

BACKGROUND DOCUMENT – PENSIONS

The Social Insurance Law, passed in June 2006 and amended in 2014, covers public and private employees in the event of disability, sickness, maternity, work injury, and old-age on a compulsory basis. Amidst the global financial crisis in 2008-09, an unemployment insurance (UI) scheme was introduced in 2009. Since 2008, under the Social Insurance Law, informal sector workers are eligible for the voluntary retirement and survivor pension scheme.

Since 2008, Vietnamese citizens above the legal working age of 15 years who are not covered by the compulsory scheme (under Clause 4, Article 2 of the Social Insurance Law) can join the voluntary social insurance scheme. The voluntary insurance is regarded as an instrument to cover those workers, such as farmers in rural areas and other informal economy workers, who are not eligible for the mandatory social insurance or the social assistance i.e. “the missing middle”.

The contribution is 22% of the insurable earnings. Insurable earnings are chosen by the voluntary insurer, at least equal to the poverty line in rural areas and not exceeding 20 times the statutory pay rate.

The coverage of the voluntary social insurance scheme is very limited so far. Currently, only about 0.2 million people have affiliated with the voluntary scheme. The majority of participants are those who already participate in the mandatory scheme and want to accumulate contributions in order to be eligible for a monthly retirement pension.

Some policies have been enacted to improve voluntary participation among self-employed workers and workers in non-standard forms of employment. These allow more flexibility in payment schedules, re-defining the reference salary used to pay contributions, and matching voluntary contributions with government subsidies. From 1 Jan 2018, the government subsidy equals:

- 30% of the poverty line in rural areas for participants in a poor household
- 25% of the poverty line in rural areas for participants in a near-poor household
- 10%, of the poverty line in rural areas for other participants

However, the coverage of the voluntary social insurance scheme is still very low. Some arguments explaining the low coverage are:

- The scheme only includes two long-term benefits and no short-term benefits
- The eligibility condition of 20 years is long
- The contribution rate of 22% paid by workers is a burden (in the mandatory scheme, workers contribute 8% and employers contribute 14%)
- Ineffective communication,

- Lack of awareness about the benefits of social insurance
- Policies to support voluntary participation

In light of Vietnam’s ageing population and economic slowdown, and to achieve higher coverage and increase financial sustainability of the social insurance scheme, Vietnam endorsed the Master Plan on Social Insurance Reform (MPSIR) in May 2018. One of the proposals of the MPSIR is to explore ways to increase access to “flexible short-term benefit packages” through the voluntary social insurance scheme. However, it still needs to be seen how enrolment in the pension scheme can be increased.



