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Expanding social insurance for household businesses in Viet Nam: Challenges, policy options, and the way forward

Key points

- Household businesses (HHBs) are a distinctive feature of Viet Nam's economy, employing around nine million workers and contributing significantly to livelihoods and local economic development.
- Yet effective social insurance coverage among HHB owners and employees remains less than five per cent, far below the national average of 43 per cent in 2024. The 2014 Social Insurance Law already requires employers (including HHBs) to enrol eligible employees in compulsory social insurance (CSI), however compliance has remained limited.
- The 2024 Social Insurance Law, effective 1 July 2025, extends CSI to registered HHB owners. Together, these reforms have the potential to extend social protection to millions of workers, moving Viet Nam closer to the 2030 target of 60 per cent coverage under Resolution No. 28-NQ/TW and signalling a broader shift toward universal social protection.
- The 2024 reform can foster formalization by bringing HHB employers into the CSI system, yet it also carries the risk of informalization if new obligations force HHB owners to de-register or remain unregistered to avoid compliance.
- Evidence from a recent structured survey and qualitative interviews shows that awareness of the 2024 Law remains low among HHB owners. Key barriers for participation include affordability constraints and income volatility, equity concerns, and complex administrative procedures.
- Local social insurance offices may face staffing shortages and lack integrated data systems with business registration and tax agencies. Uptake of digital tools such as VssID remains limited, underscoring the need for sustained communication, user training and support.
- To translate the 2024 Social Insurance Law into effective coverage, Viet Nam will need a sequenced and enabling implementation strategy. Priority actions include strengthening outreach and communications through trusted local intermediaries; simplifying and digitalizing administrative procedures and promoting one-stop HHB registration-tax-social insurance platforms; and considering transitional subsidies or graduated contribution rates to support newly registered or small HHBs.

Background

This brief presents key findings of the report *"Expanding social insurance for household businesses in Viet Nam: Challenges, policy options, and the way forward"* (ILO 2026), which forms part of the ILO's ongoing support to the Government of Viet Nam and social partners in advancing formalization and expanding social protection. The work contributes to national dialogue on the implementation of the 2024 Social Insurance Law, which took effect on 1 July 2025.

The analysis draws from findings of the 2024 Component Report conducted by the Viet Nam Development Research Institute in collaboration with the ILO Country Office for Viet Nam. It combines desk research with a structured survey, in-depth interviews (IDIs) and focus group discussions (FGDs) to assess the feasibility of expanding CSI to HHB owners and employees under the 2024 and 2014 Social Insurance Laws.

Household businesses in Viet Nam

Household businesses are a distinctive feature of Viet Nam's economy and play an important role in fostering livelihoods and resilience. In 2023, approximately 8.9 million women and men worked in 5.1 million HHBs. Of these, about 1.7 million HHBs were formally registered with tax authorities (ILO 2024). However, business registration does not guarantee CSI enrolment for HHB employees, even though mandated in the 2014 Social Insurance Law. The remaining 3.4 million HHBs operate outside the formal economy (ILO 2024).

The employment structure within HHBs is diverse and extends well beyond the standard employer–employee relationship that characterises formal enterprises. It includes HHB employers, contributing family workers, wage employees and own-account workers. In 2023, an estimated 7.6 million people were employed as wage workers in HHBs, 1.9 million contributing family workers, 750,000 employers, and 7.7 million own-account workers.

Income levels are modest and heterogenous within the HHB segment. HHB business owners earned on average VND 17.5 million per month, compared with VND 6.8 million of their wage employees (Table 1). HHB owners that registered their businesses earned VND 19.1 million, while those in unregistered businesses earned only VND 15.9 million. This pattern suggests that higher-income HHBs are more likely to formalize, in part because they are better able to meet the financial and administrative requirements associated with taxation and social insurance, and in part because they are more visible to local authorities.

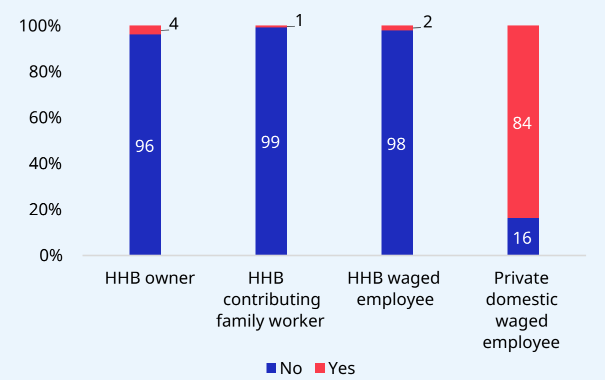
▶ **Table 1: Average gross monthly earning by the employment category (in million VND)**

Employment category	All sample	Registered business	Non-registered business
HHB owner	17.5	19.1	15.9
HHB wage employee	6.8	7.0	6.8
Private domestic wage employee	8.8	8.8	NA

Source: Author calculations based on Viet Nam LFS micro-data 2023

Effective social insurance coverage among HHB owners and employees remains below five per cent, leaving the vast majority unprotected against key life-cycle risks. Only a small share of HHB owners (4 per cent), wage employees (2 per cent), and contributing family workers (1 per cent), were contributing to any form of social insurance (Figure 1). These figures stand in sharp contrast with effective coverage rates among wage employees in private domestic enterprises at 84 per cent.

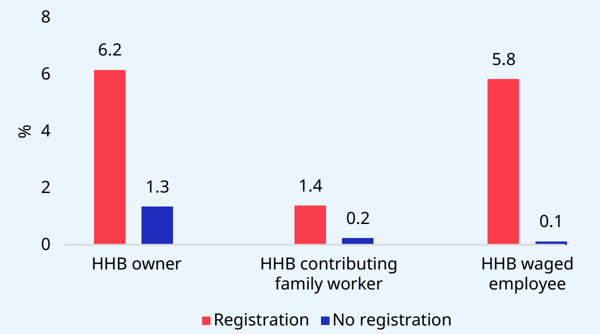
▶ **Figure 1: Contribution to social insurance**



Source: Author calculations based on Viet Nam LFS micro-data 2023

Business registration status plays a decisive role. In 2023, 6.2 per cent of registered HHB owners contributed to social insurance, compared to just 1.3 per cent among unregistered business owners (Figure 2).

▶ **Figure 2: Contribution to social insurance by unit's business registration status**



Source: Author calculations based on Viet Nam LFS micro-data 2023

Legal framework

The 2024 Social Insurance Law, effective from 1 July 2025, extends compulsory social insurance to registered HHB owners. This builds on the 2014 Social Insurance Law, which already requires HHBs to enrol employees with contracts of one month or longer, though compliance has been limited.

Under the 2024 Social Insurance Law, both registered HHB owners and their employees are recognised as eligible participants in the CSI system. HHB owners are entitled to sickness, maternity, old-age pension and survivorship benefits, while employees of both registered and unregistered HHBs are entitled to the full range of benefits available under the compulsory scheme, including in addition to the above-mentioned four contingencies, work-related accidents and occupational diseases and unemployment insurance[1] . HHB owners are not yet eligible for these two contingencies (occupational diseases and unemployment insurance), leaving social protection adequacy gaps in their short-term protection compared with employees in enterprises[2].

Unlike employees, whose insurable earnings are based on contractual wages, HHB owners may self-declare their insurable earnings within a defined range. The declared income must not fall below the minimum reference level (currently the statutory base salary of VND 2,340,000 per month) or exceed 20 times this level. At the minimum reference level, the compulsory contribution at 25 per cent amounts to VND 585,000 per month. This reference level will be adjusted periodically to reflect inflation, economic growth, and the fiscal capacity of the State budget and the social insurance fund.

Payment schedules have also been designed with flexibility to accommodate irregular income patterns. HHB owners may contribute monthly, quarterly or semi-annually, either directly to social insurance agencies or through collective intermediaries such as cooperatives or cooperative unions engaged in management. HHB employees paid by product or contract in seasonal sectors such as agriculture, forestry, fisheries and salt production may also contribute on a quarterly or semi-annual basis. This payment schedule only applies to employees in these sectors, while for the rest, contribution shall be made to the social insurance agency monthly. The 2024 reform recognises the irregular income flows of HHBs and seeks to reduce compliance barriers by allowing greater flexibility in how and when contributions are made.

At present, unemployment insurance and work-related accident and occupational disease benefits are not available for HHB owners. While these branches are critical for providing comprehensive short-term protection, the legal and administrative framework for extending them to HHB owners is not yet in place. The Employment Law 2013 and 2025, however, makes clear that employees of registered HHBs are covered by unemployment insurance.

Challenges for expanding effective social insurance coverage

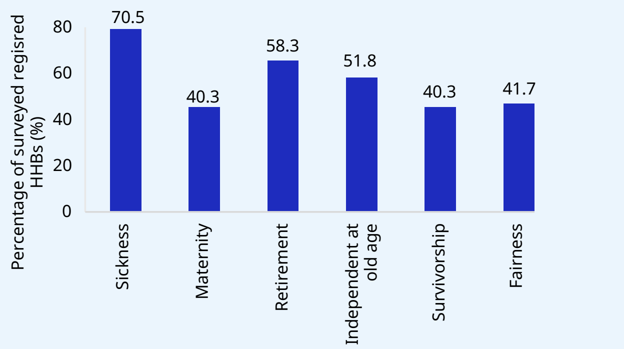
Awareness and perceptions

Survey and qualitative data reveal very limited awareness of the 2024 Social Insurance Law among HHB owners. The timing of the survey, just two months after the Law's passage, partly explains this limited awareness. However, it still underscores the importance of systematic outreach.

Nonetheless, once learnt about the eligibility, more than half of registered HHB owners expressed willingness to participate in CSI, particularly women and those in the 25–35 age group. This willingness reflects the multiple needs and risks faced by women over the life course (ILO 2021). It also suggests that trust and communication are crucial levers for increasing compliance.

HHB owners identified protection during illness (71 per cent), protection in old age (58 per cent), and reduced dependence from children or relatives at old age (52 per cent) as key benefits (Figure 3). Qualitative findings show that many owners equate social insurance primarily with health insurance, rather than as income replacement for sickness, maternity, work-related accidents, or old age. A high proportion of respondents selected "being protected when sick" as the main benefit of participation, likely reflecting a strong association with medical care rather than income replacement. In several FGDs, participants also raised concerns about the difficulty of accessing health insurance benefits when asked about potential barriers to participating in CSI. This highlights the need for improved messaging to distinguish social insurance from health insurance and to address concerns about benefit accessibility.

▶ **Figure 3: Perceived benefits of participating in compulsory social insurance among registered HHB owners**



Source: The survey on registered household businesses (ILO & VIDERI, 2024)

Nearly a decade after the 2014 Law came into effect, awareness among HHB owners of their duty to register employees for CSI remains limited. About 20 per cent of surveyed owners had never heard of this requirement, and many long-standing business

1 Social insurance in Viet Nam does not provide non-employment related disability benefits; such support is instead offered through the non-contributory social assistance system.

2 Whether unemployment insurance will be extended to HHB owners remains uncertain. As self-employed workers, HHB owners may not meet the eligibility conditions typically required to claim unemployment benefits, such as demonstrating loss of employment or dismissal. Similarly, the 2015 Law on Occupational Safety and Health, which governs obligations and benefits for work-related accidents and occupational diseases, has not yet been revised to reflect the inclusion of HHB owners in the compulsory social insurance system.

owners learned of it for the first time during the survey. Many HHB owners perceive themselves as part of the informal economy, operating at small scale with low and irregular profits. As such, compliance with labour and social insurance regulations is often deprioritized. This perception, combined with limited legal awareness, contributes to very low levels of participation in CSI for HHB employees.

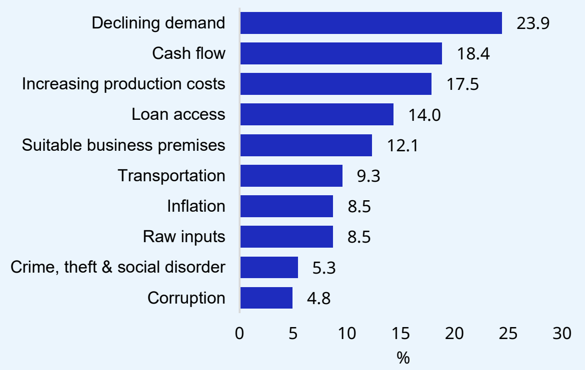
Willingness to participate

Registered HHB owners show a moderate to high level of willingness, with 58 per cent indicated that they were either "willing" or "very willing" to participate. Willingness level differs by provinces, gender and age. FGDs suggest that many of HHB owners in urban areas compare participation in CSI to alternative investment channels such as real estate, gold, or commercial insurance. Female HHB owners show a higher level of willingness to participate in CSI than their male counterparts. Regarding age, HHB owners under 25 are the least willing to participate, while the 25–35 age group shows the highest willingness.

The most cited reason for non-participation of HHB employees, reported by 52 per cent of HHB owner respondents, was that they saw no demand. HHBs typically operate with a small workforce, often just one or two hired workers, and owners do not perceive social insurance as a tool for attracting or retaining labour. In local labour markets where supply is tight, wages alone are used to secure workers. The second most common reason, cited by 45 per cent of respondents, was that employees themselves do not want to participate. Many workers are reluctant to forgo 10.5 per cent of their already modest income to contribute to CSI. This disincentive is particularly strong when wages are near the subsistence threshold.

While the overall willingness and capacity to contribute to CSI is relatively high, a range of barriers continue to constrain participation. The most significant constraint relates to the inherent vulnerability of HHBs. Figure 4 shows the share of surveyed business households that experienced severe difficulties in the past 12 months. Constraints such as declining demand and increasing production costs directly affect cash flow and the ability of HHB owners to contribute regularly to CSI.

▶ **Figure 4: Percentage of HHB owners experienced severe business difficulties in the past 12 months (%)**



Source: The survey on registered household businesses (ILO & VIDERI, 2024)

Financial constraints

Contributions can be broadly affordable, with minimum contribution accounting for an average of 4.6 per cent of HHB owners' average monthly income. However, younger HHB owners earn lower revenues and profits and are less financially prepared, making them more hesitant to contribute. Similarly, owners under 45, while earning more, often prioritize family expenses, leaving little room for savings. Those in volatile sectors like food, tourism, and services also face seasonal income and must reinvest in facilities, making stable contributions more difficult.

Other constraint factors

Equity concerns

Registered HHB owners are required to participate in CSI both as employers and as employees. Unlike salaried employees, who contribute 8 per cent of their wage to the pension and survivorship fund while employers contribute an additional 14 per cent, HHB owners must shoulder the entire 22 per cent, rising to 25 per cent when sickness and maternity benefits are included. While these contributions can be treated as deductible business expenses when personal income tax (PIT) is calculated on taxable income, HHBs that pay PIT based on turnover cannot benefit from such deductions. Such disparity may give rise to perceptions of unequal treatment compared to formal enterprises or better-resourced HHBs with the capacity to manage accounting responsibilities[3].

3 Under Decree 68/2026/ND-CP, HHBs with annual revenues below VND 500 million are exempt from personal income tax (PIT); those with revenues between VND 500 million and VND 3 billion may choose to calculate PIT either as a percentage of taxable turnover or on taxable income after deducting eligible business costs, including social insurance contributions; while those with revenues above VND 3 billion are required to calculate PIT on taxable income.

> Even though the business owner is the boss, in reality he is just a worker, working for himself. If the worker works for a business, he only has to pay part of the contribution; the rest is covered by the employer. As for us, we are also workers, except we work at home, but we have to pay the full 25 per cent ourselves. Can the government support us so that it's less difficult?
>
> ▶ **IDI, female, registered HHB owner, 38 years old, Hanoi**

Payment schedule

Given the irregular nature of income, many HHB owners advocated for flexibility in choosing when to start CSI enrolment, for example based on business performance and financial capacity. HHB owners also raised concerns about the payment schedule due to operation instability and fluctuating income. The 2024 Social Insurance Law already takes strong steps in this direction.

Limited human resources

Unlike formal enterprises, HHBs are often small-scale operations run by a single individual or family members. The HHB owner hence must handle all administrative tasks, including CSI registration, contribution calculation, payment tracking, and compliance with reporting requirements for both herself and any additional employees.

Alternative saving mechanisms

Participants frequently raised concerns about the additional financial burden of CSI contributions, limited understanding of social insurance long-term benefits. Some also expressed anxiety about potential future regulatory changes that could affect financial returns or liquidity, hence reinforcing a preference for alternative saving mechanisms such as commercial insurance (such as life or health insurance) and the other personal savings as a form of retirement security (real estates and gold, for example).

Coverage concentrated in family members

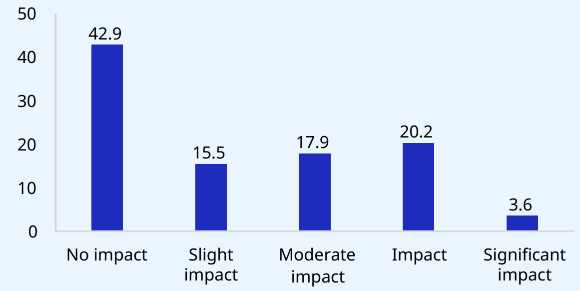
Effective coverage of HHB employees is especially limited. When CSI enrolment occurs, it is usually for family members or close relatives. In such cases, contracts are sometimes signed primarily to gain access to short-term benefits such as health or maternity benefits.

Business registration decisions

One important issue explored in the survey is the potential response of registered HHB owners. Despite favourable preference by some, for others, this shift is contrary to their expectations and may provoke adverse reactions. These include transferring business ownership to retired parents or relatives who are already covered under CSI or even discontinuing business registration altogether.

For unregistered HHB owners, the introduction of a CSI mandate may also influence future formalization decisions. If unregistered HHB owners perceive CSI contributions as unaffordable or burdensome, they may opt to remain informal to avoid these obligations. Figure 5 shows that a nonnegligible share (nearly 24 per cent) of unregistered HHB owners reported that the new regulation would significantly or very significantly affect their decision to register in the future. An additional 18 per cent indicated that it would have a moderate impact.

▶ **Figure 5: Impact of the Social Insurance Law 2024 on unregistered HHBs' consideration of business registering (%)**



Source: The survey on registered household businesses (ILO & VIDERI, 2024)

These findings warrant careful consideration in the implementation of the 2024 Social Insurance Law. In one hand, the eligibility to a wider range of contingencies might incentivize business registration, there is a risk that formalization efforts may stall or even reverse, as some HHBs might weigh the costs of registration against perceived benefits.

Administrative capacity

Local social insurance agencies may face major capacity constraints that could hinder the implementation of the 2024 Social Insurance Law. Some offices may face challenges in verifying labour relationships within HHBs, which often involve informal family arrangements. Inspection and compliance monitoring remain minimal due to resource shortages, particularly in large cities where local officials report being unable to keep pace with existing enterprises, let alone the millions of HHBs to be added under the new Law.

If not well coordinated, interactions among business registration offices, tax authorities, and the social insurance system may reduce effectiveness, as these agencies often operate on separate databases. Although digitalization through tools like the VssID application has improved administrative efficiency and offers a pathway for expansion, awareness and usage among HHB owners remain low.

Policy options

The 2024 Social Insurance Law provides the legal foundation for meeting the 2030 target of 60 per cent coverage under Resolution No. 28-NQ/TW and signalling a broader shift toward universal social protection. Legal mandates alone are insufficient and should be accompanied by effective implementation that depends on enabling measures at national and local levels. Key priorities include:

- Strengthening outreach and communications through trusted intermediaries such as the Fatherland Front and its member organizations, as well as local business associations.
- Simplifying procedures and investing in digital integration, creating one-stop platforms that link business registration, taxation, and social insurance enrolment, while supporting HHBs with user-friendly tools and frontline assistance.
- Promoting inclusive social dialogue at both provincial and national levels to ensure that HHB owners, employees, and their representatives are actively engaged in shaping policy design and implementation.
- Making contributions more affordable and flexible through time-bound subsidies, graduated contribution rates, and varied payment cycles that reflect irregular incomes.
- Creating a level playing field for household businesses as a special type of enterprise. Future legal reform must start by clearly defining the legal identity of household businesses, recognize HHBs as formal entities, and align them with broader frameworks on enterprise, tax, and labour law.
- Strengthening institutional capacity at the local level, including human resources, digital infrastructure, and inter-agency coordination, to ensure effective implementation and enforcement.

Conclusion

The extension of compulsory social insurance coverage to household business owners and employees is a transformation in Viet Nam's approach to social protection, formalization and inclusive development. Realizing its full potential will require investment in local institutional capacity, strong inter-agency coordination, and meaningful social dialogue to ensure policies are feasible and equitable. With adaptive policy design and implementation, Viet Nam can close long-standing gaps in social protection, accelerate formalization, and build a sustainable social protection system that is inclusive, adequate and reach universal coverage in the long run.

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