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Social expenditure in Viet Nam for the period 2000 - 2011

Tran Van Son

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Social expenditure in Viet Nam for the period 2000 - 2011

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OECD/Korea Policy Centre – Health and Social Policy Programme

SOCX TECHNICAL PAPERS

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Abstract

Financial resources for social security will increase in accordance with the socio-economic development, particularly in Viet Nam, the country which has just escaped from the poverty.

This paper aims to overview the status of social security system in Viet Nam, analyzes and evaluates the structural and level changes of social expenditures as required by the society and its economic development. The paper illustrates state budget occupies the major part of social expenditures in Viet Nam.

The paper comes to the conclusion that, although Vietnamese government had made a great effort for the betterment of social security as well as for the well being of people, the country still has a long way to go in terms of social security and it needs to build an detailed data system on social expenditures for the enhancement of its planning process on social security in Viet Nam.

Introduction

Contributing to the work of the OECD - Korea Policy Centre on social expenditure of the Asia - Pacific countries, this paper presents information on social expenditure in Viet Nam for the period 2000 - 2011.

Viet Nam social security system primarily consists of social insurance, health insurance and unemployment insurance, besides social protection, social preferences and other social services. In particular, social insurance and health insurance play a central role in the system. In Viet Nam, the Social Insurance Law was adopted on 29 June 2006, with effect from 1 January 2007 (provisions of compulsory social insurance, voluntary social insurance and unemployment insurance). Health insurance is considered a medical regime of social policy. Before 1992, all health care costs were paid by the state budget. Since 1992, health insurance and the newly passed Health Insurance Law, enacted in 2008, have marked an important step in the reform of health insurance.

The social and health insurance system is based on the core principles of the three parties involved (workers, employers and the state) to reduce the burden on the state budget. Relations premiums and benefit levels have complied with the principles of social activities for each mode separately.

Regarding the mechanisms and financial management for Social Security, Viet Nam Social Security is operated by the Government responsible for implementing the national social security schemes and managing the social security funds. The Viet Nam Social Security system is centralized and has a unified management from the central to local levels which is specialized in carrying out the policy and the social insurance by splitting the operation of the social security fund management out of Government administration functions.

The paper consists of two parts:

Part I: Overview of social protection in Viet Nam

Part II: Social protection expenditure of Viet Nam for the period 2000-2011

Annexes for Part II: Social protection expenditure in Viet Nam 2000 - 2011

The first part of the report clarifies the social security system in Viet Nam with the current regulations on contributions and benefits in each component of the system.

The second part presents and analyzes spending trends from the state budget and social insurance fund, the two basic sources of financing for social security in Viet Nam. No specific statistics are given in relation to aid from foreign organizations, international organizations, non-governmental organizations or individuals and other organizations.

The Annex includes tables which list some of the original data that are aggregated from the formal mainstream data sources such as the Viet Nam General Statistics Office, Ministry of Finance and the Viet Nam Social Securities (VSS).

The views and analysis contained in this report are the personal views of the author.

Hanoi, September 2013

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PART I

OVERVIEW OF SOCIAL PROTECTION IN VIET NAM

1. The concept of social protection in Viet Nam

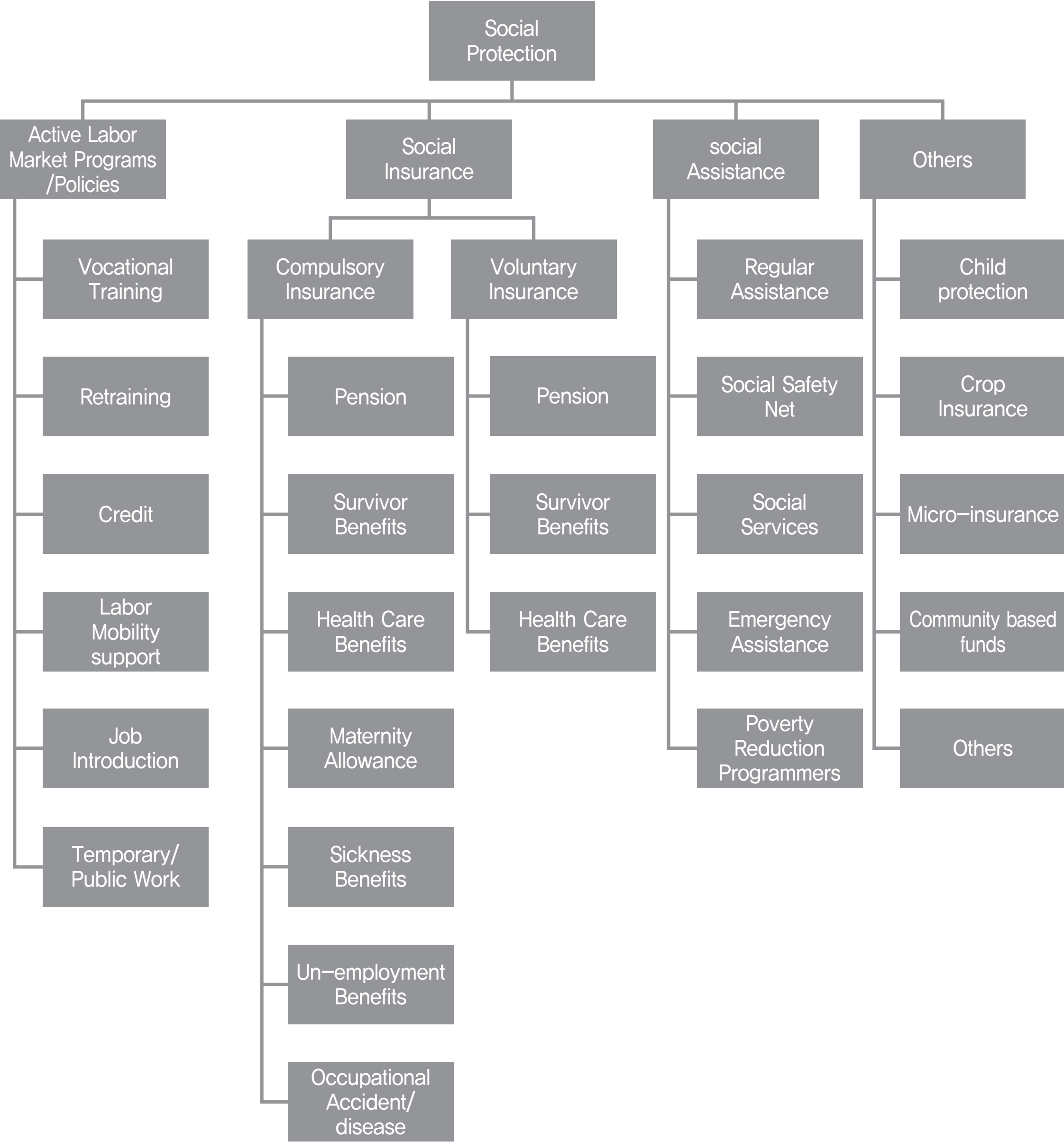
Social protection in Viet Nam: the set of public (social insurance/ social assistance) and private (non - statutory or private measures) interventions designed to reduce poverty and vulnerability and ensure social stability, development and equality. Social protection includes interventions which enhance the capacity of people and society to protect themselves against hazards and interruptions or losses of income.

According to Viet Nam's 2011 - 2020 Social Protection Strategy, social protection is a system of policies and programs implemented by the State and social partners in the private sector that assist in guaranteeing a minimum level of income, universal health insurance and social welfare. The Strategy enhances the capacity of individuals, households and communities to manage and control risks like unemployment, old age, sickness and risks caused by natural calamities, restructuring or economic shocks that lead to income loss or declined access to basic social services.

2. The structure of Viet Nam's social protection program

In Viet Nam the social protection system consists of a safety net with three elements capable of supporting each other: (i) Active labor market activities aimed at supporting employment, providing income and boosting labor market participation; (ii) Social insurance (including pension, health insurance and unemployment insurance); and (iii) Social assistance and poverty reduction. This is illustrated in Figure 1.

Figure 1: Social protection in Viet Nam



2.1. Active labor market policies

Active labor market policies include policies on work, education, training, job information, credit, etc., for those looking for jobs. Clients include the unemployed, the underemployed and employed workers who are looking for better jobs. Participation in such programs assists clients to reintegrate into the labor market. Active labor market policies are financed by taxes and contributions by Viet Nam's Ministry of Labor.

Because of increased urbanization, the land available for agriculture has decreased, thus increasing the risk of job losses for farmers. Furthermore, compensation offered to farmers who lose their land is often insufficient to guarantee a viable rural livelihood. The rate of underemployment in rural areas is high and has increased as the Global Financial Crisis has had a strong impact on the country.

In 2011, the underemployment rate in rural areas was nearly 8% (in contrast to 2010 when the unemployment rate in urban areas was 4.6%, and the underemployment rate in urban areas was 2.15%). However there are a number of problems with Viet Nam's labor market programs, for example rural workers find it difficult to access the labor market because of low levels of education, difficulties in accessing information and poor skills in applying science and technology. The labor assistance programs are not integrated with each other. Support loans are not tied to job training, or agricultural and business guidance activities. When rural workers move to industrial zones in urban areas, they find it difficult to access support programs aimed at production development, vocational training and the provision of labor market information. The main reasons for this are their limited education and non-existent or underdeveloped information systems and employment services in some rural areas - especially areas with special characteristics such as relatively high ethnic minorities or mountainous terrain.

2.2. Social insurance

2.2.1. Pension system (social insurance)

Refers to programs which guarantee income replacement or compensation when employees' earning capacities are lost or reduced due to sickness, occupational accidents, occupational disease, maternity leave, unemployment, old age or death.

Social insurance is typically financed by contributions from employees, employers and the State. It is characterized by a redistributive (social) element, with an individual's contribution depending on their personal income/salary rather than their risk level – in other words risk pooling is used. Individuals do not realize all the benefits of participation in social insurance due to insufficient information and incomplete communication to understand the law on social insurance.

Despite the risks being relatively high, most rural workers are not covered by social insurance. The main reason is that they do not realize all the benefits of participation in social insurance. However, coverage of rural workers increased when a new Social Insurance Law took effect from 1 July 2007. This increased opportunities for rural people to participate in voluntary social insurance. The scale of social insurance participation in rural areas increased from 0.67 million participants in compulsory social insurance in 2006, to more than 3 million people - representing 20% of rural labor - in 2010.

The number of voluntary social insurance participants in the whole country increased from 6,200 people in 2008 to 88,000 people in 2010. The total number of rural people covered by social insurance in 2010 reached 3.062 million - representing 8.55% of the total rural labor force employed. This coverage rate compares with a rate of 49.5% in urban areas and 19.94% for the country.

Table 1: The number and structure of social insurance participation

	Rural Areas (000s persons)	Urban Areas (000s persons)	Whole Country (000s persons)	Rural/ Country (Per cent)
1. Number of participants covered by social insurance				
Compulsory social insurance	3000	6800	9800	30.6
Voluntary social insurance	62	26	88	70.5
Total	3062	6826	9888	31.0
2. Percentage of workforce covered, Per cent				
	8.55	49.46	19.94	

Source: Viet Nam Social Insurance, 2010.

The reasons for the relatively low coverage of rural workers are:

(i) Many rural workers and migrant workers moving from rural to urban areas may be not involved in compulsory social insurance because they do not sign labor contracts or short-term contract forms. Awareness of legal compliance requirements by the employers for whom these workers work also remains poor.

(ii) The communication program for social insurance policies is limited and in particular those in the rural population not liable to receive compulsory social insurance do not fully understand the benefits available from social insurance and therefore do not voluntarily participate.

(iii) The contribution rates of voluntary social insurance prescribed are relatively high when compared to the incomes of the majority of rural people.

(iv) The policy design is not flexible for beneficiaries; consequently, a large proportion of workers do not find it attractive to be involved in voluntary social insurance For example, for health insurance

beneficiaries in traffic accident cases, the insurance law stipulates that benefits are paid only if those involved in the traffic accident had not violated the law. Those who violated the law are not paid. In situations where it is unclear whether people had violated the law or not, accident victims have to wait for the police evaluation, and in the meantime pay health costs themselves. This provision causes a lot of controversy because it is not always possible to identify which traffic accident victims had violated the law, and it often takes a long time for this evaluation to be made by the police or other authorities.

2.2.2. Health insurance

The implementation of the Law on Health Insurance from 2009 resulted in a strong commitment by the State to fully or partially fund health insurance premiums for a range of groups: the poor, near poor, ethnic minorities, people entitled to preferential social policies and children under the age of 6. The government's objective was to ensure that 51 million people (62% of the population) would participate in health insurance by June 2011.

In practice, according to the Viet Nam Social Insurance, as of June 2011, 53.5 million (62%) of participants were covered by health insurance - an increase of nearly 14 million people compared to 2008 - so the target was met. The areas with the highest coverage are in the Midland and Northern Mountain regions where coverage reaches 77% of the population. In the northern mountain provinces such as Bac Kan, Ha Giang, Lai Chau, Son La and Cao Bang, coverage has reached 95% of the population.

The area with the lowest coverage rate is the Mekong River Delta where only 50% of the population has coverage. Some provinces with less than 45% of the population covered include Tay Ninh, Binh Phuoc, Ca Mau, Bac Lieu, Dong Thap and Hau Giang.

In 2010, there were 106 million medical treatments for patients with health insurance - a frequency of medical treatment averaging 2.1 treatments/ person/ year. Patients with medical health insurance accounted for 70 - 80% of general medical patients in a number of medical provinces and districts.

There were nearly 2,200 health care facilities in 2010, of which 1,900 were public establishments (these include commune health centers) and nearly 300 non-public establishments. The number of commune health centers which had contracts with social insurance agencies allowing them to perform medical health insurance treatments accounted for 60% of nationwide commune health centers. By mid-2011 this number increased by 10 percentage points compared with 2009.

As a result by mid-2011, around 40% of the population was not covered by health insurance. The Government's objective to have the entire population covered for health insurance will therefore need the support and appropriate policies to attract the participation of the population.

According to the Viet Nam Social Insurance agency, nearly 2 million children did not have a health insurance card in 2010. The main reasons for this problem are that the Ministry of Labor, Invalids and Social Affairs has been slow to hand over data on children under six years of age to the Social Insurance agency and that there is no unified process for the distribution of national health insurance cards.

While most employees working in the state sector take part in health insurance, only 53% (6.3 million out of a total of 12 million people) of employees working in the private sector participate in health insurance; 45% of private companies participated in social insurance. These indicators illustrate that workers who have not participated in health insurance are mainly in the private sector. The main cause for this situation is the

limited employer awareness of their responsibilities to participate in health insurance for their workers. Many companies do not participate in compulsory social insurance for all employees who have a labor contract of 3 months or more - as they are required to do - but just participate for a few employees, with the social insurance fees of most employees being avoided.

The health insurance coverage among poor households is especially low, a local report indicating that in 2010 only 800,000 of about 6 million people in poor households participated in health insurance. The underlying cause is that not many localities prepare the lists of poor households which are necessary to allow state funding of health insurance to take place.

The percentage of people covered by voluntary health insurance is low and most of those covered have chronic disease. As of 2010, the number of people participating in voluntary health insurance was only just over four million people.

2.2.3. Unemployment insurance

In Vietnam the Unemployment Insurance (UI) was implemented in 2009 and it is compulsory for:

- Employers who employ 10 or more workers that are entitled to unemployment insurance include: Government and Administrative offices, People Armed Forces, Political organizations, Social-political organizations, Social-political professional organizations, Social professional organizations and others, foreign organizations, international organizations operating in Vietnam, enterprises, households, cooperatives and individuals which employ and pay the employees' wage.
- Vietnamese employees working under a labour contract or employment contract with an indefinitive term or labour contract

with definitive term of 12-36 months with employers who employ 10 or more workers.

Qualifying conditions for unemployment benefits:

The unemployed workers having contributed unemployment insurance for at least 12 months over the last 24 months preceding unemployment and unable to find a job after a 15-day waiting period shall be entitled to unemployment insurance benefits.

- Right to benefit

+ Monthly jobless allowance equivalent to 60% of the average monthly wage of the last 6 months preceding unemployment. The total time to entitlement depends on the duration of the unemployment insurance contribution paid.

The period of receiving UI allowance:

3 months (for 12 - less 36 months of UI contribution);

6 months (for 36 - less 72 months of UI contribution);

9 months (for 72 - less 144 months of UI contribution);

2 months (for more than 144 months of UI contribution);

+ Cash subsidy for vocational training equivalent to the level of tuition fees for short-term vocational training not exceeding 6 months from the date of entitlement.

+ Support for job search, employment advisory services are provided free of charge. The period of support is calculated from the date of entitlement and not exceeding the duration of benefit entitlement.

+ The jobless shall also be entitled to health insurance benefits paid by a social insurance organization.

2.3. Social assistance and poverty reduction

In-cash or in-kind benefits financed by the state (from general taxes, not contributory) to secure minimum living standards for people. These benefits are normally provided on the basis of a means test based on income levels. The modern understanding of social assistance involves the three dimensions of income support, family benefits and social services.

2.3.1. Regular assistance

Beneficiaries of regular assistance have been gradually expanding over time. There are currently almost 1.3 million subsidy beneficiaries (more than 1.5% of the national population). Beneficiaries in rural areas increased from 390,000 people in 2005 to 1,120,000 people in 2010. Of these beneficiaries, the elderly group (85 and older) with no pension and social insurance benefits accounted for 43.1%; disabled people accounted for 24.5%; lonely elderly made up 9.6%; 8.6% were people with psychiatric conditions; single parents made up 7.6%; 5% were orphans with the remaining 1.6% being other categories. The benchmark for calculating the adjustment also increased from 120,000 to 180,000 VND / month in 2010, with the assistance guaranteed by the state budget.

However, eligibility for regular assistance is very limited - with only around 2% of the population being entitled to receive assistance - which is very low compared to many countries around Viet Nam (which typically have around 2.5% - 3%). The rules of eligibility are very tight and the benefit is relatively low, accounting for only 45% of the poverty standard, so living on this allowance for many subjects is difficult.

2.3.2. Irregular assistance

Extraordinary aid relief which is provided for nearly one million individuals and families annually, contributes to an enhancement of access to basic social services for beneficiaries and a stabilization of people’s lives.

However, the scope of the policy is narrow with a recent focus being on disaster risk subjects. Support for the risk of new diseases is being tested, as are the economic and social risks associated with the global financial crisis. The assistance level is very low, covering only about 10% of the damage arising from the disaster and therefore failing to meet the needs of the household. In many cases the support is also not timely. There is no replication of effective community-based extraordinary support models. The management of extraordinary support activities does not facilitate quantification of the total funding provided for assistance. Furthermore, coordination, often community-based is poor and leads to vastly different financial responses to similar events.

2.3.3. Poverty reduction policies and programs

Poverty reduction policies and programs in recent years have played an important role in ensuring social protection. The poverty reduction approach consists of three elements: (1) Support the poor to access basic social services: health, education, vocational training, legal assistance and clean water; (2) Support the poor production development through access to: preferential credit, poor production land for ethnic minorities, development and production support for the agriculture, forestry and fishing industries, and create opportunities for labor working in foreign countries to use modern technologies and receive high-income through labor export activities; (3) Support the development of essential infrastructure for communities with special difficulties.

In particular, the Government's Resolution No. 80/NQ-CP, dated 19 May 2011 on the orientation of sustainable poverty reduction has set ambitious targets to reduce poverty by about 2% / year. However, policy development and programs are designed on a regional basis rather than being directed at the poor and poor households. Also there is much overlap between the poverty

reduction programs so policies and projects are difficult to manage. The poorest households are not benefiting much from the policy due to restrictive eligibility conditions. Support for education is insufficient to ensure that all children go to school, especially poor children. There is also inadequate investment in health care facilities leading to malnutrition rates remaining higher in disadvantaged areas.

2.3.4. Basic social services

Basic social services for the rural population include programs and projects for: housing and production, land, water and sanitation, electricity, schools, health centers, markets, culture, transportation, counseling and legal aid. These programs have contributed to rural development and provide effective support to the rural population, especially in difficult areas and poor districts. In the past five years, an estimated 500,000 poor households were assisted with temporary housing assistance. In 2011, the government provided 30,000VND / household / month to subsidize the price of electricity for poor households.

In the context of Viet Nam's objectives for 2011 - 2020 of continuing to improve its industrialization - modernization and integrate more fully into the international economy, Viet Nam is proposing to take a number of measures to strengthen social protection in rural areas.

There are various issues that have been and will be examined in relation to social security of rural areas such as: (1) The impact of economic reform and restructuring on rural areas resulting from the country's move to a new growth model, including the risks of climate change in rural areas; (2) The relatively poor conditions and the increase in inequality of the rural population compared with urban areas; (3) The problem of economic and labor restructuring associated with rural - to- urban migration; and (4) The relationship between poverty, employment and the development of the rural labor market.

PART II

THE 2000 - 2011 SOCIAL PROTECTION EXPENDITURE OF VIET NAM

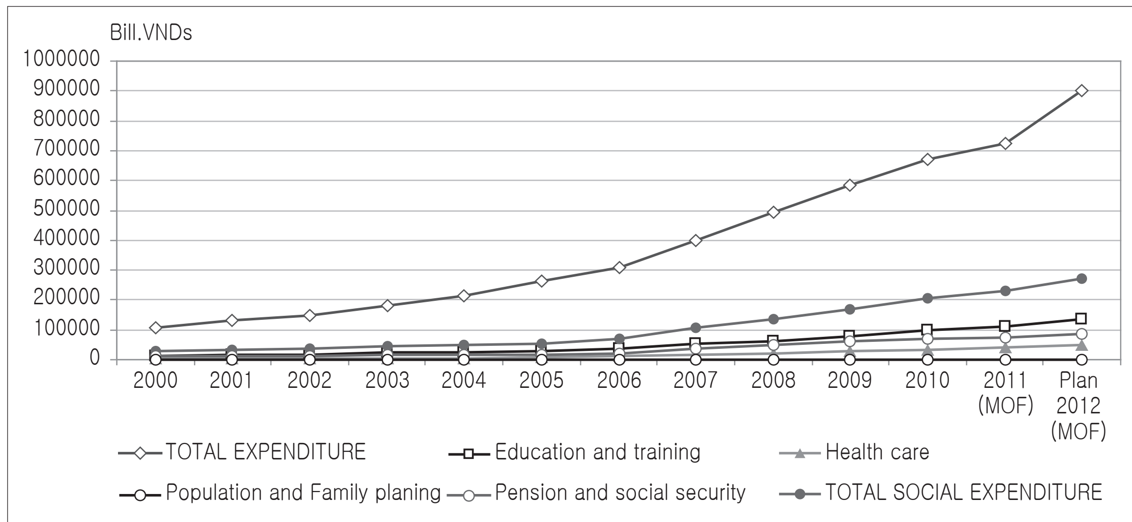
Due to data limitations, social protection expenditure of Viet Nam in this part include expenditure for (i) education and training; (ii) health care; (iii) population, family planning; and, (iv) pension and social security.

1. State budget expenditure trend

Since 2000, the percentage of social expenditure coming out of the state's total spending has varied significantly, initially falling from 25.1% in 2000 to 20.7% in 2005 before increasing strongly to go up to 30.3% in the 2012.

From 2006, state expenditures for general and particular social goals have increased strongly as a result of improvements in the coverage of the social security system over recent years. A feature of social expenditure over this period was the increase in relative importance of health care expenditure - increasing from 12.6% of total social expenditure in 2000 to 18.7% in the 2012 planned budget. State budget expenditure details over the years is as follows:

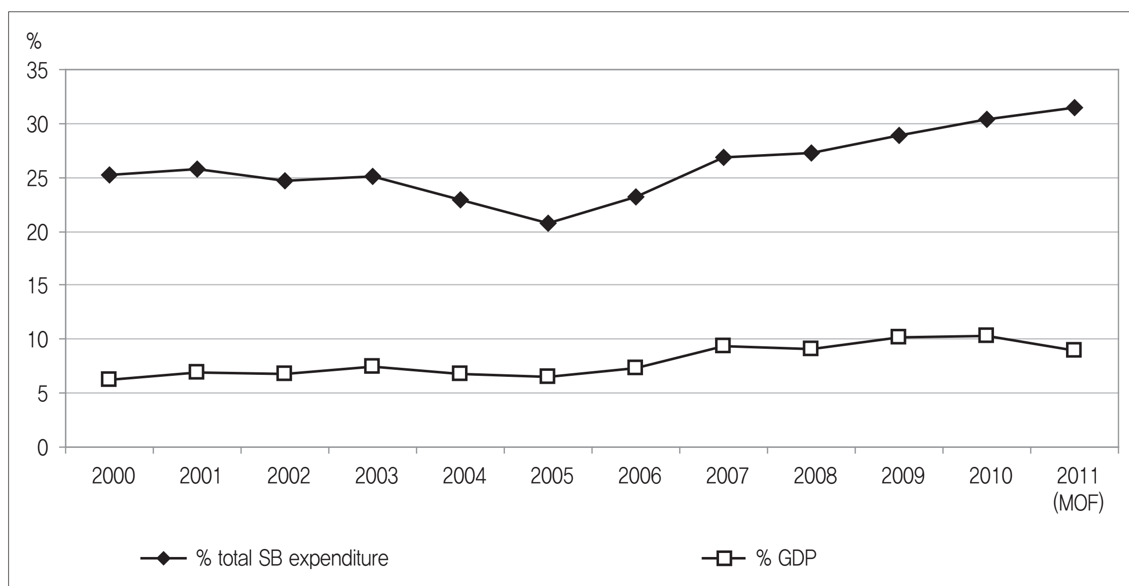
Figure 2: Trend in Social security State budget, 2000-2012



Source: Based on data in annex Table 1.

Social security and health insurance fund deficit and balancing requirements as well as increased costs of social protection have become one of the central issues of the financial system. With coverage of social security constantly expanding in the context of socio-economic development as well as the low-level of contributions, some social security funds were in deficit and required large subsidies from the state budget. Also, in terms of budget, resources are limited. Social security funding requirements may increase the risk of causing financial imbalances and have a negative impact on the country in the medium and long-term. In addition, under the impact of the financial crisis and global economic downturn, the proportion of social security expenditure is growing, approaching over 37% of total recurrent expenditure of the state budget in 2012 (nearly 9% - 10% of GDP, Annex Tables 1 and 2). Figures 1 and 2 show a clear trend to increase social spending at a higher rate after the year 2005. This reflects the synchronized health care, education and social security reform in Vietnam. Under the impact of the global economic crisis, the state budget from 2009 included additional spending on price subsidies on essential goods. Also, the roadmap of wage reform also contributed to the extending of the state budget since 2010.

Figure 3: The proportion of social and education expenditure in State budget expenditure and GDP (%), 2000-2011



Source: Based on data in annex Table 1.

State budget expenditure detail over the recent years is as follows (See Table 1 and Table 2 in the Annex):

In 2007, expenditures aimed at developing society, such as education, health and social security strongly increased. A significant component of this increase was spending for salary reform estimated at a cost of USD 5.37 billion (including expenditures to increase the minimum wage level to USD 25 a month). These regular expenses increased in 2008 allowing the government to implement its social policies. Its social policies focused on three main areas:

The first was direct supported policy, such as petrol, gasoline support for ethnic minorities, gasoline support for fishermen, social protection policies, exemption of hospital fees for children under six, purchasing health insurance cards for the poor and near poor, provision of scholarships for boarding students, adjusting the quality of meals for non-commissioned officers and soldiers of the armed forces, and remedial natural disasters assistance.

The second was changes to the exemption policy or reduction in contributions by people due to such measures as the introduction of discount fees and charges (for example irrigation fees), the elimination of entry fees for students commencing in secondary schools.

The third was the enforcement of preferential credit policies; including increased lending to ethnic minorities with special difficulties, improved credit policies for students, including students in difficult situations.

From 2006 to 2008 the budget increased spending in the following important areas: expenditure on social security policy supporting people, investments in remote areas and to address ethnic problems, and expenditure to achieve the objective of poverty alleviation.

Total state budget expenditures in 2009 for social objectives increased 26.4% compared with 2008, thus, contributing to a stabilization and improvement in people's lives, especially for the poor, ethnic minorities and people in regional and remote areas.

In 2009, the government continued to place a priority on ensuring social security was valued and contributed to ensuring political security and the maintenance of social order. Specifically, in addition to the existing social security policies some new measures were promulgated and implemented such as support for the poor and celebrate the Buffalo; the provision of difficulty allowances for civil servants with low incomes; the provision of funding to support housing for poor households; the implementation of poverty reduction programs to address poverty in 62 districts; supporting agriculture and fisheries in difficult areas; increasing the national reserve of rice and fuel; mortgage interest support for construction materials in rural home loans; student assistance, including building housing for students; building housing for workers in concentrated industrial zones; and the provision of assistance to low-income people in urban areas.

Social expenditure in 2010 was USD 11.43 billion, up 34.2% compared with the year 2009. In 2010, social expenditure financed from the state budget continued to cover important tasks such as drought prevention and assistance for victims of natural disasters. Increased funding was provided to prevent a recurrence of avian influenza and foot-and-mouth disease and to raise funds for the implementation of a salary increase to a minimum to USD 35 a month as of January 2010. Additional funds were also allocated to purchase health insurance for students and to implement policies to provide an exemption of tuition fees.

Current expenditure (including spending for salary reform) is estimated at USD 12.9 billion in 2011, up 4.8% compared with budget estimates and up 12.5% compared with 2010 expenditures. Based on the distribution and use of redundant power supply allocated in the budget and projected additional revenue from the 2011 budget surplus for recurrent expenditure, current expenditure was mainly used to overcome consequences of natural disasters, epidemics and ensure social security needs were met.

Government funding in 2011 has focused on the implementation of the government's social security policies plus additional measures implemented during the year. Among the new initiatives were the costs of an increase in the minimum wage to USD 45 per month from May 2011. Incentives for the poor who have lead difficult lives were also introduced along with assistance to support bills for poor households and to raise student loans from USD 45 per person/month to USD 50 per person/ month.

In 2011 the allocation of recurrent social expenditure is implemented as follows:

- *Expenditure on education and training is budgeted at* USD 5.5 billion in 2011, an increase of 11.7% over the 2010 plan. This spending together with capital expenditure, investment from lotteries, government bonds and salary

reform (including expenditure to provide for seniority allowances in the education sector under a resolution of the National Assembly), will ensure that the target of total expenditure for education and vocational training of 20% of total state expenditure under Resolution No. 37/2004/NQ-QH11 of the National Assembly and a Resolution of the Eighth Central Conference II will be met. The education focus is on executing major tasks such as: improving literacy results; making primary education universal; implementing preschool education for children of five; making secondary school education universal in accordance with the conditions of each locality; and carrying out the policies requiring exemption and reductions of tuition fees and funds to support children from poor households living permanently in remote areas. Further tasks include financing vocational training for rural labor; funding to support vocational training for demobilized soldiers; expenditure arising from increasing budgetary supported objectives when adjusting the poverty line; developing national education and disadvantaged area education; deploying the training of foreign languages in the national education system; improving applications and developing human resources in the information technology sector; expanding the school system; enhancing schooling facilities and educational equipment; expanding the system of boarding schools for ethnic minorities at the provincial level and semi-boarding schools at the district level; strengthening the training of excellent students to foster and develop their talents; implementing the project on gifted schools meeting the requirement of new development; renovating training levels; diversifying the forms and methods of professional training in high schools; making basic changes in quality, efficiency and scale of education with a greater priority given to expanding the size of job-oriented and application programs; expanding advanced programs and credit training; and encouraging the use of electronic textbooks.

- *Expenditure for healthcare* is allocated at USD 2.2 billion, an increase of 28.2% compared to the 2010 plan. This expenditure, along with the expenditure on capital construction and salary reform, make up the state budget expenditure for the health sector which is required to increase at a higher rate than overall spending growth under Resolution No. 18/2008/QH12 of the National Assembly on enforcement of legal policies and socialization of mobilizations for improving people's health. This target was met in 2011. Extra spending was allocated in 2011 to ensure health examinations, treatments and prevention of diseases which is consistent with ODA project requirements. Other initiatives include spending on the prevention of social diseases and epidemics, HIV/AIDS and hygiene and food safety; allocating funds to purchase health insurance for the poor and for children under six in accordance with the Roadmap of Implementing the Law on Health Insurance; supporting the poor to buy health insurance cards and ensuring that funds are available for health policies when adjusting the poverty line; and allocating sufficient funds to carry out the preferential subsidy of the healthcare sector.

- *Expenditure for pension and social security*: Expenditure was USD 3.7 billion in 2011, an increase of 9.9% compared to the estimates for 2010. Expenditure will ensure payment of pensions and social insurance benefits with preferential allowances for people who participated in the revolution; allowances provided for relatives of people involved in the Revolution who died before 1 January 1995; assistance for people directly involved in the war against America; expenditures for locating and collecting the war hero graves; funding for national target programs and spending to prevent social evils (prevention of prostitution and of the trafficking of women and children across borders); purchase of health insurance for relatives of staff, officers and soldiers serving in the armed forces; expenditure for policy implementation of support for social protection and children's nourishment and protection; better implementation of the Law on Elderly and Law on Disabled; use of the

state budget to support the unemployment insurance fund in accordance with the Law on Social Insurance; expenditures associated with the adjustment of the poverty line and other social security policies.

- *Expenditure to adjust prices of subsidized goods*: Expenditure in 2011 was USD 0.8 billion, an increase of 35.6% compared to the estimates for 2010. Expenditure will ensure the implementation of funding policies for free newspapers and magazines for ethnic minorities and residents of mountainous areas with special difficulties; ensuring the subsidies for original seed, newspapers and magazines are paid regularly as prescribed; sponsoring subsidies for newspapers, magazines and transport costs of foreign cultural publications; directly support people from poor households in disadvantaged areas to help them actively procure raw materials and supplies for production and life (it was necessary to adjust funding to support the poor because of an adjustment to the poverty line).

- *Expenditure for salary reform expenditure*: Expenditure in 2011 was USD 1.35 billion. State budget funding as well as salary reform resources from agencies (10% savings from recurrent expenditure, using 35 - 40% of business revenue, 50% increase in local budget revenue) secure the funding to implement an adjustment in the minimum wage from USD 35 per month, to USD 42 per month (13.7% increase), to adjust pensions and subsidies for people who have contributed to the country at a rate equal to the increase in the minimum wage, paying duty allowances at 10% for officers, and paying allowances for those with seniority in the education sector in accordance with the National Assembly's Resolution.

2. The social insurance expenditure of Viet Nam

The Viet Nam social insurance system (including health insurance) is formed and developed in accordance with its nature since 1992 for medical treatment condition and from 1995 for the sick condition: pain, maternity, work accidents and occupational diseases, and death pension (social insurance). After more than 18 years of implementation, participants in social insurance and unemployment insurance are constantly rising. More than 2.2 million people participated in compulsory social insurance in 1995 and this has increased to over 10 million people; more than 10 000 people participate in voluntary social insurance and nearly 8 million benefited from unemployment insurance in 2011. Similarly, in 1993 3.79 million had health insurance (5.4% of the population), and 2011 this number increased to 57 million people (over 64% of the population). The implemented resolution of 2011consisted of: more than one hundred thousand people eligible for social security every month, more than half a million one-time social security beneficiaries, more than 5.5 million people eligible for sickness, maternity, convalescence, recovery recreation, health insurance settlement for more than 114 million medical insurance; monthly pension payments and timely assistance was offered to more than 2.5 million people. By the end of 2010, social insurance funds were built up to over 140 trillion.

Regarding the financial situation of the social insurance fund, the health insurance fund between 2005 – 2009 was at a deficit of several USD billion annually. Social security funds have large balances due to the current contribution which is much larger than the number who have benefited from the first demographic dividend, however, the potential imbalance in the future is due to the following factors: the aging of the population, wage reforming and the minimum wage adjustment with pension and social insurance subsidies adjustment, the low level of contribution regulations, high levels of benefit

as well as other social policies such as employment and retirement policy. According to the forecast of the financial balance capacity, the pension fund is imbalanced and will run out within the next 20-30 years.[1] The Social Insurance Fund will be faced with this risk of deficit without policy adjustment.

By specific characteristics of unemployment insurance, organizational deployment needs to ensure the coordination between the social management system (charging and payment of benefits) and job management system (workers monitoring, management and supporting). There are instances when some take advantage of the situation against the regulations by employers and employees. Financially, taking advantage of the situation against the regulations will also create a risk of fund imbalance. If good financial management mechanisms are not in place, the unemployment insurance fund is likely to fall into huge deficits and burden the state budget while not really promoting its inherent role of renewable and human resource development.

2.1. Health insurance expenditure

2.1.1. Health insurance premiums

People with health insurance are required to contribute 4.5% of their salary, of which 3% is contributed by employers and 1.5% contributed by employees.

The sources of the health insurance fund.

The health insurance fund is a centrally managed, unified health insurance system in Viet Nam, whose accounts are independent of the state budget and protected by the State.

1. At the workshop in August of 2012 “Assessing Financial Retirement Fund in Vietnam-forecast results and recommendations” organized by the Ministry of Labour, Invalids and Social Affairs and International Labour Organization (ILO) a prediction was launched: the pension fund deficit will start from 2020 and will be completely exhausted in 2029.

The health insurance fund is formed from the following sources:

- Collected from the insured objects prescribed
- Grants from international organizations
- Grants from charitable organizations at home and abroad
- State budget
- Interest on the investment activities
- Other charges (if any)

Voluntary health insurance funds are accounted for and managed independently of the compulsory health insurance fund to serve the implementation of voluntary health insurance.

Voluntary health insurance revenues are accounted for separately and used for the following expenses:

- Pay health care costs for insured people to voluntarily follow rules
- Expenses for the collection agent, issuing voluntary health insurance
- More regular management of the health insurance agency

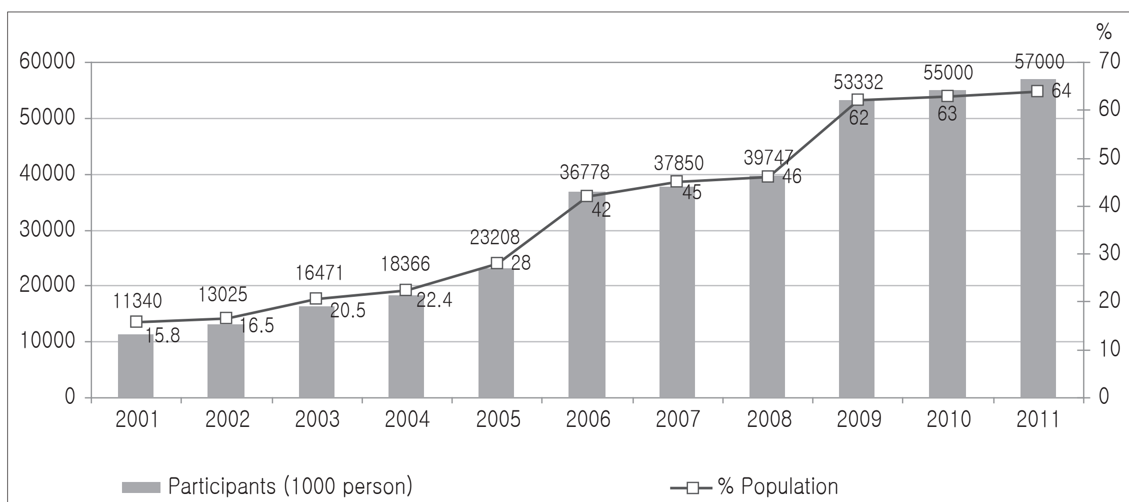
Viet Nam Health Insurance responsible management agreed voluntary health insurance fund. The Ministry of Health - Finance detailing and guiding the use of voluntary health insurance fund.

The Ministry of Health - Finance issued regulations on financial management for health insurance in Viet Nam.

After three years of implementation, the Law on Health Insurance has affected many aspects of economic - social life. In particular, health insurance policies have contributed to the fairness of health care, especially for poor, near poor, and children under the age of 6.

The number of health insurance participants and the health insurance revenue has steadily increased over the years, but from 2008 the health insurance fund has had no accumulative and deficit. (Figure 4-6)

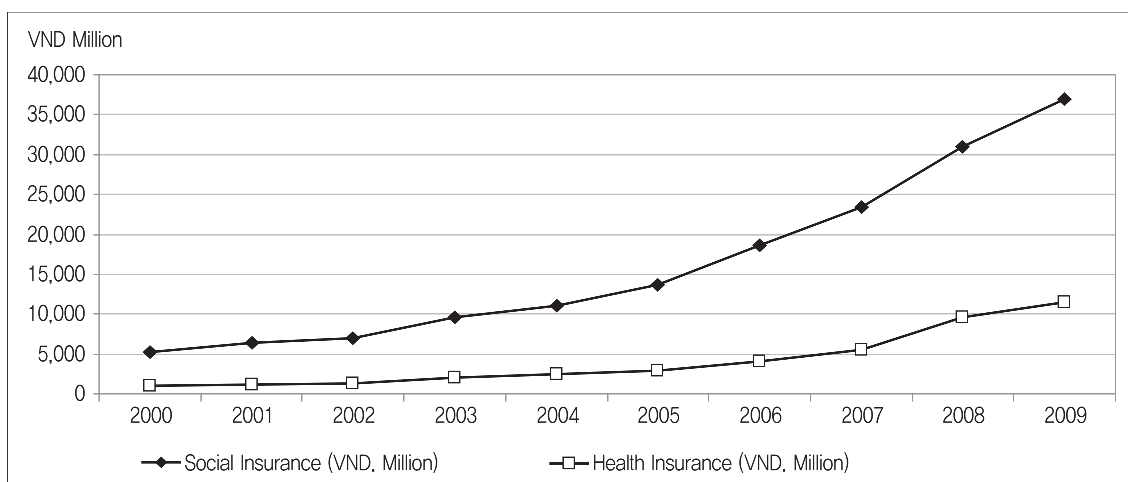
Figure 4: The the participants in health insurance, 2001-2011



Source: Viet Nam Social Security (VSS) 2011, annual report.

The current regulations of the Health Insurance Law for payment of health care costs based on insurance funds for people who live in local districts but want to get health care at a centre hospital causes overcrowding in the centre hospitals as well as a significant increase in payments from the health insurance fund.

Figure 5: Social Security Contributions 2000-2009

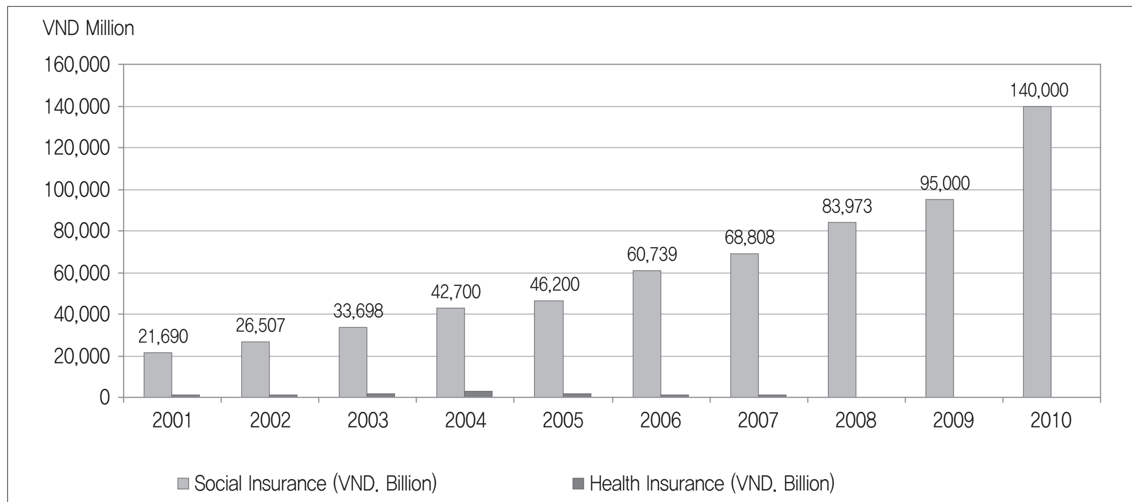


Source: Viet Nam Social insurance annual report (Table 4 of annex).

In addition, provisions on voluntary health insurance (uncontrolled conditions) lead to “adverse selection” - only those with a high demand for health services are new participants (This target group usually costs about 300% of health insurance premiums). The method of payment of health care costs is also considered as one of the limitations to be overcome. Now the payment of the cost of health care insurance is mainly based on the service fee (accounting for 64.5% of health care facilities). This has also created pressure for health insurance funds due to the service-fees paid by the hospital which usually specify the high cost level of the service.

Health Insurance Law regulations limit the maximum level of health insurance, but there is no provision for the maximum benefit level for one exam and treatment. So the health insurance fund has to pay much more than the contribution of each individual. That was one of the reason for the projected financial imbalance of health insurance fund the future.

Figure 6: Accumulative fund 2001-2010

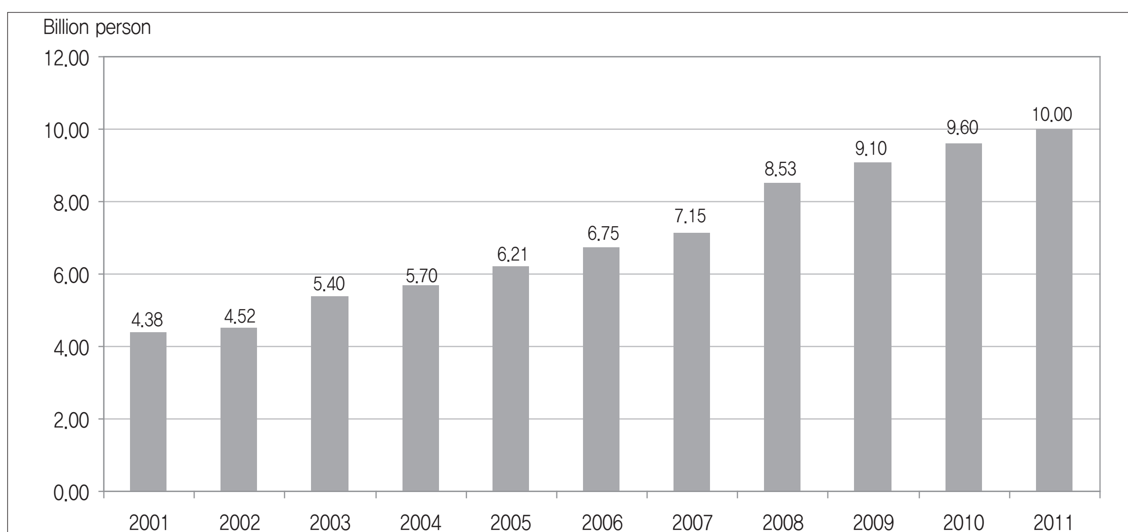


Source: Viet Nam Social Security (VSS) 2011, annual report.

2.2. Compulsory social insurance expenditure

On compulsory social insurance expenditure, the number of beneficiaries receiving insurance and social insurance steadily increased over the past 10 years and at the same time the payments of social insurance increased significantly. Although the number of participants in compulsory social insurance has increased over the years (Figure 7), recently the number of beneficiaries has increased at a faster rate due to the increase in average life expectancy.

Figure 7: Compulsory social Insurance Membership, 2001-2011



Source: Viet Nam Social Security (VSS) 2011, annual report.

This situation makes the proportion of compulsory social security expenditure required in total revenues (revenues from the state budget and contributions) increase, while the amount of USD contribution per USD 1 expenditure goes down (Table 2).

Between 2000 and 2002 the growth rate of social insurance expenditure was relatively high ranging from 33% to 45%, and in 2003 the growth rate reached nearly 48% compared with 2002, from 0.13 billion USD to 0.19 billion USD mainly due to an increase in the minimum wage.

In the years 2004 and 2005, the growth rate of social insurance spending increased up to 40%, due to an increase in the number of people able to participate in social insurance and due to the minimum wage increasing from USD 15 to USD 18/month in 2005. The growth rate of social insurance expenditure in 2006 was nearly 60%, with an increase of USD 0.2 million compared with 2005, due to additional state policies which affected social insurance eligibility and minimum wage increases from USD 18 to USD 25 per month.

Table 2: Expenditure in compulsory social insurance, 2000 - 2010

Year	Total expenditure (bill. USD)	Expenditure increase rate (%)	% Expenditure/ total of compulsory social insurance revenues	The number of $ contribution in $1 expenditure
2000	0.067	42.00	25.69	3.89
2001	0.097	44.99	30.50	3.28
2002	0.129	32.86	36.94	2.71
2003	0.190	47.42	33.03	3.03
2004	0.243	28.32	36.75	2.72
2005	0.338	38.92	39.39	2.54
2006	0.539	59.48	45.73	2.19
2007	0.723	34.18	52.42	1.64
2008	na	na	na	na
2009	1.421	na	64.22	1.32
2010	1.758	23.73	61.16	1.41

Source: Viet Nam Social insurance annual report (Table 3 of annex).
na: not available.

2.3. Unemployment insurance expenditure

Unemployment Insurance policy applied in Viet Nam since 2009, aims to help employees overcome difficulties when jobs are lost. After 3 years of implementation of this policy, the Ministry of Labour, Invalids and Social Affairs announced that the number of participants and the contributions and payment of unemployment insurance was increasing. In 2009, there were 5.9 million people participants to the unemployment insurance fund who contributed USD 270,000 in unemployment insurance fees.

As of 2010, the total number of workers on unemployment insurance was 7.05 million, an increase of 19.5% from 2009. Total revenue in 2010 was USD 240,000, raising the total unemployment insurance fund to USD 510,000. According to local reports on the receipt and resolution of the unemployment

insurance system in the country on average per month, a job introduction center has 249 workers unemployment registered. In 2010, the unemployment insurance fund paid over 550 billion.

In 2011, the number of unemployment insurance participants was 7.9 million with unemployment insurance revenues of more than USD 376,500. Also in 2011, there were 289,181 people who decided to get unemployment benefits. They were concentrated in the provinces and cities which have many industrial parks, export processing zones, such as HCM City, Binh Duong, Dong Nai ... The number of counseling and employment services accounted for nearly 75% of the beneficiaries of unemployment insurance.

Conclusion

According to the Viet Nam social security expenditures period 2000 - 2011, it is recognized that the country had made an effort for the betterment of social security as well as for the well being of people, but generally it is still far from the requirements of social security.

In the context of the global financial crisis and in view of the economic difficulties of Viet Nam, the reform of social security systems in general, and social security finance in particular, is essential and should be considered as one of the major tasks of the Vietnamese government. In order to perform these tasks, it is important to develop a detailed system data on social security expenditures as a foundation for researching, planning orientation in Viet Nam social security policies in the future.

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THE ANNEX SOCIAL PROTECTION EXPENDITURE 2000 - 2012

Source: National accounts and state budget, Statistic handbook 2011 GSO, State budget plan for 2011, 2012 MOF, Viet Nam Social Insurance annual report 2010-2011.

Table A1: Composition of total State Budget social expenditure (2000-2012)

Table — Bill. VND; 1USD = 25,000 VND

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Plan 2012
TOTAL EXPENDITURE, in which	**108,961**	**129,773**	**148,208**	**181,183**	**214,176**	**262,697**	**308,058**	**399,402**	**494,600**	**584,695**	**671,370**	**725,600**	**903,100**
Education and training	12,677	15,432	17,844	22,881	25,343	28,611	37,332	53,774	63,547	78,105	98,560	110,130	135,920
Health care	3,453	4,211	4,656	5,372	6,009	7,608	11,528	16,426	19,918	27,479	33,679	43,200	51,100
Population and Family planning	559	434	841	666	397	483	489	612	1072	931	870	880	970
Pension and social security	10,739	13,425	13,221	16,451	17,282	17,747	22,157	36,597	50,265	62,465	70,678	74,500	85,560
TOTAL SOCIAL* EXPENDITURE	27,428	33,502	36,562	45,370	49,031	54,449	71,506	107,409	134,802	168,980	203,787	228,710	273,550
% total SB expenditure	**25.17**	**25.82**	**24.67**	**25.04**	**22.89**	**20.73**	**23.21**	**26.89**	**27.25**	**28.90**	**30.35**	**31.52**	**30.29**
% GDP	**6.21**	**6.96**	**6.82**	**7.40**	**6.85**	**6.49**	**7.34**	**9.39**	**9.08**	**10.19**	**10.29**	**9.02**	**na**
	2000 (%)	**2001 (%)**	**2002 (%)**	**2003 (%)**	**2004 (%)**	**2005 (%)**	**2006 (%)**	**2007 (%)**	**2008 (%)**	**2009 (%)**	**2010 (%)**	**2011 (%)**	**Plan 2012 (%)**
Education and training	46.22	46.06	48.80	50.43	51.69	52.55	52.21	50.06	47.14	46.22	48.36	48.15	49.69
Health care	12.59	12.57	12.73	11.84	12.26	13.97	16.12	15.29	14.78	16.26	16.53	18.89	18.68
Population and Family planning	2.04	1.30	2.30	1.47	0.81	0.89	0.68	0.57	0.80	0.55	0.43	0.38	0.35
Pension and social security	39.15	40.07	36.16	36.26	35.25	32.59	30.99	34.07	37.29	36.97	34.68	32.57	31.28
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

*Source Finalization of the State Budget 2000-2012 (GSO, MOF). *Total social expenditure in State Budget without "Price subsidies on essential goods" and "Salary reform".*

Table A2: Composition of complete State Budget social expenditure, 2000-2012

Bill. VNDs; 1 USD = 20,500 VND

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (MOF)	Plan 2012 (MOF)
TOTAL EXPENDITURE, in which	**108,961**	**129,773**	**148,208**	**181,183**	**214,176**	**262,697**	**308,058**	**399,402**	**494,600**	**584,695**	**671,370**	**725,600**	**903,100**
Education and training	12,677	15,432	17,844	22,881	25,343	28,611	37,332	53,774	63,547	78,105	98,560	110,130	135,920
Health care	3,453	4,211	4,656	5,372	6,009	7,608	11,528	16,426	19,918	27479	33,679	43,200	51,100
Population and Family planning	559	434	841	666	397	483	489	612	1,072	931	870	880	970
Pension and social security	10,739	13,425	13,221	16,451	17,282	17,747	22,157	36,597	50,265	62465	70,678	74,500	85,560
Price subsidies on essential goods										1,460	1,675	1,660	1,820
Salary reform											23,228	27000	59300
TOTAL SOCIAL EXPENDITURE	27,428	33,502	36,562	45,370	49,031	54,449	71,506	107,409	134,802	170,440	228,690	257,370	334,670
% total SB expenditure	**25.17**	**25.82**	**24.67**	**25.04**	**22.89**	**20.73**	**23.21**	**26.89**	**27.25**	**29.15**	**34.06**	**35.47**	**37.06**
% GDP	**6.21**	**6.96**	**6.82**	**7.40**	**6.85**	**6.49**	**7.34**	**9.39**	**9.08**	**10.28**	**11.54**	**10.15**	**na**

Source Finalization of the State Budget 2000-2012 (GSO, MOF).

Table A3: Expenditure in compulsory social insurance, 2000-2010

Year	Total expenditure (bill. VND)	Expenditure increase rate (%)	% Expenditure/ total of compulsory social insurance revenues (from state budget and contributions)	The number of VND contribution in VND 1 expenditure
2000	1,335	42.00	25.69	3.89
2001	1,936	44.99	30.50	3.28
2002	2,572	32.86	36.94	2.71
2003	3,792	47.42	33.03	3.03
2004	4,865	28.32	36.75	2.72
2005	6,759	38.92	39.39	2.54
2006	10,780	59.48	45.73	2.19
2007	14,465	34.18	52.42	1.64
2008	na	na	na	na
2009	28,419	na	64.22	1.32
2010	35,163	23.73	61.16	1.41

Source: Vietnam Social insurance annual report (1 USD = 20,500 VND).

Table A4: Social Security Contributions (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Social Insurance (VND. Million)	5,189	6,348	6,963	9,627	11,060	13,700	18,636	23,400	30,939	36,986
Health Insurance (VND. Million)	971	1,151	1,270	2,028	2,415	2,850	4,010	5,600	9,608	11,492

Source: Vietnam Social insurance annual report 2010.

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