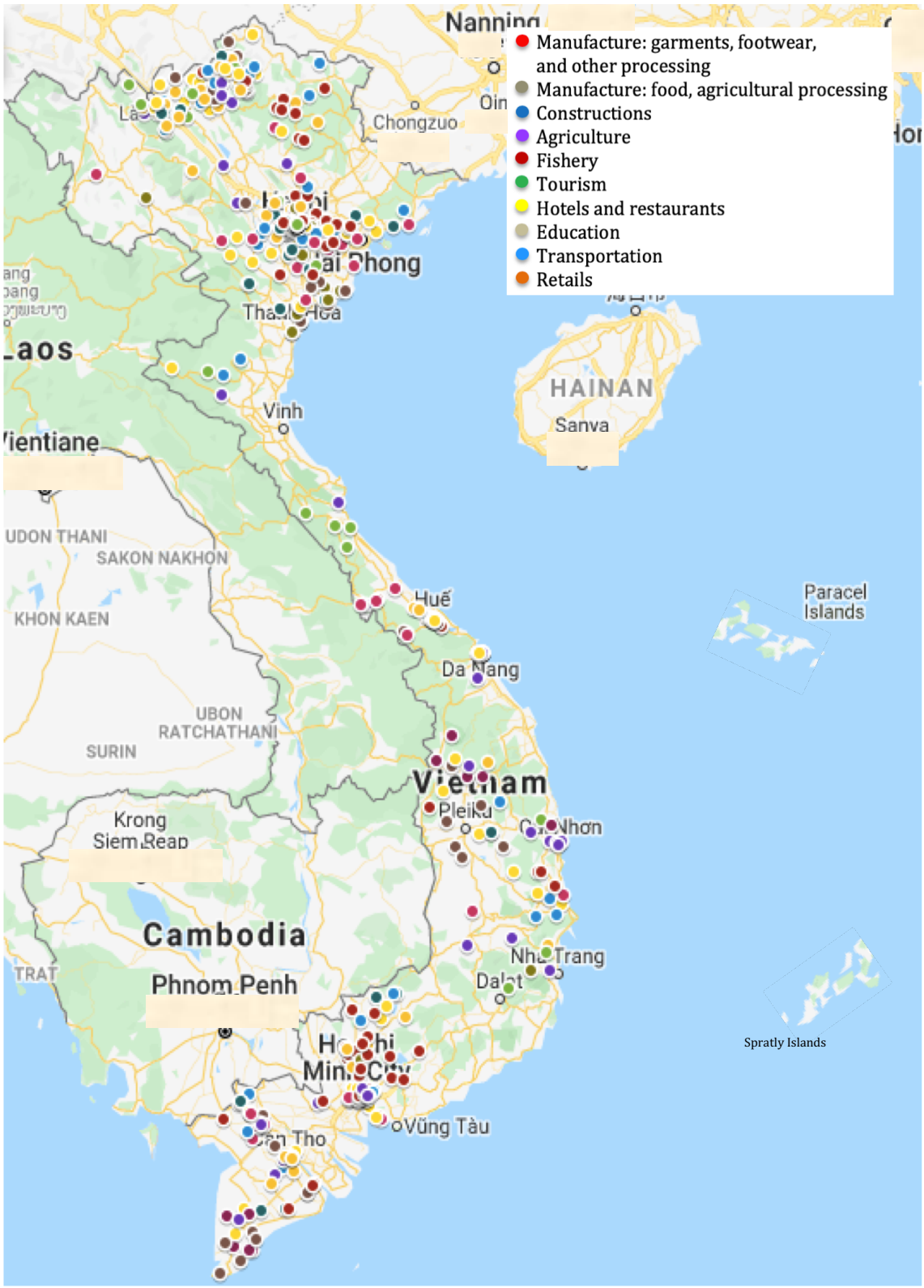
Figure 3. Household sample by characteristics (% of total sample)



Source: Authors' calculation. RIM-2020.

The RIM-2020 survey was conducted over the course of **April and May 2020** to enable the collection of the quantitative and qualitative information on both the COVID-19 impact at the peak of the pandemic in April 2020 and in the early stage of recovery in May 2020. It also enabled interviewers to assess the coping strategies of households and enterprises as well as their feedback on the design and implementation of the Government's policies responding to COVID-19 impact.

Figure 4. Survey site map by sector



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CHAPTER 1.

COVID19 IMPACT ON VULNERABLE HOUSEHOLDS

I took my father to Bach Mai Hospital for a medical examination, at the time there was an infection case. Therefore, I was asked to be self-quarantined at home and there were a lot of phone calls from the villagers yelling at me.

Wage labor, Hanoi

My average monthly income was about 12-15 million VND. I didn't think about saving so I spent it all. When the pandemic broke out, my income was zero. Now, I work as a Grab-bike driver to earn some money to survive the pandemic.

Freelance tour guide, Da Nang

The company has fewer orders, so they let the workers leave on a rotating scheme, no overtime income and no allowances. My income for the last 3 months was just enough for me to live, so no remittances to my elderly parents in my hometown.

Garment worker, private enterprise, Ho Chi Minh

I cannot buy a medical mask, so I must reuse a regular mask by spraying the disinfectant solution on it, then dry it to use for the next day

Self-employed, Ho Chi Minh

My family has only one smartphone, and both of my children study online at 8 pm, so I must give priority to my son who is in the 5th grade and has an important exam ahead. My daughter in the 1st grade has to quit online learning.

Wage earner in a household business, Hanoi

Since the outbreak of the pandemic, I have had no income. Support was only a few kilograms of rice, some noodles, but it is enough for me to survive during these difficult days. More or less support does not matter to me as far as it helps me to survive for another week. I am happy and feel more heartwarming because of the attention of the government. However, the social protection support policy is being implemented late and has not covered all affected people.

Male head household, 70 years old, Phu Yen

Teachers make photocopies of lessons and bring them to students. My family is poor, has no money for online learning, no money for food. The school bought my children a prepaid sim card for my kids to access the internet for online studying with friends and teachers. Otherwise, my child would have to drop out.

Female head, 40 years old, Ho Chi Minh

We couldn't stand it anymore because we were running out of money. My biggest concern is my children's tuition next year. I look forward to receiving state support on tuition for students of poor households. I'm so worried and don't know what to do.

Male head, 55 years old, Binh Duong

The electricity cost is too high. My family cannot pay. The only choice is to turn off the power, but we could hardly afford this while staying at home during the social distancing.

Female head of household, 48 years old, Da Nang

Source: Qualitative in-depth interviews, RIM-2020

1.1. IMPACT ON EMPLOYMENT, INCOME AND POVERTY

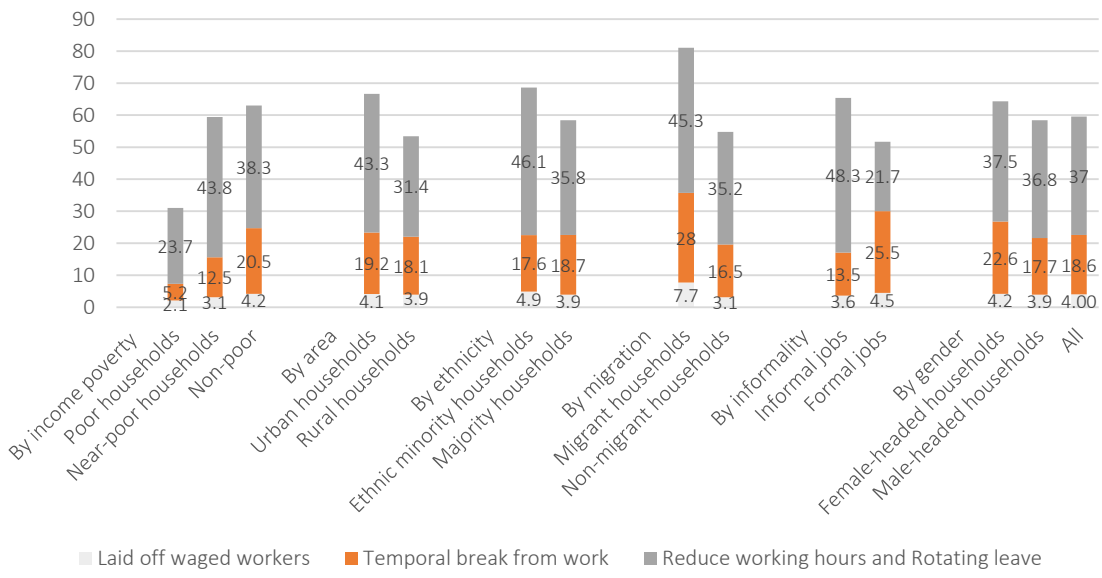
1.1.1. Impact on employment

The COVID-19 pandemic caused a rise in unemployment and underemployment, with a disproportionate impact on migrants

The COVID-19 pandemic has had a discernible impact on the employment in households in April and May 2020 (Figure 5). Up to 18.6% of the surveyed workers said they were temporarily absent from work. At a lower rate, only 37% of them reported a reduction in working hours and rotating leave; another 4.0% reported a contract termination or work stoppage. The groups more affected in terms of employment reduction were (i) households of migrant-workers (81% reported employment reduction vs 54.8% of non-migrant), (ii) ethnic minority (EM) households (68.6% vs. 58.4% of Kinh-Hoa), (iii) households in the urban area and of informal workers (66.6% and 65.4% vs. 53.4% and 51.7% among households in rural areas and of formal workers, respectively). Migrant workers were considerably more heavily affected, as 7.7% of them lost their jobs, 28% had to take rotating leave, and 45.3% reduced their working hours as compared to 3.1%, 16.5% and 35.2% respectively of non-migrant workers and 4%, 18.6% and 37% of all households.

To put these numbers in a national context, according to GSO, in 2019, the unemployment rate was estimated at 1.98% for the whole country. This rate was 2.93% and 1.51% for urban and rural areas respectively.

Figure 5. The Covid19 impact on employment of households in April and May2020



Source: Authors' calculation. RIM-2020.

If all other household characteristics are equal, the probability of losing jobs or having reduced work hours of households of migrant workers and workers in tourism is statistically significant. Other characteristics of the households are found not statistically significant on the probability of their breadwinners losing jobs or reducing work hours.

1.1.2. Impact on income

Income reduction was large and uneven across various types of households

Figure 6 shows the COVID-19 pandemic impact on households' incomes. Incomes of all surveyed households in both months of April and May 2020 were considerably lower than their incomes in December 2019, which approximates the pre-pandemic level. However, there were discernible signs of recovery, as the May incomes of households were significantly higher than the April ones. The highest decline in household income due to COVID-19 was recorded in April 2020. The average income of surveyed households in April 2020 was only around 29.7% (in May 2020 this number increased to 51.1%) of the December 2019 level. In other words, the average income of surveyed households declined by over 70% in April 2020 and 49% in May 2020, compared to December 2019.

While the pandemic caused incomes to reduce and thus an increase in transient income poverty across all surveyed household groups, the ethnic minority households and households of informal and migrant workers were disproportionately impacted. COVID-19 disproportionately affected the ethnic minority households and households of informal and migrant workers, resulting in a sharp reduction of their incomes as compared to the pre-pandemic levels:

(i) The average incomes of EM households in April and May 2020 were only 25.0% and 35.7% of the December 2019 level, while these figures were higher, estimated at 30.3% and 52% for the Kinh-Hoa majority.[6]

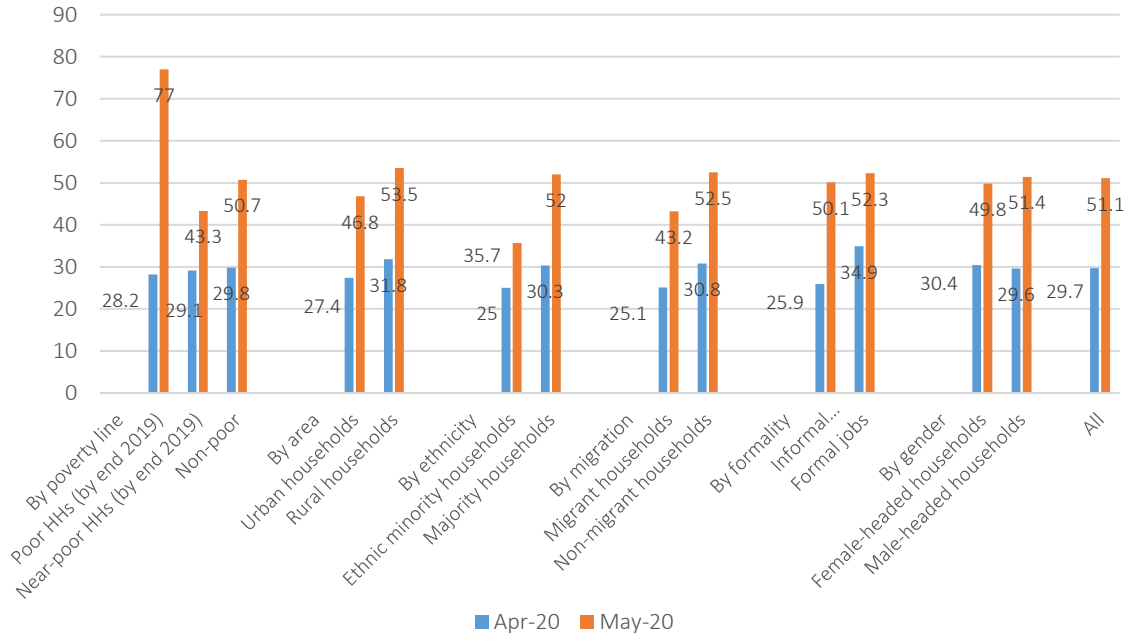
(ii) Migrant households' average incomes in April and May 2020 were estimated to be equivalent to only 25.1% and 43.2% of the December 2019 level, while these figures were 30.8% and 52.5% for non-migrant households. Among migrant households, the COVID-19 income impact recorded in April 2020 was similar between female-headed and male-headed households: their incomes were estimated at 25.6% and 24.9% of the December 2019 level. However, female-headed migrant households showed better recovery than male-headed counterparts: The May 2020 income of the former rose to 58.6% of the pre-pandemic level, while this figure for the latter was considerably lower, estimated at 37.9%.

The impact also varied across rural and urban households. For the latter, incomes in April and May 2020 were only 27.4% and 46.8% of the December 2019 level, while for the former, these figures were 31.8% and 53.5%. This difference may be explained by the fact that high contact business activities and GVC-intensive sectors are overwhelmingly concentrated in urban areas, which were disproportionately affected by lockdowns as well as input supply and demand disruptions during the pandemic time.

The differences of impact appeared to be modest between poor and non-poor households, and between male-headed and female-headed households. Better recovery of incomes of poor households as compared to their non-poor counterparts may indicate a higher degree of income sensitivity (or alternatively, income vulnerability) to shocks.

6 The survey's number of samples does not allow statistically significant analysis disaggregated by female- and male-headed HHs within the EM group.

Figure 6. Average household income as the percentage of the December 2019 levels (%)



Source: Authors' calculation. RIM-2020.

Income reduction varied across sectors, so did income recovery

Household income in April 2020 as a proportion of December 2019 income was the lowest (19.5%) among households with the main laborers working in the tourism sector and related services such as hotels, motels, restaurants (see Table 1). Households with main laborers working in construction and services recorded an April 2020 income of 22.2% and 26.7% of their December 2019 level (suffered 78% and 73% reduction in income) respectively. At a lower level, households of workers in manufacturing (textiles, footwear, wood processing) suffered a 63% decline in income, and food processing saw a 57% decline. The situation improved in May 2020 when all household groups experienced higher levels of income as compared to April levels, though the May 2020 incomes were still much lower than the December 2019 (pre-pandemic) levels. Notably, the average May 2020 income of households of workers in tourism and related hotel and restaurant services remained at a low proportion (32.5%) of their December 2019 level.

Table 1. Average income of households by main laborer's job sector (% of income in December 2019)

	Apr-20	May-20
Manufacturing: garment, footwear, etc.	36.3	58.6
Manufacturing: agricultural processing	42.7	65.7
Constructions	22.2	63.2
Agriculture	49.7	56
Aquaculture	40.5	47.1
Tourism, hotel, restaurant	19.5	32.5
Trading, education, entertainment, other services	26.7	46.2

Source: Authors' calculation. RIM-2020.

Table 2 shows that if all other household characteristics are the same, the effect of household characteristics such as (i) being an ethnic minority household, (ii) having people with disabilities (PWD) in the household, (iii) households of migrant workers, (iv) having a household business, and (v) households of workers in tourism, hotels, and restaurants, on the probability of having substantial income reduction (more than 70% as compared to December 2019 level) in May 2020 are statistically significant.

Table 2. Correlations between household's characteristics and their income reduction in May 2020

Household characteristics	Income reduction >70%, May 2020
Migrant	0.916*
Ethnic minority	2.366*
Having disable people in the household	1.465*
Having a household business	1.789*
Main laborer in tourism, hotel and restaurant	1.557**

*Note: based on the Logit model, ***, ** and * note the level of statistical significance, respectively at 1%, 5%, 10% (see the technical notes in the Annex)*

Source: Authors' calculation. RIM-2020.

Recovery of income of households with main laborers working in different sectors was accompanied by the positive signals of firms' recovery.

First, in sectors where the production depends largely on the material input import (as in the case of the textile and garment industry, Viet Nam imports nearly 60% of its fabric, and about 40% of other raw materials for production), mostly from China, the disruption of supply of input materials occurred at the beginning of March: firms in Viet Nam were concerned about running out of raw material reserves in their stockpiles. A good signal came at the beginning of April 2020, where the supply of raw materials for the footwear and garment sectors recovered 80-90% thanks to the recovery of the Chinese market.

Secondly, the sectors that depend heavily on export market demand experienced a slower recovery due to the decline in consumer demand and the pandemic caused trade disruption. As in the case of aquaculture or wood processing or footwear and garment sectors, the situation in May 2020 was less recoverable as major markets (EU, US and China) were still strongly affected by the COVID pandemic. Countries in the epidemic center may relax the restrictions of goods transportation, but the transactions will not be smooth and recover immediately.

Thirdly, enterprises in the tourism, hotels, and restaurants sectors experienced a decrease in both domestic and international demand: the tourism sector suffered great and prolonged losses when tour and hotel bookings were simply frozen.

1.1.3. Lost income resulted in a surge in transient income poverty [7]

a. Changes in poverty status among surveyed households in April 2020

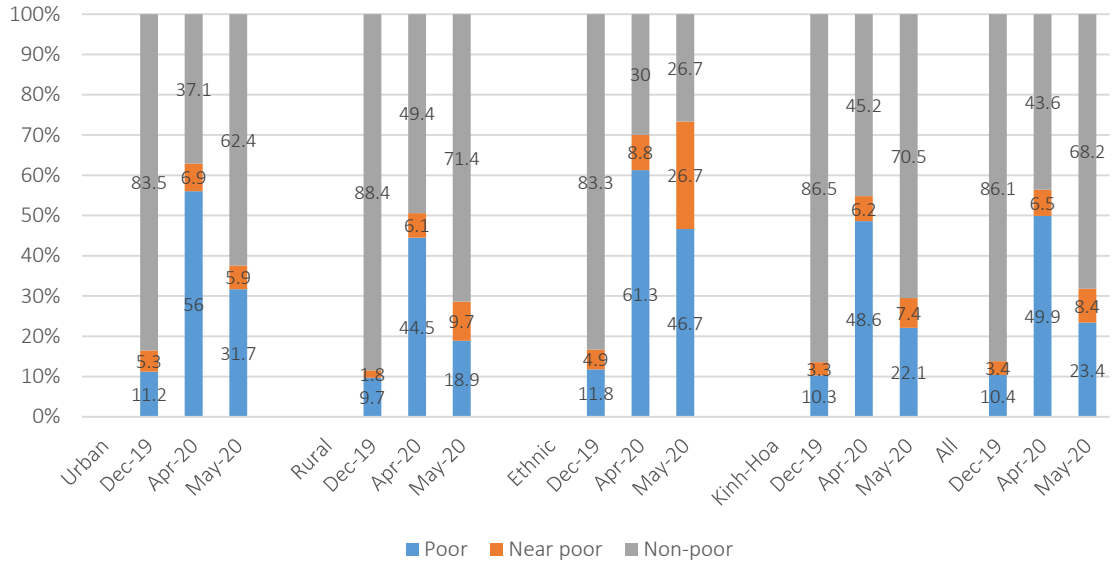
COVID-19 caused income to decline substantially across vulnerable households and workers, resulting in a surge in transient income poverty and pushing chronically poor households further into poverty. Figure 7 provides information on the COVID-19 impact on income poverty of surveyed households, using MOLISA income thresholds [8]. During the peak of the pandemic in April 2020, the decrease in income as described above resulted in a surge in the proportion of income poor and near-poor households among the surveyed households: from 10.4% in December 2019 to 49.9% and from 3.4% in December 2019 to 6.5%, respectively.

While the pandemic caused the income reduction and thus increase in poverty across all surveyed household groups, the poverty impact on the ethnic minority households and households of informal and migrant workers were disproportionately large: in April 2020 the proportion of income poor among surveyed (i) EM households was 61.3. % (compared to 48.6% among Kinh-Hoa group), (ii) households of informal workers was 59.1% (compared to 37.7% among households of formal workers) and (iii) households of migrant workers was 56.1% (compared to 48.5% among households of non-migrant workers). The pandemic impact on poverty was larger in urban areas; the proportion of income poor households was 56 % among surveyed urban households and 44.5% among surveyed rural households in April 2020. On average, the female-headed households experienced higher COVID-19 impact on poverty than male-headed: while the proportion of both income poor female-headed and male-headed households (in the total surveyed female- and male-headed households respectively) was around 50% in April 2020, the increase was 7.6 times higher than the level of 6.5% in December 2019 among the female-headed households and 4.4 times higher than the level of 11.3% in December 2019 among the surveyed male-headed households.

7 Loss of income is counted in assessing the change of households' income poverty status, while the households using their savings to sustain the livelihoods is not considered (such as in poverty measured by household expenditures). As indicated, most of the surveyed households (around 70%) used their savings to help cover their expenditures, though the number of months before their savings would be exhausted was considered rather limited, varying from 2-4 months only.

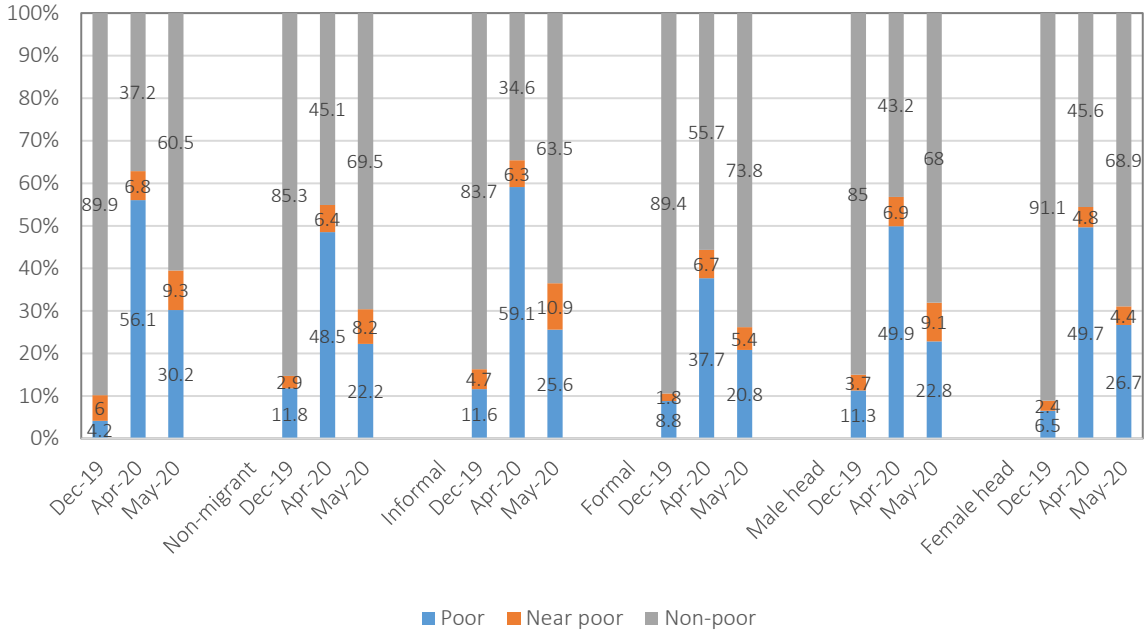
8 The estimation of COVID-19 impact on transient poverty in this report is based on an income poverty line of 700,000 VND/person/month in rural areas, 900,000 VND/person/month in urban areas; and the income near poor line of 1,000,000 VND/person/month in rural areas and 1,300,000 VND/person/month in urban areas as referred to in the Decision 59/2015/QĐ-TTg. It is noted however that the poor and near poor thresholds defined in the Decision 59/2015/QĐ-TTg are "multidimensional" (mixed of above-mentioned income lines and deprivations in other non-income dimensions. As such the multidimensional poor households are officially defined by authorities as having income (i) below the income poverty line or (ii) higher than the income poverty line and lower than the near poor income poverty line but suffering in 3 or more non-income dimensions; and the near poor households are defined as having income higher than the income poverty line and lower than the near poor income poverty line but suffering in less than 3 non-income dimensions. Therefore, the income poverty rates estimated in this report are different and not comparable with the poverty rates defined by the authorities.

Figure 7. Proportion of income poor, near poor and non-poor among surveyed households (%) by areas and ethnicity



Source: Authors' calculation. RIM-2020.

Figure 8. Proportion of income poor, near poor and non-poor among surveyed households (%) by migration, formality and gender of household heads

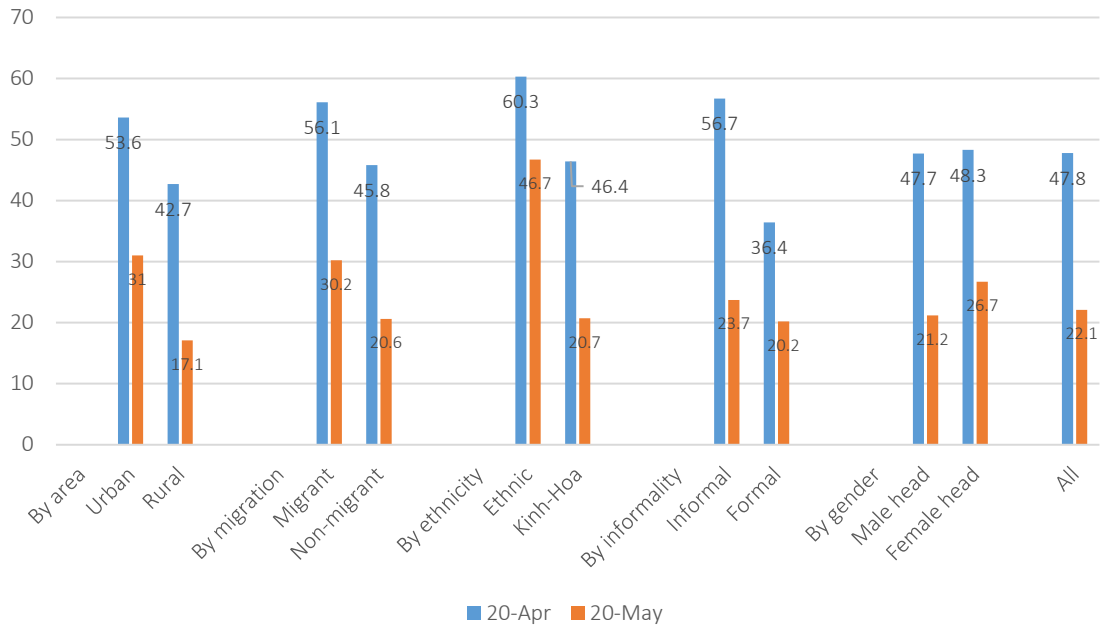


Source: Authors' calculation. RIM-2020.

b. Poverty dynamics among surveyed households

The below section examines how many income non-poor households as of December 2019 fell into poverty as the result of income reduction caused by the COVID-19 pandemic.

Figure 9. Proportion of December 2019 non-poor households fell into income poverty in April and May 2020 (%)



Source: Authors' calculation. RIM-2020.

Figure 9 shows a partial picture [9] of income poverty dynamics amongst surveyed households. It shows a change in household status, from non-poor in the pre-pandemic period to poor during the two months of April and May 2020. Specifically, during the peak of the pandemic in April 2020, the decrease in income as described in the previous section, on average pushed 47.8% of the pre-pandemic non-poor households (with income above the income poverty lines) below the income poverty line (defined by MOLISA: see the footnote 4 above).

Among the surveyed groups, (i) 60.3% of non-poor EM households (compared to 46.4% among non-poor Kinh-Hoa group), (ii) 56.7% of households of informal workers (compared to 36.4% among households of formal workers); (iii) 56.1% of households of migrant workers (compared to 45.8% among households of non-migrant workers); (iv) 48.3% of female-headed households (compared to 47.7% of male-headed ones) fell into income poverty in April 2020. Within the group of households with migrant workers, the poverty impact of the pandemic was smaller for female-led households than for male-led counterparts, with respective figures estimated at 46.7% and 60.2%. Within the group of households with informal workers, the poverty impact was similar across female-headed and male-headed households, with figures at 58.7% and 56.4% respectively.

Table 3 shows that if all other factors are the same, the effect of household characteristics such as being a household of migrant workers on the probability of December 2019 non-poor households falling into the income poverty line is statistically significant. Similarly, when all other factors are the same, being the December 2019 non-poor households with PWD,

9 The "partial picture" is because Figure 1.5 does not provide information on the percentage of poor households that moved out of poverty. However, this percentage should be close to 0 in the pandemic time and therefore the table can be considered as a close-to-the-full picture of poverty dynamics linked to the COVID-19 shock.

and main breadwinners working in tourism, hotel and restaurant, and trading and other services will increase the probability of falling into income poverty. Other characteristics of the December 2019 non-poor households do not statistically significantly increase the probability of them falling into income poverty (see the technical notes in the Annex). [10]

Table 3. Correlations between Dec. 2019 non-poor household's characteristics and their falling into poverty in April and May 2020

	Falling into income poverty in April 2020	Falling into income poverty in May 2020
Migrant	0.524**	0.942*
Having disable people in the household	0.770*	2.908***
Sector: Tourism, hotel and restaurant	1.248***	1.209
Sector: Trading, other services	1.033***	0.934

*Note: based on the Logit model, ***, ** and * note the level of statistical significance, respectively at 1%, 5%, 10%. This table only reports correlates that are statistically significant at 10% or higher levels. For the full list of controls, please see the Annex.*

Source: Authors' calculation. RIM-2020.

c. Partial recovery in May 2020

Figure 6 shows a partial recovery recorded in May 2020. Accordingly, the shares of income poor among all surveyed household groups reduced substantially in May 2020 as compared to those recorded in April 2020. However, the improvements vary across the surveyed groups. While the proportion of income poor among the surveyed rural households reduced faster (from 44.5% in April to 18.9% in May 2020) than among the urban households (from 56% in April to 31.7% in May), a significant proportion of the surveyed rural households that "escaped" income poverty in May 2020 landed in income "near poor", the proportion of which was 9.7% in May 2020 more than 5 times higher than the December 2019 "near poor" level of 1.8% (at the same time, the proportion of income near-poor urban households (6%) in May 2020 was equal to the December 2019 level).

The least improvements in income poverty were observed among the surveyed EM households: the reductions in the proportion of income poor households among these groups between May and April 2020 were estimated, respectively, by 14.6 percentage points (as compared to the reductions of 26.5 of Kinh-Hoa households). It should be noted that a significant proportion of the surveyed EM households that had "escaped" income poverty in May 2020 landed in the income "near poor" group: in May 2020, the proportion of near poor EM households was 26.7% of surveyed EM households, the highest compared to all other groups (see Figure 8). A rather similar case can be observed among the surveyed households with informal workers: the proportion of income near poverty was 10.9% in May, almost double the December 2019 level.

10 The statistical insignificance of the household ethnicity characteristic may sound counterintuitive. However, it can be explained by significant differences in other key endowments between ethnic minority households and their majority counterparts. Such endowment differences explain the largest part of gaps in well-being in general and key poverty metrics in particular between these groups. This is a well-known story about the dominance of differences in endowments over differences in return to endowments between different groups.

The share of income poor among surveyed female-headed households reduced by 23 percentage points (from around 49.7% in April to 26.7% in May 2020), as opposed to a 27 percentage point reduction (from 49.9% in April and 22.8% in May) recorded among the surveyed male-headed households. This may be explained by the domination of female workers in trading, agriculture, garment, footwear, tourism and restaurant sectors, which showed weak recovery in May 2020 [11]. It is noted however that the proportion of income near-poor among surveyed male-headed households in May 2020 was almost two times higher than the share amongst female-headed households, indicating that while more male-headed households escaped income poverty many of them remained within the near-poor status in May 2020.

Recovery in May as compared to April 2020 also indicated a significant reduction in the proportion of the December 2019 non-poor households falling into income poverty amongst all household groups (see Figure 9). The proportion in May 2020, however, remained higher amongst (i) households with informal workers as compared to households with formal workers, (ii) female-headed as compared to male-headed households and significantly higher amongst urban than rural, amongst EM than Kinh-Hoa households and amongst migrants as compared to non-migrant households. Within the group of households with informal workers, female-headed households recovered slower from the poverty impact than male-headed ones. However, the opposite was observed with the group of migrant households, with female-headed households recovering faster than male-headed ones from the poverty impact . Various explanations for the latter observation may apply, as per the following:

First, following the April 2020 lockdown, contact-intensive, urban-based services bounced back more strongly in May 2020. These are also sectors with a majority proportion of female migrant workers. Second, anecdotal evidence suggests that female workers were more proactive in searching for and taking on additional income opportunities. A group of beneficiaries of UN Women's livelihood model [12] in Lao Cai reported that after the COVID-19 outbreak in Wuhan, many returned male migrant workers only stayed at home waiting to return to China. In the meantime, the burden of filling income gaps fell onto women's shoulders.

There are also other factors to be taken into account such as the concentration of different groups of households around the poverty line before the shock. However, this cannot be analyzed in detail with currently available datasets.

Overall, the picture on the gendered poverty impact is mixed.

11 However, it is noted that the modest number of female-headed households in the survey sample does not allow analysis at this level of detail with reasonable levels of statistical significance.

12 UN Women's livelihood model supports the H'Mong ethnic minority women in Coc Ly commune, Bac Ha district, Lao Cai province to grow and enhance the market for native groundnut to improve livelihood resilience and earning capacity.

d. Simulated changes in income distribution and key poverty and inequality metrics

To complement the findings from the survey, which applied a sampling strategy purposively targeting vulnerable households, the RIM-2020 included a simulation of the COVID-19 impact on income poverty at the national level. Using the income poverty line of 3.2 USD, 2011 Purchasing Power Parity (PPP), which is commonly applicable to lower middle income countries, it can calibrate the changes in incomes estimated from data collected from the RIM-2020 survey to the dataset of VHLSS 2018 to simulate impacts of the COVID-19 pandemic on income distribution and on poverty and inequality at various levels of aggregation. The latter is derived from the former, based on different poverty lines. Technical details are provided in the Annex.

With regard to the former, before the pandemic COVID-19, the mode of the income distribution of the whole population was way above both the poverty line and the 'vulnerable' threshold. Therefore, the poverty rates and percentages of the 'vulnerable' group were relatively low, being estimated at 4.6% and 9.1% respectively (see Figure 10). The respective numbers would be 0.6%, 15.7% and 4.2% for urban areas. Most striking, the pre-pandemic poverty rate of 22.1% among EM households could have jumped to 76.3% in April 2020 and slightly to 70.3% in May 2020.

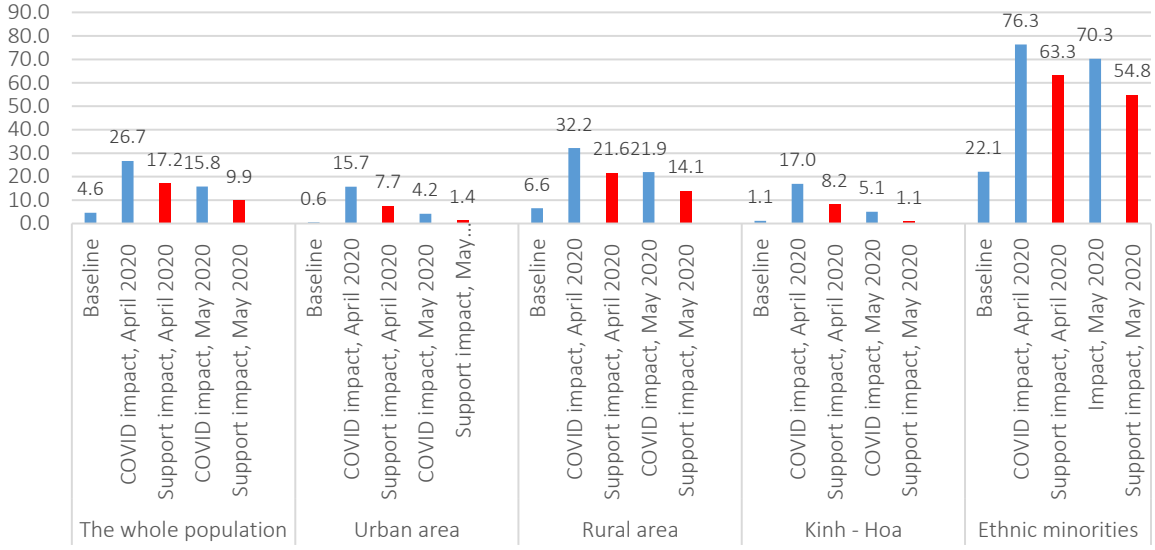
The simulated income distribution of the whole population is shifted to the left and the kurtosis increases significantly. Furthermore, the mode of the simulated income distribution for April was only slightly above the poverty line.

For the whole population, the simulated impacts in April were relatively severe. The mode of the simulated income distribution was slightly above the poverty line. That implies the poverty rate would increase significantly, which is confirmed by the results of the simulation. It is estimated that the pre-pandemic national poverty rate of 4.6% may have jumped to 26.7% in April 2020 and reduced to 15.8% in May 2020.

The story of transient poverty seems to be even more serious for the case of vulnerable groups. The mode of the income distribution is further to the left of the 'vulnerable' threshold. That means a majority of Viet Nam's population falls into vulnerable or poor status. The percentage of vulnerable groups increased from 9.1% to 31.4% in April. Combined, 58.1% of Vietnam's population could be classified as either poor or vulnerable in April.

In May, the situation improved significantly, with a substantial decline in both the poverty rate and the percentage of the group categorized as 'vulnerable'. The simulated income distribution flattened, and the mode shifted further to the right of the 'vulnerable' threshold. However, the density of distribution to the right of the poverty line is high implying the situation remained serious. The estimated figures show that about 16% of the population would still be considered poor. Meanwhile, the mode of the simulated income distribution just passed the vulnerable threshold implying that the percentage of vulnerable groups also remained high. Calculated figures show that about 18% of the population faced 'vulnerable' status in May 2020. Accumulatively, about 34% of the population were still in an insecure situation in May 2020 given the figure was only at 13.5% in the baseline.

Figure 10. Simulated income poverty rate with impact of COVID-19 and GoV SP Support (%)



Source: Authors' calculation. RIM-2020 and VHLSS 2018.

The poverty impact of the COVID-19 was also significant in the urban area given that the proportion of the poor and vulnerable group was negligible under normal conditions. In April, the mode of the simulated income distribution laid between the poverty line and the 'vulnerable' threshold that resulted in almost 16% of the urban population falling into poverty during the month given there were almost no poor people in the area under normal conditions. Meanwhile, the mode was lower than the 'vulnerable' threshold implies - a significant proportion of the urban area faced the status during the month. In Figure 11, about 32.0% of the urban population faced a 'vulnerable' status. Accumulatively, about 47.7% of the urban population fell into poor or vulnerable statuses in April, whilst these statues only accounted for about 3% in the normal condition.

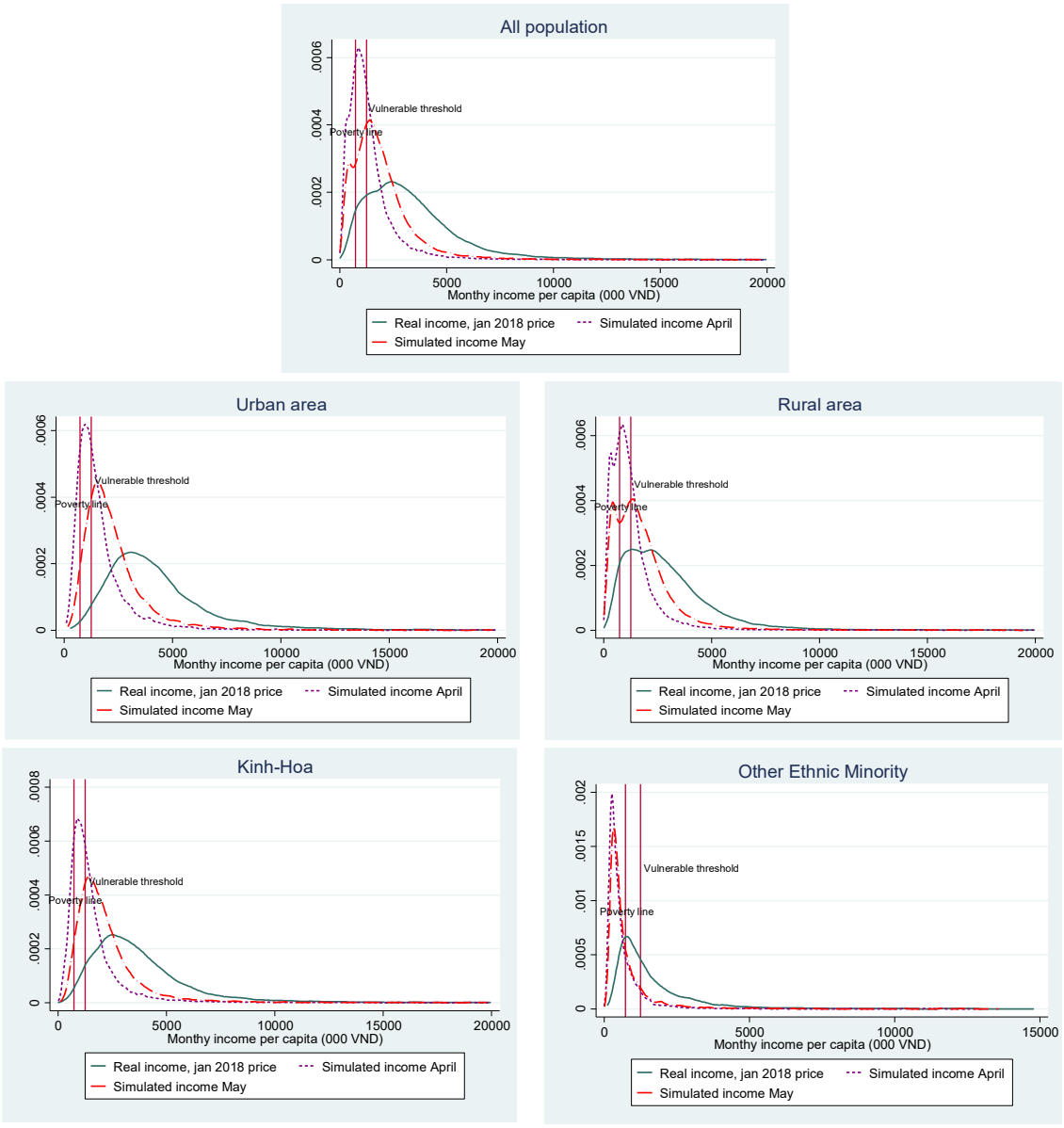
In May 2020, the situation improved considerably. The poverty rate is negligible in the urban areas, as a mode of the simulated income distribution was significantly higher than the poverty line. Furthermore, the mode was also higher than the vulnerable threshold although the distance was not large. Therefore, vulnerability was the remaining problem in the urban area in May 2020.

The simulated income of the rural population was concentrated on the left tail of the distribution with a very high mode. This change in the distribution of income exhibited a serious impact of COVID-19 on income in the rural area. Furthermore, the modes of the simulated income distribution in both months were not far from the poverty line which implies that a significant proportion of the population fell into poverty in both months.

Corresponding to the implication from changes in the income distribution, the proportion of rural population facing 'poor' or 'vulnerable' statuses in April 2020 was about 63.3% given a corresponding ratio of less than a fifth in the normal condition. The increases were found in both poor and vulnerable statuses but the poor population disproportionately surged. The poverty rate in the area increased from 6.6% in the normal condition to 32.2% as a simulation in April 2020.

In May 2020, although it significantly improved, the situation was still quite severe in the rural area. The simulated income distribution was flatter but density in the left of the distribution was still high. About 40% of the rural population still faced vulnerable or poor statuses with the domination of the latter one, similar to the situation in April 2020. More than a fifth of the rural population was still poor this month. Furthermore, a local mode of the simulated income distribution is still lower than the poverty line, which implies that there would need to be a relatively large increase in the income, if we wanted to significantly reduce the poverty rate and ratio of the vulnerable group.

Figure 11. Income and simulated incomes



Source: Authors' calibration with data from VHLSS 2018 and the RIM-2020.

The difference between Kinh-Hoa and other ethnic minorities is somewhat the same as that of urban and rural areas with some nuances. The situation of Kinh-Hoa corresponds to the case of the urban area with a serious impact in April but a quick recovery in May. In April 2020, 51.5% of the Kinh-Hoa population lived in an insecure situation of vulnerability and poverty. However, this figure was only 23.2% in May with vulnerability dominating. Furthermore, the mode of the simulated income was slightly higher than the 'vulnerable'

threshold that implies that a certain improvement in income distribution would result in a significant reduction in the ratio of vulnerable groups.

Meanwhile, the situation was extremely severe for the ethnic minority groups. In both months, more than 80% of the population of the group lived in insecure conditions with the poverty being dominant. In April, 76.3% of ethnic minority groups were poor given a figure of 22.3% in relation to normal conditions. The high concentration to the left of the simulated income distribution in Figure 11 demonstrates the situation.

Improvements in May 2020 were not as good for this group as the whole population. About 70.3% of the ethnic minority group still lived in poverty. The reduction in poverty was seen to be caused by the movement of the population to the vulnerable group. Accumulatively, there was only a 4.6% reduction in the proportion of the population of the ethnic minority group living in insecure conditions.

The differences in recovery of the two ethnic sub-groups were also demonstrated by the proportion of the two sub-groups in the total poor population. Simulation results imply that Kinh-Hoa would account for 53.1% of the simulated poor in April 2020. However, this ethnic subgroup would only account for 26.9% in May 2020.

Inequality

The simulation results imply that the pandemic would increase the inequalities, the Palma index- ratio of total income shares of the 10% richest to that of 40% of the poorest population- increase from 1.56 in the normal condition to 1.91 and 1.74 under simulation results for April and May 2020 respectively.

There are arguably two reasons for the increase in equality. Income from employment of the low-income population was hit harder by the pandemic and the proportion of the non-employment income, which is assumed to be unchanged, is lower.

1.2. Non-economic impacts

Besides the reduction in employment and income, and impact on poverty, the COVID-19 pandemic also posed significant social impacts on the households. Due to the temporary closure of schools, about one-third of the surveyed households (32%) reported difficulty in terms of taking care of children and maintaining their children's education. About 8% of surveyed households also experienced problems in accessing healthcare services for non-COVID-19 health issues during the period of social distancing. Losing jobs, reducing income and staying at home also resulted in stress and conflicts for some families. Up to 35.7% of migrant households (and an average of 24.9% of all households reported to face at least one problem) reported that they were experiencing stress at home and that there was a need for support, including from local mass organizations (see Table 4). Recreational activities were reported to ease stress amongst family members.

COVID-19 also exacerbated women's childcare burden(especially during school closures) and the care burden related to family members, who had serious illnesses, especially those in need of special in-patient hospital care treatment. In more than 70% of the surveyed households, women were responsible for purchasing daily necessities (with an associated risk of getting an infection). As reported, it was only in 11% of households that men undertook the responsibility, while in 18% surveyed households the responsibility was shared equally. A little proportion of households reported difficulty in purchasing food and other necessities, but the reduced income made 38% of rural households think that they could not afford to ensure their family's nutrition properly. As reported, these impacts were not so different between the gender of the household head.

Among the surveyed households that reported non-economic problems, several experienced increases in stress and domestic violence. According to external sources, during the social distancing and lockdowns in April 2020 domestic violence was on the rise. The Call Center [13] for responding to gender-based violence received around 350 calls from women who needed support, an increase by 7 times compared to the same period in 2019 [14]. The CWD's Peace House Shelter data showed an increase of 48% of women who received face-to-face counselling related to domestic violence, and an increased 80% of children and women made use of temporary shelter services as compared to the pre-COVID-19 period. The Shelter's personnel also suggested that staying-home requirements and fear of getting infected meant that the actual number of women in need of counselling and temporary shelter (related to domestic violence) could be much higher. Households that were poor and of migrants and ethnic minorities reported difficulties in having their children participate in online learning (and a fear of their children falling behind) and in accessing online information and services to meet their needs.

13 The Centre for Women and Development (CWD) of Viet Nam Women's Union (1900969680)

14 Source:http://baokiemtoannhanuoc.vn/giao-duc/phong-chong-bao-luc-gia-dinh-can-su-chung-tay-cua-toan-xa-hoi-145010

Table 4. Difficulties faced by households during April and May 2020 (% of households reported problems)

	Stresses due to staying at home	Too expensive face masks	Unavailability of face masks in the market	Difficulty in purchasing food and necessities	Not afford for food	Domestic violence
Poor households	11.3	10.3	7.2	1.0	13.4	0.0
Near-poor households	40.6	25.0	9.4	6.3	28.1	0.0
Non-poor households	26.1	25.5	8.2	6.1	33.8	1.1
Urban households	27.7	21.7	6.9	3.0	24.3	0.9
Rural households	22.7	25.8	9.3	7.9	37.9	1.0
Ethnic minority households	15.7	15.7	13.7	8.8	27.5	2.0
Majority households	26.2	24.9	7.5	5.2	32.0	0.8
Migrant households	35.7	30.4	10.7	4.2	29.8	1.2
Non-migrant households	22.7	22.4	7.6	5.9	31.9	0.9
Households of informal workers	24.0	21.2	6.4	4.9	31.1	0.7
Households of formal workers	26.5	27.5	10.6	6.6	32.1	1.3
Female-headed households	26.2	23.8	15.5	5.4	30.4	0.0
Male-headed households	24.8	23.9	6.6	5.6	31.8	1.2
All	25.1	23.9	8.2	5.6	31.5	1.0

Source: Authors' calculation. RIM-2020.

Box 1. Examples of care pressure on women

During two weeks of lockdown, my company arranged work-from-home for all staff. The company's workload was two times higher than the pre-COVID-19 period. I have 2 kids of 3 and 5 years of age who had to stay home as their kindergartens were closed. As our kids don't play with my husband, and my mother-in-law wasn't of much help, I was torn between taking care of them, housework and the company's work. I could not go to bed before 2 a.m. If this would last for another month, I could go crazy.

Female, 32 years of age, white collar worker, Ha Noi.

My father has a spinal cord injury, so my mother and I had to take turns to go to the hospital to take care of him. When Bach Mai hospital was quarantined, we were literally isolated by neighbors. There was a rumor that I was infected and many people phoned and cursed us. Despite being identified not having any infection risk, my mother and I had to ask the local authority for a COVID-19 test. We could not go out. Luckily some close relatives helped purchase food and put it at our door for picking up.

Female 28 years of age, white-collar worker, Ha Noi.

Source: Qualitative in-depth interviews, RIM-2020

1.3. Coping measures

1.3.1. Live safely with COVID-19

During the pandemic, households strictly abided by the regulation of social distancing to ensure the safety of individuals, families and the whole community. Consensus on prevention and social distancing advocacy was considered successful in ensuring epidemic control (see Box 2).

Box 2. People's awareness of social distancing

> Avoid crowded places, avoid physical contact with outsiders to stop the disease from spreading.
>
> *Male, 50 years old, Bike Engineer, Hai Duong*
>
> People should not have physical contact with each other to stop the disease from spreading.
>
> *Female, 33 years old, Free-lancer/Tour guide, Da Nang*
>
> Staying at home, avoiding going to crowded places is helping the community.
>
> *Male, 60 years old, Veteran, Nam Dinh*
>
> Alleviating the disease of people, shops (…) are not crowded, the government has stepped up quickly in the fight against epidemics. Leaving no one behind, restricting travel to only allow the essential, I really believe in the government
>
> *Female, 45 years old, Restaurant owner, Phu Yen*
>
> Wear masks and use hand sanitizer. Avoid crowded places. Especially children, families should stay inside, avoid going out, and do groceries less regularly.
>
> *Female, 35 years old, Staff, Thua Thien Hue*
>
> Stay inside, avoid crowded places, social distance, minimum 2-meters distance are necessary for one's safety and one's family's safety.
>
> *Male, 67 years old, retired officer, Can Tho*

Source: Qualitative in-depth interviews, RIM-2020

Communication programs on COVID-19 prevention were timely and effective. Most people did not question the rationale of social distancing. They spoke with a shared voice on:

- Understanding the purpose of ensuring safety for yourself and the community
- Showing agreement with social distancing measures, except for acknowledging difficulties in production and business issues and some family pressures.
- Expressing common difficulties in buying masks and disinfectants.

97% of households reported to have applied at least one measure for COVID-19 prevention and social distancing. Up to 95.3% of the interviewed households reported using face masks to avoid infection, 82.4% had regularly applied hand washing with soap and the use hand sanitizer. Measures of social distancing (with the exception of cancelling meetings and social distancing while handing over objects to others) were also performed well in all household groups. There was not much difference among different groups of households (see Table 5).

Table 5. COVID-19 prevention and social distancing (% of households reported applying measures)

	Mask	Wash hand with soap and hand-sanitizers	Staying at home	Not coming to crowded places	Cancelling meetings	Social distancing while handing over objects
Poor households	70.1	60.8	59.8	63.9	25.8	6.2
Near-poor households	96.9	75.0	87.5	93.8	21.9	6.3
Non-poor	98.3	85.3	80.9	86.5	25.7	9.0
Urban households	95.7	82.4	80.3	83.5	22.9	11.0
Rural households	94.9	82.4	77.7	85.2	28.0	6.5
Ethnic minority	93.1	69.6	81.4	87.3	35.3	7.8
Majority households	95.5	83.9	78.6	84.1	24.4	8.7
Migrant households	97.6	82.1	82.1	89.3	28.6	13.1
Non-migrant households	94.8	82.4	78.2	83.3	24.9	7.6
Households of informal workers	93.4	77.9	75.3	82.0	23.8	3.9
Households of formal workers	97.7	88.4	83.8	87.6	28.0	14.9
Female-headed households	97.6	83.3	82.7	86.9	29.2	16.7
Male-headed households	94.8	82.2	78.1	83.9	24.8	6.8
All households	95.3	82.4	78.9	84.4	25.6	8.6

Source: Authors' calculation. RIM-2020.

A new normal setting for the best social distancing is arguably based on the ability of households to use digital devices for education and other activities, e.g. online shopping and making e-payments. 31.8% of households use smartphones or other electronic devices for studying and working online. 6.9% of surveyed households use online shopping. These ratios are not too different amongst household groups, except when considering migration and gender (see Table 6). The proportion of migrant households using such electronic devices is much lower than that of other households. Only 17.9% of immigrant households used smartphones or other electronic devices for studying and working online. The low rate may be due to the fact that this

group has a low rate of children going to school, and limited affordability for digital devices. Differences by gender were limited, except that women use online shopping more than men. 14.3% of women said they made purchases online regularly during the pandemic, while only 5% of men did the same. Similarly, high rates of online shopping are also recorded among households of migrant and formal workers.

Table 6. Using electr onic devices for studying, working and shopping online (% of households)

	Digital devices	E-commerce
Poor households	27.8	3.1
Near-poor households	28.1	0.0
Non-poor	32.5	7.6
Urban households	30.2	9.6
Rural households	33.3	4.5
Ethnic minority households	29.4	5.9
Majority households	32.1	7.0
Migrant households	17.9	11.3
Non-migrant households	34.9	5.9
Informal jobs	30.7	3.4
Formal jobs	33.3	11.6
Female-headed households	28.6	14.3
male-headed households	32.5	5.2
All households	31.8	6.9

Source: Authors' calculation. RIM-2020.

1.3.2. Opportunities/ability to get new jobs are limited

The higher level and expected longer periods of income reduction for workers in tourism and related activities may explain the higher number of these workers moving to other jobs, compared to workers in agriculture, aquaculture, and construction. Table 7 shows the prevalence of this at 0% in the agriculture sector, at 2.1% in aquaculture, at 2.2%, in construction and at 2.7% in trade and service types, perhaps also as the result of the workers' expectation that the pandemic and related disruptions would be short [15]. Meanwhile,

15 Relatively low shares of switching workers did not allow the research team to conduct sex-disaggregated data analysis.

workers in the tourism and related sectors, i.e. hotels and restaurants, reported a high ability to take other jobs at 10.8%. The reason is reportedly that most of them expected the shock in the international tourist flow would last for at least 1 year and the domestic market would be weak due to the short summer vacation this year.

Table 7. The percentage of workers capable of finding new jobs by sector (%)

	Ability to take other jobs (%)
Manufacture: garment, footwear…	5.3
Manufacture: agricultural processing	6.3
Constructions	2.2
Agriculture	0.0
Aquaculture	2.1
Tourism, hotel, restaurant	10.8
Trade, other services	2.7
All	4.7

Source: Authors' calculation. RIM-2020.

Labor turnover was generally low. Most workers, beyond those employed in the tourism sector, expected the pandemic to pass by fast. However, due to the pressure of household spending and needs (such as households of members with serious health problems needing in-patient healthcare in specialized hospitals), some people accepted risky and low-income jobs, mostly in the city, e.g. being cashiers supermarkets (to replace those quitting jobs due to a fear of infection), motorbike taxi drivers (due to increased demand for delivery), waste collectors. Moving to other jobs during a pandemic may often mean workers accepting higher health risks and lower income (also taking on multiple jobs, as reported by the media), especially in the city where there is a higher risk of infection due to frequent contacts with a lot of customers, e.g. drivers, cashiers etc. Vulnerable workers facing hardship may have had no other choice but accepting such risks. This is generally more concerning for communities as infection risks increase. Within each sector, higher age was also documented as an impeding factor to the job mobility of respondents.

Box 3. Examples of taking temporary jobs with a higher risk of infection

As in the place of my temporary job, I work in an enclosed space within a small area, so the customers can stand in clusters. At first, the owner did not employ any safety measures, but then we asked the owner to provide facemasks and hand-sanitizers. For a group of 20-30 people with the air conditioner turned "on" continuously, the risk of infection is very high. Currently, when the disease is still there, work still has to be done, so I can only wear a mask, wash hands, disinfect hands, spray clothes, spray all furniture even before going to work or returning home from work. I am always very careful before entering my house. I had to accept that high-risk job because I didn't have any money left. It was difficult to find another job, I didn't have any professional qualifications.

Waitress, diner, 12 employees, Ho Chi Minh City

I just graduated and worked for a travel agency for 3 months, after the trial period was finished, the company did not offered me a new contract due to the pandemic. At that time, I planned to go back to my hometown, but there were no job opportunities. If I go back to my hometown, I still have to pay for my rental in Hanoi. I decided to become a motorbike taxi driver, a Grab bike. People are afraid of going out so some online food stores have more orders. I am aware that such a job will expose me to the risk of infection but it provides me with an income. I also have limited direct contact with customers, wearing masks and spraying bacteria with disinfectant on delivery. The day before, an acquaintance in Bach Mai hospital asked for my service. At first, I did not want to because she was in the hospital, but she kept asking for help so I did it anyway. Afterwards, I had to take a shower and change clothes immediately, luckily it's okay.

Male, 22 years old, driving a grab car, Hanoi

Source: Qualitative in-depth interviews, RIM-2020.

1.3.3. Reducing investment

The survey also recorded responses from some of the ethnic minority people who earn their income from handicraft and special agriculture products and homestay services for tourists and who use that income to invest in agricultural crops. The impact of the decline in tourism activities, thereby lead to a chain effect and a decline in investment in fertilizer and other expenses for agricultural crops. Some households said they would have to leave part of the field fall, reducing the crop area to ½ or ⅔ compared to the previous crop. Some groups, particularly tourism groups, transportation groups, educational groups and disadvantaged households, said that the time of serious difficulties would remain in the near future.

1.3.4. Relying on savings which do not last long

According to Table 8, the reported numbers of survivable months before falling into desperation were lowest for households of workers in the construction sector (2 months) and manufacturing, trade and services (3 months). Households of workers in the tourism, agriculture, and aquaculture sectors were considered to have a period of 4 months to survive before their savings would be exhausted.

Table 8. Number of remaining months before falling into desperation

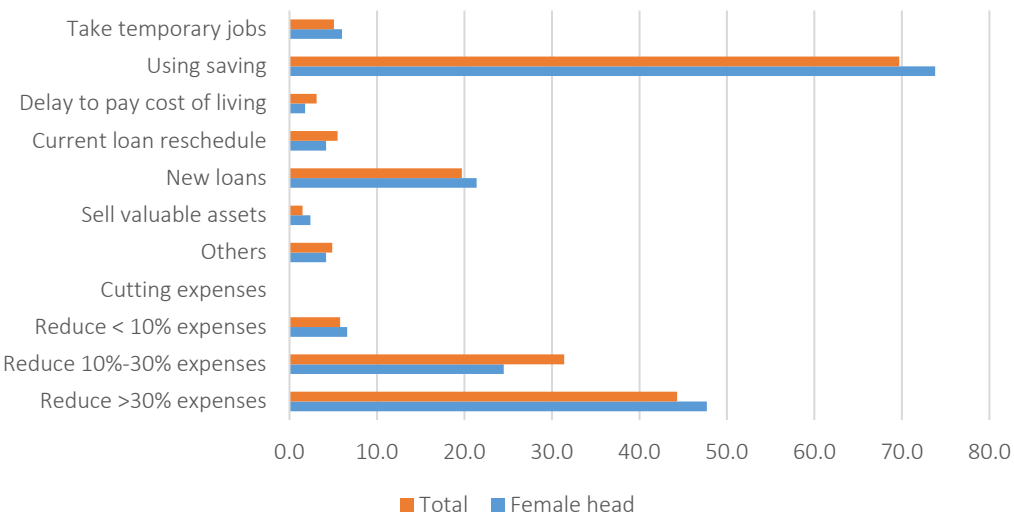
Households with workers in	Can be falling into desperation (% observations)	Months before falling into desperation (number of months)
Manufacture: garment, footwear…	34.4	3
Manufacture: agricultural processing	25.0	3
Constructions	47.8	2
Agriculture	34.9	4
Aquaculture	22.9	4
Tourism, hotel, restaurant	22.7	4
Trade, other services	28.8	3
All	29.1	3

Source: Authors' calculation. RIM-2020.

1.3.5. Reducing household essential expenditures

Most households used their savings and cut expenses to cope with reduced income. Approximately 74 % of households used savings (while many reported that savings could last for 2-4 months) and 70 % reported to have cut household expenses (among them 44.3% of all households and 47.7% of female-headed households reported cutting more than 30% of household expenses). Notably, female-headed households tended to use more savings and cut more expenditures than the male-headed ones (see Figure 12). Only a rather small number of households sold valuable assets to cope, which may suggest that they either did not have much to sell or were not forced into such a situation. The survey showed that female-headed households cut more in food and electricity expenses, while they cut less in education spending than male-headed households. Using savings could arguably help the vulnerable households better maintain their regular consumption. Cutting essential expenses such as on food and education may on the other hand have lasting negative impacts on households beyond immediately coping with the pandemic.

Figure 12. Coping mechanism (% of households reported coping measures)

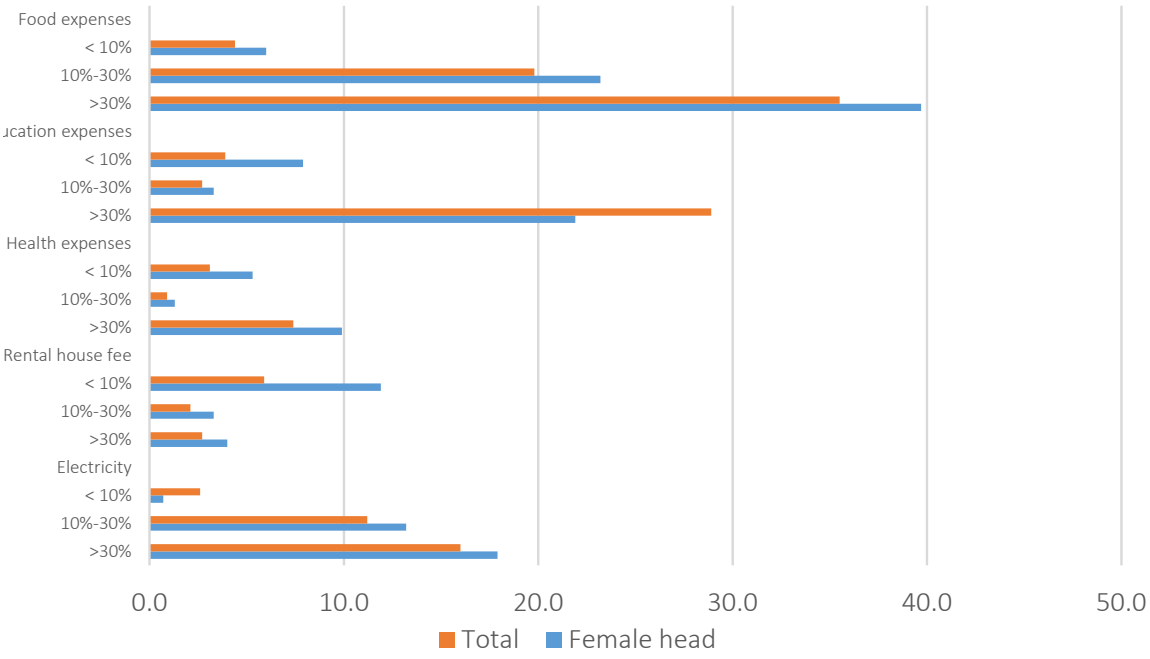


Source: Authors' calculation. RIM-2020.

A reduction in food expenses was most common with 35.5% of surveyed households reporting a more than 30% reduction of their December 2019 spending on food. The most common items affected by expense cutting include cooking oil, soap and nutritious food. The second and third most common household expenditure cuts affect education and electricity with 28.9% and 16% surveyed households reporting cuts. Notably, female-headed households tended to cut more food and electricity expenses while they cut less in education spending as compared male-headed households. Fortunately, the reduction in household essential spending was improved in May 2020. Though there were still around 19.5% households (26.2% female-headed) reported 10-30% cut in food spending in May 2020 (see Figure 14).

Ethnic minority and migrant households are two significant characteristics defining the likelihood of cutting households' essential spending. More than 51% of ethnic minority households reported a food expenditure reduction by more than 30%, and accordingly, 29.8% of them cut their electricity spending. Meanwhile, only 33.4% of Kinh-Hoa households reduced food consumption, and 14.3% reduced the use of electricity by more than 30%. Cutting spending on education is the highest as for the Kinh-Hoa and rural groups. Up to 30% of Kinh Hoa and 31.6% of rural households cut education expenditure by more 30%, possibly due to school closures during the social distancing period. 40.4% of migrant households and 39.5% of households of informal workers reported reduction of more than 30% food expenditure, higher than 34.3% of local households and 30.1% of households of formal workers. A lower percentage of female-headed households reported above 30% reduction of spending on education while more of them reported an above 30% reduction of spending on food and electricity, as compared to male-headed households. Other differences in impacts by characteristics of being in urban or rural areas were not so significant.

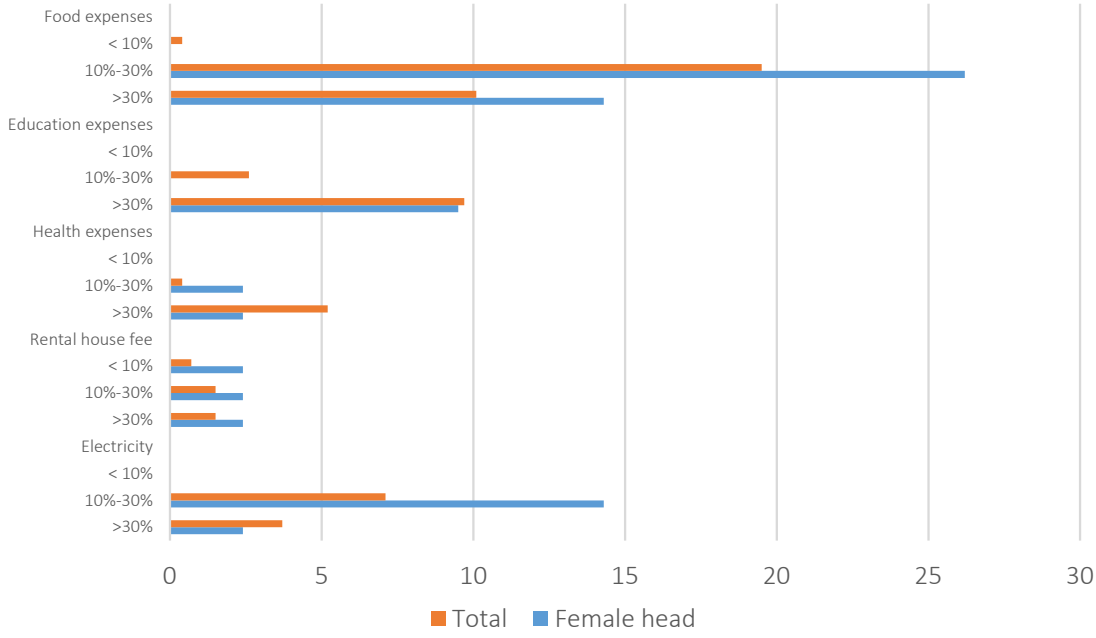
Figure 13. Expense cutting in April 2020 (% of households reported cutting)



Note: spending cuts in April and May 2020 are compared to December 2019 level (for example: sending cut >30% of December 2019 spending)

Source: Authors' calculation. RIM-2020.

Figure 14. Expense cutting in May 2020 (% of households reported cutting)



Source: Authors' calculation. RIM-2020.

Table 9. Cutting household expenditures (% of households reported cuts in April 2020)

	>30% food expenditure decrease	>30% education expenditure decrease	>30% electricity expenditure decrease
Income Poor households*	33.3	14.6	25.0
Income Near-poor households*	60.0	40.0	20.0
Income Non-poor*	34.6	29.4	15.4
Urban households	40.1	25.9	17.3
Rural households	31.4	31.6	15.1
Ethnic minority households	51.1	17.0	29.8
Majority households	33.4	30.5	14.3
Migrant households	40.4	23.8	17.9
Non-migrant households	34.3	30.1	15.7
Informal jobs	39.5	25.1	14.2
Formal jobs	30.1	34.1	18.8
Female-headed households	39.7	21.9	17.9
Male-headed households	34.5	30.6	15.7
All	35.5	28.9	16.1

*Note: * Defined by RIM-2020*

Source: Authors' calculation. RIM-2020.

1.4. Support to vulnerable households

1.4.1. RIM-2020 information on support to vulnerable households

Surveyed households received more support from local governments and mass organizations than other sources.

Within the generally low percentage of households who reported to have received support, 5.4% of households received this from local authorities and mass organizations. Notably higher percentages of female-headed households (8.9%), as well as households of informal (7.1%) and migrant (6.0%) workers, received support from local authorities and mass organizations as compared to other households. The proportions of households receiving support from commercial banks, business organizations, informal personal networks and charity were rather small (see Table 10).

Table 10. Support to vulnerable households (% of surveyed households)

	Local authority and mass organizations	Commercial Banks	Business associations	Informal personal network	Charity
Income poor households*	5.2	1.0	1.0	1.0	1.0
Income near-poor households*	3.1	-	3.1	-	3.1
Income non-poor households	5.5	0.1	1.9	0.9	0.7
Urban households	5.5	0.2	2.1	0.9	1.1
Rural households	5.3	0.2	1.6	0.8	0.6
Ethnic minority households	2.9	-	-	-	-
Majority households	5.7	0.2	2.1	1.0	1.0
Migrant households	6.0	0.6	3.0	1.8	3.0
Non-migrant households	5.2	0.1	1.6	0.7	0.4
Informal jobs	7.1	0.4	1.9	0.9	0.7
Formal jobs	3.0	-	1.8	0.8	1.0
Female-headed households	8.9	-	1.2	1.8	2.4
Male-headed households	4.6	0.3	2.0	0.7	0.5
All	5.4	0.2	1.8	0.9	0.9

*Note: * Defined by RIM-2020*

Source: Authors' calculation. RIM-2020.

Around 1% of households reported support from personal social networks, who i.e. provided food and necessities during periods of isolation.. Female-headed households were more likely to receive assistance from their personal networks in comparison to male-headed households. Some instances were recorded of relatives and friends providing financial support to make up for losses and difficulties in employment and income. Commercial banks also supported with interest reduction for existing loans for housing and household consumption was also given to 0.2% of households. 0.9% of households received support from charities, which more often took place in urban areas as compared to rural areas.

Table 11 shows 3.5% of households reported to have received policy information, i.e. COVID-19 prevention information, and declarations of infected cases. 2.2% of households received in-kind support such as 10-20 kgs of rice, eggs, 1 box of bread and soap for each household. Only 0.6% of households received cash assistance from 0.5 to 3 million VND for each household. These support activities were implemented by the local mass system with a focus on disadvantaged households. The local people highly appreciated the support, which - despite being of limited monetary value - showed that vulnerable groups had felt the authorities were showing them diligent attention and care.

Table 11. Assistance from local authorities and mass organizations (% of households)

One-off support in kind (rice, noodle, egg, mask, soap)	2.2
One-off support in cash (from 0.5 to 3 million VND)	0.6
Loan support	0.4
Information on COVID-19 prevention	3.5
No support	90.1
Total	100

Source: Authors' calculation. RIM-2020.

RIM-2020 also collected recommendations from surveyed households and workers on what type of support they needed most. 47% of surveyed households provided recommendations on support (see Table 12). Loan support was most commonly recommended (21% of surveyed households). 12% of households proposed reductions of taxes, land rents and insurance contributions. 9.1% of the households proposed to extend the level of cash support to ensure minimum monthly living expenses for the affected households.

Table 12. Recommended supports (% of households making recommendations)

Cash for regular expense	9.1
Financial support: access to loans	21.4
Reduction in electricity prices, fees, rents, tax and insurance	12.2
Employment supports	2.4
COVID-19 prevention measures	1.9

Source: Authors' calculation. RIM-2020.

The GoV social protection support package: how does it help protect the livelihoods of workers and households affected by COVID-19 pandemic?

Among the policies by the Government of Vietnam (GoV) supporting people and enterprises affected by the impact of COVID-19 impact (see Table 13), the GoV social protection package under Resolution No. 42 and Decision 15 [16] presents an important (and unprecedented - as the GoV recognized) vehicle to support the workers and households affected by COVID-19 pandemic.

Table 13. GoV policy supporting affected people and enterprises to respond to COVID19 impact

Support policy	Budget (VND)	Type of support and eligible groups
Fiscal package to support enterprises	180,000 billion	Tax deference and delay the payment of land use tax and rent, etc. Affected enterprises in more than 30 manufacturing and service subsectors
Loans with zero interest rate to pay workers' salary	236-1,000 billion	Loans with zero interest; - Enterprises with more than 100 workers, at least 30% of workers take staggered work arrangement with the accumulated of 30 days off. - Dissolved and bankrupted enterprises needing loans for paying workers' salary - Enterprises, with more than 50 workers and laid out at least 10% or without financial resources to pay salaries for workers and have to lay off workers
Social protection package	61,580 billion	Cash transfer for 3 months (April, May and June 2020); People with merits, poor and near poor HHs, formal workers lost jobs but not eligible for unemployment insurance, informal workers (of several types of non-agriculture employment) lost jobs; Household businesses with annual revenue of less than VND100million, stopped operating, etc.
Electricity price reduction	11,000 billion	10% reduction in electricity price (April - June 2020) for all households and businesses
Banks reduce interest rates	NA	Banks reduced interested, exempted, reduced fees for making transactions. Enterprises that provide essential goods and services are eligible for a loan with the interest of 4.5-5%/year (lower than mobilization rates)
Credit package of Commercial banks	285,000 billion	Loans; less/least affected enterprises but need capital to grow after COVID-19, including in sectors: agriculture, aquaculture, healthcare services and electricity, etc. Heavily affected enterprises also can borrow if the ability to repay can be proved

The GoV social protection (SP) support package recognized the disproportional negative impact on the poor and near-poor, as well as vulnerable workers, including laid-off formal workers that would not be eligible for unemployment insurance benefits, and informal workers who lost their jobs and incomes, but were not covered by existing social assistance systems.

16 http://www.molisa.gov.vn/Pages/vanban/chitiet.aspx?Id=39397; http://www.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=509&_page=1&mode=detail&document_id=199759; the Decision 15 was issued 24 April 2020 and the implementation started in late May 2020.

1.4.2. Simulated GoV SP Package's impact on changes in income distribution and key poverty and inequality metrics

How large transfers are needed to avoid negative impacts on of poverty statuses?

The RIM-2020 examined the transfer amounts needed to avoid a deterioration in poverty rates and maintaining the levels of well-being amongst the poor, i.e. securing an income of the poor close to the expected income during normal conditions.

It was estimated that person characterized as poor lost about 302 thousand VND in his or her income due to the negative effects of the pandemic. The results showed that a person falling into poverty would needed about 233.2 thousand VND to stay in a non-poor category in April 2020, i.e. to keep his or her income just above the poverty line. Therefore, the government would arguably need to transfer this amount of money to him or her to maintain his or her well-being. The amounts were lower in May, about 221 and 259 thousand VND respectively.

In total, the government would need to transfer 6,096 and 3,409 billion VND to keep the poverty statuses at a similar level as during normal condition in April and May 2020 respectively. These estimated amounts were much lower than those applied in the actual transfer program.

We now turn to a simulation of the transfer program's results on poverty and inequality. Based on a simulation exercise, it estimated that, if the GoV SP package were delivered timely (i.e. monthly cash transfers were made in April and May) and reached all originally intended groups, the COVID-19 impact on poverty would have been limited to 17.2% and 9.9% in April and May 2020 respectively - red bars in Figure 10- or about 9.5% and 5.9% reductions. The reductions were therefore not as good as expected for the transfer program. In reality, these were larger than the simulated transfer needed to keep poverty statuses unchanged, as pointed out above. While the GoV SP package support could substantially bring down May 2020 income poverty rates in urban areas and among Kinh-Hoa households, the simulated impact of the Gov SP support on rural and EM households appeared to be less prevalent: the simulated "with GoV SP support" income poverty rates among rural and EM households in May 2020 were, respectively 14.1% and 54.8% (as compared to "without GoV SP support" rates of 21.9% and 70.3%).

The reductions in absolute terms were slightly higher in the rural area, compared to urban areas. However, given the significantly higher poverty rates in rural areas, the slightly higher reduction in the rural areas would not be enough to maintain the relative poverty rates in the two areas. Put differently, the government support would increase the relative gap in poverty rates between the two areas. For the simulated impact of the pandemic in April, the poor population in the urban areas accounted for 19.5% of the total poor population. However, the proportion of the poor population of the area decreased to 14.8% only, under the simulated impact of the government support.

The comparison between Kinh-Hoa and EM groups was similar. Under the simulated impacts of the pandemic, Kinh-Hoa sub-group accounted for 53.1% of the poor population in April 2020. Meanwhile, the proportion of the Kinh-Hoa sub-group was 39.6% under the scenario of government support during this month.

Reasons for moderate impacts of the government support

Indeed, the somewhat random nature of simulation exercise, may overstate the ratio of people, who would not receive transfers, as if the affected people had not been well defined in reality. In addition, it may also overstate the ratio of people staying non-poor who received transfers. Therefore, **the simulated impact may also understate the impact, in terms of coverage in reality.** However, the amount of transfer arguably well reflects that of the situation in reality.

The reduction in poverty was only seen to be modest, as the effect of the government transfer was arguably hampered by both insufficient transfers to specific groups as well as non-coverage of some groups of affected people. It would be considered reliable for the first point but the second point should be considered with caution, as discussed above.

In general, the government transfer of 250 thousand for the vulnerable subgroup would be higher than the average of about 233 thousand VND in need for a person to stay non-poor. In addition, if it is assumed that people can receive all types of transfer inclusively, the total amount of transfer would be higher. However, the vulnerable people who fall into poverty would need more, 368 thousand VND per person, per month to help them stay non-poor. The total received amount of a previously vulnerable person would be about 330 thousand VND per month, which is still below the average need for staying non-poor.

Meanwhile, about 52% of previously non-vulnerable people who fall into poverty received some kind of transfer. This figure is far from universal. It should be noted that previously non-vulnerable people account for 63.2% of the group falling into poverty. Therefore, about 30.3% of people falling into poverty, would be considered to not have received a transfer. However, as noted this rate may overstate the non-coverage in reality, due to the nature of randomly assigning beneficiaries of the simulation exercise as discussed above.

The story is different between urban and rural areas. In the urban area, the non-coverage was considered more serious, as the average receipt of people falling into poverty would be higher than the average need of the sub-group to stay non-poor. However. the ratio of the population falling into poverty previously categorized ad non-vulnerable would be covered by the higher the transfer (about 57.9%). However, this sub-group accounts for 86.3% of total people falling into poverty in the urban area. Therefore, 36.3% of the total people falling into poverty in the area would not have received the transfer.

In the rural area, the problem of non-coverage would be less serious; about 28.6% of people falling into poverty that was previously non-vulnerable would not be covered by the transfer. However, the problem would rather be the amount of transfer - for those who were previously vulnerable, would need about 373 thousand VND per month for staying non-poor, yet the average total transfer would be 323 thousand VND only.

Table 14. Simulated transfer to keep status of poverty - COVID impact

	Total amount of money needed to transfer to keep people falling into poverty staying non-poor (billion VND)	Total amount of money needed to transfer to keep poor people's income unchanged (billion VND)	Average amount of money needed to transfer to a person falling into poverty staying non-poor (thousand VND)	Average amount of money needed to transfer to a person who is previously vulnerable falling in to poverty staying non-poor (thousand VND)	Average amount of money needed to transfer to a person who is previously non-vulnerable falling in to poverty staying non-poor (thousand VND)	Average amount of money needed to transfer to keep a poor person's income unchanged (thousand VND)
The whole population						
April 2020	4808.00	1288.00	233.19	367.99	154.85	302.29
May 2020	2308.00	1101.00	220.98	261.71	139.25	258.52
Urban area						
April 2020	850.70	45.90	181.60	310.12	161.44	270.63
May 2020	143.20	32.51	127.86	163.78	93.52	191.70
Rural area						
April 2020	3958.00	1242.00	248.36	373.28	151.89	303.61
May 2020	2165.00	1069.00	232.17	270.05	148.27	261.29
Kinh-Hoa sub-group						
April 2020	2248.00	167.20	182.32	328.68	135.99	191.16
May 2020	366.60	104.00	119.05	131.83	72.47	118.88
Other Ethnic Minorities						
April 2020	2560.00	1120.00	308.89	393.25	202.96	331.02
May 2020	1941.00	997.10	263.62	330.63	155.01	294.62

Source: Authors' calibration with data from VHLSS 2018 and RIM-2020.

Table 15. Simulated transfer in reality

	Average amount of money a poor person received (000 VND)	Average amount of money a vulnerable person falling into poverty received (000 VND)	Ratio of non-vulnerable people falling into poverty received transfer (%)	Average amount of money of a non-vulnerable person received (000 VND)	Ratio of staying non-poor people received transfer (%)	Average amount of money of a staying non-poor person received (000 VND)
The whole population						
April 2020	285.50	330.15	52.00	330.13	33.42	331.74
May 2020	285.50	329.62	38.66	303.08	36.79	332.79
Urban area						
April 2020	329.27	408.59	57.88	372.19	30.56	350.04
May 2020	329.27	418.18	57.45	400.96	33.98	353.53
Rural area						
April 2020	283.69	322.98	49.35	307.90	35.19	321.92
May 2020	283.69	322.07	34.95	271.33	38.50	321.68
Kinh-Hoa sub-group						
April 2020	324.48	377.65	59.27	342.45	33.47	333.12
May 2020	324.48	386.07	60.70	387.73	36.99	334.36
Other Ethnic Minorities						
April 2020	275.43	299.63	33.45	274.48	32.61	306.39
May 2020	275.43	299.66	33.46	266.82	33.66	304.71

Source: Authors' calibration with data from VHLSS 2018 and RIM-2020.

Table 16. Simulated poverty and inequality if the government support is disbursed

	Poverty rate (%)	Poverty gap (%)	Poverty severity	Vulnerable rate (%)	Palma index
The whole population					
April 2020	17.21	4.12	1.50	30.75	1.45
May 2020	9.88	2.19	0.95	17.02	1.41
Urban area					
April 2020	7.68	1.60	0.52	29.28	1.39
May 2020	1.41	0.21	0.05	11.18	1.19
Rural area					
April 2020	21.94	5.36	1.99	31.48	1.43
May 2020	14.09	3.17	1.40	19.92	1.50
Kinh-Hoa sub-group					
April 2020	8.16	1.51	0.65	31.77	1.29
May 2020	1.05	0.22	0.44	14.67	1.17
Other Ethnic Minorities					
April 2020	63.25	17.37	5.85	25.55	1.07
May 2020	54.81	12.23	3.54	28.99	1.26

Source: Authors' calibration with data from VHLSS 2018 and RIM-2020.

1.4.3. GoV SP package design and implementation issues

Despite the intention of preventing vulnerable people from falling into poverty and protecting those already poor from descending deeper into poverty, the GoV social protection support policy faced several issues in its design and implementation.

The above-mentioned transient poverty was a challenge for poverty-targeting of social protection support to lessen the negative impact of the pandemic. Particularly, the rapid change in the poverty situation resulted in social protection support packages (that was based on the list of the poor and near-poor approved in December 2019) that missed many households and people , who became poor and near poor since the pandemic outbreak - notably the vulnerable (lower middle income) households in rural areas. This may be considered the main factor in explaining the results of the above-mentioned simulation of the impact on income poverty of the GoV SP support package.

While indicating serious negative impacts on employment and income of the groups of households with vulnerable employment, the report identifies several specific groups that were left out of or under-served by the GoV social protection support package, both by policy design and implementation. These groups include:

1. As mentioned above, the group who recently became poor and near-poor during the peak of the pandemic. The report has shown that while many poor households have been deepened into poverty, many households with vulnerable employment have been pushed

below the poverty line and are struggling to cope by cutting expenditures that may lead to nutrition deprivation and falling behind in education and thus a deepening of poverty. Meanwhile, the poor and near poor beneficiary list under Resolution No.42 and Decision 15 was based on the December 2019 poor and near-poor household list. This report has recorded the following four concrete groups, temporarily falling into poverty due to loss of income caused by the COVID-19:

a. Families of young laborers (under 25 years old) with young children, especially of single mothers and/or only one bread-earner who lost their jobs or had their income reduced due to COVID-19, having no savings and migrant-workers having burdens of paying rent in the city. This would suggest that a cash transfer scheme for the category of households with young children (under 3 or 6 years of age) could have reached this missing group faster and without errors.

b. Labor (formal or informal labor) lost income, and at the same time, had to take care of health cost increases for the dependents in the family, who may be suffering from serious illnesses and be in need of treatments in specialized hospitals. Due to the pandemic, some hospitals were mobilized as a quarantine places for infected and suspected COVID-19 patients. Therefore, some patients had to have their treatment in other specialized hospitals. Some interviewees reported that this resulted in additional travel and other expenses. Under the pressure of these additional costs that may be coupled with the loss of income, these households claimed to be pushed further into poverty.

c. Migrant workers experienced a serious decline in income, and in turn, a decrease in remittances and savings for children's education. They worried about not having enough savings to pay for school fees for their children for the coming school year commencing in August 2020. They may not have had their status updated in the poverty list in their migration destination, because the local people may have perceived them as being migrants seeking jobs in the city, as non-poor people. This may suggest alternative registration methods (for the identification of beneficiaries of cash transfer schemes) based on citizenship, rather than residency registration, could have helped the support to better reach the migrant-workers.

d. Households with the elderly over 70 years, who were in need of medical treatment faced difficulties in health care, although some cases of doctors over-prescribing to reserve drugs during the pandemic time. They were worried about becoming infected in the hospitals, so they may have taken on medical expenses without insurance and bought drugs outside of hospitals. The above 70year-old group would need support to compensate for the increased nutritional and medical costs incurred during the pandemic period. This would suggest that an extension of the current cash transfer scheme targeting the elderly people of 80 years of age and above, to also cover 70-80-year-old groups, would make a difference for those in need.

2. Largely affected group is identified as the informal and ethnic minority group, working in the affected agriculture sector segment , and who have secondary income from other sectors of manufacture or tourism, and where these additional incomes were lost due to the pandemic. They were considered severely vulnerable as their ability to find temporary jobs was lower compared to other groups. Accompanied by the decline in remittances and income from other economic activities, there would be no investment available for the forthcoming agricultural crops. Meanwhile, the beneficiary list of Resolution No.42 and Decision 15 (explicitly targets non-agriculture workers) excluded agricultural labor.

Therefore, many households suffering from reduced income from tourism and services were not entitled to support, because they also belonged to a local group doing agricultural activities. The survey recorded two specific seriously affected groups:

a. In Ha Giang and Lao Cai, ethnic minority women working for a number of cooperatives providing homestay services, cultural lodges and souvenir crafts for tourists were affected seriously. They lost income due to no tourists and faced severe financial pressure related to loans for renovated motels, and materials for handicraft production. No income from services for tourists resulted in a reduction in investment in agriculture for the next crop, reduction of cultivated land by a half or one third, and an estimated loss in crop yield. As local farmers must wait until Aug and Sep to harvest crops and earn income from that, their situation of declining living standards was considered alarming. Especially as these people were excluded from the beneficiary list due to the related "agricultural" characteristic of their work.

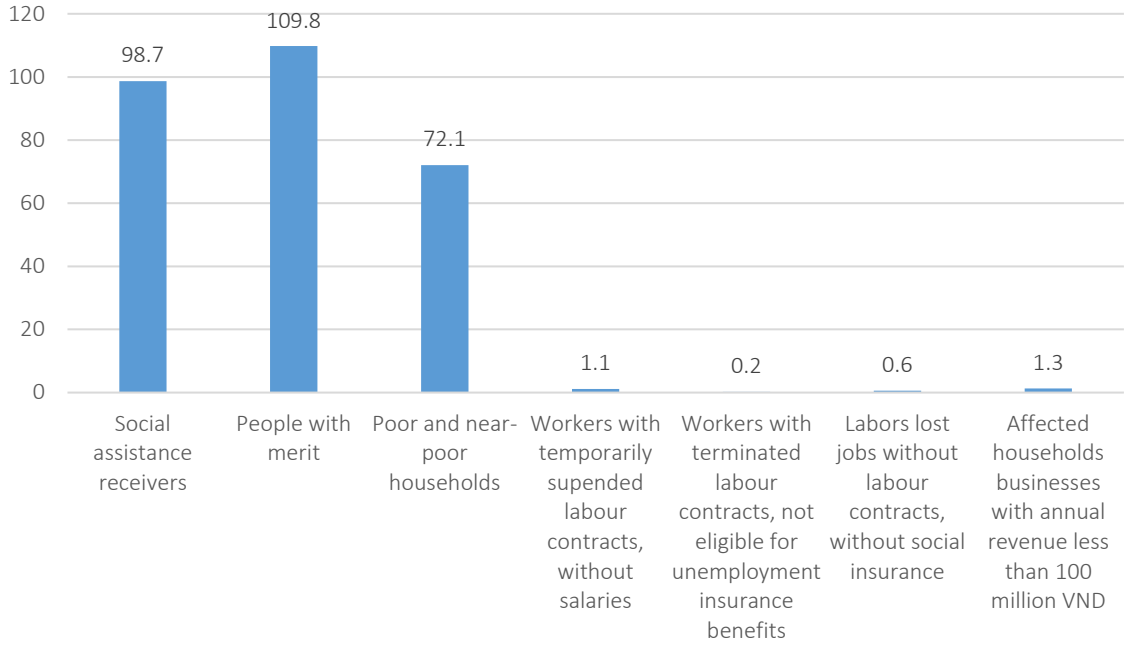
b. In Quang Tri, ethnic minorities living by agricultural activity in the border areas were severely affected as they could not access their cultivable land across the Lao border. Up to 80% of the households in the village fell below the poverty line. Despite being affected by COVID-19 as it resulted in the shutdown of the border gates, and thereby there were no possibilities for cultivation or harvesting of agricultural products, they did not receive support because of the characteristic of their work being related to "agriculture".

Complicated rules and procedures in identifying and verifying eligibility, as well as the requirements for local governments to use their own budgets to cover the costs of the Decision 15 implementation, prevented several targeted groups from accessing the GoV SP package. These targeted groups included (i) formal workers that lost jobs or work hours/ income reduced (income less than the poverty line) but not eligible for unemployment insurance benefits, (ii) informal workers that lost their jobs / experienced income reductions (less than poverty line) and (iii) affected enterprises that had insufficient resources (e.g. to borrow zero-interest loans from social policy bank) to pay salaries to workers. It is noted that these groups were not targets of the pre-existing SP system and thus mechanisms for targeting/delivering cash transfers were not developed and tested before pandemic hit (the GoV acknowledged that the SP package supporting the COVID-19 affected groups was the first-ever that was designed and implemented in Viet Nam).

This together with the requirements for (i) applications for support for laid-off workers to be submitted by the enterprise, not the employee, (ii) applications for support for migrant workers to be certified at both the place of origin and destination of migrant workers and (iii) local governments using their own budgets to cover the costs of the Decision 15 implementation, resulted in a very low level of actual coverage of these targeted groups.

According to a 18 June 2020 report of MOLISA, while the short-term cash transfers were made to 98.7% regular social assistance beneficiaries, 109.8% people with merits, 72.1% poor and near poor households, the proportions of other intended target groups that received the cash transfers remained very low. Only 1.14% amongst workers with temporarily suspended labour contracts, 0.24% amongst workers with terminated labour contracts but not eligible for unemployment insurance benefits, 0.6% amongst workers without labour contracts and social insurance that had lost jobs, and 1.28% amongst household businesses with annual revenues of less than 100 million VND that had suspended business as the result of COVID-19 had received the cash transfer (see Figure 15).

Figure 15. Proportion of target groups received GoV SP support as of 18 June 2020 (%)



Box 4. People with disabilities amongst the hardest hit by COVID-19

"I have been blind since I was born. I have a weak immune system and I am in poor health condition. I have been regularly sick since I was little. I am having unpaid leave during the COVID-19 outbreak, so I have no money for medicine and treatment."

The type of difficulties described here were found to be rather common in the Rapid Assessment of the Socio-Economic Impact of COVID-19 on persons with disabilities in Viet Nam.

The Rapid Assessment revealed that 82% of respondents expressed concerns about protecting their health during the pandemic in Viet Nam. In particular, 70% of respondents found it challenging to access medical care, including for check-ups, medicines, assistive devices and rehabilitation services. 30% of respondents became unemployed due to COVID-19. Another 49 % saw their working hours reduced and among those who were able to work, 59 % were subject to a pay cut. As a result, almost all respondents (96%) expressed concern for their financial security. Alarmingly, 72% of surveyed PWDs had an income of less than 1 million VND in March 2020, which is a 21% increase in this income range compared to the previous period (February 2019 to February 2020). 28% of respondents started using their savings to sustain their livelihoods during this difficult time. Among respondents, 71% were working in the informal sector, which may have entailed complicated paperwork to prove their eligibility for the Government's social protection support.

Source: Rapid Assessment of the Socio-Economic Impact of COVID-19 on persons with disabilities in Viet Nam (UNDP Viet Nam, May 2020)

Box 5. Difficult access to policy information and complicated application

The procedure is difficult for informal workers to certify no income.	We have seen television news about this support package for a long time but still haven't seen anything. I found myself in the beneficiary category because I was a freelance, a tour-guide, who lost my job, and my income was zero. However, when I asked, the officials did not know the procedure well. Due to the nature of my job as a freelance tour guide, I don't have a professional card and I don't belong to any unit or association, so it would be difficult to prove that I lost my job. Waged workers in the company will have a decision to leave but informal workers like me have nothing. And I do not know how to do the procedure to receive support. Many also have savings to survive through the pandemic. I have to spend money with my wife, 2 children, and 2 elderly parents without a pension. My house has a small restaurant but now we have to close down because there are no tourists. So, for me, whether assistance is of 1 million VND or less, it is very precious now, even more in terms of emotional support and sharing. *30-year-old male, tour guide, Da Nang*
The procedure is not clear	Regarding support, I went to find out the information and then went to the People's Committee to apply. At first, they said they had received the policy information, but they did not know if we would get support and did not know what to do next. There should have been a department to validate the affected beneficiary list. The tourism sector is especially hard hit. Because 90% of tour guides across the country are freelance workers who do not sign labor contracts or have only a one-off contract for some working days. When an epidemic occurs, there is no income, and the cost of everyday life is much more expensive. *38-year-old male, tour guide, Phu Yen*
Unaware of the procedure to apply for support.	In April, I called and asked the Chairman of the Commune Women's Union but they said they had not seen any support, had not seen any policy announcements, and a few people who were cooperative owners said that no one had supported them yet. Now, the village head said that the application procedure was clear, and we cannot apply because we are farmers, despite the fact that we face income loss. *36-year-old female, farmer, Ha Giang*
Government staff should be proactive in terms of procedures	Timely support to the right people should be the principal in policy implementation. Support is not much but it also expressed the attention of the government to laid-off workers. The village leader or Ward officers often knows the local people's situation, then they can help to draft the beneficiary list. Local authorities publicize the beneficiary lists and then bring the support back to the people, which is perceived as a solution against corruption. *45-year-old male, mason, Binh Dinh*
Utilize technology in certify the beneficiary list	Computers and the internet are everywhere. Each person just needs his identification number. Local officers only need one ID to know a person's information. If you have received support from this ward, then another ward will not grant you it, when two of them connect to each other online. I was told to return to Ha Tinh to apply for support, but I was not instructed on what the procedure was. Moreover, I have to take care of my seriously ill wife here, I cannot go to another province. I accept not receiving support even though we are miserable. Now, as a motorbike taxi driver, I do not dare to drive. If I get sick, no one will take care of her. I borrowed some money from relatives to spend on treatment for my wife, but I only dared to eat miserably. I just hope the disease will be over soon so I can make some money. *68-year-old male, motorbike taxi, Hanoi*

Source: Qualitative in-depth interviews, RIM-2020

The implication described above have led to a very low level of actual coverage of the identified target groups. According to the 18 June 2016 report of MOLISA, while the short-term cash transfers were made to 98.71% regular social assistance beneficiaries, 109.8% people with merits, 72.1% poor and near poor households, the proportion of other intended target groups that received the cash transfer remained very low. The number for recipient of cash transfers was only 1.14% amongst workers with temporarily suspended labour contracts, 0.24% for workers with terminated labour contracts but not eligible for unemployment insurance benefits, 0.6% for workers without labour contracts and social insurance and who lost jobs and 1.28% household businesses with revenues of less than 100 million VND that had to suspend business as the result of COVID-19.

CHAPTER 2.
COVID-19 IMPACT ON VULNERABLE BUSINESSES

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It takes 7 years to research and process red pepper, expected revenue ais 10 times higher than black pepper. 2020 was a promising year as orders would come from France, Korea, Russia, etc. 30 (…) households can join the production of 10 tons. Because of the pandemic, all orders were canceled, harvested pepper was stored in the warehouse

Pepper processing cooperative, 18 laborers, Gia Lai

Revenue became zero while the firm still must pay the bank interest rate, taxes, social insurance, salary for workers, electricity and office rents. No reduction has been confirmed. Therefore, we have no choice but to let workers leave without pay because the business can only survive for 2 more months

Event planning firm, 12 employees, Hanoi

After Tet, all bookings are canceled, the hotel closed. However, we still pay the workers. They are ethnic minority people, whom we spent a lot of time training.

3-Star hotel, 15 employees, Ha Giang

Because of the pandemic, enterprises must increase around 20-30% of the regular costs for pandemic prevention measures and arrange accommodation for workers in quarantined production sites.

Construction company, 170 employees, Ha Giang

When the government implemented social distancing, 30 workers chose to stay at home for their safety. The rest have been arranged in quarantined accommodation in order to keep working at construction sites.

Construction company, 80 employees, Lao Cai

Tea harvest is from February to April, which coincided with the time of social distancing. Therefore, it was impossible to hire workers to collect tea, resulting in a crop failure of 2 billion VND.

Clean tea company, 140 employees, Ha Giang

We run the indigenous homestay service for tourists. We borrowed money from banks to re-decorate the motel. We have had no bookings for these 3 months. Therefore, members of the cooperative have no other income but agricultural production. Because there is no money from tourism to invest in seeds and fertilizers for crops, we can only cultivate - of the existing area.

Tourism cooperatives, handicraft, 55 members, Ha Giang

When the pandemic came, we closed our kindergarten. No revenue due to kids staying at home. We must lay off teachers without paying. We still must pay 20 million VND for monthly rent.

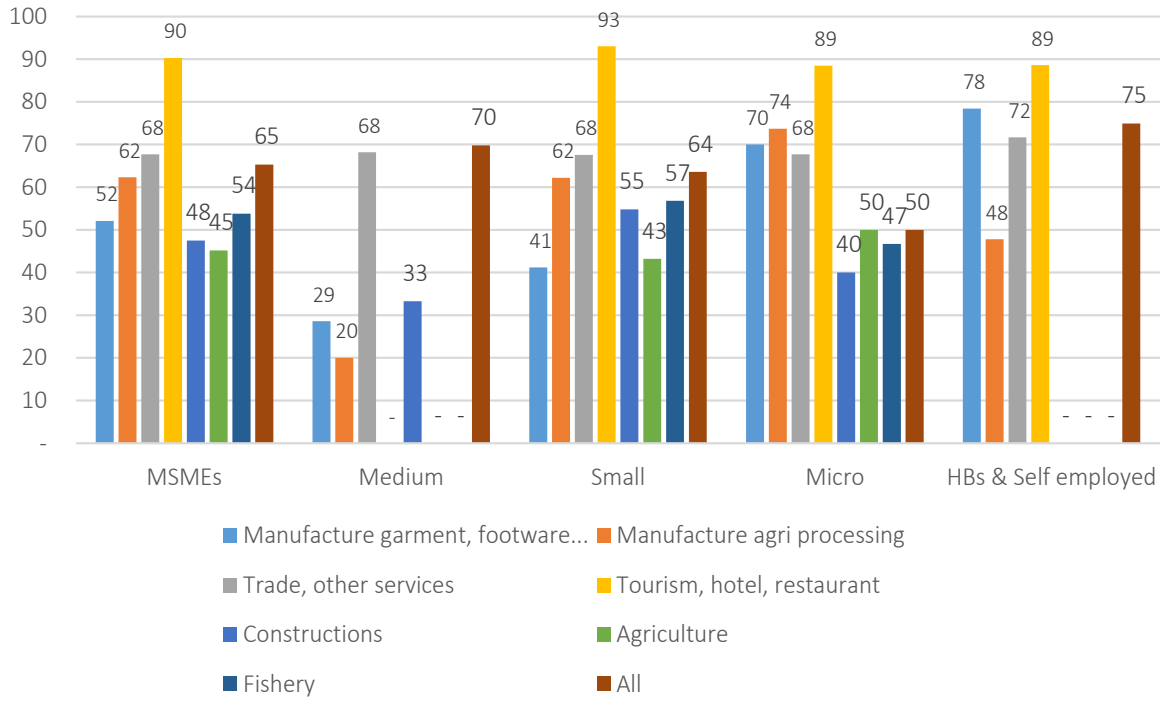
Private kindergarten, 15 employees, Hanoi

Source: Qualitative in-depth interviews, RIM-2020

2.1. Substantial revenue reduction due to scale down of business activities

Most enterprises were affected heavily in terms of revenue reduction. In April and May 2020, 65.3% of MSMEs and 74.9% of HBs in the survey reported a more than 50% revenue decline as compared to December 2019 revenue levels (see Figure 16) [17]. This share varied across sectors: tourism and related services was the most affected group, with the highest proportion of 90.3% among MSMEs and the highest proportion of 88.6% among HBs reporting a more than 50% revenue reduction. The shares of enterprises in services (trading, education, entertainment, other services) and agricultural processing sectors reporting a 50% and over revenue reduction were in the second-highest group while the share amongst construction and agriculture was in the lowest group.

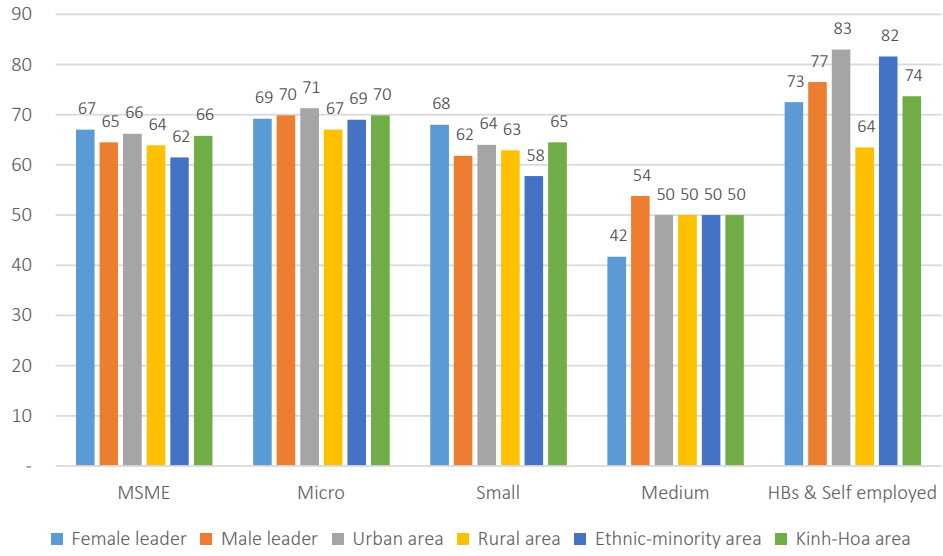
Figure 16. Proportion of businesses reported 50% and over decline in both April and May 2020 revenue by sector (% of units)



Source: Authors' calculation. RIM-2020.

17 MSMEs include medium and small enterprises and micro businesses hiring wage labors. HBs include self-employed and household businesses without wage laborers.

Figure 17. Proportion of businesses reported 50% and over decline in both April and May 2020 revenue by firm characteristics (% of units)



Source: Authors' calculation. RIM-2020.

Figure 17 shows a clear difference as for women-led medium enterprises, accounting for 42% of these enterprises with April and May 2020 revenue declining by more than 50%, while this percentage was 54% as of men-led enterprises. Other groups experienced a smaller gender gap than that of medium enterprises. Differences were also recorded in ethnic characteristics. As for HBs operating in ethnic minority areas, 82% of them suffered a more than 50% reduction in revenue, while only 74% of Kinh-Hoa group had the same problem. Small differences were also evident by informality: 73% of formal HBs experienced more than a 50% reduction in revenue, while 75% of informal HBs had the same problem.

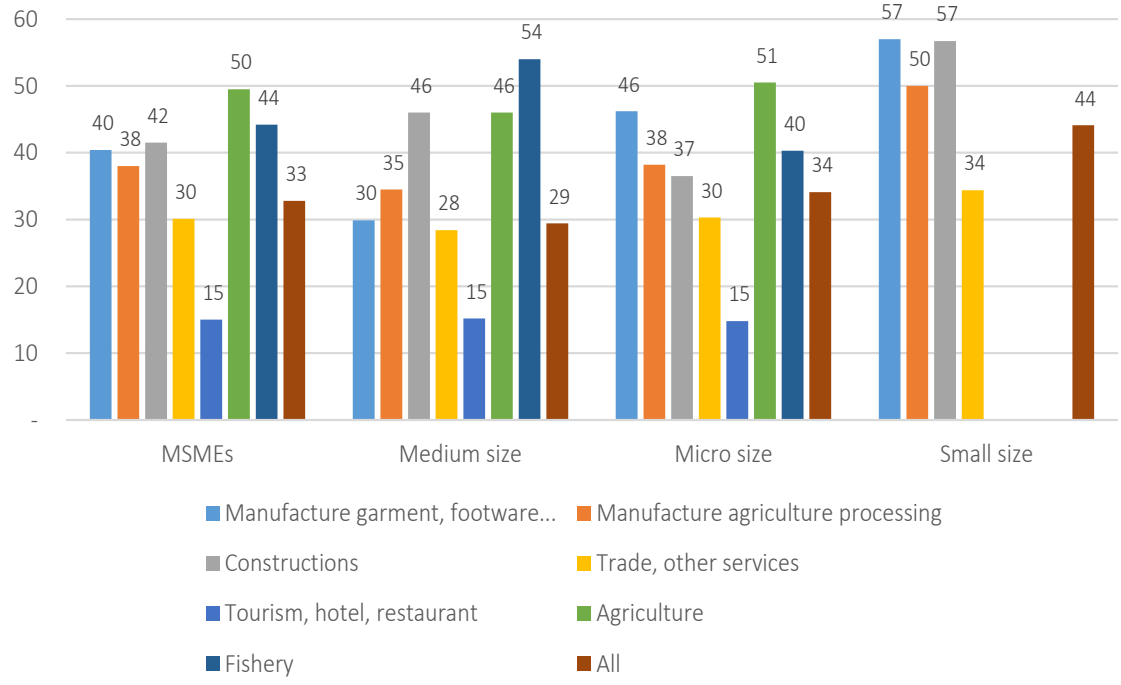
The pattern indicated that the smaller the size, the more firms would lose more than half of their revenue. 50% of medium size surveyed enterprises reported a loss of more than half of their revenue, while small sized was - 64% and micro sized - 70%. 75% of micro HBs reported a revenue reduction of more than 50% due to the pandemic. If everything else is equal, firms with export were more likely to lose more than 50% revenue as compared to December 2019[18] .

Figure 18 also illustrates the same pattern that the smaller the size, the higher a reduction in income. HBs had a bigger loss in revenue in comparison to MSMEs. The average revenue of surveyed MSMEs in both months of April and May 2020 was 32.8% of the December 2019 level, while this figure was only 18.2% for HBs (see Figure 18 and Figure 20). It means the average decline in revenue of MSMEs was 67.2% as of December 2019 with that figure at 81.8% for HBs.

18 See the Annex of a Logit regression on the probability of losing more than 50% revenue as compared to December 2019.

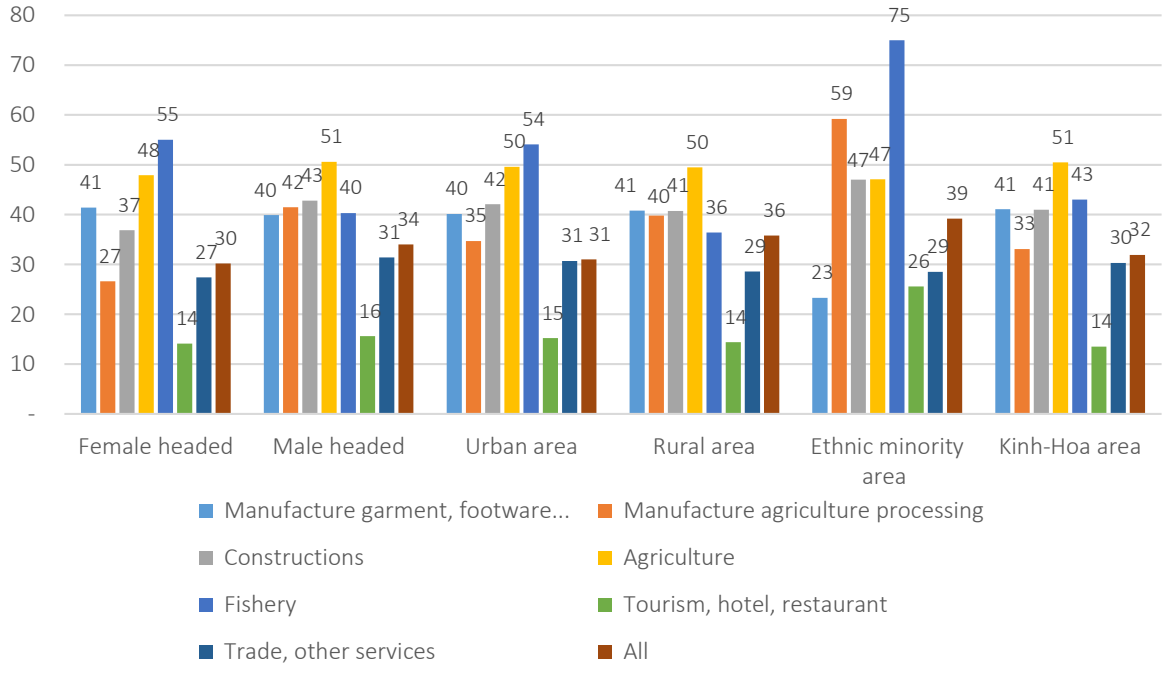
The tourism sector had the deepest decline in revenue at 85% (of both April and May 2020). The revenue of MSMEs and HBs in the tourism sector remained at a very low proportion (15%, and 9%, respectively) of their December 2019 level. The trading and services sectors suffered a 70% cut in revenue, which ranked as the second highest. This decreasing situation occurred almost in all sectors. Overall, the formal HBs experienced worse revenue declines, compared to the informal ones. However, it is not clear whether the pattern differed by gender or ethnicity. Female-led businesses had a higher decline in revenue in agricultural processing and tourism sectors, but a lower decline in revenue in manufacturing sectors, compared to male-led firms. Notably, in the agricultural processing sector, the average revenue in female-led HBs remained at 27% of their December 2019 level. Meanwhile, the reduction rate was 42% for this sector when led by males.

Figure 18. Revenue by firm size of MSMEs
(% of both April and May 2020 revenue, compared to that in December 2019)



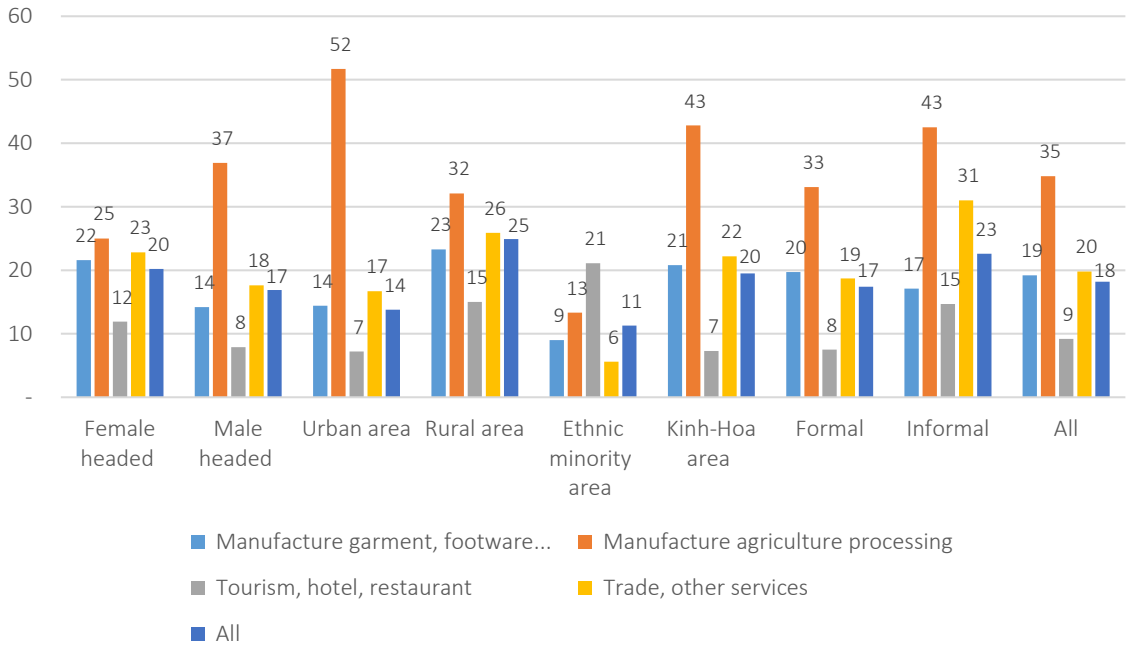
Source: Authors' calculation. RIM-2020.

Figure 19. Revenue by firm characteristics of MSMEs (% of both April and May 2020 revenue, compared to that in December 2019)



Source: Authors' calculation. RIM-2020.

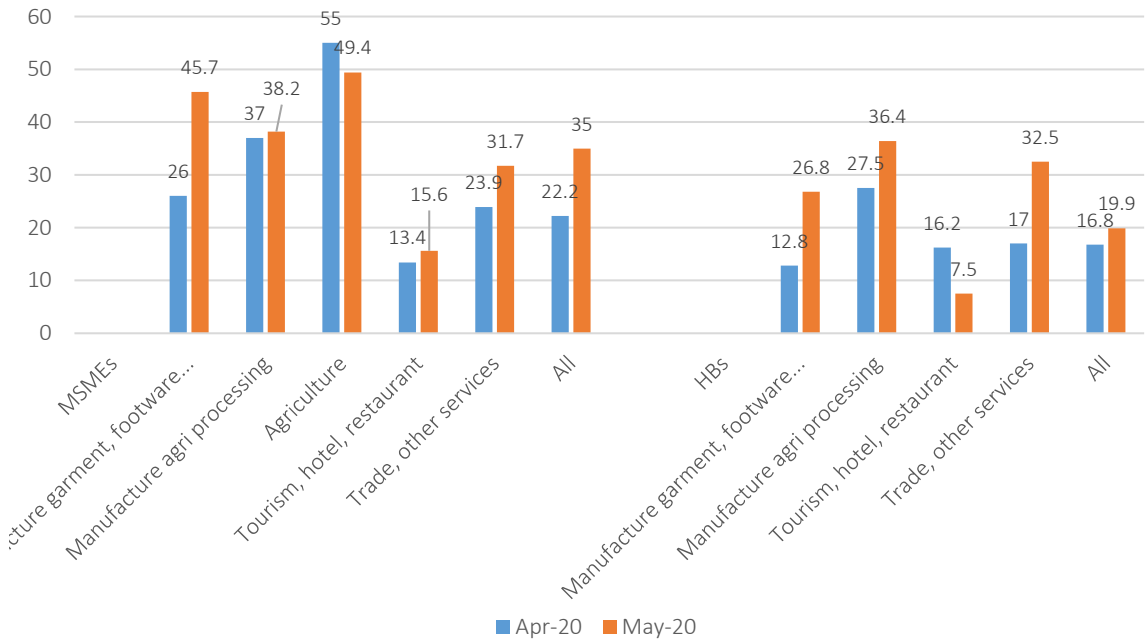
Figure 20. Revenue by business characteristics of HBs of MSMEs (% of both April and May 2020 revenue, compared to that in December 2019)



Source: Authors' calculation. RIM-2020.

The surveyed HBs and MSMEs suffered from a sharp reduction in revenues as COVID-19 caused a scaling-down of their business activities. The revenue reduction was uneven across different types of enterprises. On average, revenue in April 2020 of MSMEs and HBs as the proportion of December 2019 level were at 22% and 17% respectively (see Figure 21). In other words, in comparison to the December 2019 level, MSMEs suffered a 78% reduction in revenue, while HBs faced a deeper decrease by 83%. Enterprise revenue in April 2020 as a proportion of December 2019 income was the lowest (13%) amongst MSMEs in the tourism and related services sector such as hotels, restaurants, and amongst HBs in the garment manufacturing and footwear sector. HBs in the tourism sector and related services recorded an April 2020 revenue of 16% (suffered 84% reduction in revenue) and in May 2020 revenue further reduced to 8% of the December 2019 levels. Notably, these sectors employ many more female than male workers. Those MSMEs working in the agricultural sector experienced a further decrease in revenue and no improvements like other sectors. They faced lower levels of revenue as compared to April 2020 levels with the May 2020 revenue at 49% of the December level.

Figure 21. Average firm revenue as the percentage of the December 2019 levels (%)

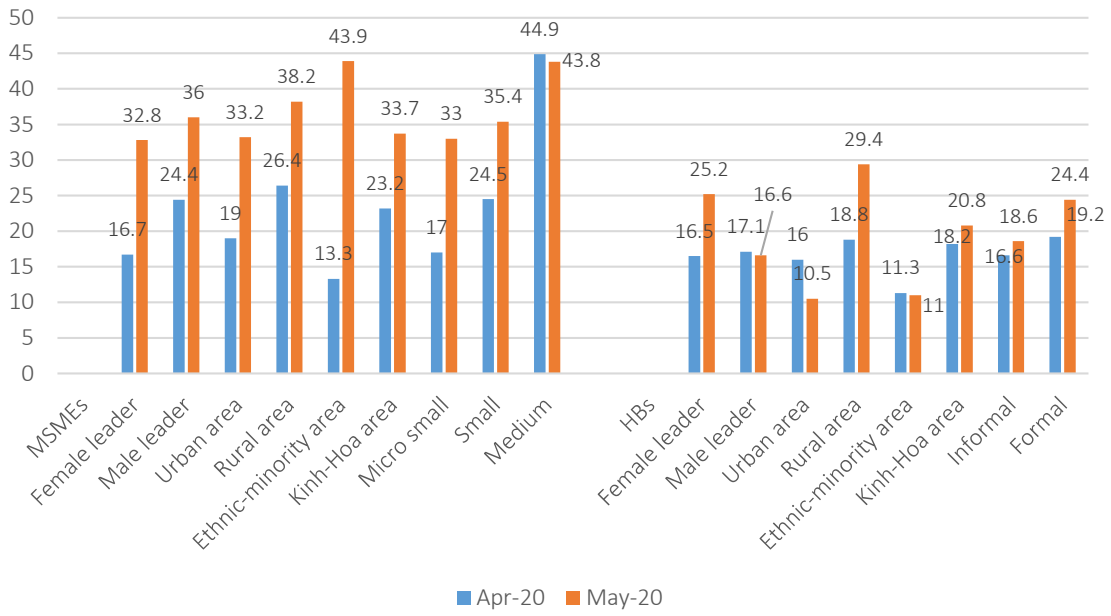


Source: Authors' calculation. RIM-2020.

It can be seen from Figure 22 that in April 2020, at the peak of the pandemic, SMEs and HBs operating in ethnic minority areas suffered an 87% and 89% decline in income, respectively. Urban MSMEs experienced a more severe revenue drop than rural-based ones. This can be explained by the fact that high-contact and international trade intensive activities were overwhelmingly concentrated in urban and Kinh-Hoa living areas. The average April 2020 revenue of surveyed MSMEs and HBs remained at a low proportion (13% and 11%, respectively) of their December 2019 level. During this peak period, the revenue of women-led MSMEs was at 17% of their December 2019 level, which is lower than the rate (24%) for men-led units. Women-led and men-led HBs suffered the same level of revenue reduction (April 2020 average revenue of both groups was at 17% of the December 2019 level).

The revenue decline of surveyed enterprises eased in May 2020. A partial recovery of revenues was recorded for all types of firms, as evident by a smaller revenue reduction in May than in April 2020. In May 2020 MSMEs reported a higher-level revenue as compared to the April level, though the May 2020 revenues were still much lower than the December 2019 levels. Revenue in May 2020 of MSMEs and HBs, as compared to the April 2020 level, were 35% and 20% respectively. It should be noted that recovery was uneven: in May 2020, some groups of enterprises suffered further revenue reduction. HBs in the tourism and related services for instance recorded a further revenue reduction down to 8% of the December 2019 level. Notably, those MSMEs working in the agricultural sector did not experience a similar improvement to others, but rather a further decrease in revenue. While in May 2020, the average revenue of MSMEs in EM areas increased substantially to 44% of their December 2019 level, the HBs in the same area suffered a slight revenue reduction. In May 2020, women-led HBs recovered better than men-led. The average May 2020 revenue of the women-led HBs was 25% of the December 2019 level. The average revenue of men-led HBs was subject to a slight reduction. The majority of firms perceived that the situation was still difficult, and no firms reported a full recovery back to the pre-epidemic level of December 2019.

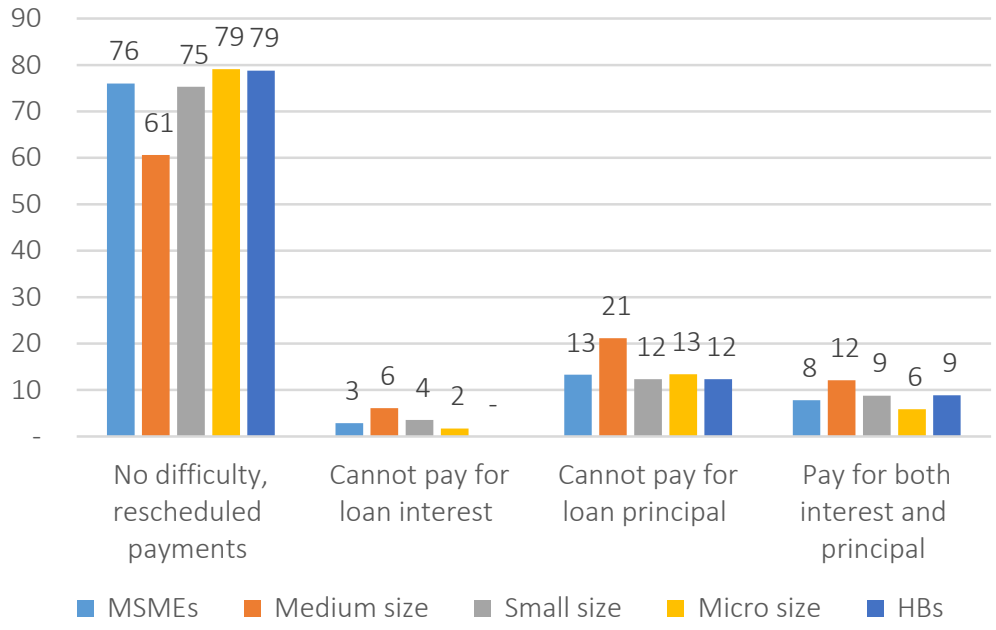
Figure 22. Average firm revenue as the percentage of the December 2019 levels - by firm characteristics (%)



Source: Authors' calculation. RIM-2020.

The survey shows that most of the firms were supported to reschedule payments of current loans, so they are not under hard financial pressure. 76% of the interviewed MSMEs said that they could handle their financial situation (see Figure 23). However, a large proportion of the remaining survey respondents reported a situation of being unable to repay the principal loan in time, when it was impossible to arrange a repayment reschedule. For SMEs, the larger the scale, the higher the non-ability to repay principal loan in time. Among medium-sized firms participating in the survey, 21.2% of them were unable to repay their principal loan in time. This rate decreased to 13% for other groups.

Figure 23. Financial difficulties (% of firms)

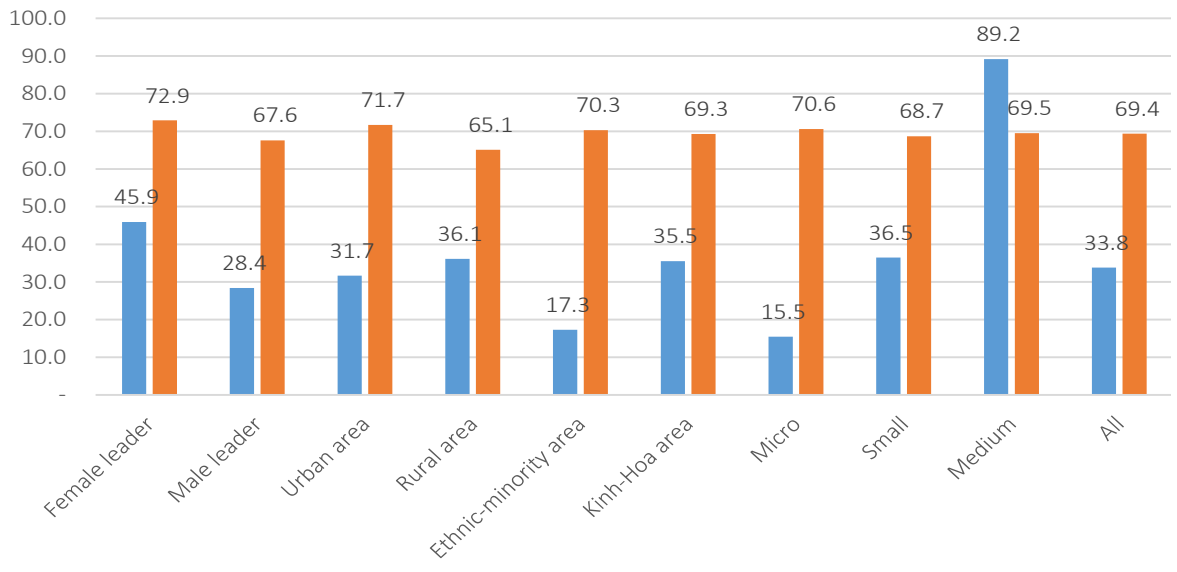


Source: Authors' calculation. RIM-2020.

2.2. Many businesses downsized their work force

Most MSMEs cut down business operations in terms of reducing numbers of workers, due to the serious decrease in demand for output and input supply disruption. At the peak of the pandemic, 23.8% of MSMEs reported a workforce reduction in April and May 2020 by more than 50% of the December 2019 level. Specifically, at the peak of the pandemic in April 2020, the workforce of MSMEs was 33.8% on average, of the December 2019 level (see Figure 24).

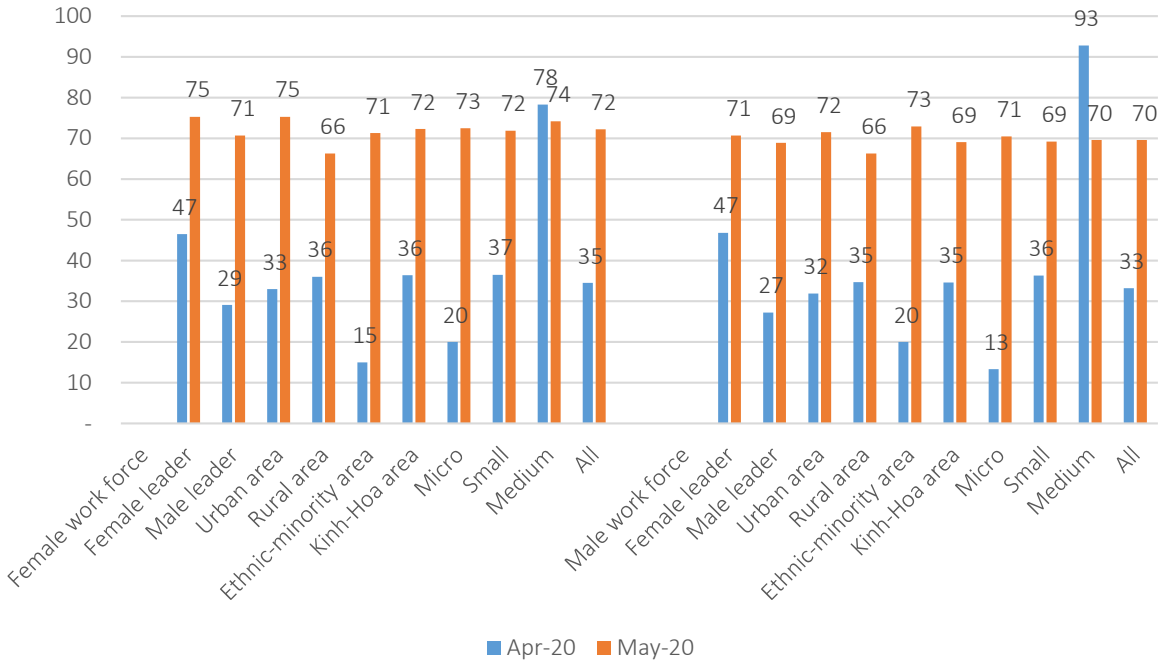
Figure 24. Average work force as the percentage of the December 2019 levels (%)



Source: Authors' calculation. RIM-2020.

Notably, the average workforce of women-led MSMEs was in April 2020 at 45.9% of the December 2019 level, while this rate was only 28.4% amongst men-led firms. However, controlling for other factors equally, the impact of the characteristics of a female-led firm on employment shock is found statistically significant (see Annex). Those operating in ethnic minority areas, and those of micro size, experienced the highest impact, as they reported their workforces in April 2020 at 17.3% and 15.5% respectively of the December 2019 level. These groups showed a good recovery when their workforces in May 2020 were at around 70% of the pre-pandemic level. The larger the size of the business, the lesser the impact COVID-19 had on the workforces in April 2020. While no recovery was observed in term of workforces of medium-size firms, greater recovery was found with the small and medium groups. In May 2020, MSMEs' average size of the labor force did not return to the previous year's labor scale, estimated 69.4% of the labor force as in December 2019.

Figure 25. Average work force by gender - as the percentage of the December 2019 levels (%)



Source: Authors' calculation. RIM-2020.

The gender difference was modest concerning the proportion of workforces in April and May 2020 as compared to the December 2019 level. A difference was, however, more pronounced during the peak period on the medium-size firms' work force: these firms kept their female workforces in April 2020 at 78% of the December 2019 level while they kept their male workforces close to the same level (93% of the December 2019 level). The average level of both female and male workforces in medium-size firms was down to the same level (around 70% of December 2019 level) in May 2020 (see Figure 25). Large gaps in employment impact were also noted between MSMEs operating in the ethnic minority and Kinh-Hoa living areas. Other characteristics do not create any significant gaps.

On average, one SME lays off 9 workers. The number of female workers laid off was lower, about 5 female workers in one SME on average. It can be seen that female workers were given priority during difficult times. The average decrease in the number of daily working hours was about 2 hours as for HBs, which showed no difference in terms of gender. In contrast,

as for those firms keeping the same workforce in the pandemic, it varied in terms of a short-term shock. Half of SMEs and the majority of HBs (67%) still tried to maintain their business size. Notably, the interviews revealed a sense of social responsibility and solidarity on the part of business owners (mainly women-led). Owners of MSMEs also helped to keep their workers, especially female, during challenging times (see Box 6). In simple terms, they expected a short shock and thus there was no thinking of laying off in order to avoid potential hiring costs. Besides this, some construction firms also tried to maintain the labor force in order to avoid the input cost increase if delaying production. For firms with bank loans that were not eligible for an interest rate reduction or rescheduling of payments, they were faced with pressure to maintain operations and push up marketing activities to pay for bank loans.

Box 6. Maintaining workforces: consideration of laying off or keeping labors

Try to maintain business so that workers can have enough money to cover for their family	Our firm still has to operate even though the pandemic is not over. Otherwise, the firm will have no money to pay back the bank and pay other costs. We did stop for a short period. When my employees heard that they would be returning to work they were very excited. Many people have a rough life. If we stop the business, they will have no job and income either. When leaving the job temporarily, they received monthly support at 3 million VND and it was not enough to cover a family of four. Many people registered to work when the route was open again. We would rather risk our health than seeing our families have to suffer no income. *Transport cooperatives, 60 workers, Hai Duong*
Accept non-profit to ensure income for employees	The firm still tries to keep all employees operating normally, accepting to reduce profits to ensure stable living conditions for employees. Most employees working in the company have seniority from 3 to 5 years or more, all of them are local residents. Since early Feb 2020, processing orders for foreign countries plummeted, and processing prices also decreased due to competition among processing units in the area. The company accepts a decrease in the processing prices, from 1.5 to 1.1 USD per unit. Profit declines. Even with no profit and the order is just enough to cover the expense, and the firm guarantees to pay the whole salary for workers. *Domestic private garment enterprise, 200 employees, Bac Ninh*
Use the contingency fund to ensure female workers have enough income to spend on kids	Since February, all activities and events have been canceled or postponed till June or the end of the year. Revenue is zero. 70% of our labor is married women who have children. Therefore, the company is still trying to manage from the contingency fund, mobilizing more from shareholders to pay salaries and benefits for employees like there was no disease outbreak. The company sees this policy as part of its responsibility to its employees. Taking advantage of this time, the company focused on improving the organization, building processes, and training to improve the capacity of employees, accepting difficulties for 3-4 months. *Business event organizer, 15 employees, Hanoi*

Source: Qualitative in-depth interviews, RIM-2020

Box 7. COVID-19 Impact on Labor and Employment in Viet Nam

The **GSO Labor Force Survey (Q2 and first six months of 2020)** estimated that by June 2020, 30.8 million workers were negatively affected by COVID-19 in Viet Nam, among them 897,500 were unemployed and the majority experienced reduced working hours. 72% of the service sector workers' jobs were negatively affected. The labor force (from 15 years of age) shrank by 2.4 million in the first half of 2020 compared to the same period of 2019 - the highest reduction recorded over the past ten years. The female workforce was reduced more substantially: in Q2 2020, the reduction was 5.4% as compared to Q2 2019, held up against a 3.2% male workforce reduction. The Q2 2020 reduction (compared to Q2 2019) of within-labor-age (15-55 for women and 15-60 for men) female and male workforce was 5.5% and 3.6% respectively, while the Q2 2020 outside-labor-age female workforce reduced by 4.9% the outside-labor-age male workforce increased by 1.4% as compared to Q2 2019. The highest labor force reduction was recorded in April 2020. Sectors that experienced a steep reduction of workforce include: manufacturing, hotels and restaurants, education and training, whole sales and retail. As a result, 57.3% of workers had their income reduced. The monthly average workers' income in Q2 2020 reduced for the first time over the past 10 years, by around 5% compared to Q2 2019. GSO anticipates that a scenario of 5 million workers losing their jobs by the end of 2020 is not impossible amongst people of working age.

Source: GSO report on the COVID-19 Impact on Labor and Employment in Viet Nam, 10 July 2020.

The economic impact on SMEs has been severe. Closing down the business would be the choice of 26% of firms, if the shock lasted longer than 3 months. This number went up to 38% if the pandemic would las longer than 6 months. Facing the pressure of revenue decline, many firms had to put their employees on unpaid leave. Some firms provide employees with monthly support to retain workers. Some said that there was no need to retain workers because the labor market was in difficulty, whilst other firms tried to support workers during the pandemic (see Box 8).

Box 8. Income support for workers who take breaks during a pandemic.

Support of 30% salary while leaving jobs	Revenue reached 2 billion VND/month in 2019. After the Tet holiday in 2020, our customer canceled all tours until June due to concerns about the epidemic. 10 out of 15 workers temporarily left and received 30% of the monthly wage. *The travel company, travel, 15 employees, Ha Giang*
1.5-3 million VND/ month for the employee who lost their job	All workers in the enterprise are married, with 1-2 children. Now they can't take care of their family if they don't have a salary. Most people shared that they have not much savings. Therefore, the company uses the contingency fund to pay them the support of 1.5-3 million VND/month, depending on family circumstances. A household with many dependents and no other source of income will have more support than a household with few people, or a second source of income. Hopefully, the pandemic will last 6 months. *The power company, 30 employees, Bac Ninh*

Source: Qualitative in-depth interviews, RIM-2020

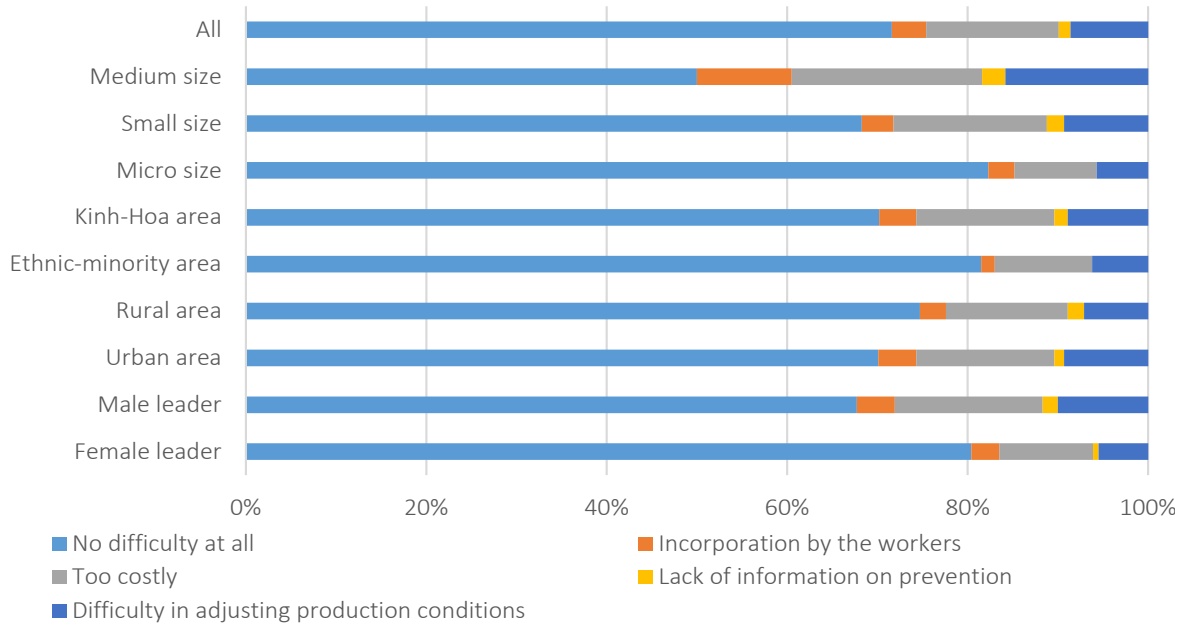
2.3. Enterprise coping measures

2.3.1. Most firms complied well with requirements on social distancing and other safety measures against health risks

In terms of strategies to cope with the double inter-linked health and economic shocks, the picture was mixed though generally positive. In response to the health shock, most firms complied well with requirements on social distancing and other basic safety measures against health risks. About 71.6% of the interviewed SMEs said that they did not have any difficulties in implementing prevention measures. About 1.3% of SMEs reported difficulties due to lack of information on prevention measures, 3.8% reported difficulties due to workers not cooperating in implementation and in changing their behaviors, 14.7% said it was too expensive, and 8.6% reported difficulty in adjusting production conditions to keep them in operation during social distancing. The bigger the firm, the more difficulty was recorded in terms of financing and adjusting production conditions for social distancing. There was no big difference in the difficulty in implementing preventive measures amongst firms in urban and rural areas, by ethnicity and by gender of business leaders.

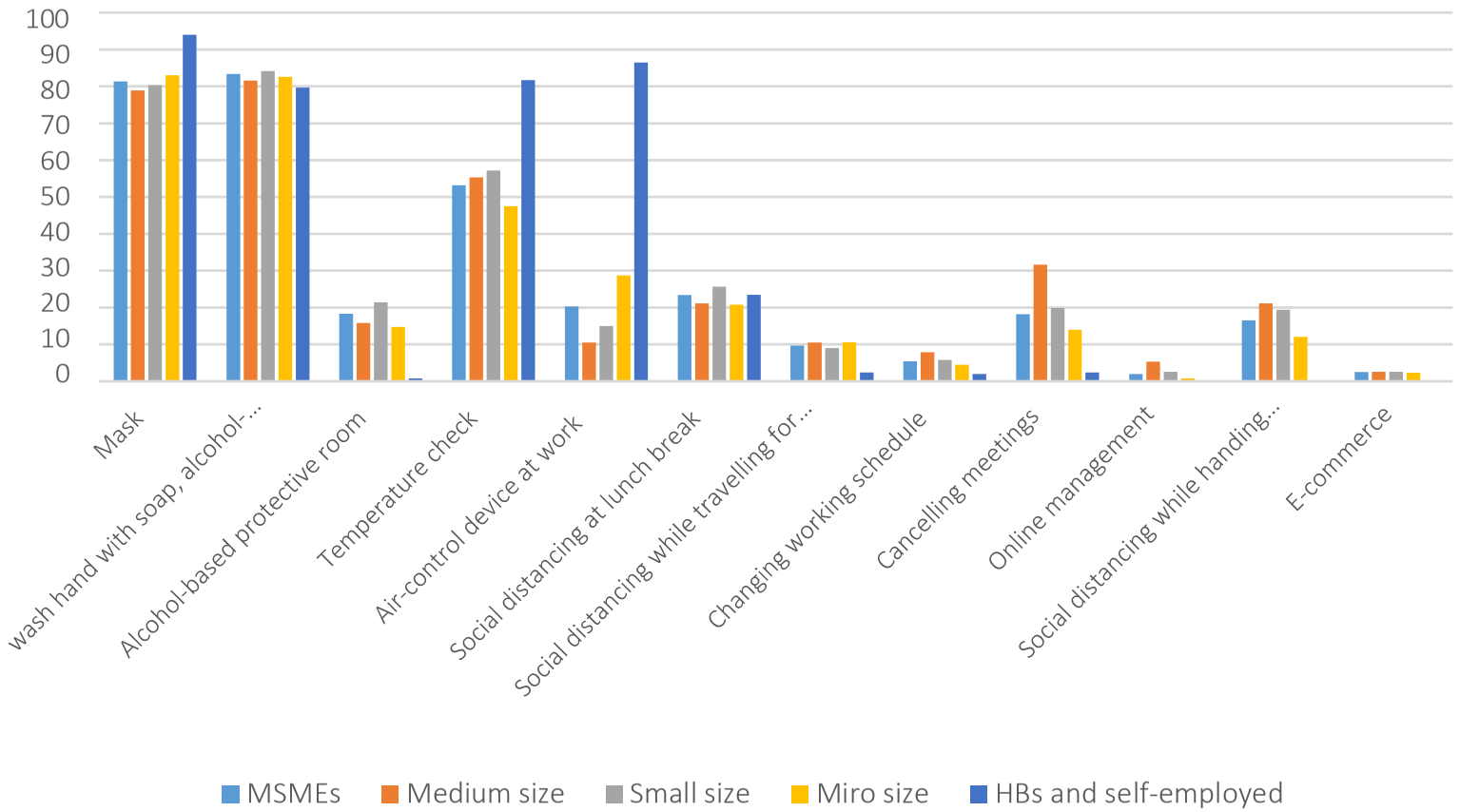
85% was the percentage of surveyed SMEs who applied at least one prevention measure against COVID-19, thanks to good awareness of safety for workers and the community. The use of masks and hand sanitizers was commonly applied in 81.4% and 83.4% of MSMEs, (and 94% and 80% of HBs) respectively. An inexpensive measure such as body temperature checks was also widely applied amongst these two groups, with numbers at 53.2% of MSMEs and 81.7% of HBs. Only few firms employed more costly measures, such as shifting to e-commerce, online operations and restructuring production lines/areas to meet the social distancing requirements. The iimplementation of preventive measures was uneven across different types of businesses. It was less strict in rural areas and at smaller size entities, in comparison to those in urban areas and bigger firms. Differences in implementation of preventive measures by gender or ethnicity of firm heads were not significant.

Figure 26. Reasons for difficulties in implementing social distancing measures (% of SMEs)



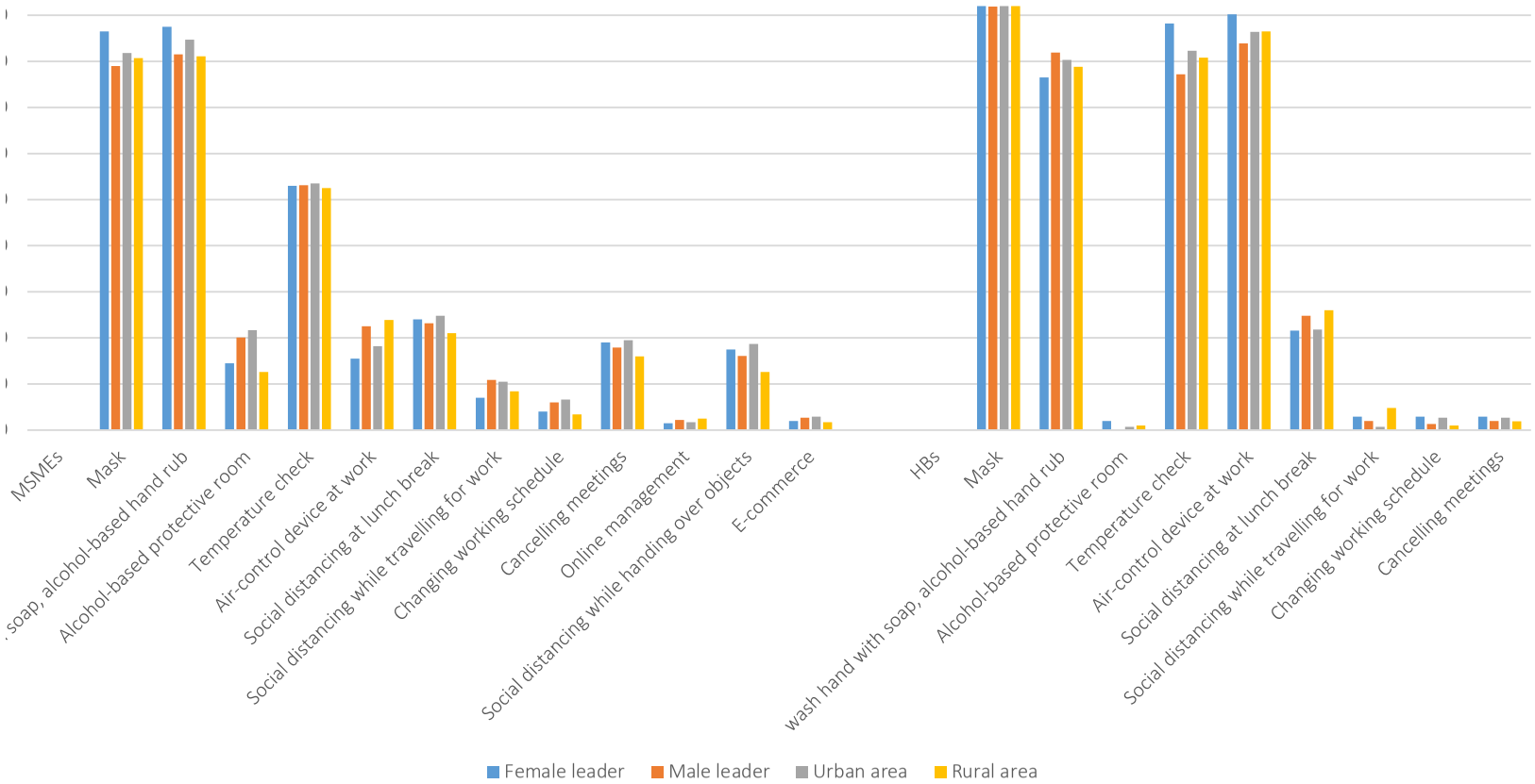
Source: Authors' calculation. RIM-2020.

Figure 27. Pandemic prevention and social distancing implementation (% of units)



Source: Authors' calculation. RIM-2020.

Figure 28. Firm's prevention measure against COVID-19 (%)



Source: Authors' calculation. RIM-2020.

Source: Authors' calculation. RIM-2020.

Digital technology transformation is perceived as the key solution to the new normal state in business operation in the context of high health risk, i.e. COVID-19. However, this causes a challenging implementation for vulnerable firms, when only 2% and 2.5% of SMEs applied online management and e-commerce, respectively. Only 1.5% of surveyed firms in the ethnic minority areas applied e-commerce technology to enhance market access, which is based on the development of infrastructure and transportation services (see Box 9). The smaller the business, the harder it was to invest in technology transfer. Transformation to online management was only recorded by 5.3%, 2.6% and 0.8% of medium, small and micro-enterprises, respectively.

Box 9. Good connectivity via e-commerce platforms and online marketing tools help the recovery of SMEs and HBs in mountainous areas

Ethnic Minority enterprises have their own strength in business development of indigenous specialties. Good connections to the market, including transportation and infrastructure, as well as e-commerce platforms and online marketing tools such as Facebook and Zalo, provided good conditions for MSMEs and HBs in the mountainous areas to link to markets. The survey showed that:

(1) At the peak of the pandemic, April 2020, transportation services were interrupted due to social distancing implementation and thus affecting the majority of EM women HBs and cooperatives, however, in May 2020, transportation went more smoothly and the businesses experienced recovery;

(2) Cooperatives and HBs in the mountainous areas providing tourism services and goods such as handicrafts or special foods/goods for tourists experienced much less recovery of revenue due to the shock in demand; for those providing agricultural and specialized products serving the domestic market, the recovery was better thanks to the transportation services being back to normal and the stability/recovery of the domestic demand;

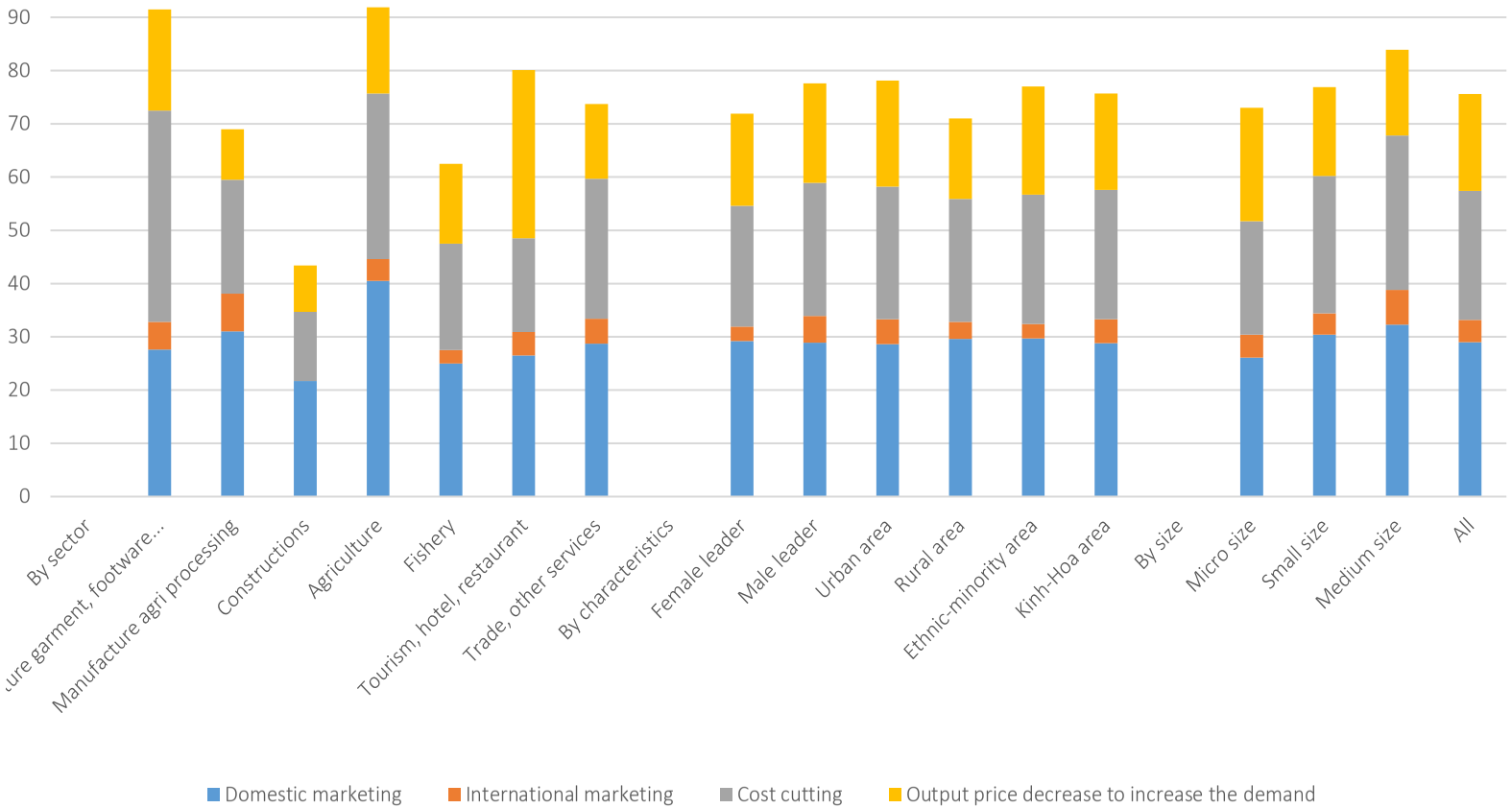
(3) Cooperatives and HBs that use e-commerce platforms and online tools for marketing tended to suffer less of a revenue reduction in April and recovered faster in May thanks to having more diversified markets and better experience in meeting the changes of demands.

Source: This survey and UNDP's survey among 49 women-led cooperatives in Bac Can and Dac Nong provinces

2.3.2. Enterprises of different types coped differently with economic shock

In addition to social distancing measures, firms have other business strategies, which mainly focus on the domestic market (see Figure 29). 29% of SMEs promoted domestic marketing, 18% of them lowered prices to stimulate demand and 24.2% tried to cut production costs. There were also 24.2% of businesses that did not try any alternative solutions because they considered that the demand was hit hard, and they therefore should rather wait for a better time.

Figure 29. Business coping strategy (% of SMEs)



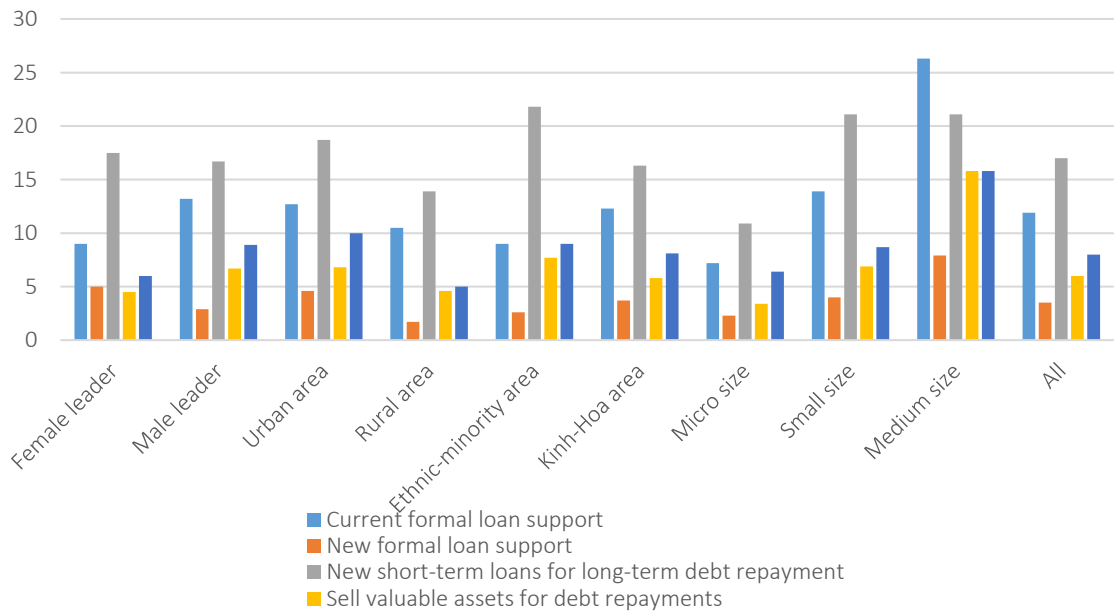
Source: Authors' calculation. RIM-2020.

Source: Authors' calculation. RIM-2020.

2.3.3. Under a half of surveyed enterprises relied on at least a financial measure to cope with economic risk

Besides the above, enterprises undertook financial measures, where most of them were to reschedule payments of existing loans (see Figure 30). The survey showed however that most MSMEs were not under severe financial difficulties. This was presumably due to their low level of financial leverage. This may in turn partially be explained by their limited access to formal loans due to the nature of their business. 80% of MSMEs, and 72% of HBs, interviewed said they managed to overcome financial problems. Meanwhile, only few firms could access support packages, due to the design that was preferential towards existing clients of the banking system while most MSMEs lacked a credit history with banks. Only 3.5% of SMEs accessed new loans from 1st of January 2020. 12% of SMEs relied on the rescheduling of their existing loans. Notably, 17% of SMEs shared that by applying for short-term loans in order to repay long-term loans, they had to accept these high costs due to the difficult times. Implementing this somewhat negative solution would in the short term help them keep their business from falling into bankruptcy. There were also about 8% of firms implementing measures such as raising capital and late payments to suppliers. Others commented that banks found that their plan would not make a profit and saw a high risk in using the money for other loan repayments. A small group (6% of SMEs) sold valuable assets for loan repayments. The bigger the size, the more SMEs could arrange at least one financial solution. Up to 60.5% of medium-size SMEs had implemented at least one financial solution, this number was 43.1% of small-size SMEs and only 24.2% of the micro ones. Male-led businesses, in urban areas, were far more dynamic than female-led businesses and in rural areas. Up to 37.9% of male-led SMEs implemented at least one financial measure, while only 32.5% of female-led ones do the same thing. There was not much difference in financial measures amongst those from different ethnic areas.

Figure 30. Financial measures (% of SMEs)



Source: Authors' calculation. RIM-2020.

At the peak of the pandemic, April 2020, some businesses had to sell valuable assets to pay their costs. The pressure of old loans and a sharp decrease in revenue pushed firms, especially HBs, into informal loans with exorbitant interest rates (see Box 10). If the situation of the revenue decline was prolonged, they would go into bankruptcy. In May, the financial situation led toa better scenario than that in April and the proportion of new loans increased mainly during this period.

Box 10. A loan with extortionate interest while revenue declines

Borrow at a very high rate of interest.	My family has borrowed 200 million VND from a bank to sell coconuts within 18 months. Monthly payment of 10 million principal and interest arising. Last month I paid 30 million VND principal. I haven't been able to sell in recent months. And there are still weeks to the maturity of 18 months, but I don't know where to find 30 million VND to repay. I am going to ask a loan shark for an informal loan of 30 million VND, for every 1 million VND loan, I have to pay 3,000 VND interest/day, then I borrow a new loan to pay for another loan. Hopefully, the bank will quickly disburse because we already sent out the proposal, and our profile did not have any bad debt history. The longer the bank reviews the proposal, the more interest I have to pay to the loan shark. I planned the informal loan with high interest for 10 days or half of a month only, as long as I expected to wait for the approval by the bank. *Male, 38 years old, Hung Yen province*

Source: Qualitative in-depth interviews, RIM-2020

2.4. Few surveyed MSMEs could access policy support

Surveyed, both men- and women-led, enterprises identified three main difficulties in accessing government support. Only 10% of surveyed SMEs accessed policy support. Firms raised concerns about the delay in the implementation of policy support (see Box 11).

Box 11. Complains about support implementation

Complicated procedures. At present, the enterprise has not borrowed much, a few billion VND from the enterprise development fund. We are looking forward to lower interest rates. But since the outbreak of the COVID-19 pandemic, there has not been any policy information. Our accountant asked the fund, but the fund has not seen any notice. The fund informed them that they must ask the People's Committee for approval. The association is currently shut down due to COVID-19. So nothing has happened yet. It could be the thinking of the civil servants, which does not really work for businesses.

Male, 45 years old, hotel, Da nang province

Interest reduction is a little bit low.

Female, 35 years old, garment, Ninh Binh province

Source: Qualitative in-depth interviews, RIM-2020

Three main difficulties accessing government support:

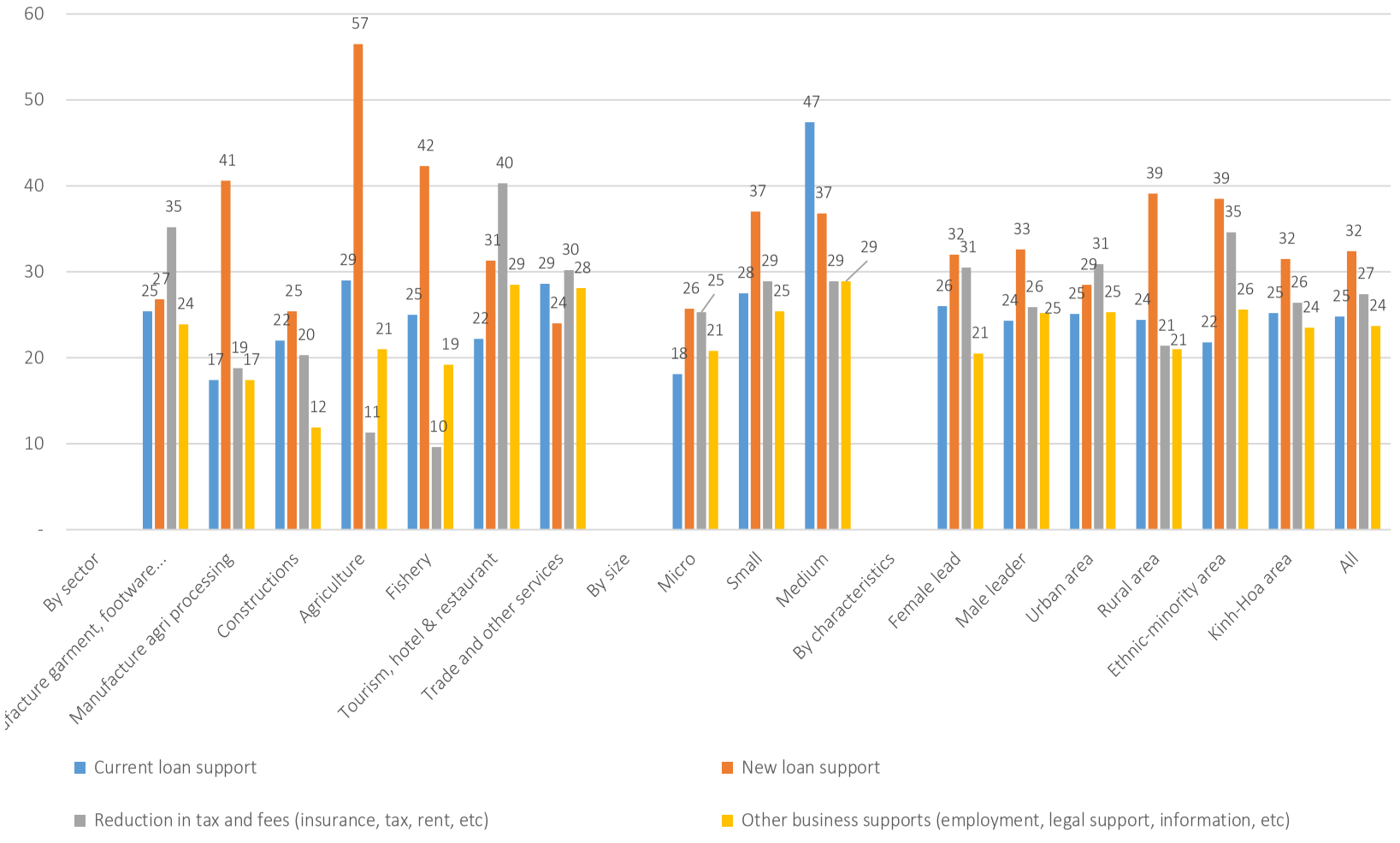
- Difficulties in access to specific information about the application procedure: The government should provide concrete guidelines of the beneficiary definition and requirements and allow digital technology to be used for applications. In this way, the affected firms can identify whether they fit in the beneficiary list and register for support.
- Difficulties in filling applications for support: Application forms and requirements for certification are currently considered as being cumbersome, and time-consuming. It is necessary to use digital technology in this process to reduce the paperwork for firms. Most of the information on the application should be imported automatically from authorities' database system.
- Difficulty in the verification process for support approval: Unclear waiting time for the support was reported by some firms. It is necessary to use technology in this process, to inform firms of the process, requirements and appointments needed.

Support is considered ineffective in mitigating impacts on firms. In order to increase the effectiveness of the support, SMEs mentioned that it would be necessary to focus on reducing interests or rescheduling payments of existing loans. 24.8% of SMEs considered a rescheduling of current loans' repayment as the policy which should be given first priority.
Another proposal was to delay debt payments from 6 months to 1 year, depending on the recovery of firms' revenue or the sectoral recovery. The reasons for this recommendation were: (1) a quick and feasible implementation because all profiles had been reviewed by banks, and (2) transparent support amount.
Firms also commented on other recommendations on types of new loan support, as it would take a longer time to apply for a new loan package, normally some weeks.

It is also worth noting that 32.4% of MSMEs proposed new loan support modalities - among which 7.8% of MSMEs faced difficulties in repaying both principal and interest of existing loans. These SMEs proposed new loan support modalities for a variety of reasons. Amongst them, some SMEs implemented short-term loans to repay debt for long-term loans, accepting high-interest costs. Some SMEs believed that borrowing new capital would be beneficial to "create more working capital to pay back for raw materials and salaries", and in securing new capital to "restore production". Some SMEs responded that they needed to do so "in order to maintain the lending activity with the banks", which meant borrowing more to pay off current loans and enabling them to continue to borrow from the bank.

Another 27.4% of firms requested support in terms of reduction of taxes and other fees. 23.7% paid attention to the government's role in creating a transparent business environment and giving support to employment creation, legal governance, and access to policy information, etc.

Figure 31. Proportion of recommendations from SMEs (% of SMEs)



Source: Authors' calculation. RIM-2020.

Some recommendations from firms on the support implementation were as follows.

- The implementation of policy support faced the risk of the "mechanism of asking-giving" that is easily exploited and can lead to corruption. Many businesses reported that tax authorities, treasuries and banks could connect to verify the information, and the government could use the technology for registration, receiving verification and approving access to the support. Therefore, it was proposed to promote digital technology in the registration and support approval process.
- It is possible to reduce procedures thanks to technology and the connection between tax authorities and banks. While it is possible to control the invoicing of businesses and the receipt of money into a bank account, it is proposed to transform the monthly administrative registration for tax support to an automatic on-line process. This would help avoid costly paperwork, administrative procedures, a strain on human resources, along with easing the burden e for businesses-owners.
- Communication advocacy for local officials should be promoted in a transparent manner to help them understand correctly about guidelines for implementing social distancing. A number of HBs, small traders, and food retailers in the market were for example concerned about local harassment in relation to carrying out procedures for obtaining a permit for sale.
- Other non-transparent procedures in the business environment are making some businesses suspect signals of rapacity during difficult times. Transparent and specific requirements for the business environment were proposed.

2.5. Subsector and national representative picture of the COVID-19 pandemic impact on formal enterprises and workers in the first quarter 2020 (as compared to the first quarter of 2019): Findings from GSO's survey among 130,000 formal enterprises.

To complement the above findings of the Report's assessment of the COVID-19 impact on vulnerable enterprises (MSMEs), this section provides a subsector and nationally representative picture of the COVID-19 pandemic impact on formal enterprises and employment. It presents the findings of the analysis of the GSO's survey conducted in the first quarter 2020 among 130,000 formal enterprises, by subsectors and types of enterprises.

It should be noted however that as the GSO Survey was conducted for the first quarter of 2020, some findings may need to be treated with care, given the rapidly changing situation. For example, the COVID-19 impacts on formal enterprises (revenue and employment) in the manufacturing sector in general, and key exporting manufacturing subsectors such as apparel and footwear in particular, were found lower than in agriculture and service sectors by GSO's Survey in Quarter 1 of 2020. However, as noted in the below section 3.4, recently some large firms in manufacturing subsectors (such as apparel and footwear) experienced a bigger impact - mostly caused by the reduction of external demand - after lockdowns were lifted in late April 2020 and many service sub-sectors bounced back strongly.

2.5.1. Impact on formal firm revenue and employment[19]

Overall impacts of the COVID-19 pandemic on formal enterprises have been severe

The analysis shows that formal enterprises have been heavily affected as manifested by a substantial reduction in both revenue and employment. With regard to revenue, 90.4% of the surveyed enterprises reported a revenue reduction of 10% or higher, of which 67.2% experienced a large revenue decline of 30% or more. These drops in revenues have generally translated into employment reduction as evidenced by a relatively high estimated correlation coefficient (over 66%) between revenue reduction and labor reduction. This coefficient is higher among domestic enterprises than among FDI enterprises, which may indicate that the latter may have a better capacity to absorb the shock in the short-term, presumably thanks to their bigger inventory of intermediate inputs and/or larger financial capacity.

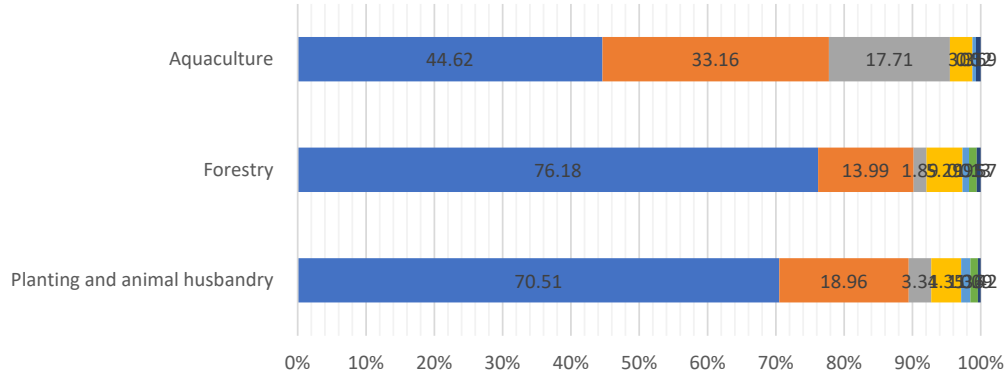
The revenue and employment impacts vary considerably across enterprises operating in different 1-digit and 2-digit sectors, and within each sector, they vary across firms with different sizes.

a. Agriculture: Impacts of the COVID-19 pandemic have been smaller than the formal enterprise average

Revenue impact

Within the agricultural sector, as Figure 32 shows, over 90% of enterprises in the forestry and "planting and animal husbandry" sub-sectors reported a drop in revenue, of which 76% and 70% respectively experienced revenue reduction by over 30%. In the aquaculture and fishing (referred to as "aquaculture") subsector, the proportion of enterprises reporting a revenue decrease of over 30% was about 45%, which was lower than the agriculture sector's average.

Figure 32. Shares of firms reported revenue reduction by agricultural sub-sectors and level of reduction (%)

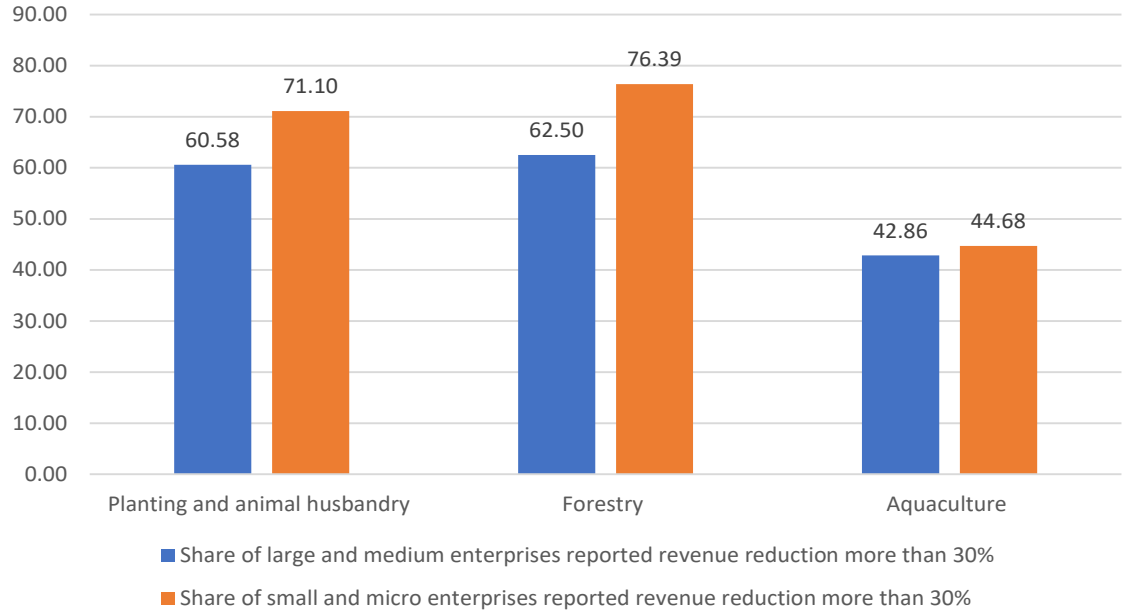


Source: Authors' calculations. GSO data.

19 All changes referred to below are the results of compared between the first quarters of 2020 and 2019.

The level of reported revenue reduction varies across firm sizes (see Figure 33). The proportion of large and medium-sized enterprises reporting a revenue decline of over 30% is significantly lower the proportion of small and micro enterprises, especially in forestry and planting and animal husbandry. There was no significant difference between these firm size groups in the aquaculture sub-sector.

Figure 33. Shares of firms reported more than 30% revenue reduction, by agriculture subsectors and firm sizes (%)

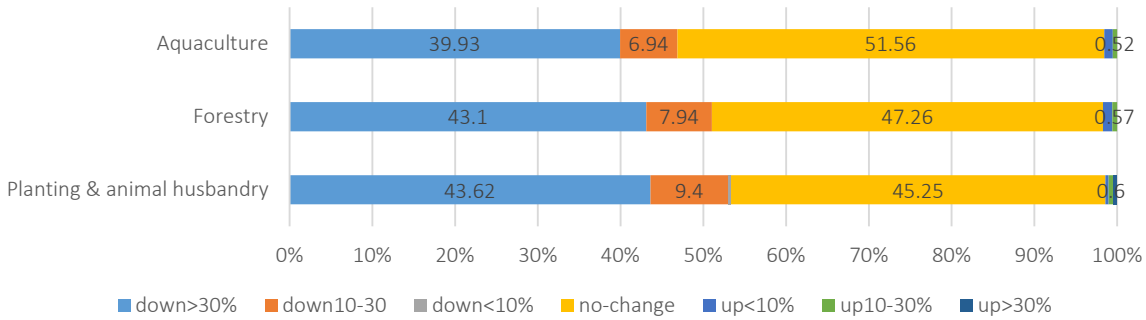


Source: Authors' calculations. GSO data.

Employment impact

The percentage of enterprises reporting labor reduction was considerably lower than that of enterprises reporting revenue reduction (see Figure 34). About 51.6% of enterprises interviewed reported a decrease in the number of their workers while 46.8% of firms reported no change in their workforce and the rest (1.4%) reported an increase. More than 53% of aquaculture and aquaculture enterprises kept their employment unchanged or increased employment, while the percentage of enterprises reporting substantial employment reduction was about 40%.

Figure 34. Shares of firms reported employment reduction by agricultural sub-sectors and level of reduction (%)



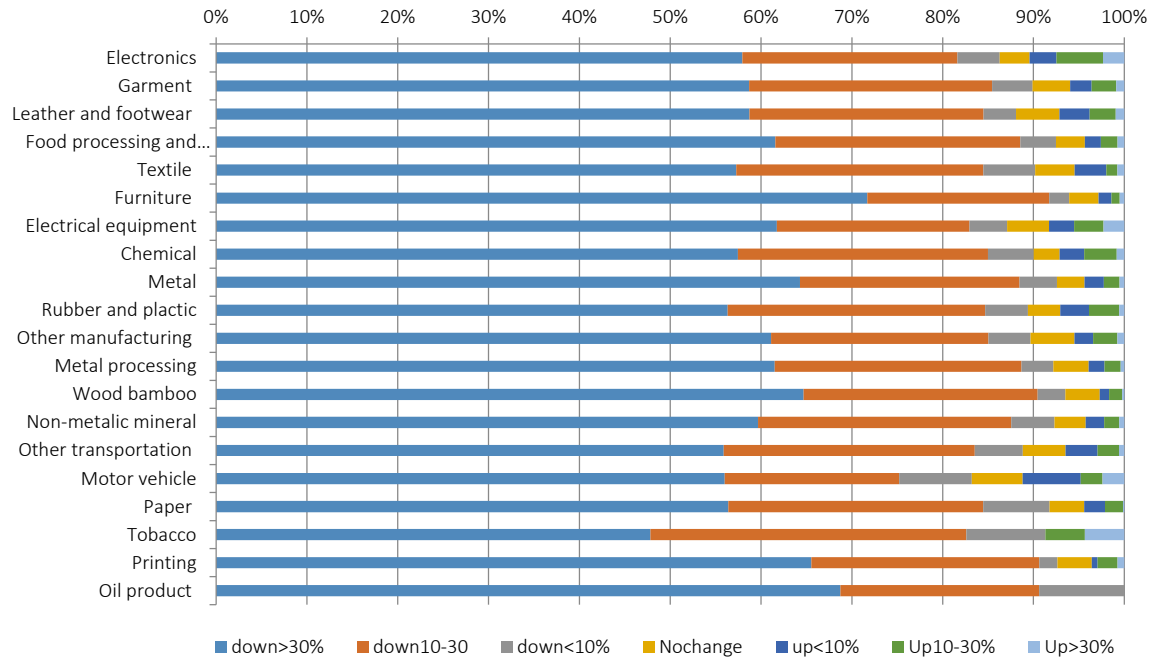
Source: Authors' calculations. GSO data.

b. Manufacturing and processing industries: Impacts of the COVID-19 are severe, but smaller than agriculture and services in quarter 1 of 2020 (Note: the situation may have changed - see the last section)

Revenue impact

Most enterprises in the manufacturing sub-sectors suffered from a revenue decline: nearly 60% reported a large drop in revenue by over 30% and more than 80% reported a revenue decline by over 10%. In Figure 35, sub-sectors are arranged by their shares in total export value in 2016. Electronics and optical equipment have the highest proportion of manufacturing and exports, followed by apparel and leather shoes etc. The oil product sector has the lowest export share. The figure shows that the effect of COVID-19 on revenue decline is not much different among groups with different export ratios. The three groups with the highest exports of Viet Nam are electronics, apparel and footwear, with nearly 60% of businesses reporting a large decline in revenue by over 30%. Notably, furniture, wood and wood products, food processing and beverage processing, metal, electrical equipment, metal products had more than 60% of businesses reporting a large revenue decline by over 30%.

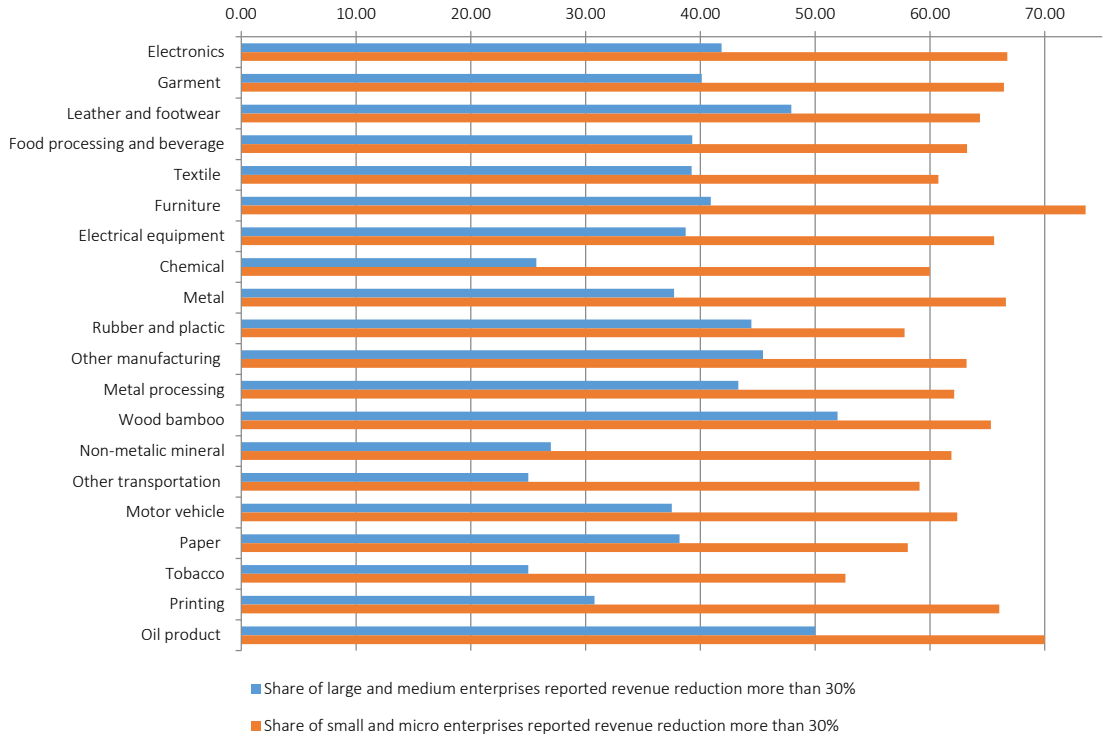
Figure 35. Shares of firms reported revenue reduction by manufacturing sub-sectors and level of reduction (%)



Source: Authors' calculations. GSO data.

By firm size, the data showed a much lower percentage of large and medium-sized enterprises who reported a sharper declines in revenue (more than 30%) than that of small and very small businesses (see Figure 36). For example, in furniture, minerals and non-metals, chemicals, electrical equipment and other means of transportation, the proportion of small and micro enterprises that reported a drop in revenue by more than 30%, which was nearly double that of large and medium enterprises.

Figure 36. Shares *of* firms reported more than 30% revenue reduction by sub-sectors and firm sizes (%)

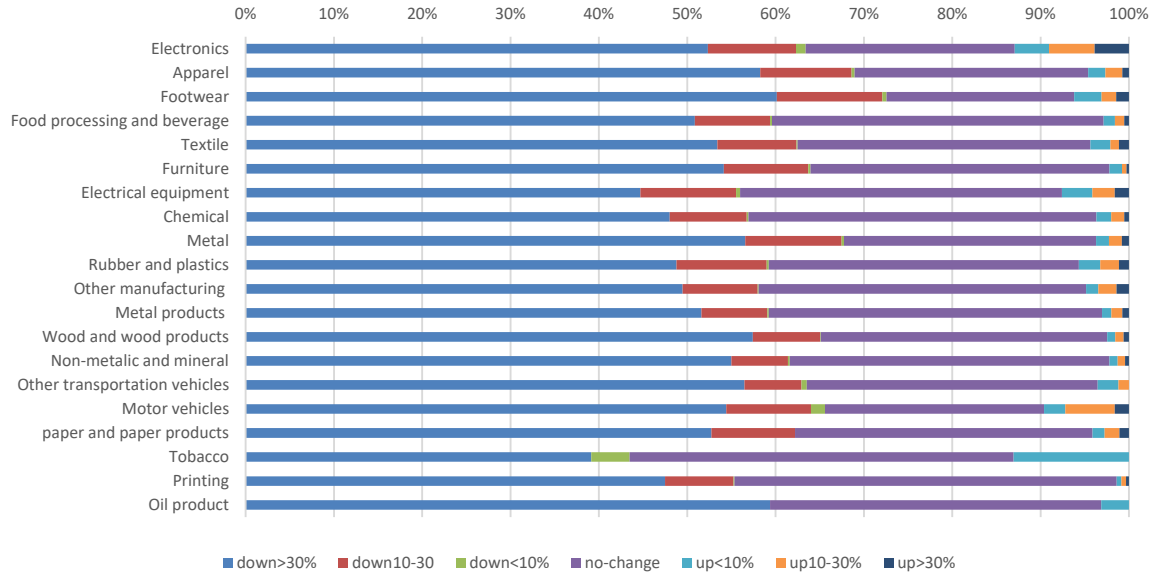


Source: Authors' calculations. GSO data.

Employment impact

About 61.6% of manufacturing enterprises reported a decrease in the number of workers of which 52.6% reported a sharp decline of more than 30%that was quite comparable to the revenue reduction. Disaggregated analysis at the sub-sector level revealed that most enterprises reported employment reduction across all manufacturing subsectors. Figure 37 arranges subsectors by export size in 2016, in which electronics and optical devices have the highest proportion of export within manufacturing and processing, followed by apparel, footwear, etc. The figure shows that the COVID-19 impact on the reduction of workers indicates a low correlation with export levels. In the three largest export sub-sectors (electronics, apparel and footwear), the share of firms reporting employment reduction of over 30% was larger than the manufacturing average (noting that the variation across sub-sectors was modest, within a narrow range of 5-10 percentage points). These same sub-sectors also had a lower proportion of firms reporting the workforce as unchanged as compared with the sector's average (electronics 23%, apparel 26%, leather and footwear, 21.24%, while the average was 34.4%). The reason may be that labor costs relative to revenue are larger in these labor-intensive sub-sectors than other subsectors, forcing firms in these sub-sectors to make larger employment reduction.

Figure 37. Shares of firms reported employment reduction by manufacturing sub-sectors and level of reduction (%)



Source: Authors' calculations. GSO data.

The main difference between the revenue and employment picture was seen in that 34.4% of enterprises interviewed reported no change in the number of workers employed. This implies that these enterprises strived to maintain their workforce in the first quarter of 2020, presumably because they still had a certain level of input inventory during the time of input supply disruption, and their existing orders could help keep their production running at a certain capacity level.

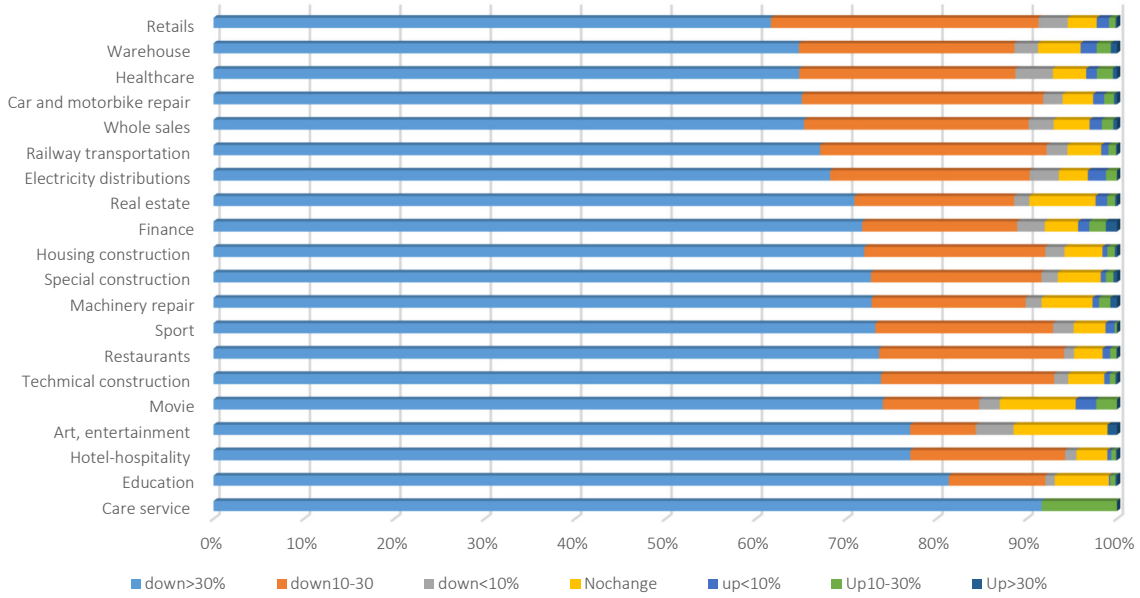
By firm size, data showed rather equal shares (around 50%) of large and medium-sized enterprises and micro and small enterprises reporting sharp declines in revenue (more than 30%).

c. Service sector: Impact of the COVID-19 pandemic has been the largest among three 1-digit sectors (Note: the situation may have changed - see the last section)

Revenue impact

The proportion of firms who reported revenue reduction was the highest in the service sector, as compared to the agriculture and manufacturing sectors. The proportion of enterprises reporting a revenue declining of over 30% ranges from 61-77% (except for lottery and veterinary). In particular, some sub-sectors have a high proportion of enterprises reporting a decrease of over 30% in revenue such as education (81%), care services (92%) and aviation (100%). Construction, which has the largest share in service sector employment (about 29% of total service workers), had about 72% of firms reporting a revenue decline of over 30%. In wholesale and retail (accounting for 23.4% of total employment in the service sector), about 64% of firms reported a revenue decrease of over 30%, which is lower than other service sub-sectors.

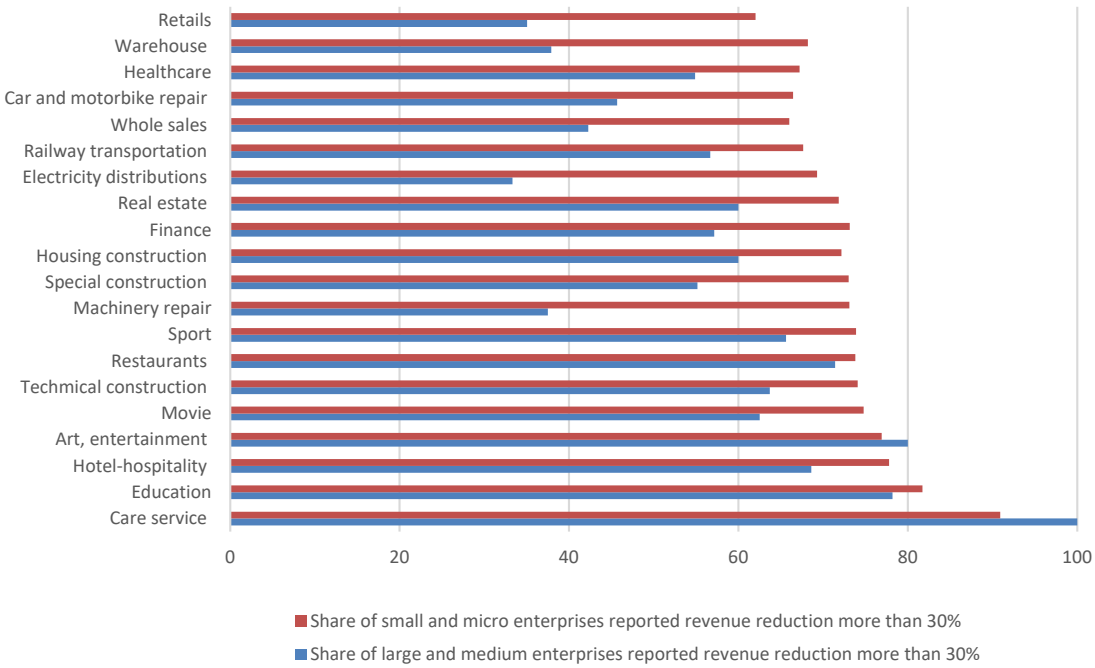
Figure 38. Shares of firms reported revenue reduction by service sub-sectors and level of reduction (%)



Source: Authors' calculations. GSO data.

Figure 39 shows that large and medium-sized enterprises reported lower rates of firms experiencing sharp declines in revenues than small and very small businesses, except for arts and performance, and care and nursing. In some sub-sectors including retail, warehousing, wholesale, distribution and repair of computers, the proportion of small and micro enterprises reporting a drop in revenue of over 30% is significantly higher than that of medium and large enterprises.

Figure 39. Shares of firms reported more than 30% revenue reduction by sub-sectors and firm size (%)



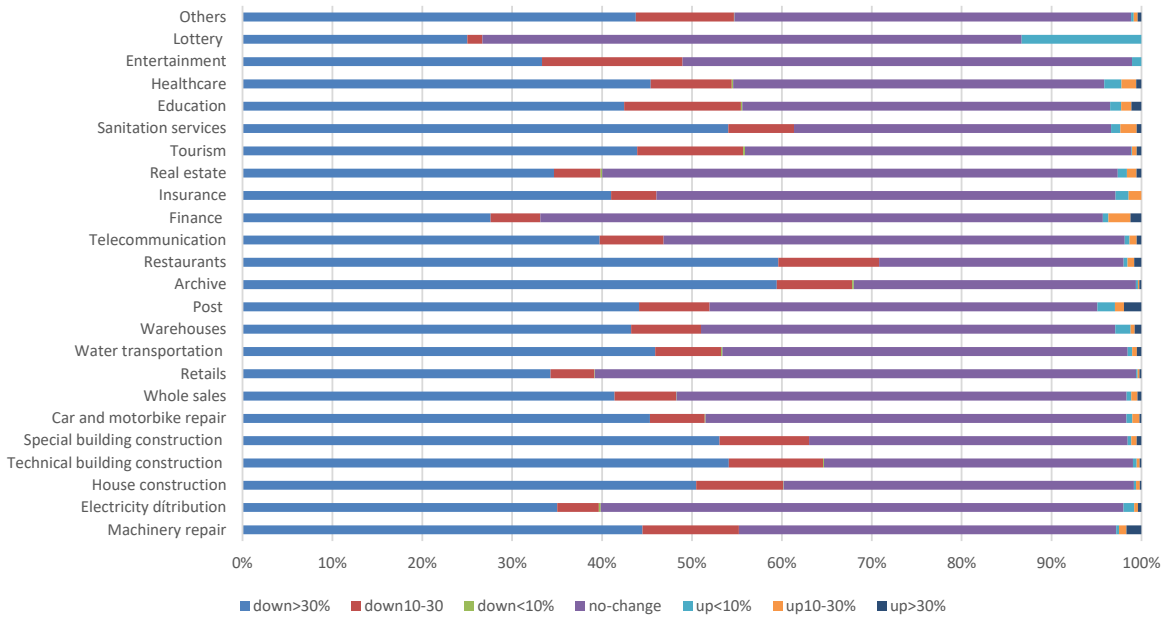
Source: Authors' calculations. GSO data.

Employment impact

The percentages of service firms that reported a labor reduction are lower than those of manufacturing. 44.9% and 52.8% of service firms reported employment cut over 30% and 10% respectively, while these figures were 52.6% and 61.6% for manufacturing and processing firms. However, some sub-sectors reported a relatively high reduction in labor, including catering services (70.8%), accommodation (68%), and construction (62-64%) (see Figure 40).

By firm size, data showed that the numbers for reported large (over 30%) employment reduction are slightly higher within large and medium-sized enterprises (by around 10 - 15% percentage points) as compared to those of micro and small enterprises, except in lottery and entertainment (where more micro and small enterprises reported employment reduction more than 30%).

Figure 40. Shares of firms reported employment reduction by service sub-sectors and level of reduction (%)



Source: Authors' calculations. GSO data.

2.5.2. Major channels of impacts

According to GSO's report[20] , the shrinking consumer market was a top concern of most enterprises. Both domestic and export markets had been considerably affected. This is an inevitable consequence when a pandemic breaks out. Up to 57.7% of the affected enterprises said that the consumption market dropped sharply. Notably, among enterprises with export activities, up to 47.2% of enterprises confirmed that in recent times the goods produced could not be exported.

20 Source: http://www.gso.gov.vn/default.aspx?tabid=382&idmid=2&ItemID=19623

The shortage within the raw material supply market was also cited by enterprises a source of difficulty. By the time of the survey, 22.1% of enterprises were short of input materials. This channel of impact was presumably hardest hit in the first quarter of 2020, when Vietnam's connectivity with China, South Korea and Japan, from which Vietnamese enterprises imported materials, components and other inputs was largely terminated. During that period, Vietnamese firms had to rely on their existing inventory of inputs to sustain operations.

Capital shortages was also cited as a source of difficulty. Up to 45.4% of surveyed enterprises were short of capital for production and business. By economic sector, the agriculture, forestry and aquaculture enterprises had the highest capital shortage ratio with 54.1% of enterprises. Industry and construction enterprises had a capital shortage rate of 52.1%. This rate in the service sector was 40.5%.

In the GSO's survey, firms were also asked to rank costs of doing business during the pandemic time. On a scale of 1 to 5, of which 1 is the biggest burden, 5 is the smallest burden, enterprises surveyed ranked their cost components as follows: wage payment to workers was assessed as the biggest burden, with an average score of 1.89 followed by interest payment on bank loans 2.41 points; other regular operating expenses 2.67 points; premises rental costs 2.68 points.

2.6. Firm responses

GSO's study classified firm's responses into two groups: (i) labor related measures and (ii) non-labor measures. With regards to the former, the study found that many firms had to apply temporary measures such as cutting down their workforce; allowing workers to take leave without pay; taking time off; reducing wages; scaling down production or even temporarily suspending business activities. Due to the pandemic, 66.8% of firms had to apply labor-related solutions. 39.5% of enterprises applied shorter weekly working hours, alternate day off among workers, which was the most popular measure. It was followed by employment cuts implemented by 28.4% of enterprises; 21.3% of enterprises gave unpaid leave and 18.9% of enterprises reduced their salaries.

Enterprises also employed more active and competitiveness-enhancing measures to rise to the challenges. Organizing training to improve technical and professional skills for workers was implemented by many enterprises, with the highest rate of 44.7%. 17.0% of enterprises engaged in search of niche markets for their products outside traditional markets. 7.7% of enterprises looked for alternative suppliers of input materials. Using e-commerce platforms was implemented by 3.9% of firms interviewed.

2.7. Rapidly changing situation

The situation changed very fast during the six months period relevant to the survey. In the first quarter of 2020, the shock was largely determined by the disruption of input supply caused by COVID-19 outbreak in China. In the second quarter of 2020, demand disruption caused by the outbreaks in western countries was the main cause of difficulties that Vietnam firms faced in manufacturing and processing. According to GSO, in April and May 2020, Viet Nam's export performance deteriorated: compared to the same period last year, export value in April and May 2020 decreased by 3.5% and 15.5% respectively. The prospect for the remainder of 2020 and beyond is uncertain for export firms. Some big enterprises have recently announced a plan of employment cuts because they are running out of existing orders while new orders are scarce, if happening at all (see Box 12).

Box 12. Big export firms announced plans to scale down business and reduce employment

COVID-19 caused a sharp drop in orders. Firms were hit hard and some experienced a complete absence of new orders, forcing many textile and footwear businesses to lower wages and cutting thousands of employees.

PouYuen Vietnam Co., Ltd is a very large-scale enterprise with more than 60,000 employees, located in Binh Tan district. Mr. Cu Phat Nghiep, Chairman of the Trade Union of this company said that from March to June 2020, businesses experienced a discernible reduction of orders from foreign clients. Especially, in June 2020, the order volume decreased by 50% and this rate was expected to increase gradually in the third quarter. The company had at the time not received any orders from clients for the fourth quarter.

According to Mr. Nghiep, the company was trying to keep their workers by relying on existing orders. However, the lack of new orders had forced the company to cut down its work force in the immediate future. "It is expected that 6,000 company employees will be cut. We are finalizing the lay-off list and will announce it on June 20," Nghiep said. At the same time, he said, workers to be laid off are those working in units that do not have orders. The cuts will follow a three-month road map from June 20 to August this year.

Recently, Hue Phong Leather Shoe Co., Ltd (Go Vap, Ho Chi Minh City) had also sent a document to the Department of Labor, War Invalids and Social Affairs of Ho Chi Minh City on scaling down its operations due to COVID-19. Hue Phong said that despite many measures the company employed, their business could not recover as planned, and as a consequence, the firm had to reduce production and cut down labor. Therefore, on June 16, the company was forced to cut 2,222 workers and move its production base to Tra Vinh.

According to Mr. Truong Van Cam, Vice President of the Textile and Garment Association, textile and garment firms are hit the hardest because of their heavy dependence on export. Meanwhile, as impacted by the pandemic, sluggish demand and the closure of major markets made export orders fall by about 25% in April and more than 30% in May 2020. In addition to the market problem, the shortage of raw materials is also the reason for many textile and garment enterprises had to scale down production and reduce the workforce.

*Source:*https://vnexpress.net/lan-song-cat-giam-nhan-su-hau-COVID-19-4114184.html

In the meantime, after lockdowns were lifted in late April 2020, many service sub-sectors bounced back strongly. Trade and services in May increased sharply by 26.9% over the previous month, although still decreased by 4.8% over the same period in 2019. Although during the time of undertaking the assessment were no statistics for June 2020, anecdotic evidence suggests that tourism, domestic transport including by air, restaurants etc. would recover strongly, as numerous social distancing measures were relaxed, thanks to Vietnam's success in containing the pandemic when it first hit. Most recently, ban on high contact activities such as karaoke, dancing clubs etc. was also lifted. The 2020 summer period would also be beneficial in terms of the recovery of these service sub-sectors.

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CONCLUSION

TOWARDS A BOLD AND RESILIENT RECOVERY

Economically, COVID-19 has shown significant gender differentiated impacts closely linked with existing gender relations and roles that exacerbated the vulnerability of female-headed households of informal workers and EMs and showed particular resilience and social solidarity in the case of women-led MSMEs.

- While EM households, migrant households, and informal households are among the groups most economically affected by COVID-19, female-headed households of informal workers and EM households showed the least recovery. Yet, it is noteworthy that female-headed migrant households recovered better than their male-headed counterparts: the May 2020 income of the former rose to 58.6% of the pre-pandemic level, while this figure for the latter was considerably lower, estimated at 37.9%. Women's willingness to take any jobs including lower-paid or risker jobs and their pro-activeness in responding to income gaps might be the considerable reason.
- While women-led MSMEs suffered the greater reduction in term of revenue compared to men-led units (the revenue of women-led MSMEs was as 17% of their December 2019 level, the number for men-led units was 24% in April 2020), women-led and men-led HBs suffered the same level of revenue reduction. Yet, thanks to strong sense of social responsibility and solidarity, women-led MSMEs tended to keep their workers, especially female, during challenging times.
- At this time, from a gender perspective, the most notable gender-differentiated impacts of COVID-19 recorded in this study have been the emphasis of gender roles and gender stereotypes manifested in the increased burden for women on care responsibilities and domestic work - with an associated higher risk of infection from purchasing daily necessities, as well as an enhanced risk of gender-based violence as expressed in the respondents' sharing about higher tension and stress at home.

The situation changed fast and the immediate future has many unknowns

In the first half of 2020, Vietnamese households and enterprises faced a big COVID-19 storm with the direction of the wind changing in unpredictable ways. Manufacturing was hit the hardest in the first four months because of input supply disruptions along global value chains. Then numerous contact-intensive services were almost paralyzed during nationwide lockdowns in April 2020. Since May 2020, services have started to recover while export-oriented manufacturing has faced rising challenges because of weakened global demand. If numerous big manufacturing firms weathered the shock well in the first quarter of 2020, they have recently had to substantially downsize their business activities and workforce as they are running out of existing orders, while new orders become rarer. The business outlooks for many export-oriented manufacturing and service firms for the rest of the year are bleak as the global political and economic environment still has many unknowns.

The second round of RIM-2020 is planned to be conducted in late 2020 to monitor the fast-changing situation as well as provide information on the impact of both COVID-19 and the GoV policies supporting the affected people and enterprises.

Towards a bold, sustainable and resilient recovery - recommendations

1. *Consistently implement the COVID-19 containment strategy and prepare for various scenarios as the pandemic evolves.* Viet Nam's initial success in containing the virus has saved lives and limited its socio-economic impact, thereby laying the groundwork for recovery. Economic prospects for MSMEs and households hinge on the continued success in containing COVID-19. The risk of resurgence of the pandemic will remain high until an effective vaccine and/or treatments are available. The Government, firms, households and people must remain vigilant and prioritize safety, including: (i) employing social distancing and basic preventive measures in the new normal as per MOH guidelines; (ii) preparing contingency plans to ensure that the supply of essential goods (such as food, drugs, personal protective equipment (PPE), and medical equipment and fuel) is not interrupted and not add the burden to women in purchasing these items; (iii) developing scenarios for keeping essential markets functioning; (iv) devising measures to prevent additional care burden falling on women and gender based violence caused by social distancing requirements, including behavior-change communication, counselling services and safehouses.

2. *The top priority is to assist people and communities vulnerable to extreme poverty because of the pandemic.* The impact of lost employment and earnings is felt most deeply by the poor. Government action should help those people who have the smallest margin of safety, for whom loss of income for a few months is catastrophic. Many of these people are migrant wage workers, work in the informal sector, female-head households or run their own micro-enterprises. Closure of small and micro businesses can create long-term problems as owners lay off workers, sell-off equipment and possessions or migrate in search of income, and this in turn would delay recovery in the new normal. Key policy actions include:
    - *Public work programs* provide immediate employment and income to the most vulnerable because they are self-targeting. Programs can be organized by local government agencies that have a backlog of maintenance or small infrastructure work as well as environment restoration that could be started and completed quickly. Such programs need to be designed and implemented in a gender-sensitive manner to meet the differentiated needs of female and male workers.
    - *Cash transfers to protect livelihoods of vulnerable people and boost domestic demand.* The 'GoV Social Protection Support to the Affected by COVID-19' was designed with this in mind, but reached a limited number of formal and informal workers. The experience of the pandemic has reinforced the need to revisit the design of cash transfer programs (as recommended in the UNDP NHDR2015), including: (i) accelerating the implementation of the Master Plan for Social Assistance Reform and Development (MPSARD) approved in 2017, and expanding *regular social assistance (cash transfer) targeting categories such as PWDs and their careers (most of them are women), young (under 3 or 6) children and elderly (60-79 years of age), pregnant women or considering the expansion to single-parents working in informal sectors ;* (ii) developing contingency plans for cash transfer programs to respond quickly to large-scale shocks such as natural disasters, economic crisis and health emergencies like the COVID-19 pandemic; and (iii) transforming *existing emergency cash transfer schemes based on idiosyncratic risks into programs that address risks affecting large numbers of people, for example natural disasters, pandemics and economic crises;*

- *Move from a residence-based system of social protection, which excludes Vietnamese migrant workers, to one based on national citizenship,* for example through digitalization of registration and verification of eligibility to application of digital payment tools. Actions on this will need to take place soonest in line with the GoV plan to abolish the resident registration (Ho Khau) in 2021;
- *Consider central government matching grants to provinces with limited financial resources to increase coverage and accelerate implementation.*

3. *Support enterprises to drive the recovery and create alternative income earning opportunities for workers in the informal sector.* Some job losses are temporary, and employment will start up again once inputs are available and markets return to normal. Fiscal policy can play an important countercyclical role. The priority for the government should be to: (i) support healthy companies to drive the recovery, (ii) prevent job losses to the extent possible and, (iii) create alternative income earning opportunities for workers in the informal sector or who normally work in small and micro enterprises affected by the slowdown in normal business activity. Key measures include:
   - *Support enterprises to drive the recovery* - Some industries may require direct support. Airlines, tourism and tourism-related companies will need loans to keep them afloat during the pandemic. Among the industries affected, travel and tourism may suffer longer than most. Holidays cancelled now will not be rescheduled soon; international travel will recover slowly, and holiday-makers will remain risk averse for many months to come. Manufacturing, for example footwear and garments, will also suffer from weak demand (noting that these sectors and tourism and tourism-related services tend to employ more female workers). But it is not in the government's interest to allow these companies and service providers, especially household businesses and SMEs, to fail. GoV's decision to reduce and defer taxes, and defer payment of social and health insurance premiums for effected firms, will help, but procedures need simplification to speed up implementation. Deferment of social and health insurance premiums should not result in workers' loss of health insurance and reductions in their future pensions.
   - *Expand access to credit which is critical for household businesses, micro and small enterprises working in informal sector* - especially provide key jobs for many vulnerable people that have been hit hard by the pandemic. Innovative solutions, such as supporting financial service providers that serve these enterprises and accelerating the issuance of banking agent regulations by the State Bank of Viet Nam (SBV) to enable intermediaries to bring digital financial services to underserved groups, especially in rural and ethnic minority area, are needed. Such solutions should be designed and implemented with gender sensitive approaches to address the chronic issue of women-led enterprises having less access to credit.
   - *Extend agricultural credit* - Government credits can help some agricultural and agriculture processing producers remain solvent during a prolonged period of contracting global demand. This could take the form of purchasing/storing unsold production or extended working capital credits to enable them to continue to function during the downturn.
   - To help Vietnamese companies ramp up production of goods and services as conditions improve, *monetary policy should focus on tiding over otherwise healthy companies during the pandemic.* The government does not have full information

on which companies are in good condition, but the banks do have this information. Therefore, SBV can work closely with commercial banks to enable them to extend existing credit lines for several months to enable good companies to survive during the prolonged pandemic. SBV can show some lenience in loan classifications to prevent a situation in which banks are penalized for rolling over loans for their valued clients. But the government must be careful to avoid a situation in which saving companies means undermining the financial stability of the commercial banks. New lending should be carefully targeted (prioritizing women-led enterprises which, as noted above, have less access to credit) and tied to employment guarantees for workers. SBV must also ensure that the credit market remains liquid so that normal transactions are not impeded.

- *Seek opportunities to develop domestic markets.* As it will take time for global demand to recover, Vietnamese firms in general, and MSMEs in particular, should explore niches in the domestic market of over 96 million people. *MSMEs also need to explore transition and fast track e-commerce opportunities, including online platforms and digital transactions* as a way to participate in the "contactless economy" that is expected to grow fast in the new normal. The Government should raise awareness and proactively provide MSMEs with low cost technical support for online trading, bearing in mind the risk of "digital divide" between men and women. This is critical for expanding reach in both domestic and international markets.
- *Strengthen domestic supply chains.* Better linkages of MSMEs to domestic supply chains could help limit the impact of international supply chain disruptions and help MSMEs recover faster. Recent experience of UNDP-supported EM women-led cooperatives and household businesses shows that expanding to new markets in other provinces and big cities through e-commerce platforms and online marketing tools, using more diverse supply sources and logistics services, and better experience in meeting the changes of domestic demands, were key for the businesses to suffer less revenue reduction in April and recover faster in May 2020.
- *Help Vietnamese firms attain international standards to improve access to global markets.* A key challenge is for the Vietnamese firms to enhance their productivity and quality to be able to provide goods and services at international standards and at competitive prices. At the first step, targeted support is needed to build capacity of Vietnamese firms with potential to become reliable suppliers to FDI firms that (are based in or will be moving to Viet Nam) lead the global value chains in several specific sectors. The challenge however is significant. For example, Vietnamese firms were engaged in production of protective gowns and masks, but few could obtain international certification required to penetrate export markets. Aligning Viet Nam's standards internationally and enhancing the ability of firms to get their products tested in Viet Nam and obtain the necessary certifications would improve protection for Viet Nam's frontline health workers and also initiate a race to the top among Vietnamese PPE producing firms. The "race to the top" will not only help the enterprises become reliable suppliers in the global supply chains but also maintain more employment for female workers.
- *Enhance labor mobility through reskilling and job matching services to smooth the employment across unevenly recovering sectors.* As firms working in different sectors will recover at different rates (with sectors employing more female workers such as tourism and related services, garment and footwear are recovering more slowly)

adjustment across firms and sectors is inevitable. The GoV can facilitate labor mobility through reskilling, labor market information and job matching services, simplification of procedures including to ensure the continuity of the workers' participation in the social and unemployment insurances as well as their eligibility for the benefits (including cash transfer that would be based on the citizenship rather than residence registration). The special attention will be necessary to address the barriers to mobility that female workers face such as child/elderly care responsibility and lower retirement age.

- *Focus on preventing lay-offs and bankruptcy of the otherwise healthy enterprises.* An integrated set of policies could include deferment of tax and social and unemployment insurance and low-interest loans to pay workers' salaries, support for reskilling, diversifying supply chains and markets and digitalizing enterprise operations.

Ending Remarks

The RIM-2020 report provides a gender-sensitive assessment of COVID-19 Socio-economic Impact on over 900 Vulnerable Households and 900 Enterprises in Viet Nam. The evidence-based findings, the voices of vulnerable people, HBs and MSMEs, together with policy recommendations set out in the report aim to serve as inputs to the GoV efforts in refining policy actions and their implementation to protect the livelihoods of vulnerable households and support HBs and MSMEs in recovering their operations and ensuring continued employment for workers.

The report, recognizing the fast-changing situation, suggests the need for further, more in-depth, assessments of the changing impacts of COVID-19 and the GoV response policies to inform the design and delivery of an effective, sustainable and gender sensitive recovery plan.

Anticipatory, Adaptive and Agile governance approaches and innovations of the GoV and the Vietnamese people have been key to Viet Nam's initial success in containing the COVID-19 pandemic and limiting its negative socio-economic impacts - a success that is widely acknowledged by the domestic population and the international community. Such approaches are vital in helping Vietnamese enterprises and people achieve a bold, sustainable, resilient and gender sensitive recovery. This, in turn, is foundational to achieving the Sustainable Development Goals and Leaving No One Behind in the context of the new living with COVID-19 normal.

ANNEX

Annex 1- RIM-2020 methodology

This report is based on the survey "Rapid assessment of socio-economic impact due to the COVID-19 pandemic on vulnerable firms and households". It was later renamed as "COVID-19 Impact on Vulnerable Households and Enterprises in Viet Nam: A Gender-sensitive Assessment (hereinafter referred to as RIM-2020 - Rapid Impact Monitoring in 2020).

1. Objectives of RIM-2020

RIM-2020 was conducted by phone calls to interviewees in 58 provinces and cities, with a focus on evaluating policy support to mitigate the negative impact of the COVID-19 pandemic in Vietnam. The overall objective of the RIM-2020 was to bring quantitative and qualitative evidence of COVID-19 socio-economic impact on, and voices of, vulnerable people and enterprises to inform the GoV response and recovery actions for achieving the SDGs in the new normal of living safely with COVID-19.

The main questions the RIM-2020 tried to provide answers to included:

- What are the socio-economic impacts (their levels and causes) on the vulnerable households and enterprises?
- Which vulnerable groups are at risk of falling behind and need support?
- How are they coping with shocks?
- What are the barriers for more effective support?

The phone survey of RIM-2020 was implemented in April and May 2020, by the Center for Analysis and Forecasting (under the Vietnamese Academy of Social Sciences).

2. Sampling

Table 17. Survey size (number of observations)

<table>
<tr><td rowspan="4"></td><td colspan="5">Business units</td><td rowspan="3">Households</td></tr>
<tr><td colspan="4">MSMEs</td><td colspan="2">HBs (Household businesses and self-employed)</td></tr>
<tr><td>Medium enterprises</td><td>Small enterprises</td><td colspan="2">Micro enterprises</td><td>Household business having no wage labors</td><td>Self-employed</td></tr>
<tr><td></td><td></td><td></td><td>Micro firms</td><td>Household business having wage labors</td><td></td><td></td></tr>
<tr><td>Urban</td><td>26</td><td>214</td><td>129</td><td>42</td><td>72</td><td>95</td><td>436</td></tr>
<tr><td>Rural</td><td>12</td><td>132</td><td>43</td><td>51</td><td>83</td><td>36</td><td>494</td></tr>
<tr><td rowspan="3">All</td><td rowspan="2">38</td><td rowspan="2">346</td><td>172</td><td>93</td><td>155</td><td>131</td><td rowspan="3">930</td></tr>
<tr><td colspan="2">265</td><td rowspan="2">286</td></tr>
<tr><td colspan="4">649</td></tr>
</table>

Source: Authors' calculation. RIM-2020.

Surveyed groups:

- Vulnerable business units, the Medium, Small and Micro enterprises (MSMEs) and household businesses (HBs).[21]
- Vulnerable households having employment and income impacts due to the pandemic, including

  + households with workers working in enterprises as well as HBs, self-employed workers, especially migrant workers doing jobs with high levels of exposure in big cities.
  + poor households, those having single mothers, vulnerable members such as the elderly, children and people with disabilities, ethnic minority households.

The selected sampling method is purposive sampling, which is not aimed at national representation. However, a number of steps were taken to increase RIM's wide-ranging information updates, which included:

- Purposive random sampling from a sampling frame that is representative of the sector.
- Additional in-depth interviews with key informants from targeted locations.
- Supplement the interview sample on the principle of snowball sampling.

The survey sampling was built by the stratification method by risk assessment as shown as below.

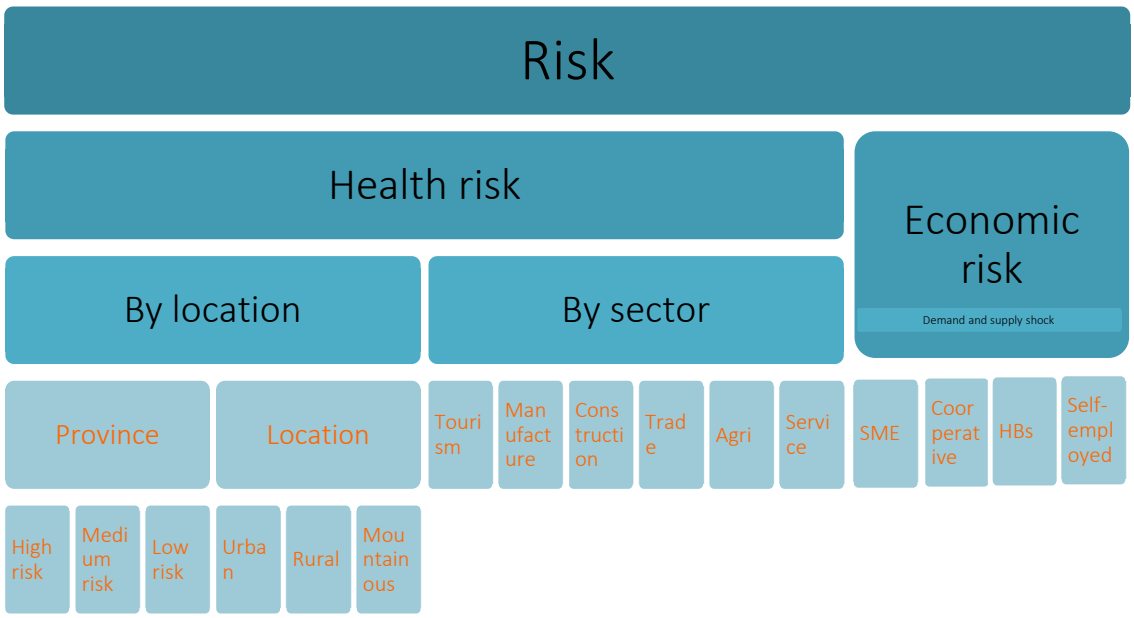


Figure 41. Survey sampling strategy

The purpose of stratification sampling was applied to capture important factors in the assessment process. The stratification by the risk level covers the impact on different aspects:

- The health risk is defined by location and by sector (due to characteristics of the

21 The medium-size enterprises have from 100 to less than 200 workers, or 50 to less than 100 workers in trade and services. The small-size enterprises have from 10 to less than 100 workers, or 50 workers in trade and services. The micro-size enterprises have less than 10 wage workers, include both formal enterprises and household businesses having formal business registration. The final category includes those self-employed and household businesses without wage workers.

industry). The level of health risk by location reflects the risk of COVID-19 infection in specific locations, due to the density and gathering of infected cases. The level of health risk by sector reflects the risk of infection due to the characteristics of direct contacts in industry production.

- The economic risk reflects the shock due to supply-demand disruption in the market (disruption of input supply, transportation, goods demand, etc.).

The survey of 649 MSMEs covers the main sectors as follows.

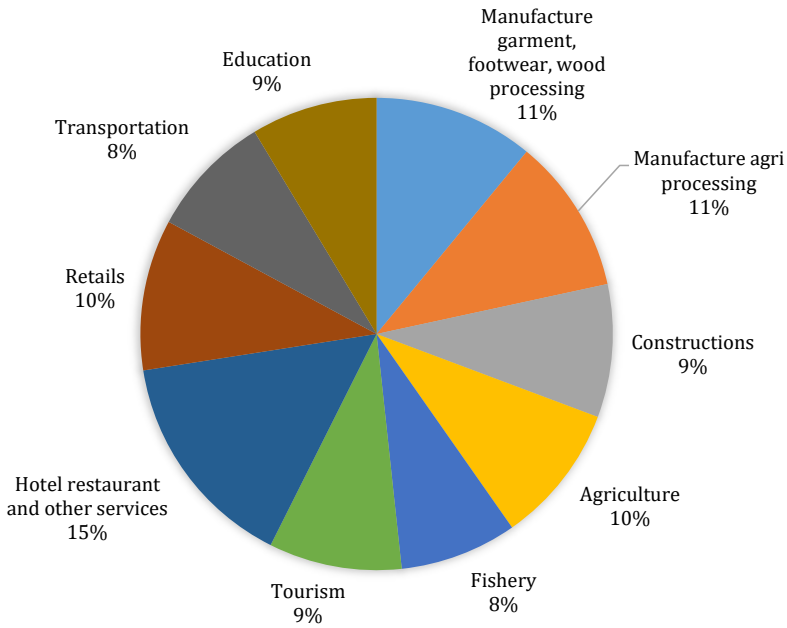
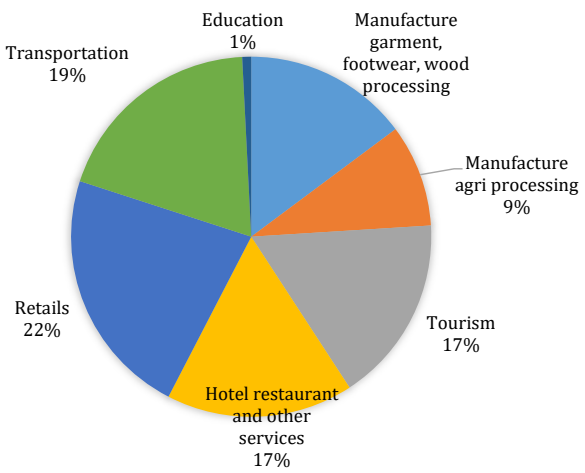


Figure 42. Surveyed MSMEs by sector

Source: Authors' calculation. RIM-2020.

The survey of 286 HBs covers the main sectors as follows.

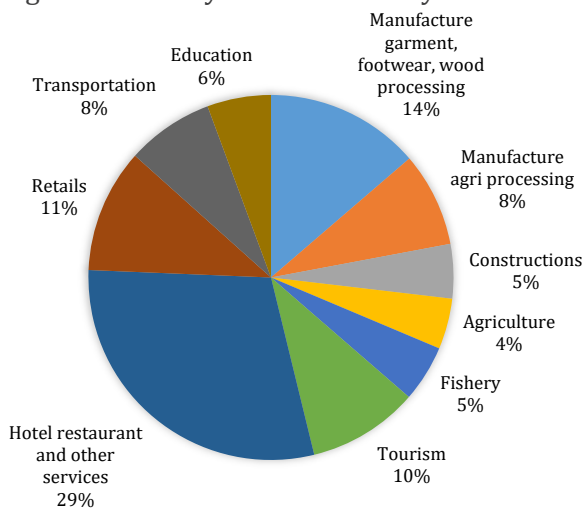
Figure 43. Surveyed HBs by sector



Source: Authors' calculation. RIM-2020.

The survey of 930 households covers the main sectors as follows.

Figure 44. Surveyed households by sector



Source: Authors' calculation. RIM-2020.

Annex 2 - Survey sites by sector

Figure 45. Survey site map by sector

Annex 3 - Characteristics of surveyed MSMEs and HBs

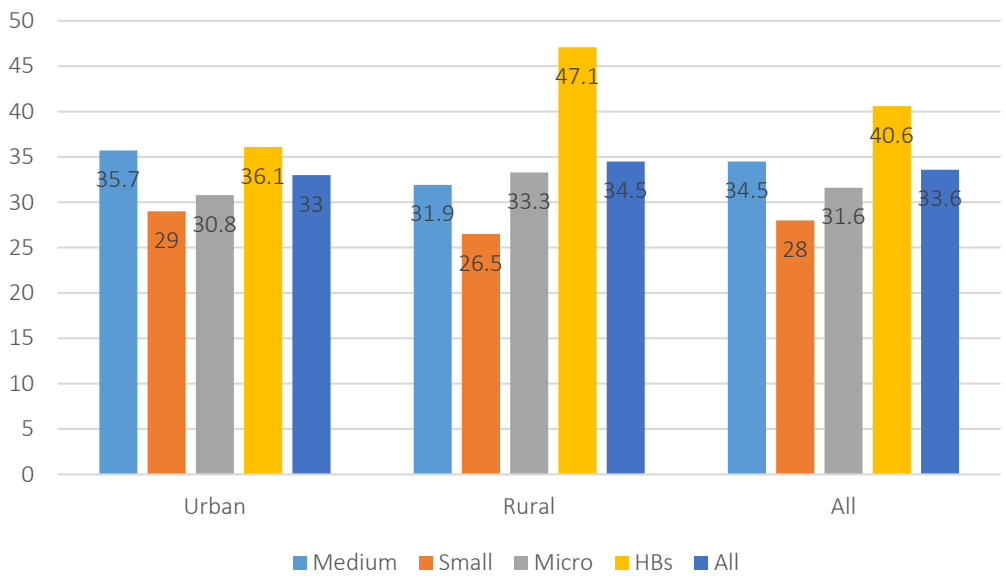
The survey covers vulnerable firms that may have been negatively affected by the COVID-19 pandemic. Of which, 4.2% have from 100 up to 200 workers, 38.5% have from 10 to 100 workers, 29.4% have less than 10 waged workers, and 27.9% are HBs, i.e. household businesses without wage workers and self-employed.

Figure 46. Enterprises sample distribution by area and gender of firm managers (% of the total enterprises sample)

Source: Authors' calculation. RIM-2020.

About 33.6% of surveyed firms are female-led.

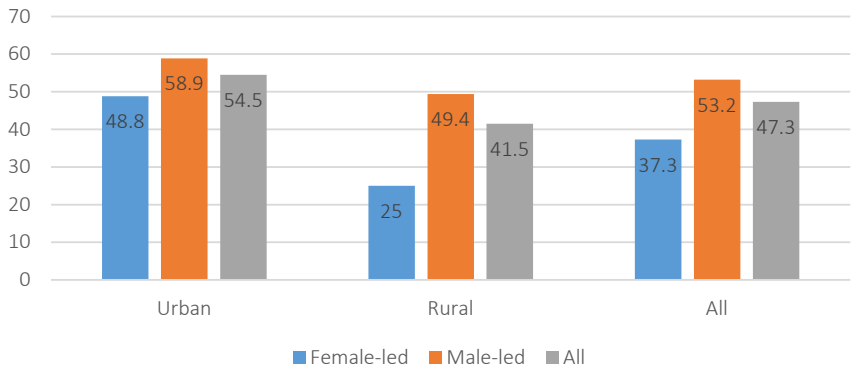
Figure 47. Businesses led by women (%)



Source: Authors' calculation. RIM-2020.

Regardless of self-employed, the survey covers both formal and informal household businesses. About 47.3% of interviewed units have had official business registration.

Figure 48. Share of formal household businesses (%)

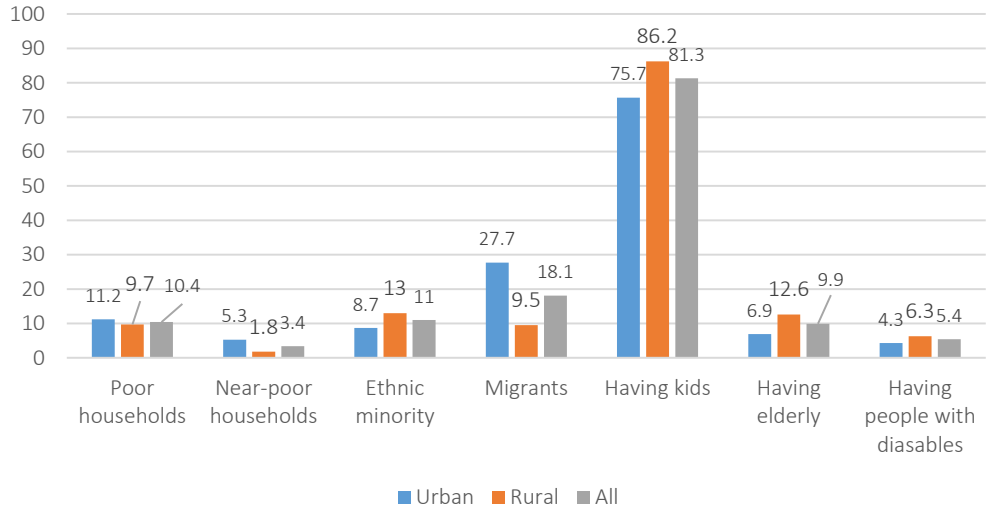


Source: Authors' calculation. RIM-2020.

Annex 4 - Characteristics of surveyed households

The survey covers 930 vulnerable households that could be affected negatively by the pandemic. Of which, it is worth noting that 10.9% of them are ethnic minority people, 18.1% migrant workers, 10.4% poor households .

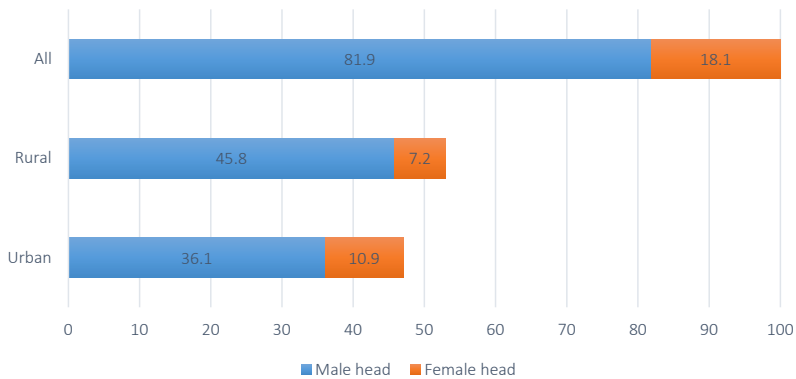
Figure 49. Household sample by characteristics of households (%)



Source: Authors' calculation. RIM-2020.

81.9% of surveyed households are headed by men.

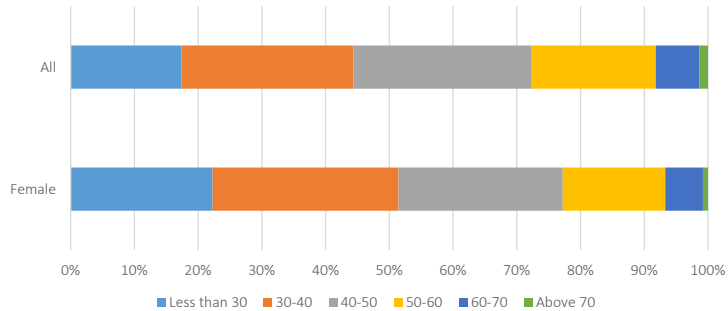
Figure 50. Distribution of households by area and gender of household heads (%)



Source: Authors' calculation. RIM-2020.

The survey covered a wide range of age groups.

Figure 51. Distribution by age of respondents in the sample (%)



Source: Authors' calculation. RIM-2020.

Annex 5 - Logit regression of household's vulnerability

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
VARIABLES	Being unemployed, or underemployed in Apr-May	Being unemployed, or underemployed in Apr	Being unemployed, or underemployed in May only	Falling into poverty in Apr only		Falling into poverty in May	
Married	1.086	0.544	2.333*	-0.754	(1.087)*	-0.059	0.147
	(0.676)	(0.973)	(1.238)	(0.533)	(0.572)	(1.512)	(1.526)
Household size	0.026	(0.359)*	-0.116	(0.175)*	-0.172	-0.008	-0.005
	(0.096)	(0.194)	(0.122)	(0.101)	(0.112)	(0.206)	(0.231)
Having a female head	0.192	0.524	0.208	0.071	-0.157	-0.395	-0.64
	(0.233)	(0.345)	(0.350)	(0.224)	(0.247)	(0.549)	(0.624)
Migrant	0.678***	0.195	1.274***	0.417*	0.524**	0.636	0.942*
	(0.245)	(0.383)	(0.400)	(0.226)	(0.243)	(0.489)	(0.523)
Ethnic minority	-0.329	-0.845*	-0.415	-0.284	-0.328	0.547	0.89
	(0.319)	(0.503)	(0.548)	(0.314)	(0.346)	(1.074)	(1.156)
Having disable people in the household	-0.087	-0.536	0.102	0.699*	0.770*	2.861***	2.908***
	(0.370)	(0.636)	(0.520)	(0.410)	(0.423)	(0.841)	(0.865)
Having elderly in the household	0.1	1.144**	-0.215	0.143	0.316	0.282	0.32
	(0.304)	(0.571)	(0.405)	(0.295)	(0.324)	(0.694)	(0.751)
Having kids in the household	-1.490**	-0.006	-2.954***	0.355	0.306	1.558	0.853
	(0.612)	(0.904)	(1.132)	(0.463)	(0.507)	(1.401)	(1.390)
Urban	-0.1	-0.650*	-0.007	-0.128	-0.106	-0.551	-0.421
	(0.191)	(0.334)	(0.270)	(0.182)	(0.200)	(0.404)	(0.429)
Having a leading role in the business	-0.535*	0.732	-0.932***	-0.348	-0.25	0.439	0.548
	(0.284)	(0.730)	(0.349)	(0.295)	(0.319)	(0.746)	(0.794)
Age <30	0.897**	0.382	0.821		-1.113***		-1.942**
	(0.412)	(0.690)	(0.587)		(0.423)		(0.935)
Age 30-40	0.311	-0.493	0.45		-0.989***		-1.255
	(0.344)	(0.585)	(0.482)		(0.376)		(0.786)
Age 40-50	0.597*	0.255	0.678		-0.551		-0.681
	(0.329)	(0.536)	(0.474)		(0.360)		(0.744)
Age 50-60	0.729**	0.682	0.698		-0.365		-0.695
	(0.342)	(0.564)	(0.484)		(0.373)		(0.760)
Sector: Manufacture garment, footwear...	0.571	14.794	1.318***	0.653*	0.566	-1.071	-1.222
	(0.359)	(1172.180)	(0.459)	(0.378)	(0.398)	(1.091)	(1.164)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
VARIABLES	Being unemployed, or underemployed in Apr-May	Being unemployed, or underemployed in Apr	Being unemployed, or underemployed in May only	Falling into poverty in Apr only		Falling into poverty in May	
Sector: Manufacture agri processing	0.548	15.248	0.471	0.441	0.569	-1.205	-1.364
	(0.417)	(1172.180)	(0.460)	(0.417)	(0.461)	(1.064)	(1.104)
Sector: Construction	0.486	13.36	1.214**	1.687***	1.396***	-0.637	-1.43
	(0.469)	(1172.180)	(0.546)	(0.479)	(0.501)	(0.998)	(1.193)
Sector: Tourism, hotel & restaurant	0.886**	14.246	1.793***	1.273***	1.248***	1.228	1.209
	(0.371)	(1172.180)	(0.466)	(0.377)	(0.405)	(0.755)	(0.804)
Sector: Trading, other services	0.276	14.357	0.718*	1.048***	1.033***	0.536	0.934
	(0.334)	(1172.180)	(0.409)	(0.346)	(0.371)	(0.666)	(0.739)
Informal job	0.215	0.315	-0.074	0.387*	0.32	0.328	0.331
	(0.210)	(0.391)	(0.274)	(0.204)	(0.219)	(0.504)	(0.529)
Labor: Wage earner	-0.206	-0.43	-0.419	-0.724***	-0.525*	0.118	0.887
	(0.290)	(0.521)	(0.394)	(0.276)	(0.300)	(0.669)	(0.747)
Labor: HBs operator	-1.041***	-2.552***	-0.559	-0.820***	-0.945***	-1.043	-0.925
	(0.298)	(0.755)	(0.374)	(0.298)	(0.326)	(0.867)	(0.911)
Labor of the spouse: Wage earner	-0.512**	-0.297	-0.362	-0.403	-0.450*	0.756	0.675
	(0.245)	(0.372)	(0.428)	(0.250)	(0.267)	(0.564)	(0.645)
Labor of the spouse: HBs operator	0.345	0.362	0.375	-0.844***	-0.890***	-0.456	-0.477
	(0.244)	(0.489)	(0.307)	(0.239)	(0.253)	(0.497)	(0.537)
Region: North East	0.252	-0.564	1.024*	0.411	0.785*	-1.077	-0.842
	(0.397)	(0.664)	(0.599)	(0.394)	(0.445)	(1.255)	(1.330)
Region: North West	0.783	0.636	1.714*	0.876*	1.049*	1.222	1.819
	(0.519)	(0.751)	(1.013)	(0.488)	(0.554)	(1.309)	(1.374)
Region: Red River Delta	0.316	0.498	0.032	0.144	0.451	-0.881	-1.072
	(0.314)	(0.533)	(0.433)	(0.293)	(0.349)	(0.965)	(1.023)
Region: North Central	0.161	-1.079	0.358	-0.11	0.178	0.459	0.586
	(0.418)	(1.000)	(0.520)	(0.409)	(0.466)	(1.124)	(1.199)
Region: South Central	0.305	0.536	-0.035	0.144	0.422	0.528	0.786
	(0.341)	(0.638)	(0.453)	(0.327)	(0.372)	(0.968)	(0.992)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
VARIABLES	Being unemployed, or underemployed in Apr-May	Being unemployed, or underemployed in Apr	Being unemployed, or underemployed in May only	Falling into poverty in Apr only		Falling into poverty in May	
Region: South East	0.334	0.051	0.209	-0.056	0.202	-1.16	-1.298
	(0.370)	(0.628)	(0.510)	(0.346)	(0.400)	(1.051)	(1.104)
Constant	-0.482	-11.557	-1.9	0.652	1.866	-2.883	-3.08
	(1.299)	(1172.190)	(2.083)	(1.186)	(1.319)	(3.348)	(3.489)
Observations	786	274	512	767	685	281	261
Pseudo R-squared	0.155	0.204	0.215	0.132	0.148	0.221	0.244
Standard errors in parentheses							
*** p<0.01, ** p<0.05, * p<0.1							

Annex 6 - Logit regression of firm's vulnerability

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	Having revenue decrease more than half (Apr-May)	Having labor size decrease more than half (Apr-May)	Having revenue decrease more than half (Apr)	Having labor size decrease more than half (Apr)	Having revenue decrease more than half (May)	Having labor size decrease more than half (May)
Sector: Manufacture garment, footwear...	-0.026	-0.34	-0.134	0.192	-0.17	-0.532*
	(0.248)	(0.266)	(0.438)	(0.462)	(0.267)	(0.302)
Sector: Manufacture agri processing	0.154	-0.149	-0.409	0.874	0.188	-0.051
	(0.249)	(0.254)	(0.515)	(0.664)	(0.261)	(0.269)
Sector: Construction	-0.123	-0.173			-0.179	-0.308
	(0.245)	(0.258)			(0.249)	(0.265)
Sector: Agriculture	-0.149	-0.164	-0.656		-0.121	-0.102
	(0.245)	(0.257)	(0.937)		(0.249)	(0.261)
Sector: Tourism, hotel & restaurant	1.338***	0.176	0.176	-0.235	1.462***	0.14
	(0.247)	(0.230)	(0.441)	(0.421)	(0.266)	(0.241)
Sector: Trading, other services	0.454**	-0.231			0.429**	-0.413*
	(0.207)	(0.216)			(0.214)	(0.228)
Firm size: Micro (less than 10 workers)	0.371	0.34	1.313**	5.913	0.05	-0.247
	(0.235)	(0.275)	(0.572)	(279.474)	(0.269)	(0.303)
Firm size: Small (10-100 workers)	0.339	0.337	1.064*	5.558	0.107	-0.129
	(0.229)	(0.270)	(0.552)	(279.474)	(0.261)	(0.295)
Female leader	-0.032	0.265**	0.076	0.541	-0.052	0.225*
	(0.120)	(0.121)	(0.365)	(0.367)	(0.131)	(0.136)

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	Having revenue decrease more than half (Apr-May)	Having labor size decrease more than half (Apr-May)	Having revenue decrease more than half (Apr)	Having labor size decrease more than half (Apr)	Having revenue decrease more than half (May)	Having labor size decrease more than half (May)
Having export	0.112	0.493***			0.035	0.09
	(0.129)	(0.131)			(0.166)	(0.186)
Being ethnic minority led	0.19	0.012	-0.383	-0.829	0.289	0.194
	(0.181)	(0.182)	(0.667)	(0.668)	(0.196)	(0.204)
Urban	0.165	0.154	-0.012	-0.17	0.174	0.151
	(0.118)	(0.121)	(0.340)	(0.375)	(0.130)	(0.136)
Region: North East	-0.077	0.572**	0.815	0.423	-0.238	0.751***
	(0.250)	(0.237)	(0.562)	(0.652)	(0.302)	(0.287)
Region: North West	-0.193	0.065	0.46	0.606	-0.205	-0.067
	(0.279)	(0.277)	(0.662)	(0.804)	(0.323)	(0.327)
Region: Red River Delta	-0.373*	0.295	0.631	1.157*	-0.595***	-0.003
	(0.192)	(0.194)	(0.547)	(0.660)	(0.215)	(0.217)
Region: North Central	-0.248	0.251			-0.411	0.125
	(0.241)	(0.245)			(0.254)	(0.260)
Region: South Central	-0.467**	0.198	0.088	0.018	-0.555***	0.237
	(0.201)	(0.206)	(0.725)	(0.843)	(0.215)	(0.218)
Region: South East	-0.442**	0.148	0.29	0.664	-0.575***	0.094
	(0.200)	(0.205)	(0.758)	(0.848)	(0.214)	(0.216)
Constant	-0.536	-1.690***	-0.177	-5.162	-0.314	-1.317**
	(0.566)	(0.586)	(1.603)	(279.478)	(0.620)	(0.648)
Observations	646	581	104	86	536	488
Pseudo R-squared	0.115	0.0571	0.146	0.217	0.123	0.0463
Standard errors in parentheses						
*** p<0.01, ** p<0.05, * p<0.1						

Annex 7 - Technical note: Simulation of COVID-19 impact on poverty and inequality

Given that COVID-19 had significant impacts on income of all populations as pointed out by the RIM-2020 report, it becomes a question of how losses in income translate into poverty and inequality.

The report uses the income from VHLSS 2018, the latest available income of households in Viet Nam to simulate the remaining income per capita of households, i.e. the income houses would receive after effects of the COVID-19 pandemic. With the simulated remaining income, the assessment could estimate poverty and inequality related indicators. The assessment also estimated the amount of transfer to keep poverty status as well as the well-being of the poor people the same as those in the normal condition. Finally, the paper simulates the impacts of effects of Government's support package.

1. For the first simulation

Income of households

The report uses an income per capita indicator which is available in VHLSS 2018 dataset of GSO. The income per capita covers income from education (scholarships, education transfer, etc), health (supports from others for illness treatment), employment or self-employment as well as other non-labor income such as returns on investment or transfer. However, the income does not include non-monetary income such as accommodation using by households. The number of observations is about 45 000 households representing the whole countries as well as urban and rural areas of different regions.

Defining income poverty line in VND and a vulnerable threshold for 2018

The report employs the poverty line of 3.2 $ PPP per day of the World Bank (WB) as Viet Nam is a low middle-income country. With $ PPP 2011 of the WB data for 2018, the poverty line is 726.573 thousand VND per month.

Furthermore, the paper defines a population with income between the poverty line of 3.2 $ PPP and the poverty line of 5.5 $PPP for upper middle-income countries as a vulnerable group. Equivalently, the vulnerable threshold is 1248.78 thousand VND per person per month. At the same time, people with incomes which are higher than the vulnerable threshold are defined as non-vulnerable sub-group. Conclusively, the paper classifies three sub-groups of poor, vulnerable and non-vulnerable people. These sub-groups are defined with poverty the poverty line and the vulnerable threshold.

The real income is adjusted for months of collecting data as well as spatial differences in prices. We use spatial differences in prices (SCOLI) in 2016 for adjustment as we cannot access to figures in 2018.

2. Simulating income and inequality impacts

Simulated income impacts

It is clear that distinctive groups would be differently affected by the pandemic. For example, the effects of the pandemic are likely more serious in the urban area. Therefore, the effects are expected to be different between urban and rural areas. It is similar to other

characteristics. Therefore, in terms of non-productive characteristics for grouping, the report applies locations with rural and urban areas, ethnicity with Kinh-Hoa and Other Ethnic Minorities. For well-being statuses, the report divides households into two groups of poor and vulnerable and non-vulnerable. Consequently, there are 8 sub-groups in term of location, ethnicity and well-being statuses.

For employments, the report divides employment into three groups of self-nonfarm, wage employment and farming. Indeed, wage employment could be further divided into working for household businesses and formal enterprises. However, similarities of income losses of the two types of employments imply that the bias caused by merging two types of wage employment would not be serious.

Therefore, the total income of a household is from four sources including self-nonfarm, wage employment and farming, and remaining. The remaining income is assumed to be not affected by the pandemic.

As a result, the simulated income of a household as affected by COVID-19 is:

$$\begin{aligned}[⟦Siminc⟧\_kit=[⟦IncWage⟧\_ki*[⟦Sharew⟧\_ki*(1-[⟦Incwloss⟧\_kt)+\\ [⟦IncFarm⟧\_ki*[⟦Sharef⟧\_ki*(1-[⟦Incfloss⟧\_kt)+ [⟦IncNFarm⟧\_ki*\\ [⟦Sharenf⟧\_ki*(1-[⟦Incnfloss⟧\_kt)+[⟦Remain⟧\_i\end{aligned}$$

Where:

- ⟦Siminc⟧_kit: Simulated income per capita of household i in sub-group k in month t.
- ⟦Incase⟧_kit,⟦Linkfarm⟧_ki,and ⟦IncNFarm⟧_ki: Incomes from wage employment, farming and non-farming respectively of household i in sub-group k divided by characteristics as discussed above.
- ⟦Sharew⟧_ki,⟦Sharef⟧_ki,and ⟦Sharenf⟧_ki: Shares of income from wage employment, farming and non-farming in the normal condition of household i in sub-group k.
- ⟦Remain⟧_i: Non-employment income of household i. This kind of income is assumed to be not affected by the COVID-19 and constant over time.
- ⟦Incwloss⟧_kt,⟦Incfloss⟧_kt,and ⟦Incnfloss⟧_kt: Proportions of income loss of wage employment, farming and non-farming of sub-group k in month t. t includes April and May.

It should be noted that the report covers some data from 2018. Therefore, ⟦Siminc⟧_kit should be understood as simulated income of 2018 with proportion of income losses reported in 2019-2020. With poverty line and vulnerable thresholds of 2018, our estimation of poverty and vulnerable are still consistent.

Indeed, the reliably separate proportion of income losses for different kinds of employment of each sub-group is not available due to small number of observations, especially for poor and vulnerable sub-groups. Therefore, the simulation has to use the ratio of the whole population for the cases that number of observations is less than 15.

3. Simulating effects of the government support

With the number of beneficiaries reported by the government as in Table 18, the assessment assigns them within different sub-groups randomly that total number of simulated beneficiaries equals the figures of government. For example, for the case of household businesses with revenues of less than 100 million VND and pending business activities, the assessment selected randomly among household businesses that total selected household

businesses for receiving transfer equals 204,676 VND.

Indeed, the random assignment of beneficiaries does not well reflect the design of targeting of the government programs as probabilities of income losses or being affected by the pandemic are different across individuals with different characteristics.

Therefore, the report also uses well-being (income) to further filter beneficiaries as an effort to better reflect the program in reality. Some income quintiles which are less likely affected by the pandemic or laborers with specific types of employment are less likely to fall into specific quintiles. In specific, the report only assigns incidence of employment related supports to the three lowest quintiles, i.e. the first, second and third ones. Put differently, the two richest quintiles are excluded from beneficiaries.

Table 18. Number of beneficiaries of different kinds of supports

Kinds of supports	Number of supports
Social protection incidence	3,058,570
People with meritorious services to the Revolution with monthly incentives	1,075,224
Poor and near poor	8,214,595
Laborers with pending labor contract execution or stopping working without compensation. With social insurance	797,885
Household businesses with revenues of less than 100 million VND and pending business activities.	204,676
Laborers with labor contract termination without sufficient conditions for receiving unemployment insurance/ Laborers without labor contracts lost their jobs	693,405
Laborers without labor contracts lost their jobs	6,000,000
Total	**20,044,355**

Source: MOLISA report.

For benefit incidence of people with merits with monthly incentives and social protection incidence, the assessment covered members of households who reported receiving these kinds of transfers regularly. There are problems with inconsistent numbers of estimated incidences from the data and reported figures of the government. There are two millions of households for each category estimated from data. However, there is only one million people with merits but three millions of beneficiaries of the social protection. Therefore, there was a need to re-sample from households reporting receiving these kinds of transfer.

The simulated support from the government was added to simulated remaining income of households to have income with government support. This indicator was then used to estimate poverty and inequality related indicators as effects of the government support.

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