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SUMMARY REPORT

Round 2 - November 2020

**Assessment of the COVID-19 Socio-Economic
Impact on Vulnerable Households and
Household Businesses in Viet Nam**

February 2021

FOREWORD

With the aim of helping to inform the Government of Viet Nam's response and recovery to COVID-19, a rapid impact monitoring (RIM) of the pandemic commissioned by UNDP and UN-WOMEN was first conducted in April and May 2020. The first assessment (RIM1) report "COVID-19 Impact on Vulnerable Households and Enterprises in Viet Nam: A Gender-sensitive Assessment" provided useful information, especially on the COVID-19 impact on the income of vulnerable households and enterprises causing a surge in transient income poverty.

As a follow-up to RIM 1, the second round of rapid impact assessment (RIM 2) was conducted in November 2020. The objective of RIM 2 is to provide an updated picture on multiple economic and non-economic dimensions of the well-being of vulnerable households and enterprises in the pandemic times, focusing on their recovery, as the context in Viet Nam is evolving rapidly.

Telephone interviews were conducted in November 2020 with 996 households (drawn from the sample of Viet Nam Household Living Standard Survey conducted by GSO in 2018), of which 209 are from ethnic minorities, 205 female-headed households, 196 urban households. 468 households with household business. In terms of sectoral distribution, the sample includes 234 households in agriculture, 115 in manufacturing, 127 in construction, 50 in tourism, hotel and catering, and 470 in trade. In addition to phone interviews, the research team also conducted a number of face-to-face unstructured interviews with different types of households to gather in-depth information on the ground.

The report findings highlight that: (i) Since April 2020, as a result of the pandemic, the employment of 63% surveyed households were affected (family members were laid off, had a temporary break from work, suffered from reduced working hours and work sharing. Households with businesses reported a higher percentage of employment impact compared to the average. (ii) While there was a significant recovery from May income levels, household per capita income in October 2020 was still lower than in December 2019 by 14.5 and 18.5 percentage points for all households and households with businesses respectively. (iii) As a result, the transient income poverty rate (using MOLISA's income poverty line for the period from 2016 to 2020) of the affected population that experienced employment impact was recorded at 12.7% in October 2020 as compared to 4.9% in December 2019. Critically, 8.5% of the non-poor population in December 2019 fell into poverty in October 2020 because of the impacts of the pandemic. Finally, the implementation of preventive measures by households became less vigilant as pandemic-related health risks fell, at the same time overall rates of households using e-commerce and e-payment mechanisms as well as having family members move to new jobs increased.

We offer the report's findings and recommendations as inputs to the Government's continued efforts to refine policy actions and their implementation to protect livelihoods of vulnerable households, support micro/household businesses in recovering their operations and ensuring continued employment for workers. Ultimately, expanded protection is needed for achieving the Sustainable Development Goals (SDGs) so that no one is left behind in the 'new normal' of living safely with COVID-19.



Caitlin Wiesen
UNDP Resident Representative

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RAPID IMPACT MONITORING (RIM) IN BRIEF

Since the coronavirus (COVID-19) pandemic was first recorded in Viet Nam on January 23, 2020, two waves of outbreaks took place in the country as of November 2020. In response, 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 household businesses.

With a view to gathering information that is complementary to mainstream data collected by the General Statistical Office (GSO), rapid impact monitoring (RIM) - a snapshot - of the pandemic commissioned by UNDP and UN-WOMEN was first conducted in April and May 2020. This first round of assessment (RIM1) provided useful information, especially on (i) the COVID-19 impact on the income of vulnerable households and enterprises, causing the surge in transient income poverty, (ii) the household and enterprise coping strategy during April 2020 and (iii) signals of early recovery in May 2020.

The second round of RIM (RIM 2) was conducted in November 2020. The objective of RIM 2 is to provide a follow-up snapshot on multiple economic and non-economic dimensions of the well-being of vulnerable households and enterprises in the pandemic times, focusing on their recovery, as the context in Vietnam is evolving rapidly. In addition to phone interviews, the research team also conducted a number of face-to-face unstructured interviews with different types of households to gather stories on the ground. Based on findings of an analysis of the survey data, recommendations are made towards promoting robust, sustainable and inclusive recovery.

SAMPLING

The designed sample size of the RIM 2 phone survey was 1,000 households. Respondents were selected from a sampling frame, which consists of 45,838 households of Vietnam Household Living Standard Survey conducted by GSO in 2018 (VHLSS 2018). For the selection of the sample, a stratified random sampling was employed. The sample was stratified by two criteria:

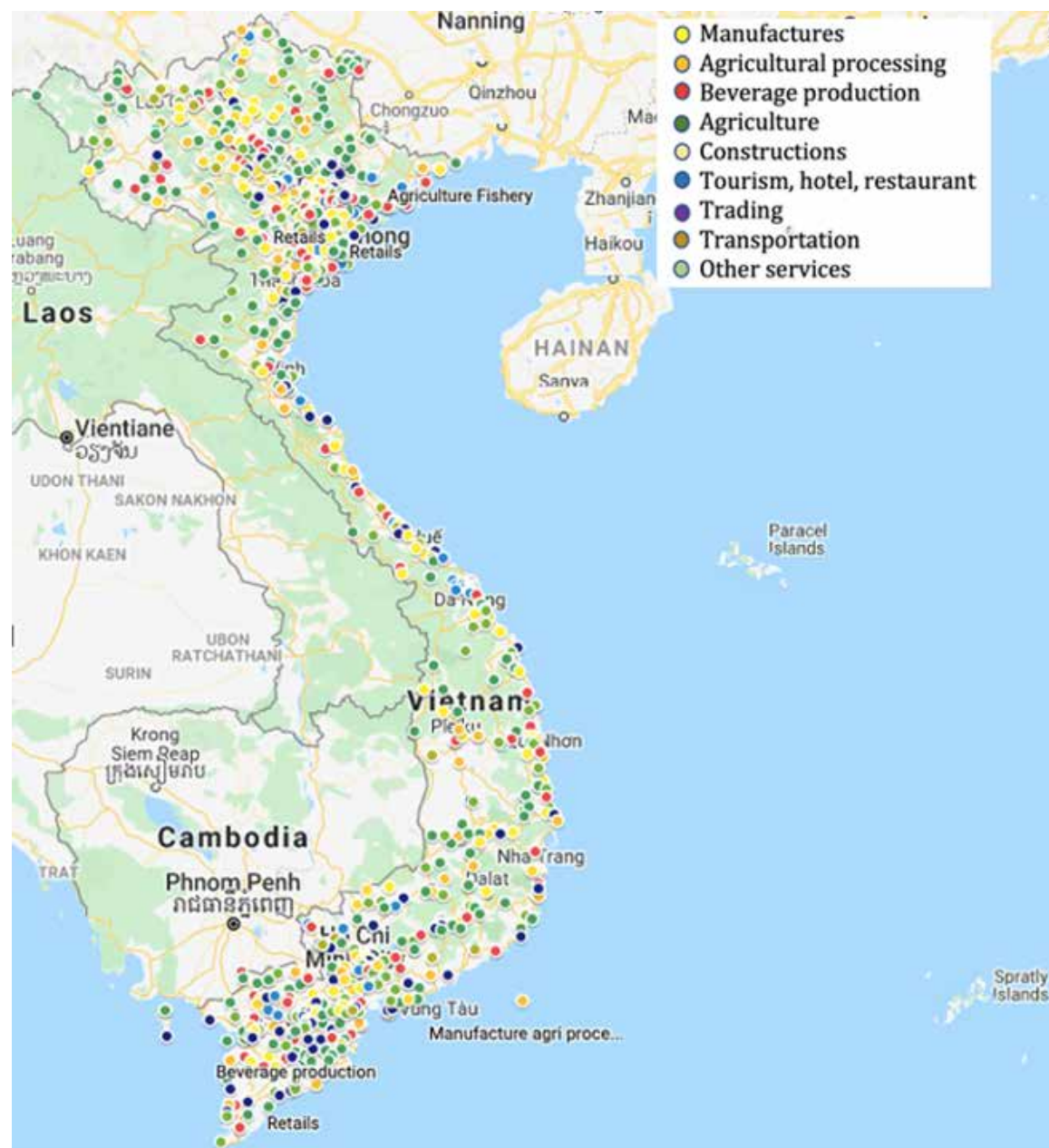
- (i) Using the first criterion on sectors of employment of household members, the economy is classified into two groups of two-digits industries - heavily affected sectors, which are defined as experiencing drops of labor income in real terms of at least twice the median year-on-year income drop for the whole economy in quarter 2 of 2020, and the rest. Such information was derived from Labor Force Survey data for the second quarter of 2019 and 2020.
- (ii) Using the second criterion, households were classified by ethnicity into two groups - the Kinh Hoa majority and ethnic minorities. Furthermore, households with a higher number of members working in heavily affected sectors were oversampled, so were households from ethnic minorities. Sampling weights were then calculated accordingly for use in different aggregations.



The final sample consists of 996 households, of whom 209 are from ethnic minorities, 205 female-headed households, 196 urban households. In terms of sectoral distribution, there are 234 households of workers in agriculture, 115 in manufacturing, 127 in construction, 50 in tourism, hotel and catering, and 470 in trade. As such, there is a sufficient number of observations on single-dimensional analysis, except tourism. The geographical coverage is the whole Viet Nam.

There were 468 households with household business (HB)¹. While such a number of observations is sufficient for analysis of the whole group of households with HB, care should be taken when there is a need to disaggregate the results, particularly when the number of observations per a subgroup is under 100 as per our experience.

Figure 1. Spatial distribution of the surveyed households



Source: Based on RIM 2 Data

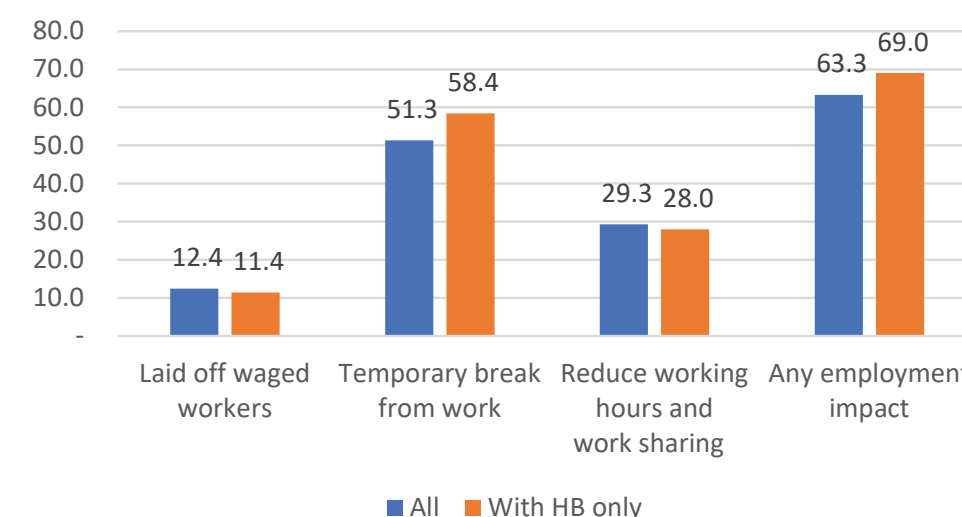
KEY FINDINGS



Employment impact of the pandemic prevailed and varied across different types of households

Cummulatively, approximately 12.4% of households reported to have members being laid off since April 2020 (till October 2020) because of the pandemic. The most common impact of having a temporary break of any kind from work was experienced by 51.3% of households. 29.3% of households had members suffering from reduced working hours and work sharing. 63% of all households experienced at least one of these employment impacts of the pandemic. **They are hereafter termed as affected households** as opposed to the remaining group of households that did not report any employment impact. For households with household business, figures on the percentage of laid-off wage workers and reduction of working hours were similar, but those on temporary breaks from work and any employment impact were higher than for all households.

Figure 2. Employment impact (% of households)



Source: Our calculation based on RIM 2 data

Across sectors, construction and tourism, catering and accommodation had a significantly higher percentage of households experienced employment impact than the rest. Slightly over half of households engaged in agriculture experienced employment impact. With regards to households with household business, although the concrete percentages were different from those for all households, the pattern of the within-group differences was generally similar.

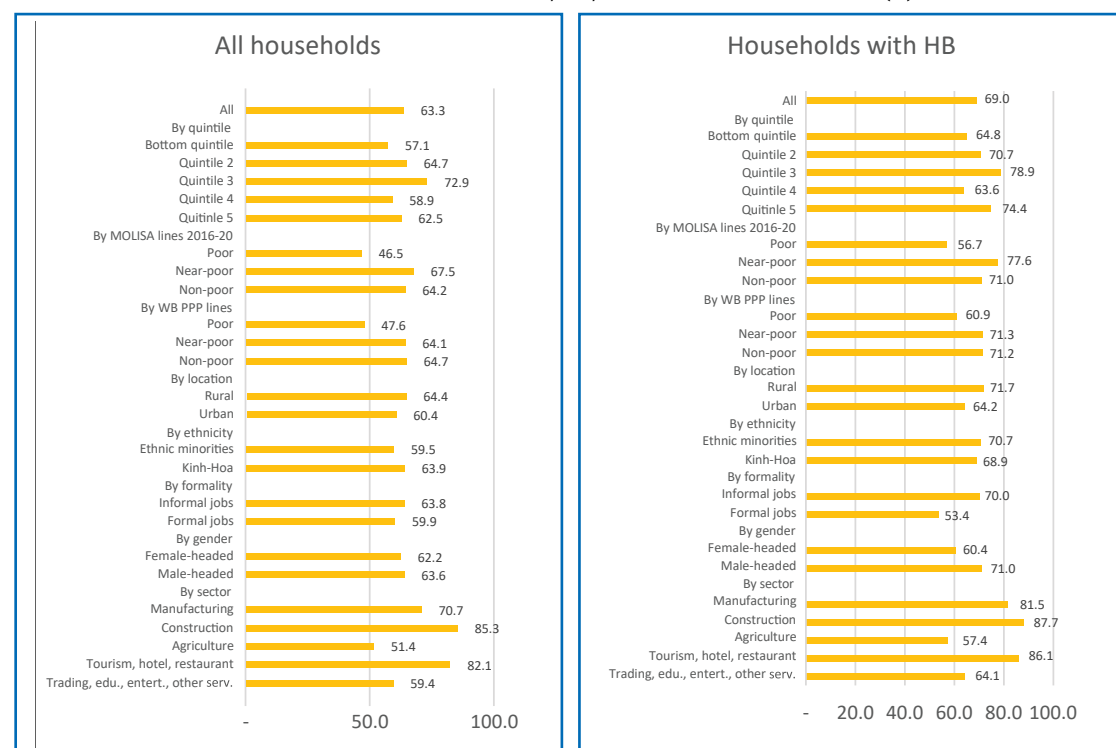
¹ Household business is defined as per Clause 1, Article 66 of the Government's Decree 78/2016 /ND-CP as follows: "A business household is owned by an individual or a group of individuals who are Vietnamese of 18 years of age or older, have full civil capacity, or a household is only registered in one location, employs less than ten employees and is responsible with all of its assets for the business". As such, household businesses can employ non-family members, although employees often have family ties with the owner.



Income recovery from the peak of the pandemic in April 2020 was significant while the pandemic disproportionately affected households with household businesses

On average, household per capita income in October 2020 was equal to 85.5% and 81.5% of that in December 2019² for all households and those with household business respectively. These represent a drop by 14.5 and 18.5 percentage points from the pre-pandemic time respectively. They, however, represent a significant recovery from the April income level, when RIM 1 was conducted. There the average income drop was as high as by approximately 50%.

Figure 3. Per capita income of affected households in October 2020 relative to December 2019 by key household characteristics (%)



Source: Our calculation based on RIM 2 data

Note: The income poverty status of households (poor, near poor and non-poor) is in December 2019, i.e. the pre-pandemic time. This classification is used throughout analyses, unless stated otherwise

For households with household businesses, per capita income in October 2020 relative to that in December 2019 was 82.5% and 78.7% on average for all households and affected households in this group respectively. This indicates that on average, households with household businesses experienced larger declines in relative terms than those without household businesses, although in absolute terms, per capita income of the former was consistently higher than that of the latter in both December 2019 and October 2020 (VND 3.2 and 2.4 million vs 2.7 and 2.3 million respectively).

Income declines varied across different types of affected households. Non-poor households were affected more in relative terms (and therefore also in absolute terms) than poor households. Similarly, households in the lowest quintiles also experienced income decline to a lesser extent than those in higher segments of the income distribution. A gender difference was negligible, with female-headed households slightly less affected than their male counterparts. The pattern for households with household businesses was also broadly similar.

² This comparison does not take into account seasonal factors which often result in higher incomes of workers in December (high season) than in October (low or normal season) and therefore these estimates tend to overstate the income reduction caused by the pandemic.



A discernible rise in transient income poverty in October 2020 as compared to December 2019³

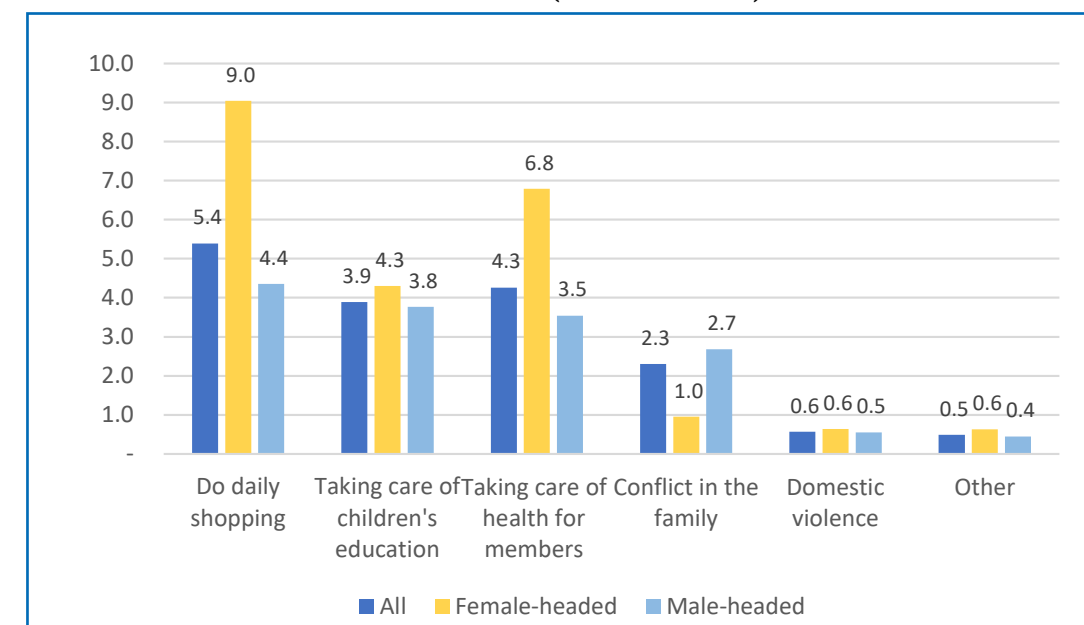
The poverty rate of the affected population increased substantially between December 2019 and October 2020 across income poverty lines used and across different segments of the population. If MOLISA's income poverty line for the period from 2106 to 2020 is used, the poverty rate for the affected population rose from 4.9% in December 2019 to 12.7% in October 2020. If a World Bank's income poverty line of USD 3.2, 2011 PPP, which is applicable to lower developing countries is used, these figures are slightly higher, at 6.4% and 15.1% for these two points in time respectively. It is also found that 8.5% and 8.9% of the non-poor population in December 2019 fell into poverty in October 2020 because of the pandemic if MOLISA and World Bank's income poverty lines are used respectively.



Non-economic impacts: Difficulties in major household activities were not widespread, but gender disparities were evident in some activities

As shown in Figure 4, COVID-19 caused difficulties in family activities for a small group of households in October 2020. Specifically, the percentages of households that reported to have had difficulties were respectively 5.4% in daily shopping, 3.9% in taking care of the education of children, 4.3% in health care, 2.3% reported conflict in the family and 0.6% reported domestic violence. A considerably higher percentage of female-headed households reported more difficulties associated with doing daily shopping and taking care of health care for family members than male-headed-households, 9.0% vs.4.4% and 6.8% vs. 3.5% respectively.

Figure 4. Difficulties in the household activities due to COVID-19 (% of all households)



Source: Our estimation based on RIM 2 data

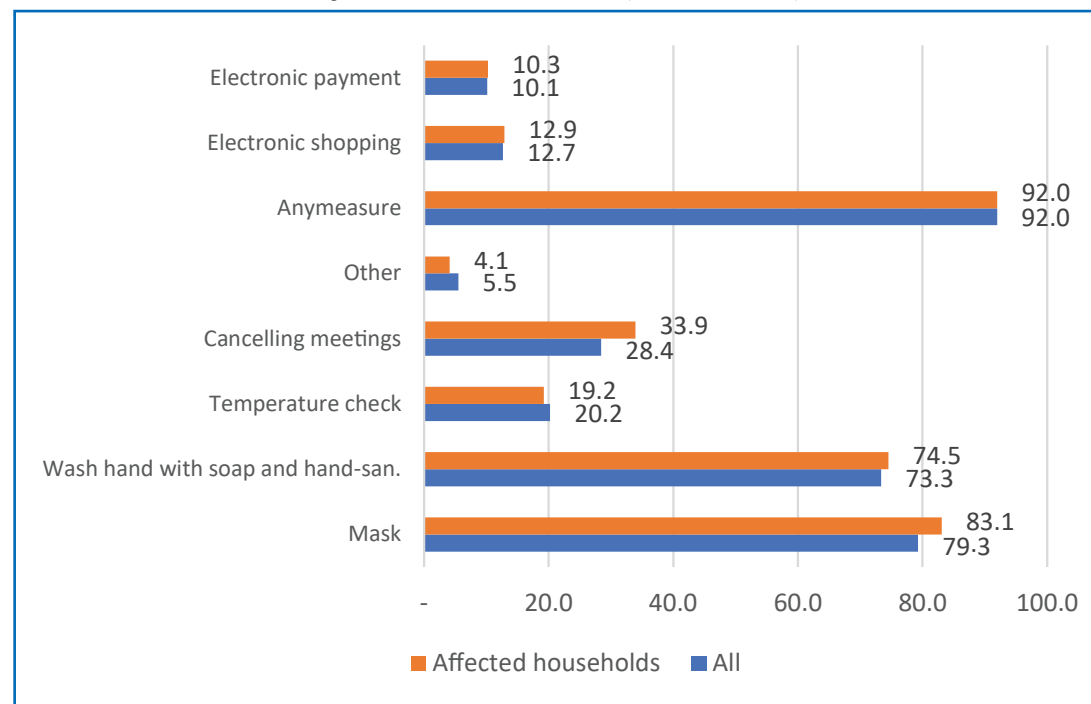
³ RIM 2 collected information on income at two points in time - December 2019 and October 2020. Therefore income poverty rates estimated by RIM 2 are not comparable to income poverty rates estimated from VHLSS as the latter was drawn from incomes averaged over 12 months of the year. Averaging and particularly moving averages are a data smoothing technique, which researchers often employ to get more stable estimates when there are substantial ups and downs in the underlying data



Live safely with COVID-19: The implementation of preventive measures by households has become less stringent as the pandemic-caused health risks fall, while digital transformation has accelerated

The percentage of households using masks, soap, hand sanitizers for hand wash, and temperature checks reduced from April to October 2020. 95% of households wore masks, and 82% washed hands with soap and hand sanitizers in the previous survey round in April 2020. In October 2020, these percentages reduced to approximately 79% and 73% respectively. Such a reduction was explained by respondents seeing the significant drop of pandemic-related health risk between these two points in time.

Figure 5. Preventive measures (% of households)



Source: Our calculation based on RIM 2 data

The percentage of households using electronic payments increased to 10.1% of households in October 2020, from 6.9% in April 2020. 13% of households did online shopping in October 2020 as compared to 7.6% of households in April 2020. Such changes are encouraging, indicating Viet Nam is turning challenges into opportunities for accelerating digital transformation.

There are differences in employing preventive measures across different types of households. Whilst differences in wearing face masks between different groups were not so large, they were significant with regards to washing hands with soap and hand sanitizers, electronic shopping and electronic payment. There is a common pattern for these measures: fewer households from more disadvantaged groups (poor and near poor, bottom income quintile) take preventive measures as compared to the rest of respondents, indicating that economic inequality may result in inequality in effective response to the pandemic, particularly with regards to more expensive preventive measures.

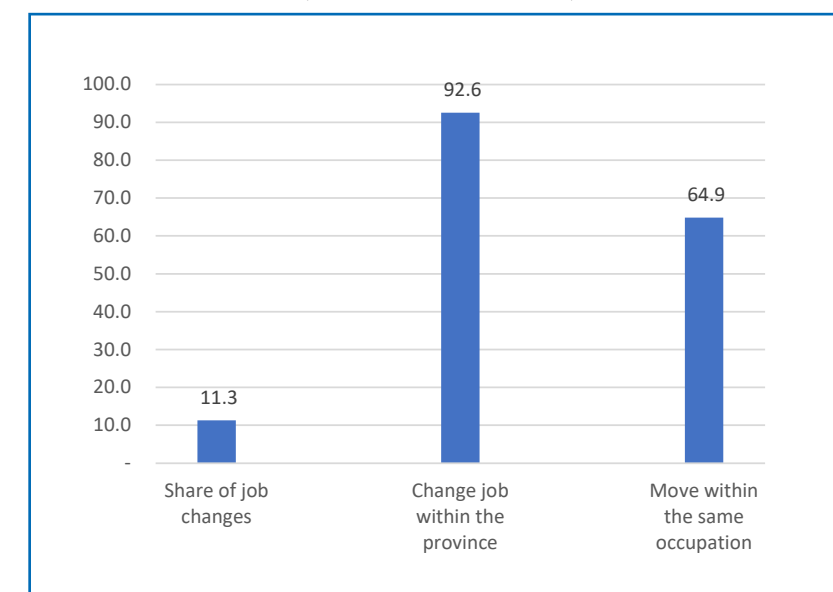


Occupational and geographic mobility in response to the pandemic-caused economic shock: Slightly over 10% of affected households reported a move by household members

11.3% of affected households in RIM 2 reported to have members who changed jobs due to COVID-19 since the pandemic broke out in Vietnam. This figure was 4.7% in RIM 1 survey conducted in April and May 2020. This increase can be explained by the time needed for affected workers and households to react to the pandemic's continued impact on their employment.

Furthermore, nationwide lockdown took place in April 2020, labor occupational and geographic mobility was limited, if at all. Of those household members who moved, 92.6% did it within the same province, and 64.9% within the same occupation.

Figure 6. Job changes due to COVID-19 from Dec 2019 to Oct 2020 (% of affected households)



Source: Our estimation based on RIM 2 data



Waiting for the pandemic to end was the most common reason for the "no move" reaction, followed by skills mismatch and skills shortage

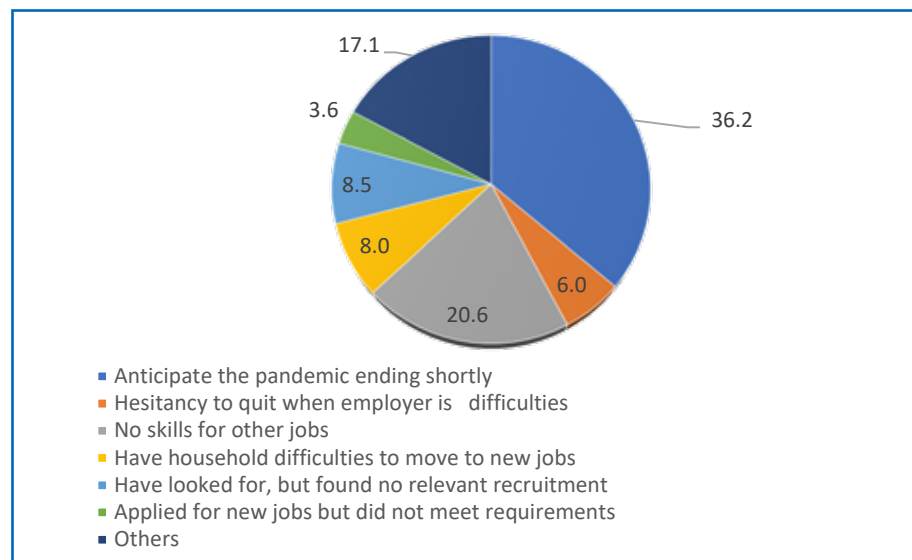
Waiting for the pandemic to end shortly was the most common reason being cited by 36.2% of households without moving members. This reason was further elaborated: 24.7% of affected households did not expect that temporary jobs would be available during the pandemic and therefore they had to wait. This may be partially linked to the lack of information on job availability. Under 14% of affected households had resources to rely on while waiting, of whom 12% could rely on their savings while 1.8% thought that they could receive unemployment benefits or policy support.



The skills mismatch and/or skills shortage was the second common reason for the “no move” response cited by approximately a third of affected households without members changing employment: 20.6% - no skills for other jobs, 8.5% - have looked for, but found no relevant recruitment and 3.6% - applied for new jobs but did not meet requirements.

Other reasons include psychological hesitancy to quit when employers have temporary difficulties (6%) and having household difficulties, therefore, cannot move to new jobs (8%) and “Others” (17.2%).

Figure 7. Reasons for not Changing Employment (% of affected households)



Source: Our estimation based on RIM 2 data

The “no move” response to Covid-19 employment impact varied across different types of households, but a general pattern is that it was higher for more disadvantaged groups of households (poor households, rural, ethnic minority households etc.). The percentage of affected households who reported to not move was higher for male-headed households vis-a-vis female-headed ones.

Box 1. Obstacles to occupational and geographic mobility: Lack of job information, information about what skills enterprises are demanding

We don't know what new jobs to move to. People are just used to the jobs they have been doing. We don't know what else to do here locally. I also do not dare to borrow money to start a new business, thinking that if the business went down, I would have had nothing to pay back.

Female, 38 years old, restaurant, Quang Binh

I also want to think about what else to do, but I don't have the capacity to use a computer or a (smart) phone (to use the Internet). People know to utilize the Internet (for an apprenticeship, job information), they can earn more. But not all people are good at the Internet. Earlier I said that my family did not know much. We knew a little bit of weaving and cooking, thanks to learning from each other locally. But it is easy to learn these local jobs, but other jobs are very hard (to learn). I found it very hard to change jobs, and couldn't move to another job.

Female, ethnic minority, 42 years old, weaving, cooking, Hoa Binh

Now that it's difficult to change jobs. Sometimes I think of looking for a part-time job, but I just stop at thinking as I do not know how to get one. I learned the repair job. Learning that job was thanks to my brothers. I also did not dare to borrow to build a small workshop. Do not dare to invest into a business.

Male, 36 years old, repairing small electrical appliances, Hanoi

I worked as a manufacturing worker at the age of 17. But after I got married, I left it because I couldn't work overtime, and I needed time to look after my children. I do not know what other apprenticeship (opportunities available), so I choose to sell lottery tickets. It's comfortable to have time to look after the baby. Now I don't know what to do if I change my job.

Female, 32 years old, selling lottery tickets, Ho Chi Minh

Here, people only do farming. In the face of difficulties, young people also struggle to change to trading or become workers. It is also difficult for people here to change jobs. Trading is difficult, not easy. Local people only harvested rice every year for 2 to 3 hundred “dq” (a local measure of weight) and then sell it. It is very difficult to switch to a trading business. Whoever being able to migrate to Saigon has already left for being manufacturing workers. Those who cannot go, because they still attached closely to the local soil, to the field, and their houses, they do not know what else to do.

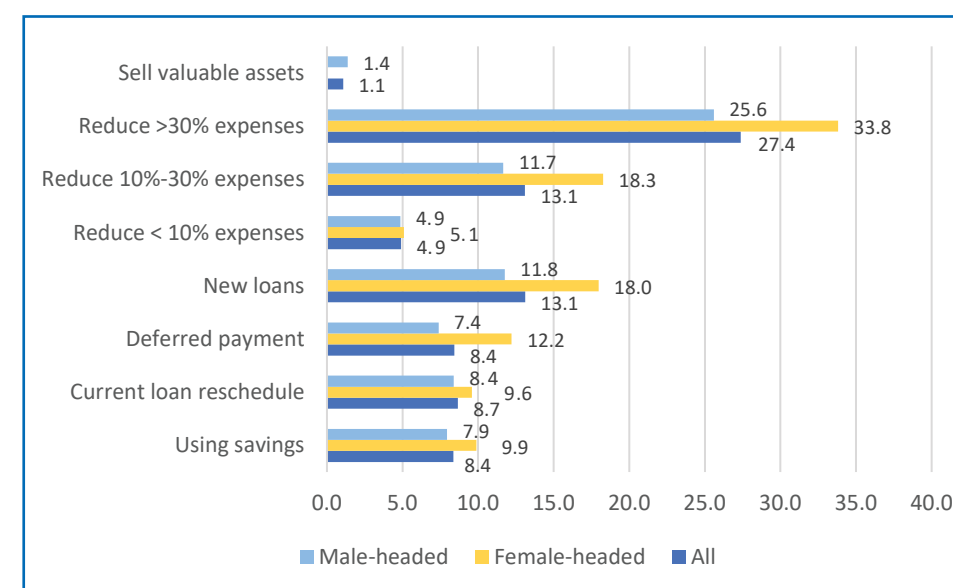
Male, ethnic minority, 42 years old, agriculture, Hau Giang



Cutting expenditures was the most common passive response employed by affected households

45.4% of affected households cut expenditures, of whom 27.4% reduced spending by as much as more than 30%. On a positive note, only a minuscule percentage of households, which is estimated at 1.1%, sold valuable assets to cope. A third of affected households relied on borrowing to minimize the spending cut. 8.4% used their savings. Almost half of the households did not have any savings at all, while slightly more than a quarter of households had savings to be drawn for between 1 and 3 months.

Figure 8. Coping measures - October 2020 (% of affected households)



Source: Our estimation based on RIM 2 data



The above figures indicate substantial recovery as compared to late April and early May 2020: RIM 1 found that 70% of households reported to have cut household expenses, of whom approximately 44.3% of households reported cutting more than 30% of household expenses. 74 % of households had to use their savings to partially make up for the income shortfall.

Box 2: Drastically cut spending

During the COVID, we do less and spend less, that's simple. I tried to cope by paying less. The spending money must be less, more frugal. No more buying, for clothes, or remodeling something in the house. Previously, I used to a little decoration change before. But now I will stop such irregular payments.

Female, 34 years old, accommodation service, Hoa Binh

Now I only visit the local market once every 3 days to buy food. Then a little more stockpile for reduced prices, and less food consumption. Reducing food expenses such as on fruits for parents. I only buy fruits for my small kid. Both the milk and the food for my kid cost 50 thousand VND every day. Previously, food for the parents cost about a hundred thousand. Now, the parents eat much less, just a few dozen, in order to reduce as much as possible what the parents eat.

Female, 28 years old, garment worker, Dong Nai

As shown by Figure 9, 17.5% of households received some form of support. The support coverage was modest as compared to the percentage of households affected by the pandemic (63.3%)⁴. However, it is generally progressive, as higher percentages of disadvantaged households received the support than their peers in various types of household classifications. 32.4% of households in the bottom income quintile, which includes the poor, near-poor and also some other households received the support. The only exception is a smaller percentage of female-headed households receiving support than male-headed ones.

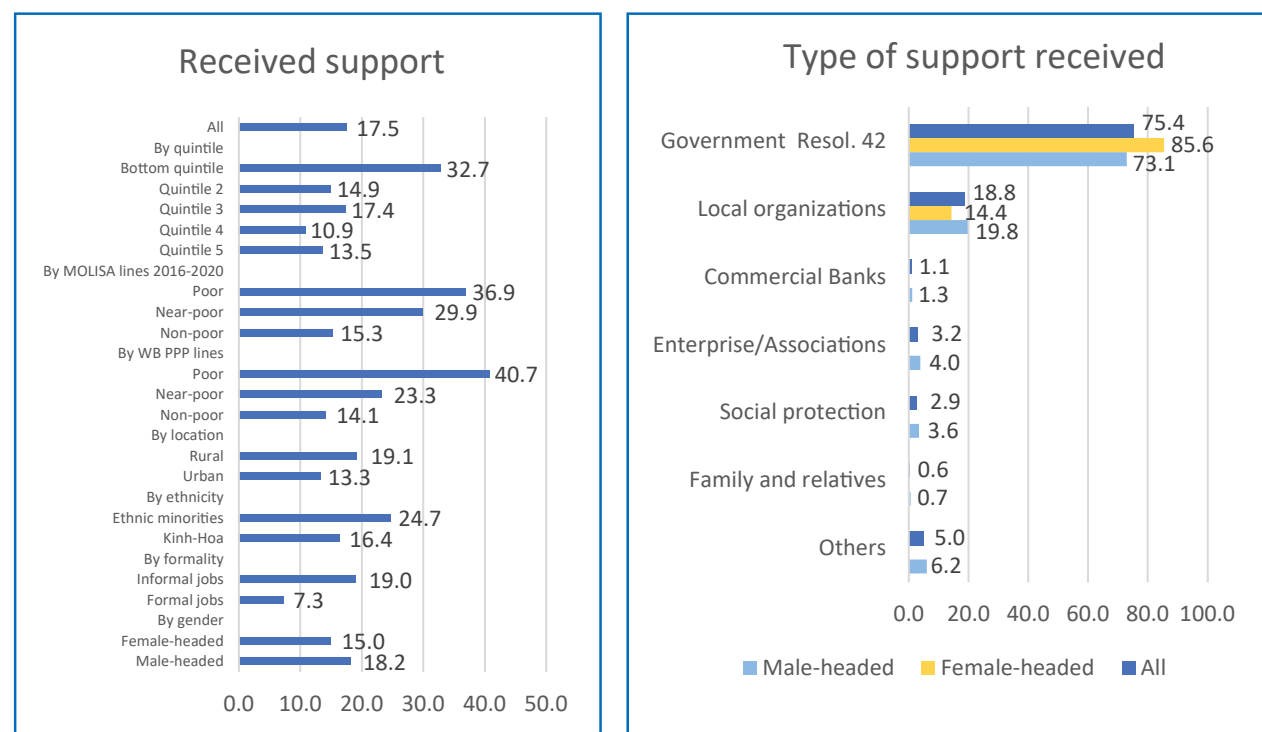
Among those receiving support, 75.4% of them received support within Government policies. Another 18.8% of them received support from local social organizations. A tiny percentage of affected households received support from relatives while support from other sources was limited in terms of coverage.

Recipients generally had a positive view of the Government support. However, 13.3% of households who received the support thought that it was not effective, presumably because the implementation of the support package was slow.



Support to households: Modest coverage, but generally progressive

Figure 9. Support delivery (% of households)



Source: Our estimation based on RIM 2 data

⁴ It is smaller than the percentage of affected households that had to cut expenditures (63.3%*45.4%=28.7%), but is slightly greater than the percentage of affected households that had to cut expenditures by over 30% (63.3%*27.4%=17.3%)

RECOMMENDATIONS - PROMOTING ROBUST, SUSTAINABLE AND INCLUSIVE RECOVERY:

1 Crushing the curve: Viet Nam has up until now emerged among one of the very few countries which were able to maintain a very positive scorecard for managing the pandemic: a few waves of community transmissions, improvements in the Government and public responses from wave to wave, resulting in smaller and shorter disruptions to economic activities. Since the pandemic broke out in February 2020, Viet Nam has considerably strengthened testing capacity, contact tracing, stockpiled PPEs and added extra health facilities. To crush the curve, the Government has consistently employed a strategy of rapid response, which consists of 5 steps: prevention, detection, isolation, zoning for epidemic suppression and effective treatment. The Government has recently modified its strategy to include new elements such as random testing at high risk places and people such as hospitals, restaurants, airports, truck drivers; regular monitoring of coughs/pneumonia cases, maintain strict control/application of quarantine rules in both establishments and at home. The Government has also embarked on a plan to vaccinate the population as much and as fast as possible. The public has a lot of trust in the Government, thus showing vigilance by following the guidelines by the Ministry of Health, which can be summarized as "Masks - Disinfection - Distance - Crowd avoidance - Medical declaration"⁵.

These are key factors behind Viet Nam's great success in containing the spread, thereby avoiding disruption of economic activities on a large scale. Such a comprehensive strategy to combat the pandemic should be consistently implemented, updated and improved based on lessons learnt from wave to wave.

2 Providing targeted support to hard-hit sectors: The risk of resurgence of the pandemic still remains high until a large proportion of the population is vaccinated and/or effective treatments are available. Local lockdowns or location-specific restrictions cannot be ruled out. Therefore, while the overall economic recovery is well under-way, it is uneven across sectors. Risks are still high in contact-intensive activities. Economic sectors such as air transportation, tourism and hospitality industry still face considerable challenges, as documented in both rounds of RIM, and GSO's labor force surveys. In addition to helping otherwise healthy firms in these sectors to stay afloat, as it was already done, the Government can undertake some targeted interventions to stimulate employment demand in these hard-hit sectors including phasing-in the reopening process with vaccine passports, participating in travel bubbles with relevant countries and designing and implementing preventive procedures to receive inbound tourists etc.

3 Enhancing labor mobility: Geographic and occupational mobility needs to be improved to accelerate the recovery process while ensuring it is inclusive. As documented in both rounds of RIM, the lack of information on job availability and skills mismatch are among the main impediments for affected workers to move across sectors and/or locations to get better employment opportunities.

This structural constraint can be relaxed through reskilling, labor market information and job matching services, simplification of procedures, including to ensure the

⁵ In Vietnamese, it is the 5Ks rule "5K: Khẩu trang - Rửa tay - Khoảng cách - Không tập trung - Khai báo y tế". These are broader than the 3Ws rule "Wearing masks, washing hands and watching distance" being applied in the pandemic time in many parts of the world.

continuity of the workers' participation in social and unemployment insurances as well as the portability of the benefits across space. The education and training curricula should put a stronger emphasis on transferable skills (e.g. critical thinking and problem solving, soft and digital skills etc.) that are of great value regardless of sectors or locations of the workers.

The Government of Viet Nam is determined to accelerate digital transformation, as evident by its prominent place in the 2021-2030 socio-economic development strategy. As part of this process, digital technologies should be leveraged to support the upskilling and reskilling program. In particular, digital platforms, including YouTube or others should be used and/or developed to deliver training in skills required in growing sectors to a large number of workers, including those from the informal sector. As these Internet-based training programs can be considered as "public goods" with large spillovers and social benefits, the Government can provide monetary incentives to owners of the training content, based on the number of hits. Such ex-post financial rewards resemble the incentives provided by digital marketing firms to owners of digital platforms which are very common in the digital age. Information on the availability and usefulness of these and other digital platforms-based programs should reach out to as many workers as possible, e.g. through TV, Facebook, Zalo, etc. Digital technology also helps to speed up payments under the unemployment insurance program, which is critical in challenging times.

4 Promoting saving: People, including the poor and the low income, can benefit from saving to smooth consumption when income is uneven and unpredictable, and to insure against emergencies, thus increasing the resilience of the savers. However, as found in RIM 2 survey, almost half of households did not have any savings at all, thus having no financial buffer to cushion income shocks.

At the country level, Vietnam's gross savings rate as a percentage of GNI dropped from 39.5% in 2004 to only 24.5% in 2019, which is lower than the savings rate in lower middle-income countries at 26% in the same year⁶. Other measures such as the gross savings as a percentage of GDP or net savings rate as a percentage of GNI also had similar dynamics over this period. This is a very disturbing trend, as the declining propensity to save contributes to the rising gap between investment and savings, which in turn reduces the country's resilience and increases its dependence on foreign savings (in the form of foreign borrowings and foreign direct and portfolio investment). It is therefore important to find ways to encourage the saving culture among the population at large, including the low-income people⁷.

Some findings and suggestions drawn from controlled experiments implemented in developing countries are worth considering: (i) Access to low-cost savings accounts increases savings and improves measures of individual wellbeing; (ii) Marketing campaigns and account features that try to overcome psychological obstacles to saving show promise in increasing take-up and use of savings accounts; (iii) Technological innovations, including mobile money⁸ and direct deposit options (e.g. through traditional top-up of phone card with small cash), have the potential

⁶ Source: <https://data.worldbank.org/indicator/NY.GNS.ICTR.GN.ZS?locations=VN>

⁷ In the early 2000s, as reported by the media then, low income workers in manufacturing firms frequently used part of their wages to purchase a few taels of gold (chỉ vàng, which is slightly heavier than a tenth of ounce) and set aside as a form of savings. Such a savings habit may explain why the savings rate was high in the early 2000s. This savings culture is very healthy for the economy and individuals alike, and therefore should be nurtured and encouraged. However, gold is a very inefficient, sub-optimal form of savings, to which people resorted to in the past in the absence of extensive banking services, and in the context of high inflation.

⁸ The number of registered mobile money accounts surpassed one billion in 2019. With 290 live services in 95 countries and 372 million active accounts, mobile money is becoming the path to financial inclusion in most low-income countries (Source: GSMA, 2019, "2019 State of the Industry Report on Mobile Money". (Source: <https://vnexpress.net/thu-tuong-dong-y-thi-diem-mobile-money-4246011.html>).



to expand access to and use of savings accounts⁹. Most recently, the Prime Minister agreed to pilot mobile money for two years, starting from 9 March 2021. This is a big step forward for promoting financial inclusion in general and raising savings in particular.

- **Triggering public work programs when they are badly needed:** Public work programs provide immediate employment and income to the most vulnerable because they are self-targeting. UNDP-introduced cash for work in Bac Lieu and Ca Mau are some of the examples¹⁰.

The RIM 2 survey found that 57.4% of respondents had a reservation wage (i.e. the minimum level of wage they require in order to accept the work) of under VND 120,000 (if they live in urban areas) or VND 95,000 (if they live in rural areas). The former falls into a lower range of regional minimum wages for 2021 while the latter is well below the range. This implies that demand for public work in times of economic downturn is relatively high, while it is cost-effective. Programs can be organized by local government agencies that have a backlog of maintenance or small infrastructure work as well as environmental restoration that could be started and completed quickly. Such programs need to be designed and implemented in a fast and gender-sensitive manner to meet the differentiated needs of female and male workers.

- **Making social assistance program respond faster and better** to large-scale shocks such as natural disasters, economic crisis and health emergencies like the COVID-19 pandemic. Both rounds of RIM found that the Government's support reached only a limited segment of the population, largely the traditional beneficiaries of the targeting program. The targeting program has so far done well with regards to the "fixed" targets, as evident by the positive assessment of the support by the recipients as documented in RIM 2 survey. However, it generally failed to hit the "moving targets", i.e., unable to deliver support to people in the so-called "missing middle" who are not on the program's list, but are hit hard by economic shocks. Although the Government's Resolution 42 intended to support numerous groups of informal workers, the lack of information and the resultant high transaction costs of verification of eligibility of the spatially and occupationally mobile workers often prevented them from accessing the support package. The outbreaks of the pandemic became shorter and more localized from wave to wave thanks to the Government's improved measures to crush the curve, and therefore the need for informal workers to access the support is declining as the economy is recovering. However, lessons need to be learnt to improve the coverage, speed and thereby the effectiveness of the social assistance program in the future.

To this end, a number of suggestions can be made as follows. First, it is important to move from a residence-based system of social protection, which excludes Vietnamese migrant workers, to one based on national citizenship. Second, like in other areas, digital technologies would help to substantially cut down transaction costs associated with eligibility verification and delivery of cash handout to recipients. The latter is a big challenge during times of lockdown, and when there is a need to reach out to people in remote areas in a rapid manner. Accelerating inclusive digital transformation in tandem with the Government's plan to digitize personal identity and the resident registration (Ho Khau) in 2021 and with the recently started pilot of mobile money would mark a turning point in the reform of the social assistance program in the digital age. It is also worth considering central government matching grants to provinces with limited financial resources to increase coverage and accelerate implementation.

CONCLUSION

The RIM 2 survey confirmed that Vietnamese households are on the road to recovery. However, until a large proportion of the population is vaccinated, they may still face considerable challenges ahead. The findings summarizing the voices of vulnerable people, household businesses and policy recommendations drawing on these findings serve as inputs to the Government's efforts in refining policy actions and their implementation to protect the livelihoods of vulnerable households and support HBs. The report, recognizing the fast-changing situation, suggests the need for regular assessments of the changing impacts of COVID-19 and the Government's response policies to inform the design and delivery of an effective, sustainable and inclusive recovery plan.

To this end, Anticipatory, Adaptive and Agile governance approaches and innovations of the Government and the Vietnamese people have been key to Viet Nam's success in crushing the COVID-19 pandemic and limiting its negative socio-economic impacts - a success that is widely acknowledged by the public in Viet Nam and the international community. Policy and institutional actions to reduce numerous structural constraints become more urgent in challenging times, while they remain important in good times. Such approaches that combine improving short-term responses with strengthening long-term fundamentals are vital in helping Vietnamese enterprises and people to firmly advance on a fast, sustainable and inclusive growth trajectory. This, in turn, is foundational to achieving the Sustainable Development Goals (SDG) and Leaving No One Behind 2030 Agenda in the context of living with the COVID-19 new normal.

⁹ Source: Jessica Goldberg, "Products and policies to promote saving in developing countries: Combine behavioral insights with good products to increase formal savings in developing countries" (<http://wol.iza.org/articles/products-and-policies-to-promote-saving-in-developingcountries>)

¹⁰ Source: <https://reliefweb.int/report/viet-nam/undp-womens-union-bac-lieu-and-ca-mau-provinces-support-workers-affected-covid-19>





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