A Multi-Tiered Social Insurance System in Vietnam

“Expanding Social Insurance Coverage - Flexible Short-term Benefits Package”

Nguyen Huu Tho, Specialist, Social Insurance Department, Ministry of Labour, Invalids and Social Affairs

Hanoi, 11/01/2019
Perspective of the Central Party Committee

• Diversity:
  • Party’s platform on nation building during the transition to socialism (1991): establishment of a synchronous and diverse system on social insurance and social assistance.

• Multi-Tier Concept:
  • Resolution 11-NQ/TW issued by the 12th National Party Congress at its 5th Plenum prescribes the institutional enhancement of a socialist-oriented market economy (2017): “Development of a diverse, multi-tiered and unified social security system”.
  • Resolution 28-NQ/TW (2018): “Development of a flexible, diverse, multi-tiered and globally integrated social insurance system”. 
Resolution 28

Social Pension – State Budget financed
- Target beneficiaries: the elderly without VSS pensions.
- Gradual reduction of qualifying age.

Basic VSS pension – combination of contributions and State subsidies
- Compulsory SI: sickness, maternity, work accidents & occulational diseases, pension & survivor benefits.
- Voluntary SI: pension & survivor benefits.

Supplementary pension – contributory
- Voluntary.
- Aiming for a higher level of pension.
State Budget Covers...

• Social pensions (tier 1): Those **without** monthly VSS pensions.

• State subsidies to Voluntary SI (tier 2):
  - Farmers
  - Informal workers
  - Poor households
  - Low income
What is Meant by Multi-tier?

• One **risk** covered by multiple buffers? One **target group** covered by multiple policies?
  • Sickness: Sickness benefit, VSS health insurance, commercial health insurance.
  • Work accidents: Employer compensation, compensation from VSS LAOD Fund, compensation from commercial insurers.
  • Loss of work capacity: Disability social assistance, VSS LAOD benefits, VSS disability pension.
  • Pension: Social pension, basic pension, supplementary pension, voluntary commercial pension.
How to Expand Coverage of Tier 1?

• Search for additional fiscal space, increase or restructure State Budget spending for the elderly.

• Build a coherent M&E system, strengthen coordination and information sharing for **accurate targeting** of beneficiaries.

• Consider the pros and cons of adopting/not adopting a universal social pension system (no pensions-testing).
How to Expand Coverage of Tier 2?

• Compulsory SI:
  • Policy changes to boost attractiveness: Lower qualifying conditions, pension formulae to enhance risk sharing, additional entitlements in unemployment benefit package to ensure decent work.
  • Better targeting of **mandatory SI participants**.
    • **Strengthen compliance enforcement.**

• Voluntary SI:
  • More subsidies from State Budget.
  • Design flexible short-term benefits package to attract participation.
  • **Improve communication and advocacy.**
SI Flexible Short-term Benefit Packages

• Requirement:
  • Expand coverage/risks insured.
  • Improve attractiveness to enroll and maintain new participants.

• Current attractive benefits: Sickness, maternity, unemployment
  • Most attractive to women in childbearing age.
  • Attractive to workers of short-term, seasonal and unstable conditions.

• Focus: maternity benefits for female informal workers with State subsidies.
Thank you!!