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VIETNAM: DEVELOPMENT OF INCOME SECURITY

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SYNTHESIS PAPER ON THE DEVELOPMENT OF INCOME SECURITY IN VIETNAM (non-health area)

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INTRODUCTION

In the process of Vietnam's integration into the world economy and particular Vietnam became the member of the World Trade Organization (WTO), economic risks will arise, people's lives will be greatly affected, therefore, it is essential that social policies be adjusted in response to growth trend and pace of modernization. Also, it is recommended that impacts of current social security system be assessed and new opportunities for the development of existing policies be examined. It is time Vietnam invested in social security system which is modern and equitable. In a short period, Vietnam should operate a modern and comprehensive social security mechanism to help its people face with risks and avoid turning back to poverty.

Main goal of this report is to present general development history, assess real situation and direct the trend for the Vietnamese income security. Its specific contents are as follows:

- Analyzing real situation and responsive trend, based on that assessing the impacts of this trend on the demand for social security in Vietnam.
- Presenting overview of social security system in Vietnam, including sphere of influence, participants and beneficiaries and opportunity to enjoy benefits from income security programs including allowance for children and households, unemployment benefit, social and old-age pension (such as pension for the disabled and survivors from accidents and natural disasters); financing and conditions to receive pension; guaranteed finance and measures for managing social insurance allowance.
- Leading to conclusion and launching some initiatives on practicable approaches in future in terms of policy and practical application to increase the number of beneficiaries of income security based on its feasibility, efficiency and stability; putting forward propositions about policies which organizations should follow.

I. POPULATION TRENDS AND DEMAND FOR SOCIAL SECURITY IN VIETNAM

Three factors related to population affecting the demand for income security and social security in Vietnam are as follows: (1) Proportion of women of child-bearing age, especially those aged 20-24 who are at the highest rate of childbirth. (2) Increase in proportion of people of working age – an advantage and pressure for the resettlement of unemployment in Vietnam. (3) Largest rise in elderly population in Vietnam.

These factors are represented by the following figures:

1. High proportion of women of child-bearing age:

Statistics table 1: proportion (percent) of women to total population of child-bearing age

Age group	1979	1989	1999	2006
20-29	8.68	9.09	8.82	8.35
20-24	4.93	4.48	4.56	4.40

Sources of data:

- 1979: 1979 General Population Census of Vietnam
- 1989: 1989 General Population Census of Vietnam
- 1999: 1999 General Population and Housing Census of Vietnam
- 2006: An investigation into fluctuation of population, human resource and family planning on April 1st, 2006

The proportion of women of child-bearing age ranging from 20 to 29, especially 20-24 women who are of best capacity to give birth is at high rate, according to the data from the Investigation into fluctuation of population, human resource and family planning on April 1st, 2006. The proportion compared to the total population is 8.4% and 4.4%, respectively. The ratio of women aged 15-59 among population decreased by 0.4% in comparison to that of 1999, however, with the total population of 83.9 million now, the number of women giving birth and new-born babies is 1.5 million which is rather huge. This trend will continue in 5 and 10 years due to Vietnam's high birth rate in the past. This results in great demand for social security in terms of child and mother health-care in the future. One another problem is that 70% of women having a baby annually live in rural areas where few can access to social security system.

2. Tendency towards decrease in dependent ratio of population

Dependent ratio measuring interrelation between national population out of working age (under 15 is youth population, over 60 is elderly population) with labor force participation (15-59). The following shows that this rate sharply decreased over past few years. According to 1989 and 1999 General Population Census, within 10 years, the dependent ratio decreased by 16%, to 70% from 86. By 2006, this rate kept declining to 55%. This meant that 100 people of labor force have to support 55 dependent people out of working age. The reduction is due to fall in dependent ratio of children.

Statistic table 2: Dependent population rate in Vietnam in 1979, 1989, 1999 and 2006

	1979	1989	1999	2006
Dependent ratio of children (aged 0-14 months)	84.5	73.0	56.3	40.7
Dependent ratio of elderly people (over 60)	14.0	13.3	13.7	14.3
General dependent rate	98.5	86.3	69.9	55.0

Sources of data:

- 1979: 1979 General Population Census of Vietnam, section 5, page 34
- 1989: 1989 General Population Census of Vietnam, comprehensive census results, part 1, section 1.1, page 16
- 1999: 1999 General Population and Housing Census of Vietnam, full census results, section 1.5, page 20
- 2006: An investigation into fluctuation of population, human resource and family planning on April 1st, 20006

Each year, there is about 1.2 million of people participating labor force and entering workplace. The proportion of population of working age rise from 50.37% in 1979 to 64.5% in 2006. This trend will continue in the coming years. It is estimated to reach the highest rate of 69.1% in 2019. It is a good opportunity for development of ever-larger quantity of human force in Vietnam. However, it also makes creation of employment and demand for social security for a large number of people under high pressure.

The data collected on April 1st, 2006 indicated that employees in urban areas enter labor force later and leave the workplace earlier than those in rural areas. The proportion of labor force participation aged 25-49 is 64.3%. Unemployment rate in urban areas is 4.4%, unemployment rate of men 4.8% is higher than that of women (3.9%).

3. Increase in the ratio of the elderly

One of the most important pointers of senescence in population is elderly indicator. It is the percentage composition between population aged over 65 and those under 15. The elderly indicator rose from 12% in 1989 to 17% in 1999, and to 27% in 2006. It means that the proportion of the elderly increased rapidly over two past decades.

Statistic table 3: the proportion (%) of population under 15, over 65 and elderly indicator of Vietnam in 1989, 1999 and 2006, respectively.

	1989 General Population Census	1999 General Population Census	2006 General Population Census
Population under 15	38.73	33.57	26.3
Population over 65	4.7	5.8	7.0
Elderly indicator	12.1	17.3	26.8

Sources of data:

- 1989: 1989 General Population Census of Vietnam, comprehensive results, Volume I, section 1.2, page 16
- 1999: 1999 General Population and Housing of Vietnam; comprehensive results, section 1.5, page 20
- 2006: An investigation into fluctuation of population, human resource and family planning on April 1st, 20006

In developing countries, old population is very troublesome in underdeveloped economy, incomplete welfare state and insurance system, irresponsive to meeting increased elderly's demand for social security.

Although Vietnam's population is quite young (in April 1999, population over 60 accounting for 8.1% of the total population, that as of April 1st, 2006 is 9, 2%), the proportion of old people is rising sharply. According to traditions and customs in Eastern countries, the Vietnamese closely attach to their families, take care of and respect old people. Most old people in Vietnam were born in hard conditions, once fought in wars and participated in reestablishment of the country. It is hard to look after old people, 80% of whom live in rural areas because of the increased number of the elderly and impacts of western lifestyle and negative effects of market mechanism. The rate of the elderly rises due to the increase in population over 70; the number of people under 70 intended to fall. This means that the period the elderly enjoying pension is longer.

Statistic table 4: proportion of population over 60 in Vietnam by period (%)

Year	1950	1965	1979	1989	1999	2006
Vietnam	6.5	7.0	7.1	7.2	8.1	9.2

Sources of data:

- *Statistic year book 1990, 1989: 1989 General Population Census of Vietnam, comprehensive results, Volume I, section 1.2, page 16, 1999: 1999 General Population and Housing of Vietnam; comprehensive results, section 1.5, page 20, 2006: An investigation into fluctuation of population, human resource and family planning on April 1st, 20006.*

The differences in terms of elderly ratio by region: differences in geographical locations result in dissimilarities in elderly ratio among different regions. Generally, in urban areas and deltas, the ratio of old people is higher than that in mountainous, remote and far-flung areas. The highest rate of old people is in Red River Delta, the lowest in Central Highlands and Northeast which have highest birth and infant mortality rate. Only southeast has lowest rate of birth and infant mortality among other regions in our country. However, this region absorbs a large number of immigrant labor forces, so its population structure is young. In short, these characteristics should be regarded in regional social security.

Increase in old women: in age group over 60 in our country now, man-woman ratio is: 140 women for 100 men; man population declines by age. Man-woman ratio of population aged 80 or over is: 2 women for 1 man. Widows outnumber widowers by 5 to 1. There are four times as widows as widowers. The main reason is that female life expectancy is higher than those of men from 4 to 6 years of age on average. This characteristic should be regarded in the process of drawing retirement pension for men and women.

Forecast about fluctuation of the elderly in 30 years (1999-2029)

It is estimated that in the next 30 years, male life expectancy will rise by 5.2 years of age (from 67.4 to 72.6 by 2029), female life expectancy will increase by 4.6 years of age (from 74.0 to 78.6). Average life expectancy will rise by about 1-5 years of age (rising sharply in first years and eventually in the next years).

An estimate of old people in 1999-2029

It is estimated that old people will rise from 6.19 million in 1999 to 16.49 in 2029. However, there will be various rates according to different periods.

In 1999-2029, the number of old people will rise by 1.4% per year (approximately equal to natural population growth rate), far lower than that in past ten years (1989-1999, 2.9% -twice as much as population growth rate). So, in first decades in 21st century, the number of old people will stall. This is gold period of Vietnam's population (the ratio of old people was not high and population of working age is at highest rate).

In 2009-2019, it is estimated that the elderly will rise remarkably (about 5% per year, 4,5 times as much as population growth rate at the same time). It is predicted that Vietnam's population will get older in 2014-2015. At that time ratio of the elderly is 10%, and the age at which population is divided into two equal parts is 30 years of age.

In 2019-2029, ratio of the elderly keeps increasing at highest rate (5% per year), by 2029 there will be 16.8 million of the elderly making up 17.8% of total population.

In 30 years (1999-2029), it is estimated that old population will rise by 3,26% per year on average; population of working age group (15-59) increase by 1.23% per year; youth population (0-14) fall by 1,9% per year.

Challenges of older population

- It is predicted that by 2029 there will be 16.5 million of old people (accounting for 17% of total population). High ratio of the elderly will put pressure on healthcare, because expenditure on the elderly healthcare is 7.5 times as much as that on young population (15-59).

- Under the negative impacts of industrialization and modernization, quite a few young people migrate from rural to urban areas in search of work, therefore, there remain only women, children and old people live in countryside. Furthermore, old people in rural areas have no health insurance and retirement pension. Consequently, it is hard to care old people.

- Increase in the number of people over 70 years of age is a high pressure because old people need help in their everyday activities.

- Negative impacts of market mechanism and industrialization exert bad influence on old people's spiritual health.

II. GENERAL PERSPECTIVES OF SOCIAL SECURITY AND INSURANCE IN VIET NAM

1. Definition

According to ILO, social security refers to social protection of society's members against economic and social difficulties due to loss of or decreases in income because of illness, pregnancy, accidents at work, occupational diseases, unemployment, disability, old age and death. Social security also includes healthcare and allowance granted to nuclear families.

Social security systems are designed differently among countries all over the world. However, it includes: social insurance, social relief, allowances from public funds, family pensions, standby funds, safeguard introduced by employers, services related to social security, programs within the framework of hunger eradication and poverty alleviation goals, and forms of non-official social sponsorship.

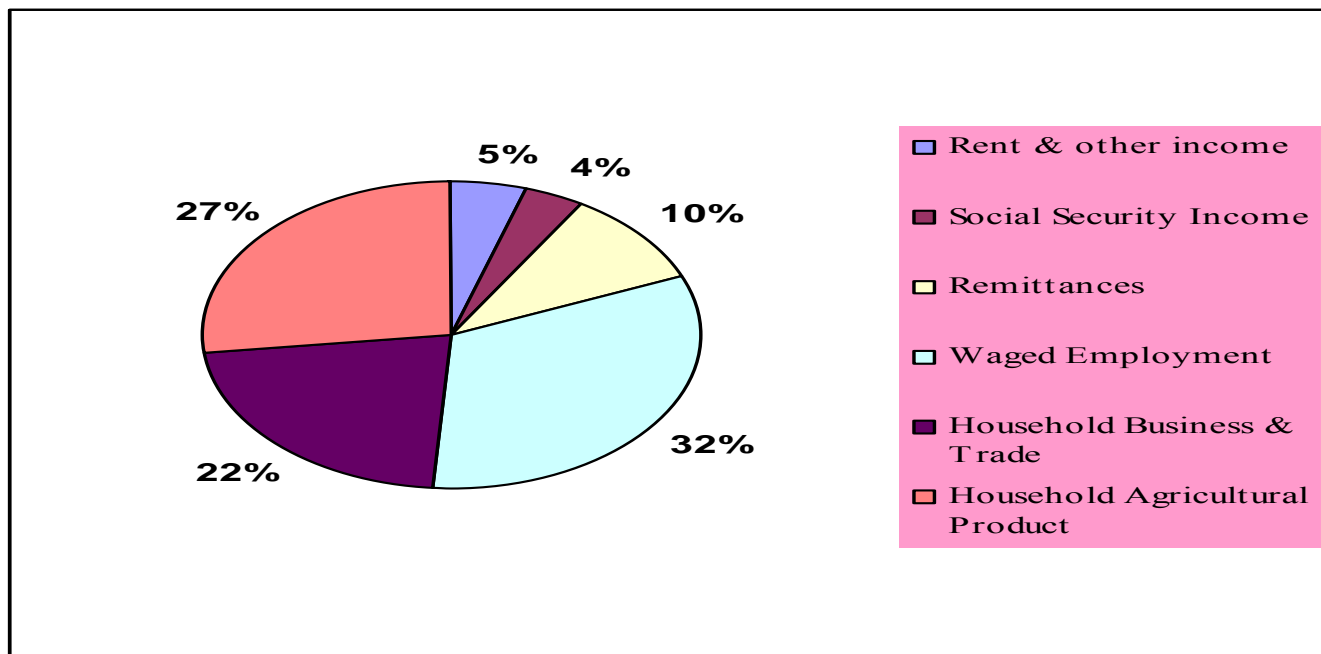
Social security operates based on the principle of solidarity to ensure social equality. It doesn't simply include income security mechanisms, but it is a complex of instruments that reallocate wealth and services, advantageous to members of the community in general and unhappy members in particular. Each mechanism of social security protects a specific group with different conditions and at various levels, which requires financial help. This help may come from: public fund established by protected people and by employers, state funds and the community through humanitarian organizations.

Among social security mechanisms, social insurance is the first pillar which creates replacement income in case regular income is interrupted suddenly or lost and protects the salaried in society. According to the report released by ILO (Convention 102, 1952), social insurance consists of 9 following characteristics: healthcare, various pensions such as illness, unemployment, old-age, occupational accident and disease, family, pregnancy, disability and death. The Convention dictates that countries signing the Convention have right to apply it in some mechanisms at least including unemployment, old-age, occupational accident – occupational disease, disability or death pensions.

**Role of social security in Vietnam's income security:* according to the Census of living standards in 2004 by General Statistics Office, per capita income in Vietnam was 6.1 million Vietnamese Dong per year. Income comes from mainly salary, accounting for 32%. Income arising from agricultural production of households makes up 27%, from trading 22%. Transfer of money among members of family through deposits occupies 10%. Role of social security is limited. Income from social security is lower than those from other sources (4% and 5%, respectively). Income from assisted bank deposited exerts more influence on per capita income than the transfer of money by State does.¹

Figure 1: Aggregate Private Household Income in Viet Nam 2004

¹ Source: Authors' calculations from VHLSS 2004 using GSO income definitions, UNDP 2007 How progressive is social security in Vietnam



Out of 4% of income from social security, two-third comes from long-term social insurance pension (retirement pension and allowance for revolutionary martyr families). One-fourth of pension is reserved for health services, 9% it for beneficiaries such as veterans, wounded soldiers, revolutionary martyr families on welfare, 5% for education and 2% for short-term insurance including illness, pregnancy of the salaried who enjoy social insurance.

2. Social and health insurance programs in Vietnam

**Development process:*

In our country, after The Democratic Republic of Vietnam had been founded, the government promulgated numerous documents in order to offer state employees social insurance including retirement, healthcare, accident, death gratuity pension. However, not until 1961, insurance policy covered state employees thanks to foundation of united social insurance fund. Social insurance fund, at that time, is a dependent one belonging to state budget, but its revenue mainly came from state budget and contributions by state offices and agencies. The contribution is calculated in percentage terms of total wage-fund (from 1962 to 1987: 4.7%, from 1987 to 1993: 15%). All state employees were not forced to make insurance payment. The management of social insurance was assigned to Ministry of Labour, Invalids and Social Affairs and General Confederation of Vietnam (today Vietnam General Confederation of Labour). In private sector, social insurance regulations applied to members of cooperatives were also passed (resolution 292 on February, 1982). Nevertheless, these regulations were observed in short period of time, from 1982 to 1989.

After the Seventh National Congress, our country introduced wide-ranging reforms including reform in social insurance. The reform in social insurance was crucial to implement social policies, which was responsive to new economic situation. The innovation was marked with separation of healthcare for workers in case of illness from

social insurance. It became a dependent fund named health insurance (Decree 299/Council of ministers on August 15, 1992, promulgation of Decree of social insurance). It stipulated that both employees and employers must participate in making insurance payment. After that, on June 22, 1993, the Government promulgated Decree 43/CP on temporary social insurance mechanism, which started extensive and comprehensive reform in social insurance with a view to abolish state subsidies for social insurance, expand compulsory participation (participants of social insurance are all of the salaried), stipulate new income and expenses, restructure income...

Social insurance program through contributions include retirement, injury, pregnancy pensions and by 2002 will include additional unemployment pension. Insurance payment will be made 15% by employers and 5% by employees. Vietnam's Social Insurance manages income and expenses. Retirement pension payment is added to existing insurance system. 80% of insurance expenses are covered by the state budget because contribution has applied since 1995. Insurance programs are described in box 1:

Box 1: Social insurance programs

Short-term pensions:

Pregnancy pension is reserved for women who breast-feed their babies until they are 4 months of age. This pension also includes 3 days off to have a check-up before birthing.

Pension for illness includes 30-60 days off per year. Employees who work in toxic and dangerous working environment and have made insurance payment for a long time have more days off. Pension receiver must be confirmed by medical centers. Workers also have 15-20 days off in case of their children's illness. The insured have maximum of 180 days off without regard to time of premium payment.

Injury and occupational disease pensions are reserved for people who have injuries and diseases when they are at work or on way to work. Employers have to pay all expenses including salary and medical expenditure. Degree of pension is calculated when impacts of injury on employers' working capacity and degree of injury are defined. Degree of pension is fully paid, equal to minimum wage of 4 -12 months. A worker losing over 30% of working capacity will receive monthly pension, equal to 40%-60% of minimum wage.

Unemployment pension and pension for people dismissed due to labour redundancy: full payment equal to a-month wage.

Long-term pension:

Retirement pension is used for people who have paid premium for at least 20 years (15 years for those who work in toxic working environment), over 60 years of age for men and 55 for women. Retirement pension account for 45-75% of average salary which people receive when they still work. The lowest retirement pension is equivalent of minimum wage. Insurance payers may receive retirement pension earlier in case they lose

61% of working capacity. However, retirement pension will reduce by 2% per year when insurance payers don't settle premium.

Death pension: this pension is for children under 18, husband or wife, biological parents and father or mother-in-law of those who have paid premium for over 15 years. Monthly pension is equivalent of 40-70% of minimum wage. If this pension is fully paid once, it will be equivalent of salary within 12 months.

In the ninth meeting of the eleventh National Assembly held in June 29th, 2006, some sets of laws had been passed, including the Legislation on Social Insurance N°71/2006/QH11 signed by President Nguyen Minh Triet on the Decree N°13/2006/L-CTN and to be in practice in July 12th, 2006.

The legislation, which contains 11 chapters and 141 clauses, stipulates policies of social insurance, rights and responsibilities of workers, offices, organizations and insured individuals, social insurance funds, social insurance procedures and state management of social insurance.

The law has a new point: besides mandatory social insurance, voluntary social insurance is extended and unemployment insurance is added as described in Chapters 4 and 5. This is an important change in social insurance policy of the Party and Government aiming at serving every employee in all economic sectors and at fulfilling the demands for global integration.

Regulations concerning social insurance include:

- Mandatory Social Insurance: Sickness benefit, maternity benefit, work injury and occupational diseases benefit, retirement pension and survivorship benefit.
- Voluntary Social Insurance: Retirement pension and survivorship benefit.
- Insurance against loss of income due to unemployment: Unemployment benefit, vocational training assistance, job seeking assistance.

The law came into effect in January 1st, 2007; however, voluntary social insurance will be valid in January 1st, 2008 and unemployment insurance in January 1st, 2009. This law will not take effect on the health insurance, saving insurance and other commercial insurances.

Employees on the state payroll, the pensions they receive will be calculated based on the average of their monthly salaries used as basis for calculating their social insurance premiums. And lump-sum allowances for those who have paid social insurance premiums since January 1st, 1995 up to the day social insurance law is valid are also determined in Section 4, clause 59 as below:

“For employees who have paid social insurance from January 1st, 1995 to December 31st, 2000, their pension will be the average of monthly salaries, which have been used as basis for calculating their social insurance premiums, of 6 years before they retire; and others insured from January 1st, 2001 to December 31st, 2006 their pension is calculated based on the average of monthly salaries of 8 years before they retire” (To those who participated in social insurance schemes before 1995, pension is calculated based on the current legislation).

The average of monthly salaries used as basis for calculating pension and lump-sum allowances for people who have paid social insurances since the social insurance legislation valid is described in Section 1, Clause 60: “For employees on the state payroll, their pensions will be calculated from the average of monthly salaries, which have been used as basis for calculating their social insurance premiums, of their last 10 years of working before they retire”.

Mandatory and unemployment insurance premiums are calculated based on the wages of employees. Voluntary social insurance premiums are calculated based on the level of income chosen by employees but not less than the minimum wage determined by the government.

Participants will get the benefits calculated from their expenses for social insurances and the time they participate in social insurance schemes. The benefits are shared between participants.

Those who participate in both mandatory and voluntary social insurance schemes will get the pension and survivor benefit calculated based on the duration of paying social insurance premiums.

Another different point in the new legislation is lump-sum allowances of retirement pensions will not be controlled but “it is calculated based on the number of years that a person participates in social insurance schemes. The duration is calculated based on gender of participants - 31 and over for men and 26 and over for women. Insured people will get one half of their monthly salaries” – Article 2, Clause 54.

Annually, the Government will have a report on managing and using social insurance fund.

Every three years, the state auditing agency will work on the fund and then report to the National Assembly. If required by the National Assembly, the Standing Committee of the National Assembly or the Government, the fund will be audited unexpectedly.

At the time of Vietnam’s admission to the WTO, social insurance law promulgation is very essential to ensuring social insurance. This will adjust the social relationships and make them more appropriate to the current socio-economic development situation and in the future as well.

**** Current situation of Social insurance in Vietnam:***

- Size: The number of people participating in social insurance schemes has increased by 54% from 2001 to 2006, from 4.08 million to 6.3 million². However, the social insurance system can only help 11% of the workforce and could not cover those with serious difficulties. Most of those who gain from social insurance are from formal sectors, most likely the state sector.³

- The beneficiaries from social insurance: Social insurance payment has been increasing year after year, mostly paying for retirement pension (85% of total costs). About 90% of the raise came from retirement pensions. Retirement pensions were mainly paid to state employees working in periods before 1995, the time that new regulation on

² Annual Financial report Vietnam Social Security 2001-2006

³ Viet Nam Development report, 2004

receipts and expenses of pension fund came into effect. This group of people will definitely be major beneficiaries from retirement pension in the near future.

The increase of the people applying for short-time insurance was very high: sickness benefit (nearly 40% from 2002 to 2004), maternity (over 60%). In 2004, about 1.8 million people received sickness and work injury benefits and 200 thousand women got maternity benefit. Those figures indicated a very high percentage out of 5.4 million people participating in social insurance schemes.⁴

- Balancing the social insurance fund:

One of public concerns was the possibility of fund-imbalance in the future, though the balance after 10 years since the establishment of the fund was over 60,000 billion VND (2006). After 2001, the velocity of the fund has been reducing. The balance of the pension fund alone in 2001 was about 22,000 billion VND, increased 36% each year since 1998 (9,000 billion VND). In 2006, it was 62,000 billion VND, increased by 30.8% a year, since 2001.

There are many predicted causes of fund-imbalance in the next period (2030). From the managing point of view, there are two problems: the stage of designing mobilizing schemes, using fund and the stage of implementation. Obviously, low contribution level and high enjoyment level can lead to fund-imbalance. If the income and expenses are not properly controlled, the fund will definitely be imbalanced.

The total of contribution depends on many factors: the rate, salaries which are used as basis for payment calculation and the number of participants. The level of enjoyment depends on such factors as the enjoyment rate, the level of retirement pension or benefit, the duration and number of insured people. The factor that most affects fund-balancing is the duration of social insurance payment and enjoyment. According to the current legislation, employees and employers pay 15% of the wages for pension fund and survivorship benefit. Employees only have to participate in social insurance schemes for 15 years; men at full 60, women at full 55, shall have monthly pensions equal to 45% of their monthly salaries and the average duration of enjoyment is about 13.5 years. In other words, the level of enjoyment is 3 times higher than that of contribution.

Moreover, the fund-balancing is also affected by other social policies such as wage policy and job policy, etc. According to the Labor Code, men can retire at 60 and women at 55, and average retirement age is 57.5. However, from 1995 to 2003, the average retirement age is 51.5, reduced by 6 compared to the law. It is calculated based on the statistics in 2003, a person retire before retirement age one year, the pension fund will reduce 10 million. As the number of people who retire under their retirement age has been increasing rapidly over the past 10 years, the pension fund's expenses has been increasing quickly as well. The minimum wage was adjusted in 2003, increased to 290,000, from 120,000 VND (1995). That also contributed to the imbalance of the social insurance fund. It is predicted that in 2022, receipts and expenses will be balanced and in 2030 the balance of the fund will be reduced. The International Labor Organization (ILO) and financial experts said that if Vietnam Government does not have proper adjustment, the fund will run the risk of being imbalanced.

⁴ Source: Data from VSI

Social insurance policy, which has been applied widely and quickly expanded, is very important among the system of social policies of Vietnam government. However, to adjust social insurance policy the government needs a certain set of rules which guarantee the target of effect and equality. Some of the basic rules: The rule of contribution-enjoyment – everyone who want to enjoy the benefit shall have the responsibility to contribute; the fund-balancing rule – the level of contribution and enjoyment must be calculated based on the “law of big number” to make sure the fund is balanced.

- The principle of equality in social insurance: This principle is ensured both in the relationship between contribution and enjoyment and in the relationship between different groups of people participating in social insurance schemes in different areas:

- + In the relationship between contribution and enjoyment: Employees used to pay for social insurance premiums based on the very low minimum wage, but now the wage has been increased, therefore retirement pension is increased correlatively. The differential quickly cuts down the social insurance fund while the expenses continue to increase too. Besides, employees only have to pay mandatory social insurance premiums in 15 years only to get monthly pensions equal to 45% or 75% of the average of monthly salaries before their retirement. That leads to the fact that some people under 40 years old can receive their retirement pensions due to the regulation. In 15 or 20 years, employees will pay social insurance premiums calculating based on salaries of each month, but the pension is calculated based on the highest monthly salaries, therefore, the small amount of differential to a person actually contributes to the imbalance of the social insurance fund. Moreover, the number of old people, especially women, is increasing. Women live 4-6 years longer but retire 5 years earlier than men. As a result, the duration of receiving retirement pension of women is longer while the time they participate in social insurance schemes is shorter.

- + In the relationship between people participating in social insurance schemes:

Social security for farmers: In the time of integration, farmers will be affected the most; however, in Vietnam, there is not yet a way to ensure farmers' lives.

Social security for the poor: In fact, some people on high income still get benefit from social security while the poor are restricted to this kind of support. One of the reasons is the limitation of the backward distribution mechanism. The ratio of social security enjoyment is 6:1 between the richest and the poor and 4:1 between the rich and the poor (39.1% and 27% to 6.6%). People with higher income get 10 times benefit more from social security programs than those with lower income in rural and mountainous areas (0.66 million VND to 0.07 million VND)⁵. Non-state employees have fewer chances to participate in social insurance schemes than state ones. The social insurance system only covers 11% of the workforce, most of them work in formal sectors, especially the state sector, and the poor don't have a fair chance.

Social security in urban and rural areas: The difference is mainly poorer households in rural areas receive much from medical and educational support while richer households in urban areas receive much from retirement pension.

⁵ VHLSS 2004, figure 2.6, tr 25, UNDP 2007 How progressive is social security in Vietnam.

Social security in different socio-economic regions: People who live in Mekong River Delta and Tay Nguyen did not gain much from social security programs (1.5% and 2.8% accordingly). In contrast, people living northern central coastal region and Red River Delta get the most (7.8% and 7.3%). Overall, the average income received from social security of people living in the north is higher than those in the south mainly due to retirement pension. – 68-76% of the income. There are much more retired people in the north than in the south because many people working in the state sector before the Vietnam War have been accredited by the government. Therefore, the total retired people increased. People in southern regions did not get much of the social security benefits but they were assisted strongly by other target programs such as medical and educational support programs.

III. SOCIAL SECURITY SYSTEM OF VIETNAM

Besides the implementation of social insurance schemes, Vietnam also rapidly carried out many other schemes under the Social Security System.

1. Permanent social security fund

Beneficiaries of this type include: solely old-aged people, orphans, invalids. Since 2001 over 90-year-old people and HIV/AIDS infected people have been added to the list. The scope of this fund is small, covering only 0.3% of the population⁶. The national budget is insufficient, while local budget cannot help settle down plus poor management system all make the people who qualify the conditions suffer a loss because they do not receive the pension or if they do, it is very small. As a result, their lives are still the same as before, with no big changes.

2. Support fund for veterans and wounded and sick soldiers

A series of programs supporting veterans and injured soldiers in kind or transferred money has been created and implemented by the Social Security Fund. Pension received through transfer payments helps 2-3% of the population in 1999 (Justino 2005) and other indirect types of support have a higher coverage rate. Every month, each family who has a martyr or former soldiers whose working capacities have been reduced to 61% receive 175,000 VND and those who cease to work get 725,000 VND. Total costs of this program were around 4,000 billion VND in 2004. However, there were many identical cases in which people who get retirement pension also get war allowance.

The program also offers economical and social support in kind for martyrs' families and injured soldiers, including health insurance for about 1.1 million people, house construction for 14,000 people and loans without refunding to do the business. Moreover, houses of gratitude are built in many localities for beneficiaries of social welfare, heroic Vietnamese Mothers for example.

3. Health Care

In Vietnam, medical care has been performed differently in three different periods.

⁶ Justino P. (2005) Beyond HEPR: A Framework for an Integrated National System of Social Security in Viet Nam UNDP Viet Nam Policy Dialogue Paper 2005/1, Hanoi: UNDP

* From 1961 to 1992: Temporary legislation concerning social insurance in 1961 considered health care and sickness support high priority. As specifically described below:

- Ensuring medical care for state employees and officials.
- Those who are ill, injured by industrial accident, infected by occupational diseases and maternity women included.
- The fees are subsidized by the State (by providing diagnostic services, treatment, medicine and traveling expenses, etc.) However, places and ways of treatment are different due to differences in wages and salaries of different groups of people.

* From 1992 to 2002: On 15th, August 1992, the Decree N° 299/HDBT promulgated the regulation on Health insurance, hence, it was officially separated from social insurance and under the control of the Ministry of Health. The system of offices working on health insurance then is established from the central to every locality. The typical features of medical care in this period:

- Mandatory medical care is applied not only for those who work in state sector but also for all workers in other sectors.

- Providing sickness and maternity benefit; however people suffering from occupational accident or diseases are excluded from the list of beneficiaries. (This is one of the differences compared to the regulation in period 1961-1992 and Convention N° 102) Besides, the exclusion list contains such cases as people with social diseases, inborn diseases, people in health restoration duration, convalescent, those who have cosmetic surgery or related operations, birth-control services, special health protection services, optional medical services, abroad treatments, war accidents and natural calamity cases.

- The budget for medical care is gathered from wages and salaries of workers (1% of wages) and employers (2% of payroll) with no support from the government. Though the office of health insurance is under control of the Ministry of Health, the work is indirectly performed through contract signing between Health insurance Agencies and health care centers.

*Since 2002: health insurance and social insurance are under the same managing unit for these below reasons:

- Both have similar target to manage (obligation type) and integration will make everything easier, more convenient and economical. This will ensure better services as well.

- In the past, though Medical Care was under control by the Ministry of Health, it was performed indirectly. In long term, Vietnam is yet to apply the direct model for medical care. Therefore, integrating medical care into social insurance, keeping the model on one hand and on the other hand the cashier can easily control the receipts and expenses, supervise medical care services and expand the fund.

Vietnam health insurance covers about 13% of the population⁷, including mandatory and voluntary insurance. Employers pay their 2% of payroll and employees pay 1% of their wages. Voluntary health insurance can be bought through insurance cards which are

⁷ Justino P. (2005) Beyond HEPR: A Framework for an Integrated National System of Social Security in Viet Nam UNDP Viet Nam Policy Dialogue Paper 2005/1, Hanoi: UNDP

valid in one year. Most of participants in this type of insurance are students in pilot areas. Sometimes they are under high pressure to join the program. The costs are different in different sorts of schools and piloting areas⁸. Overall, only about 20% of students participate in this program⁹.

4. Poverty Reduction Program

Such programs aim at maintaining assistance to communes with high rate of poverty determined by Ministry of Labor, War Invalids and Social Affairs (MOLISA) or mountainous areas where live the ethnic people. These programs include:

National poverty reduction program and program N° 135. The two programs support people in kind or by building the infrastructure and offering preferential loans instead of directly subsidizing. The managing unit consists of the MOLISA and the State Committee for Ethnic Minorities and Mountainous Areas (SCEMMA) with the cooperation of the Ministry of Health in medical support activities, the Ministry of Education and Training (MOET) with tuition-free programs, the Ministry of Agriculture and Rural Development in agriculture expansion encouragement and business development programs, and the State Bank with credit programs.

An assessment of the MOLISA and UNDP showed that generally the programs work effectively on almost all of the poorest among the poor. (UNDP 2004)

In four years, from 2002 to 2005, 3,418 poor households benefited from family credit program with general budget of 12,899 VND billion (\$US 800 million). It is estimated that 75% of the poor, accounting for 15.8% of the population, received assistance from this program. All of them used the loans effectively and repaid on their due date with only 2% overdue.

In some provinces in Tay Nguyen, the poor have had their own land. In other provinces, they have been loaned to buy land. Agriculture encouragement program has supported about 2millions of households by providing a training course on new farming techniques to increase productivity and income for a sustainable life. The infrastructure has been improved with new schools, infirmaries, dykes and roads, especially in mountainous areas.

Types of medical and educational support consist of direct and indirect support.

Educational support

The public education system: primary education is obligatory for children aging 6 to 10; lower secondary education for pupils, who finish primary education, aging from 11 to 14, is not obligatory but to be universalized soon; and upper secondary education for over 15-year-old children graduating from lower secondary schools. There are many types of vocational training centers and professional schools aside from colleges and universities.

⁸ According to Circular No. 40/1998/dated July 18, 1998 jointly issued by MOET and MOH, the premium ranges for voluntary insurance are 15-25,000VND for students of primary and lower secondary school pupils, VND 30,000-40,000 for students of upper secondary schools, vocational training schools and universities. The Presidents of the PC of the provinces/cities will decide the premium levels based on the socio-economical situation of the localities within the above framework. An example: a primary school pupil in Ha Noi has to pay VND 30,000 for health insurance for the year 2005 (data provided to the authors).

⁹ MOH and GSO, 2003. National Health Survey 2001-2002, Theme Report: The situation of Health Insurance in Viet Nam, MOH and GSO, Ha Noi. (page 4).

There is a lower level than primary education called pre-school education or nursery education.

Educational support makes up for a quite large part in national target programs. The number of pupils going to school increases at least 20% when they do not have to pay for their schoolings or if they have to, the fees should be low¹⁰. The supporting programs offer other kinds of assistance such as buying textbooks and tools for schooling or providing scholarships. Poor children in supported areas can go to school without fees or if they have to pay, the fees are very small. In 2002, 1.5% of the children aging from 6 to 14 benefited from fee remission and 15.2% did not have to pay the fees¹¹.

In 2001 and 2002, 120 billion VND (\$US 7,5mil) from national budget was spent on supporting education sector¹². By that, an estimation of 3millions of children get the support, 5.5% households get the remission and nearly 20% poor households benefited from the program¹³. There are many types of support, including fee remission, textbooks and tools assistance, class and building reconstruction fee support and scholarships. Those types of support aim at assisting poor children, however not all of them receive the benefits and the procedures of determining who would be the beneficiaries are not quite transparent. Shortcomings still remained in using the money from supporting programs¹⁴. Moreover, non-formal fees such as school construction fees, uniform fees and extra-schooling fees, etc are badly preventing poor children from accessing education.

Medical support

Vietnam's Public healthcare system is organized in four levels: the highest level is the Ministry of Health, and then comes the city/provincial departments, district departments and finally the lowest level, medical centers in communes. Besides, children and women's healthcare services are managed vertically, including Department of Reproductive Health of the Ministry of Health, centers for children and mother's healthcare in every province, mobile teams of children and mother's healthcare under control of district medical centers and medical cadres in communes who are in charge of children and mother's healthcare at commune level.

Public healthcare system for children only consists of some national and regional pediatric hospitals, pediatrics of provincial hospitals. The public healthcare system provides childcare services are performed in medical centers rather than at homes and mainly when they get ill¹⁵. Besides, many national medical programs focusing on health protection and disease prevention, nutrition supply are built and directed by the Ministry of Health such as the national vaccination extended program, the national anti-nutritional

¹⁰ UNDP, 2004, Taking stock, planning ahead: Evaluation of the National Targeted Programme on Hunger Eradication and Poverty Reduction and Programme 135, Ha Noi, Viet Nam.

¹¹ Viet Nam Managing Public Expenditure For Poverty Reduction And Growth", A Joint Report of The Socialist Republic of Viet Nam

And The World Bank, Financial Publishing House, April 2005

¹² ¹³ UNDP 2007 How progressive is social security in Vietnam.

¹⁴ Edwin Shanks and Carrie Turk, Policy Recommendations from the poor, Viet Nam Local Consultations on the Draft Comprehensive

Reduction and Growth Strategy (Volume II: Synthesis of results and findings), report for the Poverty Task Force, Ha Noi

¹⁵ Population Institutes: Vietnam Children development, 2006

deficiency program, mother's milk nursing program, anemia deficiency prevention program, iodine deficiency prevention program, diarrhea prevention program and acute respiratory bacterial contamination prevention program.

The budget for health care includes: state budget and treatment fees. In 1989, treatment fees and free access to medical care for certain groups of people were applied in the public healthcare system. The fees at provincial level were determined by the Ministry's instructions. 70% of the revenue get from fees will be reinvested in equipment; 25-28% will be given to medical personnel as rewards and 2-5% for the state budget for supporting free medical centers (i.e. psychiatric hospitals and tuberculosis hospitals).

Private medical services and health insurance have been developing since the introduction of "doimoi" and the old system of comprehensive and free initial healthcare has been gradually removed due to the collapse of the co-operative system and the reduction of medical support. Poor equipment and low quality service make the commune medical centers no longer the first places where people seek for health services.

**** Medical support for the poor:** The poor people will get a social insurance card valued 70,000 VND/year from the provincial budget. In 2003, the social insurance fund has 520 billion VND, accounting for 68% of the national budget allocation.

It is estimated that there were 14.3 millions of people (17% of the population) qualified the conditions described in the Decree 139. Up to December, 2003, about 11 millions of people had been supported by the social insurance card program (3.6 million) or had been refunded (7.4 million). Thus, 11 millions of people gained the benefit from medical support program for the poor and only 3.3 millions of people (23.7% of the qualified) did not¹⁶.

The effect of such programs depends on how to determine poor households in their living regions. The preferential group consists of solely old people, orphans with no homes and the disabled in poor families. The People's Committees at commune level will create a list of qualified people and their profiles. Then, the list will be sent to the Committees at district level and then to the Labor and Social Affairs Departments of the districts or cities. Each department with the co-operation of the offices concerned will recommend the number of beneficiaries based on its budget to the provincial people's committees for approval. Social insurance cards will be bought from local social insurance agencies and distributed to committees of districts. The offices then will redistribute the cards to Communes' committees. Finally, the cards will be given to households. An estimated 9.5% of the poor got the poor household certificate and 9.9% received social insurance card (Vietnam Development Report 2004). Some provinces did not implement program as scheduled and card distribution was non-correlated between provinces.

**** Free medical diagnosis and treatment for children under 6:**

¹⁶ Ministry of Health , Annual Report on healthr care for the poor, Hà Nội, 3/2004.

Since 2000 children under 6 years old have not had to pay medical fees when they come to hospitals for medical diagnosis and treatment. Older children get support from medical insurance schemes for students since 1995. However, in the school year 2001-2002 there were only about 4.2 millions of pupils participating in medical insurance schemes nationwide, accounting for 20%¹⁷. In other words, medical insurance for the poor, diagnosis and treatment for poor children financed by the Government are the two feasible schemes while other schemes are not stable¹⁸.

5. Other guarantees by employers

a. Severance allowance and job loss allowance

Severance allowance is an amount of money employers pay for employees under their control when the employees quit the jobs in the certain cases in accordance with the legislation as follows:

- The contract is expired
- The contract is legally ended by employees only
- The contract is unilaterally terminated by employers not because employees are sacked for serious misconducts.

Job loss allowance is a benefit for employees dismissed because of enterprise's structural and technological changes. The changes cause the employees to passively lose their jobs although the contract does not expire. The job loss allowance either includes severance allowance or means a sum of compensations to make up damage for employees who are unilaterally terminated contract by employers for short time.

The above allowance schemes used to be generally implemented in the period of 1994 and then separated since Law of Labor was passed.

- The period 1945-1954: on January 1st, 1945, Ministry of Labor promulgated compulsory documents that forced industrial workshops, businessmen to report a month in advance before dismissing and fixing allowance for the dismissed. On March 12th, 1947 President Ho Chi Minh signed a decree 29/SL which official said employers had to pay seniority allowance for workers when they got the sack not because they willingly stopped their jobs to work in other enterprise or do their own business. On May 20th, 1950, and May 22nd, 1950, the government promulgated 2 decrees 76/SL and 77/SL which prescribed severance allowance for disability (resulting from prolonged illness or accident) when the employees worked in state sectors.

- The period 1955-1985: The Prime Minister's circular 88/TTg passed on October 1st, 1964 prescribed implementation of job loss allowance in the cases of organization strengthening, reduction in the workforce, the closure of enterprises, the termination of employment by employees for their specially hard family situations or response to government campaigns such as going reclaiming virgin soil in the mountainous areas, ect or for the worker's expectation in accordance with reduction in the workforce in the organization. The amount of the prescribed allowance was distinguished between the allowances for workers before and after 20/07/1954. Workers who worked before 20/07/1954 would receive allowances including persistent allowance and minor allowance worth of haft of their wages per working year. Workers who worked after 20/07/1954 also received the amount of the allowance as above. However, the minimum

¹⁷ Report: Health Insurance in Vietnam, 2001-2002, tr 6.

¹⁸ Report: Health Insurance in Vietnam, 2001-2002, tr 4.

and maximum of the allowance was limited: maximum-5 months' wages, minimum- half of a month's salary (and benefit). In addition, the workers who enjoyed severance payment would receive one more allowance worth of from half of a month payment to 3 month payment (including benefits) not exceeding the entire payment during the working period. Also workers were subsidized train fare, luggage fee, travel expenses for their entire family to their accommodation and were still supplied with rice vouchers as usual.

- The period 1985-1994:

- The Decision No 217/HĐBT dated November 14th 1987 on planning reform and business posting for state owned enterprises (SOEs) and Circular 1-LĐTBXH-TT dated January 9th, 1988 that guided to practice the Decision No 217/HĐBT promulgated that employees (on the payroll or in the contract) who were fired for reduction in production, dissolution of enterprises would be paid an allowance of a month including benefits and subsidies. Employees who were unfairly sacked for violating disciplines (their guilt was not serious enough to be sacked), were under criminal investigation would receive an allowance of half of a month including benefits and subsidies.

- On December 29th, 1987, Decision 227/HĐBT of Ministers Council on reorganization, reduction in the workforce in administrative units prescribed state officers who voluntarily left job for household production or seeking another job would receive an allowance at the equivalent of one month's wages and other benefits (if any) for each working year in state sectors

- On October 9th, 1989, Decision 176/HĐBT on labor rearrangement in state-owned enterprises prescribed severance allowance was paid for employees working in non-state sectors. Each persistent working year workers would receive an allowance worth of a month's basic wages and benefits (if any) with the minimum of 3 months' wages paid by the enterprise. The weak units were only subsidized maximum of a half of an allowance by the government. This was an allowance at once directly paid for workers; however, if there were not enough budgets in cash, deferred-payment could be agreed.

- On April 12th, 1991, Ministers Council promulgated Decision 111/HĐBT on several policies on workforce rearrangement in administrative units which prescribed that employees who switched to working in non-state units each working year would be paid an allowance of a month's wage and benefits worth of the minimum of 3 months' wages.

- On August 30th, 1990, State Council promulgated a Decree-law on Labor Contract to adjust labor relationship between wage-earners and employers. The Decree-law prescribed severance allowance for employees when the contract was terminated. Decree 165/HĐBT dated May 12th, 1992 specifically prescribed the implementation of the Decree-law and fixed the severance payment at the equivalent of a half of a month's wage or salary and benefits (if any) for each working year in the event of termination of the contract as agreed or termination of the contract by either employees only or employers only against Decree-law on Labor Contract. However, the employees would enjoy an allowance worth of three forth months' wages in case of termination of the employment with employees who were ill, disabled - resulting from illness or industrial accident or occupational disease (although they were treated in 6 months, they had not yet recovered from illness), pregnant women who were on maternity leave under the regulation, women who were nursing and/or taking care of child or children less than

twelve months old, workers who were on annual vacation with pay, on leave. If the workers at the age of over 45 for men, 40 for women in persistent 5 years of service with the employers, they would be subsidized at least 2 months' wages or salaries, benefits. For termination of the contract based on certain work, limited time of from 3 months to a year, the allowance would be a month's wage or salary and benefits (if any). Severance allowance was directly paid for worker at once. In addition to the allowance above, the workers who worked over a year were also supplied train fare, luggage fee, and travel expenses for their entire family to the accommodation under the current regulation.

- The period from 1994 to now: it has been necessary to clearly distinguish between severance allowance and job loss allowance.

- Labor Law and then Decree 198/CP dated on November 31st, 1994 prescribed that employers must pay workers severance allowance worth of one second a month's wage and benefits (if any) for each persistent year of service with businesses, offices, organizations at least in a year when the contract is terminated. If employers are business, the severance allowance will be posted in cost price, travel cost but if employers are individuals, the severance allowance will be paid off on their own.

- Labor Law clearly prescribes that employers must establish a reserve fund on job loss allowance. When the employees leave job for structural or technological changes, they will be paid job loss allowance of one month's wage for each full year of service with the employers but the minimum amount is 2 months' wages. The reserve fund on job loss allowance of the enterprises is established by deducting net income. At localities, the sector that has many people who lose their job for new structural and technological changes can be financed by the government.

b. Guarantee by employers with disabled employees.

This can be considered a social relief regulation with disabled worker but it is employers on behalf of the government that directly practice it. The Labor Law has a particular section on disabled workers that prescribes enterprises must receive and arrange work for a rate of the disabled workers among other workers in appropriate posts otherwise the business must contribute money to the employment fund for the disabled. The section also officially says that incentives reduce and businesses that are only for the disabled or receive the number of disabled workers higher than the amount prescribed are exempted from taxes.

c. Guarantee by employers with workers meeting with accident at work

In social healthcare, we can see healthcare in Vietnam through health insurance for workers does not include such cases as the workers meet with accident at work, occupational diseases (this is not true in Convention 102-ILO). However, Labor Law prescribes that employers must agree to pay all the medical cost from primary treatment, emergency aid to the end of treatment for workers who meet accident at work or occupational diseases.

7. Unofficial social relief

There remains unofficial economy in household business, public service business and market economy. That workers work in unofficial sectors is normal. They can be self-employed or employed in unofficial businesses. That individuals together leave some money as deposit to support close relatives in their family is popular. Corruption is spread out in public service sector. Unofficial economy also consists of unofficial loans between individuals such as lucky money on the occasions of the Lunar New Year (Tet), wedding or money receiving in funeral and other gifted money known as "economy of

envelops” by the Vietnamese. Even support in family alone, support from “economy of envelop” far exceed support of social security system¹⁹.

Vietnamese culture is influenced by Buddhism and Confucianism which encourage offspring to finance and take care of their parents after having grown up. The financial support can be regular or on the certain occasions as Tet (Lunar New Year). The amount of financial support expresses the status and financial ability of the offspring. The traditional financial support still remains after Doi Moi (innovation) and even is developed due to high economic growth. Besides direct responsibility to parents, Vietnamese people also have limited responsibility to siblings and wife’s or husband’s family (aunts and uncles). Unofficial financial support such as city-dwellers sends money to close relatives in the countryside. Another mutual support is financial support through weddings, funerals. However the support in the urban and rural areas has great differences. Families in cities only focus on receiving envelopes of money while families in the countryside have to save a great amount of incomes/ agricultural products for the events (weddings, funerals, and worshipping days) especially in 3 months at the end of the year. Farmers have to spend 20% of family income on the events above in months late in a year. The money they receive will be spent on repaying in similar events by the host. In addition, when they buy land and build a house, they mainly borrow money with zero interest from unofficial sources such as close relatives, friends instead of from banks. “Money deposit” is a means of transferring money to support each other among close relatives and is thus practiced between relatives living far from each other. Form and scale of the deposit, therefore, are affected by migration. “Money deposit” of emigrants especially from the rural to the urban areas is an important source to supplement income and reduce poverty. “Money deposit” accounts for 60-70% of income in cash of families in the countryside. According to the recent survey of General Department of Statistics and the United Nations Population Fund (2004), 60% of men and 57% of women who migrate to big Ha Noi, Ho Chi Minh City, Economic Zone in Northeast Vietnam, High Land of the Central Vietnam, Industrial Park in Southeast Vietnam have sent VND 1-6 millions (62, 5 – 375 thousand dollars) back to their families in the countryside in 12 months before the survey carried out.

The survey also shows that the amount of money in the annual family income women send back home is higher (17%) than the amount men do (10%). The rate of households who spend the sum of money on subsistence expenses makes up over 60%, on healthcare over 30%, education of their children 17-19% and other events like death anniversaries, funerals and weddings 20%

Overseas national currency exchange from the Vietnamese overseas is also an important financial support for lives of Vietnamese people especially after the tax on overseas national currency exchange was removed by the government in 2001. The amount of the exchange in 2003 is 2, 6 billion dollars and 2004 3, 2 billion dollars, accounting for 6-7% GDP (Cross Domestic Product)

III. CONCLUSION AND RECOMMENDATION

1. Retirement pension from social insurance is a basic content of social security program in Vietnam. Therefore, it is essential to increase source of revenue for *Social Insurance Fund*, effectively expand the fund and increase scope of beneficiaries from

¹⁹ Cox D. (2004) Private Interhousehold Transfers in Vietnam in Glewwe P., Agrawal N, and Dollar D. (Eds) Economic Growth, Poverty, and Household Welfare in Vietnam, Washington DC: World Bank

social security system and social insurance. Also it is necessary to improve stability and balance to ensure stable development of Social Insurance Fund.

a/ Increase in source of revenue for Social Insurance Fund, effectively expand the fund and increase scope of beneficiaries from social security system and social insurance.

To increase source of revenue for Social Insurance Fund, it is necessary to increase participants especially groups of people who work in non-state sectors, units employing few workers. Retirement pension must be invested now by promoting savings/ voluntary social insurance payment and increasing cost of compulsory social insurance for workers paid salary in formal and informal sectors.

Solution:

- Promote to widely and deeply publicize information on regimes, social insurance policies with employers and employees. The content of the publicization is necessarily adequate, attractive to point out right and duties for each group of insured people.

- Assess and improve illogicalities in regulations of social insurance

No distinction of production nature between businesses

The payment of social insurance is regularly collected each month at a certain rate (the rate is only changed when the salary is changed). Thus there is no problem with people with stable salary paid from the national budget or based on productivity. However producers in the enterprises only focus on the period signing the labor contract, do not distinguish production nature between enterprises with persistent revenue from nature of producers by time-periods and work-periods especially agricultural processing units, manufacturers or exporters with impermanent revenue. Once production is reduced or stopped, the amount of wages paid reduces accordingly, leading to be unable to pay daily subsistence expenses, not including social insurance payment of 15-20%. This drives companies to get in debt of thousands of billions of dollars to social insurance. Consequently, the company has to sell assets to pay for workers and social insurance.

“If the termination of employment is for workers’ misconduct, the workers must get blame for it; if it is for employers’ misconduct, the employers must accept a blame for it” as prescribed in Article 62 of current Law Code. In fact once goods are not sold, production is stopped, who will take the blame for it, who will pay wage and social insurance. According to regulation of social insurance it is impossible that when production is stopped for several days, work reduces, termination of social insurance payment or reduction payment is allowed.

No distinction of technical and technological qualification between businesses

In regulation of social insurance payment, there is no distinction between big businesses with modern technologies, high automaticity, highly-skilled workers, quite a few employees employed, small share of wages in price of goods with middle and small businesses with handicraft production, low payment, more workers needed, large share of wages. Therefore, social insurance payment that is similar based on wage rate is unfair and difficult to middle and small companies, companies that employ more workers as well as people who have financial problems.

Be unthought-of difference in qualifications.

In big companies with modern technologies, employees must be highly skilled, well trained for years. The amount of wages of a person here can support a whole family so everyone is worried about improve their skills to stabilize the job in the company. Thus social insurance payment is invisible task to prepare for the future. On the contrary, in small enterprises with handicraft production, workers are not necessary to be trained, apprenticed, badly- paid as packers, etc. About 20-year old workers have just left the school to work in handicraft production. They willingly quit their job when they find a well

paid job. As a result, no one is really concerned with social insurance payment especially in circumstances of inadequate regime of social insurance as said above.

Be unthought-of loose discipline in some sectors:

Due to production characteristics, although the number of workers does not change much, workers are fluctuant especially in small enterprises. Whether contract workers or not are even voluntarily absent without leave. Therefore it is difficult to pay social insurance.

- Develop kinds of voluntary social insurance letting people prepare for the old age as soon as they are young.

b/ Increase in stable balance to ensure stable development of Social Insurance Fund:

To ensure the balance of the fund, we must increase insured people. The more participants we have, the greater the risk is shared. Social insurance payment is gradually adjusted. Now it is not the time for us to increase their payment, but the increase will be carried out in appropriate socio-economic conditions. In case payment of employers rises, which causes to rise in revenue in the fund but also rises cost, price of goods and services. As the result, the socio-economy is directly affected. Especially our economy is integrated into the regional and global economy. Thus it is necessary to think twice before increasing payment of employers. The most important solution is retirement policy. The soon soon average retirement age has an influence on balance of the fund.

In the long run, when socio-economic conditions permits, our living standard, income and life expectancy are higher and requirements for workers are improved, it is necessary to increase the retirement age. In the short term, we should ensure retirement age as prescribed 60 for men and 55 for women instead of decreasing it. As 2030 prediction, there will have many causes to make the Social Insurance Fund imbalanced in the coming years. In terms of organization, it is due to 2 factors: allocation and spending of the fund and organization of the activities. Clearly if payment is prescribed low, enjoyment high, the fund will be imbalanced. Similarly if collection of payment is wrong, control of expenditures is not tightened, the fund will be imbalanced between incomings and outcomings.

The total of the social insurance payments include factors: rate of payment, the salary-basis of payment, time to pay, the number of payer. The total of receipts depend on factors: rate of receipts, level of retirement pension, time to receive and number of receivers. The largest effect on the balance of the fund the length of time of payment and receipt. Employers and employees each pay 15% of salary to spend on retirement pension and pay death benefit. The employers only pay in 15 years. If men and women are 60, 55 respectively, they are allowed to be off work with retirement pension at equivalent of 45% of salary. The average time to enjoy retirement pension is 13.5 years. In other words, the pension is three times as much as payment.

Furthermore, balance of the fund is influenced by other social policies such as policies on employment and salary, etc. The retirement age for men is planned 60, women 55. The average retirement age is 57.5. However, in the period from 1995 to 2003, our average retirement age was 51.5, 6 years earlier compared to the policy planned. In 2003, each worker who quits work and enjoy retirement pension before a year, retirement pension is reduced to 10 million dong (625 dollars). While the number of people who retire soon increases in 10 years, the Social Insurance Fund will have to pay a huge amount of money. Minimum salary adjustment is from 120 thousand dong (7,5 dollars) in 1995 to 290 thousand dong (18 dollars) in 2003, causing the expenditures from the fund to quickly increase. According to the estimation by 2022, receipts and expenditures are in balance and then the balance gradually reduces. In 2030,

the estimate of International Labor Organization (ILO) and financiers shows that if the policy are not adjusted, the Social Insurance Fund will encounter great imbalance.

Social insurance policy is important in state policies. It is widely carried out and publicized to everyone. However, to adjust the social insurance policy is necessary to have certain regulations and meet the target of effectiveness and equality. The basic regulations are as follows: payment-receipt that means people are liable to contribute to the fund to enjoy benefits from it, risk sharing that means many people pay to cover the losses of a few, balance of the fund that means majority based calculation to identify payments and receipts so as to the balanced fund.

Beside payment-receipt regulation, safe investment and growth of the Social Insurance Fund... are significant measures to balance the fund.

2. Creating equality in social security enjoyment for different groups of workers through comprehensive programs on social social sponsorship, not social insurance alone.

The combination of social sponsorships emphasizes private transference between households and assistance for individuals' healthcare and education and the government-provider of services and allowances. The government should take actions to deal with corruption in order to have progressive and positive influence of social security. Only transference model Justino suggested is taken into consideration (Justino 2005)

To promote a combination of optimal social sponsorships, it is necessary to carefully consider payment sources and a set of allowances. In addition, it is essential to create a model building ability and verify a set of service packages for each object by different strategies and routes. For example, which service package and income allowance are for children? Education benefits are via items, scholarships. The benefits should be taken into special consideration to carry out junior education universalization. Teenagers is obligatory to attend school, which increases opportunity cost in education especially for the children from needy families. Therefore it is necessary to seriously consider costs and sponsorship forms. Healthcare spendings and income allowances in the medical sector and other benefits are also carefully examined. It is necessary to consider and apply expenditure models and specific measures to pay attention to policy solution in medical services.

Policy on old-age problem is difficult. Clearly, a national income supporting program that is only based on the current definition on retirement age is required to set a specific goal to avoid repaying for the workers who retire and enable payment. There are many choices regarded as target and model. We propose the reform of the policy should be promoted on the basis of the best information and datas as well as carefully should pay special attention on effects and consequences (if possible). Optimum of combination of social sponsorship is important but necessary to balance to avoid inequality because of the current sponsorship is not rechecked. For example, it is important to not only remain private sponsorships between households but also make up their consequences when a minority of people are passed by and do not benefit from the sponsorships for example ethnic minorities.

3. Xây dựng cơ chế phối hợp đồng bộ và thống nhất giữa các cơ quan bộ ngành tham gia lĩnh vực ASXH và cung cấp dịch vụ xã hội.

3.1 Building coordination mechanism among lines Ministries and Government Agencies

3.2 Mobilizing the support from all parties and organization.

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