

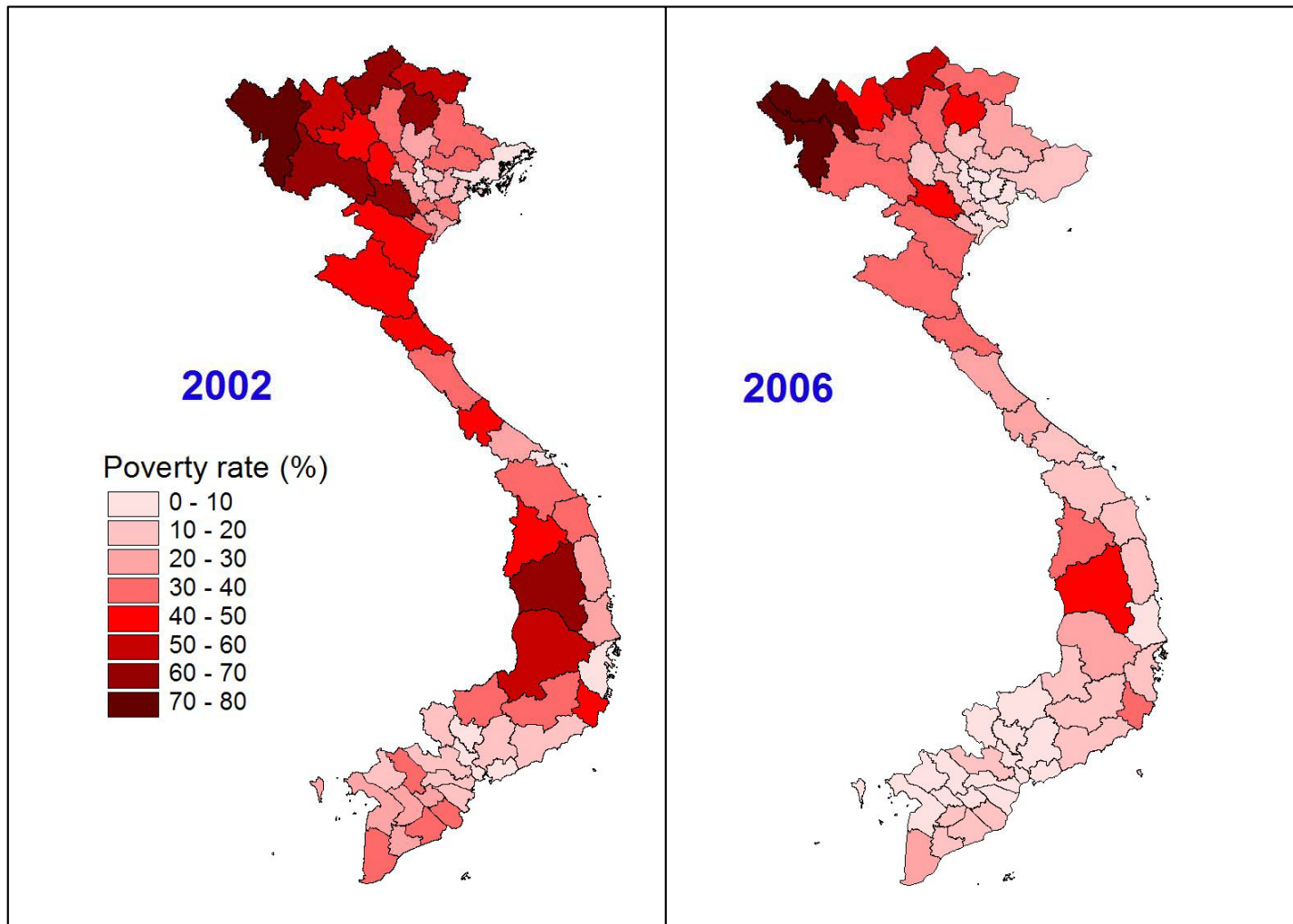
# Social Insurance Programs in Vietnam

## New Challenges and Reform Agenda

Martin Rama  
The World Bank in Vietnam

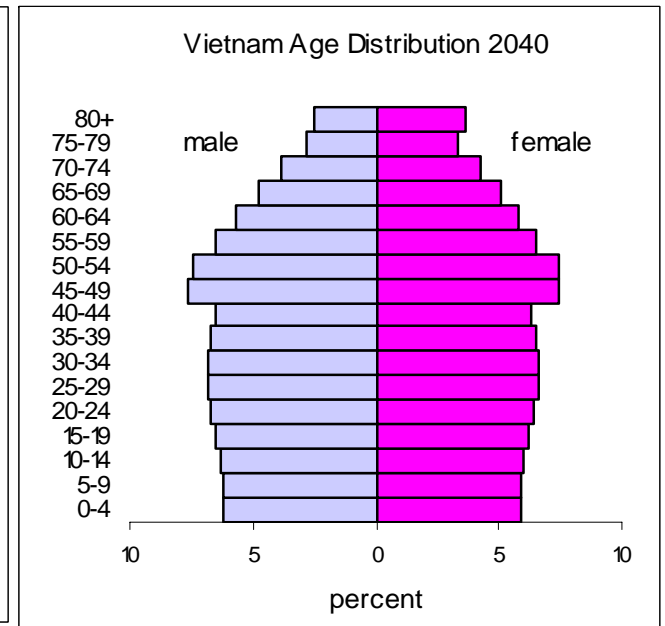
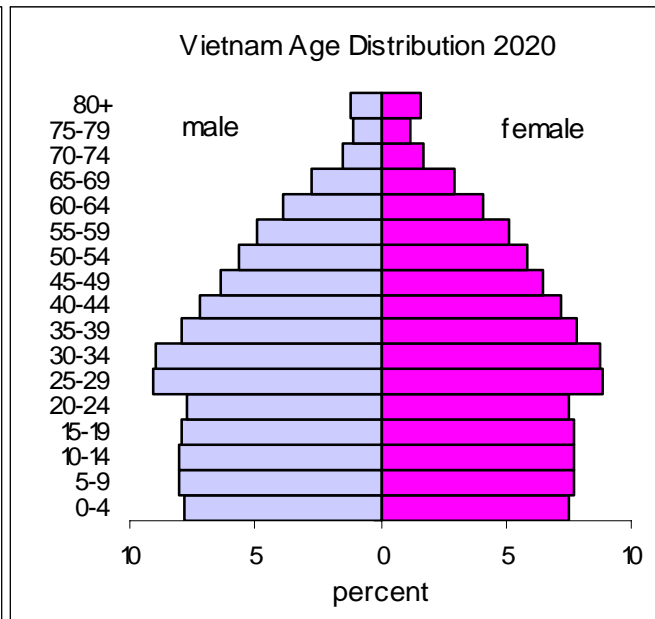
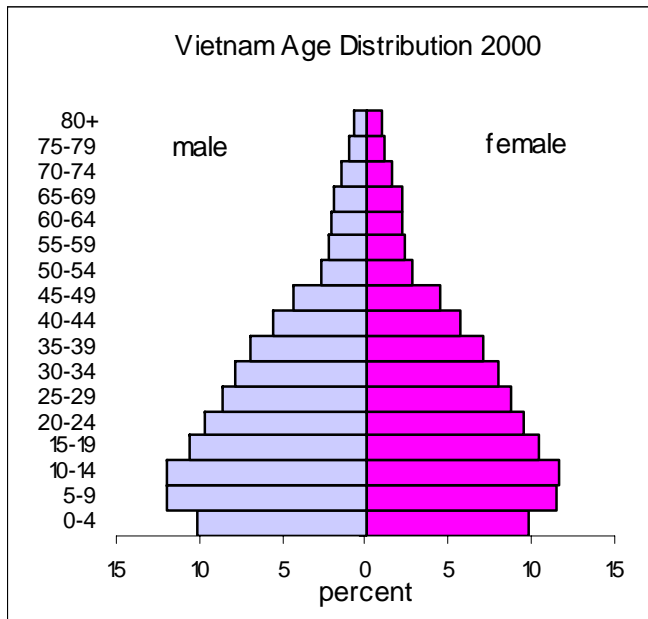
# RISKS AND VULNERABILITIES

# A Changing Distribution of Poverty



Source: VDR 2008.

# A Rapidly Ageing Population



Source: VDR 2008.

# Who Is more Vulnerable?

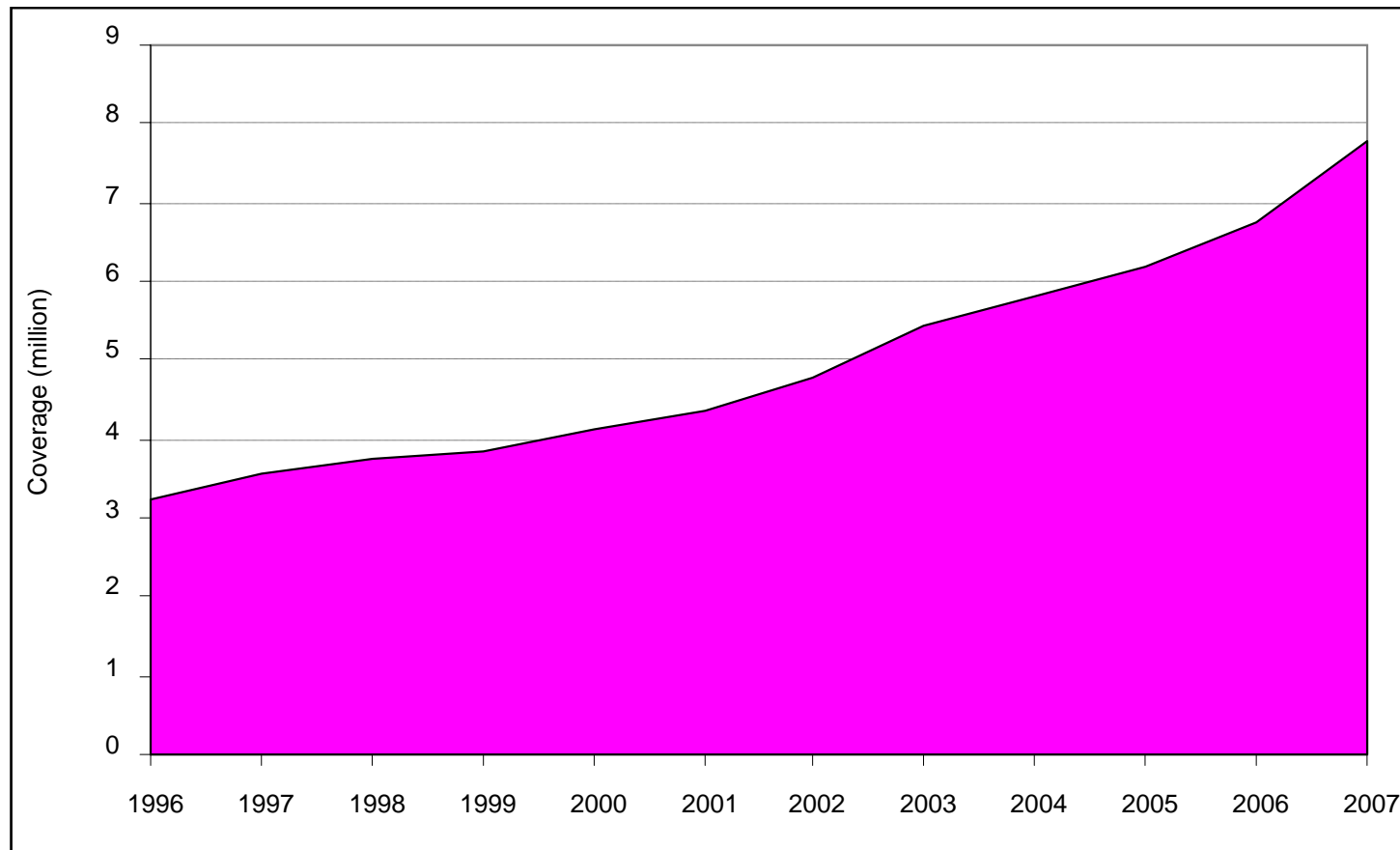
Occupation of household head	Percent of households who			
	Are poor	Are less than 10 percent above the poverty line	Have less than 15 million dong in assets	Meet any of these three criteria
Inactive	12.5	3.8	2.6	14.2
Employed by				
Government	1.5	1.6	0.7	6.1
State-owned enterprises (SOEs)	4.7	1.1	1.3	3.4
Foreign-invested company	2.5	0.0	0.0	0.4
Private sector	4.2	2.9	2.9	2.4
Households and collective enterprises	20.4	6.8	7.2	13.3
Non-farm self-employment	6.8	2.2	1.7	22.6
Farmers	25.1	5.8	4.8	37.5
Total	16.0	4.4	3.7	100

Source: VDR 2008.

# DESIGN ISSUES

# Growing but Limited Coverage

## Coverage of the Compulsory Pension Program



Source: Based on data from VSS.

# A Large Informal Sector

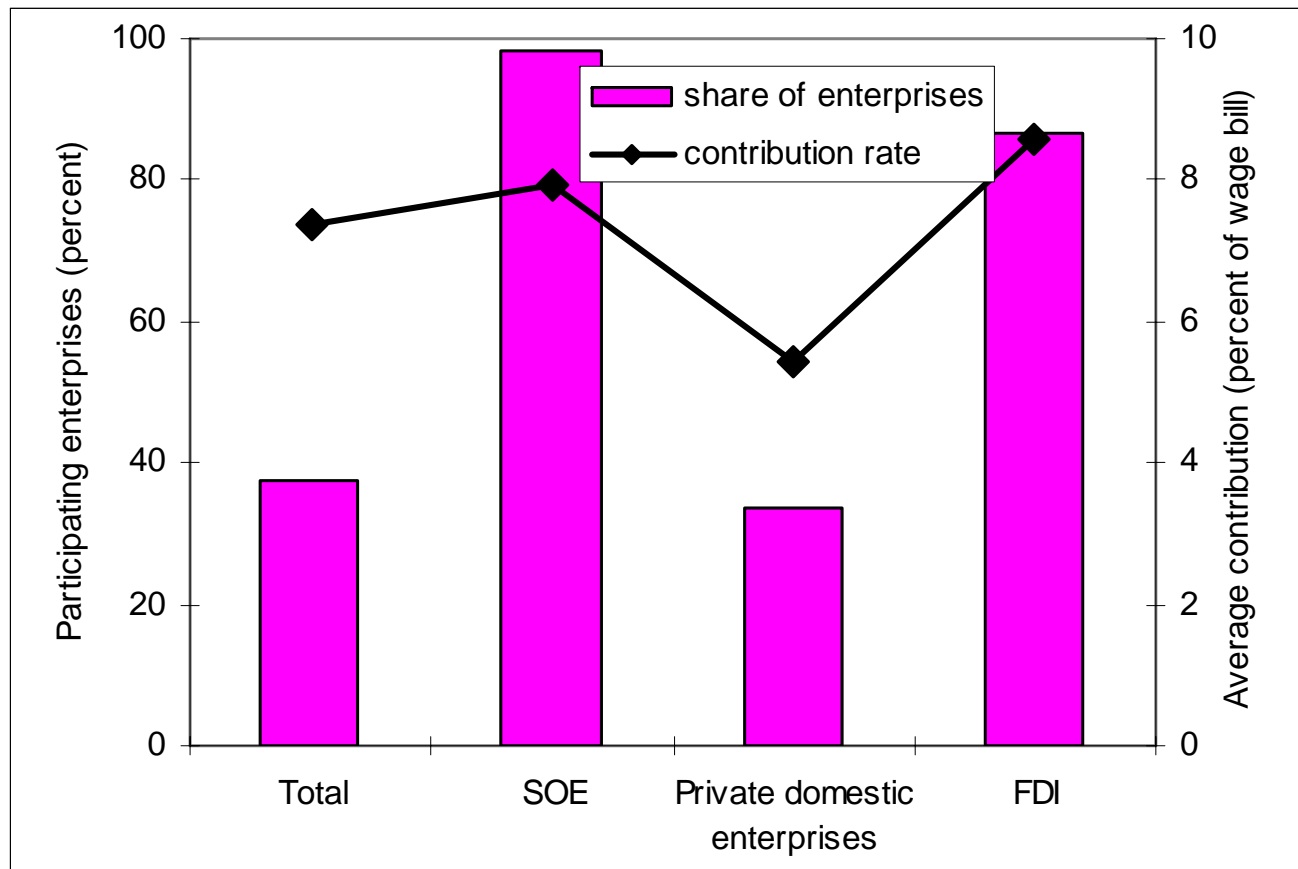
About one million people migrate to urban areas every year

	1993	1998	2002	2004
Inactive	19.4	15.3	16.7	17.2
Active	80.6	84.7	83.3	82.8
Employed				
Government	3.1	3.6	4.4	5.3
State enterprises	2.5	2.6	3.3	3.1
Private sector	10.9	11.3	16.5	18.3
Non-farm self-employment	14.7	16.5	19.1	16.5
Farmers	49.5	50.2	38.2	38.8
Unemployed		0.63	1.8	0.83

Source: Vietnam Development Report 2006: *Business*, Hanoi: The World Bank, 2005.  
Based on household survey data.

# Limited Formal Sector Compliance

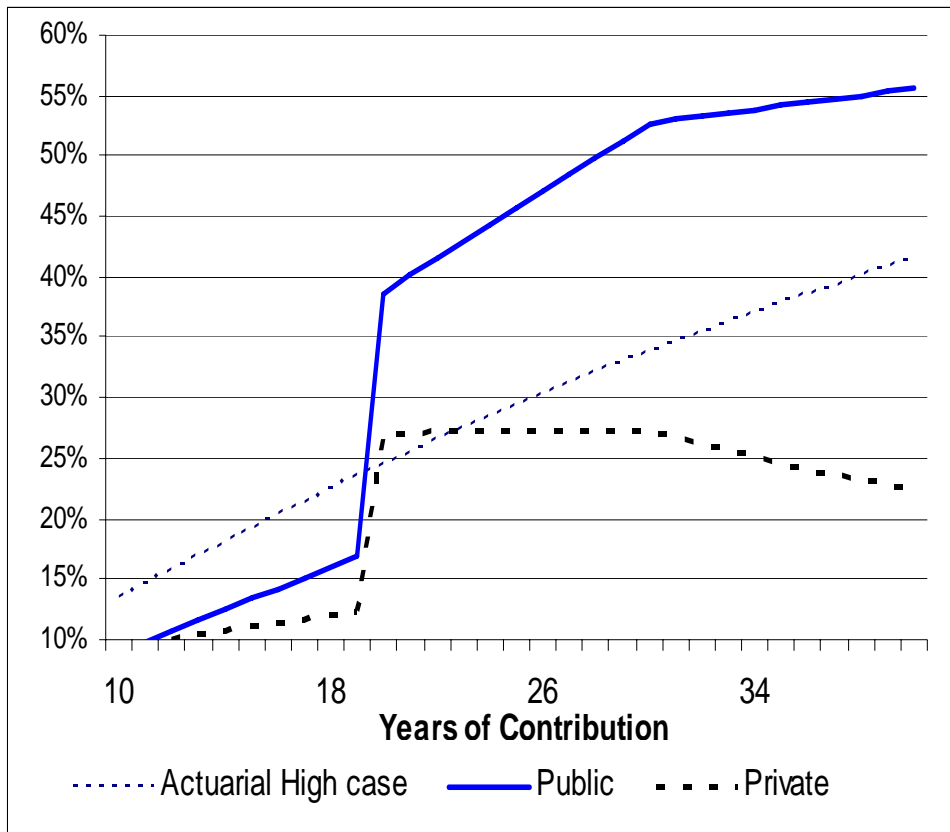
## A Varying Degree of Enterprise Compliance



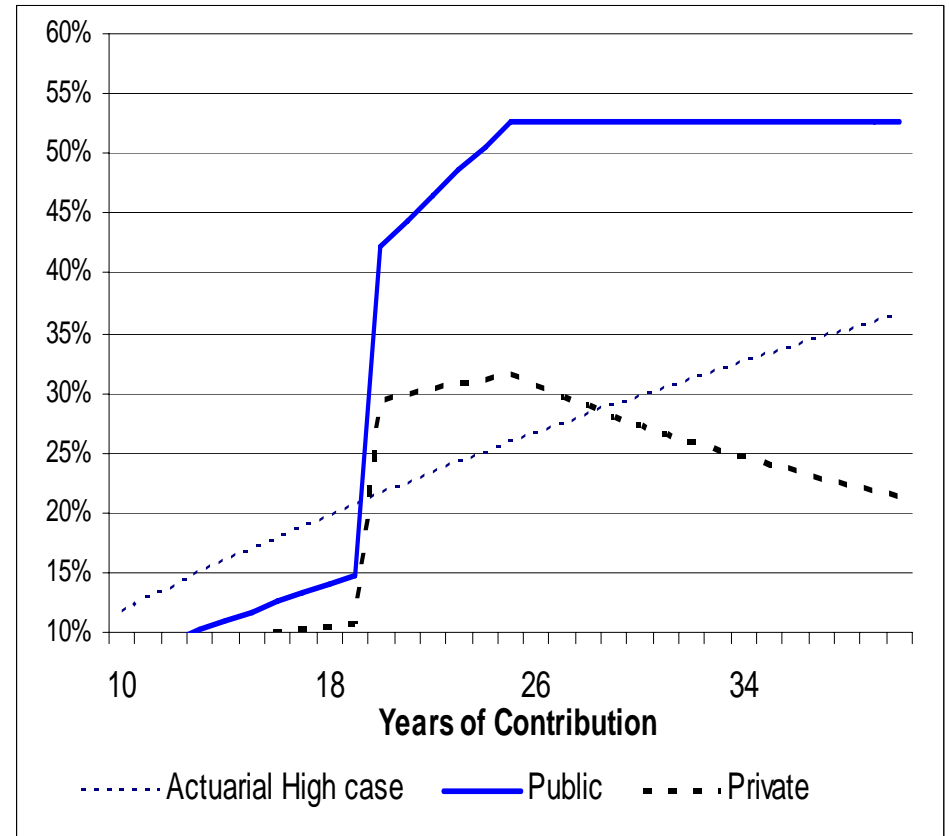
Source: Based on data from the 2005 Enterprise Survey by GSO.

# Weak Incentives to Participate

## Pension as Percentage of Salary at Retirement Age (Current Formula)



Men

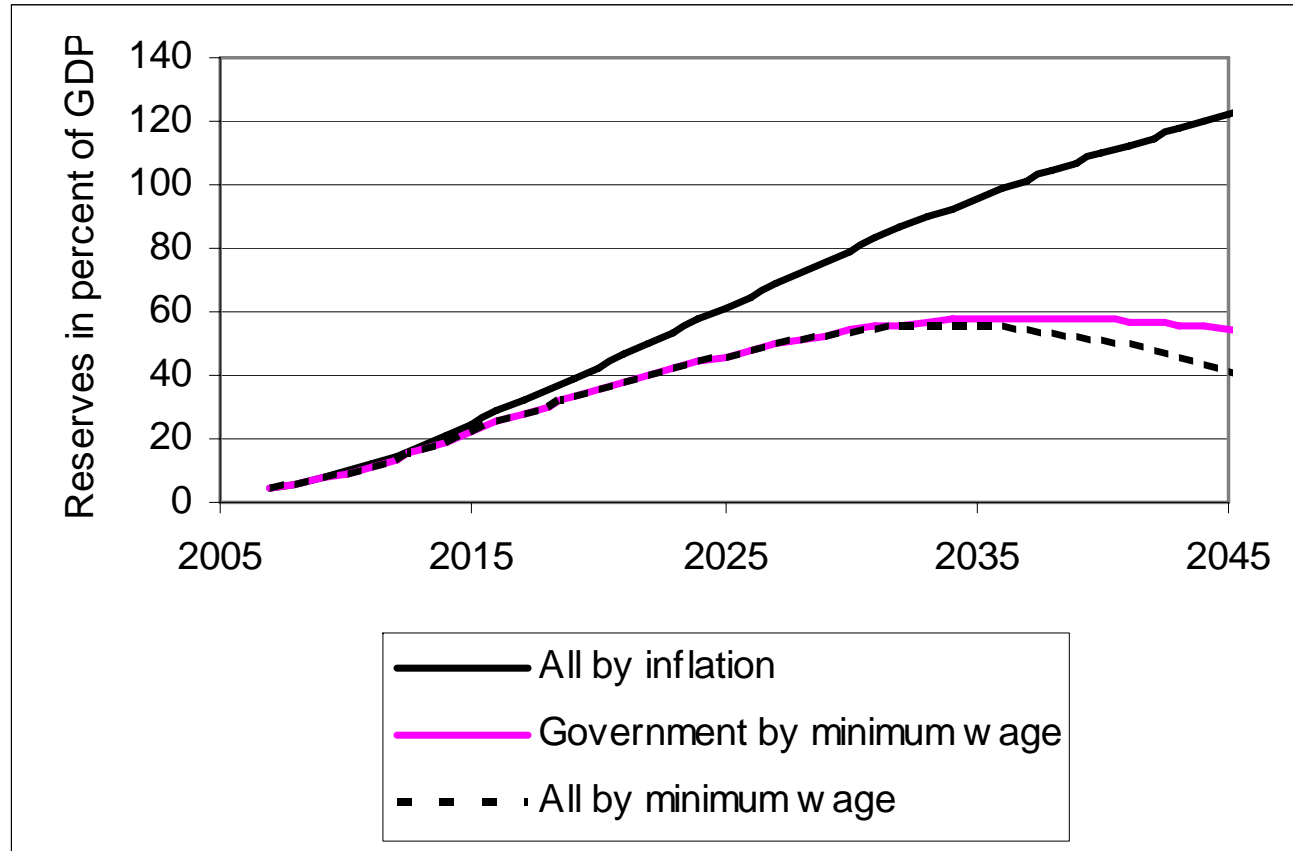


Women

***RR not increase after 25 years of contribution for women, and 30 for men***

# Reserve Fund Growing Fast

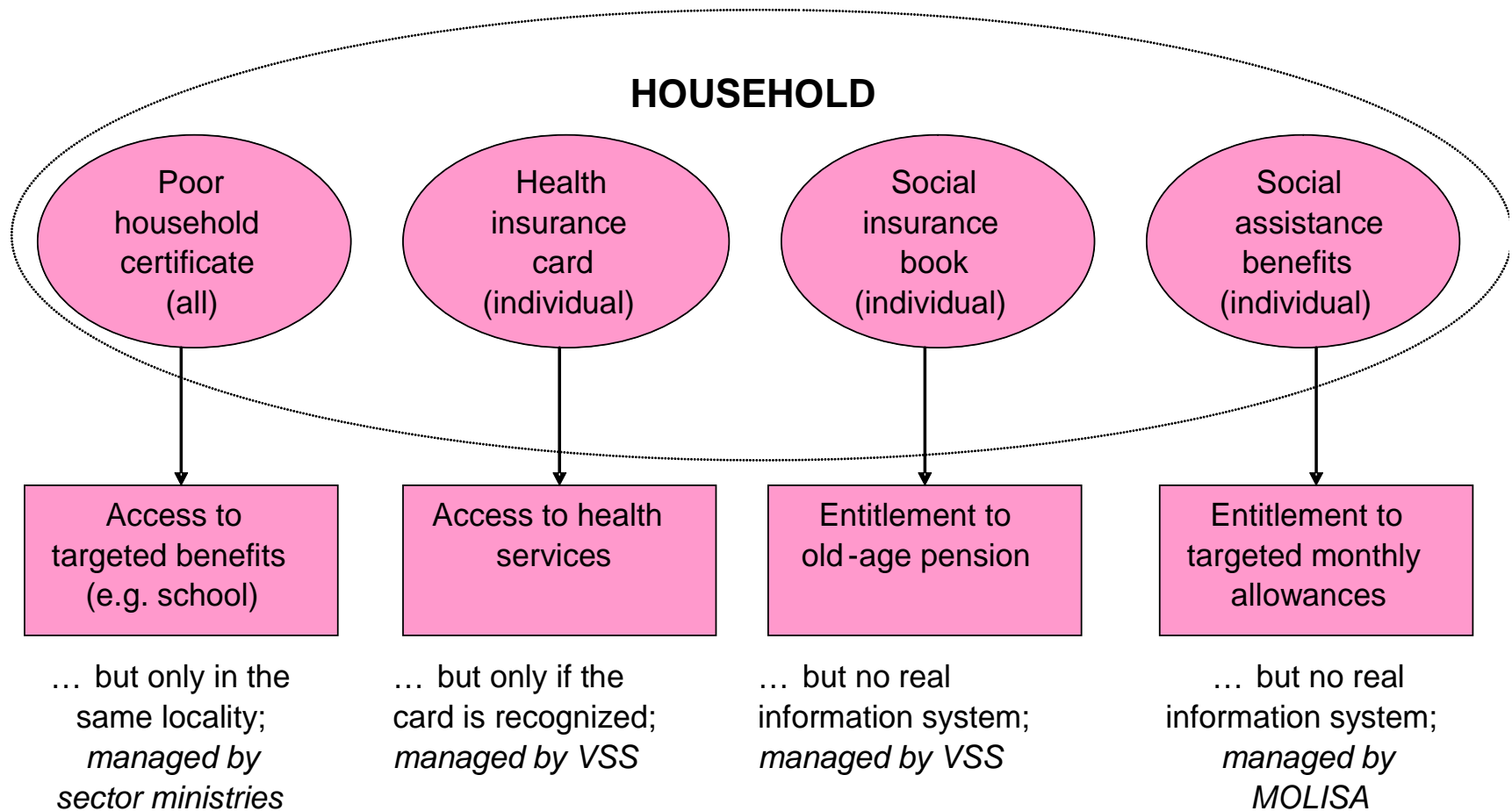
## The Reserves of the Pension Program



Source: VDR 2008

But with low real returns

# Information Systems Overlap



# THREE PRIORITIES

- **Universal coverage**, with common program design for formal and informal sectors but subsidized access for the poor
- **Sound incentives** for job creation by firms, effort and saving by workers, and efficiency by health care providers
- **Transparent finance**, without overburdening future generations and recognizing implicit liabilities

# THE WAY FORWARD

## An Integrated Approach

- From program-by-program to a focus on households and communities.
- From supply- to demand-side financing, with subsidization of the poor.
- From arbitrary coverage targets to appropriate incentives.
- From residence-based delivery to portability (across sectors and geographically).

# THE WAY FORWARD

## Towards Universal Systems

- Jobs, private insurance, social insurance and transfers as complements.
- Avoiding duality: universal programs with multiple entries.
- Recognizing the limits of voluntariness: addressing self-selection in health and pension programs

# THE WAY FORWARD

## A Comprehensive Reform Agenda

- Streamlining social protection policies.
- Developing an integrated information system.  
Using data analysis to improve social protection policies and contain costs.
- Strengthening reporting and accountability.
- Strengthening service delivery;

# DONOR SUPPORT

- Analytical work: to undertake studies to provide analytical inputs for policy formulation
- Policy dialogue: especially around the annual Poverty Reduction Support Credits (PRSCs)
- Investment projects: to modernize VSS's administrative system
- Grant support: to pilot subsidization for the poor and near poor in selected locations.