

Vietnam's Social Insurance

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Abstract:

This article aims to provide an overview of Vietnam's Social Insurance, assess the current status of policy development and implementation, as well as social insurance regimes in Vietnam in the past. The study draws positive results, limitations, targets orientation and proposes solutions to reform policies, implement social insurance regimes to ensure all members have safe and stable life, and contribute to the country's sustainable economic development.

Key Word: Social Insurance, Compulsory Insurance, Voluntary Insurance, Social Insurance Fund..

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I. Introduction

The system of social insurance was first formed in Prussia (now Germany) in 1850, including regimes: sickness, occupational risks, old age, disability, with the participation of employers, workers and the state (Hennock, 2007). Since then, social insurance has been spread to Europe, appearing in England and Italy (1919), to France (1918), to Latin America, the United States and Canada after 1930. Social insurance was formed the latest in Africa and Europe after World War II. There are many concepts and components of social insurance. According to the International Labor Organization (ILO), social insurance is the protection of society for members of society through a series of public measures to deal with social risks, first of all, due to lost or greatly reduced income because of illness, incapacity, old age, death, and providing medical care and subsidies to families which have lots of children. Specifically, according to the 1952 convention of ILO, social insurance consists of nine regimes: medical care, allowance for sickness, unemployment, old age, labor accidents, occupational diseases, family subsidies, pregnancy, disability, and death (International Labour Organization, 1952).

Social insurance is an alternative to compensate a part of employees' income when they lose or reduce their income due to illness, maternity, occupational accident and occupational disease, disability, unemployment, old age, death, based on a financial fund due to the contribution of the social insurance parties, with the protection of the State according to the law, to ensure the safety of life for workers and their families and contribute to ensuring social safety (Sugarman, 1987).

Although there are different concepts and contents of social insurance regimes depending on the socio-economic development conditions of each country in each period, they all share the same purpose to ensure human rights, progress, fairness, stability and contribute to sustainable social development. Each country may apply only a number of regimes, but at least apply regimes: unemployment benefits, old age, occupational accidents and occupational diseases, disability or death allowance. Although countries in different periods have different social insurance regimes, they are in the principle of paying, sharing, forming and using concentrated social insurance fund, under protection and participation in investment in developing fund of the state. Based on each country's conditions and levels of socio-economic development, it designs and implements social insurance policies with different regimes and levels of influence, but the general trend of countries around the world is towards universal social insurance, which means to ensure social security for all members of society.

There are three groups of social insurance. Group 1: Basic pension insurance (social retirement) has a widespread nature. Group 2: The social insurance regimes for employees under the mechanism of contribution - receiving. Group 3: Voluntary supplementary insurance policies agreed upon by the parties, or saved for use after retirement. Among the above three groups of social insurance policies, group 2, according to the contribution-receiving mechanism, is the most concerned, basic and popular. Principles for contribution-receiving are legalized and calculated to determine specific levels for each regime and each period, with appropriate adjustments to socio-economic development conditions. The national social insurance system consists of all three groups of policies and regimes, but there is a focus on a basic group, the remaining groups have additional supportive nature.

Vietnam is a country which specially cares for problems about social insurance and social security (Somanathan, Tandon, Dao, Hurt, and Fuenzalida-Puelma, 2014). The National Congress of the August 1945

issued 10 policies. It includes promulgation of Labor Law, 8-hour working day, minimum wage setting, insurance society setting. It can be said that this is the first step of Vietnam Social Insurance. In January 1962, the Social Insurance Regulations clearly and fully stipulate the previous social insurance regimes: improving wages, allowance for sickness, childbirth, labor accidents... There are two legal documents specifying six social insurance regimes in our country: illness, maternity, occupational accidents, occupational diseases, loss of labor, retirement and death. The social insurance fund is made up of contributions from agencies and enterprises with a contribution of 13% of the salary fund, of which 8% is spent on labor loss, pension and death benefits, 5% for illness and maternity, occupational accidents and occupational diseases, but in this period, the state has mainly to compensate to cover all expenditures (in 1993, the level of compensation for the state social insurance fund reached up to 92.7%). In 1989, the draft on social insurance included five regimes for employees working in non-state economic sectors and the state issued the Regulation on health insurance in 1992. In 1993, there was a fundamental innovation in the social insurance mechanism: agreement on the organization of the social insurance career management apparatus, on the obligation to pay, to ensure equality and expand the social insurance participants in the economics components, transferring from social insurance through budget to establishing independent social insurance fund, separating social insurance regimes from social preferential regimes and using monetary units as benchmark of social insurance premiums. In 1995, Vietnam's social insurance organization was established. The process of formation, implementation and development of social insurance policies of our country during the past few decades has obtained positive results and there are also certain limitations that need to be supplemented, and amended.

II. Vietnam's Social Insurance

Positive results

Vietnam has clearly and properly recognized the role of social insurance, and always attaches importance to and unifies this viewpoint throughout the process of socio-economic development (Giang, 2008). Recognizing that social insurance is a key component of social security, has a positive impact on supporting each other with other components in the overall social security system. Social insurance is always improved in accordance with the social security system, which is increasingly supplemented and diversified and flexible.

Laws, policies and social insurance systems have been institutionalized by the state more and more appropriate and effective in each period of socio-economic development of the country. The system of policies and social insurance regimes have been reformed many times in accordance with the conditions of our country and gradually reached international standards in the direction: The social insurance system focuses on implementing the principle of contribution and enjoyment; The social insurance fund no longer depends on the state budget, but the sharing and contribution of the employers, workers and the state's support; Social insurance organization system was formed and operates independently, autonomously, operates under the mechanism of public non-business units, makes lucrative investments on the basis of effective revenue and expenditure to ensure and develop the social insurance fund day by day.

Social insurance policies have been improved, diversified and comprehensive. Currently, social insurance is a combination of compulsory social insurance with five voluntary social insurance schemes with two regimes, unemployment insurance (unemployment insurance), health insurance (health insurance)... On the other hand, social insurance is increasingly access to international standards. Especially complying with ILO Convention 102, minimum regulations on social security, basic rights of workers and citizens aim to ensure their stable and safe life. Along with the socio-economic development, social insurance is increasingly improved to suit the development situation of the country, balances between revenues and expenditures. The cohesion, support and unity of action between the subjects participating in social insurance are more and more tight and effective.

Independent, autonomous, specialized and professional social insurance agencies were established, that makes state management and organization of social insurance implementation more flexible and effective. State management functions are shown when building, supervising, modifying and completing social insurance policies more and more enhanced. At the same time, the country implements social insurance policies more widely, comprehensively, conveniently and effectively for social insurance participants.

The results of social insurance policy implementation have been progressing positively. The number of participants in social insurance are increasing. Comparing the period from 2007 (the year when the Law on Social Insurance comes into effect) until May 2018, we see a significant increase in the number of people participating in social insurance and shown in the table below:

Table 1: The number of people participating in social insurance

| | 2007 | May 2018 |
|--|------------------|--|
| The number of people participating compulsory social insurance | 7 million people | 13,79 million people participating compulsory social insurance + (240.000 people participating voluntary social insurance) |
| Proportion of people participating in social insurance / total labor force | 15,01% | 25% |

(Nguyen, Hoang, 2017)

In 2007, the number of people participating in compulsory social insurance increased at the highest rate of 21% compared to 2006, then this increase only fluctuated around 7% per year in the period of 2008-2016. In 1995, the number of social insurance participants was 7.8% of the total labor force (accounting for 8.5% of the labor force in the age group). But by 2007 the rate had increased to 15.01%, and by 2016 this rate was 24% (accounting for 28% of labor force in the age). Until May 2018, the number of participants of compulsory social insurance was 13.79 million, and 240,000 people participated in voluntary social insurance, with the proportion of social insurance participants compared to the total labor force in and above the national age of 25 % (accounting for 28.74% of labor force in the age group). The beneficiaries of social insurance regimes are also expanding, from 2017 to 2018, there has been a certain increase.

Table 2: Participants in the 2017-2018 social insurance regimes

| | 2017 | 2018 | +up/ - down (%) |
|---|------------------|--|-----------------|
| The number of people entitled to retirement, death, labor accidents and occupational diseases | 100.732 people | 122.843 people (retirement: 99.290 people) | +21,95 |
| The number of people receiving the social insurance regimes once | 695.363 people | 810.033 people | + 16,49 |
| The number of people enjoying regimes of sickness, maternity, health recovery | 9.138.069 people | 9.750.393 people | +6,7 |

(Vietnam Social Security, 2017)

Income-expenditure of social insurance fund has certain residuals. In 2017, the revenue and expenditure of compulsory social insurance funds, voluntary social insurance and unemployment insurance, all showed the surplus of funds.

Table 3: Income-expenditure of social insurance in 2017

| | Income for social insurance fund in 2017 | Expenditure of social insurance fund in 2017 | Percentage of expenses (%) |
|-----------------------------|--|--|----------------------------|
| Compulsory social insurance | 197.450 billions dong | 133.941 billions dong | 68% |
| Voluntary social insurance | 1.207 billions dong | 784,55 billions dong | 65% |
| Unemployment insurance | 13.518 billions dong | 7.831 billions dong | 58% |

(Vietnam Social Security, 2017)

In comparison with 2007, the social insurance fund revenues and expenditures in 2007 was VND 23,755 - VND 14,465 billion (the ratio of revenue and expenditure was 60.89%), with the social insurance fund revenues and expenditures in 2017: VND 291.321 billion - VND 270.236 VND (the expenditure ratio is 92.76%), showing that the revenue and expenditure levels and social insurance spending / collection ratio in the 10 years increased rapidly. We can consider more specifically the balance of revenue and expenditure of social insurance and unemployment insurance in 2017 according to the table 4:

Table 4: Balancing social insurance revenues and expenditures

| | Payment/ revenue rate in 2017 (%) | Total balance (billions dong) | Increase compared to 2017/2016 (billion dong) |
|--|-----------------------------------|-------------------------------|---|
| Social Insurance Fund | 92,76 | 540.005 | 88.399 |
| Sickness and maternity fund | 97,61 | 14.688 | 550 |
| Insurance fund for labor accidents and occupational diseases | 10,87 | 36.885 | 4.819 |
| Pension and death fund | 57,19 | 488.431 | 83.030 |
| Unemployment Insurance Fund | 47,96 | 67.320 | 9.038 |

(International Labour Organization, 2018)

According to the data in Table 4, all the number of social insurance fund increased compared to 2016. Pension, death and maternal illness funds have a rather large spending ratio. On the other hand, social insurance payment activities are applied with the rate of 63/63 provinces, with 11,164 communes and wards (100%) of the whole country, of which 21% receive pensions, social insurance and unemployment insurance through ATM

cards. All of the above figures show that the implementation of social insurance in the past has obtained positive results in all aspects.

III. Limitations

Although social insurance has met an important role in the social security system, it is still not synchronized, integrated and actively supported with other policies of social security system. This shows that the benefits of insurance regimes are not enough to ensure a certain and stable life for insurance beneficiaries. Unemployment insurance also has not positively affected the unemployed in order to help them find jobs. The beneficiaries of social insurance are mainly wage workers, so the effect of social insurance in rural areas is very small, and there is no significant impact on sustainable poverty reduction. Social insurance schemes still apply only to those who participate mainly in insurance contributions, but do not yet support those who do not participate in social insurance but need assistance such as poverty, disease, disability labor, or encountering events, but these objects also account for a large proportion in the society. The relationship between contribution and receiving is unreasonable: people who pay but they can not receive anything (people who pay full but do not have any problems in work, life, or loss before retirement). People who do not pay fully but when they are in trouble (for example: sick, accident...) are still paid. Additional social insurance policies on the basis of agreements in enterprises, savings pension insurance and basic pension insurance (social retirement) have not been implemented popularly and effectively.

The correlation between contribution, sharing and support of the state is unreasonable. Social insurance follows the guideline, taking the contribution of the majority to pay for the few people who have difficulties, instability in health, low income and are unable to work. However, the correlation between contribution - benefit, special contribution – benefit in retirement mode, and how to determine the closing rate and the level of benefits are not reasonable. The accumulation rate is 2% for 1 year after paying social insurance while the maximum receiving is 75% of basic salary. This rate is higher than the international one (1.5% and 60% respectively). The minimum time to pay for 20 years of social insurance is twice as long as the international one for 10 years. On the other hand, prescribing the retirement age for men is 60 years old and women are 55 years old from 1960. Moreover, the average life expectancy in 1960 is 40 years old and it is 73.5 years in 2018, so the fund to pay pensions will increase and make the salary support budget increase significantly. In addition, the proportion of people who pay a pension compared to 1 person who receives retirement salary has significantly decreased in the past two decades, that puts more pressure on the pension fund of social insurance. That the pension was adjusted based on the growth rate of the minimum wage (base salary) in the administrative and non-business sector has led to an increase in the pension fund and social insurance support budget.

The government's activities on social insurance are not reasonable and effective. Although the social insurance agency is assigned the function of self-reliant and self-responsible public service, it is still in fact subsidized. The relationship between social insurance and employees and organizations and enterprises is still lacking. The inspection and supervision activities of social insurance agencies and socio-political organizations have not been thorough, and the sanctions are not strong enough, so the observance of compulsory social insurance regimes of organizations and types business image is still not good. The database is not comprehensive, up-to-date and modern information technology applications in management are not popular.

The number of participants in social insurance has increased but the proportion of the total labor force are still low. According to statistics, by 12/2017, the number of enterprises participating in compulsory insurance accounted for only 36.5% of the total number of enterprises required to participate in insurance, and only 80% of the number of employees compulsory insurance premiums on total insurance employees (General Statistics Office of Vietnam-GSO, 2017). In rural areas, although there are many mobilization measures, only 300,000 rural workers participate in voluntary insurance on a total of 40 million rural workers (accounting for 0.75%) (GSO, 2017). Compared to 48.2 million workers in working age, the number of employees participating in insurance only accounts for 30.35%, and compared to the force in and above the age of 54.8 million then this rate only accounts for 24.85% (GSO, 2017).

Orientation and solutions for social insurance development in the period 2020-2050

Orientation

First, emphasizing the role of social insurance is one of the core policies of the social security system. The government's management and responsibilities of social insurance agencies should be strengthened, encouraged and serve wholeheartedly the social insurance participants, in order to make social insurance implement justice, progress, social stability, contributing to sustainable economic development.

Second, the government should continue to expand the system of social insurance policies in the direction of integrating a variety of flexible regimes, supporting each other positively, ensuring a reasonable sharing between the government and people in one and many system, gradually reaching the standard of international social security system.

Third, the government had better determine the correlation between contribution and benefit to create fairness, a harmonious sharing, towards universal coverage, linked to salary, employment and social support policies in line with the process of socio-economic development in each period.

Fourth, the government should consolidate the system, improve the capacity of social insurance officials, improve management methods towards professionalism, modernization, apply advanced information technology, build complete data systems comprehensively and connect nationwide on social insurance. Promoting autonomy, attentive service for participants, strict management, science and social insurance activities, especially object management, revenue and expenditure management quickly, updated and effectively are also necessary.

Objectives

Propagate and encourage the expansion of social insurance participants to follow the specific roadmap to 2050 as follows:

Table 5: Expected social insurance participation rate compared to labor force period from 2021-2050

| | 2021 | 2025 | 2030 | 2040 | 2050 |
|---|------|------|------|------|------|
| Proportion of social insurance participants / total labor force in working age | 35% | 45% | 55% | 75% | 85% |
| The rate of social retirement performance compared to retirement without pension (currently about 5 million people) | 5% | 15% | 25% | 55% | 65% |

(Nguyen, 2018)

Ensuring the balance of revenue and expenditure of social insurance fund, especially pension and death fund.

According to the forecast of Vietnam's Social Insurance, if there are no policies and measures to increase and decrease expenditures, the retirement and death fund shall have the amount equal to the expenditure in 2023. From 2024, in addition to the revenues in the year, it must be additionally deducted from the balance of the fund and by 2037, the social insurance fund will be completely unbalanced, not enough to spend. Therefore, it is necessary to have effective and effective solutions to overcome the imbalance of social insurance revenues and expenditures in the next period.

Solutions to develop Vietnam Social Insurance

Firstly, the government should expand the number of social insurance participants in parallel with improving the quality of social insurance service (Wagstaff, Nguyen, Dao, and Bales, 2016). In order to meet the target of social insurance for the entire population, it is necessary to have policies to encourage all people to participate in social insurance, in which focusing on propaganda to encourage and strengthening voluntary social insurance for rural workers are very important. At the same time, the government should improve the quality of social insurance regimes more and more appropriate, meeting the needs of social insurance beneficiaries.

Secondly, it is necessary to enhance the effectiveness of the government's management and social insurance management. This is reflected in the solutions: arranging the government's management apparatus on social insurance to unify a clue; Job position analysis: description, requirements, standards for each job in the government's management apparatus on social insurance are complete, detailed and appropriate; Training and developing capacity of strategy, planning, supervision, inspection on the basis of applying information technology progress to make cadres and government's management activities on social insurance tight, updated, comprehensive and effective.

Thirdly, managing and using social insurance funds in a balanced and effective manner in each period and in the long term are important. In addition to the above-mentioned sharing and enjoyment measures, it is necessary to formally regulate employment in the non-state service sector, in order to expand the coverage of compulsory insurance. We also should strictly regulate the conditions for enjoying social insurance once to limit the participants who have left the system early. There are preferential policies for social insurance investment in high-profit projects to enhance the development of social insurance funds. At the same time, it strictly regulates and enforces sanctions against organizations, businesses that are shy, dodge, debt, or fail to pay insurance according to law, to ensure balance between revenues and expenditures. Social insurance, especially pension and death fund, is guaranteed to be stable and effective in the long term.

IV. Conclusion

Social insurance is one of the policies to ensure social security that every country in the world applies. Vietnam's Social Insurance over the past 70 years has always been concerned, reformed and innovated. That has brought positive results and some limitations. With the orientation, objectives and specific solutions mentioned above, social insurance policies will be increasingly improved, meet the goal of ensuring fairness, progress and

protection of all members of society, contributing to the socio-economic development of our country more and more quickly, firmly and sustainably.

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