

# Income security during public health emergencies: the COVID-19 poverty trap in Vietnam

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## INTRODUCTION

As of 17 April 2020, over 2 million cases of COVID-19 had been reported in over 200 countries and territories with a death toll approaching 150,000 globally.<sup>1</sup> Economists have been quick to highlight the macroeconomic impacts and global repercussions of the COVID-19 outbreak on economies. This article aims to highlight the microeconomic impacts through an account of the myriad stressors that are being experienced by individuals and households.

Vietnam's proximity to China increased the early risk assessment for COVID-19 spread and the resulting response has posed a heavy impact on the country's economy and supply chain. As the fourth most visited country in the world by Chinese tourists, Vietnam typically welcomes one-third of all its tourists from China.<sup>2</sup> Moreover, up to 30% of Vietnam's imports are dependent on China and the suspension of seafood and agriculture exports to China has caused a massive crisis for Vietnamese farmers.<sup>3</sup> In the last 20 years, Vietnam has undergone various transnational health threats including Severe Acute Respiratory Syndrome (SARS) and avian influenza A (H5N1, H5N6 and H1N1).<sup>5</sup> Since then, the Vietnamese government has pooled its resources to develop a more resilient health system that builds on the experiences and learnt lessons in disease surveillance, training and outbreak response. Given its location and characteristics, we use Vietnam and COVID-19 as a case study to help highlight social inequality and describe the major issues that need to be addressed to mitigate the socioeconomic impacts of disease outbreaks for individuals and households.

## COVID-19 SITUATION IN VIETNAM

The Vietnamese government declared COVID-19 an epidemic on 1 February. Since

## Summary box

- ▶ The COVID-19 poverty trap is shaped by barriers to accessing prevention, vulnerability to economic disruption and financial uncertainties, and incurrence of catastrophic costs as people try to cope with the outbreak.
- ▶ To ensure socioeconomic stability and confidence during public health crises and in the long run, social protection schemes (e.g. social insurance, microfinancing) must be in place to help people cope with the loss of income security and reduced confidence in society.

then, the border with China has been closed, flights to and from China have ceased, and a 14-day quarantine has been instituted for people coming from severely affected areas. Many public events have been cancelled and schools have been closed for almost three months.

During the second wave of COVID-19 starting 6 March, all returning and entering citizens and non-citizens were quarantined at military camps and repurposed facilities for at least 14 days.<sup>6</sup> In the first wave, a village of 10,600 residents in Vinh Phuc, where 10 out of 16 cases were identified, was quarantined for 18 days<sup>6</sup> and more hotbed villages/residential areas were quarantined subsequently. As of 17 April, there have been 268 confirmed cases of COVID-19 in Vietnam, of which 177 have been discharged from hospital after recovery.<sup>7</sup>

## CHANGING PATTERN IN OUT-OF-POCKET EXPENDITURE

In Vietnam, individuals have felt the impact of COVID-19 first and foremost through day-to-day consumption. A sudden surge of demand for preventative goods, including



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**Figure 1** A sudden surge of demand for preventative goods, including hand sanitisers and face masks (Adapted from Vietnamnet).<sup>23</sup>

hand sanitisers and face masks—as illustrated in [figure 1](#), has led to the price increase of these consumables three- to ten-fold. If a household of four people uses on average eight masks a day with each mask costing 6,000 VND (US\$0.25) apiece, the family is required to spend a minimum of 1.5 million VND (US\$60) a month—roughly 20% of their monthly income on masks alone. National television has estimated that with the purchasing pattern during the initial period of the outbreak, in major cities alone: over 50 billion VND (US\$2 million) could have been spent out-of-pocket (OOP) per day on masks.<sup>8</sup>

While preventive recommendations such as wearing face masks and using hand sanitisers when going out may have helped in raising self-prevention and public health awareness, the need for preventative resources has greatly driven up OOP expenditure for individuals and families.

Due to closure of schools, families have been struggling to find childcare alternatives while they are at work. Working class families who cannot perform their jobs remotely are most likely to be impacted. The anecdote of Tran Thi Cuc, who works in a plastic production factory in Ho Chi Minh City accurately demonstrates this point. After three days of taking leave to look after her son, she resorted to sending him to a neighbour's house, costing 120,000 VND (US\$5.10) per day with a meal.<sup>9</sup> An additional three months of school closure would have cost Mrs Cuc around 12 million VND (US\$516)—roughly half of her monthly wage would have been spent on babysitting each month.

### INCOME AND PRODUCTIVITY LOSS

The disruption to the nation's economic activities has resulted in a shortage of work, loss of income and financial uncertainties, particularly for informal, low-skilled and blue-collar workers.

As an attempt from the government to mitigate the economic impact of the outbreak on individuals, quarantined cases being held outside of the home are entitled to a daily food allowance of 60,000 VND (US\$2.59),

while those remaining at home as part of the quarantine measure receive 40,000 VND (US\$1.72).<sup>10</sup> Given that the average monthly wage in Vietnam is US\$150,<sup>11</sup> this would slash an individual's income by 2–3 times while remaining in quarantine and unable to work. Assuming they are released after 14 days and could resume work again, social stigma directed toward people who have returned from an epidemic area could hinder their chance of returning to work promptly. For the residents in the locked down communes, it would likely be much longer than 14 days before they can exit their residential areas and return to the city or other provinces for work. In such cases, the loss of income could be felt over the course of weeks or months.

Other noteworthy cases of affected groups are farmers. Hundreds of hectares of land with massive unsold stocks are the results of closed borders. In one particular scenario, farmers are forced to sell their watermelons domestically at around 1,000 VND (US\$0.043) per kilogram, down from the 8,000 VND (US\$0.34) they had hoped for. This is not enough to break even, let alone to make ends meet. At this rate, farmers are losing over US\$4,000 per hectare in overhead costs for the season,<sup>12</sup> leaving them in a precarious state ([figure 2](#)).

Workers in the service industry are also facing indefinite lay-off periods. In one particular example, a hotel chain in Hanoi has temporarily shut down most of its venues and may have to further cease operation of the rest. The staff were given an initial four months off work and a monthly stipend of 1.5 million VND (US\$65).<sup>13</sup> This is a massive cut from their usual 8–15 million VND (US\$259–US\$650) monthly salary. According to the General Statistics Office, as of 2018, the average monthly expenditure per capita in urban setting is approximately 3.3 million VND (US\$142).<sup>14</sup> In reality, this figure is likely to be much higher for an expensive metropolitan city like Hanoi.

As a preliminary estimate, the whole country has seen 19% of businesses suspending or downsizing their operations, 98% of tourism and service workers out of work, 78% of transport and textile workers with reduced job hours or laid off, 98% of aviation workers furloughed. Overall, the conservative estimate is of 2 million out-of-work people.<sup>15</sup>

### BALANCING PUBLIC HEALTH PRIORITIES WITH SOCIOECONOMIC STABILITY

In Vietnam, what the richest person can make in an hour from their existing wealth is around 5,000 times greater than what the poorest 10 percent of the population spend on bare necessities for a whole day.<sup>16</sup> An account of individual experiences reveals how the COVID-19 outbreak exacerbates pre-existing inequalities. From the increase of OOP expenditure to the loss of income from trading restrictions and mass quarantines, Vietnam's most economically disadvantaged groups are being hit



**Figure 2** Heavy losses to watermelon farmers in Ninh Thuan Province due to COVID-19 (Adapted from Giao Duc Thoi Dai).<sup>24</sup>

the hardest on dual fronts—the disease burden itself and the respective countermeasure burden.

With the sudden competition for protective commodities, those with the access and means fare better. When government provision is scarce, some people resort to purchasing overpriced consumables, adding a financial strain to their already unstable income. In addition, loss of income due to confinement and isolation over a period of time may push vulnerable households into further poverty. Furthermore, many are not compensated for the lost wages during their time spent in confinement. Stigmatisation further impedes people's ability to work after quarantines, with employers fearing that workers could be carrying a latent form of the virus. These outcomes were observed during the SARS epidemic in 2003, when several individuals in Toronto, Canada lost their jobs due to their period in quarantine.<sup>17</sup>

Economic inequality is also aggravated by poverty of voice and opportunities. Particularly, ethnic minorities, small-scale farmers, migrant workers, low-skilled labourers and women are prone to financial hardship and likely face access barriers to health services and discrimination.<sup>14</sup> In Vietnam, health insurance is provided free to those categorised 'poor' based on stringent criteria, while many who are considered near-poor do not receive the same treatment. Some are not documented or classified if they do not have an up-to-date residential registration (ie, migrant workers), leaving them in a precarious situation. Despite being social policy beneficiaries, nearly 600,000 households were still plunged into poverty or extreme poverty due to catastrophic health expenditures in 2012.<sup>18</sup> 'Medical poverty trap' is a term used to describe this phenomenon.<sup>18</sup> With multitudes of socioeconomic and environmental factors contributing to the association, those most susceptible to diseases are typically the poorest. They suffer the most when attempting to access healthcare and are often pushed deeper into poverty and ill health.<sup>19</sup> The COVID-19 poverty trap is shaped by access barriers to prevention, vulnerability in the face of economic disruption and financial uncertainties, and

incurrence of catastrophic costs as people try to cope with the outbreak. Coupled with this is the mental strain instigated by loss of work, reduced income, increased costs and changes in daily routines; not to mention the anxiety associated with the outbreak itself. It is well known that mental stress affects the poorest part of the population hardest and contributes to the drivers of inequalities.<sup>20</sup>

## CONCLUSION

Wherever a new epidemic occurs, a strain on public services is inevitable. However, optimal outcomes do not depend on the performance of health systems alone. To ensure socioeconomic stability during such crises, social protection schemes (e.g. social insurance, microfinancing) must be in place to help people cope with economic uncertainties and the loss of income security.<sup>21</sup> An interim relief package of 62 trillion VND (US\$2.6 billion) has recently been rolled out by the government in the form of a three-month cash transfer scheme to people affected by the pandemic including: social policy beneficiaries, people who rendered services to the state during the revolution, the poor and near-poor, furloughed workers or those on unpaid leave during the pandemic and freelancers.<sup>13</sup> This may go some way to mitigating the economic impact on the most vulnerable people in Vietnam.

However, in the case of COVID-19, the direct and indirect costs for individuals are likely to be staggering and temporary relief measures may help to some extent but are unlikely to be either socially inclusive or alleviate poverty long term. Indeed, having in place a basic universal social protection floor at all times—not just during crises—is the ideal we should all strive for.<sup>22</sup> Further quantification of the true extent of these costs may spark greater attention toward more sustainable and scalable social protection policies both within and outwith periods of public health crisis. The links between social protection and health systems also need to be strengthened to maximise health and economic prospects for all.

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