



CHALLENGES TO THE EXTENSION OF SOCIAL PROTECTION TO THE INFORMAL ECONOMY

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OUTLINE

- **SOCIAL PROTECTION GAPS IN VIETNAM**
- **INFORMAL EMPLOYMENT IN VIETNAM
(DEFINITION, SIZE, CHARACTERISTICS)**
- **CHALLENGES TO THE EXTENSION OF SOCIAL
PROTECTION TO THE INFORMAL ECONOMY**
- **CONCLUSION**

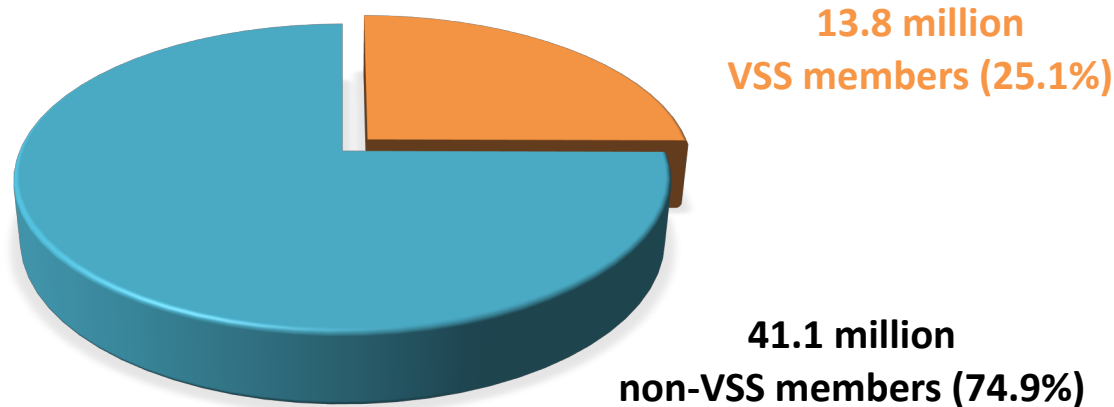


Social protection gaps

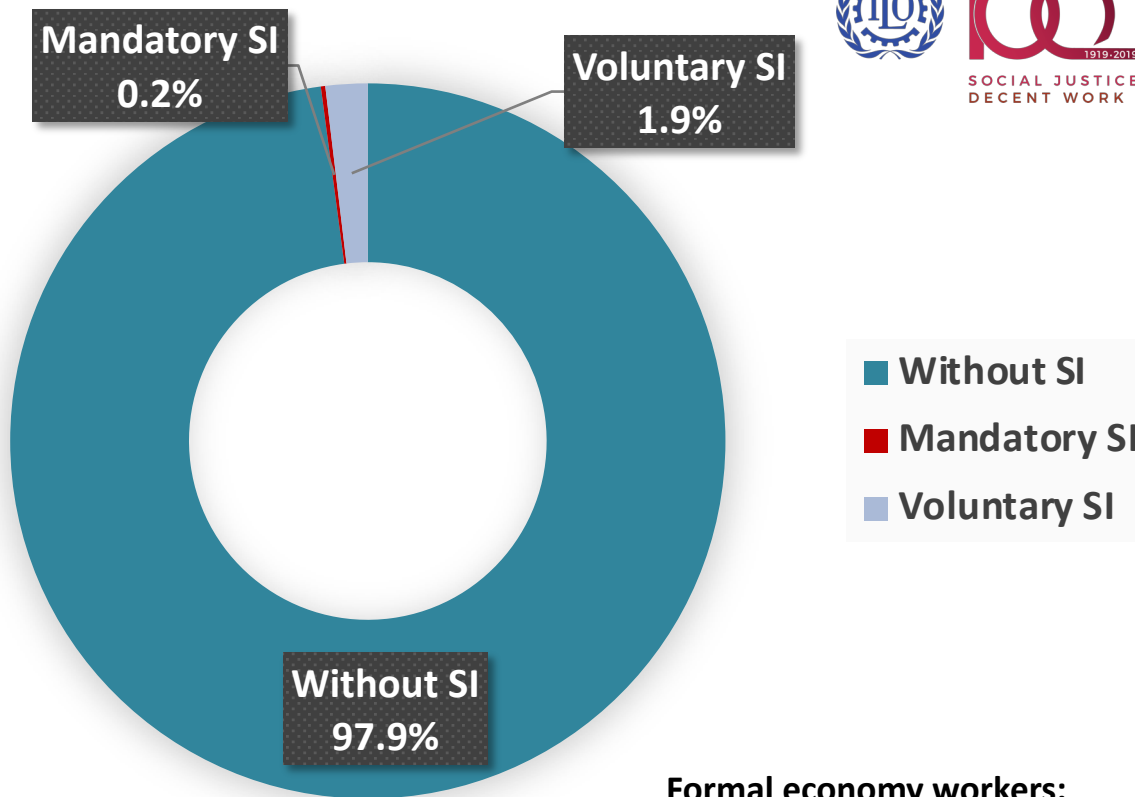
Coverage is still limited

- Low coverage for informal sector
- Low compliance in the formal sector (13 m. out of 17 m.)

Total labour force:
54.9 million



**Low
coverage
of workers
in informal
economy**



Formal economy workers:

- without SI : 19.1%
- mandat. SI: 80.5%
- Voluntary SI: 0.4%

Expansion of SI is high priority



Resolution No. 28 sets out specific targets for
“accelerating the increase in the number of
informal sector workers participating the social
insurance scheme.”

But how?

Who is the target group? Size? Characteristics?

What are the specific challenges?



Who are those in informal employment?



Defining informal employment

General Statistics Office of Vietnam (2017):

“all workers **without social insurance** (especially compulsory social insurance) and **without labour contract** with one-month term and over.”

Informal employment in Viet Nam

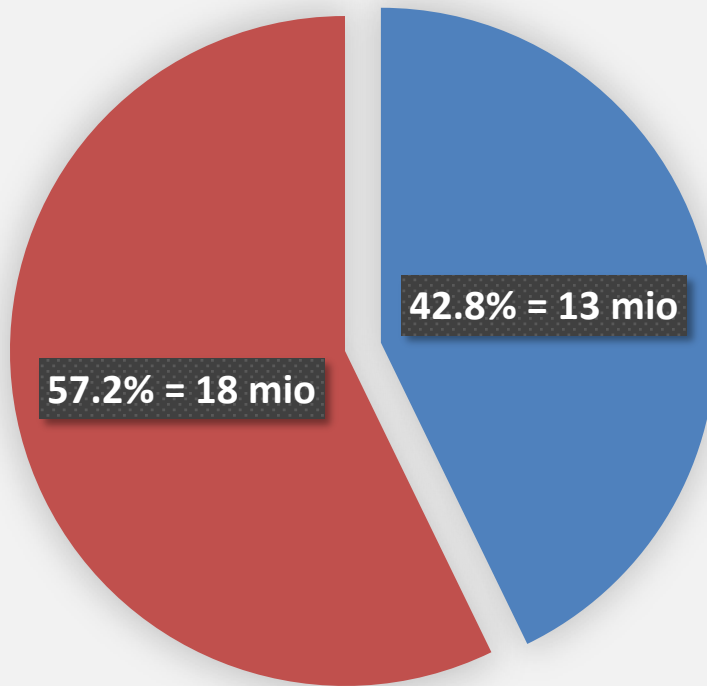
- SIZE
- CHARACTERISTICS (SECTOR, EMPLOYMENT STATUS, AGE, SEX etc.)
- CHALLENGES



Size of informal employment

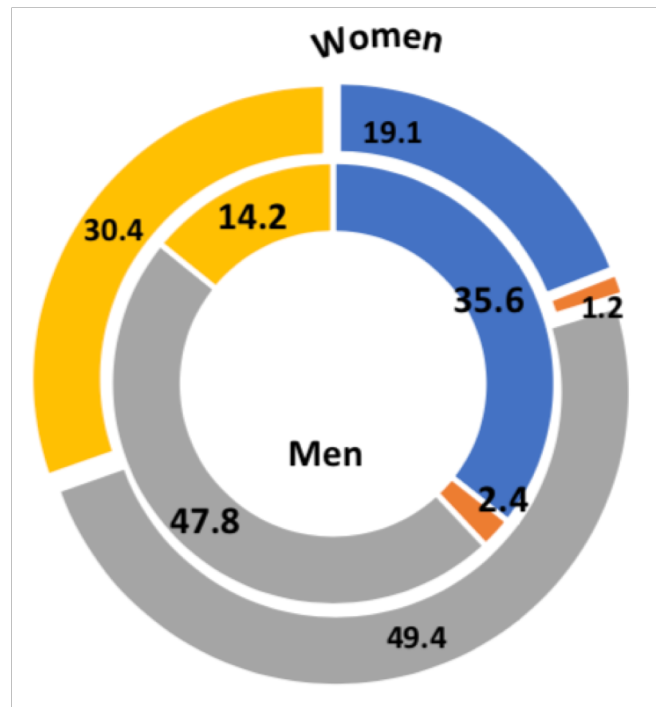
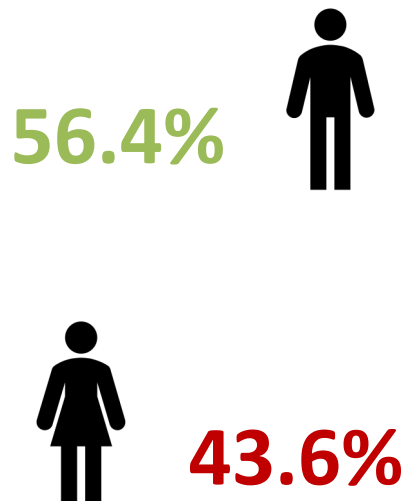
with agriculture
= 78.6 %

11.3m. informal sector
6.4m. formal sector



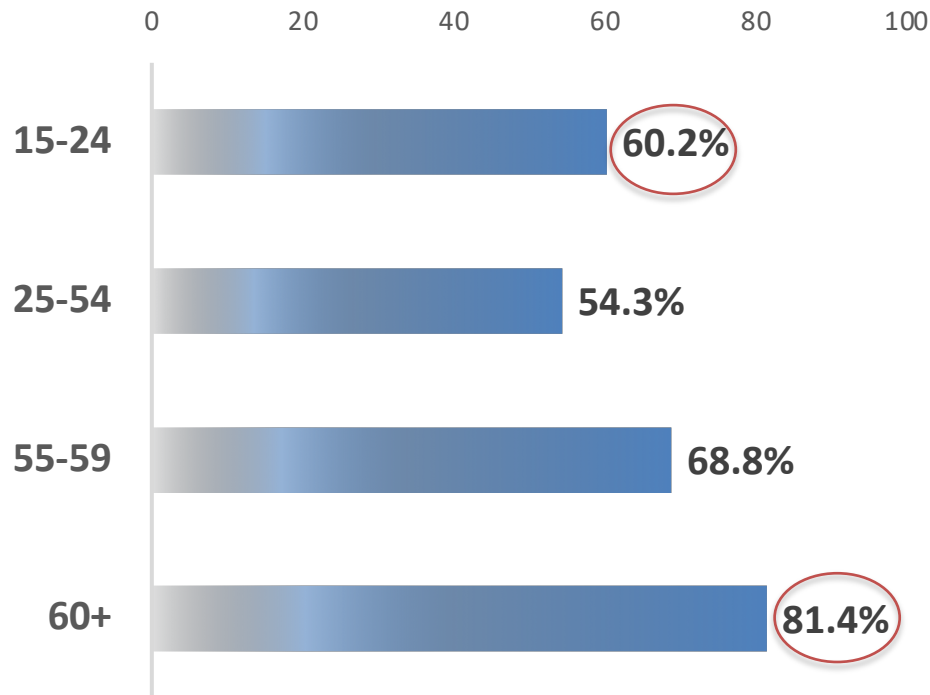
■ Formal
■ Informal

Women in more vulnerable employment



■ Employees
 ■ Employers
 ■ Own-account workers
 ■ Contributing family workers

High informal employment among young and old people



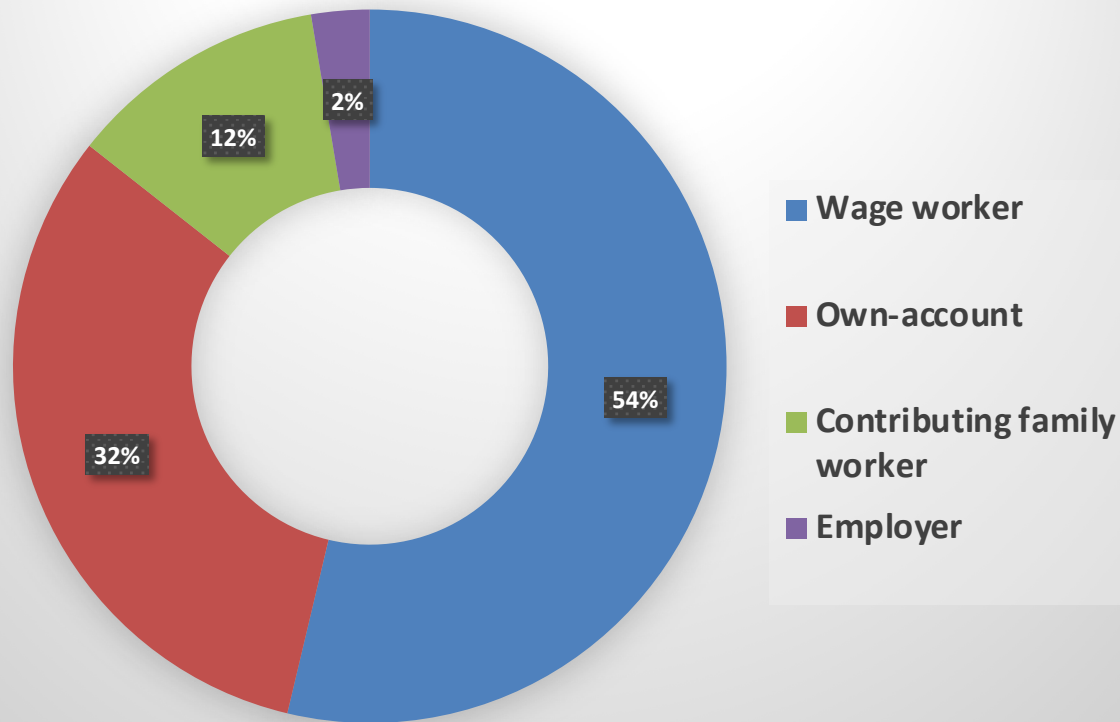
Informal workers in urban/rural areas

60% of informal economy
workers in **rural areas**



40% of informal economy
workers in **urban areas**

Employment
status of
informal
economy
workers



Out of total **20.3 mio** wage workers ...



9.6 mio (48%) are informal:

- **4 mio** in informal sector enterprise
- **5.4 mio** in formal sector enterprise
- **200,000** in household

Part-time and temporary employees, workers in MSMEs, domestic workers, daily wage earners less likely to be formal

Out of total **7.66 mio.** own-account workers ...

75.5% (= 5.7 mio) are informal



Own-
account
workers

Average earnings

Unit: 1000 VND

Economic sector	Total	Employer	Own account worker	Wage worker
Nationwide	5,510.8	11,674.1	5,369.8	5,154.2
Formal workers	6,777.2	13,160.3	7,491.7	6,127.6
Informal workers	4,437.1	8,906.7	4,680.0	4,071.7

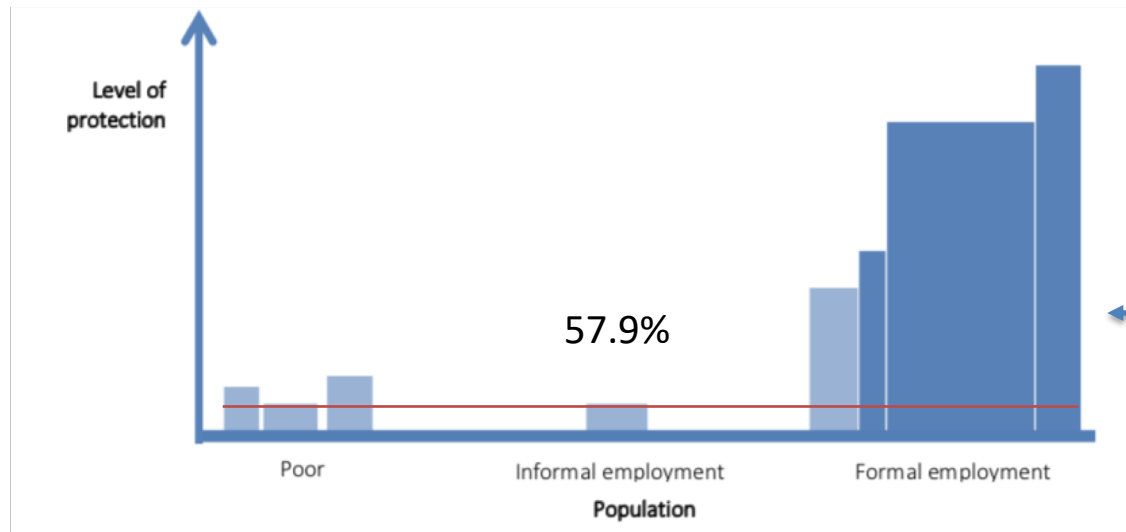
Sectors with high informality

- Agriculture: 53%
- Construction: 90%
- Wholesale and retail trade: 69%
- Transport and storage: 65%
- Hotels and restaurant: 80%
- Domestic work: 98%

Why are informal workers not covered by social protection?



Missing middle often excluded

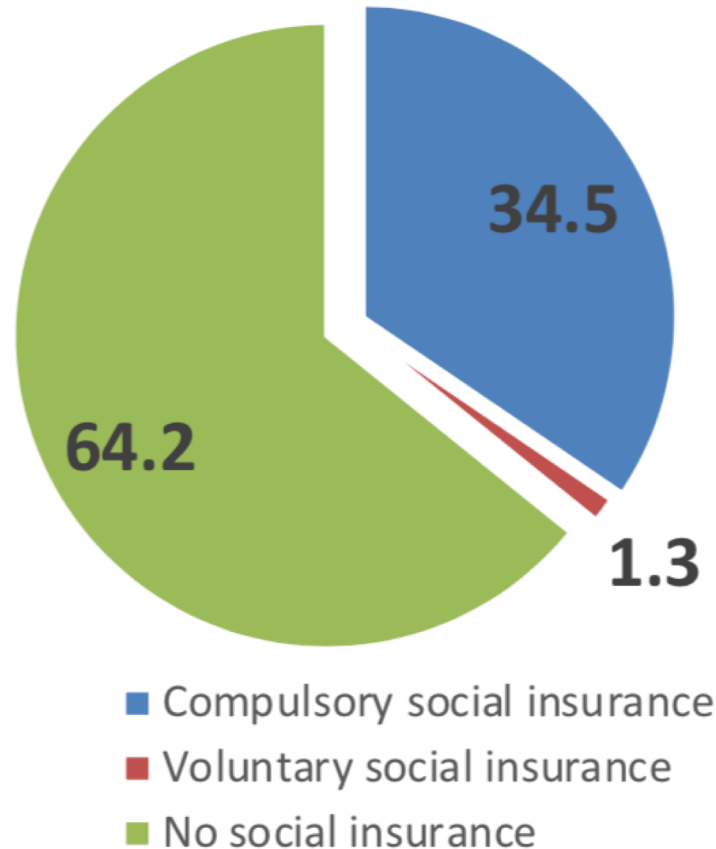


Lack of coordination between contributory and non-contributory schemes

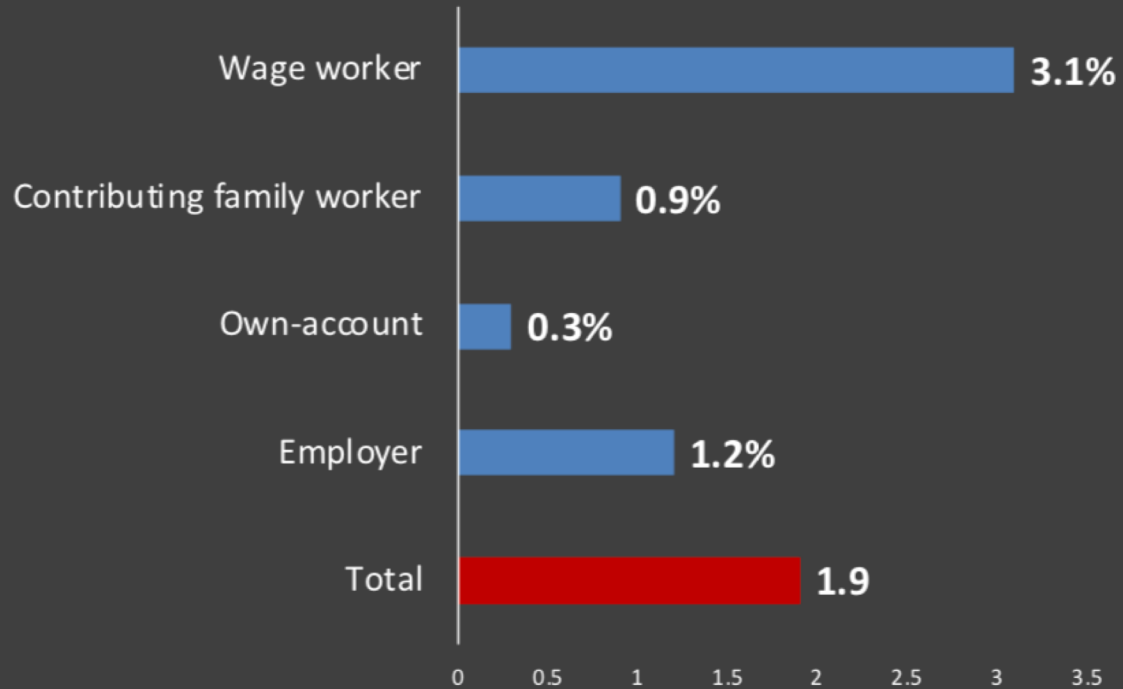
Adequate protection limited to those in formal employment (if at all)
Adequacy of benefits also important

Limited impact of voluntary SI scheme

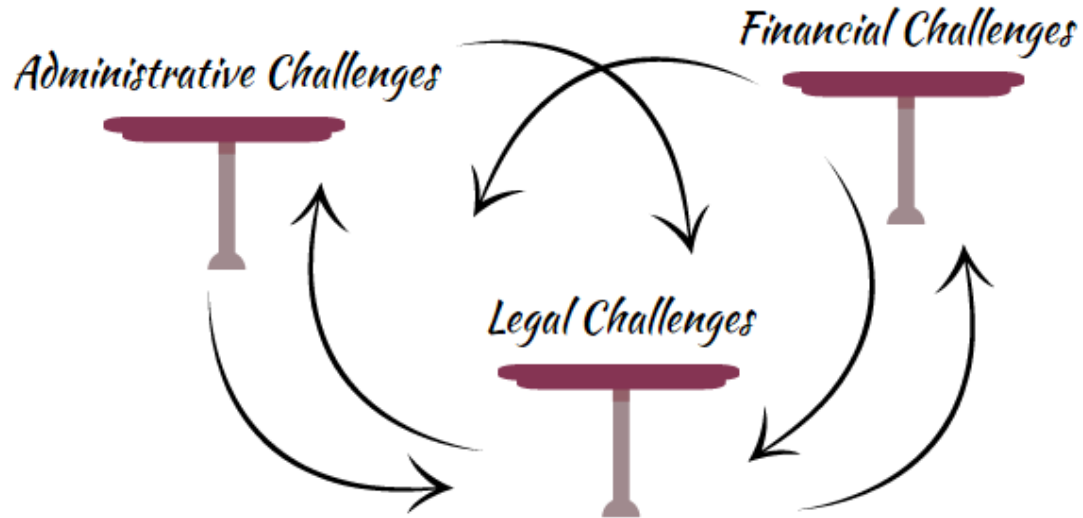
- Low contributory capacity (vulnerable workers)
- Lack of information
- Mismatch between benefits and needs of workers (only long-term benefits)
- Qualifying conditions
- Lack of public trust



**Participation
of informal
workers in
voluntary SI**



Different barriers



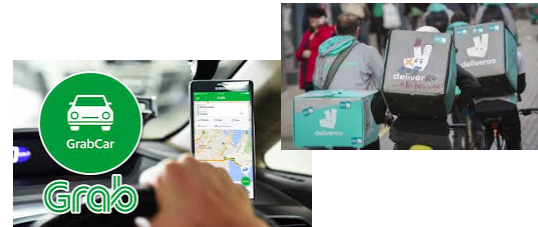
Legal barriers



Social security legislation excludes workers based on duration of employment (<1 month) e.g. daily wage earners, casual workers

Legal frameworks not sufficiently specific to cover new forms of employment

- e.g. ambiguous employment relationships
- e.g. multiple employers
- e.g. disguised self-employment



Financial challenges

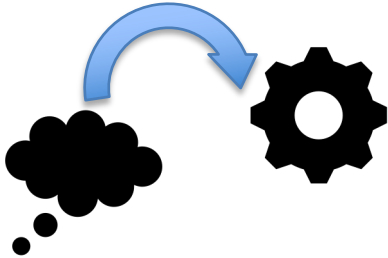


- **Limited contributory capacities**
e.g. self-employed workers “double contribution challenge”
- **General costs of formalization**
e.g. high entry costs or operational costs
- **Contribution schedule**
e.g. farmers unable to pay monthly

Administrative challenges

- Administrative processes may be too complex, burdensome (accessibility)
 - e.g. lack of registration papers, pay slips or income and contribution records
 - Limited capacities of MSMEs
- Limited access to social security services in remote areas (availability)
- Labour mobility and lack of portability

Implementation gaps



- Limited institutional capacities (administrative, fiscal, human and technical resources, M&E)
- Limited institutional coordination
- Lack of enforcement and compliance
 - 5.4 mio wage worker in formal sector are not registered

Information gaps



- Low level of knowledge and awareness about social security topics
 - Among workers, employers,
 - Among SI officers in VSS & DOLISA, collection agents etc.
 - Lack of targeted communication campaigns
- Lack of trust

Many challenges for the extension of coverage go beyond social security



Lack of integration of SP with other policy areas, e.g.

- Lack of formalization of enterprises
 - Most MSMEs not registered (60% no business registration, 98% of them not registered to VSS) due to complex registration processes; financial costs, corruption in public administration, lack of incentives
- Employment policies, skills and training
- Labour law (e.g. new forms of employment)

**WAY
FORWARD**



Thank you

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