

SOCIAL SECURITY IN VIETNAM: CHALLENGES AND OPTIONS

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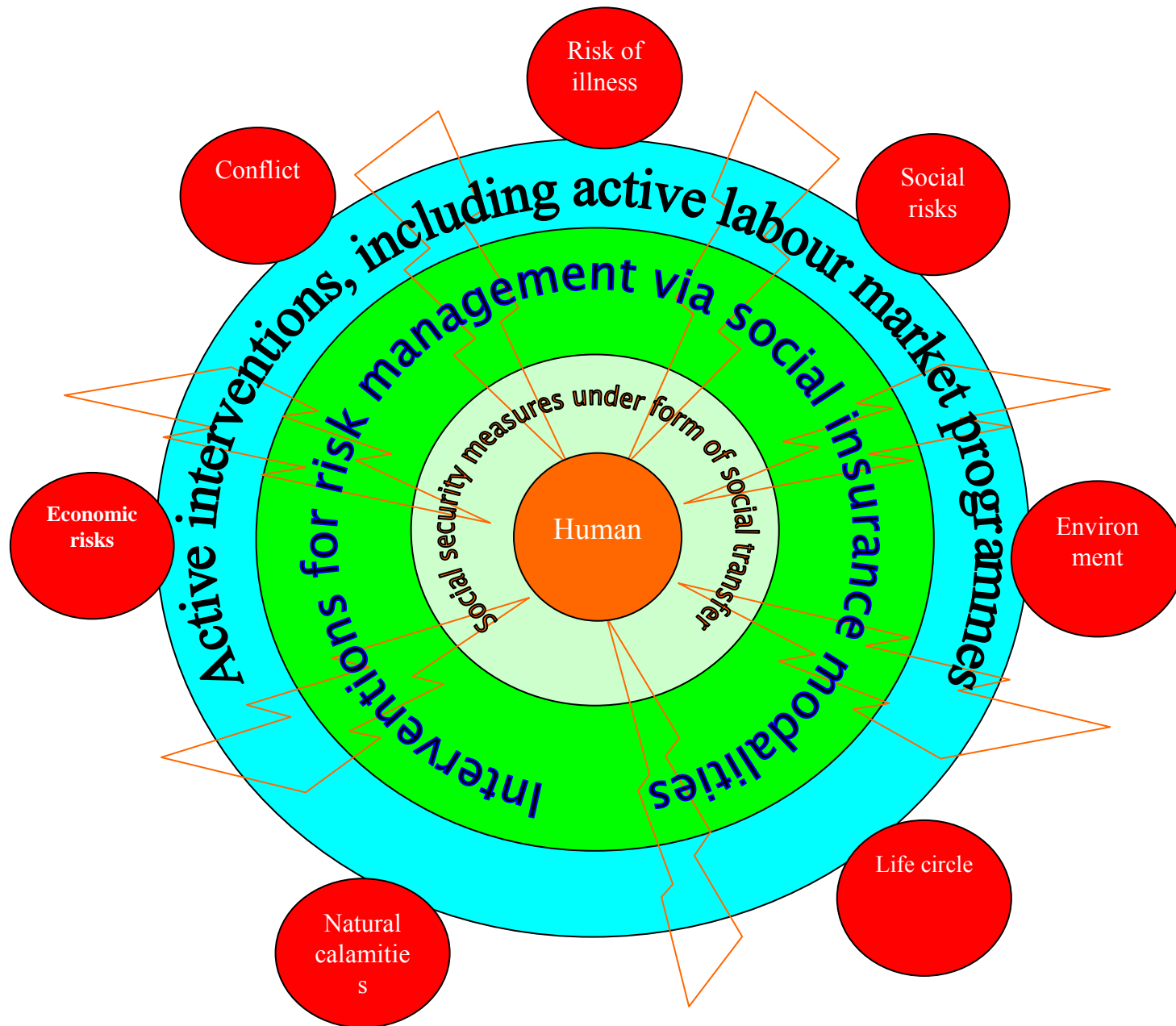
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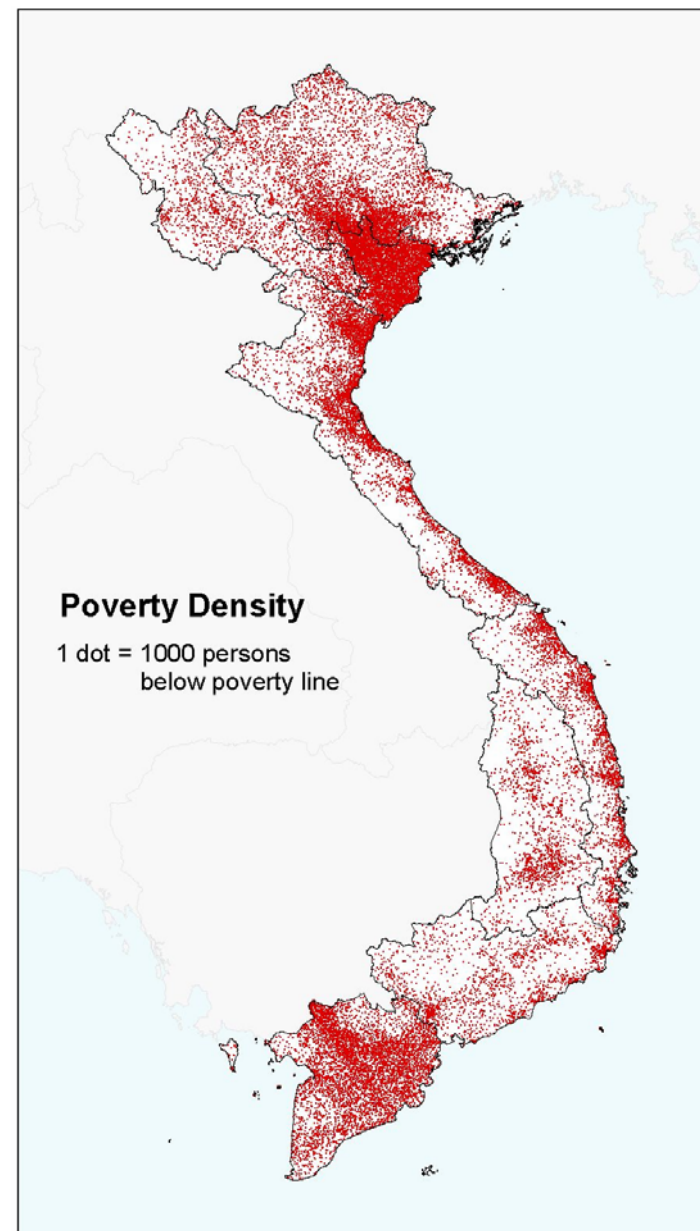
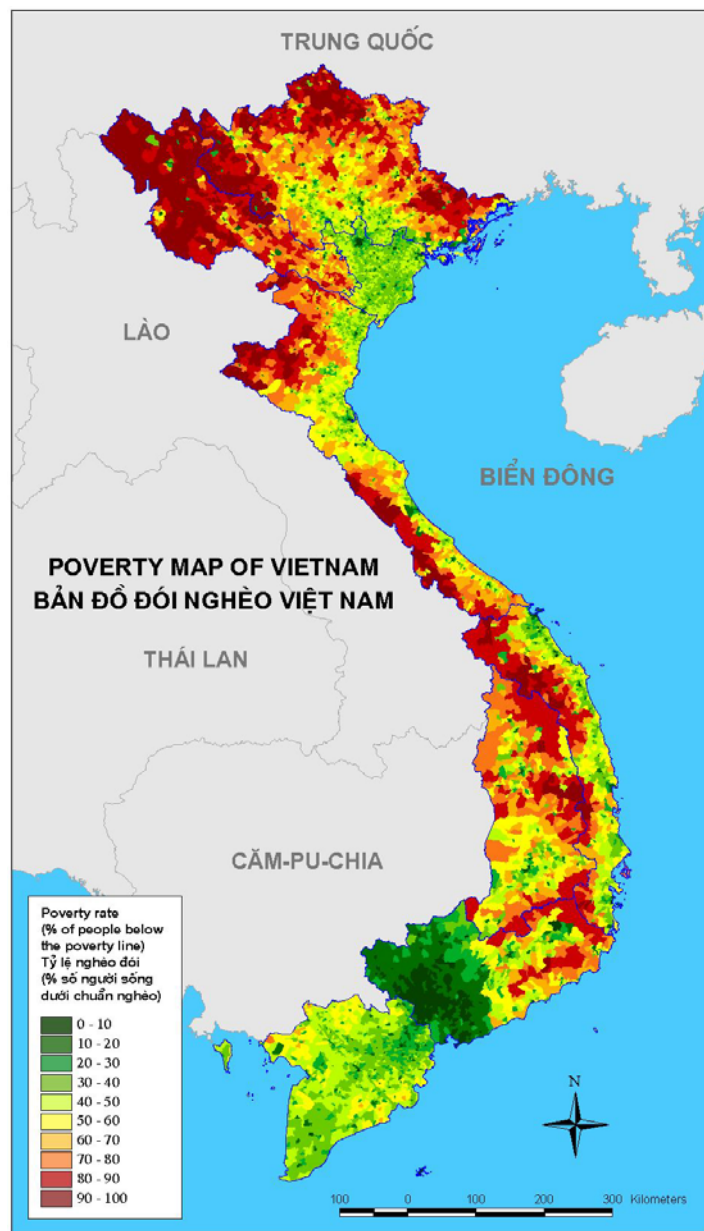
General concepts of social security and social security system

- **Social security** is an economic guarantee that the society provides for people through executing a system of schemes, policies and interventions against dangers and *risks* which may lead to a decrease or loss of income sources for members in the society.
- **Social security system** is a system of schemes, policies and measures to create multi-layers and steps to protect all social members not to fall into impoverishment caused by negative impacts of different types of risks.

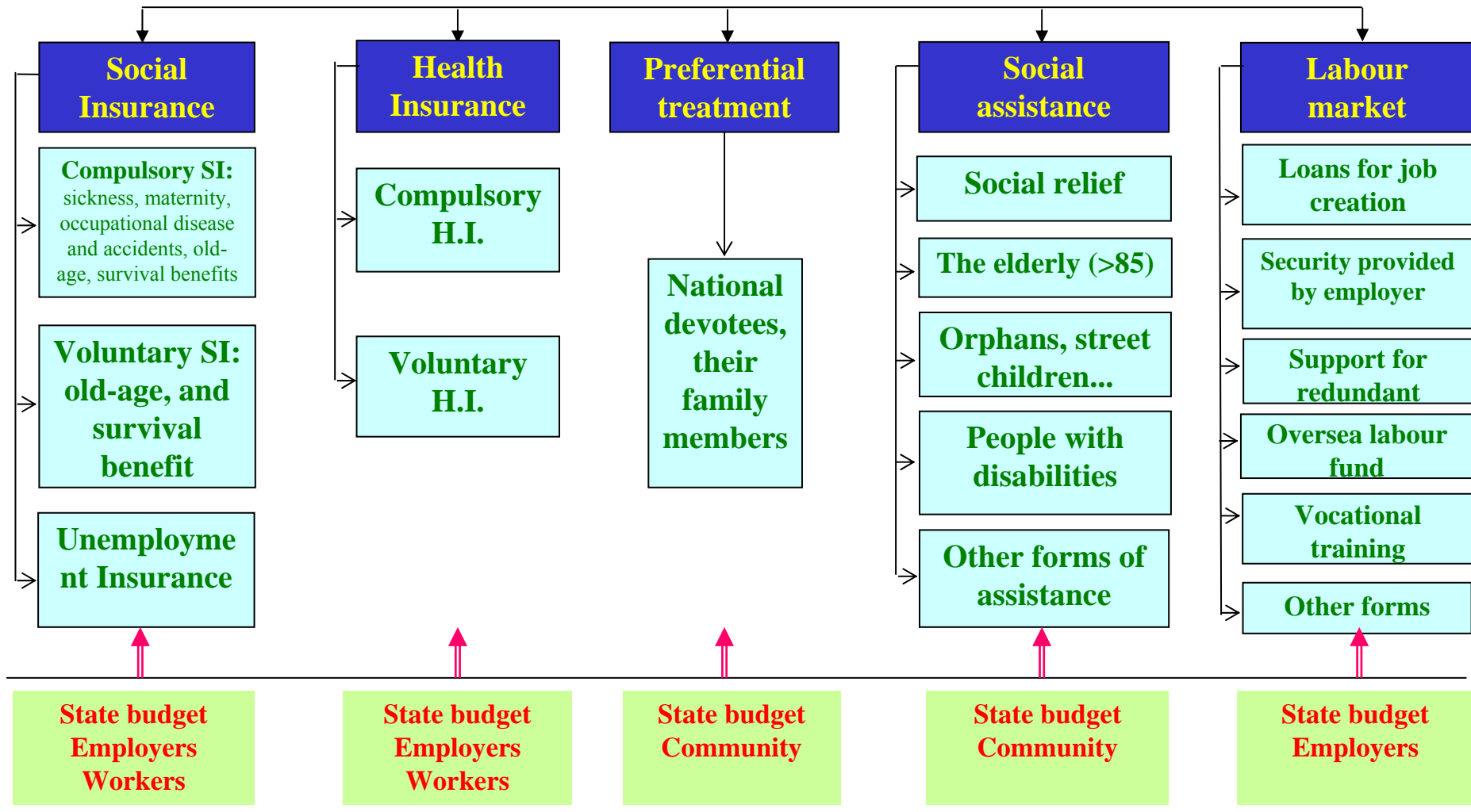


Vietnam's basic socio-economic indexes

- Total area: 331,211.6 sq.km
- Population (2006): 84,155.8 mil.
- Total workforce (2006): 43,347.2 mil.
- New employment created (2007): 1.68 mil.
- Participants in compulsory social insurance (2007): 8.2 mil.
- Health care insurance (2007): 35.7 mil.
- GDP growth rate (2007, 2008): 8.48%, 6.23%
- Poverty rate (2007, 2008): 14.75%, 12.67%
- Malnutrition rate among children under 5 years old (2007): 22.30%



Current Structure of the Social Security System in Vietnam

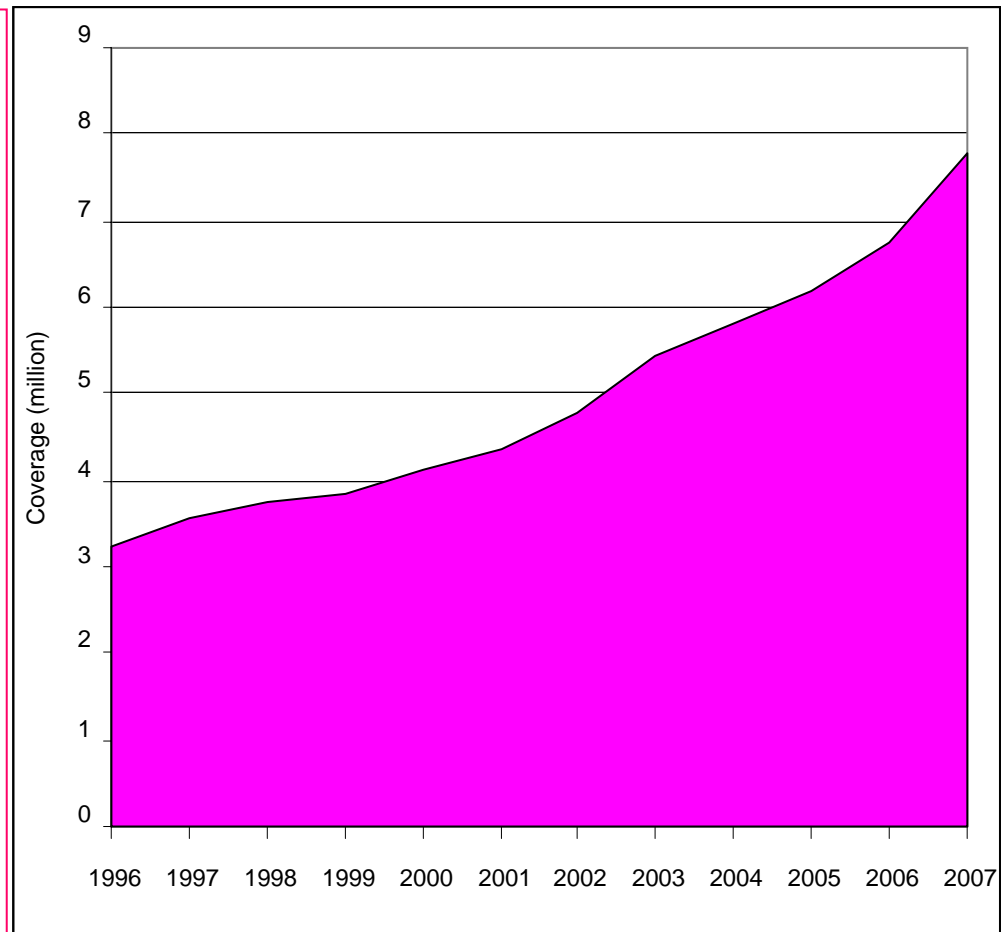


Labor Market Policies

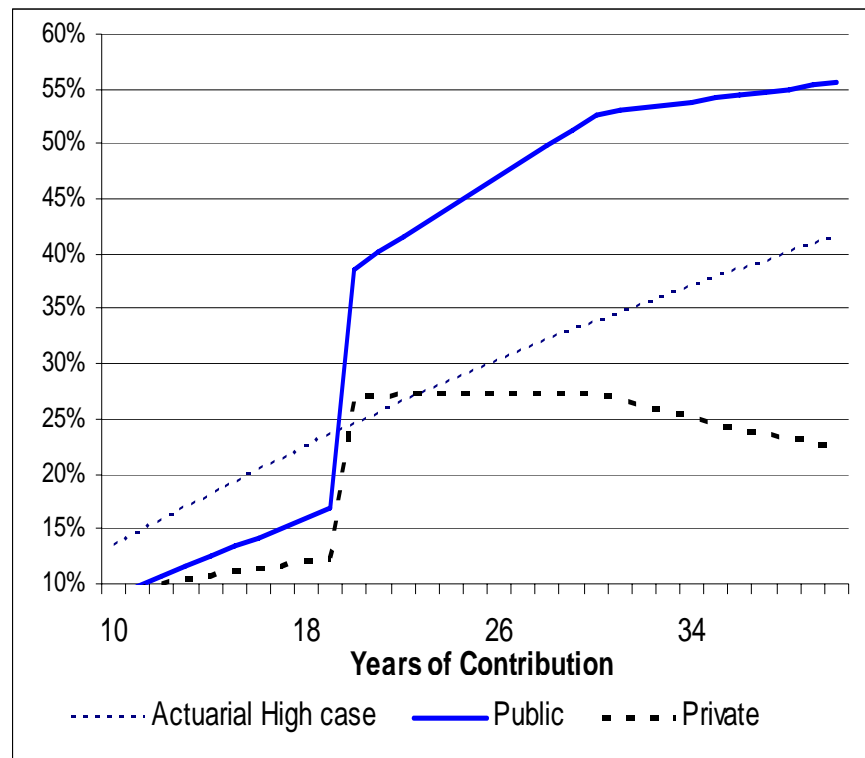
- *Vocational training for ethnic minority pupils and rural workers:* about 20 percent of pupils finishing ethnic minority boarding schools enrolled in vocational training boarding schools.
- *Vocational training for rural workers:* has provided vocational training for 511,599 labor cohorts.
- *National Employment Fund: 250 thousand jobs created*
- *Labor demand – supply linkage:* there are more than 150 employment introduction centers nationwide. Many of them have been operated effectively and trusted by enterprises.

Social Insurance

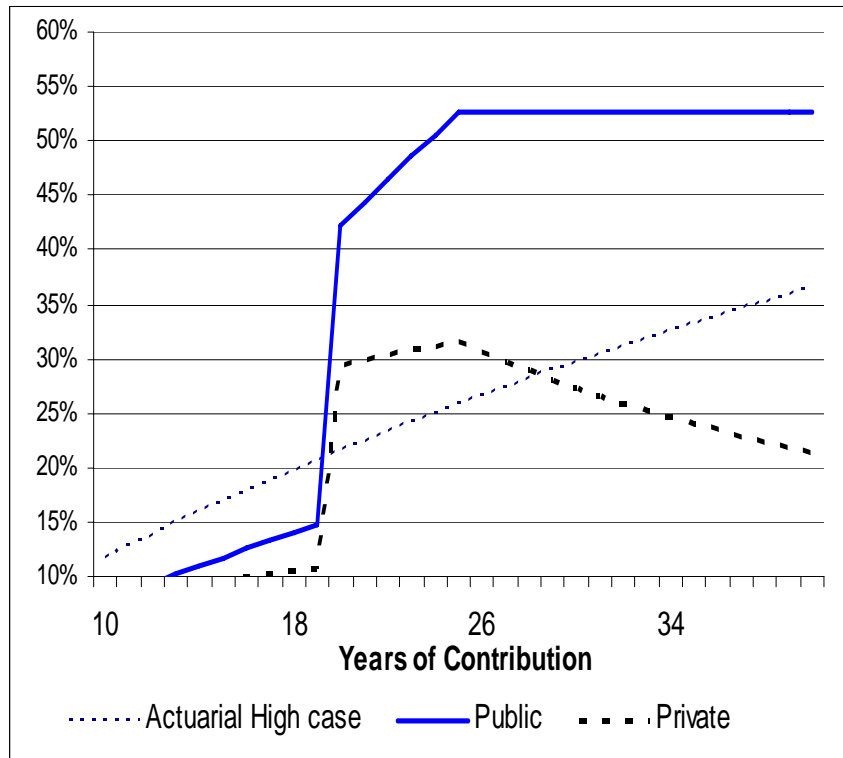
The scope and coverage of social insurance has been extended. By April 2008, there were 8.2 millions participants in social insurance, making up of nearly 18 percent of total labor force. About 54 percent of labor in state, foreign investment and private sectors registered to participate in this system as stipulated by the Enterprise Law.



- The way to calculate benefits does not motivate people participate, especially in non-government sectors

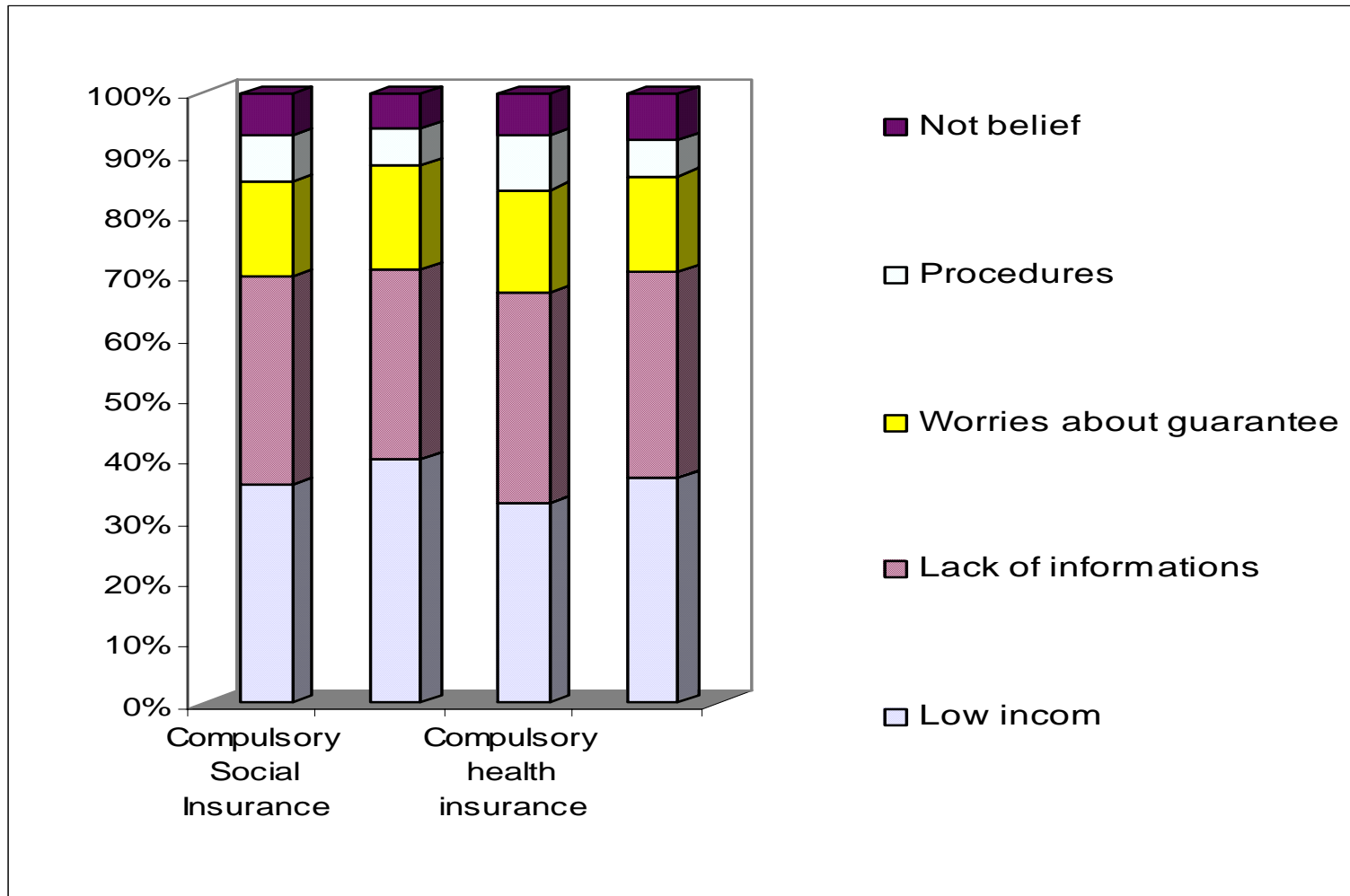


Male



Female

Reasons for not participating...

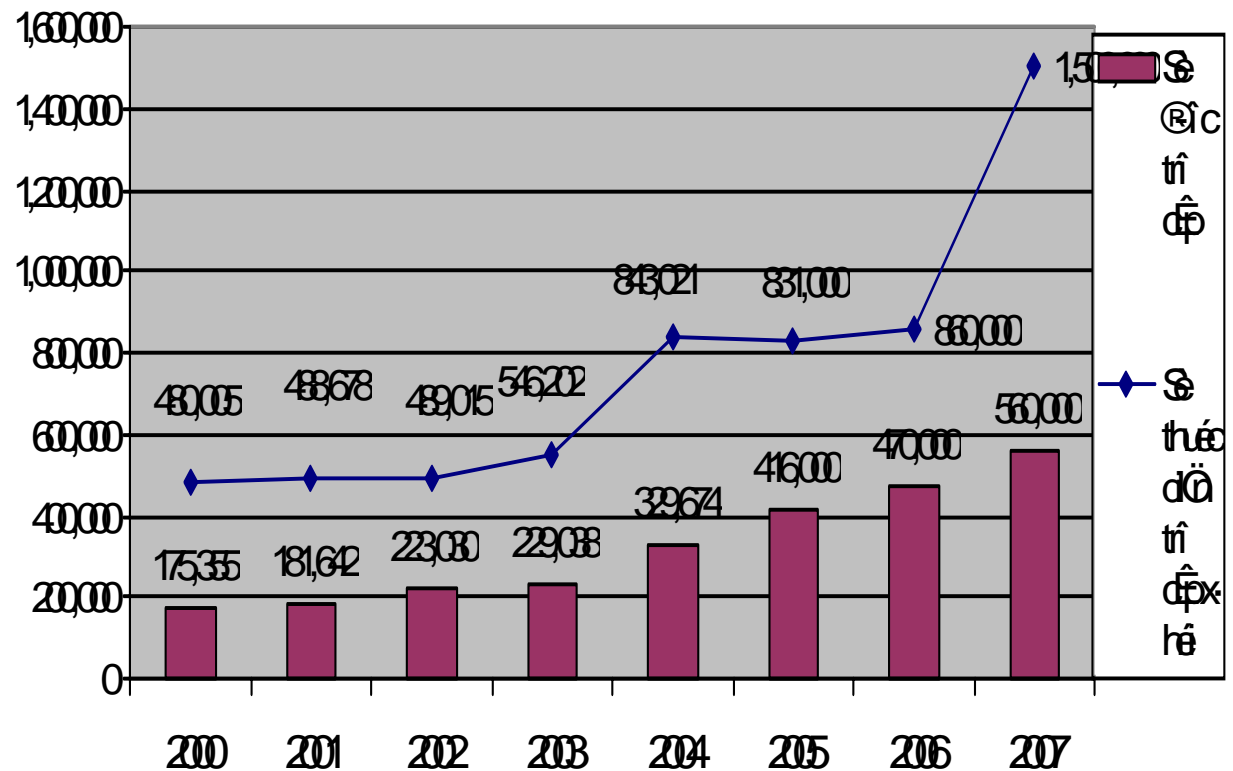


Health Insurance

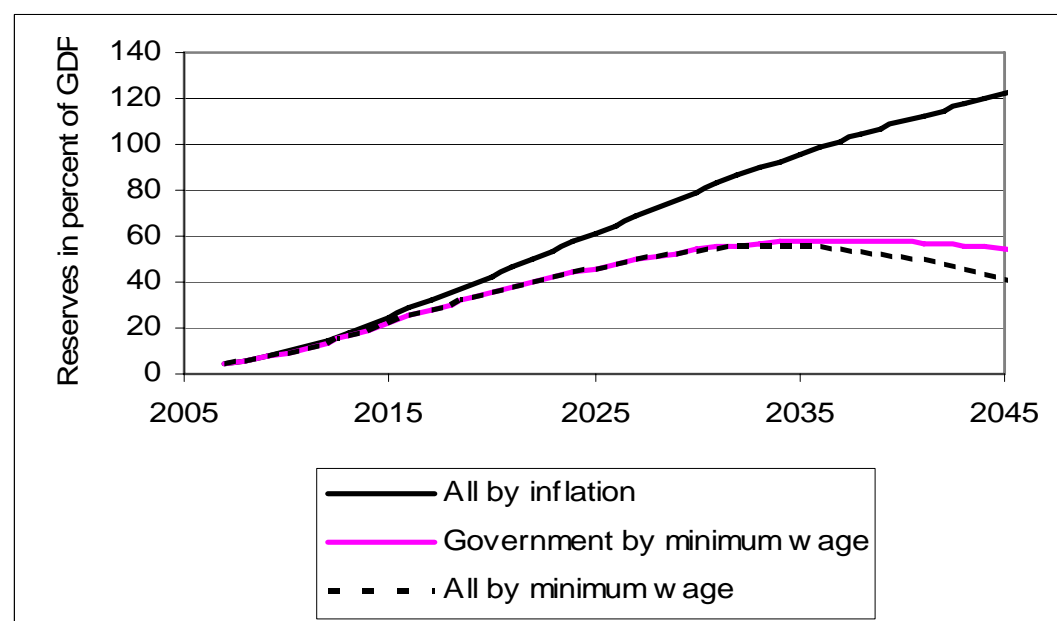
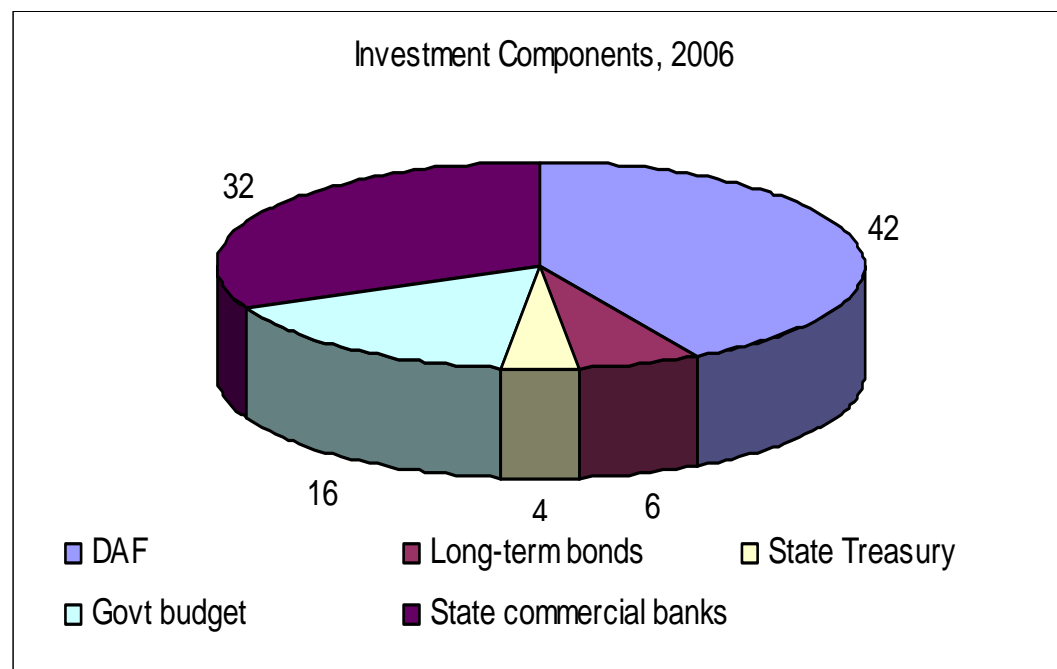
- The participants in health insurance increased sharply from 10.4 million people in 2002 to about 35.7 million ones in early 2008.
- Total incomings from health insurance also accelerated.
- Rights and benefits of health insurance contributors have been improved through better quality of health care services and higher technology.
- Contributing to realize the target of social equity in accessing public health care services, supporting the goal of poverty reduction.
- Making practical contributions to restore strengthen and develop grass-root health care services and system

- The coverage of social allowance beneficiaries, who are disadvantaged and in difficult circumstances, has been extended and accelerated in accordance with the Decree No. 67/2007/NĐ-CP. Total number of social protection beneficiaries is estimated to be 1.5 million people.
- The social benefit level is also adjusted in accordance with economic growth.
- Absolute poverty decreased significantly from 58 percent in early 90s of 20th century to less than 20 percent at present.

Social Assistance and Poverty Reduction



The current social insurance fund was about 3.7% of GDP 2006, its investments have earned an average rate of return which was always lower than the market rate



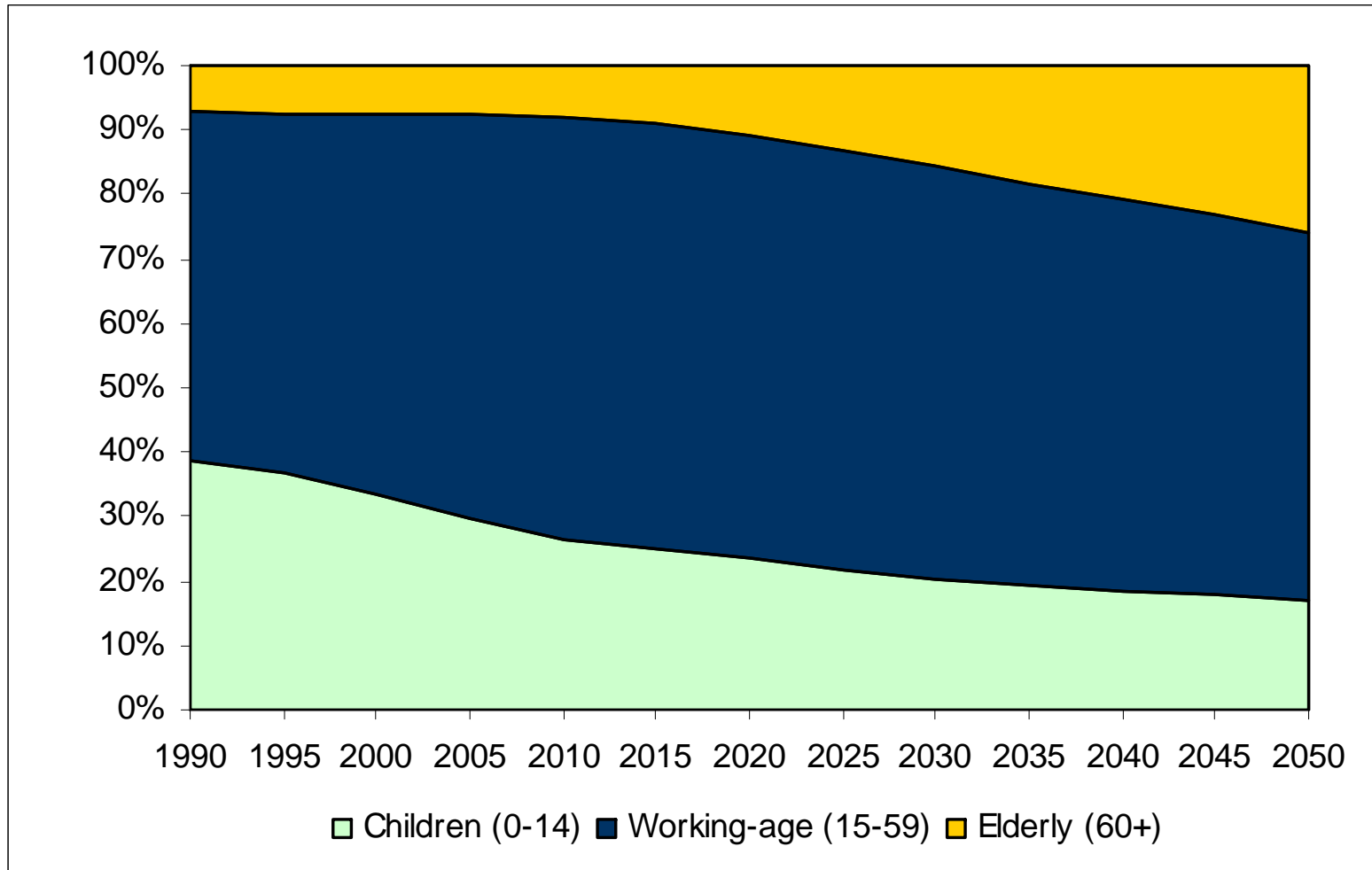
Gap between the fund' RoR and other

Years	Gap with treasury bills	Gap with lending rate	Gap with borrowing rate
1997	4.37	2.05	7.96
1998	3.21	1.00	6.17
1999	1.63	-0.12	5.21
2000	-1.31	-3.08	3.82
2001	0.18	-0.01	4.11
2002	2.16	2.69	5.30
2003	1.30	2.09	4.95
2004	0.32	0.71	4.22

Opportunities

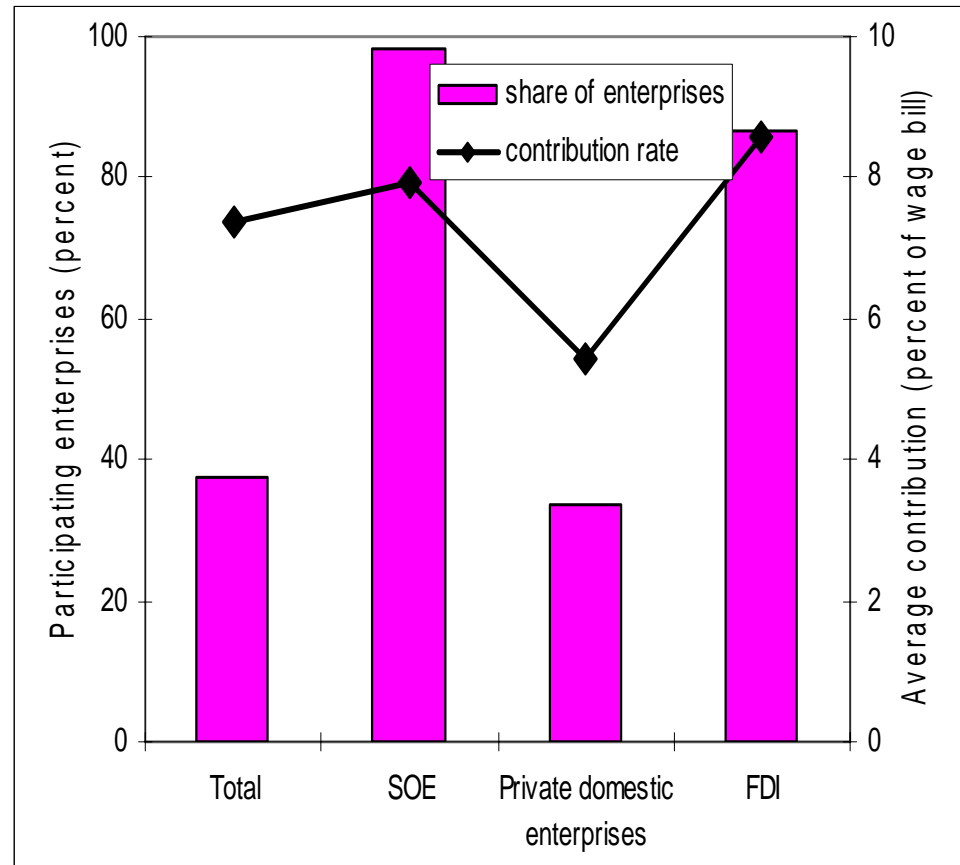
- Young population, high growth rate of workforce → numbers of people participating in social insurance should be increased.
- Together with economic growth, new financial markets are being established → various opportunities to invest social insurance fund.
- Econ-Political environment is sustainable.

And, young population...

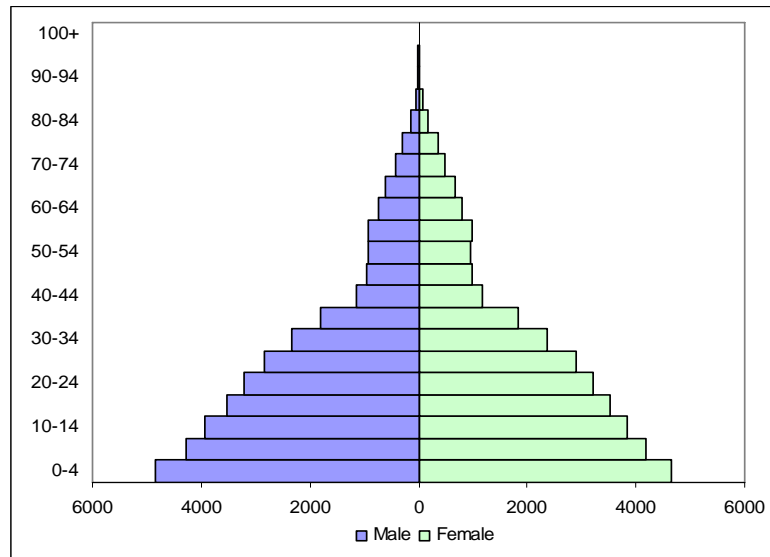


Challenges

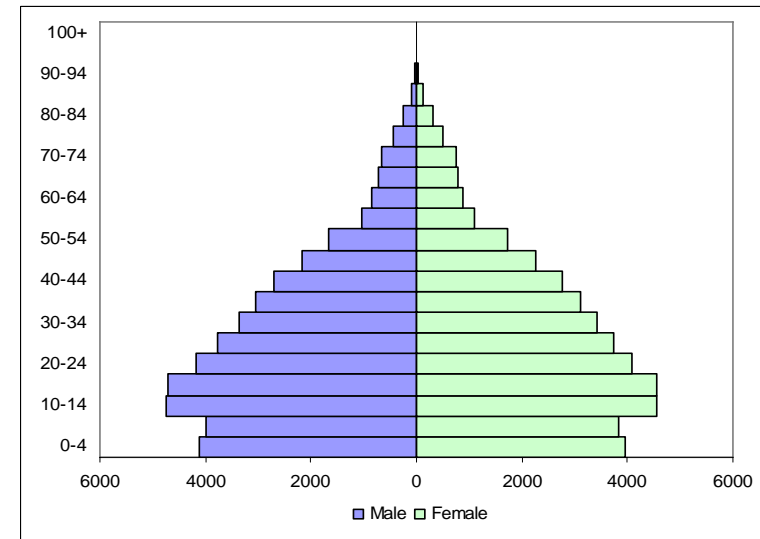
- Definitions, scope, types of social security, social insurance still in debating process → eligible regulations overlapped, workers [target group] do have not enough information → difficulties in decision-making and implementing.
- Coverage rate of the system increased, but still low...



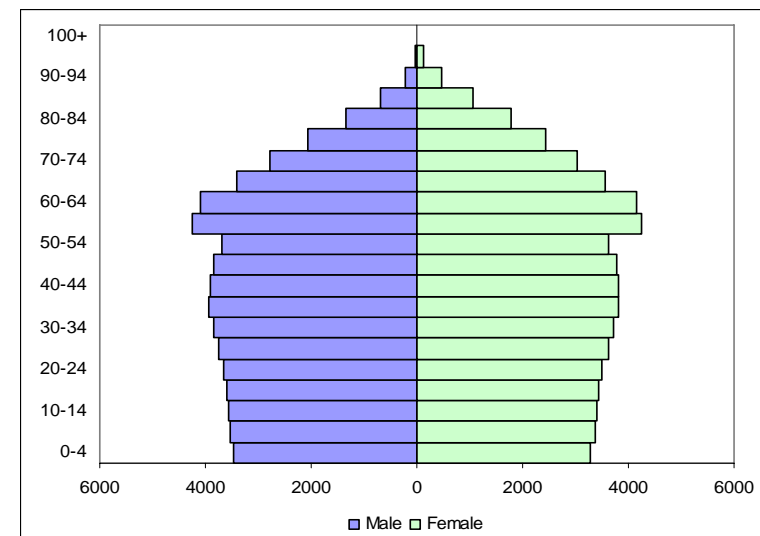
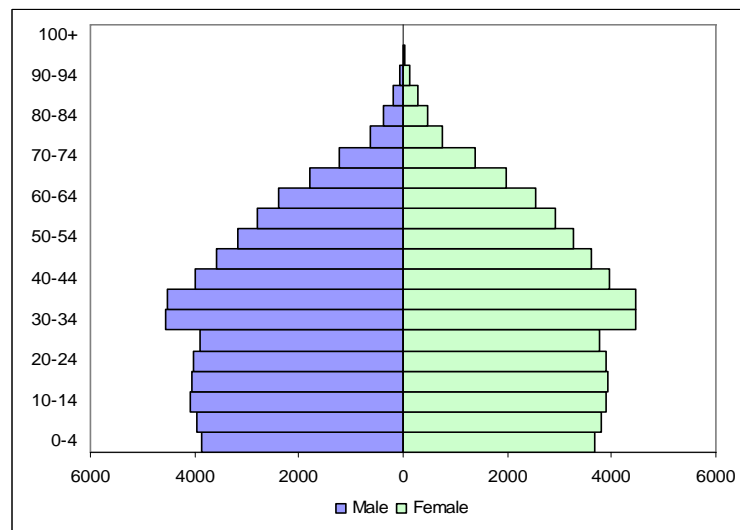
- Aging population in near future...



1990



2005



- Informal sector remains high and vulnerable

Occupation of household head	Percent of households who			
	Are poor	Are less than 10 percent above the poverty line	Have less than 15 million dong in assets	Meet any of these three criteria
Inactive	12.5	3.8	2.6	14.2
Employed by				
Government	1.5	1.6	0.7	6.1
State-owned enterprises (SOEs)	4.7	1.1	1.3	3.4
Foreign-invested company	2.5	0.0	0.0	0.4
Private sector	4.2	2.9	2.9	2.4
Households and collective enterprises	20.4	6.8	7.2	13.3
Non-farm self-employment	6.8	2.2	1.7	22.6
Farmers	25.1	5.8	4.8	37.5
Total	16.0	4.4	3.7	100

Needs of social security reform

- Economic growth/slowdown (Economy in transition process);
- Changes in the labour structure;
- Globalization and international economic integration;
- Warning of unsustainability of social insurance fund; and
- Population aging.

General Directions

- **To cover all:** social security system should be designed to cover formal, informal sectors and also poor people.
- **Clear and stimulus mechanism:** for all side (individual, enterprises and services providers)
- **Transparency:** Shift from current model of PAYG to NDC and (further) to Fully Funded.

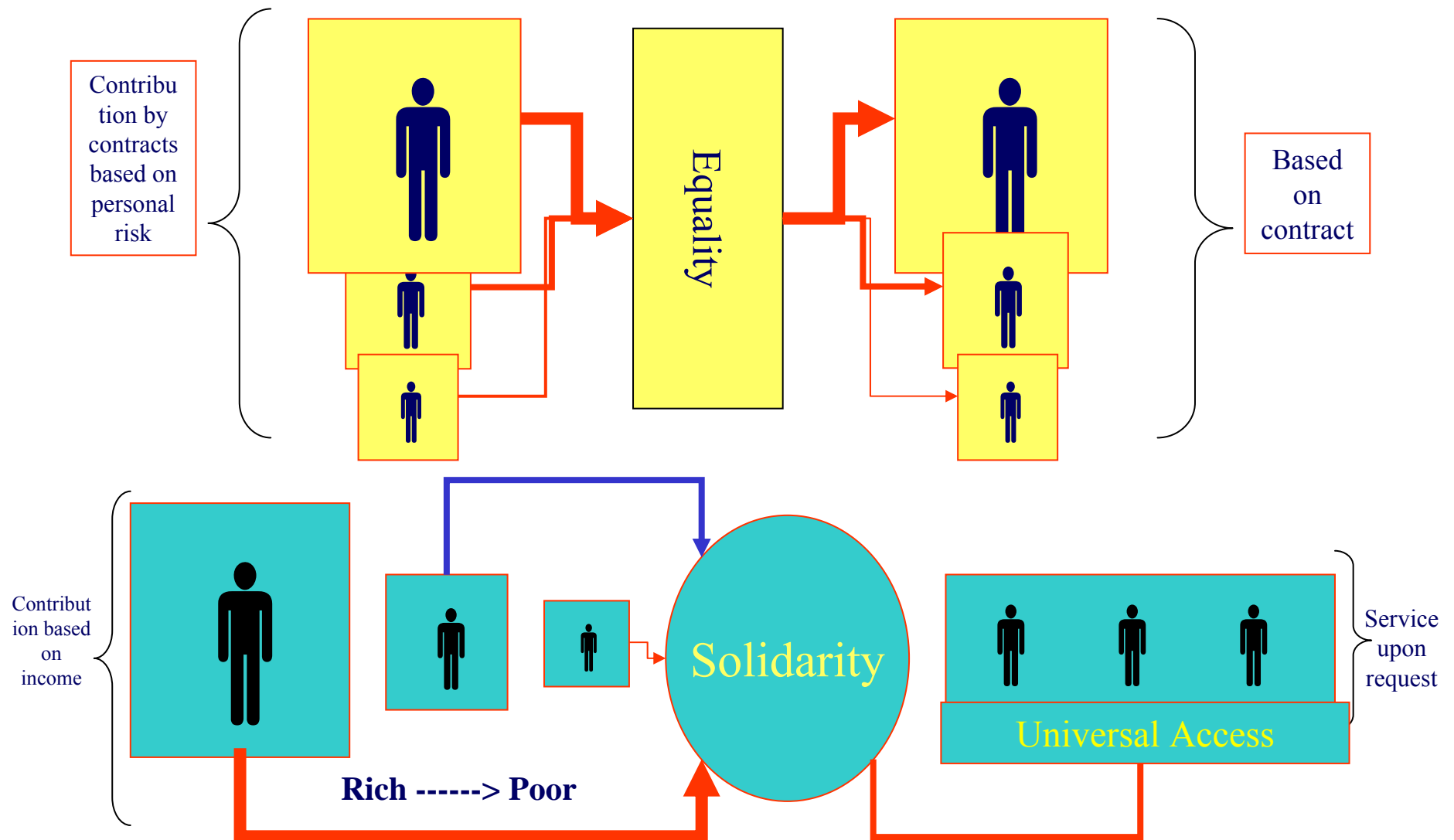
Socio-economic development orientations to 2020 onwards

- A harmonious, free and independent nation; a rich, independent country whose culture is not depraved;
- Democracy is the goal of the regime for the people and by the people where **man is the center**;
- A modern society which can combine and filter value of the world's economic, political and social life to the nation tradition culture;

In short, Vietnam is heading for a society which is a comprehensively and harmoniously developed society in economy, science, culture, politic, ethics and environment

Principles:

Equality, Solidarity, Universal Access



Development Viewpoints

- Development of social security system is based on **solidarity, sharing and mutual support**; enhancing **equality**
- Global integration;
- Rapid but sustainable development
- Flexibility and diversity;
- Decentralization and empowerment.

Policy Options/Recommendations

- It is necessary to reform pension system in the direction to utilize personal account through the transition in applying nominal personal account (NDC).
- The social insurance system development should be on track of universal approach with a common design for both formal and informal sectors with probable accessibility for vulnerable groups of people.
- The international and domestic labour markets with fluctuation and mass unemployment are seen in the context of economic recession. Therefore, unemployment should be ready in supporting the unemployed and underemployed. This system is required to be under close linkage with other labour related systems such as job service, demand driven vocational training, etc., to fulfill its function.

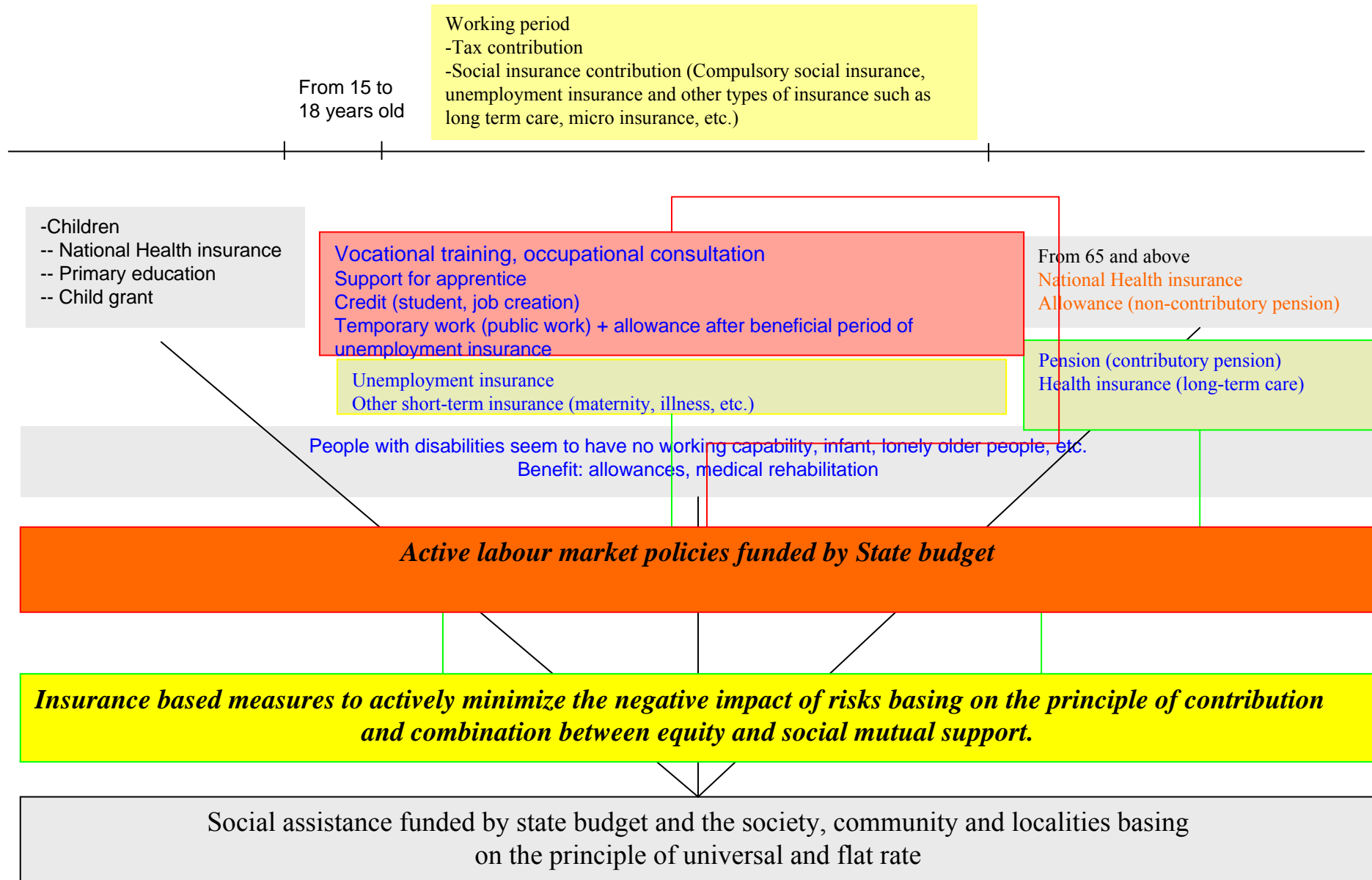
Policy Options/Recommendations

- Renewing social assistance policy under the direction of enlarging its coverage to all target groups of social protection.
- Accomplishing financial mechanism and mechanism for mobilization of resources. Payment for social assistance should be clear and renewed to reach direct payment (which is considered a trend pursued by many countries).
- Renewing social assistance policy under the direction to ensure reasonable level of assistance through which calculation of assistance levels must rely on necessary minimum expenditure for monthly costs per capita. It should be reckoned and announced yearly.
- Setting up an organizational apparatus in connection with mechanism of monitoring both vertically and horizontally).
- Applying technology in management and payment for target groups (each beneficiary has a Personal Identification Number- PIN)

Measures to Achieve Objectives

- Developing a Code on Social Security.
- Developing legal documents and guideline for the Code implementation with efficiency, transparency and feasibility.
- Budget for renewal and development of the system as well as for policy accomplishment and implementation.
- Establishing a State administration agency on social security (Social Security Bureau affiliated to the Ministry of Labour-Invalids and Social Affairs) with a vertical system of management and monitoring.
- Social insurance is run under tripartite principle (Government-employers- employees)
- Participation of social partners in implementation (including private sector, non-profitable service suppliers: private hospitals, private vocational training centers, NGOs with support for vulnerable groups to be entitled to their rights from policies, etc.,)
- Establishing a social court to practice the right of security of people.

Structure of Social security with approach by periods of life





Thank you for your attention!