SOUTHMOD

Policy Note

An assessment of targeted social cash transfers to support self-employed women in Vietnam

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Findings

- Women account for nearly 56 per cent of Vietnam's self-employed workers. The mean income of self-employed women is however much lower than that of self-employed men.
- While several policy measures have been enacted to support female entrepreneurs, these initiatives focus on support for education and training. Social cash transfers targeted at self-employed women are currently not available.
- Such cash transfers can be designed to supplement the generally small business incomes of female entrepreneurs and to facilitate their access to capital required to start or sustain business activities. Both channels can help poor self-employed women to lift themselves out of poverty.
- Against the backdrop of a limited state budget, any support to female entrepreneurs should be efficiently targeted to the most deserving groups. Simulations using VNMOD suggest that a cash transfer for poor self-employed women, with higher benefits to those living in remote areas, would offer a cost-effective solution to reduce poverty among the target group.

Many recent policy initiatives and laws enacted by the Vietnamese Government pertain to self-employed women (such as Law on Gender Equality, 2006 and Prime Minister's Decision No. 939 / QĐ-TTg, 2017). Women working for themselves earn substantially less income and face more obstacles in doing business than self-employed men. The existing support consists mainly of training and capacity building initiatives to facilitate female entrepreneurship, often targeted at women in poor households or remote regions. Self-employed women do not, however, benefit from social cash transfers that would directly address the critical challenges they face with limited capital access and low incomes.

This policy note builds on this challenge, quantifying the income and poverty effects of hypothetical cash transfers for self-employed women. The analysis is based on simulations using VNMOD, the tax-benefit microsimulation model for Vietnam. The policy rules used in the model are for year 2022, while data come from the Vietnam Household Living Standards Survey (VHLSS) of 2020. The analysis concentrates on self-employed female heads of households.

Self-employed women account for a larger share but earn less than self-employed men

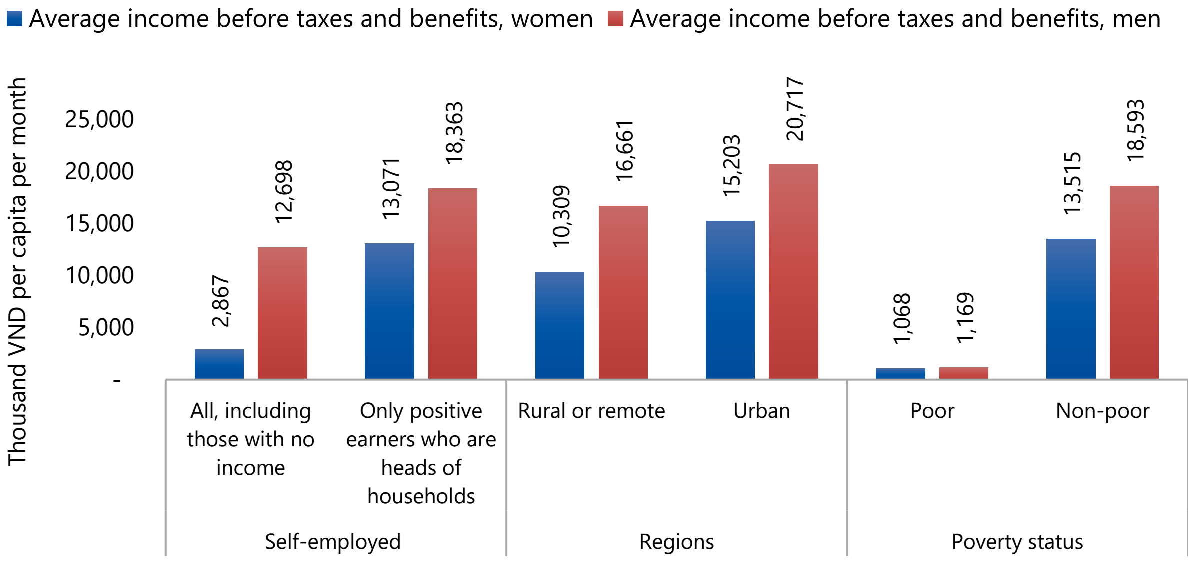
As of 2020, self-employed women account for 55.7 per cent of self-employed workers in Vietnam. This share comes down to less than 30 per cent when focusing on those reporting positive (non-zero) earnings. Positive earners are also predominantly heads of their household.

In 2022, the average income earned by self-employed women before taxes and benefits is estimated at VND 13.1 million per month (around USD 600), or only 2.9 million (USD 120) when also counting the 78 per cent of self-employed women who do not report any earned income. Self-employed men earn VND 18.4 million per month, or 12.7 million when accounting for the 31 per cent with no income.

Focusing on those with non-zero earnings, the resulting income gender gaps are disproportionately large in remote and rural areas, where nearly 44 per cent of self-employed women reside. The average income of self-employed men in these regions is 61 per cent higher than that of self-employed women, and only 36 per cent higher in urban areas. Figure 1 shows the related comparisons.

Despite ignoring all non-earners, as many as 5.4 per cent of households with self-employed women fall under the 'upper' poverty line defined in the multi-dimensional poverty standard for 2021–25. Among self-employed men, only 4.1 per cent are poor based on this definition.

Figure 1: Average income before taxes and benefits across demographic groups in 2022, Vietnam



Notes: Average incomes are calculated among all self-employed women and men in the left-most bars, and for those who earned positive pre-tax income in other bars. Values have been inflated to 2022 based on the overall CPI. Poverty status is based on the multi-dimensional poverty standard for 2021–25 (Decree 07/2021/ND-CP) but without non-income-related scores. In 2021, these poverty lines were set at VND 2.0 and 1.5 million per month for urban and rural populations, respectively.

Source: Authors' elaboration of VNMOD simulations and the Viet Nam Household Living Standards Survey (VHLSS), 2020.

The grim income and poverty outcomes call for policy measures to support the livelihoods of self-employed women. Notably, women face larger obstacles over men in doing business, including time constraints due to greater childcare responsibilities, lower access to credit, discriminatory social and cultural norms, lower technical skills, and more limited business networks. Vietnamese women rarely own assets in their name that can be used as collateral for bank loans, such as land, houses, or cars, even if such assets are shared between them and their husbands. Such challenges tend to be even more serious in rural and remote areas.

Cash transfers offer a prominent policy alternative to support self-employed women

Social cash transfers can be designed to facilitate capital access among female entrepreneurs and to support their livelihoods in general. At the minimum, designing such a policy measure requires political decisions on two important factors: the total amount budgeted to the cash transfers from public funds and appropriate target groups for the subsidy.

In the reform scenarios presented in this note, the budget available for the benefit package is assumed to be fixed, while the alternative reforms differ from each other by their targeting. The total budget available for a given reform is in practice subject to a political decision. For illustration, however, this work assumes an annual budget of VND 15 trillion (USD 635 million), or around 0.2 per cent of 2021 GDP. The size of the budget was decided based on direct cash transfers to support employees during the COVID-19 pandemic, amounting to 16.8 trillion in 2020 and more than 26 trillion in 2021 (Resolutions 42/NQ-CP and 68/NQ-CP). In normal times, such cash transfers are few in Vietnam.

The welfare effects of each reform depend on the particular benefit amounts selected for different groups of beneficiaries. This analysis focuses on the 1.4 million self-employed women in Vietnam who are considered heads of their respective households and do in fact report positive pre-tax earnings (later referred to as 'self-employed women'). This restriction makes it possible to target women who are likely to run their own businesses without benefiting from their partners' income. In fact, 99 per cent of self-employed women with positive pre-tax income are considered household heads.

The work examines three scenarios, with the following target groups and annual benefit amounts:

1. Each self-employed woman receives a cash transfer of an equal amount. The per capita support level is approximately VND 10.5 million per year.
2. Poor self-employed women (those with individual pre-tax income under the upper poverty line) receive a larger cash transfer. The level of direct support for poor women is VND 30 million per person each year, while the benefit for the non-poor is 10 million per person.
3. Self-employed women in rural areas and remote regions receive a larger cash transfer than those living in urban areas, regardless of their poverty status. In this scenario, the annual benefit per woman in remote and rural areas is VND 14.6 million while those in urban areas receive a smaller cash transfer of VND 7.3 million per year.

Table 1 shows how different allocations of the fixed budget on cash transfers for different sets of beneficiaries are estimated to affect poverty outcomes and incomes among self-employed women.

Table 1: Effects of cash transfers on poverty and disposable incomes, budget of VND 15,000 billion

	Baseline	**Reform 1**	**Reform 2**	**Reform 3**
	No reform	10.5 M for each SE woman	30 M for each poor SE woman, 10 M for non-poor	14.6 M for each SE woman in rural/remote areas, 7.3 M for urban
Outcome measure	Baseline estimate	Income and poverty among households headed by self-employed women (after all taxes and transfers) under reforms 1–3		
Average income of self-employed (SE) women (VND million)	12.9	13.8	13.8	13.8
Average income of SE women in proportion to SE men	72.1 %	77.0 %	77.0 %	77.0 %
Share of SE women who fall under the upper poverty line	5.4 %	1.9 %	1.4 %	2.1 %
Share of SE women who fall under the extreme poverty line	0.7 %	0.3 %	0 %	0.2 %
Average income of SE women in rural/remote areas (VND million)	10.3	11.1	11.2	11.5
Average income of SE women in rural/remote areas in prop. to SE men	63.0%	68.4 %	68.6 %	70.5 %
Share of SE women in rural/remote areas under the upper poverty line	6.5 %	3.3 %	2.8 %	2.6 %
Share of SE women in rural/remote areas under the extreme poverty line	1.2 %	0.7 %	0 %	0.4 %

Notes: Self-employed ("SE") women targeted under the policies (for which estimates are shown) are heads of their respective households and earn positive income before taxes and benefits. Eligibility is based on individual unequivalized incomes before taxes and benefits (as in Figure 1), while outcomes here are based on equivalized per-capita household incomes after taxes and benefits.

Source: Authors' elaboration of VNMOD simulations and the Viet Nam Household Living Standards Survey (VHLSS), 2020.

Under all reform scenarios, the average income among all self-employed women increases from VND 12.9 to 13.8 million, or from 72.1 to 77 per cent of the male equivalent. The differences between scenarios hence come from their effects on more narrowly specified groups of self-employed women. Owing to more specific targeting, reforms 2 and 3 outperform reform 1 in nearly all outcome measures.

Under reform 2, with a larger cash transfer to self-employed women in poverty, the share of self-employed women who fall under the upper poverty line decreases more than under the other reforms. Extreme poverty among self-employed women is completely eradicated.

Under reform 3, with differential benefits to women in rural and urban areas, the average income of self-employed women in remote regions clearly increases more than under reforms 1 and 2. While poverty reduction measured by the upper poverty line falls behind other reforms, extreme poverty among self-employed women is almost eradicated. Given the disproportionately low pre-reform incomes and high poverty rates in remote regions, reform 3 offers a progressive policy solution where cash transfers are well-targeted to self-employed women in need of most support.

Support for poor self-employed women in disadvantaged areas would help reduce poverty

Self-employed women earn less income and face more obstacles in doing business than self-employed men. Social cash transfers targeted at these women, and especially at the disproportionately poor female workers living in rural and remote regions, would address the major challenges they face with low incomes and limited access to capital. In order to help self-employed women to reach long-term financial stability through their work, targeted cash transfers could also be designed to be conditional on the use of funds and combined with existing non-monetary support. Experience shows that sufficient access to capital and knowledge gained from business training are the two most important factors enabling women to start and sustain a business in Vietnam.

Policy recommendations

- Incomes of self-employed women are typically much lower than incomes of self-employed men. In addition to relatively low incomes, supporting these women from public funds would be worthwhile given the disproportionate challenges they face with childcare responsibilities, credit access, discriminatory norms, and limited business networks.
- Narrowing down the beneficiaries targeted by such support, or differentiating benefit amounts based on need, is necessary to ensure sufficiently large per-capita benefit amounts and more cost-effective reductions in poverty. The most attractive targeting approach would be to offer larger cash transfers to poor women in rural and remote regions.
- Cash transfers can be linked with conditions for their use, for instance by requiring a share of annual funds received to be invested in the recipient's business. Additional financial support could also be combined with existing policy initiatives that entail, in particular, business training for female entrepreneurs.

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