



Multi-tiered social security for universal coverage

A focus on families in Viet Nam

The Government of Viet Nam has placed the incorporation of the informal workforce into the Vietnam Social Security (VSS) system at the centre of its plans for social protection expansion.¹ With an ambitious target to bring in 60 per cent of the working age population by 2030, the hope is to eventually achieve “social insurance for all.”

However, to date, the Government has struggled to encourage voluntary participation among informally employed people. Only around 550,000 people have enrolled by the end of 2019, leaving some 50 million people, or around 70 per cent of workers, outside the social insurance system.²

Recent reforms have prioritized improving coverage of older persons, with good reason. However, because younger people in Viet Nam are almost a third less likely than older people to benefit from the social protection system, they may not understand or appreciate its value. 🗨️



¹ See Resolution No. 28-NQ/TW dated 23 May 2018, of the Seventh Plenum of the XII Central Committee on Social Insurance Policy Reform, is hereafter referred to as “MPSIR”.

² VSS administrative data.

INVESTING IN FAMILIES TO EXTEND COVERAGE THROUGH MULTI-TIERED SOCIAL SECURITY

Currently, there are very limited social assistance benefits for narrowly defined groups of children in Viet Nam, but the Government is recognising that investing more broadly in families and children makes sense. That is why it has stated its intention to introduce a child benefit for all children up to age 36 months.³

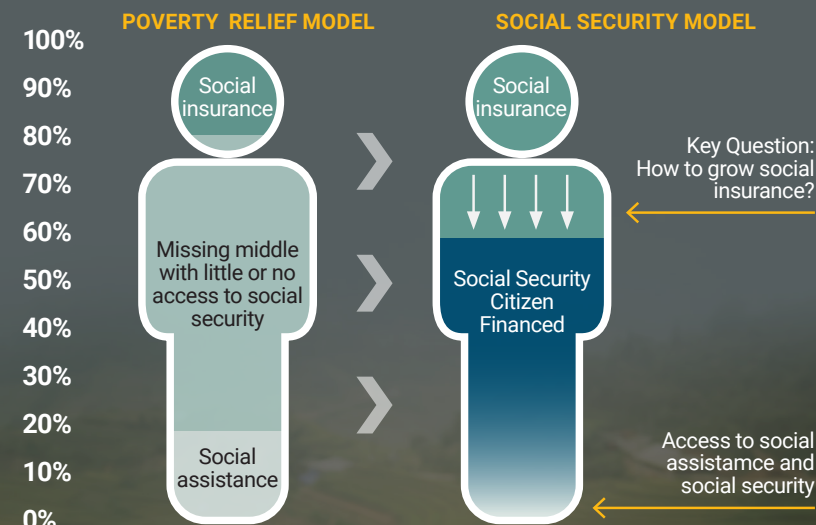
In Viet Nam's social insurance system, family support policies are either missing or uneven. Child benefits are the only contingency from the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) that is not covered under either the compulsory or voluntary system. On top of that, there are no maternity/paternity benefits in the voluntary system, resulting in unequal entitlements between the two contributory systems.

At the same time, Resolution 125 requires policy-makers to develop a short-term benefit package to expand social insurance.⁴ These parallel objectives – protecting children through child benefits and growing social insurance coverage – present a key opportunity to move toward a coherent and effective set of cash support policies for families within the emerging multi-tiered social security system (Box 1). ➔

BOX 1 TOWARD MORE INCLUSIVE SOCIAL SECURITY IN VIET NAM

Building an inclusive social security system that provides benefits across the lifecycle requires moving away from Viet Nam's historical poverty relief model, which leaves out the vast majority in the 'missing middle', and toward an inclusive, multi-tiered social security system. This 'multi-tiered' social security model can include a much larger role for social insurance, in line with the Government's objectives, but must also be built upon a foundation of tax-financed guarantees for all citizens across the lifecycle, with social assistance for those with very low incomes.

FIGURE 2 MOVING FROM A POVERTY RELIEF MODEL TO A SOCIAL SECURITY MODEL FOR ALL CITIZENS



SHUTTERSTOCK/CHATRAWEE WIRATGASEM

³ Government of Viet Nam: Decision No. 488/QĐ-TTg dated 14 April 2017, on approval of the "Master-plan on social assistance reform and development for the period 2017–2025 with vision to 2030 (Ha Noi, 2018). Decision No. 488 is also referred to as "MPSARD".

⁴ Government of Viet Nam: Resolution No. 125/NQ-CP dated 8 October 2018, on implementation of the Resolution No. 28-NQ/TW (Ha Noi, 2018).

WHY MULTI-TIERED SOCIAL SECURITY? HOW DOES IT WORK?

Multi-tiered social security systems, when well designed, enable universal coverage by design.

In Viet Nam's emerging multi-tiered old age pension system, everyone above a certain age has a right to receive guaranteed income support (social pension), while those who have contributed to VSS earn entitlement to a higher level benefit (contributory pension), thereby guaranteeing income security to everyone while maintaining the incentive to contribute.

Adapting this model for benefits aimed at younger cohorts — including child and parental benefits — would be a powerful and efficient mechanism for reaching workers in the informal economy and their families.

Caregivers who are not paying social insurance contributions would receive an **adequate, guaranteed child benefit** financed through general taxation, but those workers who enrol in VSS would be entitled to a **higher rate contributory child benefit** paid for by their contributions. This difference in value preserves the incentive to join social insurance – a key Government priority.

Figure 3 depicts a simple multi-tiered child benefit system. The tax-financed component can either be paid to everyone as a universal benefit or only to those who are not enrolled in social insurance under a 'benefit-tested' system. ➔

FIGURE 3 A POTENTIAL MULTI-TIERED CHILD BENEFIT FOR VIET NAM



A MULTI-TIERED CHILD BENEFIT FULFILLS MULTIPLE OBJECTIVES

Families with children are focused on getting by from day to day. The majority do not have disposable income, and those who do, are not generally inclined to save for the future.

A multi-tiered child benefit appeals because:

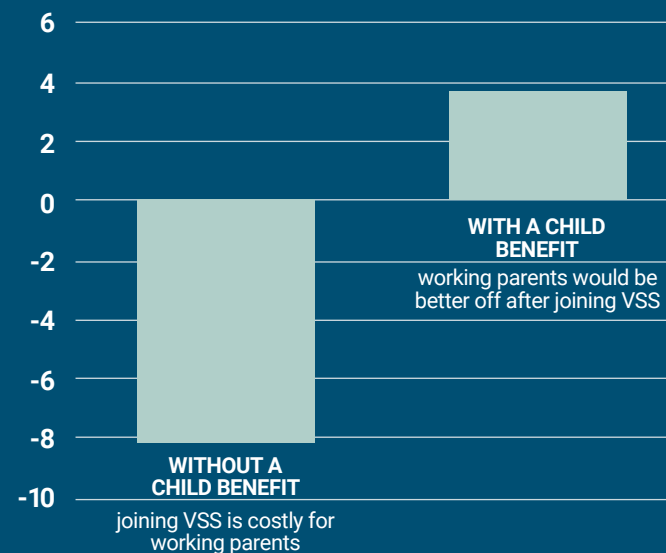
- 1 It is **rights based**. It covers all children using an efficient combination of policy instruments, consistent with international recommendations for social protection floors⁵ and the Government's own multiple objectives.
- 2 It is **broad based**. Bringing all uninsured parents who are technically insurable⁶ into the social insurance system could increase coverage to 45 per cent of the working age population, while also securing adequate protection for all families. Even those without children would gain: many people live in households with children who are not their own, and most people will depend on today's children for their future care needs. Within just one generation, everyone will have benefited directly since everyone was a child once.
- 3 It is **immediate**. Unlike many other social insurance cash benefits which are only perceived long into the future, if at all, a child benefit would be paid at the moment of joining for the millions of people who already have children of eligible age.

BOX 2 CHILD BENEFITS MITIGATE THE IMPACT OF CONTRIBUTIONS

Contributing to VSS causes an average welfare loss in the present of around 8.5 per cent for all insurable workers and their family members. However, providing a monthly child benefit of VND 140,000 per child for all children aged 0-15 who are not enrolled in social insurance, and VND 350,000 for those who are, would turn a welfare loss of 8.2 per cent for all working parents, into an average **net gain of 3.8 per cent of household income per capita (Figure 4)**. And, the benefits would be highly redistributive – since the benefits are flat rate, those at the lower end of the income distribution would benefit the most in relative terms.

- 4 It is **tangible**. Unlike contribution or premium subsidies, which are not visible to contributors, a multi-tiered child benefit is tangible cash-in-hand, offsetting or mitigating the losses associated with a social insurance contribution (Box 2) while guaranteeing the right to social security.
- 5 It **encourages long-term VSS membership**. Unlike other short-term benefits, which can suffer from adverse selection, a contributory child benefit that covers all children aged 0–15 secures a strong link with old age pensions by bringing workers in early in their career and encourages them to remain for as long as they have children. Many more people will meet

FIGURE 4 SIMULATED CHANGE IN WELFARE FROM JOINING VSS, WITH AND WITHOUT A CHILD BENEFIT



the contribution requirements for a minimum pension,⁷ since all parents would have an incentive to remain for at least 15 years, and potentially for much longer if they have multiple children.

- 6 It can **promote gender equality**. If carefully designed, for example by paying an even higher-rate contributory child benefits if both parents or caregivers are contributing,⁸ a multi-tiered child benefit can neutralize disincentives to formal employment that may occur with tax-financed child benefits, which can keep women from fully participating in the benefits of a growing economy. ➔

⁵ See ILO Social Protection Floors Recommendation, 2012 (No. 202).

⁶ A worker is considered "technically insurable" if the worker's earnings are above the following thresholds as set out in Decision 595/2017: the regional minimum wage for wage earners who would potentially join the compulsory system; or the rural poverty line (VND700,000 per month) for non-wage earners who would potentially join the voluntary system. See McClanahan et al. (2019) for discussion of technical insurability and insurability based on affordability.

⁷ The requirement for a minimum contributory pension is currently 20 years but may be reduced.

⁸ An even higher-rate benefit can also be paid for single parents or caregivers. See McClanahan and Gelders (2019) and McClanahan et al (2019) for a full discussion of the arguments and evidence in support of a multi-tiered child benefit.



“
A multi-tiered
maternity benefit would
make maternity protection
a right for all women in
Viet Nam, regardless of
their employment
status
”

BOLSTERING MATERNITY PROTECTION THROUGH MULTI-TIERED DESIGN

Adequate maternity protection is a vital component of a social protection floor. Yet, the current system only provides maternity protection for those in the compulsory social insurance system.

A multi-tiered maternity benefit would make maternity protection a right for all women in Viet Nam, regardless of their employment status.

The higher rate contributory benefit would replace lost income for new parents enrolled in compulsory and voluntary social insurance. They would be able to maintain their standard of living during the six months following childbirth/ adoption. However, the small size of the population of working mothers with newborns⁹ means there is a lower potential for a voluntary maternity benefit to extend social insurance coverage compared with child benefits.¹⁰

And, a tax-financed maternity benefit for all those who cannot afford social insurance contribution, if it is set at the poverty line, would ensure that no woman in Viet Nam who gives birth or adopts a child would independently fall into poverty as a result of having a child.

Parents in Viet Nam deserve a fair and equitable parental benefits system. A multi-tiered maternity benefit is a simple and affordable way to achieve it. ➔

⁹ Analysis of the VHLSS 2016 indicates that, overall, around 970,000 female workers had given birth in the year preceding the survey, representing just under 4 per cent of adult female workers. Of those non-wage earners who would be eligible for the voluntary system, the proportion is even smaller; just 3 per cent had newborns in the last year.

¹⁰ Even though the system-wide impacts on coverage and household welfare of a voluntary maternity package would be relatively small, the impacts are potentially much greater if it is implemented alongside a child benefit with a substantially larger beneficiary population. Similarly, a voluntary maternity benefit implemented on its own risks instituting adverse selection, where potential new parents join only for the period up to and including childbirth and then drop out after the period of paid leave. However, if parents can also expect to receive a longer term child benefit in the years following childbirth, potentially as long as the child is their dependant, the risk of adverse selection associated with the maternity benefit is neutralized

GENDER EQUALITY IN FOCUS - THE POTENTIAL OF A MULTI-TIERED CHILD BENEFIT

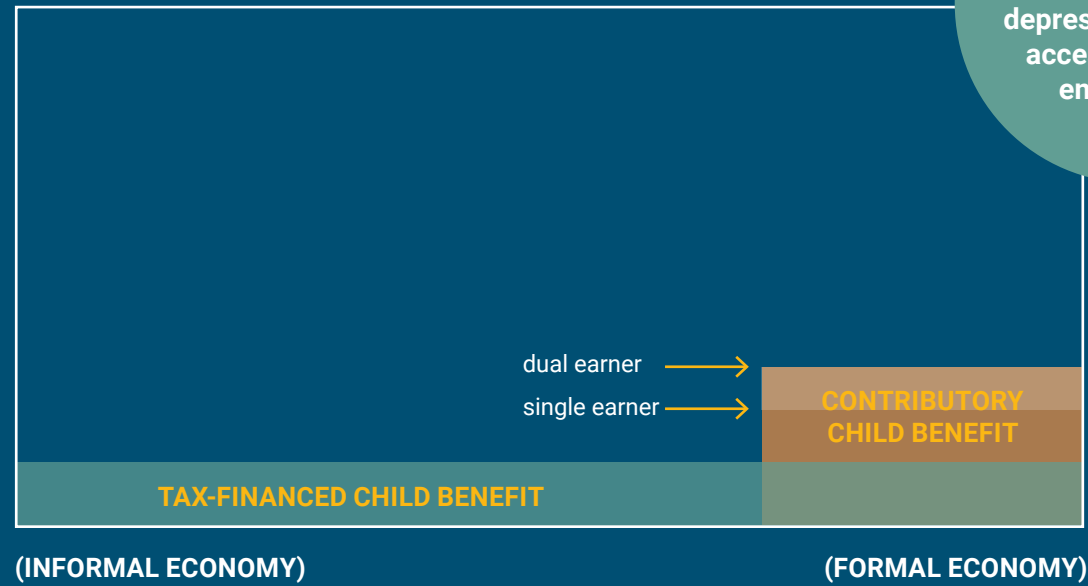
If carefully designed, a multi-tiered child benefit can address gender inequalities within Viet Nam's labour market by actively promoting women's formal employment and access to social protection benefits.

Unlike poverty targeted child benefits, which disappear with increased earnings, and unlike universal flat-rate benefits, which remain the same regardless of employment status (and therefore create neither disincentives nor incentives), a multi-tiered child benefit can actively encourage formal employment among parents, usually women, that are not yet participating in the formal labour market.

In the simple model presented in Figure 3, a higher rate benefit is paid if just one earner is enrolled in social insurance, offering no real incentive for the second earner to join. However, as shown in Figure 5, a tweak to the basic model could offer an even higher child benefit if both parents are enrolled in the VSS, thereby ensuring that formal employment always pays off for those at the margins.¹¹ Single parents could be entitled to the same higher rate to ensure they are not disadvantaged.

In promoting formal employment, the multi-tiered child-benefit can incentivise the inclusion of women into the VSS and encourage continued contributions to stay on the scheme long enough to access the old-age pension, while also giving them access to a range of other VSS benefits across the lifecycle.

FIGURE 5 Gender-responsive multi-tiered child benefit system



“
A gender-responsive multi-tiered child benefit promotes, rather than depresses, women's access to decent employment
”

A multi-tiered child benefit can also address gender inequalities within households.

The extra income from a higher rate child benefit and the increased likelihood of entering the labour market is likely to generate indirect benefits for women's position within the household by disrupting traditional gender roles and affording women more bargaining power.

However, in addition to empowering women to enter the labour market, it could also empower men to be better integrated into the family unit.

By challenging traditionally gendered discourse around family benefits for being 'for women', the policy is likely to have broader positive impact of making visible men's role as parents and carers.

Therefore, not only does a multi-tiered child benefit system provide guaranteed greater protection for all children and have the potential to expand social insurance coverage, but it can be an active tool for promoting women's access to formal employment and the benefits that come with it, all the while helping to achieve a better balance of gender roles within households. ➔

¹¹ Overall, child and family benefits can and should be part of an overall gender-responsive policy package, but policymakers should not rely on them alone to correct much more deeply embedded gender-based inequalities. Other tools, such as free or subsidised child care, or social security instruments that are intended for income replacement, such as paid parental leave, caregivers' allowances, caregivers' credits (to cover missing contribution periods due to caring) and non-contributory pensions should be part of a Government's larger strategy for promoting gender equality.

TOWARD A FAMILY SUPPORT PACKAGE IN VIET NAM'S SOCIAL SECURITY SYSTEM

Research commissioned for the ILO considered the merits of different family policy 'packages' that the Government of Viet Nam might consider:

- **Package 1** would comprise a full multi-tiered package. The most generous and ambitious, it would offer a child benefit to all families in Viet Nam under a multi-tiered design and a multi-tiered maternity benefit to all mothers of newborns in Viet Nam
- **Package 2** would focus on the contributory system only. It would offer a contributory child benefit to those workers in the compulsory or voluntary systems and a contributory maternity benefit to non-wage earners in the voluntary system.
- **Package 3** would focus only on encouraging participation in the voluntary system. It would offer a new maternity benefit for voluntarily insured persons.

The maximum potential coverage gains of each package are related to the size of the potential groups that would be affected, as shown in table 1. And, in all cases, the benefits are not prohibitively costly. By 2030, the tax-financed benefits in package 1 would only cost 0.33 per cent of GDP, and the contributory child and voluntary maternity benefits would cost just 1.5 per cent and 0.9 per cent, respectively. ➔



TABLE 1 MAXIMUM COVERAGE POTENTIAL OF PACKAGES

1 FULL MULTI-TIERED PACKAGE

- **SYSTEM-WIDE**
100% of the population legally covered for child/family benefits (from 0%) and maternity benefits (from 30%)
- **SOCIAL INSURANCE**
Up to 45% working age population (from 30%) would benefit directly; many more would benefit indirectly

2 CONTRIBUTORY SOLUTIONS ONLY

- **SYSTEM-WIDE**
No protection for those outside the social insurance system
- **SOCIAL INSURANCE**
Up to 45% of working age population (from 30%) would benefit directly; many more would benefit indirectly

3 VOLUNTARY CONTRIBUTORY SOLUTIONS ONLY

- **SYSTEM-WIDE**
No protection for those outside the social insurance system
- **SOCIAL INSURANCE**
Very small gains, 1–3% would benefit directly

IMPLICATIONS FOR THE DESIGN OF A FAMILY SUPPORT PACKAGE

An effective package must be:

- Rights-based, fair and **equitable** (and must not be not regressive).
- **Attractive** enough to appeal to the largest number of potentially insurable people as possible.
- **Affordable** in terms of system-wide financing.
- **Sustainable**, both financially and politically.

Using these criteria, the full multi-tiered package performs best. It is the only truly rights-based, fair and equitable proposal; it has a high potential to attract workers to the social insurance system; and it is the most likely to be politically – and therefore financially – sustainable over time, since after just one generation, everyone in Viet Nam will have benefitted in some way.

Taking advantage of the current reform context could set Viet Nam on a path to ensuring universal coverage for child and maternity benefits as central pillars of the emerging social security system. ■

TABLE 2 SYSTEM-WIDE PERFORMANCE OF THE PACKAGES ON KEY MEASURES

PACKAGE	SYSTEM-WIDE PERFORMANCE			
	EQUITABLE	ATTRACTIVE	AFFORDABLE	SUSTAINABLE
1 Full multi-tiered package	●	●	●	●
2 Contributory (tier 2) solutions only	●	●	●	●
3 Voluntary contributory solutions only	●	●	●	●

● = HIGH ● = MEDIUM ● = LOW

“
Only the full multi-tiered package is truly rights-based, fair and equitable.
”

