

SOCIAL PROTECTION IN VIETNAM: Successes and obstacles to progressively

*Dao Quang Vinh, Director General
Institute of Labour Science and Social Affairs,
Ministry of Labour, Invalids and Social Affairs, Vietnam*

I. Overview of Social Protection system in Vietnam

For decades, Social Protection (SP) is clearly considered as an engine of socio-economic growth and development of Vietnam. The new Constitution (2013), Article 34 officially announced the people's right on SP. To improve the welfare of the poor, the Government of Vietnam (GoV) adopted a Resolution (70/NQ-CP/2012) in 2012 supporting reforms to strengthen social protection between 2012 and 2020. This resolution focused attention on the role of SP in Vietnam's poverty reduction framework. According to the Resolution, the concept of social protection embraces not only social transfers but brings into a consistent and comprehensive framework labour market policies, social insurance policies, health-care policies, social welfare/assistance, poverty reduction programmes and access to public social services.

Currently, the SP system in Vietnam comprises of 4 basic policy groups: (1) *policy for ensuring minimum income and poverty reduction*: supporting people in actively preventing risks through participating in labour market to gain decent job, minimum income and sustainable poverty reduction; (2) *policy on social insurance*: to support people in minimizing risks of sickness, occupational accidents and aging. By participating social insurance, people could actively recover income deficit or loss due to above risks; (3) *policy on social assistance*, which consists of regular assistance and emergency relief and; (4) *policy on basic social services*, to help people access to basic social services in education, healthcare, accommodation, drinking water and information.

Viet Nam already has a fairly extensive set of social protection programmes in place, including a *social insurance* schemes (mandatory for employees with contract over 1 month and voluntary for others) and Unemployment Insurance (compulsory for workers with contract above 3 months); a *health insurance* system which is being extended to informal economy workers and the poor and vulnerable through various strategies (automatic affiliations and full subsidies of the premium for the poorest, voluntary affiliation and partial subsidies for other categories); *social assistance* programmes (regular benefits and emergency relief); and a large number of *programmes* targeted to specific vulnerable groups, areas and sectors. The latter programmes include: (1) exemptions from the payment of health-care

user fees; (2) preferential credit policies for the development of production, the creation of employment, improving living standards, improving education, etc.; (3) exemptions from education fees; (4) vocational training to meet the labour demands of enterprises and increase employment opportunities for vulnerable groups; (5) migration programmes to reallocate labour resources.

Social Assistance has been constantly expanding, and covering targeted groups from infant to old people; supporting not only the poor and also other vulnerable groups, such as: elderly (law on elderly 2009), disabled people (law on people with disability 2010), children (law on child protection and care, amended in 2016)... Allowance level is adjusted to increase moderately over periods. Resources for social assistance are diversified, combined the central budget with local budget and other resources in society. Assistance forms are also diversified, include monthly cash transfer, nurturing fees in the SP centres/establishments; supporting healthcare, education, accommodation, and clean water.

Poverty reduction policy is reviewing to improving regularly in order to provide an updated comprehensive assistance to the poor toward sustainable and comprehensive poverty reduction; the policy is focusing on poverty reduction for ethnic minorities, poor zones and poor districts; the GoV is renovating and reforming policies/institutions, and improving efficiency of poverty reduction program; reforming management for rapid and sustainable implementing and achieving poverty reduction goals.

I. Some achievements

Vietnam has made significant progress towards achieving the MDGs. The poverty rate has decreased sharply for the whole population, including minorities. Poverty rate decreased from 14.2% in 2010 to 4.5% in 2015. The rate of poor household at poorer districts declined from 32.6% in 2014 to 28% in 2015. The living condition of the poor has improved not only for households with income close to the poverty line, but also for the poorer households. In 2006, the average income of poor households was below the poverty line about 4.7% and that number decreased to 3% in 2014; the severity of poverty also declined from 13.7% in 2006 to 10.5% in 2014¹. The year 2015 marked an important turning point when the Government approved the poverty line for the period 2016-2020 by using multidimensional approach, consisting of income and the gaps of accessing basic social services like education, health care, accommodation, safe water and information.

Resources for social protection and poverty reduction have been further invested from the State budget and other resources. In 2015, total expenditure on

¹ Calculation based on the Result of Household living standards Survey 2014, GSO.

SP reached about VND 307.03 trillion (increased VND 47.2 trillion compared to 2014), accounting for 6.61% of GDP (0.3 percentage point up compared to 2014).

Every year, National targeted program on Employment and Vocational Training creates jobs for about 320,000 people. Many people with disabilities, people of ethnic minorities, people affected by the transforming process of agricultural land using have accessed to loans for business development and job creation.

Vietnam Bank for social policy lent to more than 8.4 million customers, with total loans reaching of VND 140,780 billion, of which the poor reached VND 36,480 billion, accounted for 25.9%; the near poor households reached VND 27,187 billion, or 19.3%; pupils, students reached VND 24,672 billion, accounted for 17.5%; lending to household business in disadvantaged areas reached VND 15,359 billion, accounted for 10.9%; clean water and environmental sanitation in rural areas reached VND 19,889 billion, accounted for 14.1%; households have just escaped from poverty reached VND 2,916 billion, accounting for 2%².

Regarding social insurance and unemployment insurance: by the end of 2015, around 12,166,000 workers participated in social insurance scheme (accounted for 24.1% of the workforce), of which 11,912,000 participants of compulsory social insurance and 254,000 participants of voluntary social insurance. Total participants entitling monthly social insurance benefits were 2.8 million people. By the end of 2015, around 10.185 thousand people participated in unemployment insurance, accounted for 20.2% total workforce..

Regarding social assistance to people under extremely difficult circumstances: every year, about 3% of population receives social assistance, while the demand for social assistance is up to 20% of the total population. In 2015, monthly cash allowance and supporting for health insurance card were provided for more than 2,643 thousand targeted people (in which 37,348 orphan children, 88,594 single parent in poor households, 1,480 thousand people over 80 years old, 896,644 people with disabilities, 62,257 families/individuals caring social assistance needed people in the communities, 8,185 HIV-infected people in poor households). The government supported more than 31 thousand tons of rice for hunger relief to nearly 2.1 million people in 21 provinces.

Currently, the country has 408 social assistance establishments that nurtured and cared more than 41.4 thousand individuals, of which people with disabilities and mental disease accounted for 56.5%.

Regarding access to basic social services:

² Up to 12/31/2015, loans of credit policy program has been estimated at 142,456 billion dong(including locally entrusted loan)

- By 2015, the proportion of 5 years-old children attending kindergarten education reached 97.93%; the proportion of under 4 years-old children attending kindergarten education was 86.61%; Primary school net enrollment rate was 98.69%; the lower secondary schools enrolment rate reached 90.89% and the secondary schools enrolment rate was 62%; the proportion of children with disabilities attending school reached 60%.

- By the end of 2015, nearly 70 million people participated in health insurance, accounting for 77% of the population, since large sectors of population are automatically enrolled and subsidized by the state (registered poor, veterans, people from ethnic minorities, children under 6 and elderly over 80). Around 98.4% of communes had healthcare station; 96% of villages had community health workers; 80% of communes had doctors, 50% of communes met the national standards for commune healthcare; over 95% of communes had obstetric nurses and midwives; health insurance paid all costs for pregnant women in accessing to antenatal care and giving childbirth in health facilities.

- By 2015, the State supported 7,600 poor households in construction of houses; the social housing development program for workers in industrial zones has built 28,550 apartments and further developed 69,300 apartments; The program of social housing for urban low-income people has built 25,850 apartments and further developed 61,290 apartments. The housing program for pupils and students which invested by government bonds has arranged accommodations for 200,000 students, reached around 80% of the demand.

- By the end of 2015, more than 1,000 concentrated water supply facilities were built, increasing the proportion of rural population using clean water to 86%.

- Ensuring information access. After 3 years implementation, the rate of communes with public phone station was 97%; with optical cable to communes reached 96%; with copper cable transmission reached 90%. The telecommunication network has been remained with 16,000 transaction points, in which about 7,640 post offices were at commune culture places. The program of enhanced information and communications to the mountainous, remote, border and island areas were broadcasting 4,195 radio and television programs; provide freely 24 types of publications, magazines to the ethnic minority, mountainous and extremely difficulty areas, reached to over 40 million publications.

- In addition, the Government has invested resources to improve infrastructure of poor villages, communes and districts. Around VND 3000-4000 billion has been allocated annually to invest in infrastructure, to support production and social development and to improve the quality of life of people in the poor districts, communes, villages, and communes with special difficulties coastal communes, islands, mountainous and ethnic minority areas.

III. Some challenges

Social protection policy system is still cumbersome and overlapped. Currently, there are about 233 policy documents issued and implemented by the Party, National Assembly, ministries and different agencies. There are too many policies have been issued in different periods of time and applicable to many target groups, and lack of systematic design and coherence, that leads to difficulties in implementation and managing beneficiaries. The direction of integrating and mainstreaming policies for same benefited groups has not been implemented.

Some social protection programs are not effective. Vocational training program for rural labour and social assistance programs are dispersal in terms of beneficiaries, funding and implementation. Information, communication and dissemination of social protection policies in some areas are still weak and ineffective.

Ensuring minimum social protection for people are facing with many challenges. The coverage of social protection policy is still narrow; there is a lack of funding and rational financial allocation among different programs; tools and policies are lack of sensitivity, especially in the context of economic crisis, economic reforms and climate change.

The participation of agencies, mass organizations and society in mobilizing resources for the implementation of policies are dispersal and ineffective. The awareness about role of social protection of some committee levels, authorities, cadres, party members, organizations, enterprises and citizens are inaccurate and incomplete. There is a thought of relying on the State about policies and funding. The attention on propagation and dissemination of policies, legislation, inspection and supervision on the implementation of social protection is inadequate. The socialization, mobilization of the participation and contribution of private sector is still insufficient and has not promoted the potential participation of people, enterprises and social partners.

Poverty reduction result is still not sustainable, the rate of households falling back into poverty is high (accounted for 1/3 of households escape poverty). Poverty rate of some poorer districts, communes with special difficult circumstances, ethnic minorities is as high as more than 50%, particularly, in some areas it is above 60-70%. Rich – poor gap in income and access to social services among regions, residential groups tends to increase, especially between northern mountainous area, central highlands and other areas, between ethnic minorities and Kinh/ Chinese. What is known from existing evidence is that there is still a long way to go to help ethnic minority people to escape from poverty for good or to revamp social protection such that it is both inclusive and financially sustainable.

The unemployment insurance scheme covers formal workers. However, informal workers have no systemic protection from unemployment or underemployment; only a scattered series of individual programmes provide some ad-hoc support to specific groups of people. According to ILO estimates, around 30% of the eligible elderly are not covered by social pensions. Furthermore, by design, income security of elderly people aged between 65 and 79 is not guaranteed. The voluntary insurance scheme, conceived to protect the informal workers, covers only around 90,000 people.

Regarding health care, the target of achieving universal health insurance coverage is still challenging, especially, the objective to extend the coverage to the informal sector still remains difficult. The level of out-of-pocket health-care costs and quality deficiencies underscore some implementation challenges. Furthermore, there are doubts whether the extension will be successful, given the poor quality and availability of health-care services.

Overall social expenditure in Vietnam is not high compared to other low middle-income countries. Total public spending on SP is limited, still below the average of low-middle income countries (OECD 2014). At the same time, mobilization of resources from enterprises and communities for implementing programs, policies is difficult and limited. The number and qualification of SP staff are still limited and insufficient.

IV. The ways forward

Strong economic performance is needed to lead to income gains for the majority of population and decline in poverty. For this objective, Vietnam should continue economic and institutional reforms and restructure state-owned enterprises to ensure sustainable and inclusive growth to achieve 6.5% a year GDP growth.

Different types of policy interventions are needed for chronic and transitory poverty. To deal with chronic poverty given its largely static nature, social assistance including poverty targeted programs would be appropriate. The focus would then be on how to improve targeting, given the diverse needs and heterogeneity of the poor, in order to reduce leakage, broaden coverage and raise support levels.

Vietnam is facing a rapid demographic transition and new reforms are needed to improve the coverage rate and financial sustainability of social insurance schemes. The rapid aging of the population along with the transition from a rural to a more urbanized economy and the decline in the number of multi-generational families underlines the need to develop a modern social insurance system, including the expansion of coverage of non-contributory pensions for the elderly,

participation of workers in the informal sector. A social pension would reduce poverty among the elderly population (ILO 2014).

Farmers and migrant workers, who together make up the largest proportion of the population, are exposed to considerable risks given the limited coverage of the formal social security system. To reduce vulnerability, Vietnam should better manage both systemic and idiosyncratic risks. Furthermore, to help the poor and the vulnerable better cope with idiosyncratic risks, social protection systems should be considerably strengthened.

Better access to health care services for the poor, ethnic minorities and those living in rural areas to help to improve health outcomes among those groups. investments on the supply side in terms of staffing, equipment and consumables such as medicines, to increase the quality and availability of health-care services and the attractiveness of the health system as a whole.

Continuing to develop labour market, decent work; connecting labour supply and demand; developing SMEs to create jobs and restructure employment; enhancing labour dialogue, labour standards; enhancing training and skill development for employees, completing vocational training program for rural employees; implementing public work program to create temporary minimum income for the poor workers and unemployed people.

Reforming social assistance policy; building minimum living standard to consistent with socio-economic condition; building plan to reduce the age for enjoying monthly social assistance, expanding social assistance policy for entire poor and near-poor people, ethnic minorities; increasing the level of regular social assistance, separating state management tasks and social services, paid services; integrating into lump sum payment for different policies of same beneficiary groups. Improving operational efficiency of emergency social assistance; propagating, mobilizing and organizing the movement of solidarity and mutual love; expanding the participation of community, ensuring the timely support for people facing risks and natural disasters.

Effectively implementing the innovation of poverty reduction policy, from single-dimensional approach (based on income) to multi-dimensional approach (based on other factors in addition to income); focusing resources on the most difficult and poorest areas for sustainable poverty reduction. Increase transparency in the process for registering officially poor households to reduce the gaps between the officially registered poor and the number of actual poor and to strengthen the social contract.

Mandatory and voluntary social insurance should be expanded and developed to cover the middle class. Within the formal business sector, regulations

on social security participation should be better enforced; outside it, awareness should be raised and procedures should be simplified to encourage people to participate in voluntary schemes. Better enforcement of taxes and social contributions is needed in order to increase the contribution base and expand the coverage of social pension. Strengthening the punishment, supporting for employees in informal areas to participate in social insurance; reforming social insurance to ensure sustainability of the fund and to support for the poor in participating in social insurance and unemployment insurance. Gradually increasing the retirement age needs to be considered.

Strengthening dissemination, education to raise awareness of authorities, officials and citizens to understand clearly about the orientation of social development in new situation, considering this is a frequent and long-term political mission. Coordinating better with Vietnam Fatherland Front and social organizations in dissemination, education, supervision and evaluation.

Continuing to review current social policies to complete, amend and supplement towards simplifying and integrating policies, reducing management units; expanding the right to participate and enjoy social assistance policies for people.

Finally, climate change, which is one of the central issues in the global agenda at present and has actually started to affect various disaster-prone regions in Vietnam, is bound to come up prominently in the immediate future. Vietnam should therefore proactively engage in this global agenda and seek to understand well the poverty and distributional impacts of climate change to be able to intervene appropriately and promptly.