



# Sickness benefits in Viet Nam

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# Structure of presentation

1. Sickness benefits in social insurance system
2. International standards
3. Experience 2007-2018
4. Methodology and assumptions
5. Cost projection under status quo
6. Extension of coverage



# Sickness benefits in social insurance system

# 2014 Social Insurance Law (58/2014/QH134)



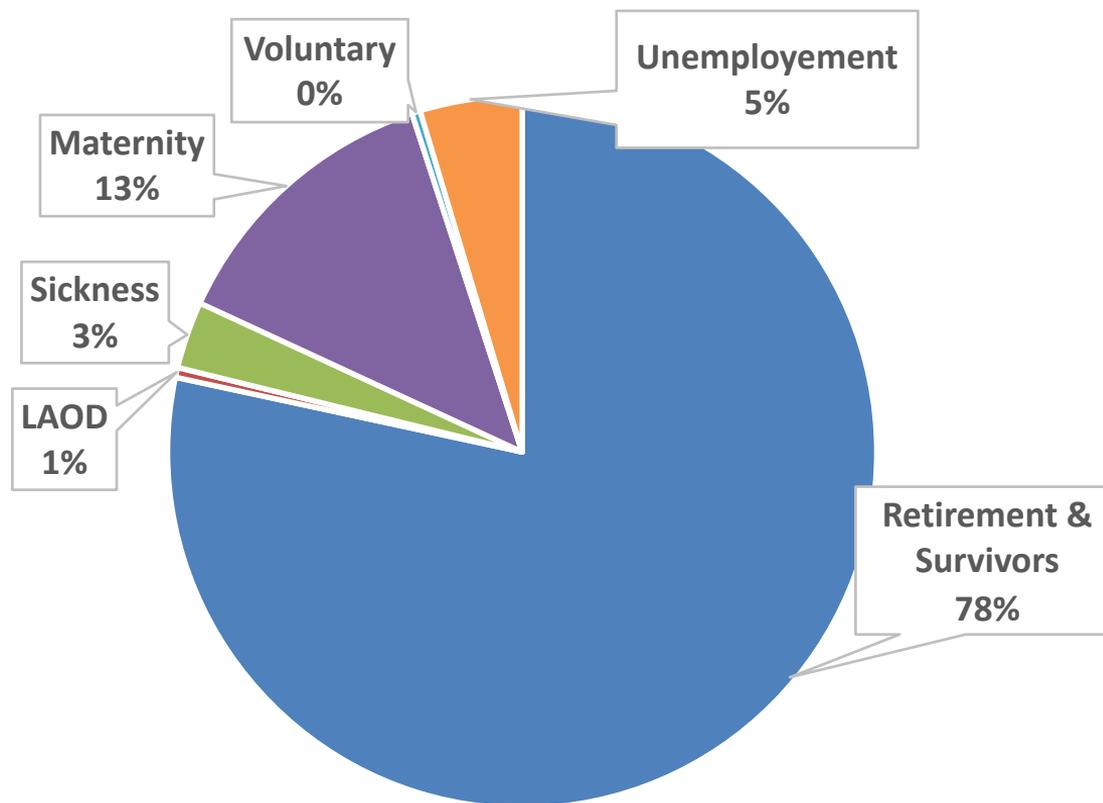
Compulsory	Voluntary
Sickness	
Maternity	
Labour accident & occupational disease	
Retirement	Retirement
Survivor	Survivor

# Social insurance system

## Contribution rates (%)

	Compulsory			Voluntary
	Total	Employers	Workers	Workers
Retirement and survivors	22.0	14.0	8.0	22.0
<b>Sickness and maternity</b>	3.0	3.0	--	--
Labour accident & occupational diseases	0.5	0.5	--	--
Unemployment	2.0	1.0	1.0	--
Health insurance	4.5	3.0	1.5	4.5
<b>Total</b>	32.0	21.5	10.5	26.5

## Social insurance system Benefit expenditure (2016)



# Sickness Allowances

	Allowance duration			Replacement rate		
	Social insurance period (years)			Social insurance period (years)		
	< 15	15 - 30	30 and +	< 15	15 - 30	30 and +
<b>Normal work conditions</b> (Art. 26.1.a)	30 days	40 days	60 days	75%		
<b>Particular work conditions</b> (Art. 26.1.b)	40 days	50 days	70 days	75%		
<b>Long-term treatment</b> (Art. 26.2)	180 days not exceeding SI period			75%		
<b>Military personnel</b> (Art. 26.3)	as required			50%	55%	65%
<b>Parent leave</b> (Art. 27)	20 days for child under 3, 15 days for child between 3 and 7			75%		

(Art. 26.1.b) Heavy, hazardous or dangerous occupations or jobs extremely heavy, hazardous or dangerous occupations or jobs on the list issued by the Ministry of Labour - Invalids and Social Affairs, or working in areas with a region-based allowance coefficient of 0.7 or higher.

(Art. 26.3) Officers and professional army men of the people's army; officers and professional non-commissioned officers and officers and technical non-commissioned officers of the people's public security; and persons engaged in cipher work enjoying salaries like army men.



# International standards

## ILO up-to-date instruments on Sickness benefit

<b><i>Minimum standards</i></b>	<b>Social Security Convention, 1952 (No. 102)</b>	<ol style="list-style-type: none"> <li><b>1. What should be covered?</b></li> <li><b>2. Who should be protected?</b></li> <li><b>3. What should be the benefit?</b></li> <li><b>4. What should the benefit duration be?</b></li> <li><b>5. What conditions can be prescribed for entitlement to a benefit?</b></li> </ol> <p>Source: World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals (Table AIII.2)</p>
<b><i>Higher standards</i></b>	<b>Medical Care and Sickness Benefits Convention, 1969 (No. 130)</b> <b>Medical Care and Sickness Benefits Recommendation, 1969 (No. 134)</b>	
<b><i>Basic protection</i></b>	<b>Social Protection Floors Recommendation, 2012 (No. 202)</b>	

## ILO up-to-date instruments on Sickness benefit

	Coverage	Replacement	Duration
<b>Convention 102</b>	50% of employees, 20% of EAP, means-tested threshold	45%	may be limited to 26 weeks in each case of sickness
<b>Convention 130</b>	All employees, 75% of EAP, means-tested threshold	60%	may be limited to 52 weeks in each case of sickness
<b>Recommend. 134</b>	Casual employment, family-contributing workers, all EAP, all residents	66.66%	full duration of sickness
<b>Recommend. 202</b>	all residents of active age	Basic income security	as long as unable to earn a sufficient income due to sickness
<b>Viet Nam</b>	56% of employees 13% of population	75% for non military personnel	30 days to 180 days

# Sickness experience 2007-2018

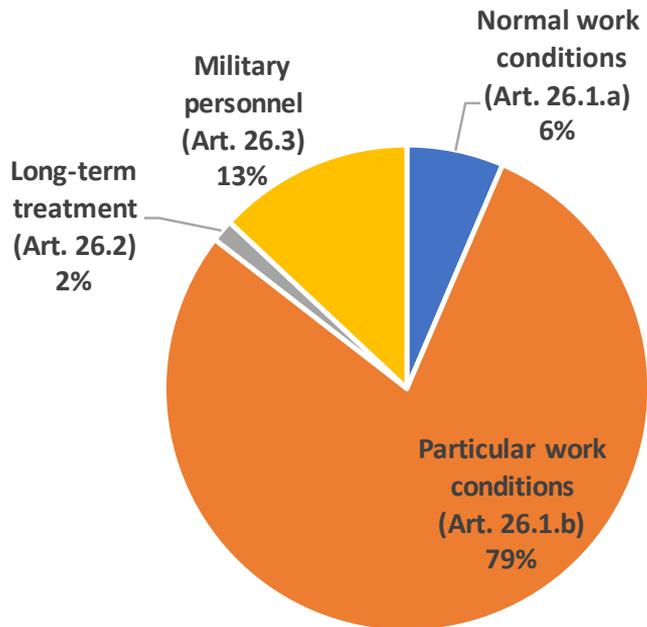
# Annual reports: Maternity and Sickness fund

(billion VND)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Sickness &amp; Maternity</b>												
<b>Contribution</b>	3 753	4 885	5 623	6 783	8 490	11 183	12 757	15 114	17 025	20 002	22 978	26 162
<b>Expenditure</b>	2 110	2 978	3 716	3 995	5 562	8 356	12 148	14 593	17 285	19 976	22 427	23 443
<b>Expend / Cont</b>	<b>0.56</b>	<b>0.61</b>	<b>0.66</b>	<b>0.59</b>	<b>0.66</b>	<b>0.75</b>	<b>0.95</b>	<b>0.97</b>	<b>1.02</b>	<b>1.00</b>	<b>0.98</b>	<b>0.90</b>
<b>Expenditure</b>												
<b>Sickness</b>	477	618	741	833	1 010	1 410	1 462	1 605	1 846	2 515	2 945	3 081
<b>Maternity</b>	1 438	2 192	2 809	2 970	4 318	6 620	10 265	12 524	14 505	16 207	18 380	19 149
<b>Convalescence</b>	195	168	166	192	234	327	421	464	502	658	763	899
<b>HI purchase</b>	0	0	0	0	0	0	0	0	432	596	339	314
<b>Total</b>	2 110	2 978	3 716	3 995	5 562	8 356	12 148	14 593	17 285	19 976	22 427	23 443
<b>Sickness / Total</b>	<b>0.32</b>	<b>0.26</b>	<b>0.24</b>	<b>0.26</b>	<b>0.22</b>	<b>0.21</b>	<b>0.16</b>	<b>0.14</b>	<b>0.16</b>	<b>0.19</b>	<b>0.18</b>	<b>0.18</b>
<b>Number of benefits (thousand)</b>												
<b>Sickness</b>	1 990	2 512	3 250	3 915	4 350	4 117	4 879	4 971	5 783	6 481	7 545	8 584
<b>Maternity</b>	299	576	713	661	836	1 083	1 231	1 212	1 426	1 571	1 825	2 101
<b>Convalescence</b>	749	316	300	222	201	261	300	283	320	346	318	369

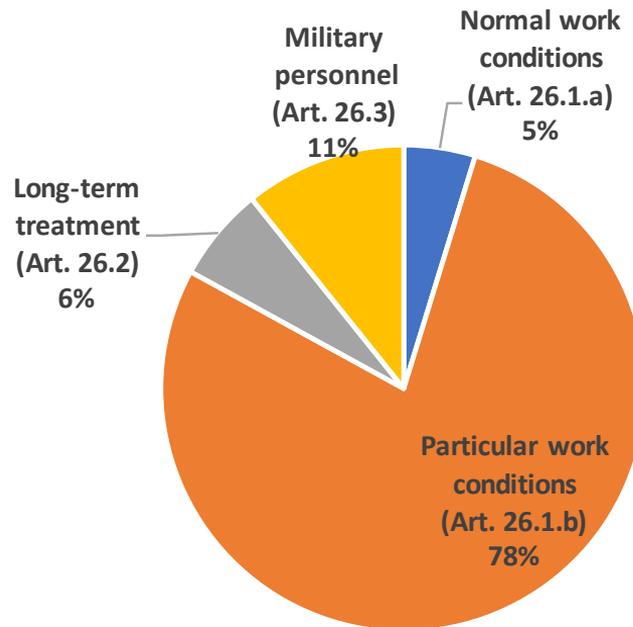
# Sickness benefits: age distribution data

Sector and gender	Year	Normal work conditions (Art 26.1.a)			Particular work conditions (Art 26.1.b)			Long-term treatment (Art 26.2)			Military personnel (Art 26.3)		
		Number of benefits (thousand)	Average duration per benefit (days)	Average daily allowance (VND)	Number of benefits (thousand)	Average duration per benefit (days)	Average daily allowance (VND)	Number of benefits (thousand)	Average duration per benefit (days)	Average daily allowance (VND)	Number of benefits (thousand)	Average duration per benefit (days)	Average daily allowance (VND)
Private - Male	2013	63	3.3	86 725	1 492	2.5	111 581	10	19.0	97 120	349	2.8	103 777
	2014	154	2.9	99 154	1 949	2.4	171 698	21	14.1	110 771	466	2.7	146 732
	2015	273	2.8	141 413	1 889	2.6	156 575	30	11.7	126 556	478	2.8	153 871
	2016	194	3.0	149 282	2 528	2.5	225 500	46	10.1	192 563	579	2.8	193 826
Public - Male	2013	34	3.7	107 242	204	3.6	107 919	6	24.9	113 727	37	3.2	85 238
	2014	51	3.8	91 782	233	3.3	115 292	8	21.7	105 180	44	3.0	85 409
	2015	43	4.3	98 481	205	4.1	131 504	9	20.7	111 924	35	3.6	90 299
	2016	28	4.3	121 244	205	4.1	131 504	11	18.1	125 906	38	3.5	115 165
Private - Female	2013	25	3.4	87 895	1 116	2.5	275 818	13	19.3	135 832	76	2.6	124 096
	2014	48	3.0	92 663	1 185	2.4	217 479	19	15.4	162 174	70	2.4	148 436
	2015	84	2.7	109 221	1 192	2.6	194 027	25	13.3	158 353	80	2.4	161 715
	2016	60	2.9	131 400	1 560	2.5	267 393	35	11.6	176 795	108	2.5	188 511
Public - Female	2013	32	3.4	99 155	247	3.3	104 649	10	23.2	113 867	9	2.7	84 897
	2014	49	3.3	96 351	255	2.8	134 722	14	20.0	115 707	9	2.5	87 682
	2015	1	3.9	91 710	21	11.5	177 286	2	16.5	117 038	3	2.3	86 457
	2016	46	3.2	133 581	227	3.6	139 785	16	19.0	138 101	10	3.0	127 975

# Relative weights of sickness benefits (2013-2016)

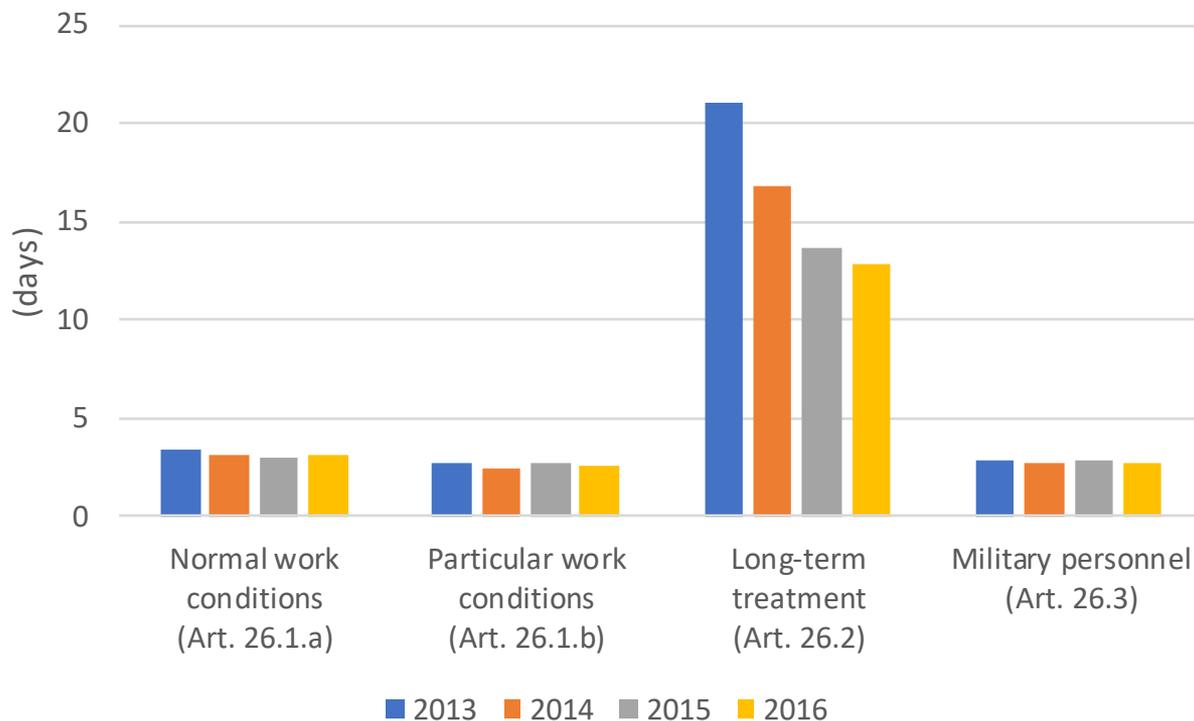


Number of benefits

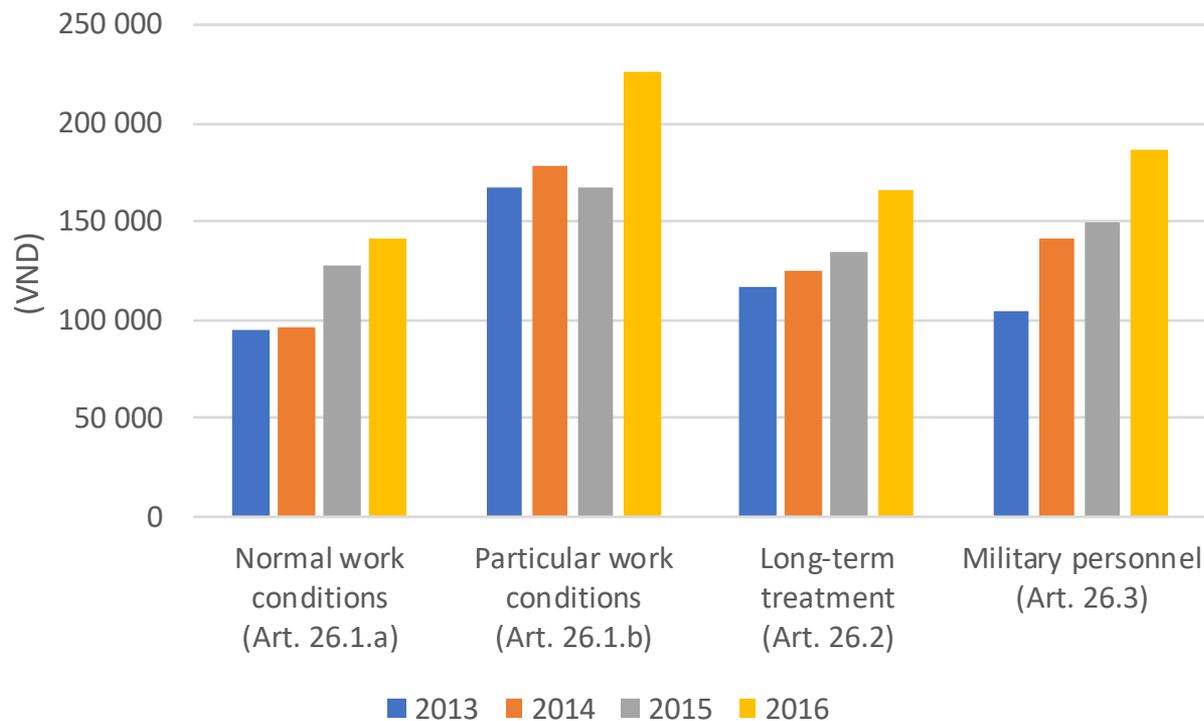


Expenditure

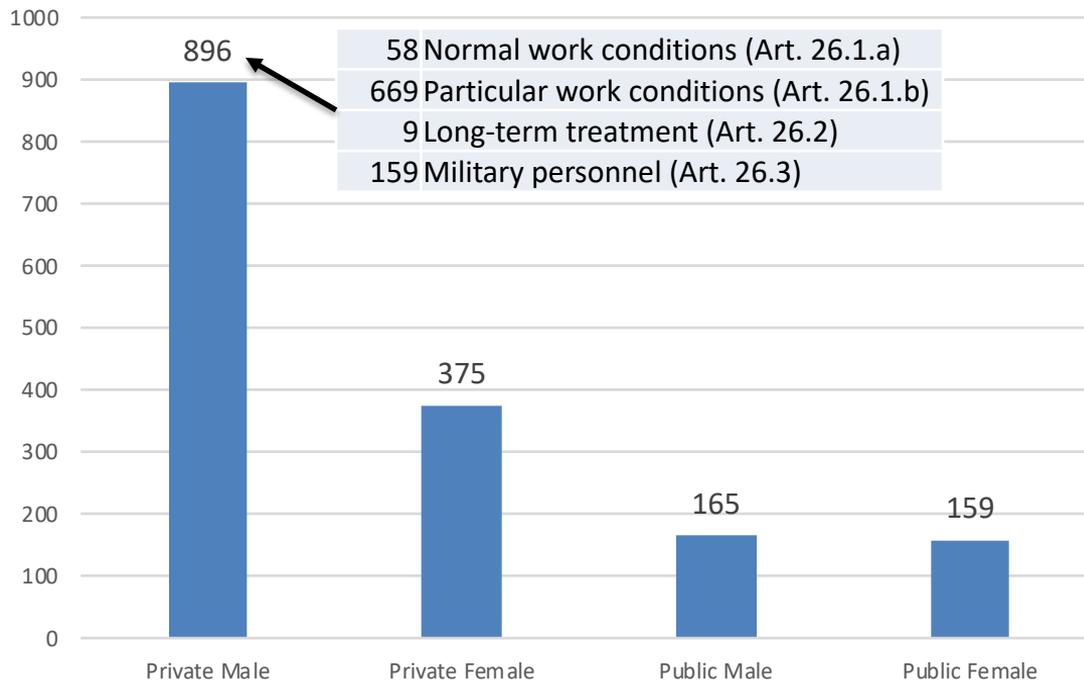
## Average duration per benefit award (2013-2016)



## Average daily allowance per benefit award (2013-2016)



## Number of beneficiaries per 1,000 exposed persons in a year (2013-2016)

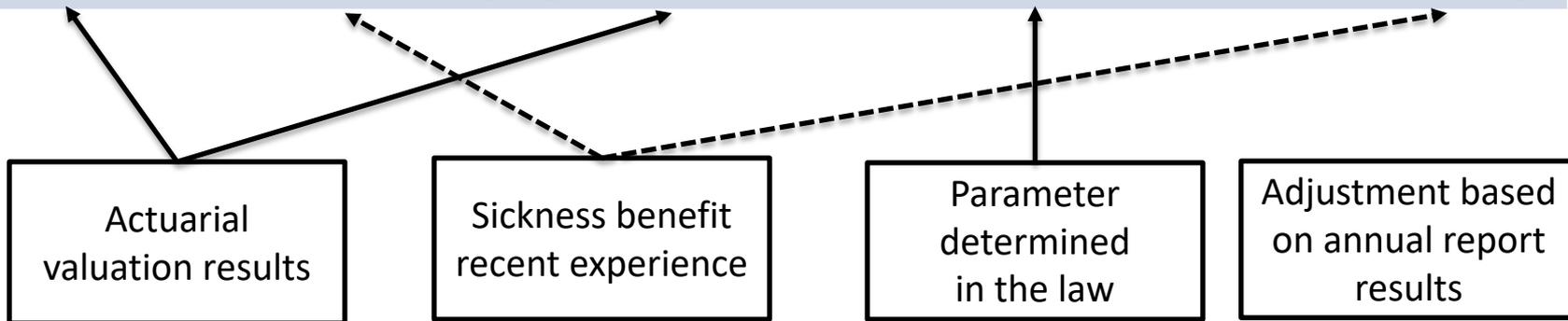


# Methodology and assumptions

# Methodology & Assumptions

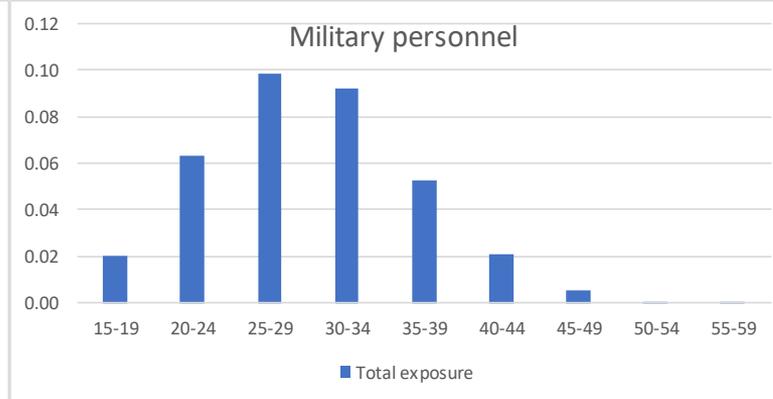
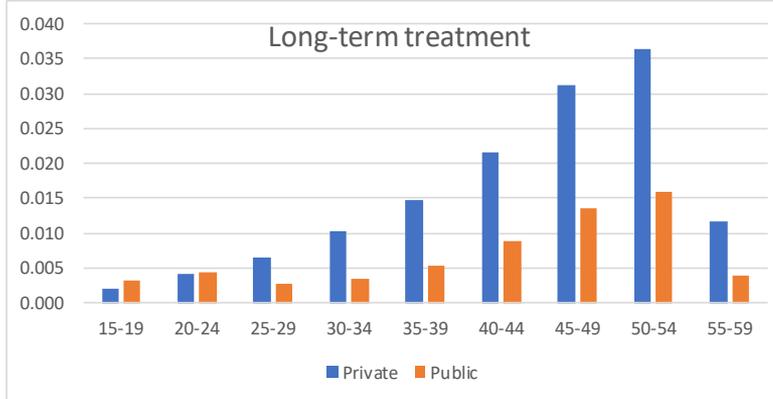
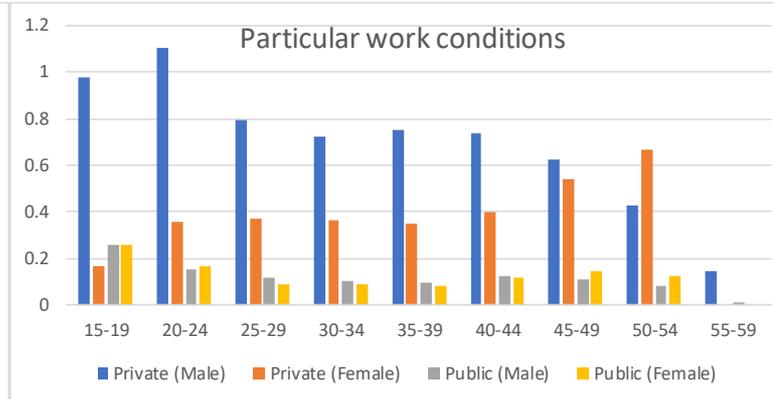
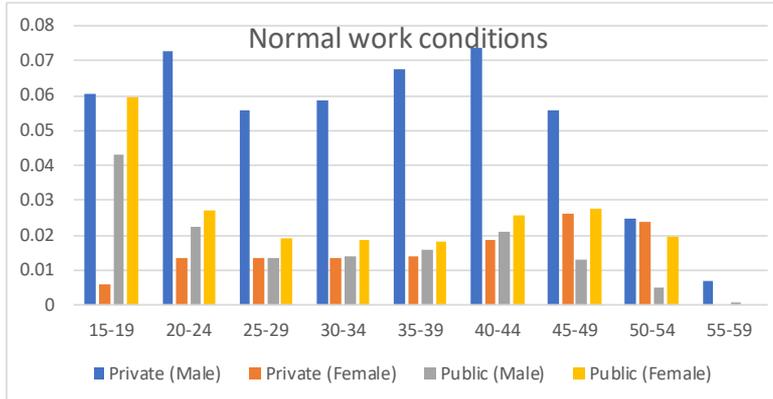
## Annual amount of expenditure

$$[Exposure \times Frequency \text{ rate}] \times [Insurable \text{ earnings} \times Replacement \text{ rate} \times Duration]$$



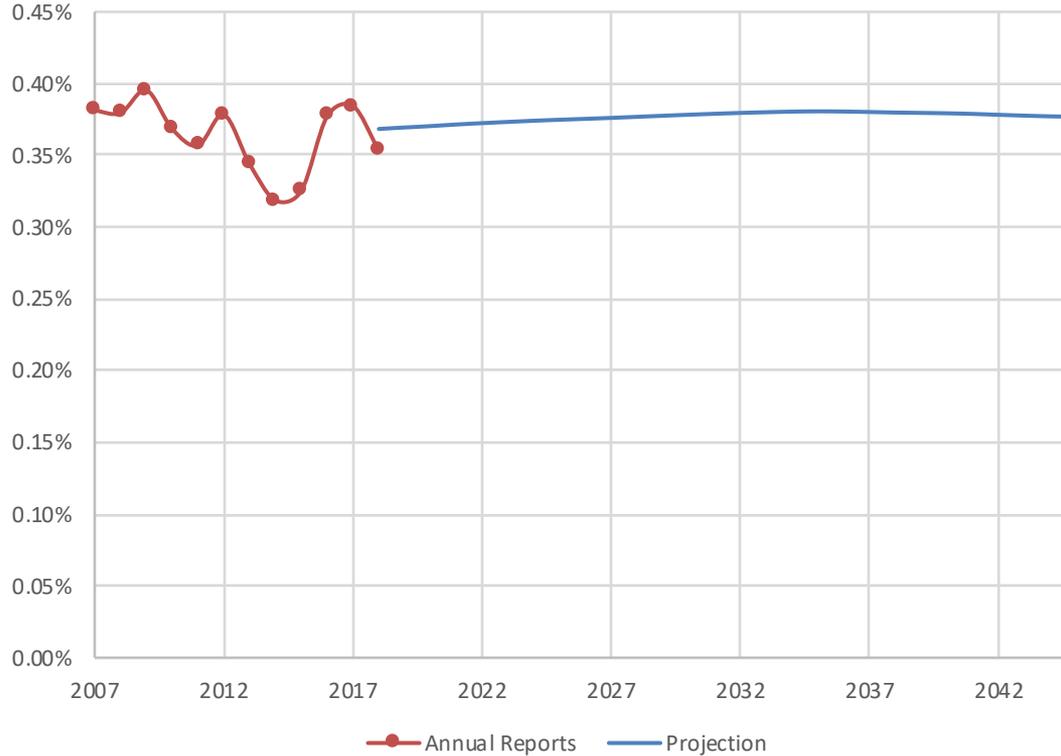
	<u>Replacement rate</u>	<u>Duration (Private)</u>	<u>Duration (Public)</u>	<u>Adjustment factor</u>
Normal work conditions (Art. 26.1.a)	75%	2.9 days	3.7 days	0.96
Particular work conditions (Art. 26.1.b)	75%	2.5 days	3.6 days	0.97
Long-term treatment (Art. 26.2)	75%	13.0 days	20.5 days	0.90
Military personnel (Art. 26.3)	50%	2.7 days	2.7 days	1.36

# Frequency rate components

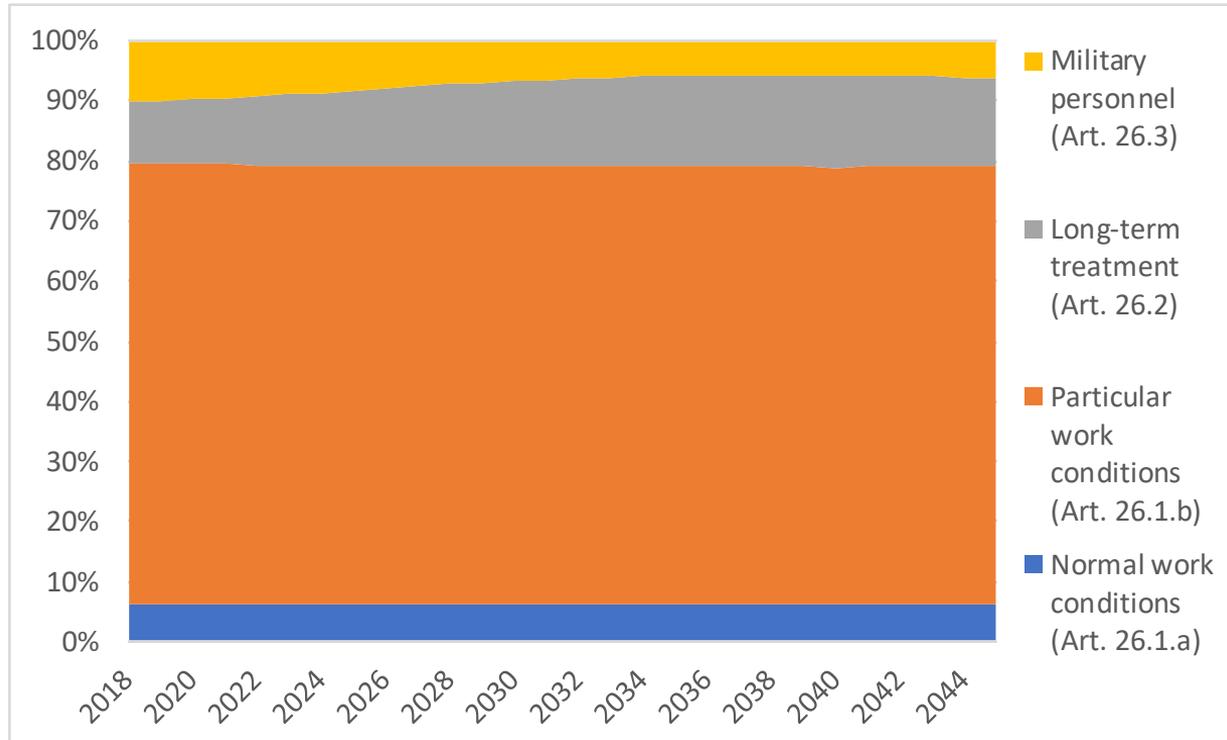


# Cost projection under status quo

# Sickness benefit expenditure % of insurable earnings (2007-2045)



# Sickness benefit expenditure Relative weights (2018-2045)



# Extension of coverage

## Would Sickness benefit introduction induce participation to Voluntary Insurance?



- Potential increase of already **high contribution rate** (22%) can have an effect of deterrence (drop out of insurance or reluctance to join).
- For uncovered self-employed, sickness benefits alone seems a meagre incentive to overcome **existing obstacles** to adhere for retirement and survivors' benefits.
- Given the voluntary nature, managing **anti-selection risk** is a big challenge (voluntarily participate when likely to collect sickness benefits).
- **State subsidizing** voluntary insurance contributions over 10 years from 2018 (30% for poor participants, 25% for those near the poverty line and 10% for the rest).

# Scenario for analysis

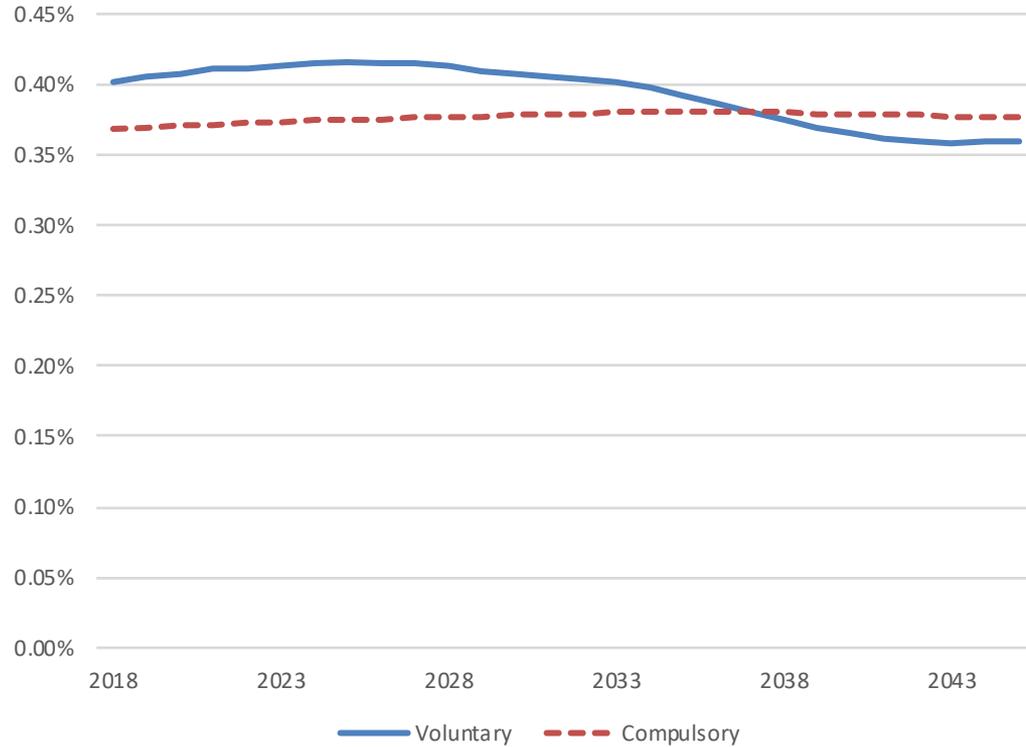
## Sickness benefits extended to Voluntary Insurance



### Assumptions:

- Same **sickness benefits** as under compulsory insurance.
- No change to the **participation to the voluntary insurance**.
- **Frequency rates** under the compulsory insurance also apply for voluntary insurance except for the frequency rate of military personnel assumed equal to zero.

# Sickness benefit expenditure % of insurable earnings (2018-2045)



# Thank you



# Quiz

Sickness expenditure represents **x %** of the total benefit expenditure of social insurance system in 2018.



- a) Less than 0.5 %
- b) Between 0.5 % and 4 %
- c) More than 4 %
- d) None of the above



## Current financing of sickness benefits

	Compulsory			Voluntary
	Total	Employers	Workers	Workers
Retirement and survivors	22.0	14.0	8.0	22.0
Sickness		x	y	--
Maternity				--
LAOD	0.5	0.5	--	--
Unemployment	2.0	1.0	1.0	--
Health insurance	4.5	3.0	1.5	4.5
Total				

Which statement is true?

- a)  $x = y$
- b)  $x = 1\%$
- c)  $y = 0\%$
- d) None of the above

## Rank the following dispositions in decreasing order of sickness expenditure generated during 2013-2016

- a) For employees working under normal conditions
- b) For employees doing heavy, hazardous or dangerous occupations or jobs extremely heavy, hazardous or dangerous occupations or jobs on the list issued by the Ministry of Labour - Invalids and Social Affairs, or working in areas with a region-based allowance coefficient of 0.7 or higher
- c) For employees who take leave due to diseases on the Ministry of Health-issued list of diseases requiring long-term treatment
- d) Officers and professional army men of the people's army; officers and professional non-commissioned officers and officers and technical non-commissioned officers of the people's public security; and persons engaged in cipher work enjoying salaries like army men
- e) Leave period upon sickness of children

\_\_\_\_\_ > \_\_\_\_\_ > \_\_\_\_\_ > \_\_\_\_\_ > \_\_\_\_\_

**Based on 2013-2016 experience, what is the expected number of sickness benefit awards in a year among 1,000 male workers in private sector?**

- a) Less than 200**
- b) Between 200 and 400**
- c) More than 400 but less than 1,000**
- d) More than 1,000**
- e) None of the above**

**Based on 2013-2016 experience, which one of the following statements is false?**



- a) Average duration of sickness benefit payment for short-term sick leave is about 3 days.**
- b) Average duration of sickness benefit payment for long-term treatments is between 4 and 8 times the average duration for short-term leave.**
- c) Average duration of sickness benefit payment for long-term treatments is shorter in public sector than in private sector.**

**Provide examples of situations relative to each of the following factors that would increase the amount of sickness benefits.**



- a) Exposure**
- b) Frequency rate**
- c) Insurable earnings**
- d) Replacement rate**
- e) Maximum duration of benefit payment**

# Further references

# What should be covered?

Convention No. 102 Minimum standards	Convention No. 130 Recommendation No. 134 Higher standards	Recommendation No. 202 Basic protection
<b>Incapacity to work</b> resulting from <b>illness</b> that results in the <b>suspension of income</b>	C.130: Incapacity to work resulting from sickness and involving suspension of earnings <hr/> R.134: Also covers periods of absence from work resulting in loss of earnings due to <b>convalescence, curative or preventative medical care, rehabilitation or quarantine, or due to caring for dependants</b>	At least <b>basic income security</b> for those who are <b>unable to earn a sufficient income due to sickness</b>

# Who should be protected?

Convention No. 102 Minimum standards	Convention No. 130 Recommendation No. 134 Higher standards	Recommendation No. 202 Basic protection
<p>At least:</p> <ul style="list-style-type: none"> <li>• <b>50% of all employees</b>; or</li> <li>• categories of the economically active population (forming <b>not less than 20% of all residents</b>); or</li> <li>• all residents with means <b>under a prescribed threshold</b></li> </ul>	<p>C.130: <b>All employees, including apprentices</b>; or</p> <ul style="list-style-type: none"> <li>• categories of economically active population (forming <b>not less than 75% of whole economically active population</b>); or</li> <li>• all residents with means <b>under prescribed threshold</b></li> </ul> <hr/> <p>R.134: Extension to persons in <b>casual employment</b>, members of <b>employers' families living in their house and working for them</b>, all economically active persons, <b>all residents</b></p>	<p>At least <b>all residents of active age</b>, subject to the country's existing international obligations</p>

# What should be the benefit?

Convention No. 102 Minimum standards	Convention No. 130 Recommendation No. 134 Higher standards	Recommendation No. 202 Basic protection
<b>Periodic payments; at least 45% of reference wage</b>	C.130: Periodic payments: at least <b>60% of reference wage</b> ; in case of death of the beneficiary, benefit for funeral expenses <hr/> R.134: Benefit should be <b>66.66% of reference wage</b>	Benefits in <b>cash or in kind</b> at a level that ensures at least <b>basic income security</b> , so as to secure effective access to necessary goods and services; prevents or alleviates poverty, vulnerability and social exclusion; and allows life in dignity

# What should the benefit duration be?

Convention No. 102 Minimum standards	Convention No. 130 Recommendation No. 134 Higher standards	Recommendation No. 202 Basic protection
As long as the person remains unable to engage in gainful employment due to illness; possible waiting period of max. three days before benefit is paid; benefit duration may be limited to <b>26 weeks in each case</b> of sickness	C. 130: As long as the person remains unable to engage in gainful employment due to illness; possible waiting period of max. three days before benefit is paid; benefit duration may be limited to <b>52 weeks in each case</b> of sickness	<b>As long as</b> the incapacity to earn a sufficient income due to sickness remains
	R.134: Benefit should be paid for full duration of sickness or other contingencies covered	

# What conditions can be prescribed for entitlement to a benefit?

Convention No. 102 Minimum standards	Convention No. 130 Recommendation No. 134 Higher standards	Recommendation No. 202 Basic protection
Qualifying period may be prescribed as necessary <b>to prevent abuse</b>	C.130: Qualifying period may be prescribed as necessary to prevent abuse	Should be <b>defined at national level</b> , and prescribed by law, applying principles of <b>non-discrimination, responsiveness to special needs and social inclusion</b> , and ensuring the <b>rights and dignity of people</b>