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Social Protection in Vietnam (2010-2030)

INDONESIA DEVELOPMENT FORUM 2017 :
Session: Social security: Ways to improve

Social Protection in Vietnam (2010-2030)

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THE SOCIAL PROTECTION SYSTEM IN VIETNAM

Case study



1. Country development profile (2010-2016)

Year	Unit	2010	2012	2014	2016
CPI	%	11.75	9.21	4.09	2.66
GDP growth, year	%	6.78	5.03	5.98	6.21
Population	Million people	86.9	88.8	90.7	92.6
Population in working age	Million	65.9	67.7	69.3	70.9
Labour force	Million people	50.7	52.8	54.1	54.5
Unemployment	% labour force	2.39	2.61	2.02	2.20
Poverty	% of households	14.20	11.10	6.0	8.23

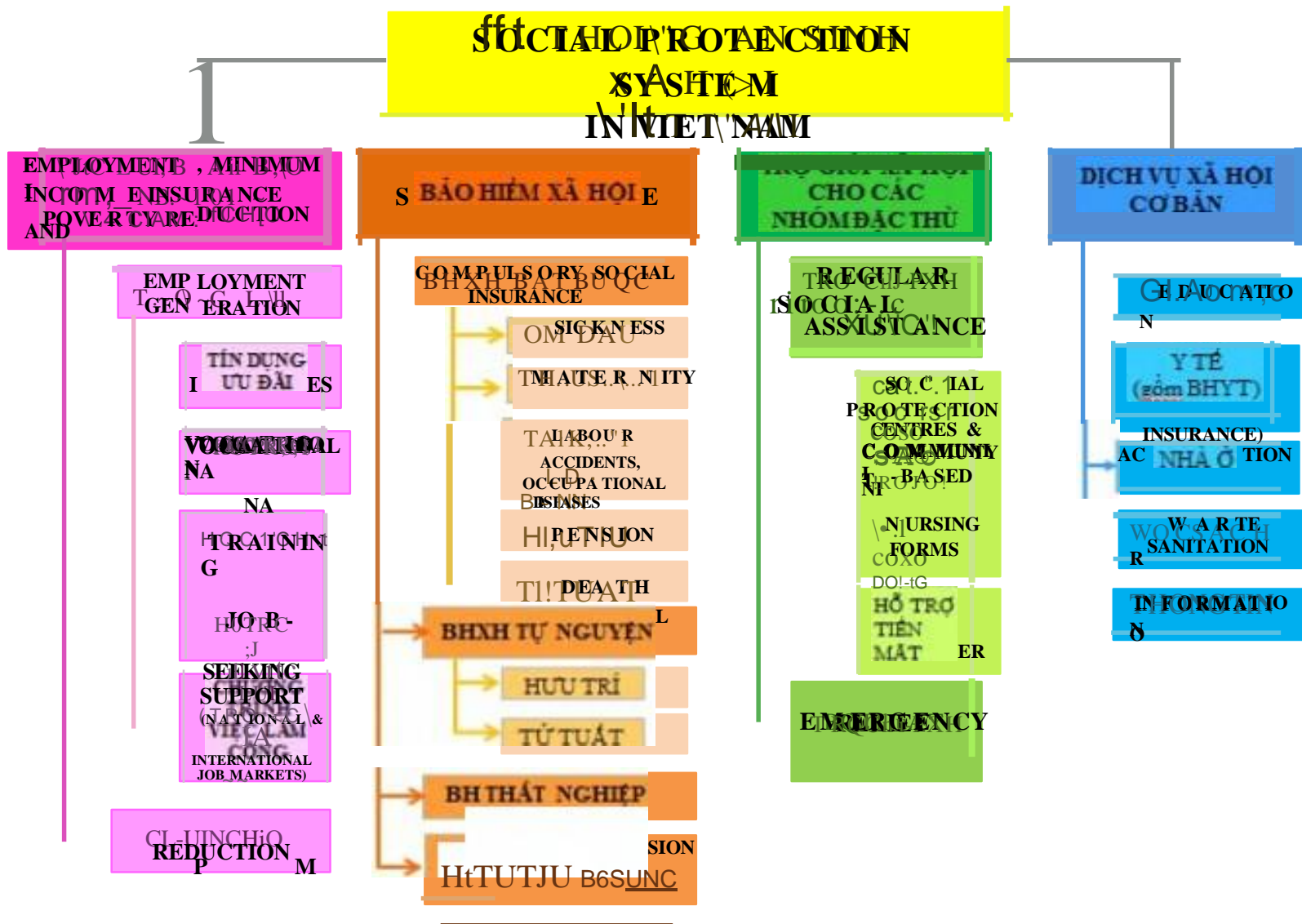
2. Country Initiatives on Social Protection

- Great efforts by Gov. to strengthen social protection system (the New law on Labour, employment, social insurance, health insurance)
- Right based approach on SP (Constitution 2013)
- Social protection strategies for 2012-2020
- Towards implementation of SPF
- Social protection in the context of SDGs

2.1 The main Principles of Social Protection

1. Development of Social protection along with economic development:
2. Mix between right base and targeting approach:
 - ✓ Gradually achieve universal to all: Right base: By 2020, basically achieve social security for the whole population, ensuring minimum levels in income, education, housing, clean water and information, making contribution to gradual enhancement of incomes, ensuring secured living and happiness of the people
 - ✓ With priority has been given to people under extremely difficult circumstance (the poor; ethnic minority; people living in remote, mountainous areas; workers in rural areas and informal sector; the unemployed; the disabled; children; old-age and sick people; those affected by natural calamities, economic and social risks).
3. Government maintains its major role in development and implementation of social policies while mobilizing the stronger participation of the society and promotion of international cooperation.

Figure 6: SOCIAL PROTECTION SYSTEM IN VIETNAM FOR THE PERIOD OF 2012-2020



3. Social protection: Achievements and target

TT	Indicators	2016 (achieved)	2020 (target)
1	Participation in health insurance (millions)	74.1	96.2
	- Coverage rate by health insurance (%)	79.8	90.0
2	Participation in social insurance (millions)	13.1	28.4
	- Coverage of total labor force (%)	24.2	50.0
3	Participation in Unemp. insurance (million)	11.0	15.7
	Coverage of total labor force (%)	20.3	28.6
4	Participation in social assistance (million)	2.68	3.5
	- Coverage of population, %	2.89	3.65

4. Social Protection Programs: Challenges

4.1 Active Labor Market Programs

- ✓ Large and underdeveloped rural sector
- ✓ Widespread underemployed
- ✓ Lack of skilled labour
- ✓ Many vulnerable jobs
- ✓ Huge informal sector
- ✓ Growing income gaps
- ✓ Most vulnerable: young workers, women, ethnic minorities, persons with disabilities, unskilled migrant workers, etc.

4.2 Social Insurance

- ✓ **Design:** Unequal treatment between formal and informal sector: No short term social insurance for informal sector
- ✓ Low coverage, 24 of labour force, most of them are from formal sector
- ✓ Non viable financial sustainable: Large deficit by 2042 due to increase life expectancy, reduce of dependent ratio; low retirement age, expectedly for women (55 year old);
- ✓ Low level of benefits due to low level of contribution (basic salary equal only 40% of total income) although high replacement rate (up to 75% of the average reported salary)
- ✓ Covers only 45% of elderly
- ✓ Majority of rural labour have not participated in any kind of social insurance

4.3 Health Insurance

- Health insurance Law (1/7/2009) and the revised (2013) aiming at universal coverage in 2020
- Gov. support full/partly for poor, near poor, ethnic minority, farmers...By 2016: Cover 80% of population, but 50% of them got support from Gov.)
- Not enough incentive for the rest of population to participate
- Low quality of health services in remote areas;
- Still burden of HH due to increase in prices of services and medicines (45% of total expenses)

4.4 Unemployment insurance

- Start to be implemented in 2009 (social insurance law 2006): Eligibility: Only workers in enterprises employed more than 10 employees with individual labor contract last more than 12 months
- Revised in 2014 (Employment Law): Eligibility: 3 month contract-workers in formal sector
- Over spending, not link to work

4.5 Social assistance

- ✓ Low coverage of regular transfer (less than 4% of population),
- ✓ Social pension only covers 1.7 million elderly aged from 60+, together with total pensioners, it account for less than 45% of elderly
- ✓ Mainly support natual disaster suffered
- ✓ Low level of benefits
- ✓ Low quality of social services in poor areas
- ✓ Limited access of migrants in urban areas to social services

4.6 Ensuring basic social services for people

1. **Buying health insurance for poor, non-poor, ethnic minority, farmer:** Cash allowance for poor household (maximum 50,000 VND per household per month)
2. **Education support:** Education exemptions for the poor children (fees and others)
3. **Housing subsidies:** Food and accommodations subsidies for students in boarding schools in Ethnic areas; Housing subsidies for poor households in rural area, low income in urban areas, student campus, housing for workers in industrial zones
4. **Subsidies for the water supply in rural and remote areas**
5. **Subsidies for communication/information supply in costal and remote areas**

4.7 Total Expenditure of Social Protection Programs, % of GDP

SP Category	2009	2011	2012	2013	2014	2016
ALL Social Insurance	3.98	3.65	4.08	4.15	4.77	5.46
ALL Social Assistance	0.60	0.67	0.77	0.81	0.76	0.88
Labour Market Programs	0.15	0.14	0.17	0.16	0.10	0.12
TOTAL SP EXPENDITURE	4.73	4.46	5.02	5.12	5.63	6.48

5. Forecast some socio-economic indicators

Year	Unit	2018	2020	2025	2030
CPI	%	5.00	5.00	5.00	5.00
GDP growth	%	6.5	6.5	5.0	5.00
GDP current price	trillion VND	4,898	5,192	6,949	9,299
Population	thousand people	95,354	96,179	100,129	103,161
Population in working age	thousand people	73,318	74,060	78,066	82,170
Labour force	thousand people	57,921	58,507	62,453	66,147
Employed person	Thousand People	56,578	57,150	61,005	64,613
Poor household rate	%	7.24	4.18	6.88	3.97
Urban poverty line	thousand VND	1,009	1,070	1,432	1,916
Rural poverty line	thousand VND	810	859	1,150	1,538

6. Main solutions

1. Policy reform to expand the coverage of social insurance to achieve the target (2020): social insurance (50%); health (90%), social assistance (3.5%); old age pension
2. Increase benefit levels
 - + updating with CPI increase
 - + Meeting minimum leaving standards
3. Better Targeting
 - + Multidimensional poor HH
 - + Elderly from 60 +++
 - + Children: 1000 first days of life; from poor HH and other vulnerable
 - + People with Disability
 - + HH impacted by climate change
4. Increase the quality of services and accessibility (supply network, delivery)
5. Monitoring and evaluation

+ Data and sharing; Coordination among ministries and levels

ta base independent evidences

7. How to finance

1. Increase government revenue

- Economic stability to GDP growth, reducing vulnerabilities (target 6.5-7% and 1-digit inflation)
- The tax system is rather progressive but only a minority of income earners (14%-17%) in the top deciles are obliged to pay taxes
- Expanding social protection to get more revenue (including the increase of retirement age).
- Structure reform (banking systems and SOEs) Reduce tax exemption, broaden revenue base; introduce tax on property, avoid tax and tariff deduction and exemption.
- Fiscal space to address the contingent liabilities from banking sector and strengthening SOEs, increase non tax revenue

7. How to finance (cont.)

2. Better expenditure

- Rationing unproductive expenditure (electricity to poor HH),
- Cutting non efficient spending, avoid tax and tariff deduction and exemption.
- Fiscal space to address the contingent liabilities from banking sector and strengthening SOEs,
- Capital investment efficiency (on SOEs??)

Thank you very much
for your attention!