

## Social Protection in Vietnam

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### Abstract

Vietnam started its renovation process in 1986. During the last 15 years of implementing its renovation policy, the country's socio-economic situation has experienced comprehensive and significant changes.

Economic growth remains consistently high. Average annual GDP growth in 1986–90 was 3.9% per year, 8.2% between 1991 and 1995 and 7% between 1996–2000. At the end of 2000, GDP per capita rose to US\$400, twice the level of 1990. Although difficult conditions were seen, Vietnam attempted to reach a growth rate of 6.8% in 2001.

However, the poverty rate was still as high as 32% in 2000 (by the UN poverty line). Unemployment and underemployment remain some of the biggest challenges for Vietnam in the 21st century.

A fundamental criterion for the state to invest in social development is a reasonable increase in GDP. The state expenditure for all social fields for the period 1995–2000 saw an increasing trend. 14% of state expenditure was disbursed for social protection, 15% for education, and 6% for health care.

Furthermore, a relatively well-developed contributory social insurance system now exists, and projects are underway to 'round out' this system with unemployment benefits and longer-term invalidity benefits.

However, the majority of the population is not covered by social insurance or health insurance and gains little benefit from social transfers financed by the state budget. Those in the majority are located in the rural and informal sectors of the economy and are mostly poor. The only formal social protection for them consists of possible access to very limited and tightly targeted social assistance from the Contingency Fund for Pre-Harvest Starvation and Disaster Relief, plus assistance with health and education costs from the Hunger Eradication and Poverty Reduction (HEPR) and other development programs. A very small minority of the population receives regular monthly benefits from the Social Guarantee Fund for Regular Relief (SGFRR).

This pattern reflects in part Vietnam's situation as a transition economy, which is also a developing economy. It has a minority formal sector with well-developed social protection, and a majority rural and informal sector with little formal social protection. The present condition to an extent portrays the impact of history, including the large number of Vietnamese individuals and families severely affected by war and revolution.

There have been a number of measures undertaken by the Vietnam government to increase funding for social protection. The reforms target improvements to the adequacy and effectiveness of public social assistance schemes in providing a social safety net for the majority who lack formal social insurance coverage.

\* The rate of exchange of the dong against the US dollar at the end of 2000 was US\$1 = 14.500 VND.

## **1. Institutional Framework**

### **1.1 General Political, Social and Economic Framework**

#### *General Information*

The Socialist Republic of Vietnam is located in Southeast Asia and covers an area of more than 331 thousand sq km. In 2001, it had a population of 78.7 million people, of which 50.8% were female. The average growth rate of the population over the period 1989–99 was 1.7%. By the year 2000, the net fertility rate was 19.9% while the net mortality rate was 5.6%, so the natural rate of population growth soared to 14.3%.

During the last few decades, the life expectancy of the Vietnamese has been increasing. From 50.3 years in 1975, it climbed to 67.2 years in 1995 and 67.8 years by 2001. The rapidly decreasing fertility rate in accordance with the increasing life expectancy has resulted in an ageing Vietnamese population. The proportion of elderly people (aged 65 and over) increased from 4.7% to 5.8% for the period 1989–99. Urban dwellers constituted 23.5% and 24.55% in 1999 and 2001, respectively.

The migration rate for the period 1994–99 (i.e. five years ago during the General Census on 1 April 1999) was 74‰, higher than the level of the previous period (1989–93), especially with the massive rush into big cities and industrial zones such as Hanoi, Ho Chi Minh City, and Danang (between 1994–99, about 1.2 million rural people migrated into urban areas to earn a living).

The literacy rate of the population aged 10 and over increased from 88% to 91% for the period 1989–99 and to 93.9% in 2001, with a remarkably high rate of literacy for laborers, up to as high as 97%. However, as far as gender is concerned, the female-male differentials remain high: in 1999, the literacy rate of female laborers was 88%, 6% lower than that of male laborers (94%); the difference in the literacy rate of workers between the rural and urban areas was less visible (93% in urban areas and 90% in rural areas). Current figures suggest 92% of the population aged 10 and over have been exposed to some form of language study (96% in urban areas and 91% in rural areas). The general rate of school enrollment for all levels was 49% in 1995 and rose to 67% in 2001. By the year 2000, the national goal of anti-illiteracy and universalized primary education was completed nationwide. The average number of schooling years per person was 7.3 years; since 2001, Vietnam has been shifting to compulsory education in lower secondary level (nine years) and this is expected to be realized by the year 2010.

### *Macro-economic Framework*

Vietnam's economy averaged 7% growth per year between 1996 and 2000. Although conditions are currently difficult due to low quality and low efficiency development, limited and unstable macro-economic balances, lack of perfect legislative systems, and so on, Vietnam attempted to reach a fair growth rate of 6.8% in 2001. The structure of the economy (by GDP) is being transformed positively into more value-added industries: in 2001 the industry and construction share was 38%, the share of services was 39% and agriculture-forestry-fishery was 23% (against 23.79%; 35.72% and 40.49% in 1991). Inflation was curbed effectively at the beginning of the 1990s and has remained stable and commensurate with economic development. The inflation rate was 3% per year over the period 1997–2000.

In the period 1996–2000, total export revenue increased by 21.5% per annum, total import revenue increased by 13.3% per annum; the economy attracted and invested approximately US\$10 billion of FDI (Foreign Direct Investment) and US\$6.2 billion of ODA (Official Development Assistance). GDP per capita doubled to US\$400 compared to 1990.

A reasonable increase in GDP is considered fundamental in order for the state to invest in social development. The domestic collecting rate for the state budget over GDP in the period of 1995–2000 was more than 21% per annum. The expenditure of state budget for all social fields over 1995–2000 saw an increasing trend in comparison with 1991–94. In 2000, 14% of total state spending was disbursed for social protection, 15% for education, and 6% for health.

Vietnam is developing a multi-sectoral economy. At present, state-owned enterprises (SOEs) are playing a major role in the national economy. Since the introduction of the new Law on Enterprises (1 January 2000), the number of newly established private enterprises has been growing at a very high rate (18.3% in 2000, 19.5% in 2001) in comparison to the year before.

At the moment, approximately 200,000 SMEs (Small and Medium Enterprises) and 60,000 farming households are contributing significantly to the generation of employment; the foreign investment sector (joint ventures and enterprises with 100% capital of foreign origin) continues with strong growth – with the petroleum, gas and other sectors increasing by 13.8%, 11% and 15% respectively (in 2001). The informal sector plays a major part in job creation and poverty alleviation.

### *Labor Market Structure*

In 2000, the total labor force amounted to 38.6 million people. The composition of employed workers has been moving positively: 62.6% are working in agriculture, forestry and fishery; this number decreased by 1.1% in comparison to 1999. At the same time the labor proportion increased by 0.6% in construction and industry over 1999–2000 (from 12.5% to 13.1%) and by 0.4% in service (from 23.9% to 24.3%). Since the absolute number of workers in agriculture-forestry-fishery is still large and only slowly decreasing, the main pressure concerning future employment trends remains in rural areas.

In 2000, 91% of the labor force was working in the non-state sector. Specifically, the private and non-farming household economy attracted about 32% of the labor force (i.e. around 12 million workers), while the farming economy<sup>1</sup> attracted about 700,000 workers (about 12 workers/farm). One year after the implementation of the Law on Enterprises, 300,000 workers were employed in these new enterprises. By June 2000, the foreign investment sector had created around 330,000 jobs; in other words it absorbed about 1% of the labor force if indirect labor is included.

The unemployment rate in urban areas saw a downward tendency from 6.7% in 1999 to 6.5% in 2000 and 6.28% in 2001. The rate of the annual actual working time as a percentage of total annual potential working time in rural areas improved (74% in 2000). However, the generation of employment is still one of Vietnam's biggest challenges in the 21st century.

#### *Income and Budget Distribution*

The savings rate increased from 27.14% in 1995 to 29.46% in 2000. The rate of final consumption decreased correspondingly, yet in absolute terms was on the rise, at 1.75 times that of the final consumption in 2000 compared to 1995 (in current prices). However, it is noteworthy that the gap in uneven income distribution among the poorest quintile and the richest quintile, among regions, urban and rural areas seemed to be growing.

According to the Vietnam Living Standard Survey, the Gini coefficient based on average expenditure per capita in 1993 was 0.33 and increased to 0.35 in 1998. During the period 1993–98, the real expenditure per capita of the poorest quintile increased only by 29%, while it rose to 54% in the richest quintile. This certainly shows the increasing income distribution gap in Vietnam, although it is still not too wide. Nevertheless, it is necessary to take notice of the fact that the rural/urban income difference is considerable. Ninety-six percent of the poor are living in rural areas, nearly one-third (32%) of which are concentrated in the mountainous and upland areas in the North. About two-thirds (63%) of the more well-off live in urban areas; one-third resides in Hanoi and Ho Chi Minh City. Taking the average income per capita into consideration, urban dwellers have twice as many possessions as their rural counterparts.

#### *Political System*

Pursuant to the Constitution in 1992 and some amendments of and additions to this Constitution in 2001, it confirms that:

- The Socialist Republic of Vietnam is a legislation-based state by the people, of the people and for the people. All state power was founded on the alliance of workers, farmers and the intellectual class and belongs to the people.

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<sup>1</sup> This includes agricultural enterprises which have at least 2 hectares of land and produce at least an amount of goods equal to VND 40 million per year.

- The Vietnam Communist Party is a pioneer force of the Vietnam worker class and a loyal representative of their interests. The whole nation is based on the Marxism-Leninism and Ho Chi Minh ideology and also the leadership of state and society.
- The state power is executed via the National Assembly; People's Committees, which are elected and bear responsibility for the people, exist at all levels and represent their will and aspirations.
- The government is an executive body. It is the highest administrative state body of the Socialist Republic of Vietnam. Vietnam is a unified state of all races presiding in the Vietnamese territory; the state administers the society via legislation and keeps enhancing its socialist legal system.
- Vietnam has a socialist market-oriented economy.

As such, the political system in Vietnam is very stable. No significant changes occurred in the last two decades. The government is set up and led by a powerful and sole party with no opposition party and/or wing. Confidence in the party's absolute leadership is the decisive factor to the success of the process of *doimoi* (renovation), development and integration into the international economy.

## **1.2 Availability and Quality of Data**

The most important issue in conducting a study on social protection is gaining access to a source that provides quality data. At the national level, these data can be extracted from basic channels such as state statistical reports; census, living standard surveys (multi-targets), annual surveys on employment and labor and poverty alleviation, administrative reports by specific state-management agencies at all levels and other studies.

With the financial and technical assistance of the United Nations (UN), Vietnam has built up an information network and updated data. However, due to the ongoing transition, data sources are still deficient, particularly information related to social insurance, the labor force, employment and unemployment. On the one hand, since these data are formed based on local definitions and standards, it is hard to be internationally comparable; on the other hand, as a poor country Vietnam is facing the problem of rudimentary and insufficient facilities for collecting, processing and analyzing information and data.

In addition, the limited capacity of skilled staff in computer technology and foreign languages obstructs current and future studies on social protection in Vietnam. It is therefore necessary to set up a managerial information network on social protection, not only to reflect the specific characteristics of Vietnam, but also to be internationally comparable. First, it needs to make the best use of international assistance and support (such as from the United Nations Development Programme, the World Bank, the Asian Development Bank etc.) in technical terms for surveys and gathering information.

## **1.3 Existing Institutional Framework**

The institutional framework of Vietnam is based on a strong public movement. The active participation of social actors such as socio-political organizations, occupational

organizations and NGOs in realizing social policies is the norm. These activities produce a framework of publicly controlled power, and at the same time serve as a platform to broaden the regulation of democracy and promote other public initiatives.

The trade union (TU) is a socio-political organization representing Vietnamese workers. It protects the lawful and legitimate rights and benefits of workers, and shares responsibility with the state to develop production, job settlement, vocational training, and the improvement of the material and spiritual life of workers. Furthermore, it formulates laws, social policy, labor and wage policies, social insurance, and labor protection. It also controls and monitors the implementation of labor legislation and takes the responsibility of organizing, educating and encouraging workers to promote the role and obligation of citizens. It is designated as member of the Executive Council of the Social Insurance Fund at all levels. One representative each from the Ministry of Finance, Ministry of Labor, Invalids and Social Affairs, Ministry of Planning and Investment, the TU and VSI (Vietnam Social Insurance) stands on this council, which decides the strategy of the development of SI, approves the 5-year and yearly plans, and supervises activities of VSI at all levels. At the enterprise level, the TU is represented to enable workers to sign collective labor agreements.

NGOs and civil society organizations, especially Fatherland's Front, Women's Union, Youth's Union, and Farmer's Union are political foundations of the state. They are close to workers and act as a bridge and transmitting channel to deliver policies to workers, making sure the targets and objectives are met and sound results are achieved. They are successful in aggregating forces and displaying unity and innovation in the implementation of social protection policies.

Today, employers have a greater influential role in social protection schemes. In Vietnam, there are organizations such as the Vietnam Cooperative Alliance, Vietnam Chamber of Commerce and Industry, Association of Industrial Trade, and Club of Directors, among others. They act as representatives of the employers. These organizations coordinate and assist each other to develop enterprises and contribute to policies related to enterprise development. At the same time they participate actively in social protection, especially social insurance and the realization of social policies.

The government and social actors are related closely on the basis of a common-purpose partnership, a harmonious benefit-based solution on a tripartite scheme: State, employer, worker and dispute-settlement all conform to Vietnamese law (i.e. the Labor Code). Tripartism among state, trade union (workers), and employers has been gradually forming, although this mechanism is still in the process of becoming a complete and institutionalized legislation.

#### **1.4 Government Support**

Social protection is one of the crucial social policies of the nation and is the focus of much government attention. The basic viewpoint of the Vietnamese government is to coherently link economic growth with social advancement and equality during the lifespan of each development plan. The Vietnamese government pledged to realize

the Copenhagen Declaration and Action Plan on Social Development in 1995, the Hanoi Declaration on 20 / 20 Initiatives and other relevant international commitments. In particular, priority is given to the renovation of social protection policies appropriate for the transition to a market economy, specifically:

- The government has issued many policies on economic development and put forth solutions aimed at macroeconomic stabilization with a vision of setting up an economic foundation and favorable conditions to achieve social protection targets;
- The legal system is being formulated and completed (Labor Code, Law on Protection and Care for Children, ordinances on disabled and elderly people); reforms of the social insurance system are introduced to ensure the implementation of social protection policies with equality and clearer guiding principles;
- National target programs have been established such as the Employment Program, poverty alleviation, and the program on supporting extremely poor communities;
- Public expenditure is adjusted by increasing social protection from the state budget. At the same time, the policy for mobilizing all resources for social protection is implemented.

During the implementation process of social protection policies, the government utilizes a decentralized mechanism. As a result, policies are targeted to the intended beneficiaries and implemented successfully.

### **1.5 Traditional and Contemporary Perception of the Social Protection System**

In the past, under the central planning and subsidized system, the social protection scheme in Vietnam was under the authority of the state, and the beneficiaries of the scheme were categorized as part of the state sector or cooperatives (amounting to 10% of the population). The rest of the population was not included in this scheme. Thus, the family and community, particularly in villages, hamlets and communes, played very important roles for those in need of social protection.

Cultural and traditional values and practices such as ‘elderly parents relying on their children in case of sickness’ or ‘assistance among people in the community’ prevail till today and constitute an informal social protection system in Vietnam. Alongside the prevailing cultural values, it is hoped that the widening of the formal social protection scheme will create a positive environment for a comprehensive social protection scheme. This combines modern factors with traditional cultural values to develop a social protection scheme that is sustainable and effective as well as compliant with the principles of solidarity, risk sharing and equality that are considered important values in a modern society.

In the market economy, the development of a social protection scheme with the contribution of all partners (workers, employers and assistance from the state) has been widely accepted in place of the previous subsidized social protection scheme. However, in the poor conditions of Vietnam where labor productivity and workers’ in-

comes are low, the state cannot run a security scheme that requires a large contribution from workers. In the long-term future, Vietnam still needs a security scheme with low contributions but comprehensive benefits.

A developed society is one where everybody has a safe social life; everyone is involved in a social security scheme, particularly in the case of sickness, maternity, work-related injuries, unemployment, old age and death. The Vietnamese government is pursuing a policy that ensures social security for everybody. However, whereas workers expect to benefit only from pension and death schemes, it needs to develop a comprehensive system. With the aim of responding to the interest of the people, a formal social protection system (both compulsory and voluntary) has been developed and enlarged. In addition, an informal social protection system relying on family and community plays a very important role in the Vietnamese society.

## **2. Review of the Existing System**

### **2.1 Social Protection in the Formal (Organized) Sector**

#### **2.1.1 Categorization of the Formal Sector**

The formal sector in Vietnam comprises the enterprise sector and the public sector.

**a) *Enterprise sector:*** It consists of registered enterprises with ten or more workers operating under certain laws:

– *Enterprises operating under the Law on State Enterprises:* State-owned enterprises (SOEs) play a key role in the economy, making up 39% of GDP. SOEs make up two-thirds of GDP in industry and construction, and one-half of GDP in services. In 2001, Vietnam had more than 5,000 SOEs with 1.8 million employees. At present, SOEs are in the process of restructuring (i.e. equitized, sold off, paid in-part or outsourced). It is foreseen that by 2005, the total number of SOEs will be reduced to around 2,000 and as a consequence the number of employees will decrease by 350,000. Many of them will become workers in joint-stock, private enterprises or in other sectors of the economy.

– *Enterprises operating under the Law on Enterprises (private):* They are domestic non-state enterprises (NSEs) with ten or more workers. The non-state economy has been surging forward since Vietnam started its economic reform in 1986; on January 1, 2000, when the new Law on Enterprises took effect, the number of private enterprises boomed rapidly. For instance, in the year 2000, more than 14,000 private enterprises were established and registered with a capital of around 24,000 billion dong (US\$1.6 billion), three times more in terms of the number of enterprises and five times more in terms of capital in comparison to figures in 1999. During the first eight months of 2001, there were about 12,000 private enterprises established and registered with a capital of around 14,400 billion dong, 1.4 times more in terms of the number of enterprises and 1.7 times more in terms of capital in comparison to figures in 2000. By June 2001, the total number of workers in private enterprises was 1.4 million.



– *Enterprises operating under the Law on Foreign Investment in Vietnam*: By the end of 2000, there were 3,170 foreign investment projects with a registered capital of approximately US\$39 billion and operating capital of US\$20 billion in Vietnam. The foreign investment sector had contributed 35.6% in industrial production revenue, about 23% in export turnover (excluding oil and gas), and 13% of GDP in 2000. This sector had a positive effect on the overall balances of the economy, and absorbed a modest number of employees. In 2001, about 354,000 employees were working for this sector, making up nearly 1% of employed people.

– *Enterprises operating under the Cooperative Law*: In reality, the collective economy has been re-organizing. At the moment, cooperatives are being re-formed pursuant to the new Cooperative Law. In 2000, 8.5% of GDP was attributed to the cooperative economy and attracted about 350,000 employees.

**b) Public sector**: This sector contains state administration, party and mass organizations and public services (education, health care, scientific research, culture and so on). Its employees make up 3.8% of the total number of employees. Predictably, in 2001 the total number of employees in the formal sector accounted for around 15% of the workforce – a fair increase in comparison to 9.5% in 1994.<sup>2</sup>

The formal sector is the main source of income for the state budget; it is the backbone of the economy and a decisive factor to national development. Therefore, although it absorbs a very modest number of employees, it is given much consideration in terms of legal framework formation, financial and credit provision, training and supplying human resources, R&D and so on.

#### *Problems and Features of the Formal Sector*

- Being a pioneer and high-yield producer. The capital per worker is much higher than that in the informal sector. It is estimated to be 42–50 million dong in the state industry, 27–30 million dong in the service sector and around 400 million dong in the foreign investment sector. On the other hand, in small-scale industries, capital per worker amounts to about 10 million dong and the lowest level is recorded for the self-employed and in the agriculture sector.
- Attracting mostly trained workers, especially in the state sector (i.e. SOEs and public services). Central agencies and enterprises employ more than 93% of highly skilled workers.
- Being highly protected by the state through subsidies for SOEs, protection for import-substituting industries, and priority in credit provision.
- Providing workers with a stabilized and guaranteed income (minimum level), protected working conditions and occupational safety and health based on labor legislation and other laws.
- Applying labor contracts with workers (regular staff in the state sector), participating in compulsory social and health insurance schemes (under various laws); providing training and retrenchment benefits; forming trade unions.

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2 Vu Quang Viet, “Economic development situation in Vietnam 1989–1995”, *Economic Study*, No. 220, September 1996.

Despite playing an important role in the economy as a whole, the formal sector remains with the following problems:

- *Quality and efficiency of enterprises*: Although SOEs are considered as the backbone of the economy, they are often characterized by small scale, insufficient capital, outdated technology, poor capacity to search for new markets, and heavy reliance on state support. Over 50% of SOEs are unprofitable. The newly-established private enterprises lack capital, especially manpower, business experience, and mid-term and long-term strategies, and are characterized by low quality products, little attention to R&D, marketing and human resource training.
- *Competitiveness*: The concentration of investment in strongly protected and import-substituting industries (including foreign investment enterprises) diminished the competitiveness of Vietnamese commodities. According to the World Economic Forum, in terms of competitiveness, Vietnam ranked 49th, 39th and 49th out of 53 countries in 1997, 1998 and 1999, respectively.
- *Labor market*: There are an insufficient number of labor market institutions. Many of them have just been set up recently; they are still limited in capacity and experience, and lack a consistent and effective policy system. They have also witnessed strong administrative interference, a scattered labor market and low labor mobility.
- *Labor contracts and collective agreements*: A great number of workers in SOEs and foreign investment enterprises sign labor contracts. However, the percentage of workers possessing signed labor contracts, which are mostly for one-year or less-than-one-year periods, is 40% of the total number of workers in private enterprises. In the year 2000, only 42% of enterprises with ten or more workers had signed a collective agreement. In the private sector for the same year, it was as low as 20%.
- *Social insurance*: The rate of enterprises actually contributing to social insurance as a percentage of the total number of enterprises compelled to do so remains at a low level (63.2%). There has been a lower rate of workers for whom it is compulsory to contribute. In addition, some enterprises leave out a great number of workers from the compulsory contributions list for social insurance to avoid their responsibility of contributing social insurance (SI) for these workers. In the private sector, only 18.4% of workers contributed to social insurance in 2000.
- *Occupational safety and health*: the implementation of labor legislation on workplace protection has many shortcomings. The application of working standards relies heavily on the specific conditions of each enterprise, particularly in mining enterprises where labor protection, safety standards and technical norms are regularly violated.
- *Trade Unions*: A survey in 2000 found that only 58.76% of enterprises with ten or more workers had established a trade union, whereas 70% of private enterprises were not yet unionized.

### 2.1.2 Social Insurance and Savings Schemes

One of the key concepts of SI is the pooling of contributions of workers and their employers in order to protect the insured persons and their dependants against the effects of social security contingencies.

Vietnam established a new self-financing social insurance system in 1995 by decree 12/CP of 1995. This is administered by the Vietnam Social Insurance (VSI) in order to adjust to the new policies for the introduction of a market-oriented economy.

The scheme applies to employees with labour contracts of three months or more in SOEs, state institutions (including the civil service), Vietnamese staff in joint ventures, the armed forces, and employees in non-state enterprises with ten or more workers. The number of contributors, excluding the armed forces, was over 5 million, about 16% of the labour force.

The Social Insurance Fund is derived from the following resources: a) employers pay 15% of basic salaries to VSI. Out of this amount, 10% is for pension insurance and survivorship and the remaining 5% is for sickness, maternity and employment injury benefits; b) employees pay 5% of their basic salaries, which is allocated to pensions and life insurance; c) contribution and subsidies from the state budget; and d) other resources, such as profits from investment activities of the insurance fund.

The contingencies included in the SI scheme cover sickness, maternity, employment injury, retirement and survivorship.

**1) Sickness benefit.** In the case of sickness, 75% of insurable earnings (the earnings on which contributions were paid) is payable, without any contribution condition (duration of contribution, extra fees), for a maximum number of days per year ranging from 30 to 50 according to the duration of insurance, or 40 to 60 days for workers in heavy or hazardous occupations. Extended benefits entitlement is prescribed for serious diseases normally up to 180 days per year. Sick leave can also be granted to a parent when required for caring for sick children under age 7.

**2) Maternity benefit.** The maternity allowance of 100% of insurable earnings and the maternity grant of one month's insurable earnings are usually payable without any contribution condition for four months, or five to six months for workers in heavy or hazardous jobs or living in difficult economic areas. Maternity benefits are restricted to two children.

**3) Benefits for employment injury.** This benefit, which includes occupational diseases, is due on the occurrence of personal injuries sustained in the course of employment or whilst travelling to and from work. There are no contribution conditions for this contingency. Employers are liable to provide medical treatment and continue payment of salaries to injured workers. Where permanent disablement occurs, VSI is liable for disability benefits, which consist of lump sum payments where the degrees of disability are 30% or less, and pensions for higher ratings. On death from employment injuries, survivors are entitled to 24 months minimum wages and to pension benefits. Benefits are for up to four dependants (children under the ages 15 or 18 if

students and, subject to having reached retirement age, parents, parents-in-law, foster parents and spouse) and each is entitled to pensions of 40% of the minimum wage, or 75% if entirely dependent on the pension. A funeral allowance of eight months minimum wage is also payable.

**4) Retirement pension.** It is payable if the claimants have attained retirement age, retired and paid pension contributions for at least 20 years. Under the decree, as amended, 'retirement age' means either:

- a) For an insured person who has worked either for 15 years in jobs classified as heavy or hazardous, or 15 years in jobs which are complemented with a regional allowance coefficient of 0.7 or over, or for ten years in South Vietnam or Laos before April 30, 1975 or in Cambodia before August 31, 1989, age 50 (women) and age 55 (men); or
- b) For an insured person who has paid social insurance contributions for at least 30 years, age 50 (women) and age 55 (men) respectively; or
- c) For all other insured persons, age 55 (women) and age 60 (men).

The pension rate is 45% of average earnings for 15 years insurance rising at the rate of 2% for additional years to a maximum of 75%. Contributors for more than 30 years receive a lump sum of 50% of average salary per year in excess of 30 years up to a maximum of five months average salary. The minimum pension is equal to the minimum wage. However, reduced pensions are payable when: a) men and women aged 60 and 55, respectively, have paid contributions for at least 15 years; b) men aged 50 and women aged 45 have a degree of disability of 61% or more; and c) persons who have worked for a minimum of 15 years in heavy and hazardous jobs and paid pension contributions for a minimum of 20 years and are disabled to the extent of 61% loss of earnings capacity or more.

**5) Survivorship pension benefits and funeral allowances** are prescribed for survivors on the same basis as for survivors in the employment injury branch as explained earlier.

At present, the government is designing a detailed plan aimed at expanding the objectives of social insurance that will include farmers and laborers in rural areas as well as self-employed laborers, while facilitating the participation of all people in the social insurance system. This also aims at correcting some shortcomings of the present insurance system, and securing a more comprehensive insurance policy. In 2000, relevant government agencies (Ministry of Labor, Invalids and Social Affairs, Ministry of Justice, TU, and VSI) were assigned the task of developing the Law on Social Insurance. The ILO also gives advice on SI.

### *Health Insurance*

Vietnam Health Insurance (VHI) was officially set up in 1993 by a decree issued in 1992 on designing two health insurance schemes: (a) A compulsory scheme for state officials and employees, pensioners and employees in the non-state sector (with ten employees or more), and (b) A voluntary health insurance scheme for rural popula-

tions, self-employed persons, family members and school children. The objectives were to facilitate access to health care to the population as a whole and to progressively raise the standards of health care services.

The compulsorily insured are entitled to a full range of medical care including consultations, medicines, and outpatient and inpatient treatment. Exclusions are related to diseases treated by public health care (for example, HIV/AIDS, mental diseases), except employment injury cases, which are the responsibility of employers. Drugs are particularly important due to their generally high costs.

Overall, the same range of care is provided to voluntarily insured persons, but variations occur from province to province according to the charges levied for voluntary health insurance cards and the facilities available. The decree specifies that if voluntary health contributions are equivalent to the average compulsory contribution, cardholders have identical benefit rights. There are two types of health insurance (HI) cards: low fee (for inpatient services) and high fee (for all kinds of services and in some cases drugs). Almost all insured persons in the voluntary scheme chose low fee cards.

The compulsory scheme charges 3% of basic salaries; from this 2% is due from employers and 1% is contributed by employees. The voluntary health cards cost about 22,000 dong per year for school children, between 30,000 and 38,000 dong per year for farmers and between 50,000 to 60,000 dong per year for the general population, according to location and the decisions of the People's Committees.

HI played an important role in mobilizing additional resources for the health sector in 1998. HI contributes up to 15% of the total revenue of hospitals. However, because expenditure exceeds revenue, HI faces the challenges of sustainable financing.

### 2.1.3 Social Assistance and Services: Benefits and Transfers

In the event that an employee becomes redundant due to restructuring of the company, such employees will then receive benefits according to the policies stipulated in article 17 of the Labor Code and the government decree 72/CP of October 31, 1995. Article 17 states that 'where, as result of structural or technological changes, workers who have been regularly employed in the enterprise for one year or more become redundant, the employers have the responsibility to retrain them for continued employment in new jobs; if no new jobs are available and employment has to be terminated, the employers must pay a retrenchment benefit at the rate of one month's salary for each year of employment, but no less than two months' wage.' Redundant workers can thus get either training or some retrenchment benefits.

***Social Guarantee Fund for veterans and war invalids.*** This fund draws allocations from the state budget to pay pensions and other benefits to war-affected persons or their surviving kin.

The policy on preferential treatment to those who are credited with services to the country's liberation is one of the first priorities of the party and the Vietnamese

government. Therefore, the government has issued two important ordinances: the ordinance on Special Treatment to the War-Affected People and the ordinance on rewarding the name Hero Mother. These ordinances are aimed at ensuring happy lives for this special group of people in both material and spiritual terms, and improving their living standards to an equal or higher level in comparison with that of their neighbors.

This fund draws allocations from the state budget to pay pensions and other benefits to approximately 1.4 million war-afflicted persons or their surviving kin. They also have exemptions from health insurance contributions and cost-sharing provisions of 20%, which came into force in January 1999.

## **2.2 Social Protection in the Informal Sector**

### **2.2.1 Categorization of the Informal sector**

The development of a multisectoral economy has provided a framework and an impetus to a non-state economy. As a result, the economy is more dynamic, especially with the revival of many traditional craft industries and new types of activities. Therefore, the informal sector has developed in both urban and rural areas.

In urban areas, the informal sector has been diversified. Along with traditional craft activities, there are many newly formed activities such as commercial agencies, consultation and tutoring services, home-based medical treatment and so forth. These businesses and service units are characteristically small-scale (less than ten workers), inconsistent, changeable and unregistered. This sector also includes formal sector workers who want some extra income.

In rural areas, the 'by-piece' scheme based on households (for all kinds of products) builds a favorable foundation for the development of the informal sector. Besides farming activities, workers can get involved in other secondary occupations like small-scale farming, product processing, trade, mechanics, transportation, construction, hired work and so on. In traditional crafts villages, small-scale production, processing and service units are home-based with some hired workers.

The shortage of farmland and underdeveloped off-farm activities has led to severe underemployment in rural areas. According to the survey on employment and labor in July 2001, the underemployment rate of the economically active population in rural areas was 26%. The pressure to find employment drives a fraction of workers to big cities. Every year, there are 55,000 – 80,000 immigrants from rural areas venturing to Hanoi and Ho Chi Minh City (Study on immigration in Vietnam, 1998). They normally end up working in informal activities in urban areas.

While the underemployment rate is viewed as a pressing matter in rural areas, it is a big problem in urban areas. Underemployment reached 6.28% in July 2001. In several big cities, such as Hanoi, an even higher rate was seen: 7.4%; in Ho Chi Minh City: 6.04%; Haiphong: 7.11%; Cantho: 6.82%. For one, the unemployed have low income due to poor individual savings with limited support from family and friends;

furthermore, unemployment insurance has never existed in Vietnam. In response, the unemployed have to seek jobs. Even those who obtain retrenchment benefits still seem to find it hard to make a living. Finding employment in the formal sector is very difficult; hence many out-of-work employees have to seek jobs in the informal sector.

As a consequence, there are a large number of employees working in the informal sector. It is estimated that about 32 million workers were in this sector in 2001: 21 million were working in private agriculture, 2 million in home-based work, and nearly 11 million workers in non-farming activities.

According to a calculation done by the Department for SNA (the General Statistical Office), the informal sector contributed 35% of GDP in 1995 – an impressively high rate. More importantly, it has a great influence on job creation and has sustained a livelihood for the majority of workers.

#### 2.2.2 Problems and Features of the Informal Sector

- a) The main objective of this sector is employment and income generation. A study by the Institute of Labor Science and Social Affairs in 1996 showed that the average monthly income per worker was 414,000 dong, as high as 86% of that in non-state small enterprises. However, the working hours are generally longer than usual (10 to 12 hours per day);
- b) They comprise mostly micro-enterprises, self-employment or subcontracting with irregular workplaces and working hours, often with poor working conditions;
- c) They are illegal and therefore outside of official statistics and government regulation as well as labor and social protection. There is no work safety and no access to compulsory social insurance and health insurance;
- d) They lack assets and capital and have little access to the formal financial market;
- e) Workers in this sector are often untrained so the chances of finding jobs in the formal sector are very low.

#### 2.2.3 Social Assistance and Services: Benefits and Transfers

There are three nationwide funds for social assistance:

##### *a) Social Guarantee Fund for Regular Relief (SGFRR)*

This fund operates a categorical benefit system for a defined group of people who are assessed as being unable to provide for themselves or to be supported by family members. The Fund also finances some institutional placement and social rehabilitation programs.

The following types of social assistance are included:

- Regular monthly benefits for the **elderly alone, orphans, and disabled civilians**. These groups are regarded by the authorities as being genuinely unable to assist themselves, namely: a) The 'elderly alone' (frail elderly people who are in extreme poverty and have no other family members to assist them). People receiving social assistance benefits are a small proportion of the total elderly population. The numbers represent about 0.8% of those aged 60 and above. In 1999, about 51% of those deemed eligible for assistance actually received it. b) Orphans. Orphans and unsupported children are a growing problem in Vietnam. Street children exist in large numbers in all the major cities. The number of orphans in 1999 was about 156,000; from this number 40,500 receive social assistance (26%). c) The seriously disabled. In 1999, Vietnam was estimated to have about 5 million disabled people, 1.3 million of which were severely disabled. Due to the large number of disabled, those capable of suitable employment or those supported by their families as well as those receiving disability or invalids pensions from the government as former civil or military employees are excluded from receiving Social Guarantee Fund for Regular Relief assistance. In 1999, the total number of those potentially eligible was 415,444 persons, of which only 63,125 were receiving SGFRR assistance (15.2%).
- Temporary benefits for a small group of **homeless people**, also described as homeless vagrants or vagrant beggars, and for the support of a small group of children in extreme circumstances. In 1999, there were 2,010 people described as homeless or vagrant beggars receiving SGFRR assistance out of a total of 32,800. Of these, 1,665 were being cared for in social protection centres, and 27,000 provided with subsidies to live in the community.
- **Institutional placements in social protection residential centers** for a minority of people within these groups. Included in each of the SGFRR beneficiary groups are those placed in social protection institutions. These involve higher unit costs than community placements, typically 4,934,000 dong per year in social protection institutions compared with 540,000 dong per year for those staying in the community.
- **Rehabilitation Programs** designed to deal with 'social evils', i.e. the medical-social problems group (HIV/Aids cases, prostitution, and drug addicts). In 1998, the SGFRR funded 60 centers dealing with drug addiction, HIV/Aids and prostitution. The total cost was about 59 billion dong.
- **Supplementary Assistance** from the SGFRR sometimes takes the form of funding exemptions from, or concessions on educational fees for children, grants for textbooks and notebooks, and health assistance. In practice, some costs appear to be charged to HEPR and other development programs as well. In 1998, 682,999 students received assistance in paying school fees; 352,043 students received textbooks and/or notebooks; and 1,065,880 people received Health Insurance Cards.

Financing of the SGFRR comes mainly from the budget of the central government. However, some funding is raised locally, and the more prosperous provinces tend to



pay higher benefit rates than the minimum laid down by the government. Some provinces appear to provide benefits to certain low-income people not included on the official lists.

*b) Contingency Fund for Pre-Harvest Starvation and Disaster Relief (emergency)*

The Contingency Fund for Pre-Harvest Starvation and Disaster Relief covers two areas of social relief: a) It acts as a focus for providing aid when natural disasters strike an area; b) It provides supplementary assistance to very poor people, much of it in the form of food aid (or cash to buy food) in the pre-harvest starvation period.

Some forms of supplementary assistance (e.g. waiver of school fees) are also sometimes charged to this fund.

*– Disaster Relief*

Vietnam is situated in a part of the world highly prone to natural disasters. It is in the North equatorial typhoon belt, and is subject to floods, droughts, landslides, tidal invasion, forest fires, and frequent harvest failures in local areas. Disasters occur quite often every year. The disaster relief component of the fund is designed to deal with at least some of the consequences of natural disasters. Other components include medical assistance and the rebuilding or clearing of roads and infrastructure, and seed or other assistance to farmers to replant devastated croplands.

Major outlays for disaster relief from the Contingency Fund in recent years have varied according to the severity of damage. In 1997 for example, disasters destroyed 114,408 dwellings, seriously damaged 167,560 and killed 3,062 people.

Assistance provided under the Contingency Fund covers only part of the losses households suffer. The priority is to save lives and prevent disaster-linked deaths such as death from subsequent starvation. Actual deaths from the disasters are compensated at a standard payment of 1 million dong per death, but most compensation for property damage is a partial grant-in-aid. Local authorities make assessments of damage and claims put forward for verification. Out of whatever Contingency Fund money they have on hand or extra funds received from the government and international agencies or other donors, the local authorities decide what if any compensation is to be given to those who have suffered property damage or other losses.

While there is no formal schedule of assistance for destroyed or damaged houses, calculation of average payments suggest that grants may normally be around 1 million dong for a destroyed house, and half a million dong for a damaged house.

*– Pre-Harvest Starvation Relief*

In 1999, a total of 1.3 million people were given grants for purposes classified as pre-harvest starvation (50% of total eligible persons). These are people suffering from pre-harvest problems, from poverty, unemployment and other problems. Normally, these people have real incomes below the poverty level throughout the year.

Some food starvation situations may arise from other incidents, for example the need to pay medical costs because of serious illness. Also, some food aid is given to allow poor people to celebrate the Tet New Year festival.

The average grant amounts to about 50,000 dong per person assisted. In purchasing power terms this might enable a person to buy 20 to 30 kgs of rice at rural prices, depending on the location and seasonal factors.

Allowance for the Contingency Fund is built into the approved budgets of local authorities. In addition to the centrally provided funding, local authorities are expected to raise some of their own resources to deal with problems. When major disasters strike, resource levels are inadequate and additional resources have to be sought from national organizations, NGOs and foreign donors.

#### 2.2.4 Voluntary Schemes: Savings, Credit and Micro-insurance Schemes

Savings schemes and small credit schemes have been newly introduced in Vietnam. There is a growing body of evidence from microfinance schemes working within Vietnam that rural households, even poor rural households, are able and eager to take loans at unsubsidized rates of interest and repay them. Microfinance activities are becoming extremely important to households with limited access to formal financial services. The Vietnam standard of living survey revealed that 70% of credit for households comes from informal resources, including savings schemes and small credit schemes.

A recent study on microfinance in Vietnam showed that by the end of 1995, there were 534 People's Credit Funds (PCFs) with 150,000 members. These funds provided loans of up to US\$35 million. Some mass organizations participated actively in micro-credit activities such as the Vietnam Women's Union (VWU), which organized 50,000 savings and credit groups nationwide.

All of the PCFs provide loan and credit services with facilities for personal savings. There are also credit funds provided by NGOs, which are not required to combine offering credit with savings facilities.

Recently, various voluntary schemes for farmers have been running at the commune level. Most schemes base contributions and benefits on the price of rice. Since prices fluctuate and crops are uncertain, this poses a problem for financing and inevitably some of these schemes have collapsed, though others are still functioning. It is suggested to design simple and modest schemes for rural workers with adequate average incomes. The objective would be to establish a base for gradual implementation to ensure sustainability and extension of coverage.

#### 2.2.5 Others

A number of other forms of social assistance exist in Vietnam. NGOs and other organizations also provide assistance to some groups of people under development or disaster relief programs.

The other main forms of assistance are grants and concessions under the various development programs, particularly HEPR. Assistance takes the form of concessions or exemptions from school fees, funds to buy textbooks or notebooks, health cost coverage or provision of health insurance cards, and remissions of local taxes due. In some remote areas, subsidies are provided for items such as iodine salt. In practice, there seems to be a blurred boundary concerning which funds are charged for a number of these forms of supplementary assistance.

Apart from these social protection provisions, Vietnamese households, particularly poor rural people, rely heavily on informal social protection based on family, community, and other contacts. This includes support between extended family members, informal work and food assistance between neighbors, and loans from family, neighbors, and moneylenders.

## **2.3 Labor Market Policy**

The evolution of the labor market must be considered in the context of broader economic policies. The labor code and a number of other laws such as the law on SOEs, the enterprise law, and the law on foreign investment in Vietnam are designed to provide a common legal framework for labor-management relations in both the public and private sectors. Labor market policies, however, are still in their initial stage of formulation and development.

### **2.3.1 Active Labor Market Policy**

#### *Creating Job Opportunities (Labor Demand)*

Creating jobs for workers is one of the top priorities of Vietnam's socio-economic policies. To date, the climate for private sector development is improving. The private sector has become an engine of growth and job creation. 90% of all jobs are generated there each year.

At present, over 90% of all enterprises are small and medium size (SMEs). In industry and services, the development of SMEs is a new and predominant model of job generation. Different measures have been applied to help SMEs. The government has provided a portion of the initial capital for setting up a credit guarantee fund. The function of this fund is to help SMEs borrow from banks. Other organizations such as VCCI (Vietnam Chamber of Commerce and Industry), VICOOPSME (Vietnam Cooperative and Small and Medium Enterprises), the Vietnam Women's Union, and the Youth Union have also helped the development of SMEs through their activities.

In order to reduce poverty incidence and generate employment for people, the government has implemented a number of national target programs; among them are the National Program on Employment (NPE) and the National Target Program on Poverty Alleviation (NPHEPR).

The main objective of the NPE is employment creation. The NPE has a four-year budget for 1997 to 2000 of 4,800 billion dong. From this amount, 2,480 dong will be

drawn from the state budget, with the balance coming from international agencies and enterprises. Of the total, 4,693 billion dong is proposed to go into development loans.

The government gives priority to providing loans for small projects which generate many jobs and absorb as many female workers, poor, and unemployed as possible. Through these projects, the government encourages the community and mobilizes people's capital for production and business.

The basic objective of the NPHEPR is poverty alleviation. The NPHEPR has a target budget of 10,000 billion dong for the period 1998–2000, with funding sources comprising a mix of state budget, credit institutions, international agencies, and other sources.

NPE and NPEHEPR are considered target means of generating 25,000 – 300,000 jobs annually, providing short-term training and employment services to hundreds of thousands of workers and reducing poverty by 2% per year. However, there are also problems, such as complicated implementation procedures, low sustainable employment, and difficulties in assessing efficiency and effectiveness, to name a few.

NPHEPR lending through the Bank for the Poor targets poverty groups and is not based on the availability of collateral. The Bank for the Poor was established and went into operation in 1996. About 70% of funds for poverty alleviation are under the management of this bank. By the end of 2000 it provided more than five million households with a loan of 1.3 to 3 million dong, with one- to two-year terms at a preferential interest rate of 0.8% per month. Apart from this, the credits for the poor are also provided by the Bank of Agriculture and Rural Development, the national programs on re-greening bare hills, employment promotion, resettlement and support to the ethnic minorities who were in extremely difficult situations.

Public investment in infrastructure is another important field in creating jobs. The government implemented a number of programs targeting rural transportation, electrification, irrigation, markets (for the sale of goods) and set up a rural service center. Millions of working days have been absorbed into these programs every year.

Other mass and social organizations are also engaged actively in employment creation activities, the most active being the Labor Confederation, the Vietnam Women's Union, the Vietnam Youth Union, and the Peasants' Union. The main activities of these organizations are providing consultation services for their members in designing small projects in order to get loans and develop employment service centers, mobilizing capital and giving technical and marketing guidelines to help their members, especially for such vulnerable groups as the poor, women and the young.

#### *Human Capital Formulation, Skills Development*

One of the main objectives of the NPE is to increase the proportion of the workforce with skills training. Priority in job expansion is given to vulnerable groups including the disabled, war veterans, demobilized military personnel, redundant workers of

state enterprises, and women. The Centers for Employment Services (CESSs) play a key role in this process. CESSs provide vocational training courses in connection with employment for workers. From 1992 to 2000 there were 700,000 workers trained and about 870,000 were introduced to employment by the centers.

Different extension programs in agriculture, forestry and fishery have provided short-term training courses to hundreds of thousands of people. These programs help people to better utilize their working time and generate more income.

Bilateral and multilateral organizations also provide assistance through programs on human resource development, vocational training, improvement of policies related to the labor market, promotion of small and medium enterprises, support for hunger and poverty reduction campaign, and so on.

#### *Matching Job Seekers*

The government provides support to centers for employment services to assist in the implementation of vocational training functions, advice on occupational orientation and provision of job services for workers in the labor market. From 1992 to 2000, the CESSs had advised on employment for 2,000,000 persons. These centers also provide information about vacancies as well as worker requirements.

#### 2.3.2 Passive Labor Market Policy

##### *Education and Training System*

Historically, education has been highly valued among Vietnamese people. After independence, the government undertook a major initiative to expand the public education system. Education is a high priority for government policymakers. In fact, during a period of economic difficulty and state budget retrenchment in the early 1990s, education was one of the few sectors protected.

Vietnam's public education system has out-performed other public initiatives. Population literacy stands at nearly 91% and gender differences are comparatively small. Primary school enrollment is almost 100%. However, major regional differences in educational indicators exist. For example, literacy rates in mountain provinces are as low as 50%. Although national primary school enrollment rates are nearly 100%, they are significantly lower in mountain, central, and Mekong Delta regions. In these areas, gender disparities in enrollment rates and literacy are greater. Institutionally, the education sector is becoming more diverse. Government policy encourages the establishment of private educational institutions. Vocational training programs, which are generally short, are open to students who complete primary or lower secondary education and who are not likely to proceed further in the formal education system. Secondary vocational education programs last three to four years and are also open to students who leave primary and lower secondary school. Professional secondary education lasts two to four years and students completing upper secondary school may attend these programs.

The quality of training, vocational education and even tertiary education, however, is somewhat hampered by the organization and structure of these sub-sectors. Currently, technical and vocational education and training is mainly a state-driven system that suffers from fragmented management, has a large number of uncoordinated external supporters, and does not systematically respond to the needs of the labor market.

#### *Measures taken to help workers*

Reform of state-owned enterprises is presently the main focus of the government. As part of the state enterprise reform program, equitization in Vietnam started with a pilot program in 1992.

Employees of equitized SOEs benefit from the allocation of dividends from a portion of state shares, not exceeding 10% of the enterprise value to employees during their lifetime. The rest will be divided into two parts: one part (30%–50%) belongs to the state and the second part will be sold to external buyers. The value of dividends allocated to each employee for this purpose will not exceed the equivalent of a six-month salary as stipulated in the state salary scale. The state shall remain the owner of these shares.

Employees are also entitled to purchase JSC (Joint Stock Company) shares on credit (5-year term with an annual interest rate of 4%). The value of these shall not exceed 15% of the enterprise value (or 20% in special cases). Detailed conditions for the purchase of shares on credit are stipulated.

Finally, all employees will be guaranteed the right to continue their work at a JSC after equitization. If, 12 months after the registration date of a JSC, an employee becomes redundant due to restructuring of the company, this employee will then benefit from the policies stipulated in article 17 of the Labor Code and the government decree 72/CP of October 31, 1995 (see Section 2.1.3).

The government also applies early retirement schemes and retrenchment payments. It is estimated that the government has to spend 6,000 billion dong in three years starting from 2001, in order to reduce the number of workers in the state sector by 15% (administration and SOEs).

#### *Minimum Wage Policy*

The government sets a minimum wage rate intended for ‘the worker doing the simplest work in normal working conditions’. It is also adjusted periodically to maintain the cost of living. The government sets different minimum wage rates for different sectors. The rate applied to joint ventures is higher than the rate applied to domestic enterprises.

The minimum wage applied to domestic enterprises and administration is 21,000 dong per month (US\$14). The minimum wage applied to joint ventures ranges from US\$30 to \$45 per month depending on the location of the enterprises.

### **3. Assessment of the Effectiveness and Efficiency of the Existing System**

#### **3.1 Coverage**

##### *Social Insurance*

The coverage of compulsory social insurance has reached only 16% of the labour force, which implies that the total number of contributors is just over 5 million people.

The voluntary social system that covers self-employed laborers as well as farmers and laborers in rural areas, and facilitates the participation by all people in social insurance is still in the infancy stage and coverage is very limited.

##### *Health Insurance*

The coverage of HI has expanded very fast. The VHI estimates that in 1999 the number of insured people was about 10.5 million, three times higher than in 1993. Approximately 6.3 million persons (including 2.77 million pensioners and eligible persons) are part of the compulsory scheme, and 3.6 million are in the voluntary schemes (including 3.5 million school children, i.e. 96.8%). 572,000 poor persons were provided HI cards by the government. However, HI still covers only about 14% of the total population.

##### *Social assistance*

Social assistance is characterized by the low probability of receiving benefits, and very low average payment rates. It is estimated that about 38% of those eligible actually received some kind of social assistance in 2000.

#### **3.2 Feasibility**

##### *Social Insurance and Health Insurance*

The system of benefits suffers from serious defects, which detract from its effectiveness and its efficiency at targeting the resources available, including:

- Actual benefit amounts are much lower proportions of actual earnings than the rates would suggest, as they are percentages of basic salaries without any extras, whilst survivors' pensions, which are especially important to women and children, are related to minimum wages instead of average earnings;
- Structural and other deficiencies in sickness and maternity benefits, including the restriction of maternity allowance to two births and the lack of contribution conditions;
- The different treatment accorded to essentially the same contingencies under the employment injury and pension branches respectively;
- The limited provision for permanent invalidity;
- Entitlement to retirement pension (RP), which is the most costly benefit, is normally subject to stringent conditions, but the VSI scheme has low pension ages, especially for women; special, easier qualifying rules for particular categories of workers, and it does not enforce the retirement rule effectively.

The ILO has recommended that health insurance should be integrated with the other social insurance benefits by merging VSI and VHI, whilst retaining separate funds. This would improve policy cohesion and the legal framework and establish a better basis for enforcement. Close co-operation of the two organizations is proposed, especially by harmonizing their legislation for the purpose of intensifying compliance activities and unifying the collection of contributions.

#### *Social Assistance*

Presently, allowance for the Contingency Fund is built into the approved budgets of local authorities. In addition to the centrally provided funding, local authorities are expected to raise some of their own resources for dealing with problems. The mixed funding sources and mixed purposes of the fund lead to a number of practical problems at the local level.

In the future, funding should be allocated to provinces, districts, and communes on the basis of verified disasters in their areas. When disasters strike, local funds can be mobilized for immediate relief until the central fund transfers the necessary resources.

The Pre-Harvest Starvation Relief could continue as a social assistance system for which regular funds are provided by the central government for disbursement at the local level (for the time being by communes). The separation would allow Pre-Harvest Starvation Relief to be redeveloped and expanded as a social assistance system for the working poor and for those not covered by social insurance.

### **3.3 Financial Sustainability**

The fiscal cost to the central government of total social transfers aggregate to around 14% of government spending or above 3% of GDP.

#### *Social Insurance*

At present, the state budget is responsible for over 88% of total costs. The system depends heavily on state subsidies.

The projection under the ILO/Netherlands social security project – ILO/TF/Vietnam revealed that the state budget expenditure on social security would rise steeply from 5,600 billion dong in 1999 to 10,500 billion dong by 2015 and only then begin to decline.

In view of these considerations, it is suggested that the voluntary defined contribution approach should be regarded as a transitional phase and that the policy objective should be to establish a compulsory defined benefit scheme as soon as conditions allow. The objective would be to establish a basis for gradual implementation step by step to ensure sustainability, and also progressive extension of its scope of coverage of persons and contingencies in order to gradually meet the needs of the agricultural sector for social security protection.

In fact, various voluntary pension schemes for farmers have been running for several years, usually at the commune level, and are paying modest pensions to eligible



members. As mentioned above, most schemes base contributions and benefits on the price of rice. Since prices fluctuate, this poses problems for the financing of voluntary schemes and inevitably some have collapsed, though others are still functioning.

There are risks that the proposed provincial pension schemes will come under pressure to permit withdrawals from individual accounts by members who are suffering severe financial hardship for any of numerous reasons, such as individual or general crop failures and devastation caused by the regularly occurring natural disasters. Since the official relief schemes are quite limited, it could be difficult to refuse such requests for the release of part or all of the individual balances.

#### *Health Insurance*

VHI suffers from the same non-compliance problems as VSI, but is more affected by the low rate of contributions and under-payments because the costs of medical treatment of individuals are not related to the amounts paid in contributions. The recent ILO actuarial valuation found that 16 out of 61 provincial funds had deficits in 1997.

#### *Social Assistance*

Financing of the Social Guarantee Funds comes mainly from the budget of the central government. However, some funding is raised locally, and the more prosperous provinces tend to pay higher benefit rates than the minimum laid down by the government. It remains a problem that some provinces appear to provide benefits to certain low-income people not included on the official lists.

#### *NTPE and the NTPHEPR*

Overemphasis on subsidized credit to households was a major problem as it both limited the overall reach of the programs and tended to direct credit at more dynamic and better informed households, to the detriment of those most in need. The heavy emphasis on farm lending is unlikely to create many additional rural jobs in the non-farm sector where the greater potential for employment creation lies.

Other problems, which are likely to constrain the longer-term value of the programs, include insufficient emphasis on vocational education and training; inadequate attention to rural industrialization and insufficient attention to the role of paid wage labor on infrastructure projects as a means of reducing poverty.

Redressing the problems would require a mix of mutually supportive strategies and action at three levels – the macro-level to create an appropriate environment for the dynamic and responsive evolution of the programs; at the meso-level for capacity and institution building and at the micro-level to publicize the programs, improve access to them, and support the users with appropriate training and services.

### **3.4 Gender Equity**

Vietnam has had formal legal equality between women and men for many years. In most respects, the formal social protection programs incorporate this legal equality.

However, there are a number of long-standing gender issues. These include the lower average educational, occupational, and earnings status of women, the 'double shift' problem where women are expected to work full time in paid employment as well as carry out the bulk of household and family duties, and occupational health and safety issues which affect women more than men. More recently, unemployment has risen faster amongst women.

Within the social insurance system, gender issues include the limitation of maternity leave to two pregnancies and the lower pension age for women. While the lower age policy enables women to retire earlier, it also means lower retirement pensions and re-employment on less favorable terms.

### **3.5 Costs of Administration**

The use of general-purpose commune administrations to pay benefits at the local level is possibly a pragmatic way of dealing with the lack of special purpose government agencies at the local level. It is also a way to reduce the cost of administration.

In March 2002, in order to improve the efficiency and effectiveness in the operation of the system, as well as to reduce administrative costs, the Vietnamese government decided to absorb the VHI into the VSI, resulting in one unified agency.

### **3.6 Targeting**

The targeting efficiency of the social protection system appears to be low. Even within the very restrictive definitions of those entitled to assistance, only a minority of those apparently eligible for benefits actually receive them, and the probability of receiving a benefit seems to vary according to geographic location. This may be in part because the criteria for assistance (insurance) are open to flexible interpretation at all levels, especially the local level.

However, the very low numbers of beneficiaries granted assistance (the equivalent of only 0.2% of the population) suggests that the main problem is inadequate funding. This leads to low benefit grant rates and to extreme poverty amongst many of those in need who do not in practice receive assistance from the fund.

## **4. Development of Innovative Programs and Alternative Social Protection Schemes**

### **4.1 Selection of Models and an Appropriate Social Protection Scheme**

The social protection scheme of a country depends on the development patterns and economic system of the country. The development model and economic system must be designed to ensure a harmonized combination of economic growth and settlement of social issues in conformity with principles of equality and social advancement. The appropriate economic system for Vietnam is an open market economy in combination with national cultural values. Vietnam is in a transformation process. The development model and economic system selected by Vietnam is a socialism-oriented

open economic system with the strategic goals of ‘wealthy people, powerful country – equality – democracy and civilization’. The future social protection scheme should be designed according to the following criteria.

**The selected models for a social protection scheme:**

Level	System	Social risks	Target groups
<b>Level 1: Social security</b>	1. Health care insurance	Sickness, illness	All citizens
	2. Security on labor injury and professional diseases	Labor injury, professional diseases	Workers
	3. Pension	Elderly	All citizens
	4. Unemployment security	Unemployment	Workers
<b>Level 2: Affirmative policy on labor market</b>	1. Vocational training, retraining	Unemployment and underemployment	Jobless people, laid-off workers
	2. Creation of temporary jobs in the public sector		
	3. Assistance for self-employment (credits)		
	4. Assistance on job matching		
<b>Level 3: Social assistance</b>	1. Social extraordinary contingency funds	Poverty	Low-income earners, vulnerable social groups
	2. Social Guarantee Fund for Regular Relief		

With the above-mentioned social and economic system, the social protection scheme should be renovated in a way that ensures the use of market principles, safeguards social benefits for all people and facilitates their development. It must be an integrated system consisting of the following: Social security with contributions by all partners (pay-as-you-go), widening of social services, particularly basic social services, social assistance to vulnerable groups and designing of an encouraged policy on the labor market.

A model designed as mentioned above allows developing a social protection scheme on the basic principles of consistency, integration, mainstreaming and interrelation.

#### **4.2 Enlarging the Scale and Coverage of Beneficiaries**

The biggest problem of the current social protection system is the poor coverage, mainly limited to the formal sector. Thus, when implementing a revised strategy of social development, it should gradually enlarge the scale of coverage and multiply the beneficiaries for the following sectors:

- Farmers, rural workers;
- Workers in non-agricultural individual household businesses;
- Workers in the informal sector.

In the case of Vietnam, in addition to the above-mentioned target groups, the social protection scheme should pay more attention to the regions which are in greater danger of natural disasters. This means that the setup of a policy and program on

national disaster prevention must be included in the national social protection scheme.

The strategic direction for enlarging the scope of coverage and beneficiaries leans towards the informal sector. However, this cannot be determined in a short time. Furthermore, the scope of the informal sector is too large, with very poor economic conditions. It needs long-term five-, ten-, and twenty-year plans, depending on differing country conditions. Many policies on social protection should be implemented on a trial basis before full implementation. For Vietnam, there should be in-depth research conducted and trial implementation of a social security scheme for farmers, workers in non-agricultural individual home-based businesses or unemployment schemes for laid-off workers.

In the informal sector, where the levels of legislation implementation and labor productivity are low, the applicable social protection scheme should be different from the one for the formal sector. In these schemes, the rate of contribution as well as the benefits and assistance rates should be lower than those in the schemes applied for the formal sector.

The direction is to expand the coverage step by step and to reduce the gap between the schemes for the formal sector and informal sector respectively, as conditions allow.

#### **4.3 Strengthening the Role of the State and Enlarging the Participation of the Private Sector**

Increasing the participation of social partners, particularly in the private sector, is one of the most important approaches to strengthening the recourse for the social protection scheme, and decreasing subsidies from the state to better harmonize with open market mechanisms. This approach shall be considered in the following dimensions:

- Applying market methods to preserve values and increase the available funds for social protection (participation in the program and investments);
- Mobilizing contributions from the private sector to increase the funds for social protection (sharing with the state);
- Increasing opportunities for individuals who are beneficiaries complying with the publicized principles of democracy and transparency.

In addition, the social protection scheme is a basic national social policy; the state should thus strengthen its role and pay more attention to the scheme. The role and responsibility of the state can be described as follows:

- To formulate strategies, issue policies and laws, and draw up a legal framework on social protection;
- To set up and implement National Target Programs on social protection;
- To adjust the public expenditure structure in order to increase investment from the state budget for social protection.

Regarding the reform of the social protection policy, it is fundamental to build up a supply network of social protection and social services, especially basic social ser-

vices to make sure that the beneficiaries will have access to high-quality services. At present, these services are provided mainly by the state, but in the near future the private sector should play a more important role, primarily in medical services, education, clean water supply, environmental sanitation, micro-credit for the poor, employment services, and vocational training.

Social security in the formal sector is supplied by the state. In the future, the state will continue to play a leading role. However, Vietnam should consider the possibility of the private sector implementing some social insurance schemes, beginning with the informal sector.

The social protection service network is defined as non-profit, drawing the participation of state, private sector, and NGOs. It is organized as a unified planning network with respect to interactive and co-operative linkages and supported by the state as and when needed.

It is likely that an enhanced state role and responsibility with the wider participation of social actors and the private sector under the auspices of the state in a civil society is a guarantee factor for a successful outcome of the existing social protection policy in the future.

#### **4.4 Structure of the Contribution Rate of Participants in the Social Protection Scheme**

– The social insurance scheme for the formal sector in Vietnam has a total contribution rate of 23% (including health insurance). It is lower than in other countries, and varies between the rate contributed by employees and employers with employers paying three times more than employees.

At present however, raising the contribution rate will result in an additional financial burden on enterprises, resulting in higher bankruptcy risk and diminished possibility of contributing to social insurance. During the next five or ten years, it will be necessary to adjust the rate to around 30–32%, as in other countries, and at the same time change the rate between employers and employees to 50% each.

Concerning social insurance, the state acts as employer and contributes for employees working in public administrative agencies. Yet it supports and assists in some urgent cases to guarantee the safety of people, especially in cases of economic crises, severe natural disasters and wars by developing the Social Insurance Fund.

In Vietnam, social assistant funds (including emergency and regular relief) are balanced in the contingency funds in the budget of communes and ensured at a minimum level. This is considered a big problem at the moment. The basic orientation in social protection policy reform is to split the social assistance funds from the contingency budget to create an independent fund. This fund should be mobilized by different sources such as the state budget, the public and private sector and international aid. However, the state should adjust the public expenditure structure to increase investments in this fund.

- Under the active labor market policy, Vietnam established a National Fund for Employment Promotion (NPE) in 1992 to serve for loan provision under small-scale projects, vocational training and employment service. Besides the Fund for Poverty Alleviation and other charity funds, these funds are mainly formed from the state budget at central and local levels, personal and private sector contributions and international cooperation. In the future, the state will continue to increase the investment level from central and local budget sources, yet it is also necessary to raise the personal and private sector contributions to this fund.
- Social protection funds (social insurance, regular and emergency relief funds, the fund for employment promotion and poverty alleviation and other charity funds) operate under the principle of complementarity, mutual assistance and risk sharing. Hence, it is important to ensure the balance of funds (collections to expenditure) to assure the efficiency and sustainability of the policy. The fund for social insurance and the fund for employment will remain particularly important. Hence, the conservation and increase of these funds' values are firmly assured. In response, the following solutions are needed.
- Create capital turnover to loan based on market interest rates and procedures (all economic, credit organizations and individuals should be able to access this loan). This is based on different studies by national and international agencies, which recommend that in order to increase the efficiency and effectiveness of credit funds, the loans given to borrowers (including the poor and disadvantaged) have to be determined on market interest rates rather than preferential rates.
- Give priority to investment in socio-economic projects with high efficiency and low risk such as real estate, export and import.
- Give assistance from the state budget based on public expenditures restructuring as an investment for social development.

#### **4.5 Development of Social Safety Net Programs**

According to the new concept, social protection is defined as including social insurance, social assistance and labor market policies. However, more provisional resolutions need to be added, especially concerning risks, economic shocks, social changes (local war, racial war, terrorist war), institutional reforms (especially in a transitional economy such as Vietnam's) and natural disasters. The above resolutions are included in social safety net programs.

The target groups of social safety net programs are chronically or temporarily poor people, people affected by crisis and/or social changes, institutional reforms, and natural disasters. Unless social safety net programs do not support these people, they will fall into poverty.

Concrete social safety net programs are formed depending on specific circumstances and the status of the country. However, the most important components are as follows:

- Programs on unemployment reduction and income generation. These programs focus on supporting job creation, training and retraining, supporting small-scale loans to create employment and job placement for out-of-work people as well as redundant workers who have been laid off because of institutional reforms (especially in state-owned enterprise restructuring in transitional countries).
- Programs on hunger eradication and poverty reduction. These programs focus on creating more opportunities for poor people to develop production, raise income, and provide access to high quality social services at low cost.
- Programs providing social services, especially basic social services such as health care, reproductive health, education, anti-malnutrition for children, and clean water supply, in a timely manner for poor people, and disadvantaged and vulnerable groups.
- Programs and projects on community development to form and build up community organizations in order to promote supportive activities to different target groups, especially women, children, the elderly and disabled in a community.
- Programs supporting specific groups of people such as ethnic minorities in remote and upland areas, poor widows, orphans, the disabled, immigrants, as well as others, to help them better integrate into the community.

Vietnam is still a poor country and engaged in an institutional reform process. It also suffers heavily from a longstanding war and natural disasters. Under these circumstances, the development of social safety net programs as *ad hoc* measures to support the above-mentioned social groups is becoming of greater significance. The Vietnam government pays particular attention to this issue and intensifies efforts to invest in these programs from the state budget and takes advantage of local as well as international cooperation.

## **5. Policy Recommendations**

5.1 In order to reform the social protection system, the government should design a research project to comprehensively analyze and assess the efficiencies and advantages of the current scheme. This should be done in addition to studies on international experiences, and to propose a new social protection scheme with respect to the specific situation in the country and in observance of international tendencies. This research should cover the following components:

- Assessment of the role of the government and social counterparts in the social protection scheme;
- Identification of a methodology for building employment policies, unemployment insurance, active labor market policies and social safety net programs.
- Evaluation of financial resources of the social protection scheme;
- Assessment of the social protection management capacity.

5.2 A country policy on social protection (or strategy on social protection) should be developed, in which priorities, interaction between social insurance and social

assistance, labor market policy, social safety net programs and different roles of the state agencies and other stakeholders in the national social protection scheme are identified. Strategies of promoting social protection schemes would be to ensure that the schemes are fiscally sustainable even at the aggregate level; that they offer incentives, and are well-targeted and effective in terms of delivery.

- The benefit level of social insurance should be confined to affordability based on contributions. Fiscal prospects should be projected on a regular basis and benefit-contribution schedules should be adjusted accordingly as unexpected changes such as ageing, economic uncertainty, and global and regional crises occur.
- Incentives provided by social protection should be compatible with outside options. The level of benefits and the method of support need to be designed so that work incentives will not be undermined.
- Those most in need should be the actual recipients of social protection schemes. Systematic analysis on the major demographic and socio-economic characteristics needs to be performed and eligibility criteria, task selection and the method of informing people should be determined accordingly, based on the analysis.
- Performance of delivering personnel should be evaluated on a regular basis and reflected in promotions and earnings of the staff.

In order to achieve these objectives, a plan on social protection development needs to be set up with the following activities:

- Determine the components of the social protection programs including social insurance, unemployment insurance, health care, the social guarantee fund for regular relief, the contingency fund for Pre-Harvest Starvation and Disaster Relief and social safety nets, of which the program supporting new initiatives of social insurance development for the informal sector should be paid particular attention;
- Finalize the designing plans and carry out the social protection programs;
- Consider the feasibility and stability of the program, focusing especially on financial and fiscal resources;
- Properly determine the target groups on the basis of formulating criteria to classify eligible persons in every social protection program;
- Complete the management system, the supervision and assessment system of the programs.

5.3 In the future, the social protection scheme should be developed with the participation of the state, then enlarged and transferred gradually to the private sector as well as organizations and individuals. This scheme should also be highly decentralized to the local level in a unified network. However, this process should be institutionalized by laws, of which the most important components are as follows:

- Reviewing, revising and adding more articles of the Labor Code including the chapter on social security, employment and the labor market;
- Formulating a law on social security, unemployment and health insurance;



- Delivering regulations on social security for the informal sector in the urban and agricultural sectors.
- Formulating and completing functions, tasks, and duties as well as the structure of social security agencies at central and local levels.

5.4 Cooperation in using ICT (Information and Communication Technology) to form a scheme on social protection management information. All countries should promote work in terms of research on indicators as well as from the social protection management information system, including information on social insurance, health insurance, unemployment insurance, permanent relief, and labor market information. The Internet should be used in the above systems. This information system could be available on-line in order to compare countries in the region. To fulfill these requirements, it is necessary to improve materials and technical facilities, to have countries cooperate and exchange experiences, and to train staff and improve the capacity of governmental bodies and counterparts in the social protection scheme.

## Appendix

**Table1: Number of People Aged 15 or Above Having a Regular Job (by industry group)**

Year	Total (persons)	Of which		
		Agriculture, forestry and fishery	Industry and construction	Services
1996	34,907,659	23,466,729	3,682,084	6,858,848
1997	34,716,375	22,858,115	3,476,210	8,382,050
1998	36,018,346	22,867,823	4,298,464	8,852,059
1999	35,731,076	22,725,556	4,450,209	8,555,311
2000	36,205,562	22,669,907	4,743,705	8,791,950

Source: Surveys on labor and employment, Ministry of Labor, Invalids and Social affairs

**Table 2: Labor Force Structured by Industry Groups**

Year	Total (%)	Of which		
		Agriculture, forestry and fishery	Industry and construction	Services
1996	100	69.80	10.55	19.65
1997	100	63.49	11.93	24.58
1998	100	63.49	11.93	24.58
1999	100	63.60	12.45	23.94
2000	100	62.61	13.10	24.28

Source: Surveys on labour and employment, Ministry of Labour, Invalids and Social affairs

**Table 3: The GDP Growth Rate 1990–2001 (at constant prices of 1999)**

Year	Total (%)	Of which		
		Agriculture, forestry and fishery	Industry and construction	Services and tourism
1990	5.09	1.00	2.27	10.19
1991	5.81	2.18	7.71	7.38
1992	8.7	6.88	12.79	7.58
1993	8.08	3.28	12.62	8.64
1994	8.83	3.37	13.39	9.56
1995	9.54	4.80	13.60	9.83
1996	9.34	4.40	4.46	8.80
1997	8.15	4.33	12.62	7.14
1998	5.76	3.53	8.33	5.08
1999	4.77	5.23	7.68	2.25
2000	6.75	4.04	10.07	5.57
2001	6.8	2.80	10.40	6.10

Source: General Statistical Office (GSO).

**Table 4: GDP Structure by Industries (at current prices)**

Year	Total (%)	Of which		
		Agriculture, forestry and fishery	Industry and construction	Services and tourism
1990	100	38.74	22.67	38.59
1991	100	40.49	23.79	35.72
1992	100	33.94	27.26	38.80
1993	100	29.87	28.90	41.23
1994	100	27.43	28.87	34.70
1995	100	27.18	28.76	44.06
1996	100	27.76	29.73	42.51
1997	100	25.77	32.08	42.15
1998	100	25.78	32.49	41.73
1999	100	25.43	34.49	40.08
2000	100	24.30	36.61	39.09
2001	100	23.00	38.00	39.00

Source: General Statistical Office (GSO).

**Table 5: National Poverty Measure (per cent of households)\***

1992	30.0
1993	26.0
1994	23.1
1995	20.3
1996	19.2
1997	17.7
1998	15.7
1999	13.1
2000	10.0

\* Poor is defined as being able to afford less than 15 kilograms of rice (55,000 VND) per person/month in remote mountain areas, 20kg (70,000 VND) per person/month in other rural areas, and 25kg (90,000 VND) per person/month in urban areas.

Source: Ministry of Labour, Invalids and Social affairs.

**Table 6: VSI Income and Expenditure 1995 – 1998**

Year	1995	1996	1997	1998
<b>Total income</b>	<b>1,978</b>	<b>7,026</b>	<b>8,804</b>	<b>9,384</b>
From VSI	788	2,588	3,706	4,370
Contributions (20%)	788	2,570	3,514	3,898
Investment income	—	18	192	473
From the state budget	1,190	4,438	5,098	5,013
Pensions	1,149	4,287	5,047	4,995
Administrative expenses	41	119	—	—
Expenses on buildings	0	31	50	17
Others	—	2	1	1
<b>Total expenditure</b>	<b>1,191</b>	<b>4,937</b>	<b>5,932</b>	<b>6,122</b>
From VSI	42	398	706	975
Benefits	42	381	588	743
of which:				
– Pensions	13	224	372	486
– Short-term benefits	29	157	216	257
Health insurance contributions	—	1	3	5
Delivery fees	0.1	2	3	4
Administrative expenses	—	15	112	148
Expenses on buildings	—	—	—	75
From the state budget	1,149	4,539	5,227	5,147
Benefits (pensions)	1,079	4,248	4,996	4,966
Health insurance contributions	27	117	142	137
Delivery fees	6	22	26	26
Administrative expenses	37	119	12	0.2
Expenses on buildings	—	31	50	17
Others	—	1	1	1
<b>Balance</b>	<b>787</b>	<b>2,089</b>	<b>2,872</b>	<b>3,262</b>
<b>Reserves (at the end of the year)</b>	<b>790 (E)*</b>	<b>2,900 (E)</b>	<b>5,700 (E)</b>	<b>8,887</b>

\* Estimate

Source: ILO Actuarial Report, 1999.

**Table 7: Health Insurance Trends in Membership, Revenue and Expenditure 1993–1997**

	1993	1997	Change
Contribution Revenue (billion VND)	111.00	540.00	x 4.9
No. of members (million persons)	3.80	9.50	x 2.5
Health insurance expenditure OP and IP* (billion VND)	49.00	480.00	x 9.7
Revenue/member (VND)	28,000.00	52,000.00	x 1.9
Expenditure/member (VND)	12,895.00	50,526.00	x 3.9
Net VND for health care (91.5%)	47,580		
Deficit (1997 contribution revenue)	–2,946		

\* OP – outpatient, IP – In-patient.

Source: VHI.

**Table 8: Spending for Social Assistance from State Budget (VND billion)**

	1996	1997	1998
<b>Total state budget expenditure</b>	—	78,057	81,995
<b>Total social assistance expenditure (1+2)</b>	823	980	1,015
<b>1. For regular relief</b>	670	680	702
1.1. For disable people	640	644	651
1.2. For the elderly alone	18.7	21.5	26
1.3. For orphans	10.7	13.6	21.8
1.4. For vagrants	1	0.86	2.7
<b>2. For emergency relief</b>	153	300	313
2.1. For funerals	1.1	3.0	0.9
2.2. For the injured	0.6	0.7	0.2
2.3. For housing	55	114	14
2.4. For severely damaged houses	47	84	225
2.5. Pre-harvest starvation	48	98	73

Source: Statistics on Social Safety Nets in Vietnam, MOLISA and Statistical yearbook, 2000.

## Acronyms

CES	—	Center for Employment Services
ESC	—	Employment Service Centers
FDI	—	Foreign Direct Investment
GDP	—	Gross Domestic Product
HEPR	—	Hunger Eradication and Poverty Reduction
HI	—	Health insurance
ILO	—	International Labor Organization
JSC	—	Joint Stock Company
NGO	—	Non-governmental Organization
NPE	—	National Program on Employment
NPHEPR	—	National Program on Hunger Eradication and Poverty Reduction
NSE	—	Non-state Enterprises
ODA	—	Official Development Assistance
PCF	—	People's Credit Fund
R&D	—	Research and Development
RP	—	Retirement Pension
SGFRR	—	Social Guarantee Fund for Regular Relief
SI	—	Social insurance
SME	—	Small and Medium Enterprise
SOE	—	State-owned Enterprise
VCCI	—	Vietnam Chamber of Commerce and Industry
VICOOPSME	—	Vietnam Cooperative and Small and Medium Enterprises
VHI	—	Vietnam Health Insurance
VSI	—	Vietnam Social Insurance

VWU	–	Vietnam Women's Union
TU	–	Trade Union
UN	–	United Nations

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