

**Inter-regional project: How to  
strengthen social protection coverage  
in the context of the European Union  
Agenda on decent work and promoting  
employment in the informal economy**

**Viet Nam: A case study**

**Social Security Department  
International Labour Office, Geneva  
September 2008**

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## Contents

	<i>Page</i>
Abbreviations .....	vii
Chapter 1 .....	1
Introduction.....	1
Chapter 2 .....	3
The Viet Nam decent work context and sustainable growth strategies in relation to social security.....	3
1. Viet Nam decent work context .....	3
2. Viet Nam decent work context toward integrated approach to economic and social development strategies.....	4
2.1. Viet Nam decent work and economic and social development strategies.....	4
2.2. The benefits of decent work for economic-social development.....	10
3. Viet Nam’s economic-social development challenges, economic–social risks and the social protection role.....	14
3.1. Viet Nam’s economic-social development challenges .....	14
3.2. The development risk and social protection role.....	15
Chapter 3 .....	18
Decent work opportunities and challenges for Viet Nam in relation to social security.....	18
1. The demographic dynamic.....	18
1.1. Increase in proportion of population of working age .....	18
1.2. High proportion of women of child-bearing age .....	19
1.3. The intensive aging trend .....	19
The high rate of rural population and urban–rural migration potential and the poor.....	21
2. The labour market and employment .....	21
2.1. Labour supply.....	21
2.2. Labour demand.....	23
3. Social security in Viet Nam.....	25
Chapter 4 .....	29
Contributory social protection schemes in Viet Nam .....	29
4.1. Social insurance .....	29
4.1.1. Compulsory social insurance.....	29
4.1.2. Voluntary social insurance .....	29
4.1.3. Unemployment insurance.....	30
4.2. Health insurance .....	31
4.2.1. Compulsory health insurance .....	31
4.2.2. Voluntary health insurance.....	32
4.2.3. Free health card for the poor .....	32

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Chapter 5 .....	35
Non-contributory social protection schemes in Viet Nam .....	35
5.1 Special aids (social support) .....	35
5.2 Social assistance policy.....	35
5.3. Protecting the informal sector: Micro- and area-based schemes .....	37
5.3.1. The insurance sector .....	37
5.3.2. Savings .....	38
5.3.3 Emergency loans.....	38
Chapter 6 .....	39
Poverty alleviation in Viet Nam.....	39
6.1 Progress in poverty reduction .....	39
5.2. Decent Work in Poverty Reduction Programmes .....	40
5.2.1. Progress .....	40
5.2.2 Prospects.....	40
5.3. The role of social security in poverty reduction .....	41
5.3.1. Progress .....	41
5.3.2. Prospects.....	43
Chapter 7 .....	45
Conclusion .....	45
References .....	47
Appendices .....	49

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## Abbreviations

BDS	Business Development Services
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CCA	Common Country Assessment
CEMA	Committee for Ethnic and Minority Association
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DWCP	Decent Work Country Programme
DW	Decent Work
GDP	Gross Development Product
GSO	Government Statistic Office
HI	Health Insurance
HEPR	Hunger Eradication and Poverty Reduction
ILO	International Labour Office
MOLISA	Ministry of Labour, Invalids and Social Affairs
MARD	Ministry of Agricultural and Rural Development
MFI	Microfinance Institutions
NPD	National Provident Fund
NDS	National Development Strategy
PRPs	Poverty Reduction Programmes
POLISA	Provincial Department of Labour, Invalids and Social Affairs
PC	People's Committee
PRPs	Poverty Reduction Programmes
PRSPs	Poverty Reduction Strategy Papers
SI	Social Insurance
SPB	Social Policy Bank
SAP	Social Assistance Policy
SGS	Sustainable Growth Strategy
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNFPA	United Nations Population Fund
UNMDG	United Nations' Millennium Development Goals
VNDG	Viet Nam Development Goals
VND	Viet Nam Dong
VBARD	Viet Nam Bank for Agricultural and Rural Development
VPSC	Viet Nam Postal Savings Services Company
VHLSS	Viet Nam Household Living Standards Survey
VSI	Viet Nam Social Insurance
VSS	Viet Nam Social Security

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# Chapter 1

## Introduction

The concept of “decent work” was launched in 1999, in the Report of the Director-General to the International Labour Conference meeting in its 87th Session. The idea both conveys the multiple, wide-ranging aspects of work today, and encapsulates them in an expression that everyone can grasp. Four components of the notion are elaborated in the same Report of the Director-General: the promotion of rights at work, employment, social protection, and social dialogue. In this context, employment covers work of all kinds and has both quantitative and qualitative aspects. Thus, decent work applies not just to workers in the formal economy but also to unregulated wage workers, the self-employed and home workers. It also refers to adequate opportunities to work and to remuneration (in cash and in kind), and embraces safety at work and healthy working conditions. These two components emphasize the social relations of workers: the fundamental rights of workers (freedom of association, non-discrimination at work, and the absence of forced labour and child labour); and social dialogue, in which workers exercise their right to present their views, defend their interests and engage in discussions to negotiate work-related matters with employers and authorities. Social security and income security are also essential components, defined according to each society's capacity and level of development.

Social protection is an important element in poverty reduction and multi-dimensional deprivation. It provides an approach for reflecting on the processes, policies and interventions which respond to the economic, social, political and security risks and constraints poor and vulnerable people face; and which will reduce the insecurity and poverty in which they live and enable them to participate more fully in economic growth. Such policies can help states to fulfil their obligations to ensure basic rights for all individuals. For social protection policies are always part of a broader set of policies – on macroeconomic stability, enterprise and employment development, health, and education – aimed at reducing risk and vulnerability and encouraging pro-poor growth. Alongside other approaches, a social protection approach can make a strong contribution, both towards preventing the slide into poverty and assisting with recovery, and towards the long-term reduction of poverty and multi-dimensional deprivation, as one way for chronically poor people or their children to escape poverty. It can also contribute to the achievement of human rights, if states gradually take on as social protection objectives the task of ensuring that citizens have an adequate standard of living, backed up by social security in case of loss of livelihood through disability, sickness, old-age or other causes.

This paper argues that in the context of Decent Work and development growth strategies, well-designed social protection can have a positive rather than a restraining effect on economic growth, and can help shape the pattern of economic growth in favour of the poor, such that they benefit at least as much as, if not more than, the average.

The paper is organized in seven chapters, including an introduction and a conclusion. In Chapter 2, the paper analyses the relationship between the National Decent Work Context and development plans. It also shows what is meant by social protection, clarifying its meaning, purpose and scope within Viet Nam's approach to a sustainable work frame, the reduction of poverty and National Development Strategy. Chapter 3 analyses Viet Nam's demographic, labour market, and economic and fiscal situation and the implications for social protection.

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Viet Nam's existing contributory social protection schemes, which cover only the formal sector, and do not extend to the informal sector and the poor, are described in Chapter 4. The achievements and challenges of Viet Nam's existing non-contributory schemes are set out in Chapter 5.

It is argued that social protection can relieve some of the market failures that prevent or slow economic growth and prevent poor people from taking advantage of the opportunities provided by economic growth. It can also make an important contribution to the protection and building up of the human, financial, natural and physical assets of poor people, which enable them to escape from poverty. Governments have policy instruments that can be used to improve the protection available to the poor – not only in the contributions governments can make directly to reducing risk and vulnerability, but also in regulations that should facilitate private and informal social protection. Access to credit, job creation, technology transformation, agricultural products market development for the poor – all are social protection solutions, which enable poor people to participate in and contribute to economic growth (Chapter 6).

The paper concludes that a prerequisite for successfully implementing the national planning process is to identify key opportunities and challenges with which to create a sufficient number of decent, productive jobs over the next ten years through the promotion of sustainable development. Clearly, existing economic growth is not sustainable over the long term: sustainable development will require more than just expanded output and more jobs. It will require national and regional efforts to increase employment opportunities and improve the quality of employment to be integrated into the broader goal of promoting economic, social and environmental sustainability.

This paper cannot answer all the questions it raises, nor can it address all the challenges facing Viet Nam today. Rather, it is intended to aid thinking and the identification of policy priorities. Meeting the challenges facing Viet Nam in the medium and the long terms will not be easy. It will require far-sighted thinking and careful planning by policy-makers. And it will require governments, employers and workers to engage in open and thoughtful dialogue based on mutual respect and a shared determination to realize decent work.

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## Chapter 2

### The decent work context in Viet Nam and sustainable growth strategies in relation to social security

#### 1. The decent work context in Viet Nam

*Realizing Decent Work:* In 1999, the ILO set a new objective: “Decent Work for All” Decent Work consists of meeting four objectives: fundamental rights at work, employment opportunities for all, adequate social protection for workers and their families, and effective social dialogue. This is emphasized by Mr Juan Somavia, Director General of the ILO: “The primary goal of the ILO today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.”

In Viet Nam, the decent work context: is provided by the Ministry of Labour, War Invalids and Social Affairs (MOLISA), the Viet Nam General Confederation of Labour (VGCL), the Viet Nam Chamber of Commerce and Industry (VCCI), the Viet Nam Cooperative Alliance (VCA) and the International Labour Organization (ILO) signed the first-ever National Cooperation Framework on Promoting Decent Work in Viet Nam for 2006-2010 in Ha Noi on 12 July 2006. Under this cooperation framework, the ILO pledged to provide assistance to the government programme on employment. The ILO-Viet Nam Cooperation Framework is based on the ILO’s Strategy on Decent Work, initiated by the ILO and approved by its member countries in June 1999, which aims to achieve the goal of decent work for all in freedom, equality, safety and ensuring human dignity. The framework covers a period of five years, allowing for a long-term perspective which will be responsive to the changing needs of the country and the tripartite constituents – the Government, employers’ and workers’ organizations. The priority areas for action will be presented biennially, and included in the ILO work plans, as well as the annual plans of action of the tripartite partnership. Resources will also be allocated from the ILO’s regular budget, in the context of its biennial work plans.

The Framework includes four main components:

- i. strengthening the legal framework of the labour law;
- ii. labour and job market, focusing on decent work for young people, women, rural workers, immigrants and informal-sector employees;
- iii. social insurance and occupational safety; and
- iv. support for vulnerable groups (child labour, invalids, HIV/AIDS-infected workers, etc.).

Its four main measures are:

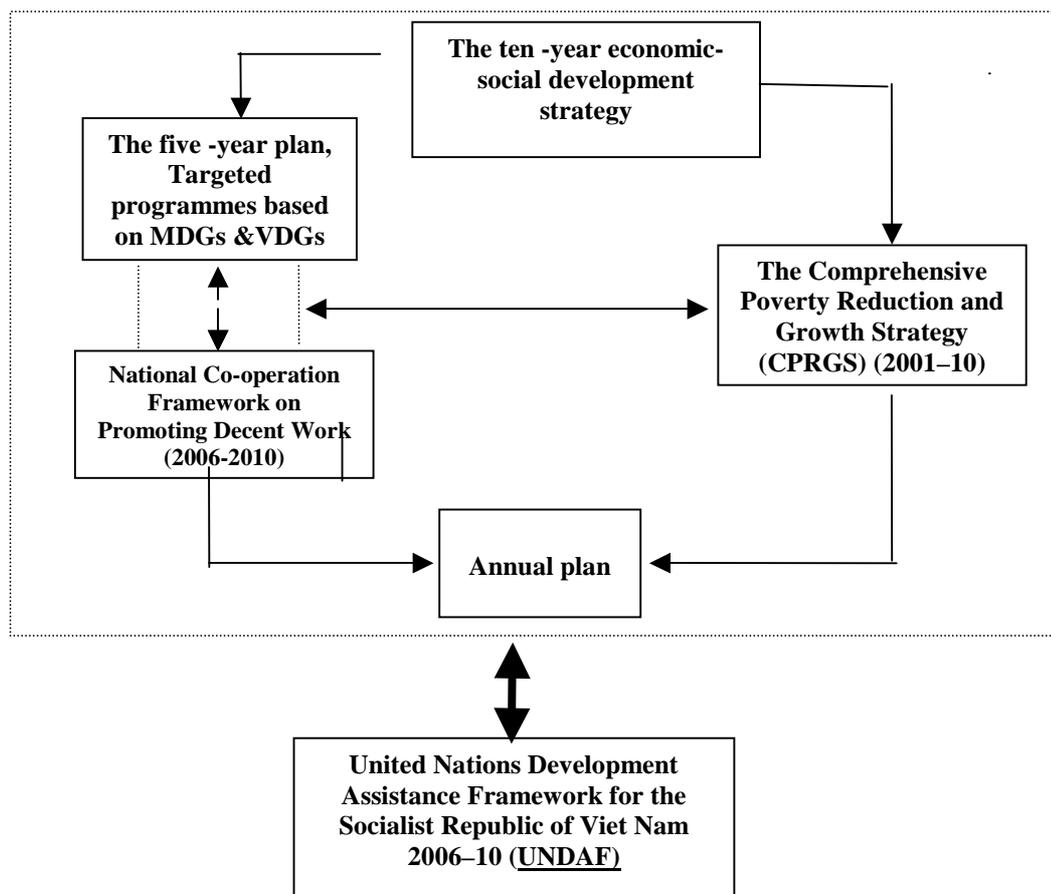
- i. improving Viet Nam’s economy and job creation;
- ii. implementing the national employment target programme to 2010 effectively;
- iii. strengthening Viet Nam’s labour force by boosting education, socialization, high-quality education and vocational training and human resources;
- iv. developing and improving Viet Nam’s social security system.

## 2. Viet Nam's decent work context and integrated approach to economic and social development strategies

### 2.1. Decent work and economic and social development strategies

The links between the Government's Ten-year Socio-economic Development Strategy and socio-economic development plans, the Decent Work context and the CPRGS are shown below (Figure 1).

Figure 1. The system of Viet Nam's Sustainable Development Strategy



Labour and employment always has an important role in Viet Nam's national development strategies, plans, targets, and action plans.

One of the 2001-2010 Socio-Economic Development Strategy goals is “to solve the employment problems in both urban and rural areas (to reduce the urban unemployment rate to below 5 per cent and increase utilized worktime in rural areas to about 80-85 per cent; to raise the skilled labour rate to around 40 per cent.” Generating employment, increasing incomes, eradicating hunger and reducing poverty all constitute fundamental and urgent aims to be achieved through concerted efforts as part of the strategy task. Comprehensively develop human resources and settle pressing social issues: “In order to generate employment for ten million workers, comprising jobless urban inhabitants, under-employed rural dwellers, workers laid-off because of the re-organization of state-owned

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enterprises, and young people reaching working age every year, it is necessary to set up hundred of thousands new units of production and business, mainly small and medium-sized enterprises. Parallel to supportive policies for handling the redundant workforce in the state-owned enterprise sector, and for generating more jobs using public investment funds, the State will create a more favourable environment for all economic sectors to expand production and business operations, thus absorbing more labour, as well as developing the labour market, including labour exports.

The State will help people to increase their incomes, and control the wage system through labour legislation; it will support the poor, and encourage people to enrich themselves legally. Efforts will be made to improve farmers' living conditions, while developing a "new-type of countryside", gradually narrowing differences and forming a rational balance in incomes between rural and urban areas, between regions and between different layers of the population. The State and society at large will give more effective assistance to the construction of infrastructure facilities and to the economic, cultural and social development of the poor regions and communes; it will encourage and assist households in their efforts to escape from poverty, and provide opportunities for the poor to gain access to basic services, such as education and health-care. It will promote activities to thank and take care of invalids, Agent Orange victims, lonely elderly people, and helpless children. Insurance policies should be also broadened in terms both of their coverage and of targeted people."<sup>1</sup>

These goals are specified again in the 2006-2010 Socio-Economic Development Plan,<sup>2</sup> which sets social targets whereby:

- agricultural labour will account for 50 per cent of the labour force;
- jobs will be created for over 8 million workers, and the urban unemployment rate will remain below 5 per cent;
- the poverty rate will be reduced to 10 – 11 per cent; and
- universal access to lower secondary education will be established and skilled labour will account for 40 per cent of the labour force.<sup>3</sup>

On the basis of these targets, the chief focus of the Government's Action Plan to implement the five-year Socio-Economic Development Plan 2006-2010 is employment, raising incomes and poverty reduction. In practice this entails:

<sup>1</sup> <http://mpi.gov.vn> (Socio-Economic Development Strategy- strategy goals - Concretizing the development strategy).

<sup>2</sup> <http://mpi.gov.vn> (Socio-Economic Development plan 2006-2010).

<sup>3</sup> <http://mpi.gov.vn> (Socio-Economic Development plan 2006-2010).

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- effectively implementing the National Targeted Programme on Job Creation in order to generate more new jobs, increase labour productivity and raise workers' incomes;
  - Encouraging people to create jobs themselves; developing and expanding effective employment-generating models, supporting small and medium-sized enterprises, especially labour-intensive ones;
  - developing the labour export market, fundamentally modernize workers' vocational training before sending them to work overseas; and
  - strictly managing and implementing legal regulations on protection for Vietnamese workers working overseas.

Regarding poverty reduction, the focus should be on implementation of the national targeted programme on poverty reduction, the 135 programme and other targeted programmes; special attention needs to be paid to investment in infrastructure, and to supporting production in the mountainous and remote areas inhabited by ethnic minorities; and to implementing training, vocational and employment-generating schemes in cities, regions of high population density and regions changing from agriculture to industry, etc.

The Development Plan's labour and employment goals are:

“State investment and social mobilization are priorities in job creation, as are the improved quality and efficiency of the labour force; continuing the labour structural shift in employment with a reduction in agriculture, forestry and fishery workers to 50 per cent in 2010, increasing of industry and construction employment to at least 23-24 per cent and increasing employment in service and commerce to at least 26-27 per cent. During the five years of 2006-10, attempts should be made to provide employment for over 8 million workers, including 6 million new jobs, i.e., an annual average of over 1.6 million (1.2 million of which are new), of which at least half are for women. Attention should be given to job creation and vocational training for farmers, and to young people, priority being given to young women. Gender discrimination should be eliminated in all forms of employment, and the programme on one export of labour should be effectively implemented, raising percentage of skilled workers (each year, about 100,000 workers and experts are sent abroad). The urban unemployment rate should be reduced to under 5 per cent; compulsory social insurance premiums should be collected accurately; and voluntary social insurance as well as unemployment insurance should be implemented effectively.

The solutions are:

- Implement policies to encourage production development, and job creation; encourage the development of labour-intensive light industry, processing industry, private enterprises and foreign businesses; implement the programme to encourage the development of small and medium-sized enterprises, of trade villages and farms.

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- Focus the capital of the Fund for Loans and Employment on labour-intensive projects; rearrange, renovate and develop job-training networks.
  - Continue the overhaul of social security schemes and social insurance; have policies on housing and social welfare for workers in industrial parks, especially for those who are migrant workers because of their job location;
  - Employment centres should be encouraged to facilitate labour market development as planned; the state investment budget should prioritize and more non-state investment be mobilized for job creation.
  - The quality and effective use of the labour force should be strengthened and the structural shift towards lowering the share of workers in agriculture, forestry and fisheries and raising the share of workers in industry, construction, and particularly in services should be continued.
  - More attention should be given to vocational training and job creation for farmers, and to implementing effectively labour export programmes, and increasing the number of skilled workers.

The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) is an action plan that translates the Government's Ten-Year Socio-Economic Development Strategy, Five-Year Socio-Economic Development Plan as well as other sectoral development plans into practical measures with well-defined road maps for implementation. This is an action plan to achieve economic growth and poverty reduction objectives. The CPRGS is closely related to the national annual socio-economic development plans and the plans developed by different ministries, agencies and sectors. The national annual socio-economic development plan passed by the National Assembly serves as a tool to put into practice the policies and measures contained in the 2001-2010 Socio-Economic Development Strategy, the 2006-2010 Socio-Economic Development Plan, the CPRGS, VDGs and the ministry, agency, and sectoral development plans.

The CPRGS has seven parts:

- the socio-economic setting, current poverty situation, achievements and challenges;
- the objectives of socio-economic development and poverty reduction for the period up to 2005 and 2010;
- the creation of an environment for rapid and sustainable growth, and for poverty reduction;
- large-scale infrastructure development for growth and the reduction of poverty;

- 
- major policies and measures for the development of sectors and industries to ensure poverty reduction and sustainable growth;
  - the mobilization of resources for growth and poverty reduction; and
  - organizational arrangements for and monitoring and evaluation of the poverty reduction and growth strategy.

The employment content is clearly presented in parts 2 and 5.

CPRGS sets the overall objectives and tasks of socio-economic development and poverty reduction up to 2010 as follow:<sup>4</sup>

- provide new jobs for 1.4-1.5 million people per annum, on average;
- increase the proportion of women hired in newly created jobs to 40 per cent by 2005 and 50 per cent by 2010;
- increase the proportion of trained workers in the total workforce to 30 per cent by 2005 and 40 per cent by 2010;
- increase the rate of rural working time utilization to 80 per cent by 2005 and 85 per cent by 2010, of which the rate of working time utilization for women should be 75 per cent by 2005 and 80 per cent by 2010;
- reduce the proportion of urban unemployed people in the total number of people of working age to about 5.4 per cent by 2005 and to under 5 per cent by 2010.

Part 5 of the CPRGS shows that policies and measures to develop major sectors and industries to create employment and income-generating opportunities for the poor promote sustainable growth and poverty reduction:<sup>5</sup>

- Develop agriculture and the rural economy to create employment and income for rural inhabitants: 77 per cent of the population and 90 per cent of the poor currently live in rural areas and 70 per cent of income comes from agricultural activities. For this reason, agricultural and rural development is a crucial component of the CPRG.

<sup>4</sup> *The Comprehensive Poverty Reduction and Growth Strategy* (Approved by the Prime Minister at Document No. 2685/VPCP-QHQT, date 21th May 2002 ) p 26-31.

<sup>5</sup> *The Comprehensive Poverty Reduction and Growth Strategy* (Approved by the Prime Minister at Document No. 2685/VPCP-QHQT, date 21th May 2002 ), p64-80.

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- Industry and urban development in order to create more jobs and improve the living standards of the poor.

In fact, the 2006-10 Socio-Economic Development Plan is structured to link to the implementation of the CPRGS. In this context, seven national target programmes have been set up to achieve the development and poverty reduction goals; the first one is the national target programme on hunger eradication, poverty alleviation and employment (Table 15).

The United Nations Development Assistance Framework (UNDAF) for Viet Nam sets out concrete development objectives for the United Nations agencies over the 2006-10 period. These objectives were identified on the basis of a consultative process involving Governments, United Nations Agencies and other development partners. The Common Country Assessment (CCA) for Viet Nam, published in 2004, and the Government's Socio-Economic Development Strategy and plans derived from it provided analytical inputs into the UNDAF formulation process. The UNDAF results matrix contains three main themes and a limited number of cross-cutting issues identified in the CCA. The themes are reflected in the three UNDAF outcomes: government economic policies support growth that is more equitable, inclusive and sustainable; the quality of delivery and equality in access to social and protection services improves; and, policies, law and governance structures support rights-based development to realize the values and goals of the Millennium Declaration. Cross-cutting issues include equity and the inclusion of vulnerable groups; Vietnamese youth in transition; participation for empowerment and accountability; and the challenge of HIV/AIDS.

In addition, gender is mainstreamed throughout the UNDAF in order to address traditional stereotypes about the roles of women and men, and to improve systematic sex-disaggregated data and information on gender-specific issues. Poverty reduction is the basic element to ensure social justice and sustainable growth; and in return, high and sustainable growth could bring about physical energy to support and provide opportunities for the poor to get out of poverty holes. Therefore, poverty reduction is considered as an integrate part of the National, Sectoral and Provincial Ten-Year Socio-Economic Development Strategy (2001-10), Five-Year Socio-Economic Development Plan (2006-10) and Annual Socio-Economic Development Plan. For employment, the first outcome of UNDAF concerns helping the Viet Nam Government to create more job opportunities and protect workplace rights, especially for young people and vulnerable groups, including ethnic minorities and women. These are considered as goals to support growth that is more equitable, inclusive and sustainable. Thus, the UNDAF specifies development outcomes that are most appropriate to the areas of focus and expertise of the United Nations Agencies, and emphasizes joint programmatic efforts to maximize the collective efficacy of the United Nations, and also help Vietnam's Government reach the development and poverty reduction goals.

The National Cooperation Framework on Promoting Decent Work (2006-2010) (NCFPDW) use Viet Nam's 2001-10 Development Strategy and the second Five-Year Social-Economic Development Plan (2006-2010) as key reference points, while supporting the country's implementation of its Comprehensive Poverty Reduction and Growth Strategy (CPRGS), along with its commitment to the United Nations' Millennium Development Goals (MDGs), Viet Nam Development Goals (VDGs), and the concern of United Nations Development Assistance Framework (UNDAF). NCFPDW has contributed to the 2006-2010 Socio-Economic Development Plan, and asserts the importance of creating more jobs and decent work in the national socio-economic development strategies

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and plans. The employment goals of this framework are integrated in the 2006-2010 Socio-Economic Development Plan and the national target programme on employment to 2010. Creating jobs and decent work are key in developing human resources, reducing poverty and becoming socially inclusive.

## 2.2. The benefits of decent work for economic and social development

Economic and social policies are both development policies, as is Decent Work. They all share a common purpose: improving people's economic and social well-being through economic and social development. By reducing poverty, improving health and working conditions, investing in human resources and particularly in education for young people and women, productivity is increased. This approach boosts economic growth, equality and sustainable social development in integration. Decent Work helps specify what the development objective is, and has an important role in sustainable socio-economic development.

### *Decent Work and economic sustainability*

Firstly, decent work helps clarify that employment promotion is implemented by enterprise development policies and programmes including: capacity-building programmes for stakeholders, entrepreneurs, service institutions; value chain analysis, competitive analysis, and identification of economic opportunities exercises; employment-intensive investments; access to financial services for entrepreneurs; development of an enabling policy environment for enterprises and economic activities; the creation or strengthening of business and informal economy associations; the improvement of business development services and other programmes for micro- and small enterprise development, including cooperatives; linking to national employment and enterprise development programmes.

Employment helps workers and their families have an income and invest in human capital development for the future. Moreover, mainstreaming or development of tailored programmes for specific target groups, such as young people, women, vulnerable groups, people with disabilities, mean that the decent work concept reaches the lowest income groups, helping them become self-reliant and reducing the socio-economic burden. Besides, quality and quantity enterprise development clearly generates sustainable economic growth.

Secondly, decent work promotes productivity. Labour productivity growth is a crucial ingredient in national economic growth and overall competitiveness. It is also critical in creating quality jobs and reducing poverty, as productivity gains can lead to higher wages, better working conditions and investment in human resources. The first challenge to Viet Nam's decent work and sustainable development strategy is how to accelerate productivity growth and distribute productivity gains.

To obtain better productivity, one must examine likely future trends in the sources of Viet Nam's productivity growth. These sources include the accumulation of physical capital, the re-allocation of labour across sectors, investment in human resources and improvements in less tangible factors such as workplace practices. In recent years high and increasing levels of foreign and domestic investment have produced productivity gains in Vietnam. However, this route to productivity growth faces some limitations in future e.g., low efficiency of investments. Therefore, in order to increase jobs, Viet Nam needs to attract more foreign investment as well as make good investment.

The reallocation of workers from agriculture to industry and services has a large and positive effect on overall labour productivity growth because productivity levels in agriculture tend to be much lower than in industry and services. Given projected changes in employment by sector (discussed in chapter 3), future benefits from the structural shift

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in employment is unlikely to be great in Viet Nam, where it will depend largely on the increase in service-sector jobs taking the form of a larger share of lower-productivity, informal service-related jobs. Therefore, improving working conditions and social protection in the informal sector will contribute to increased productivity.

Another source of productivity growth is the quality of human capital. Viet Nam has made tremendous progress in expanding access to education. Tertiary education rates have also risen. As enrolment rates are expected to increase at all levels of education and the school system, and life expectancy rates continue to rise, young entrants into Viet Nam's workforce in ten years or so will have a better education than any previous generation. These trends should serve to benefit labour productivity in years to come. But enrolment alone is not a guarantee of success. Vietnamese workers are not very skilled (see Chapter 3). As higher rates of enrolment are achieved, the focus on the policy dimension of improving the quality of schools, universities and vocational training institutes gains in importance. Public-private dialogue and partnerships have an important role to play in ensuring that graduates leave educational and training institutions with appropriate skills and qualifications which enable them to adapt rapidly to a changing work environment and embrace new technology. Government policies are also critical in providing incentives to the business sector to invest more in the training of their workers. Progressive workplace practices based on good working conditions, innovations in work organization, continuous learning, good labour-management relations and respect for workers' rights are emerging as an increasingly important way of raising productivity, while also promoting decent work. Key to the success and spread of such practices is building the capacity and productivity of employees through appropriate workplace organization and establishing open communications channels, leading to workers' heightened engagement.

It is important that productivity gains reach workers at the lowest income level in society. Accelerating productivity growth within lower value-added sectors, e.g. agriculture, or the informal sector in which the majority of Vietnam's working poor are still engaged, can be a key driver of economy-wide productivity growth. At the same time, this can serve as a counteracting force to improve income equality. The importance of equitable distribution of productivity gains also applies to firms and workers. The poverty-reducing potential of increased productivity is likely to be boosted if the gains from increased efficiency accrue not only to firms' profits but also directly benefit workers themselves. The most direct link with poverty reduction is through wages, but other channels are equally important. For instance, shorter working hours for equal or greater pay can improve living standards. It is also essential for firms to benefit from increased productivity, as this allows them to make investments and fuel future growth.

Stronger collective bargaining systems and improved dialogue between workers and employers are instrumental in ensuring that all sides reap the rewards of productivity improvements. Investments in human capital are essential for ensuring that workers have the skills required in emerging occupations. Investments in infrastructure and improved governance are needed to encourage foreign investment, facilitate export growth and mitigate the social costs of adjustment.

### ***Decent work and social sustainability***

Decent work is not only an economic policy but also a social policy. It contributes to social sustainability by promoting the extension of social protection, equitable development and establishing good governance and supportive labour market institutions.

Firstly, decent work promotes extending social protection. Extending social protection in Viet Nam is critical to ensuring the social sustainability of the country's economic dynamism for the following reasons.

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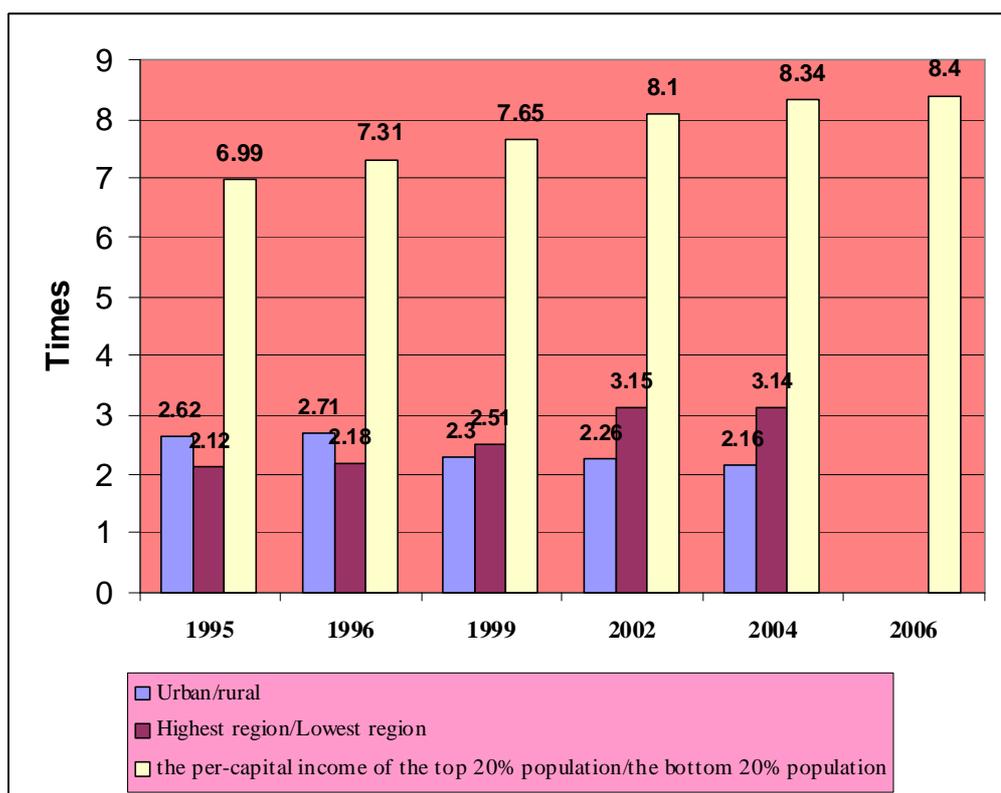
The rapid growth of Viet Nam's elderly population underlines the need to develop appropriate, well-targeted policies and schemes suited to an ageing society. Vietnam needs to encourage the access of older workers to decent and productive work, as many older persons in the rural areas cannot afford to retire, particularly as traditional family support systems are gradually being eroded.

But it is not only the elderly for whom social protection and safety nets are important. The workers in Viet Nam face constant risks, such as personal and family illnesses, layoffs, political uncertainties, economic instability and the potential loss of livelihood from natural disasters. Developing a basic social security package with minimum wages sufficient to build an effective social floor is a key supportive mechanism for protecting workers, promoting increased consumption and helping to reduce poverty among the most vulnerable. The Government needs to increase national budget resources, and enterprises to increase their income by promoting productivity and good work organization to ensure the long-term budget's sustainability.

Bringing informal workers into the framework of social protection is also essential for sustainability. The fact that more than a million Vietnamese are still working in the informal economy reflects a persistent and troublesome inability in existing formal mechanisms, protection and systems to adequately serve a sufficient number of workers and workplaces. To effectively extend social security into the informal economy, the focus of attention should initially be placed on priority areas, such as access to basic health care, family benefits or allowances that permit children to attend school, targeted cash transfer programmes and basic universal pensions for old age and invalidity. Extension of micro-finance and micro-insurance is important, too. The different risk-managing financial services available in Viet Nam are not appropriate for workers in the informal economy, or for low-income households. Risk-managing financial services are defined as financial services that allow households to more effectively cope with risks and economic stresses, focus on insurance, flexible savings and emergency loans.

Secondly, decent work promotes equitable development. For development to be sustainable, the benefits of growth must be shared equally. The existence of persistent or growing per capita GDP gaps between urban and rural areas (Table 11a), and between regions lessens the likelihood of smooth economic integration in Viet Nam and could adversely affect growth prospects. In addition, large and widening income inequalities are detrimental to economic growth and poverty reduction (Figure 2).

Figure 2: The rich-poor gap over time



Faster growth in wages among skilled workers versus unskilled workers (most of the latter being migrants, women, agricultural and young workers) is a clear driver of widening income inequality. In effect, the biggest winners from globalization have thus far been workers with the education and skills needed to take advantage of the emerging employment opportunities, leaving many millions of workers in the country lagging far behind.

Sustainable development and the realization of decent work require persistent gender inequalities to be effectively addressed. For instance, gender-based inequality in labour force participation can reduce the overall size of the productive workforce and the economy's growth potential. Moreover, employment opportunities, higher education and training, and consequently better earnings help improve women's social status.

Rapid growth in Vietnam has been accompanied by uneven development across geographical areas, leading to increased inequalities. To a great extent, economic growth has been fuelled by dynamic urban centres, and workers have migrated in droves to booming urban metropolises; in many cases, differences in living standards between urban areas and rural hinterlands have grown sharply. Currently, it is clear that the rural poor do not lack work but rather suffer from low-productive work. Rural development strategies must therefore be made more explicit and include initiatives to increase agricultural productivity and promote non-agricultural employment.

The extent to which Vietnam's widening inequalities are successfully addressed will have a large bearing on the realization of decent work. Economic and social policies must take into account any direct or indirect effects on the distribution of wealth and opportunities. Removing obstacles to equal opportunities is essential. The best way to achieve this balance is through dialogue between the social partners.

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An essential step is to ensure equal access to basic education and to more advanced training so that new and existing workers will be equipped with the skills and education needed to succeed. Governments, employers and trade unions must work together to help eliminate gender-based discrimination and to encourage women's participation in labour markets. A significant increase in investment in rural infrastructure is needed to reduce emerging geographical inequalities .

### ***Decent work requires establishing good governance and supportive labour market institutions***

Economic and social progress will be very much influenced by the political environment and the quality of governance. Representative and accountable institutions can deliver better services to the poor, facilitate economic development and strengthen social cohesion. Insufficient attention has been given to the role of labour market institutions, resulting in weak labour market institutions and enforcement and limited social dialogue, which collectively constrain national efforts to promote decent work.

To make decent work a reality in the context of intensified competition and changing patterns of work and employment relationships, it is crucial to strike an effective balance between flexibility, stability and security, and this should be done on the basis on respect of rights and negotiated solutions. To find this balance, labour law reforms, transparent and accountable institutions, democratic political and judicial systems, strong employers' and workers' organizations, economic openness and a viable civil society are all crucial. Very importantly, the capacities of employers' and workers' organizations need to be strengthened so that they can effectively participate in governance and provide relevant services to existing and potential members, including those in the informal economy.

Labour market governance should also address the issues of the informal economy. Informality is essentially a governance issue as it weakens efficiency and security: The starting point for national strategies to reduce informality is the recognition that operating in the informal economy involves high costs to businesses, workers and their communities. Strategies need to include measures to reduce the compliance costs of informal entrepreneurs and to expand formal-economy opportunities through economic growth. However, it is also important to recognize that a persistent informal sector is an important source of income for millions of Vietnamese in certain periods.

## **3. Viet Nam's socio-economic development challenges, socio-economic risks and the social protection role.**

### **3.1. Socio-economic development challenges and social protection role:**

The process of socio-economic development and integration in Viet Nam face several challenges that generate various social protection demands. A major development challenge for Viet Nam is to achieve sufficient sustainable growth to secure the inclusion of the vulnerable groups and the young in the development process. Factors affecting the high demand for social protection are presented below.

First, the demographic dynamic that led to: (i) rapid growth in the labour force and wage labour force (due to increasing numbers of young people, women and old workers); (ii) massive movements of people from rural to urban areas (due to urbanization, a huge labour force in the rural areas, and rural/urban inequality). Redundant workers will be numerous. The proportion of skilled workers in the labour force is low. The continued high rate of population and labour force growth, while Viet Nam's ability to create new jobs and increase labour productivity remains limited, intensifies pressure to solve the

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employment problem. The number of unemployed and under-employed people in the country remains large.

Second, increasing socio-economic inequality across gender, social classes, regions, ethnic groups and urban and rural areas. Unequal access to basic services such as education, health-care, housing, and employment lead to inequalities in sharing development outcomes, especially for young people and vulnerable groups, including ethnic minorities, women, children, the disabled and the poor.

Therefore, Viet Nam has to solve many social protection problems at the same time. While the old need pensions, health insurance, suitable employment programmes, the young who face increasing competition for educational and employment opportunities need to improve their access to secondary, tertiary and vocational education and employment opportunities, as well as a healthy way of living. Women need gender equality including in employment, wages and the burden of domestic work, as well as affordable, good quality child-care to integrate more in the development process and get more from development outcome. Minimum wage policies, working conditions, rights and respect in the workplace, delivering social services to mobile populations are another concerns of social protection schemes.

### 3.2 The development risk and the role of social protection

Growth alone is not a sufficient condition for generating inclusive societies. Populations, households, and individuals face various risks that can plunge them into poverty, so societies have to take steps to reduce their vulnerability and to cope with the effects, when shocks occur. Risks may include natural disasters; civil conflicts; economic downturns, or idiosyncratic household reversals, such as crop failures, unemployment, illness, accident, disability, death, and old age, threatening the future of the household and its members. Development interventions may themselves create new vulnerabilities and risks through involuntary effects, such as less affordable goods and services, temporary job loss, loss of common property, displacement, and loss of community support networks and social capital. Generally, four main types of risk to the people can be identified: (i) those related to the individual lifecycle; (ii) economic; (iii) environmental; and (iv) social/governance-related. Some risks affect all population groups equally; others have a more intense impact on the poor, women or children.

There are many risk reduction mechanisms, both formal and informal, and delivered either by the public and the private sector. In Viet Nam, formal risk-reduction mechanisms usually cover the formal sector only, not the poor or the informal sector. There are informal strategies to cope with risk; many of which rely on community arrangements and women's support. However, as urbanization and industrialization gradually undermine the effectiveness of traditional and informal protection mechanisms, new public and/or private systems need to be put in place to reduce risks to the population. Social protection presents a variety of instruments to deal with the diversification of most of these risks, primarily to mitigate the impact of shocks or to help people cope with risks if they occur.

A large variety of risks is not addressed through social protection alone. The long-term solution to vulnerability depends on good social and economic development decisions that address the structural causes of vulnerability. Development policies should therefore (i) involve proactive interventions to reduce vulnerability and to support populations to overcome poverty; and (ii) try not to alter existing informal family and community-based mechanisms to cope with risk, given that these provide a level of social protection to the population, and when possible, encourage community-driven interventions (social funds, micro-finance, micro insurance, etc).

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### 3.3 The social protection roles in the National socio-economic development strategies and plans:

Recognizing the important role of social protection in ensuring more equitable, inclusive and sustainable development, the socio-economic development strategies and plans consider social protection as an instrument saving people from risk, as well as mitigating the impact of shocks or helping people cope with risks if they occur.

Viet Nam's 2001-2010 Socio-Economic Development Strategy states: "Promote the activities of rendering thanks and taking care of invalids, Agent Orange victims, lonely elderly people, helpless children. Insurance policies should be also broadened in terms both of their coverage and of targeted people."<sup>6</sup> Some efforts will be made to improve living conditions, gradually narrowing differences and forming a rational balance of incomes and living standards between rural and urban areas, between different regions and different classes in the population.

One of the socio-economic development plan (2006-2010) major tasks and measures is: "Strictly implement the compulsory social insurance regime, prepare and implement the voluntary social insurance system and unemployment insurance for workers".<sup>7</sup>

The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) considers that one of the major policies and measures to ensure poverty reduction and sustainable growth is to "Narrow the social development gap between different regions and population groups, reduce the vulnerabilities of the poor and disadvantaged groups; realize gender equity and the advancement of women; stabilize and raise the living standards of ethnic minorities; expand social protection and the social safety net, and develop an effective system of emergency relief; expand the participation and enhance the role of domestic social organizations and non-governmental organizations in the process of building and implementing the social safety net."<sup>8</sup> Some CPRGS targets include:<sup>9</sup>

- *Reduce the vulnerability of the poor and disadvantaged groups and strengthen the social safety net to support them:* significantly improve the income of the poor, especially of households headed by women; improve the quality and access of the poor to basic social and production services as well as other resources, especially for poor women. Ensure that by 2010 households in urban areas are granted land use right certificates and certificates on the right to own their houses situated on a legal land area. Expand the formal social safety net to all people. Reform social insurance policies and mechanisms. Encourage household and community participation in various forms of voluntary insurance. Improve the access of poor workers and disadvantaged groups to the labour market, and especially improve their access to job training. Increase the quality and quantity of employment. Assure job security. Strengthen child and juvenile security; resolve the problem of child labour, homeless

<sup>6</sup> <http://mpi.gov.vn> (Socio-Economic Development strategy 2001-2010-Concretizing the development strategy).

<sup>7</sup> <http://mpi.gov.vn> (Socio-Economic Development plan 2006-2010), p iv.

<sup>8</sup> *The Comprehensive Poverty Reduction and Growth Strategy* (Approved by the Prime Minister at Document No. 2685/VPCP-QHQT, date 21th May 2002 ), p7.

<sup>9</sup> *The Comprehensive Poverty Reduction and Growth Strategy* (Approved by the Prime Minister at Document No. 2685/VPCP-QHQT, date 21th May 2002 ), p30,31.

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children, children in special circumstances, and especially children from households headed by women. Protect people living under special circumstances (disabled people, people affected by dioxin, the dependent elderly who live alone, people targeted by policy and other groups of people). Take care of and provide treatment to HIV/AIDS infected patients, drug addicts, etc. Develop strategies to prevent and alleviate natural disaster. By 2010, halve the number of people falling back into poverty due to calamities and other risks.

- *Gender equality, empowering women and ensuring children's rights:* Improve the quality of women's spiritual and material lives; improve their occupational skills. Create conditions for women to participate in and benefit fully and equally in all aspects of life: political, economic, cultural and social. Increase the participation of women in agencies, sectors and enterprises at all levels by more than 3-5 per cent in the next ten years. Ensure the rights of women to benefit from household assets by allowing them to register as co-owner of assets (same as for their husbands); ensure that the names of both husband and wife appear on land use right certificates before 2005.
- Encourage the building of cultured families based on enhancing the role of women as an authority figure in the family; adopt necessary measures to help women reduce the burden of domestic work (preparation of food/meals for families, transport, child care, etc.). Reduce violence against women and female children in the family as well as in society. Create favourable conditions to implement policies on child care and child protection, enforce the rights of children to ensure that they are able to live in a safe and healthy environment, to develop their physical strength and intellect, and to ensure that orphans and disabled children who live in difficult circumstances are provided with opportunities to study and play.

Concerned in United Nations Development Assistance Framework (UNDAF), the second outcome is Improved quality of delivery and equity in access to priority appropriate and affordable social and protection services (including: education, health, clean water, sanitation, nutrition, population, thuong tat and social security.)

The National Cooperation Framework on Promoting Decent Work (2006-2010) (NCFPDW) considers social protection provision to be one of four components and measures to reach decent work in Viet Nam.

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## Chapter 3

### Decent work opportunities and challenges in relation to social security

#### 1. *The demographic dynamic*

Social protection schemes should be planned on the basis of a thorough assessment of the full range of needs and of the costs of meeting them in a sustainable manner in the short, medium, and long term. Demographic trends have important implications for this process.

Demographic growth rates are declining in Viet Nam, but the total population is still huge – and young. Three central factors relating to population and affecting the demand for decent work and social security in Viet Nam are: the increase in the proportion of the working-age population – an advantage and source of pressure for decent work in Viet Nam; the large proportion of women of child-bearing age, especially those aged 20-24 who are at the height of their fertility; and the large rise in the proportion of the elderly in the population.

##### 1.1. Increase in proportion of population of working age

Over the past 20 years or so, Viet Nam has seen a sharp decrease in the dependency ratio, which measures the relation between the population of non-working age (aged under 15 and over 60) with labour force participants (aged 15–59 years). According to the General Population Census over the 1989-99 period, the dependency ratio decreased by 16 per cent, from 86 to 70 per cent. By 2006, this rate had declined further to 55 per cent (Table 1). This means that 100 labour force participants have to support 55 dependent people not of working age. This reduction is due to the fall in the dependency ratio of children.

Each year, about 1.3 million people enter the labour market. The proportion of the population of working age evident in Figure 3 shows a sharp rise from 50.37 per cent in 1979 to 64.5 per cent in 2006. This trend is expected to continue and to reach its peak (69.1 per cent) in 2019. This is a “demographic gift”, a “demographic dividend”, a good opportunity to develop and expand the labour force in Viet Nam. If Viet Nam is able to exploit the opportunity offered by a larger labour force, the demographic bonus can be made to drive higher rates of savings and greater investments, both in physical infrastructure and in the human capital of the young. A rise in investment rates can lead to capital deepening and productivity growth in terms of output per worker. The demographic dividend also offers an opportunity to increase women’s participation in the labour force.

However, this demographic gift also requires the creation of decent work and increases demand for social security, health care, education and poverty reduction for a large number of working people put under high pressure. This has clear implications for education, health, population, child protection, and labour market policies for the realization of human potential and the creation of opportunities for self-reliance, in order to transform the vicious cycle of poverty into a virtuous cycle of growth and human development.

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## 1.2. High proportion of women of child-bearing age

Among women of child-bearing age, especially high rates of fertility are seen amongst those aged 20–29, notably those aged 20–24 years (Table 2). In 2006, the proportion compared with the total population was 8.4 per cent, a fall of 0.4 per cent compared with 1999; however, with the total population now standing at 85 million, the numbers of women giving birth and the 1.5 million babies born annually are rather large. This trend will continue over the next decade owing to Viet Nam’s high birth rate in the past. This results in a great demand for social security in terms of future health-care. One other problem is that 70 per cent of the women bearing a child each year live in rural areas, where few have access to the social security system. In addition, the reconciliation of women’s reproductive role and their labour force participation has implications for social security in terms of reproductive health care, education, job training, employment, gender equality, and family services (contraception, child care, and access to credit, technology transferring in breed and farming) for these women.

## 1.3. Ageing of the population

*“The demographic gift becomes a burden as the population ages.”* Viet Nam’s population is very young: in 1999, the population aged over 60 years accounted for 8.1 per cent of the total population, in 2006 for 9.2 per cent (Table 3); however, the proportion of elderly people in the population is rising sharply. One of the most important indicators of ageing in the population is the decomposition of the dependency ratio into the elderly (65+) and youth (under 15 years) components. The proportion of the elderly in the population rose from 12 per cent in 1989 to 17 per cent in 1999, and to 27 per cent in 2006 (Table 4). In other words, the proportion of the elderly has increased rapidly over the past 20 years.

In accordance with traditions and customs in Eastern countries, the Vietnamese are very attached to their families and take care of and respect the elderly. Most old people in Viet Nam were born and grew up in hard conditions, fought in wars and participated in the reconstruction of the country. It is hard to look after the elderly, 80 per cent of whom live in rural areas, because of their increased numbers and the impact of a western lifestyle and the negative effects of market mechanisms. The population share of the elderly rises because of the increase in the population aged over 70 years and the tendency to fall in the population aged under 70: in effect, this means that the elderly are enjoying their pension for longer.

Two forecasts concerning Viet Nam’s population (a population estimate over the 1990–2015 period by the National Committee for Population and Family Planning; and the annual forecast by UNFPA) both show that, by 2015, Viet Nam will reach replacement-level fertility (approximately 2.1 children per women), and by 2020, an elderly ratio of 6.5–7.2 per cent. It is estimated that over the next 30 years, male life expectancy will rise by 5.2 years (from 67.4 in 2000 to 72.6 in 2029), female life expectancy will increase by 4.6 years (from 74.0 in 2000 to 78.6 in 2029). Average life expectancy will rise by about 1–5 years (rising sharply in first years and probably thereafter).

It is estimated that the number of persons aged over 60 years, will reach 16.49 million in 2029 (from 6.19 million in 1999), though the rate of increase will fluctuate.<sup>10</sup>

Between 1999 and 2029, the number of old people will rise by 1.4 per cent per year (approximately equal to the natural population growth rate), far lower than in the previous

<sup>10</sup> Calculated from *GSO: Population forecast (1999–2029)*, 2000.

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ten years (1989-99, when it was 2.9 per cent – twice the population growth rate). In the first decades of the 21st century, in fact, the number of old people in Viet Nam is expected to stall. The reasons are the decline in the birth rate in the 1940–45 period (because of starvation) and the rise in the number of deaths during the war of the 1970s. During the period, the ratio of old people was not high and the population of working age was at its height).

Between 2009 and 2019, a marked increase is expected in the number of the elderly (about 5 per cent per year, 4.5 times as much as the population growth rate over the same period). The ageing of Viet Nam's population is expected to accelerate from 2014–15. At that time the ratio of the elderly will be 10 per cent, and the median age (the age at which the population divides into two equal parts) will be 30 years. This is due to the post-war population boom that occurred in 1955–65.

In 2019–29, the elderly will keep increasing at the higher rate (5 per cent per year), and by 2029 there will be 16.8 million elderly persons, making up 17.8 per cent of the total population.<sup>11</sup>

*Regional differences in the elderly ratio:* differences between geographical areas result in inter-regional dissimilarities in the elderly ratio. Generally, in urban areas and deltas, the ratio of old people is higher than in mountainous, remote and far-flung areas. The highest population share of the elderly is in Red River Delta, the lowest in the Central Highlands and the North-east, which have the highest birth and infant mortality rates. The South-east has the lowest rates of birth and infant mortality of all the regions in Viet Nam. However, this region absorbs a large amount of immigrant labour, so its population structure is young. In short, these characteristics should be taken into consideration in regional social security.

*Increased numbers of old women:* in Viet Nam, in the over-60s age group the current male-female ratio is: 140 women for 100 men; as men die younger among the over-80s there are two women for one man. The main reason is a higher female life expectancy – on average, between four and six years. This characteristic should be taken into consideration when determining whether different retirement ages should be set for men and women.

An elderly population presents considerable problems in an underdeveloped economy like Viet Nam's, given its incomplete welfare state and insurance system, which have poor capacity to meet the increased demand for social provision for the elderly.

The social and economic consequences of ageing may be harsh, requiring major policy responses. For example, in Viet Nam:

- It is predicted that by 2029 there will be 16.5 million old people (accounting for 18 per cent of the total population). The high elderly ratio will put pressure on health-care, because expenditure on health-care for the elderly is 7.5 times as much as that on the younger, working population (aged 15–59 years).
- Because of the negative impact of industrialization and modernization, many young people migrate from rural to urban areas in search of work, leaving only women, children and old people living in the countryside. Moreover, old people in the rural areas have no health insurance or retirement pension. Consequently, it is hard to take care of elderly people in Viet Nam.

<sup>11</sup> Calculated from *GSO: Population forecast (1999–2029)*, 2000.

- The increase in the number of people aged over 70 creates a lot of pressure, because old people need help in their everyday activities.
- Ageing causes growing pressure on public services, pensions, and other social and economic consequences. The most important challenge is to prolong the working life and enhance the employment opportunities for older workers, renewing their skills and knowledge.

*The large rural population, the potential for urban–rural migration, and the poor:* More than 70 per cent of the population in Viet Nam lives in rural areas. Most poverty is in rural areas (though poverty is also increasing, in urban and in mountain areas). About 17 million people (20 per cent of the population) are poor. More women than men live in poverty and poverty increasingly affects older persons. Social divisions between ethnic groups are often intensified by differing poverty levels; and recently arrived immigrants tend to be poorer. The gap between rich and poor in Viet Nam is increasing. Further, the high levels of poverty in Viet Nam hold back the expansion of traditional social protection measures. The priorities of the poor are maintaining the source of their livelihood; securing food, shelter, and clothing; avoiding natural disasters; and maintaining the health of the breadwinner. They do not include, for instance, old-age insurance.

## **2. The labour market and employment**

### **2.1. Labour supply**

Another aspect of the demographic transitions described above is the fact that Viet Nam's already enormous labour force is expanding as the population grows (85 million people), giving a large labour force (45.6 million labour force participants in 2006). In Viet Nam, one million people enter the labour market each year, and 45.6 per cent of them are young workers. The labour force represents a huge potential for Viet Nam. In the past five years, the population has increased by 1.3 per cent per year and the labour force by 2.6 per cent per year, with over 1.3 million people reaching working age each year (Table 4).

These figures show that Viet Nam has a very large labour force; if the annual increase in jobs created is 1.4–2 per cent per year, then clearly some increase in the unemployed can be expected each year.

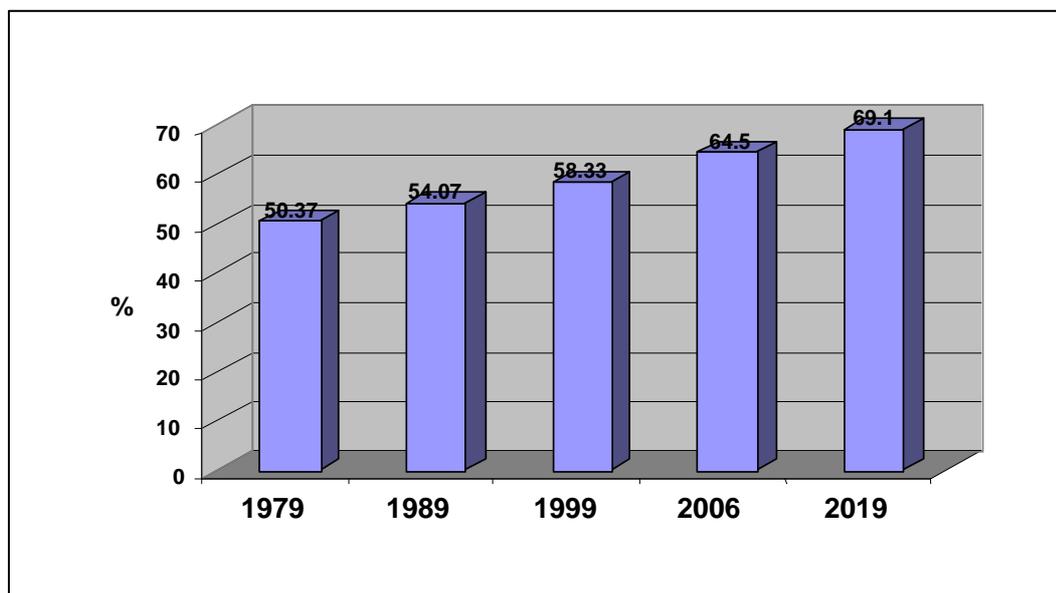
*The low quality of the labour force:*<sup>12</sup> The big challenge is low quality of the labour force in Viet Nam. Although the percentage of educated and trained workers is increasing over the years (21 per cent in 2003, 22.5 per cent in 2004, 25 per cent in 2005 and up to 30 per cent in 2007), it is much lower than the target of 2010: 40 per cent. Moreover, the education and training structure is not appropriate, which leads to an imbalance between vocational training and college/university (there are many more students than highly skilled workers). The quality of education and training is not adapted to labour market demand. As a result, many young workers cannot find jobs or must accept an informal-sector job.

*The youth labour challenge:* The youth labour force is huge (20.1 per cent of 44 million in the labour force), although the rate of labour force participation of this population group (15–25 years of age) is lower than for other groups. Young workers who have less work experience and fewer occupational qualifications are much more likely to be unemployed than adults (Table 4). Many young people have been forced to accept

<sup>12</sup> Vietnam Economic times, 2007–2008 Vietnam and Global Economy, p23.

inferior forms of employment relative to their level of education – this mismatch between education and employment represents a waste of human capital.

**Figure 3. Increase in the working-age population, 1979–2006, with projections to 2019**



Sources: 1979 General Population Census of Viet Nam; 1989 General Population Census of Viet Nam; 1999 General Population and Housing Census of Viet Nam; 2006: An investigation into the fluctuation of population, labour force and family planning on 1 April 2006; 2019 Population and Projections Database, Viet Nam, GSO, 2000.

*The women labour challenge:* Although the number of women participating in the labour market is increasing, they mostly do unskilled work, in difficult working conditions, with low productivity and wages (mainly in agriculture, the informal sector and self-employment – Table 5a). Most are employed in the private sector (82,7 per cent) and informal sector (70 per cent). In rural areas, workers are under-employed for five to six months of the year, and 70 per cent are women.<sup>13</sup> In addition, Vietnamese women have double roles: both economic and reproductive. The labour force participation rate of women aged 25-34 years is 85 per cent.<sup>14</sup> Rural women are especially burdened with housework, farming work and wage-paid work, if their husbands work far from home. Women workers are also vulnerable to losing their jobs for economic reasons and have to get one in the informal sector or work in hard, low-productivity and low-income activities. The reason for this situation is that female workers in Viet Nam is not very highly skilled compared with male workers (84 per cent of women workers have not received any training compared with 76 per cent of men).<sup>15</sup> Women also start work earlier than men (they have to stop going to school earlier than men), so their competitiveness in the labour market is lower in the medium and long run.

<sup>13</sup> Nguyen Nam Phuong, "Gender equity in labour force and employment " Labour-social Public house 2006, p82.

<sup>14</sup> *Fluctuation of population, labor force and family planning survey, April 1<sup>st</sup>, 2006*, Statistic public house 2007, table 3.12 page 45.

<sup>15</sup> Report in Labour and Employment and survey 1/7/2006, GSO2007

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*The labour migration challenge:* There is significant labour migration, both internal and external, amongst Vietnamese workers. According to the population survey, there were 486.5 immigrants in 2006, of whom 56.7 per cent migrated from urban to urban areas, and 39.9 per cent from rural to urban areas, with more female migrants (52.1 per cent) than male migrants (47.9 per cent). Of migrants aged over 15 years, 62 per cent participate in the labour force. More than 50 per cent of migrants aged 15–19 years participate in the labour force. For the 20–24 years age group, this percentage is 70 per cent; however the unemployment rate is 8 per cent higher in this group, which is higher than in the other age groups (Table 6). The employment of migrants is a considerable problem.

Increasing migration in Viet Nam raises the following issues for consideration in relation to social protection:

- *Protection of basic rights:* migrant workers' rights to organize and to bargain collectively are frequently denied by virtue either of their contracts of employment or agreements entered into by their governments. More than 20.7 per cent of migrants in Viet Nam work without a contract.<sup>16</sup> Sometimes the employment contract stipulates that a female migrant worker's employment is conditional on her not falling pregnant.
- *Conditions of employment:* migrant workers' incomes are lower than non-migrants'; on average migrants' income is VND 957.000 VND per month, compared with VND 1.212.000 VND per month for average non-migrants' income.<sup>17</sup> Migrants have to work harder, for longer hours and in more dangerous conditions.
- *Basic social services and access to services:* Migrant workers have difficulty in gaining access to bank credit, compared with non-migrants. Migrants usually work without any health insurance (64 per cent).<sup>18</sup> They have no access to education or social activities, and poor migrants are not eligible for social assistance schemes aimed at reducing poverty.

## 2.2. Labour demand

### *Economy-wide and low-quality patterns of growth*

In terms of employment generation, economic growth in recent years has generally been less "employment-intensive" in Viet Nam than it was in the 1990s and the early 2000s. For instance, employment grew at an average annual rate of under 2 per cent between 2006 and 2007, compared with 2.5 to 2.8 per cent between 1991 and 2005. This occurred despite more rapid GDP growth in the latter period (8.32 per cent versus 7.5 per cent), employment elasticity decreasing over time (Table 7). In this period, job creation was not equivalent to economic growth for the following reasons: firstly, this change was due to the expanding labour force and to a shift away from labour-intensive agriculture to services and more export-oriented, capital-intensive manufacturing. Domestic reforms also played a role: the trend toward privatization of state-owned enterprises resulted in a significant release of labour through redundancies. For instance, the percentage of agricultural labour decreased from 73 per cent in 1990 to 54.6 per cent by 2007, while the rate for industrial and services employment increased from 11.2 to 19.6 per cent and from

<sup>16</sup> Migration survey in Viet Nam 2004, main results, Statistic public, pp.98, 107.

<sup>17</sup> Migration survey in Viet Nam 2004, main results, Statistic public, pp.98, 107.

<sup>18</sup> Migration survey in Viet Nam 2004, main results, Statistic public, p. 121.

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15.7 to 25.9 per cent, respectively, in the same period. Employment in state-owned enterprises represented only 9 per cent in 2007 compared with 11.6 per cent in 1990 (Table 8). Moreover, though Viet Nam's economic growth is considerable, it is not of high quality; the input capital is high but not effectively used, so job opportunities decrease (employment elasticity decreases over the years) (Table 7). Although Viet Nam's unemployment rates remain low (Table 9), under-employment (in state-owned organizations and rural areas) is increasing.

Another issue is whether the jobs being created in Viet Nam are of sufficient quality. Some relevant questions raised in this context are whether workers' lives and livelihoods are improving in a meaningful way; whether their incomes are sufficient to support them and their families; whether they have formal social protection should they become ill or lose their job; and whether they are benefiting from safer workplaces, expanded rights and greater voice at work. These issues are well illustrated in informal-sector employment. Lately, there have been many isolated studies on the informal sector and the national results are that about 20 per cent of the whole economically active population in Viet Nam works in that sector. It is plausible to argue that the informal sector has created jobs for an estimated 7–8 million workers. It is also important to note that it provides additional jobs and thus offers income-generating opportunities to many people whose jobs do not generate enough income to support their families, e.g. teachers, service workers. Moreover, in the rural areas, millions of farmers are able to earn extra income through informal activities. The living conditions of farmers are so hard that in many regions their monthly per capita income is roughly VND 16,000 (\$1.30). This is especially true in mountain areas where people usually live in great poverty. The informal sector not only absorbs a large proportion of Viet Nam's labour force, but it provides services to millions of Vietnamese. It will remain an important permanent sector in Viet Nam's economic life and structure. Studies show that each year about one million young persons start looking for jobs, and at this stage there is no possibility for Viet Nam to create so many new jobs. The only solution will be the expansion of the informal sector in both urban and rural areas, and gradually improving its quality. In fact, regarding the urban areas, the dynamism and the possibilities that open up through informal economic activities give much hope to the urban poor. The informal sector works using simple technology, with non-fixed working hours. The place of work may be fixed, but in many instances it is ambulant. It is not systematically organized and the workers are not covered by any social insurance system. Their activities are so flexible that they usually do not need local authority permits.

Currently, 55 per cent of the Vietnamese labour force is employed in agriculture, forestry and fishing, with low productivity (VND 9.6 million per person per year at constant 1994 prices). These farmers were affected by the high inflation of 2007, and received no assistance. Although productivity in construction industry and services is higher than agriculture (VND 58 and 39.5 million by turn/person/per year at constant 1994 prices), this is still low because of low technology, low skills and inappropriate work organization. This leads to growing income instability.

### **3. *Fiscal situation in Vietnam***

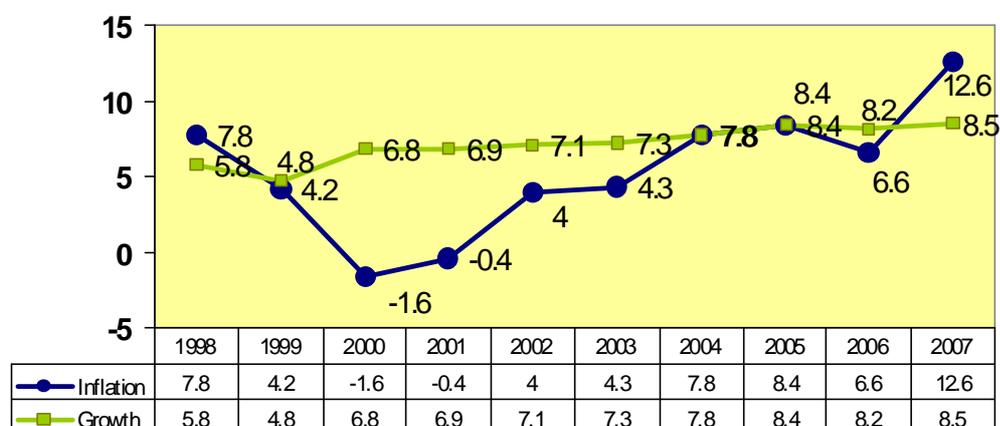
With massive capital inflows in 2007, Vietnam's economy grew rapidly. The monetary authority purchased large amounts of foreign currency to prevent the appreciation of the Vietnam dong, and eventually failed to absorb the additional liquidity through the sale of bills. The growth in money supply led to a rapid expansion in credit, driven mainly by joint stock banks. The public investment take over half of investment capital (VND 40000 billion in 1999, VND 60000 billion in 2003 and VND 75000 billion in 2006) with low profit generation (3 per cent). Inflation therefore accelerated and a property bubble developed. Ballooning imports of consumption goods added to an already large trade deficit, mainly associated with purchases of capital and intermediate goods.

Investments by economic groups and general large corporations outside their core business fuelled this asset price frenzy.

In response to this general deterioration of macroeconomic conditions, measures were taken to reduce the growth rate of credit, with the objective of bringing it down to 30 per cent by the end of the year. The stabilization package announced also included cutting government expenditures, stopping inefficient public investment projects, postponing new ones, and allowing greater flexibility of the exchange rate. The GDP growth target for 2008 was revised downwards, from 8.5-9 per cent to 7 per cent.

Given this situation, and although Vietnam's wage reform in 1993 had created a major change in workers' incomes (the state-owned enterprise worker's average income was over VND 2 million (current prices) in 2007, twice as much as in 2000 and increased by 12.6 per cent in 2006), workers' incomes have not improved much because of high inflation rates in Vietnam (in 2007 it was 12.63 per cent) (Table 10 and Figure 4).

Figure 4: Inflation in Vietnam, 1998-2007



Source: ADB (2007). "Key Indicators 2007: Inequality in Asia"; MOF 2007 "2007 Vietnam Budget".

#### 4. Social security in Viet Nam

In Viet Nam, the social security system comprising the mechanisms, policies and measures of the Government and society, and the supply of community health-care services through a network of social insurance, health insurance and social aids aiming to help all members of society deal with risks and the socio-economic shocks that expose them to the reduction or loss of their income because of sickness, pregnancy, incidents, vocational diseases, age-related incapacity reasons in labour force, or for some other objective reason that traps them in privation. The basic principles of a social security system are: (i) orientation towards full "coverage" of all members of a society; (ii) secure financial sustainability; (iii) secure stability of organizational institutions; and (iv) the State is the sponsor of the system. Social security's main functions are risk prevention, risk mitigation and recovery from risks.

Social protection consists of six major elements:

1. Labour market interventions: Labour market interventions focus on providing protection for the category of the poor who are able to work. They vary between active and passive programmes: active programmes include training and skills development and employment counselling; passive interventions include

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unemployment insurance, income support and changes to labour legislation, for example, establishing a minimum wage or safe working conditions.

2. Social insurance schemes are contributory and the beneficiaries make regular financial contributions in order to belong to a scheme that will reduce risk in the event of a shock or risk. These include retirement, sickness, pregnancy, and employment-related accidents. However, sickness is mainly covered by health insurance policies, therefore there is a need to extend to all agricultural workers, self-employed farmers, craftsmen, artisans other self-employed persons, and civil servants, Unemployment insurance should also be available to unemployed workers. In Vietnam social insurance is available mainly to workers in the state sector. Less than 2 per cent of GDP is devoted to social insurance (Table 5d).

To improve the effectiveness of social insurance policy, on 29 June 2006, the Social insurance law was passed by the Ninth Convention of the 11th Legislature. The law includes provisions on compulsory social insurance, voluntary social insurance and unemployment insurance.

Voluntary social insurance is a new scheme that will start on 1 January 2008. The scheme provides a monthly pension, one-time social insurance, and survivorship.

Unemployment insurance includes: unemployment allowance, vocational training allowance, job search support. The scheme will commence on 1 January 2009.

3. Social health insurance. Health insurance regulations in force in Vietnam since 1992 include two schemes: compulsory health insurance and voluntary health insurance
  - Compulsory health insurance has been extended to beneficiaries of social assistance, the poor, dependants of army and public security officers, and ex-servicemen.
  - Voluntary health insurance is open to all except those covered by the compulsory health insurance scheme. However, contributors must adhere to principles on contribution responsibility; benefits are paid by the health insurance authority to contributors.
4. Special social support. The coverage of special social support in Vietnam is being extended. Before 2000, only three groups were covered: unattended elderly people; seriously disabled people; and abandoned children and orphans. Since 2000, the scheme has been extended to: people aged over 90 years; HIV/AIDS-infected, poor people; families with two or more disabled members who are unable to look after themselves; and adopters of orphans and abandoned children.
5. Social assistance is provided, either in cash (either unconditional, for example, social pensions or disability allowances; or conditional, for example, receipt of the help is dependent on children attending school or a health clinic); or in kind as non-cash resources, such as food, transferred to vulnerable individuals or households; these transfers can be unconditional (for example, monthly social pensions or cash benefits for elderly people (aged over 85 year).
6. Support for the poor. This comes in two forms: (1) For poor communes: besides economic growth, improving access of the poor to basic services such as education, health-care, employment, clean water, housing, infrastructure, etc are important components. (2) For poor households: helping the poor to develop their productive activities (via a micro-credit); enabling their access to basic services, including health-care, education, housing, water supply and legal aid; schemes providing

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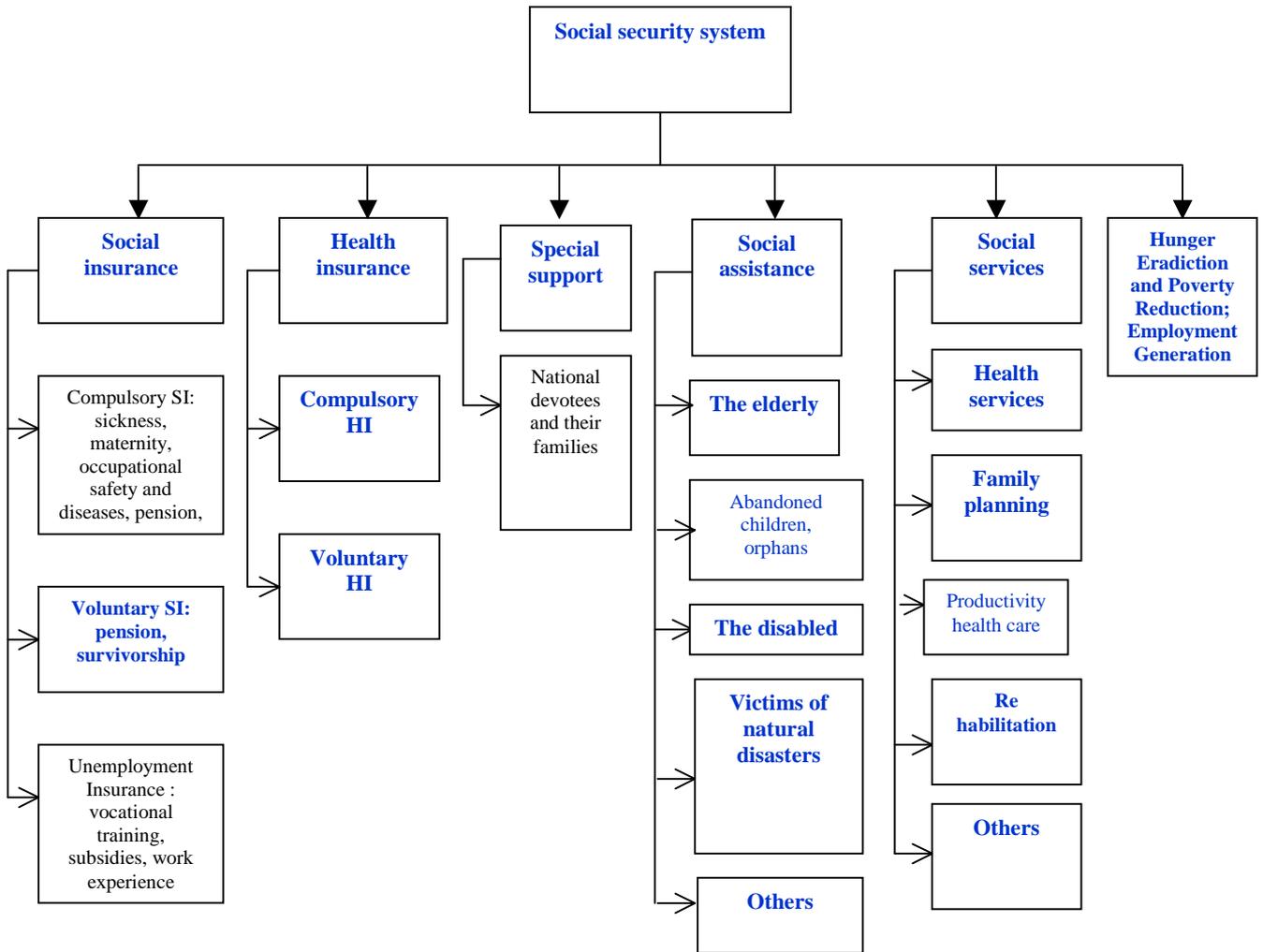
subsidies enabling the poor to participate in mainstream services available to the non-poor, e.g., education subsidies or health insurance.

Social insurance in Viet Nam is funded in one of two ways: (i) the contributory social protection schemes, which include social insurance and health insurance; (ii) the non-contributory social protection schemes, that receive funds from several sources, e.g., the government budget, and contributions from enterprises, the community, micro-credit schemes.

In Viet Nam, the social insurance and health insurance schemes are the main contributory schemes (see Chapter 4), with a small but declining number of schemes operating under the National Provident Fund (NPF) model. Social insurance schemes in Viet Nam provide earnings-related defined benefits to insure against loss of income resulting from old age, temporary and permanent (occupational and non-occupational) disability, and survivorship. Social insurance schemes also provide sickness and maternity and family benefits. Further cash benefits, such as severance pay – and also sickness and maternity benefits – are not required under social security legislation, but provided under the statutory aegis of a national labour code. In both the social insurance and health insurance contributory models, stable patterns of formal employment are necessary for coverage a priori. But formal-economy employment has actually declined. A million workers are thought to be “under-employed” in informal-economy activity. Moreover, these estimated figures do not take into account the family members and other dependants of these unemployed and under-employed workers. As such, it is estimated that only a small minority of the world's population enjoys coverage under contributory or non-contributory social security schemes.

The “self-employed”, who comprise a significant and growing element in the Vietnamese labour force, and an often-large number of employees in very small enterprises are commonly statutorily excluded from membership of contributory social security.

Figure 5. Viet Nam's social security system



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## Chapter 4

### Contributory social protection schemes

#### 4.1. Social insurance

##### 4.1.1. Compulsory social insurance

In Viet Nam, social insurance is an important policy of the Communist Party and the State and the most important pillar of the social security system. The compulsory social insurance scheme officially started on 1 October 1995 for all establishments in the public and private sectors employing more than ten workers. Social security coverage has now been extended to all registered private enterprises. The funding of the Social Insurance Programme relies on contributions by employers (15 per cent of the payroll) and employees (5 per cent of his/her salary). The programme includes a variety of schemes making provision, for example, for retirement pensions, employment-related accidents and industrial diseases, sickness benefits, maternity benefits, and survivors' benefits. Participation in the compulsory pension scheme has grown steadily over the years, albeit from a low base (Figure 6). Total social security spending on pensions and survivorship for persons retired prior to 1 October 1995 (1.46 million people) is VND18,000 billion per year. According to Viet Nam Social Insurance, by the end of 2007, 6.97 million people were covered by compulsory social insurance, representing a total social insurance premium of VND 23,573 billion (USD 1.46 billion). Contributors to Viet Nam's Social Insurance represent 63 per cent of the population obliged to contribute to social insurance; 2.1 million persons are beneficiaries of social insurance, and total expenditure is VND 10,780 billion (USD 0.67 billion).

Viet Nam's compulsory social insurance covers only the formal and the state sectors; as a result, it is estimated that only 25 per cent of the labour force is covered by social security. According to Viet Nam Social Insurance, only one quarter of 44 million in the labour force are covered by compulsory social insurance, and only 15 per cent of non-state enterprises (7,000 out of 49,000) contribute to social insurance for nearly half of their workers. The remaining workers are not covered by the insurance system. The reason given by the employers for this situation is unstable business conditions; the reasons given by the employees are their unawareness and lack of information about their rights at work, and their need to be employed and earning a living.

To improve the effectiveness of the country's social insurance and to enforce existing regulations on social insurance and supplement social insurance policy in order to respond to the international integration process, the Social Insurance Act was passed on 29 June 2006 by the Ninth Convention of the 11th Legislature. The Act includes provisions on compulsory social insurance, voluntary social insurance and unemployment insurance. Compulsory social insurance covers the following contingencies: sickness, maternity, occupational accidents and diseases, pensions, and survivorship.

##### 4.1.2. Voluntary social insurance

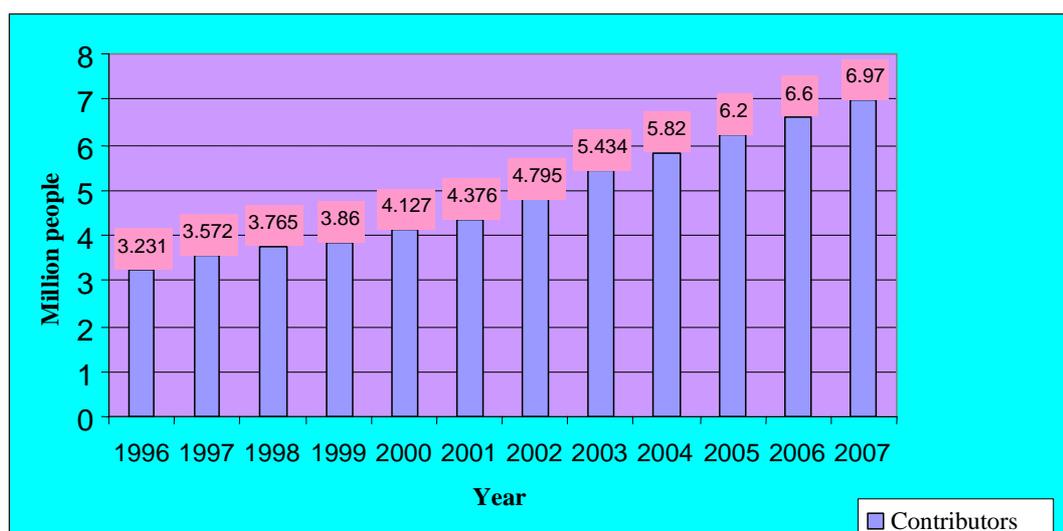
Voluntary Social Insurance is a new scheme that started on 1 January 2008. The scheme makes provision for monthly pensions, one-time social insurance, and survivorship. In Viet Nam there are currently 44,385 million people of working age, of whom 11,106 million have formal employment contracts and therefore compulsory social insurance. Therefore, potentially there could be over 33 million people contribute to voluntary social insurance, three times more people than those contributing to compulsory

social insurance. However, currently there are few voluntary contributors. A barrier may be the fact that social security contributions are high (employer and employee contributions amount to 20 per cent of average wages). A contribution rate of 20 per cent is difficult to implement amongst informal-economy workers.

#### 4.1.3. Unemployment insurance

Unemployment insurance includes: an unemployment benefit, a vocational training allowance, and job search support. The scheme will commence on 1 January 2009.

**Figure 6. Contributors to compulsory social insurance, 1996–2007**



#### *Problems facing social insurance*

- The research, establishment and issuance of relevant legal documents are still slow and incomplete. The adjustment of social insurance entitlement policies faces many difficulties.
- The number of contributors to social insurance is still small.
- Notably, voluntary social insurance contributions are not possible for various contingencies.
- There are constraints on balancing the Social Insurance Fund in the long term.
- The institutions implementing social security lack adequate high-level professional skills and capacity.
- Coverage of compulsory insurance remains limited:
  - 6.97 million people are actually covered by social insurance of the 13 million workers eligible for compulsory social insurance.
  - Workers in the non-state sector account for only 20–30 per cent of contributors to social insurance.
- Voluntary social insurance and unemployment insurance are new policies; their implementation will face difficulties in the initial stages.

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## *Prospects for social insurance*

- Establish a development strategy to extend the coverage of the compulsory social insurance system, notably to waged workers in the private sector to reach the target of 90 per cent of those eligible actually contributing to compulsory social insurance by 2015. Collection of contributions to compulsory social insurance must comply with the law, in order to prevent losses, the build-up of outstanding debt, and to ensure the future balance of the fund.
- Voluntary social insurance started on 1 January 2008 and unemployment insurance will start on 1 January 2009.
- Improve the investment efficiency and security of the Social Insurance Fund to confront future imbalances in the social insurance funds, resulting from the ageing of the Vietnamese population.

## **4.2. Health insurance**

The Health Insurance (HI) Regulations issued on 15 August 1992 provide compulsory health insurance for employees in enterprises and socio-economic organizations, and to civil servants, pensioners and persons retiring early owing to loss of work capacity, veterans, as defined in Decree 28/CP issued by the Government on 29 April 1995. The Government has issued a number of decrees amending these Regulations: Decree 58/1998/ND-CP was issued in 1998, and Decree 63/2005/ND-CP in 2005, amending and complementing health insurance policy in response to practical requirements.

Initially, health insurance consisted of two schemes: one compulsory for workers in the formal sector; and the other voluntary. Under Decision 139, in 2002, to finance the health costs incurred by the poor, by ethnic minority groups in six northern and five highland provinces, and by people living in difficult communes covered by Programme 135. In 2005, it was decided that public health facilities would provide health-care free of charge to children below six years of age.

The performance of health insurance is presented in Table 12 and Figure 7. By the year 2007, according to Viet Nam Social Insurance Fund, health insurance covered 3.68 million people, of whom 25.8 million were in the compulsory scheme (15.3 million in health insurance for the poor) and 11 million in the voluntary scheme.

### **4.2.1. Compulsory health insurance**

The compulsory health insurance scheme is mainly targeting the formal sector. It covers mainly civil servants, workers in SOEs and those in relatively large private-sector firms. Compulsory HI has been gradually extended to beneficiaries of social assistance, the poor, dependants of army and public security officers, ex-servicemen. Initially, only enterprises with ten workers or more were required to join, but this size threshold was eliminated in 2005. Members of the compulsory health insurance scheme are entitled to both out-patient and in-patient treatment at all levels. This includes laboratory exams, X-rays and other diagnostic imaging procedures, as well as drugs listed as reimbursable. The health insurance fund even covers expensive high-tech services such as Magnetic Resonance Imagery, hemodialysis and open-heart surgery. Insured patients are eligible for health care provided not only at public health facilities, but also in private units that have contracts with the health insurance agency. The amounts and responsibility for compulsory HI contributions are specified for each target group, as follows:

- 3 per cent of an employee's salary, 2 per cent being paid by the employer and 1 per cent by the employee;

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- 3 per cent of the pension of a retiree paid by the social insurance authority;
  - the State buys HI cards at the level of 3 per cent of the minimum wage and delivers them to veterans and other special groups;
  - a basic rate of HI contribution for the poor is defined by the Prime Minister and adjusted every year, to ensure balance between contributions and payments for health services;
  - there is a 20 per cent co-payment for all members except social priority groups and pensioners. The compulsory health insurance scheme covers contributors only, not their dependants. Insured workers are offered a significantly discounted rate to enrol their dependants, as long as all members of the family are covered (to prevent adverse selection).

So far, the State has played an important role in funding compulsory HI (contributing almost 50 per cent of the total revenue of compulsory HI). The rate of state payment into the HI fund has tended to increase recently (44.64 per cent in 2004 and 48.54 per cent in 2006).

In 2006, state-sponsored contributors to compulsory HI accounted for approximately 83 per cent of the total number of contributors. This trend has tended to increase in tandem with the reform of policy for veterans and disadvantaged people.

#### 4.2.2 Voluntary health insurance

Voluntary HI is open to all, other than those covered by the compulsory HI scheme. However, contributors, must respect their obligation to contribute, for benefits to be paid by the HI authority to the contributors.

Different pilot schemes have been developed to encourage households to participate in the voluntary health insurance scheme. For example, in Hue, the Women's Union collaborated with the Viet Nam Social Security agency.

The voluntary health insurance scheme faces serious problems, such as: high levels of premium, a lack of trust in the scheme, the attitudes of health-care staff, the complexity of administrative procedures, and risks of moral hazard and adverse selection.

In the first four months of 2008, although the voluntary HI participants reached 1.6 million, i.e. higher than the number of the whole of 2007, the deficit of voluntary health insurance stood at 151,99 million VND owing to: (1) low health insurance fees; (2) most voluntary HI participants were sick, and (3) the health insurance fund even covered the use of expensive high-tech services and drugs, sometime because of distrust of the doctor or the patient.

#### 4.2.3 Free health card for children and the poor

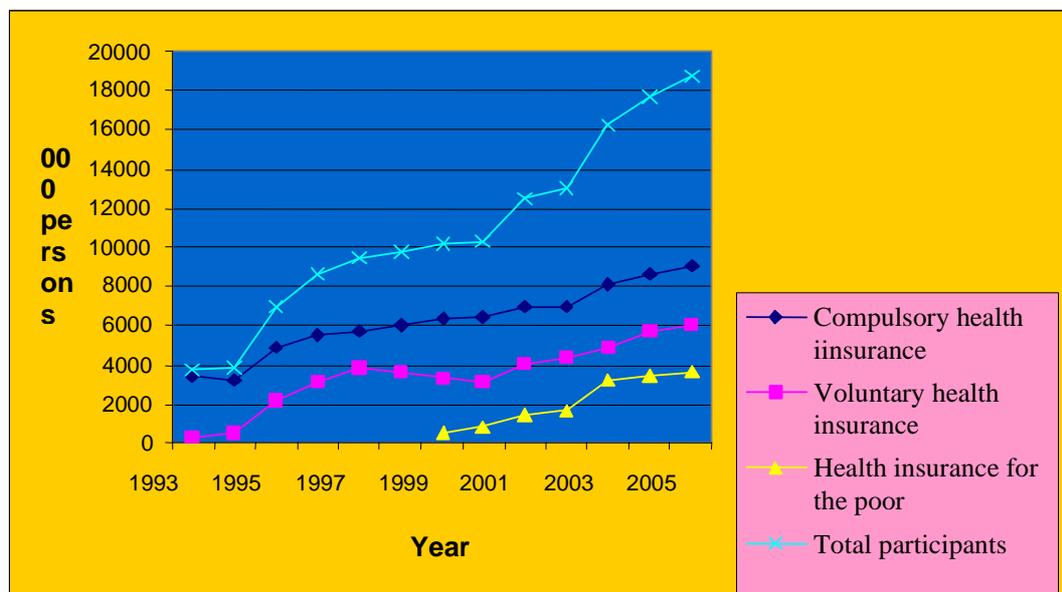
In 2002, Viet Nam introduced the Free Health Card for the Poor (HCFP) scheme, as part of the Hunger Eradication and Poverty Reduction (HEPR) programme. Under this scheme, the poor are given a fully subsidized health insurance card that covers a comprehensive package of services. The Health Care Fund for the Poor is financed from the state budget, ensuring a minimum of 75 per cent of the fund's total value; the remainder is funded by local budgets and contributions from national and international organizations.

The initial allocation, out of the central budget, was VND 50,000 per annum per beneficiary. The Fund is responsible for buying health insurance cards for the poor with a premium of VND 130,000 per person per year or reimbursing actual health care expenses incurred by them.

A partial subsidy would also be extended for the near-poor to register. In late 2007, the decision was made to support half of the health insurance premium for this group. Several provinces had already embraced this approach and were using their own resources to top up the HCFPs and support participation by the near-poor in the health insurance scheme.

However, some problems have arisen. The targeting mechanism is complicated and some poor people (such as migrants) are not entitled to free health cards. So far, only 20 per cent of eligible households have been granted a free health card, with strong variations between provinces. Finally, it appears that the quality of health care provided to free health cardholders is sometimes inadequate.

**Figure 7. Health insurance participants, 1993– 2005**



The health insurance scheme in Vietnam faces a number of problems:

1. Limited coverage of HI;
  - low coverage;
  - most contributors are sponsored by the State to participate in compulsory HI;
  - workers in the non-public sector have not been encouraged to contribute to compulsory HI;
  - low sustainability of the funding capacity for HI.
2. Constrained health diagnosis and quality of treatment. The quality of health services remains low, especially at local level, in mountainous and

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remote areas: poor infrastructure, shortage of equipment, limited capacity of health workers.

3. Weak legal framework for health insurance.
4. Impractical in rate of contribution.
5. Instability and lack of monitoring of HI-financed health-care results in abuse of HI, which is one of the causes of HI funds imbalance.

Prospects for health insurance in Viet Nam:

- Extension of HI coverage:
  - HI coverage reached 30 per cent of the population in 2005, and will be extended to 60 per cent of the population by 2010.
  - Compulsory HI for students and school children – their families pay most of the contributions, with the State providing subsidies to certain target groups. This policy will result in a further 21 million people being covered (including those from poor families, ethnic minorities, and veterans' families who are already subsidized by the State for the purchase of HI cards).
  - Consider the development of HI for dependants of waged workers who are covered by compulsory HI, and complete wage and salary policy for these waged workers by incorporating the HI contributions of their dependants into their salaries.
  - Extend the coverage of voluntary HI by providing subsidies to farmers to purchase HI cards; in the first instance, the State should provide HI card subsidies to those living near the poverty line.
- Revise the state budget utilization mechanism in health services, in order to shift state support from the public health institutions to beneficiaries, by helping the latter to buy HI cards; and allowing beneficiaries to opt for health-service providers, either public or private. This would provide a fundamental solution to develop coverage of HI.
- In addition to extending the coverage of HI, adjustments should be made to the rates of contribution and to services. The current rates of contribution in both compulsory and voluntary schemes are too low, especially in relation to increasing benefits and services.
- Both public and private health infrastructure must be improved to enhance the quality of health-care for contributors to HI.

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## Chapter 5

### Non-contributory social protection schemes

Non-contributory social protection in Viet Nam includes the following components: special aids, social assistance, poverty reduction programmes, micro-insurance and micro-credit.

#### 5.1 *Special aids (social support)*

*Achievements of the special aids programmes include the following:*

- An equal or higher average standard of living was secured for households affected by these programmes, compared with the standard of living of residents in the same area.
- Gradually completed preferential legislation recognizing outstanding public servants and other social leaders.
- Timely amended the policies on allowances for deserving people when there were changes to average living standards and to the minimum wage.
- Between 1996 and 2005, over 8 million persons were entitled to privileged policies; monthly subsidies were provided to approximately 1.5 million persons.

*Challenges to the special aids programmes include:*

- Uncertainty about eligibility under the special aid policies is relatively common at the local area level.
- The design of the special aid system is relatively complicated, involving too many policies and procedures and proving very difficult to manage and monitor for verification purposes, and to approve the payment of subsidies.
- In addition to special programmes, the poor state of individual files leads to difficulties in determining eligibility for benefits.

#### 5.2 *Social assistance policy*

The various social assistance programmes developed in Viet Nam include the following:

- Special cash transfers paid to war veterans and invalids and to families involved in the revolution and the war (1.4 million people).
- A social guarantee fund for regular relief.
- A contingency fund to head off pre-harvest starvation and for disaster relief.
- The Hunger Eradication and Poverty Reduction (HEPR) programme.

Social assistance in Viet Nam is expanding its coverage: before 2000, only three groups were covered: elderly people; seriously disabled persons; and abandoned children and orphans. Since 2000, the programme has been extended to four more groups: people

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aged over 90 years; HIV/AIDS infected poor people; families with two or more disabled members who cannot look after themselves; and adopters of orphans and abandoned children.

In the six years from 2000 to 2005, the number of beneficiaries of social assistance doubled from 175,355 to 416,000, accounting for 36.35 per cent of the eligible population in 2000 and 52 per cent in 2005, respectively. This percentage was expected to rise to 55 per cent in 2007.

Social assistance policy is regulated by Government Decree No. 27/2007/ND-CP, dated 13 April 2007, on policy on coverage of social assistance, in which the amount of benefit is adjusted for each period to ensure the minimum living standards of beneficiaries (for example, each beneficiary administered by a communal authority received VND 45,000/person/month in 2000, VND 65,000/person/month in 2004 and VND 120,000/person/month in 2007). The Government decentralized to local authorities the authority to set the specific benefits rates for different types of beneficiary in line with local socio-economic conditions, but not less than the minimum level set by the State.

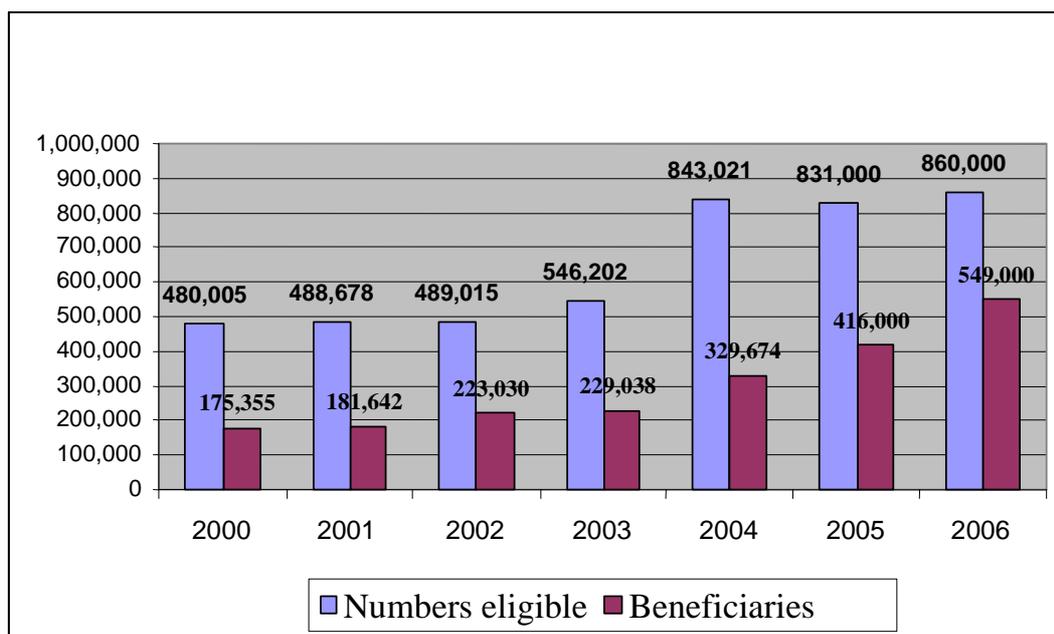
In addition to providing state funding for social assistance, the Government encourages the mobilization of communities to support vulnerable groups. Infrastructure for social assistance has been developed by the State, as follows: by the year 2007, there were: 317 social assistance centres (182 centres established by the State) with 3,708 staff; 100 centres managed by social organizations, 18 private ones and 17 centres run by the church; and 27,000 people were being cared for in social assistance centres.

#### *Challenges for social assistance*

The relationship between social equality and the growth in social assistance policies entails some disadvantages:

- low coverage;
- limited impact from social assistance benefits on living conditions;
- limited financial resources available for social assistance because of weak financial mechanisms.

**Figure 8. Beneficiaries from social assistance, 2000–06**



*Prospects for social assistance policy*

- Local authorities’ responsibility for providing social assistance to target groups should be increased.
- The rate of social assistance should be revised in response to socio-economic conditions and to ensure minimum living standards to beneficiaries.
- Social assistance policies should be closely linked to other social security policies, including social insurance, special support, health insurance and unemployment insurance policies.

**5.3. Protecting the informal sector: Micro- and area-based schemes**<sup>19</sup>

5.3.1. The insurance sector

Life insurance products from private insurance companies are not appropriate for low-income households, as the minimum monthly premium (VND 84,000) is too high.

With a minimum premium of VND 2,800 a year, some BaoViet life and non-life insurance products do appear appropriate to low-income households. The group has faced serious difficulties in livestock insurance and is now trying to diversify its activities. However, Bao Viet does not offer agricultural insurance products besides industrial crop insurance.

<sup>19</sup> An action research on risk managing financial services available in Viet Nam, ILO–MOLISA project “Extension of microfinance and micro-insurance to informal women workers”.

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### 5.3.2. Savings

In the formal public sector, commercial banks, including the Viet Nam Bank for Agricultural and Rural Development (VBARD), do not offer savings products appropriate to the rural low-income market. Attempts should be made to establish whether the Social Policy Bank (SPB) and the Viet Nam Postal Savings Services Company (VPSC) offer appropriate products. VPSC savings activities in rural areas have so far been limited. It would be interesting to explore the potential of VPSC to provide savings services to rural low-income households.

In the private sector, banks focus on the middle-to-high income population and are not interested in low-income households with limited savings capacity. PCFs also appear to cater mainly for middle-income households.

Semi-formal organizations (such as microfinance institutions and women's union microfinance schemes) have been successful in offering savings facilities to low-income households. However, these often require compulsory regular saving. The few savings schemes that are not compulsory also present problems, for example, households must sometimes wait up to 15 days to gain access to their savings.

A variety of informal savings groups are in operation and their operations can provide useful information on the needs of low-income households, as well on their capacity to save. Lessons from these informal savings groups should be applied to microfinance institutions.

### 5.3.3 Emergency loans

Public and private banks are not interested in providing emergency loans to low-income households, the main reason being the high perceived risk of such loans.

Some microfinance institutions (MFIs) have been providing supplementary or multi-purpose loans that can serve the purpose of emergency loans. However, these loans lack the flexibility needed to serve as emergency loans so, as a result, MFI clients still rely on money-lenders as well as family and friends.

Only pawnshops and money-lenders provide real emergency loans (loans disbursed immediately, with simple procedures). Lessons from their operations could be applied to MFIs interested in improving or developing emergency loans.

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## Chapter 6

### Poverty alleviation in Viet Nam

#### 6.1 *Progress in poverty reduction*

There has been significant progress in reducing extreme poverty, but millions remain vulnerable. The recorded poverty rate fell from 58.1 per cent in 1993 to 19.5 per cent in 2005 based on the international poverty line.<sup>20</sup> According to the Vietnamese poverty line, poverty decreased from 30 to 7 per cent in the same period.<sup>21</sup> Over the last ten years Viet Nam made progress in poverty alleviation, the number of poor households has been reduced by two-thirds and the incomes and quality of life of the poor have improved. Conditions in the poor communes, notably those facing particular difficulties, have significantly improved, especially regarding infrastructure. However, poverty rates remain high, and extreme poverty remains heavily concentrated in remote, isolated and ethnic-minority regions. Gaps between rich and poor and disparities between urban and rural areas are increasing. Job growth is inadequate to absorb the 1.4 million workers expected to join the labour force each year. The poor also have difficulty gaining access to basic social services such as education, health-care, and employment.

The sustainability of poverty reduction achieved in some regions is not certain and many households may still be vulnerable to falling back into poverty for various reasons such as crop failure, cattle disease, unemployment, illness (including HIV/AIDS), economic crisis, etc. Vulnerability to poverty may be increasing in Viet Nam because of economic risks (high inflation, increased food prices, and gas and oil prices, etc.) and environmental risks (floods, bad winter weather and sickness) in recent years. Despite the improvements in overall welfare, 51 per cent of all households and 86 per cent of urban households are worse off after this price rise.<sup>22</sup>

Addressing the most extreme forms of poverty will require programmes and policies tailored to specific regions, localities and groups of people. It will become increasingly important to help people stay out of poverty, as poverty reduction strategies will gradually give way to social policy strategies to address life risks, such as ill health, disability, old age and the costs of having and raising children.

Around 90 per cent of all the poor in Viet Nam live in rural areas, as is to be expected from the country's economic growth dynamics, with manufacturing and services activities concentrating in major urban areas and their neighbouring provinces. Poor households in Viet Nam are traditionally employed in the primary sector, with agriculture, fisheries and forestry being reported as the primary occupation of 84 per cent of all poor households in 2004. In short, the rural-urban gap has been consistently growing, whether measured by expenditures or social indicators. This suggests an area for policy intervention. However, progress in poverty reduction has been quite uneven at regional and provincial levels. Rates of households in poverty are high in remote and mountainous areas (Table 13). Ethnic minorities made up 13 per cent of the population but 36 per cent of poor households

<sup>20</sup> General Statistics Office, Viet Nam Living Standards Survey.

<sup>21</sup> Viet Nam's 2005 Socio-Economic Development Plan.

<sup>22</sup> World Bank's report: "An Update on Vietnam's Recent Economic Developments", 6/2008, p5.

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in 2004.<sup>23</sup> Poverty affects more women and girls than men and boys: 70 per cent of the poor are female. The rising trend in this inequality perceived in 1998 may have been confirmed, according to preliminary estimates from the Viet Nam Household Living Standards Survey (VHLSS 2002) data. Every major traditional indicator of inequality suggests it has increased since 1998, with a Gini coefficient for consumption expenditure in Viet Nam in the vicinity of 0.37 in 2002 and 2004, up from 0.35 in 1998 and 0.33 in 1993. This increase in inequality as measured by the Gini coefficient is especially worrisome in light of Viet Nam's low per capita income. Non-food expenditure inequality has increased markedly to 0.49, confirming increasing disparities in expenditure and income patterns. The share of the poorest households in total expenditure also continued to fall between 1998 and 2004. In 1993, per capita expenditures of the 20 per cent richest households were five times those of the 20 per cent poorest households (VND 2 million against VND 0.4 million or an *absolute* difference of VND 1.6 million in January 1993 prices); this ratio rose to 6.3 in 2004 (VND 5.5 million against VND 0.9 million or an *absolute* difference of VND 4.6 million in January 1993 prices). Accordingly, the share of the richest group in the country's total expenditures rose from 41.8 per cent 1993 to 44.7 per cent of 2004, while that of the poorest group decreased from 8.4 per cent to 7.1 per cent during the same period.

## **6.2. Decent work in Poverty Reduction Programmes**

### **6.2.1. Progress**

Improving the quality of growth and enhancing the participation of the poor in the growth process are two principal solutions in the Poverty Reduction Programme in Viet Nam. In addition, a new challenge to poverty reduction is the emergence of the "new poor" in Viet Nam. One of the causes is linked to the urbanization process, which results in agricultural land being converted to other purposes. For around a third of displaced households, land recovery causes severe economic disruption, particularly if all productive landholdings are recovered. Residence is disrupted, insufficient notice is given by the local authorities and family members do not have the appropriate educational background or vocational skills to move into new occupations. Therefore, the ILO's decent work provides a powerful, useful and practical framework for poverty reduction. Viet Nam's Poverty Reduction Programme focuses primarily on employment opportunities, to enable poor people to participate in and contribute to economic growth, to achieve sustainable growth out of poverty. If they are unable to find work in the informal sector, the poor mainly earn income from farming or other income-generating activities.

### **6.2.2 Prospects**

Poverty is not just a question of income levels, it also concerns resource assessment, human capital development opportunities and other social capital issues. Therefore, work for the poor in Viet Nam needs to focus on decent work. The ILO's Decent Work Framework seeks to establish sustainable work in key areas by, for example, promoting decent employment opportunities; improving national and firm-level productivity and competitiveness; promoting equal access to education and training opportunities to promote skills development and employability; extending the reach and improving the quality of social protection systems; strengthening institutions and labour market governance; building up the capacity of governments, workers and employers to promote decent work and to measure and monitor progress; and strengthening dialogue between the social partners.

<sup>23</sup> Source: GSO (2005), based on Viet Nam Household Living Standard Survey, 2004.

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In this report, we would like to stress some areas where specific improvements could be achieved, namely:

- Workers' rights and social dialogue are not incorporated systematically in PRPs documents (Table 15): further efforts should be made to incorporate core labour standards in PRPs.
- The employment/poverty reduction link should be reinforced within all aspects of development policy, such as macroeconomic, trade, financial and investment policies taking into account that this is a strategic issue.
- Social protection is generally recognized as an important issue in PRPs and PRSPs. However social protection is not developed adequately in a long-term operational strategy such as the CPRGS.
- Access to timely information by social partners and their participation in implementation and monitoring processes remain key issues. This is particularly true in Viet Nam that does not have an established practice of social dialogue or strong tripartite mechanisms for follow-up. In this regard, there should be some reflection on what the ILO can do to improve social partners' participation.
- Decent work does not involve merely job creation: it encompasses employment, workers' rights, social protection, the social dialogue and equal opportunities.
- With regard to social protection and social inclusion, Viet Nam's flexicurity strategy is based on an integrated approach which includes the promotion of social protection: social inclusion remains an important challenge, given the increase in inequality, and our strategy and the Government's financial instruments are intended to help those furthest away from the labour market to re-enter it and become integrated.

### **6.3. The role of social security in poverty reduction**

#### **6.3.1. Progress**

*Poor communes:* There are various anti-poverty programmes either targeting communes as having high levels of individuals identified as poor by MOLISA, or giving assistance to geographically remote communes which usually have large ethnic-minority populations. These programmes, including Hunger Eradication and Poverty Reduction (HEPR) and Programme 135, respectively provide a range of infrastructural assistance and benefits in kind and subsidized credit rather than direct cash transfers. Program 135 allocated around USD 430 million to 2,362 disadvantaged communes over a five-year period (2001-2005) for local infrastructure investment and livelihood support. The programme is now in its second phase, with about USD one billion invested before 2010. While it remains heavily focused on the provision of basic infrastructure (transport and an electricity network), it has now significantly increased financing for capacity building. This includes support for agricultural production aimed at farmer groups, support for participatory planning and investment management at the commune level, and communications outreach to promote public access to information about the programme. The programme has also been emulated by a similar initiative targeted at poor coastal communes.

*Poor households:* Assistance to poor households under the National Target Programme of Poverty Reduction (NTPPR) and its predecessor, Hunger Eradication and Poverty Reduction Programme (HEPR), has been running since 1998. Activities under the NTPPR can be divided into three areas. Two policies and four projects aim to create conditions for the poor to develop their productive activities through credit programmes of

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VBSP. The second area comprises four policies covering access to basic services, including health-care, education, housing, water supply and legal aid. The third area focuses on building the capacity of officials working on poverty alleviation programmes, and on monitoring. A total of VND 43.5 trillion has been allocated to this program over a five-year period, with 60 per cent of the resources going to the provision of preferential credit. For the remainder, the central budget covers 29 per cent of the envelope, with local governments and local communities expected to contribute a further 5 and 6 per cent respectively. Most of the resources flow through existing policies managed by a number of line ministries. For example, the Ministry of Health (MOH) is responsible for providing free health insurance cards to poor households and for honouring the obligations these cards bring. Likewise, the Ministry of Education and Training (MOET) is responsible for ensuring that exemptions and reductions of education fees are implemented according to policy. Other programmes provide a subsidy allowing the poor to participate in the mainstream services accessed by the non-poor. In a context where poverty continues to decline, the assumption is that subsidies can be reduced over time and those who move out of poverty can fund their own participation in education or health insurance.

*Micro credit:* Over the four years from 2002-2005, micro credit was granted to 3,418 million poor households, involving a total budget of VND 12,899 billions. It has been estimated that 75 per cent of poor households (15.8 per cent of the population) received this type of support. Most poor households used the loan to good effect and returned the money as scheduled; only 2 per cent of the loans were reported as overdue. Land allocation to the poor also occurred in some provinces (e.g. Tay Nguyen). In other provinces, households received loans to facilitate land reform. Agricultural extension services for poor households helped around 2 million poor households with training in new agricultural technologies, and aims at sustainable poverty eradication by improving productivity and incomes.<sup>24</sup>

*Education subsidies and scholarships:* These represent the majority of subsidies applied through the targeted programme, with fee waivers associated with an increase of at least 20 per cent in school attendance from poor households.<sup>12</sup> Other subsidies include cheap school materials and text-books, and scholarships. Tuition fees can be waived in full or in part for poor households in areas of targeted assistance; thus, in 2002, 1.5 per cent of school pupils aged 6-14 years were partially exempted and 15.2 per cent fully exempted.<sup>12</sup> VND 120 billion were allocated for educational support during 2001-02.<sup>12</sup> About 3 million poor children are estimated to have received some form of support, 5.5 per cent of all households received partial or full tuition exemption and nearly 20 per cent of poor households were covered by the scheme.<sup>12</sup> Table 18 shows the coverage and budgets for 1999-2000 up to 2002.

*Targeted health-care subsidies:*<sup>12</sup> Decision 139 (passed in 2002) led to the establishment of Health Care Funds for the Poor (HCFPs), with 75 per cent of the funding provided by the central government and the rest by local and international sources. Initially, resources could be used either to purchase health insurance cards for beneficiaries or to reimburse providers directly. From 2006 onwards, HCFPs could be used only to purchase health insurance cards. The Government is also to increase the resources per intended beneficiary and to introduce a partial subsidy for the health insurance premium of the near-poor. Although the implementation of HCFPs was slow to take off in many provinces, the number of beneficiaries has increased substantially in the last few years (Figure 8). However, several problems remain:

<sup>24</sup> UNDP 2007: "How progressive is social security in Viet Nam", pp. 7-11.

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- i. Low coverage: According to initial estimates, the total number of beneficiaries eligible for examination and treatment under Decision 139 is approximately 14.3 million, around 17 per cent of the population. A total of 11 million people had received benefits from the health services by December 2003 either through a health insurance card (3.6 million) or through reimbursement of actual expenses (7.4 million). Total effective coverage is thus around 11 million, while around 3.3 million people (or 23.7 per cent of the target beneficiaries) have not benefited from health-care provision for the poor.
  - ii. Low sustainability of funding: The government support for the HCFPs was increased from VND 50,000 initially to VND 70,000 in 2006. But this is still too low compared with the cost of the benefit package for the poor. And only a few provinces have mobilized significant levels of funding for their HCFPs.
  - iii. Limited extent of risk pooling: All the beneficiaries from this scheme fall under the same fund in VSS, regardless of their province. But such a fund is still managed separately, offering no scope to diversify risk with other population groups with different morbidity patterns. Pooling would make it possible to increase the average health-care spending on the poor, which is extremely low compared with that of other participants in the health insurance scheme.
  - iv. Less equality and equity: Owing to the limited capacity to identify beneficiaries at local level and to use this information in budget planning. The effectiveness of targeting poor households depends on their accurate identification in the hamlets and villages where they live. Priority is given to the elderly living alone without any support, orphans who do not have care-givers, and disabled persons living in poor households. Groups that qualify for regular relief are as outlined in the preceding section. The local commune's People's Committee (PCD) constructs the list, provides a history of all selected people and submits these to the District PC for approval and forwarding to the Provincial Department of Labour, Invalid and Social Affairs (POLISA). POLISA coordinates with relevant bodies to suggest the number of the poor who may receive health-care cards within their budget for approval by the provincial PC. POLISA then purchases health-care cards from the local health insurance agencies and distributes them to the District PC, which in turn provides cards to the commune PCs, which distribute the cards to households. In 2006, only 13.7 per cent of the poor are estimated to have received poor household certificates, and 10.5 per cent to have received the health-care card.<sup>25</sup> Several provinces were late setting up the schemes and there is little consistency between provinces in the provision of health-care cards.

### 6.3.2. Prospects

The primary purpose of social protection entails three basic aims: (a) to prevent and to mitigate the major hazards faced by all poor people and enhance their ability to cope with and recover from these hazards; (b) to contribute to chronically poor people's ability to emerge from poverty, deprivation and insecurity, and to challenge oppressive socio-economic relationships which may be keeping them poor, by increasing livelihood security and promoting enhanced livelihoods; and (c) to enable the less active poor to live dignified lives with an adequate standard of living, such that poverty is not passed from one generation to the next. Social protection also supports economic growth, social integration and political stability, human development, and human rights objectives.

<sup>25</sup> Based on preliminary data from GSO.

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*Two phenomena require policy attention: the vulnerability of millions to poverty, and the persistence of the informal economy.* The significant decline in extreme poverty, together with the very large number of people still expected to be vulnerable to poverty in 2010, suggest that poverty reduction strategies need to shift gradually from targeting people in extreme poverty towards mitigating vulnerability to poverty. These trends also indicate that growth alone cannot address all the problems within ten or even 15 years: improving social insurance and the social protection system is crucial to reduce poverty in the short and the medium terms. Furthermore, in order to make social protection programmes inclusive and equitable, adequate attention and concern must be given to the needs of farmers and to the mobility of labour.

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## Chapter 7

### Conclusion

Viet Nam's national planning framework focuses the country's efforts on one of the principal means of achieving development: creating more and better jobs. In order to look at Decent Work Country Programming in relation to social protection, this report made four main points.

First, the relationship between Decent Work and the National Sustainable Development Strategy was analysed. This analysis encourages policy-makers, employers and employees to reorganize the role of Decent Work within the National Sustainable Development Strategy. It also evaluates the role of social protection in implementing Decent Work Country Programming and the National Sustainable Development Strategy.

The second contribution of this report, within which Decent Work has been integrated, was to explore a framework for economic and social planning in Viet Nam, and finding an approach to the trade-off between the competing objectives of quantity of jobs and quality of work, that nevertheless maximizes socio-economic benefits. Given Viet Nam's scarce resources and opportunities, and its numerous policy challenges, in order to achieve high-quality economic growth and development, social policies combining equal and effective coverage are needed in which social protection has the lead role in allocating scarce resources to those who need them most, thus maximizing the overall benefit for Viet Nam.

Third, by analysing Viet Nam's existing contributory and non-contributory social protection schemes, this report has shown the difficulties encountered by the schemes in protecting the poor and vulnerable in Vietnamese society, for example, women, the elderly, the young, the disabled, people in rural areas, children on city streets, migrants and ethnic minorities. This report also supports the view that social protection is a human right, and argues that the informal economy and vulnerable groups are two of Viet Nam's action priorities.

The report concludes that social protection also has a major contribution to make to building up the human, financial, employment, natural and physical assets of poor people, thus enabling them to escape poverty. Social protection helps reduce risk and vulnerability, and therefore enables poor people to participate in and contribute to sustainable economic growth and to leave poverty behind them for good.



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## Appendix I

**Table 1. Dependency ratios in Viet Nam, 1979, 1989, 1999 and 2006**

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

Sources: 1979 General Population Census of Viet Nam, section 5, p. 34; 1989 General Population Census of Viet Nam, comprehensive census results, part 1, section 1.1, p. 16; 1999 General Population and Housing Census of Viet Nam, full census results, section 1.5, p. 20; an investigation into the fluctuation of population, human resources and family planning on 1 April 2006.

**Table 2. The proportion of women of child-bearing age, 1979, 1989, 1999 and 2006**

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: 1979 General Population Census of Viet Nam; 1989 General Population Census of Viet Nam; 1999 General Population and Housing Census of Viet Nam; an investigation into the fluctuation of population, labour force and family planning on 1 April 2006.

**Table 3. The proportion of the population aged over 60 in Viet Nam, by period (%)**

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

Sources: Statistical Year Book 1990; 1989 General Population Census of Viet Nam, comprehensive results, Vol. I, section 1.2, p. 16; 1999 General Population and Housing Census of Viet Nam, comprehensive results, section 1.5, p. 20; an investigation into the fluctuation of population, labour force and family planning on 1 April 2006.

**Table 4. The proportion of the population aged under 15 and over 65, and the elderly indicator, 1989, 1999 and 2006 (%)**

	1989 General Population Census	1999 General Population Census	2006 General Population Census
Population aged under 15 years	38.73	33.57	26.3
Population aged over 65 years	4.70	5.80	7.0
Elderly indicator	12.10	17.30	26.8

Sources: 1989 General Population Census of Viet Nam, comprehensive results, Volume I, section 1.2, p. 16; 1999 General Population and Housing Census of Viet Nam; comprehensive results, section 1.5, p. 20; an investigation into the fluctuation of population, labour force and family planning on 1 April 2006.

**Table 5a. Employment by type of employment and by sex, 2004 (%)**

	Men	Women
Wage employment	38.75	24.14
Self-employed farmer	45.95	53.89
Own household enterprise	15.29	21.97
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Source: Viet Nam Living Standards Survey, 2004.

**Table 5b. Employment by type of employment, urban–rural, sex of household head, regions and five income quintiles, 2004 (%)**

	Total	Type of employments		
		Wage employment	Self-employed farmer	Household enterprise
<b>Country</b>	100.00	31.43	49.93	18.64
<b>Urban–rural</b>				
Urban	100.00	52.96	14.01	33.03
Rural	100.00	25.08	60.52	14.40
<b>Sex of household head</b>				
Male	100.00	38.76	45.95	15.29
Female	100.00	24.14	53.89	21.97
<b>Regions</b>				
Red River Delta	100.00	34.42	44.97	20.61
East Northern Uplands	100.00	19.51	71.02	9.47
West Northern Uplands	100.00	12.00	83.35	4.65
North Central Coast	100.00	20.47	65.20	14.33
South Central Coast	100.00	33.46	44.69	21.85
Central Highlands	100.00	21.39	65.63	12.98
South East	100.00	50.26	22.24	27.50
Mekong Delta	100.00	33.32	46.07	20.61
<b>Five income quintiles</b>				
1 (poorest)	100.00	15.39	78.09	6.52
2	100.00	25.71	60.86	13.43
3	100.00	29.27	52.53	18.20
4	100.00	37.37	39.21	23.42
5 (richest)	100.00	47.35	22.64	30.01

Source: Vietnam Living Standards Survey, 2004.

**Table 5c. Main job of persons aged 15 years and older, 1992–2004**

	1992	1998	2002	2004
Wage employment	17.90	19.48	28.34	31.43
Self-employed farmer	66.35	61.67	53.05	49.93
Own household enterprise	15.75	18.85	18.61	18.64
Total	100	100	100	100

Source: Viet Nam Living Standards Survey 1998, 2002, 2004.

**Table 5d. Viet Nam's social security and health contribution revenue and benefit payments, 2000–05**

Year	Total contributions as % of GDP (GNP)	Total benefit payments as % of GDP (GNP)
2000	1.4	–
2001	1.5	–
2002	1.5	1.5
2003	1.4	1.8
2004	–	–

Source: Data from VSI and Viet Nam Development Report, 2005, table 2.4/a.

**Table 6. Labour force participation of migrants by age, type of migration and employment status (%)**

Age group	Total labour force	Working	General migration unemployed	Total labour force	Working	Rural–urban migration unemployed
15–19	54.0	51.1	3.0	56.6	54.6	1.9
20–24	69.5	61.3	8.2	60.8	56.0	4.8
25–49	87.3	83.4	3.9	89.6	87.2	2.4
50–64	56.4	55.1	–	45.9	45.1	–
Total	62.3	57.9	4.4	61.9	59.2	2.7

Source: An investigation into the fluctuation of population, labour force and family planning on 1 April 2006.

**Table 7. Economic and employment growth, by period**

Period	1990–95	1995–2000	2000–05	2006	2007
% GDP growth	8.18	6.95	7.51	8.32	8.32
% employment growth	2.5	2.8	2.6	1.93	1.9
Employment elasticity*	0.3	0.4	0.35	0.24	0.22

\*The employment elasticity is defined as the average percentage point change in employment for a given employed population group (total, female, male, agriculture, industry or services) associated with a 1 percentage point change in output (represented by total output or value added in a given sector) over a selected period.

Source: GSO: *Statistical Year Book*, 2007

**Table 8. Employment at 1 July, 1990, 1995, 2000, 2005, 2006 and 2007**

	1990	1995	2000	2005	2006	2007
Total (1 000s)	29 412.3	33 030.6	37 609.6	42 526.9	43 347.2	44 171.9
<b>Structure (%)</b>						
<b>I. Labour force by economic type</b>						
State	11.6	9.2	9.3	9.5	9.2	9.0
Non-state	88.4	90.8	90.1	88.9	89.1	89.4
Foreign investment			0.6	1.6	1.6	1.6
<b>II. Labour force by sector</b>						
Agriculture	73.0	71.3	65.1	57.2	55.7	54.6
Industry	11.2	11.4	13.1	18.2	18.9	19.6
Services	15.7	17.4	21.8	24.6	25.4	25.9

Source: GSO: *Statistical Year Book*, 2007

**Table 9. Unemployment rate (%)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Viet Nam	6.90	6.70	6.42	6.30	6.01	5.78	5.60	5.31	4.82	4.64
Developed economies in Asia			5.0					4.5	4.2	
East Asia			4.0					3.7	3.6	
South-East Asia and the Pacific			4.9					6.1	6.2	
South Asia			4.9					5.6	5.4	
Total Asia and the Pacific			4.5					4.7	4.7	

Source: GSO: *Statistical Year Book*, 2007; ILO: Global employment trends models (2007).

**Table 10. Selected economic indicators in Viet Nam, 2000–07**

Year	Economic growth rate (%)	Inflation rate (%)	Monthly income growth rate of state-employment (real price) (%)
2000	6.8	-0.6	12.9
2001	6.8	-0.2	12.9
2002	7.0	4.0	12.9
2003	7.2	3.0	16.6
2004	7.5	9.5	14.0
2005	7.7	8.4	15.3
2006	8.16	6.6	11.6
2007	8.46	12.6	12.8

Source: GSO: *Statistical Year Book*, 2007.

**Table 11a. The gap in levels of per capita GDP in month (times)**

The gap (times)	1995	1996	1999	2002	2004	2006
Urban/rural	2.62	2.71	2.30	2.26	2.16	
Highest region/lowest region	2.12	2.18	2.51	3.15	3.14	
Per capita income of the top 20% population/the bottom 20% population	6.99	7.31	7.65	8.10	8.34	8.4

**Table 11b. Social indicators, 1993–2004**

Non-income indicators	1993*	1998*	2002*	2004*
Primary school enrolment ratio	86.70	91.40	90.10	94.60
Lower secondary enrolment ratio	30.10	61.70	72.10	90.10
Upper secondary enrolment ratio	7.20	28.60	41.80	63.00
% people with health insurance	n.a.	15.73	n.a.	37.56

Source: GSO, VLSS 93, VLSS 98, based on *Viet Nam Household Living Standard Survey 2002, 2004*, Source: *Statistical Year Book*, GSO, 2007.

**Table 12. Health insurance in Viet Nam, 1999–2005**

	Unit	1999	2000	2001	2002	2003	2004	Estimate 2005
1. Contributors	000s	10 450	10 610	12 440	13 295	18 155	19 937	22 000
Of which: compulsory	"	6 860	7 230	8 450	8 641	12 655	13 500	14 500
Voluntary	"	3 590	3 380	4 040	4 654	5 500	6 437	7 500
2. Total contribution revenue	million VND	–	–	1 317	1 394	2 089	2 590	3 160
Of which: compulsory	"	–	–	1 209	1 275	1 958	2 350	2 900
Voluntary	"	–	–	108	119	131	240	260
3. Total benefit payments	million VND	–	–	1 177	945	1 646	2 088	3 050
Of which: compulsory	"	–	–	1 080	84	1 510	1 850	2 800
Voluntary	"	–	–	97	104	136	238	250

Source: VSS 1999–2005

**Table 13. Rates of poor households, by region (%)**

Region	2004	2006	2007
Country	18.10	15.47	14.75
Red River Delta	12.90	10.12	9.62
East Northern Uplands	23.20	22.22	21.13
West Northern Uplands	46.10	39.40	37.45
North Central Coast	29.40	26.58	25.51
South Central Coast	21.30	17.18	16.26
Central Highlands	29.20	24.01	22.95
South East	6.10	4.56	4.33
Mekong Delta	15.30	13.00	12.42

Source: GSO, 2007.

**Table 14. Gini Index for per capita expenditures, 1993, 1998, 2002 and 2004**

	1993	1998	2002	2004
Viet Nam	0.34	0.35	0.37	0.37
Urban	0.35	0.34	0.35	0.33
Rural	0.28	0.27	0.28	0.30

Source: GSO, VLSS 93, VLSS 98, based on *Vietnam Household Living Standard Survey, 2002, 2004*.

**Table 15. Poverty Alleviation Targeted Programme 2001–05.**

Targets	Contents
Decrease the numbers of poor household	Poverty alleviation in general
Create 1.4–1.5 million jobs each year	Microcredit and social assistance for the poor

**Table 16. Living options of the elderly in Viet Nam**

Option	People	%
1. With family, children, spouse	3.047	41.71
2. Savings, private access	1.695	23.20
3. Pension	2.418	33.10
4. Other ways	146	2.00
<b>Total</b>	<b>7.306</b>	<b>100.00</b>

**Table 17. Demand to participate in voluntary social insurance**

Province	Sample	Demand to participate	
		People	%
Country	5.027	3.664	72.8
1. Thai Nguyen	302	236	75.3
2. Ha Noi	701	485	66.8
3. Thai Binh	525	445	73.5
4. Nghe An	600	479	81.4
5. Đa Nang	282	240	82.0
6. Binh Đinh	398	303	81.7
7. Gia Lai	300	260	88.5
8. TP.HCM	989	579	61.1
9. An Giang	602	376	57.2
10. Soc Trang	328	261	70.5

**Table 18. Education subsidies and scholarships from targeted programme**

	1999–2000	2001–02	2002–03
No. of provinces covered	38	50	39
No. of provinces covered	38	50	39
<b>Tuition fees</b>			
Students covered (000s)	2 660	2 004*	851
Budget (billion VND)	95	39	42
<b>Books and school materials</b>			
Students covered (000s)	1 640	1 650**	720
Budget (billion VND)	37.8	6.7	3.1
<b>Maintenance fees</b>			
Student covered (000s)	1 980	600	342
Budget (billion VND)	47.5	20	8.3
<b>Scholarships</b>			
Students granted scholarships (000s)	–	20	12.5
Budget (billion VND)	–	5	3.1

\*including 730,000 poor children who were also exempted. \*\* including 1.35 million poor children who were granted free books.  
Source: UNDP, 2004.



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## Appendix II

### Changes in Viet Nam Social Insurance Law take on effect from 1 January 2007

Compared to the social insurance policy before 2007 the following changes have been made:

1. *Social insurance benefits*

Added: Voluntary social insurance and unemployment in which:

- Voluntary social insurance benefits comprise:
  - (a) old-age benefit; and
  - (b) survivors' benefit.
- Unemployment scheme comprises the following benefits:
  - (a) unemployment benefit;
  - (b) vocational training benefit; and
  - (c) job seeking supports.

2. *Coverage of old-age benefit*

- The employee qualifying for old-age benefit following conditions:
  - (a) having reached the age of 60 for a man and 55 for a woman;
  - (b) having reached the age of 55 to 60 for a man and from 50 to 55 for women and having worked 15 years in heavy, hazardous and dangerous occupations in the list issued by the Ministry of Labour, Invalids and Social Affairs and Ministry of Health or having worked at least 15 years regular in areas where the area allowance is indexed at least 0.7; in some other special cases, the qualifying age for an old-age benefit shall be regulated by the Government.
- The employee who has paid social insurance premiums for at least 20 years is entitled to an old-age pension if he/she is under one of the following conditions:
  - (a) having reached the age of 55 for a man and 50 for a woman; except those who are under other regulations of the Official Law of the People Army and the People's Public Security;
  - (b) having reached the age from 50 to 55 for a man and from 45 to under 50 for a woman and having worked at least 15 years in heavy, hazardous and dangerous occupations in the list issued by the Ministry of Labour, Invalids and Social Affairs and Ministry of Health or having worked at least 15 years regular in areas where the area allowance is indexed at least 0.7.

3. *Adjustment of the old-age pension*

The old-age pension shall be adjusted when the cost of living index increases to at least 10 per cent. The level of specific adjustment shall be regulated by the Government.

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4. *Adjustment of the monthly wage on which social insurance premiums are based*

The monthly wage of the employee on which social insurance premiums shall be adjusted based on the level of the common minimum wage at the time of receiving old-age pension.

The monthly wage of the employee on which social insurance premiums shall be adjusted based on the cost of living index of each period regulated by the Government.

5. *Funeral allowance*

The following employee when he/she dies, the undertaker for his/her funeral service shall be even funeral allowance if he/she is under one of the cases as follows:

- (a) having paid his/her social insurance premiums stipulated in Provision 1, article 2, of this law;
- (b) having reserved his/her social insurance period; and
- (c) having received monthly old-age pension, employment injury and occupational disease benefit after ceasing working.

The funeral allowance is equivalent to 10 months of the common minimum wage.

In case the employee stipulated in Provision 1 of this law is declared him/her late on deceased by court, his/her relatives shall be entitled to allowance stipulated in Provision 2 of this article.

6. *Level and mode of paying social insurance premiums from the employee*

Every month, the employee shall pay social insurance premiums equivalent to 5 per cent of the wage on which social insurance premiums is based, to the pension and survivors' fund; from 2010, the contribution rate will be increased 1 per cent for every 2 years until it reaches 8 per cent.

7. *Level and mode of paying social insurance premiums from the employer*

The employer shall pay social insurance premiums monthly from the employee's wage fund on which social insurance premiums as follows:

- (a) 3 per cent to the sickness and maternity fund, of which 2 per cent for the employer to pay for the entitled employees in times stipulated in Session 1 and Session 2, Chapter III of this law and draw the balance sheet with the social insurance organization quarterly;
- (b) 1 per cent to the employment injury and occupational disease fund;
- (c) 11 per cent to the old-age pension and survivor fund, from 2010 the contribution rate will be increased 1 per cent for every two years until it reaches 14 per cent

The employer shall pay social insurance premiums monthly based on the common minimum wage as follows:

- (a) 1 per cent to the employment injury and occupational disease fund;
- (b) 16 per cent to the old-age pension and survivor fund; from 2010 the contribution rate will be increased 1 per cent for every 2 years until it reaches 22 per cent.

8. *Monthly wage on which social insurance premiums are based*

- 1. For the employee, who is getting wage as defined in the wage scale set by the Government, the monthly wage on which social insurance premiums are based shall be the wage based on the rank, position, military rank, leadership allowance, seniority allowance, regional allowance, and allowance for retained ratio differential, if any. This wage is computed based on the common minimum wage.

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2. For the employee, who is getting wage as defined in the wage scale set by the employer in accordance with the regulations in the Labour Code, the monthly wage on which the social insurance premiums are based shall be the wage written in employment contract.
  3. In case, the wage level stipulated in Provision 1 and 2 of this Article is higher than the common minimum wage 20 times, the wage which is used to calculate social insurance premiums shall be equivalent to 20 times of the common minimum wage.
  9. *Level of management fee*
    1. The annual management fee of the compulsory social insurance is extracted from the profit earned from the investment of the fund.
    2. The management fee of the compulsory social insurance is equivalent to the management fee of the State Administrative Organization.
  10. *Sources of voluntary social insurance fund*
    1. Social insurance premiums paid by employees
    2. The Profit earned from investment activity of the fund;
    3. Contributions from the State;
    4. Other legal sources.
  11. *Level and mode of paying social insurance premiums from employees*
    1. The level of monthly contribution is equivalent to 16 per cent of the wage selected by the employee on which the social insurance premiums are based; from 2010 the contribution rate will be increased by 2 per cent every 2 years until it reaches 22 per cent.
    2. The wage on which the social insurance premium is based shall be changed based on the solvency of the employee in each period, but not lower than the common minimum wage and not exceeding 20 times of the common minimum wage.
    3. The employee can select one of the following modes of paying voluntary social insurance premiums:
      - (a) on a monthly basis;
      - (b) on a quarterly basis;
      - (c) once every six months;

Above is assessment of social insurance management from 2000 to 2007. This report is based on data of balance sheet provided by Viet Nam's social insurance from 2000 to 2007 and this is an individual report.