



Received: 08-09-2023  
Accepted: 18-10-2023

## International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

### Voluntary Social Insurance Policy in Vietnam

<sup>1</sup>Xuan Duong Luong, <sup>2</sup>Thi Thu Ha Bui, <sup>3</sup>Do Dung Pham  
<sup>1, 2, 3</sup>University of Labor and Social Affairs, Hanoi, Vietnam

Corresponding Author: **Xuan Duong Luong**

#### Abstract

When researching income sources for people who have reached the retirement age in Vietnam, we found that there are 4 basic sources: savings/accumulated funds after their working years, pensions paid by the Social Security agency, income from continued employment, and financial support from their children. Individuals aged 80 and above without a pension will receive monthly social benefits (with a very low allowance amount funded by the State budget). Among these income sources, only pensions are a secure source, ensuring workers' lives when they retire, while other sources are unstable and not easily obtained. However, to receive a

pension, employees must meet specific age and social insurance contribution requirements. While compulsory social insurance is not applicable to all workers, voluntary social insurance policy is implemented as a means to ensure income security for those who are not covered by compulsory social insurance when retiring. The article focuses on analyzing the policy and current participation in voluntary social insurance in Vietnam, highlighting limitations and proposing solutions to overcome these constraints.

**Keywords:** Insurance Policy, Multi-Tier Pension System, Vietnam

#### 1. Introduction

Recommendation 202 of the International Labor Organization (ILO) on building national social security products has affirmed "the right to social security is a human right, and acknowledging that the right to social security is, along with promoting employment, an economic and social necessity for development and progress" [3, page1]. To ensure this right, the Recommendation has called on member states, depending on socio-economic conditions, to establish and maintain social security floors for as many people as possible and as soon as possible, guided by ILO social security standards. Social security includes commitments that countries need to undertake to ensure that everyone in need can access essential healthcare services and basic income security adequate to cover essential goods and services. A social security floor must guarantee at least four commitments: essential healthcare for all, income security for children, income security for working-age people, and income security for the elderly. Income security for the elderly is specified in the Recommendation as "basic income security, at least at a nationally defined minimum level, for older persons".

Many countries have implemented income security for the elderly by establishing multi-tiered pension systems, including basic pension (for everyone), mandatory pension (for those in formal employment), and voluntary pension (for people who wish to supplement their retirement income). In the basic retirement tier, everyone receives a pension when they reach the retirement age, and this pension amount is typically uniform and ensures a minimum standard of living for recipients. The financial resources for the basic retirement tier can be taken from the state budget or income tax sources.

In Vietnam, income security for older people is a matter of concern for the State. In the context of limited resources, there are currently two main social security policies to ensure income for the elderly, which are the social insurance policy (based on the principle of contributions-benefits) and social allowances (provided by the state budget). Social allowances are paid monthly to individuals aged 80 and above (or 75 years and above if they belong to poor households) who do not have a pension. However, the allowance is relatively low, currently at 360,000VND per month, which is equivalent to approximately 15 USD per month. Therefore, social insurance is considered a key policy, as it targets those who have reached the retirement age, provides them with an income sufficient to ensure at least a minimum standard of living, and also helps reduce the financial burden on the state budget.

Social insurance is implemented in two forms: compulsory and voluntary. Compulsory social insurance applies to salaried employees, while voluntary one applies to the remaining employees. Implementing both forms of participation creates conditions for everyone to have a means of ensuring income after reaching the retirement age, especially as Vietnam has not yet established the "basic retirement" tier. The State supports the contributions rates for those participating in voluntary social insurance to achieve the goals outlined in Resolution No. 28-NQ/TW of the Central Party Committee (Vietnam's highest leadership agency) dated May 23, 2018, regarding social insurance policy reforms. The objective is "to gradually expand and strengthen social insurance coverage, towards the goal of universal social insurance coverage" [1, page2]. Despite financial support and various measures taken by the Social Security authorities to increase the number of people participating in voluntary social insurance, the results have not met expectations. By the end of 2022, the number of individuals participating in voluntary social insurance had been 1.462 million people, accounting for about 3.2% of the working-age force. When combined with those in compulsory social insurance, there were a total of 17.498 million participants, accounting for 38.07% of the working-age population. Thus, over 60% of the working-age population who have not joined in social insurance, with the majority falling into the category of potential voluntary social insurance participants, and a significant portion of them will not have income security in retirement. Therefore, it is necessary to identify the reasons and implement solutions to increase the number of individuals participating in voluntary social insurance.

## 2. Legal Regulations on Voluntary Social Insurance

Social insurance was first implemented in Vietnam in 1945, initially only in a compulsory form, applied to state employees, then extended to cover employees working under labor contracts. Voluntary social insurance has been implemented since January 2008, as regulated by the Social Insurance Law No. 71/2006/QH11, subsequently amended by the Social Insurance Law No. 58/2014/QH13.

### ▪ Participants

Participants in voluntary social insurance in Vietnam are Vietnamese citizens aged 15 years and above who are not subject to compulsory social insurance, such as employees working under labor contracts with a term of less than one month, individuals engaging in production, business, or service activities without receiving salary, farmers. In other words, they are informal workers (including those in household agricultural production, forestry and aquaculture production but not registered as businesses).

### ▪ Social insurance contribution rates

The monthly contribution rate for voluntary social insurance is 22% of the income chosen by the employees as the basis for their insurance contributions. This income level is set at a minimum equal to the standard poverty level in rural areas and can go up to a maximum of 20 times the base wage. The State provides support in the form of a 30% reduction in contributions based on the standard poverty level for workers from poor households, a 20% reduction for near-poor households, and a 10% reduction for the other participants. The maximum support period is 10 years.

Employees can choose to pay monthly, quarterly, semi-annually, annually, or they can make a lump-sum payment for the missing years or multiple future years.

### ▪ Participation Procedures

Workers need to complete an enrollment form provided by the social security agency and submit it to the district-level social security agent or a designated collection point in the place of residence. For those who have participated in social insurance, they need to also present their social insurance booklet. Afterward, employees can make their contributions directly by cash or through bank transfers to the social security agency.

### ▪ Benefits of Voluntary Social Insurance

Voluntary social insurance in Vietnam offers two main regimes: Retirement and Survivor's Benefits.

For the retirement regime, employees who meet the age requirements (retirement age, in 2023, which is 60 years and 9 months for men and 56 years for women) and have contributed to social insurance for at least 20 years, are eligible for a pension. The pension amount depends on the total contributions made, with an initial rate of 45% of the average income paid for social insurance for men and 55% for women, with an additional 2% for each year of contributions beyond the 20 years, up to a maximum of 75%. In addition to the monthly pension, workers are also entitled to health insurance, which covers medical expenses when they are ill. Employees who no longer wish to continue their participation in voluntary social insurance and do not meet the eligibility criteria for pension will receive a one-time lump-sum social insurance payment, which is typically lower than the total contributions made.

For the survivor's benefits, employees who are currently participating in social insurance or receiving a monthly pension, upon their death, their relatives are entitled to funeral expenses and a one-time survivor's payment. To qualify for funeral expenses, the employee must contribute to social insurance for a total of 60 months.

Thus, the design of regulations on voluntary social insurance provides diversity and flexibility to meet the needs of workers. Workers who start participating in voluntary social insurance at any age will be eligible to receive a monthly pension. Employees can choose contribution methods that align with their income cycle, such as growers or livestock raisers whose income depends on the harvest season. On the other hand, the retirement and survivor's benefits of voluntary social insurance are designed similarly to compulsory social insurance, allowing for the accumulation of contribution periods as a basis for settlement of retirement and survivor's benefits for individuals who switch between the two insurance types.

## 3. Current Status of Participating in Voluntary Social Insurance

Social insurance policies, including voluntary social insurance, are centrally managed and coordinated by the Vietnam Social Security Agency. Vietnam Social Insurance is organized at three levels: central level, provincial level and district level (each province/district has its own social security agency). To rapidly increase the number of participants in voluntary social insurance and achieve social security goals, the Vietnam social insurance industry has implemented various measures, such as assigning tasks to

increase the number of participants at each level of social insurance agencies, enhancing communication to raise awareness among workers, and simplifying the enrollment procedures. Additionally, district-level social insurance agencies are responsible for collecting voluntary social insurance contributions from workers. However, to ensure convenience, Vietnam Social Insurance has signed contracts with Vietnam Post Corporation to act as a collection agent for voluntary social insurance contributions. Voluntary social insurance, because this Corporation has a network of post offices at the commune level, making it easier for employers to complete the enrollment process (for the first time). Subsequently, workers can either make contributions at the agent’s location or transfer payments to the social insurance agency. District-level social insurance agencies also regularly organize direct communication sessions in the local communities, propagating information, explaining policies and directly assisting employees with the enrollment process. The status of participating in voluntary social insurance is reflected in the following table:

**Table 1:** Proportion of workers participated in voluntary social insurance

Criteria	Year	Cal Unit	2018	2019	2020	2021	2022
			1	Number of participating workers <sup>(1)</sup>	Thousand people	277	558
2	Number of informal workers <sup>(2)</sup>	Thousand people	24,085	22,226	22,626	22,959	19,116
3	Participation rate	%	1.15	2.51	4.97	5.0	7.65

**Source:** (1)Vietnam Social Security; (2)Calculated by authors base on number of Labor Market Newsletter, Ministry of Labour, Invalids and Social Affairs and General Statistics Office

The number of workers participating in voluntary social insurance has risen rapidly in recent years. In 2018, there were only 277,000 participants, but after 5 years, in 2022, the number of participants was 1,462 thousand people, an increase of more than 5 times compared to the 2018 figure. The period between 2018 and 2020 witnessed a high growth rate participation as Vietnam Social Security organized many direct communication and outreach activities at places with a high concentration of informal workers like local markets and craft villages. However, in 2021, the growth rate was relatively low due to the impact of the Covid-19 pandemic. One contributing factor for the rapid increase in participation was the implementation of state support policies, as mentioned above, starting in 2018. While the support was not substantial, it played a role in encouraging participation. In 2022, 34,419 individuals from poor households received support (30% reduction in contributions based on the rural poverty standard), 39,597 individuals from near-poor households were supported (25%), and more than 1.38 million remaining participants received a 10% subsidy in contributions <sup>[7]</sup>.

Although the number of participants has increased, it is not proportional to the potential. When compared to the total number of informal workers participating in voluntary social insurance, the participation rate remains very low. In 2018, it was only 1.15%, while in 2022, it reached 7.56%. There are still many people who have not enrolled in voluntary social insurance because:

(i) Workers' income is low and unstable due to their dependence on production cycles, their low qualifications, simple job roles, high risks, etc. According to statistics from the General Statistics Office, in 2021, the average income from the primary jobs of informal workers was 4.4 million VND per month. Among these workers, 47.1% had an income lower than the regional minimum wage (the lowest wage that businesses can pay for workers doing the simplest jobs, under normal working conditions, aimed at ensuring the minimum living standard of workers and their families). This income level is only sufficient to meet basic needs, but not enough to provide a sense of financial security, which is one of the motivations for participating in voluntary social insurance.

(ii) Employees do not fully grasp the role of voluntary social insurance. The majority of those who are eligible for voluntary social insurance have low qualifications, with over 80% of workers lacking technical expertise in 2021 [Overview, P14]. This lack of technical expertise can make it challenging for them to understand beneficial policies like voluntary social insurance. Additionally, the habit of risk prevention has not been established among the population, and they only really feel the need for insurance when risks or incidents occur.

(iii) Agents handling voluntary social insurance are not professional because the postal service employees are primarily at the commune level and may not have professional qualifications in social insurance. Furthermore, they may not receive comprehensive training or guidance, making it difficult for them to effectively recruit new participants and address the inquiries of those interested. They might struggle to guide individuals through the procedures to participate and explain benefits from voluntary social insurance to them.

**4. Solutions to Increase Participants in Voluntary Social Insurance**

- Strengthening Communication Efforts and Organizing Customer Conferences

Employees' awareness of the benefits of voluntary social insurance has a significant impact on their needs and decisions to participate. Due to the cultural and psychological factors of Eastern people, who tend to prioritize taking care of their children and have the mindset of being dependent on their children when they get old, many workers do not fully comprehend their responsibilities towards themselves. They may not save much money for themselves or have stable financial sources and ensure healthcare expenses in their senior years. Therefore, communication should focus on the following aspects: (i) clearly stating the potential risks, especially in old age, because only when individuals see hidden risks in society that they will raise their self-protection awareness; (ii) analyze the risks of relying on children, which neither guarantee financial security nor positively affect their children’s lives; (iii) clearly point out the employee's responsibility in ensuring their own livelihood and the advantages of financial independence.

Media also helps workers gain a better understanding of voluntary social insurance policy, which is a crucial factor in their decision to purchase insurance. Many workers lack a clear understanding of their rights, minimum contribution period, premium rates, payment methods, procedures, etc. To make it easier for workers to comprehend and alleviate

concerns about long participation periods, practical examples of contribution amounts and the corresponding benefits should be provided. This helps informal workers understand how pension payments are calculated, how they are adjusted annually to preserve their value over time, and how the link between both the mandatory and voluntary social insurance systems (informal workers' contribution periods are aggregated across both systems to calculate their pensions) operates. Understanding this linkage can encourage more individuals to participate voluntarily in the insurance program, especially when they leave their primary work region due to circumstances like the expiration of labor contracts.

Additionally, there is a need to diversify the forms of communication. The unique characteristics of the group eligible for voluntary social insurance participation are that they work in decentralized locations, have irregular working hours, and frequently change their places of residence. To increase the number of participants, various forms of communication should be employed, tailored to specific groups. Some effective communication methods may include creating informative media content about voluntary social insurance policies, distributing visually appealing pamphlets that are easy to understand and can illustrate the responsibilities of contributions and specific benefits. Moreover, it is essential to place informative materials and regulations about voluntary social insurance at cultural centers in hamlets, communes, wards, and towns for the public to access. Extending the duration of radio and television broadcasts and airing them at different times can also be effective strategies."

In addition, organizing customer conferences for social insurance officers to directly engage with informal workers has yielded positive results. Many people sign up for the voluntary social insurance program immediately or shortly after attending such conferences. However, these events are not conducted regularly and have primarily focused on densely populated areas. To save costs, social insurance agencies can leverage existing gatherings of informal workers to attract more participants. For instance, they can integrate awareness-raising activities into annual meetings of women's associations, professional groups, or other gatherings. Alternatively, they can arrange meetings with smaller groups, such as families engaged in cottage industries (craftsmanship using materials like bamboo or rattan).

#### ▪ Establishing a Professional Agency Network

Currently, the social insurance system in Vietnam lacks a professional network of social insurance agents. The task of collecting voluntary social insurance contributions is delegated to agents at the commune-level post offices or specialized staff at the commune level. These agents often lack proper training, knowledge, and skills to effectively manage voluntary social insurance issues. Their primary role is typically related to disbursing pensions and other monthly social insurance benefits. These agents do not always pay adequate attention to acquiring new voluntary social insurance customers. Therefore, there is a need to expand the network of professional and specialized voluntary social insurance agents at the commune level. These agents should meet specific criteria, receive comprehensive and professional training, and receive

reasonable commissions to incentivize them to actively engage in customer acquisition and service provision.

#### ▪ Enhancing the Quality of Services

In order to increase the participation of individuals in voluntary social insurance, the quality of services provided by the social insurance sector must continually improve to meet the participants' needs. Enhancing the quality of services involves two aspects: the ability to access services and ensuring the rights of voluntary social insurance participants. To ensure that individuals can easily access voluntary social insurance services, it requires that the policy mechanisms be in line with reality, the registration and benefit application procedures are simple and convenient, social insurance officials involved in voluntary social insurance work must have professional competence, professional ethics, enthusiasm, and responsibility. Establishing various communication channels such as email, facebook, tiktok can increase interaction with participants, providing guidance on procedures and answering their questions.

#### ▪ Increasing Support from the State Budget

The current level of support is still low, especially for the poor and near-poor individuals. For these groups, even ensuring their basic needs can be a challenge, making it difficult for them to allocate a portion of their income to participate in voluntary social insurance. Instead of providing limited support over an extended period, increasing the level of support while reducing the duration of support can help alleviate immediate difficulties for laborers and stimulate their participation. Furthermore, in the long term, improving the pension benefits is essential, meeting necessary needs, ensuring stability, and enhancing the quality of life for beneficiaries.

#### ▪ Building a Multi-Tier Social Insurance System (Multi-Tier Pension System)

In Vietnam, voluntary social insurance serves as a transitional solution while a multi-tier social insurance system, especially a basic social pension system, has not been fully developed to meet the requirements of Recommendation 202. Instead of merely increasing the number of participants to achieve social security objectives, it is necessary to quickly establish a social pension system or a basic pension floor. The goal is to ensure a minimum pension for everyone upon reaching the retirement age. To achieve this, participation in this tier should be mandatory and financed by contributions from both workers and the state or funded through individual income tax. All income earners have the responsibility to contribute to social insurance, and those with higher incomes will contribute more to ensure equitable sharing. Low-income workers (up to a specified threshold) or the poor may receive state support for their contributions, and the state can even cover their contributions entirely for a certain period. The funds allocated for individuals over 80 years of age who have no pensions can be transferred to the financial resources of this social pension tier. The second tier is compulsory retirement insurance, which applies to all employees receiving salaries, with contributions made by both employees and employers based on salary levels. The third tier, voluntary supplemental insurance, applies to all workers, who

participate based on the principle of "contribute as you go" and can choose to participate to receive a higher pension.

## 5. Conclusion

In many countries, social insurance, including pensions, is the most effective way to ensure income security for the elderly/people who have reached retirement age. For countries that have signed the international Conventions or ratified ILO Recommendations on social security (security floor), the coverage of the pension scheme extends to all workers. In other countries, the extension of social insurance coverage depends on the socio-economic conditions and may gradually expand to cover more individuals. A prerequisite for such expansion is a sustainable financial strategy. In Vietnam, to achieve the goal of "universal social insurance," which means that everyone has income from pensions in their old age, it is necessary to build a multi-tier retirement system, including a social pension floor. Increasing the number of people participating in voluntary social insurance is a critical foundation for the successful development of this social pension floor. Therefore, it is important to make necessary adjustments to regulations to ensure alignment and enhance the implementation of voluntary social insurance.

## 6. References

1. Central Executive Committee of the Communist Party of Vietnam, Resolution 28-NQ/TW dated 23/05/2018, 2018.
2. General Statistics Office, Overview of informally employed workers in Vietnam. Youth Publishing House. Hanoi, 2022.
3. International Labor Organization, Recommendation No202, 2012.
4. Ministry of Labour, Invalids and Social Affairs, Labor Market Newsletter, quarters of the year 2018, 2019, 2020, 2021, 2022.
5. National Assembly of the Socialist Republic of Vietnam, Social Insurance Law No.58/2014/QH13.
6. National Assembly of the Socialist Republic of Vietnam, Law on the Elderly No.39/2009/QH12.
7. Thu Cuc. Discuss solutions to make voluntary social insurance more attractive, 2023. <https://baochinhphu.vn/ban-giai-phap-de-bao-hiem-xa-hoi-tu-nguyen-hap-dan-hon-102230410150920978.htm>
8. Vietnam Social Insurance, Annual Reports on Work Results in 2018, 2019, 2020, 2021, 2022.