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# **Adapting social insurance to women's life courses:** A gender impact assessment of Viet Nam

May 2021

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Adapting social insurance to women's life courses: A gender impact assessment of Viet Nam

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▣▣ I decided to quit my job because of my sick child. My husband didn't trust anyone to take care of the child, my mother was sick, I couldn't cope with everything.

▶ **Ms H., 41 years old, Binh Duong Province**

▣▣ A child needs full time care for the first years of her life. I had to take time off work frequently. Taking care of the child, doing housework, etc., nothing was ever complete.

▶ **Ms V., 31 years old,  
Binh Duong Province**

▣▣ My husband has been paying his insurance contributions since 2005 without quitting job, without changing his job for childcare.

▶ **Ms M., 42 years old, own-account worker,  
Bac Giang Province**

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This specific report was developed in partnership with the Viet Nam Women's Union as an input to the upcoming review of the Social Insurance Law, as amended in 2014.

▶▶ When I gave birth to my first child, I had to take leave for a year and a half because there were no childcare services.

▶ Ms H., 46 years old, own-account worker, Binh Duong Province

## ▶ EXECUTIVE SUMMARY

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**This report analyses the gender dimensions of the social insurance system in Viet Nam, focusing on the benefits for old-age, survivors, maternity and sickness, regulated by the Social Insurance Law, as amended in 2014.** The report is a contribution to the upcoming revision of this Law, guided by the Party's Resolution No. 28-NQ/TW, and the subsequent Master Plan for Social Insurance Reform (MPSIR). This process can be an opportunity to broaden the coverage and scope of the social security system and to incorporate new measures relevant for gender equality.

In social insurance systems, benefit entitlements depend on past working trajectories, contributions and earnings. Since women have different paid and unpaid working lives from men, social security systems also often have different outcomes for women. Several aspects of women's life courses influence their experience with social insurance: lower labour force participation, lower earnings, higher life expectancy, maternity and unpaid care work. In each branch of the system, specific design features shape how these aspects affect social insurance outcomes. The specific design features include the types of risks that are covered, the eligibility conditions and the rules for benefit calculation (including specific mechanisms to compensate for existing gender inequalities, such as care credits).

### *Viet Nam's demographic and labour market patterns*

The population in Viet Nam is aging very rapidly. Women make a majority of the elderly: in 2020, women are an estimated 60 per cent of the population aged 65 and over and 68 per cent of the population aged 80 and over (United Nations 2019). Overall, 70.8 per cent of women aged 15–64 participate in the labour force and the gender gap in participation is 10.9 percentage points (ILO 2021a). In terms of earnings, the gender gap in average monthly earnings is an estimated 10.6 per cent (ILO 2021b).

**The large informal economy is the main limitation for the protection of both women and men in the social insurance system in Viet Nam.** An estimated 58 per cent of non-agricultural workers is in the informal economy (54 per cent of women and 61 per cent of men). Including agricultural workers, informal work rises to 76 per cent of total employment: 75 per cent for women and 77 per cent for men (ILO 2018a). For women,



informality is mostly linked to employment in agriculture and to work as contributing family workers. Thus, in order to be inclusive of women, coverage expansion strategies will need to address the specific challenges this group experiences in relation to the contributory system – at both the policy and administrative levels.

### ***Gender dimensions of social insurance***

**Because gender inequality exists in the labour market and in social and family relations, gender-neutral rules may not be sufficient to guarantee adequate social insurance for women.** Viet Nam has compulsory and voluntary social insurance schemes. In theory, these two schemes together incorporate virtually all the working population in the country, but in practice, effective coverage is limited. The compulsory scheme is directed to workers with a contract of more than one month, to military and to defence workers. It includes benefits for retirement, survivors, sickness, maternity, employment injuries and unemployment<sup>1</sup>. It does not include disability or family benefits. Workers who cannot access the compulsory scheme (such as all non-wage earners) can join the voluntary scheme, which offers benefits for retirement and survivors only, but in practice very few people join: about 0.8 per cent of men and 1.2 per cent of women in the labour force in 2019.

As a result, effective social insurance coverage is low. In 2019, about 31.3 per cent of women and 22.1 per cent of men were covered. For both women and men, coverage rates peak early, at age 26. This singular pattern indicates that many workers access the social insurance system early in their careers, only to drop out later. Women, in particular, seem to drop out at a faster rate than men. Understanding the underlying reasons for this phenomenon will be key to designing effective coverage expansion strategies.

### ***Long term benefits: Old age and survivor pensions***

In social insurance pension systems that link benefits to past employment, if no compensation measures are in place, benefits reflect the accumulation of disadvantages that women face in the labour market. **Despite higher coverage rates, only 16 per cent of women aged 65**

<sup>1</sup> Healthcare is provided under a different scheme.

**and over receive a social insurance pension, compared to 27.3 per cent of men.** At older ages the gap is even wider. In the short term, expanding the tax-funded old age pension is the only way to increase coverage for everyone. However, addressing the gap between men and women will also require reforms to the social insurance system.

Women's contributory histories are, on average, four years shorter than those of men. That is a fifth of the total 20 years required to qualify for a pension. Low contribution records affect both coverage and benefit amounts, because benefits are based on the years effectively contributed. In 2019, women working in the private sector had insurable earnings that were 11.6 per cent lower than men's. In the public sector, the difference is less pronounced but still present. Moreover, the gap has been increasing over the past five years.

**As a consequence, in 2019 the value of men's pensions exceeded women's pensions by an average of 19.8 per cent.** For pensions newly paid in 2019, the gap in pension values was 19.4 per cent in the public sector and 12.2 per cent in the private sector. In the broader picture over the past five years, the data shows that the gap has actually grown wider, meaning this issue will not correct itself over time. Specific policies are required to prevent the gap from widening even further. In Viet Nam, higher accrual rates for women are meant to compensate for this inequality, but the data shows this policy is not enough. In addition, the system lacks an explicit measure to compensate for career breaks associated with having a child beyond the periods of paid maternity leave (such as care credits).

The high take-up of lump sums in the Vietnamese system is also significant because it affects the accumulation of contribution records. In Viet Nam, it is particularly concerning that a majority of lump sums are withdrawn by young women. In the period 2013–16, women obtained 12.8 times more retirement lump sums than they obtained regular retirement pensions, and men 5.8 times. Most lump sums are taken at a young, reproductive age, which could suggest a link between women's broken careers and childbirth and that a particular need is not sufficiently covered by other short-term benefits, like maternity and unemployment insurance.



**In survivor pensions, benefit entitlements are relatively low, and access is restrictive.**

Women whose husbands do not have a minimum of 15 years of contributions are not eligible. The age of eligibility for women is the same as the retirement age and there is an earnings threshold of one basic salary to be eligible. In terms of adequacy, the survivor pension is also limited: the benefit is not earnings-related but flat rate at only 50 per cent of the basic salary per eligible survivor. These limitations of survivor pensions can leave women and families in a vulnerable position and further support the need for a rights-based universal or pension-tested benefit that can guarantee that every woman in Viet Nam has a right to adequate old age protection that is not linked to her position in the family.

***Short-term benefits: Maternity and sickness***

**In 2019, just 30 per cent of women in the labour force were covered for maternity.**

Not all women are in the labour force, so the effective level of protection is even lower. Unlike pensions, where a (still narrow) non-contributory benefit exists, in maternity benefits, uninsured women do not have a non-contributory alternative. Lack of maternity protection affects not only women's earnings and work trajectories but also the well-being of mothers and children and of the family at large. Extending coverage seems the main urgent challenge for the maternity system from both a gender-equality and socio-economic equality perspective, as the expansion of maternity protection is likely to benefit women from lower income backgrounds. **A second challenge of the maternity system, from a gender-equality perspective, is that it focuses almost exclusively on mothers.** The system still assigns fathers a very limited role in childcare, and offers short paternal leave and no parental leave options

**Like the maternity system, the sickness system is mainly limited by low coverage.**

In 2019, it is estimated that 30 per cent of women, and 21.3 per cent of men in the labour force were covered, that is, workers in the mandatory Viet Nam Social Security (VSS) system. In Viet Nam, this means that getting sick can have considerable impacts on the work and earnings trajectories of uninsured workers. Pressing needs may also push many of these workers to continue working while sick, putting themselves at risk, and as the COVID-19 pandemic has shown, putting others at risk too. Women account for considerably fewer sickness benefits than men, at least in the private sector. Overall, women receive 36.2 per cent of all sickness benefits paid. The reasons behind this require further research.

Legal challenges exist as well. Differences in the length of the sickness leave based on the length of a person's contributory career can generate gender inequality, because women tend to have shorter paid work careers than men. Finally, while the Social Insurance Law establishes that insured women and men have an equal right to sick leave days if their child is ill, the Labour Code restricts this leave to female workers only, reinforcing gender norms.

***Towards an integrated, inclusive and gender equitable social insurance system***

Several of the measures proposed in Party Resolution No. 28-NQ/TW and the MPSIR can have positive effects on gender equality. These effects will depend on the specific design features that are currently under discussion. The report presents a gender assessment of the various policy options currently on the table and makes recommendations for the best reform measures Viet Nam could implement to promote gender equality:

- 1. Contribution requirements:** According to the Social Insurance Law, in order to qualify for a retirement pension, workers must have a minimum of 20 years of contributions. This requirement is harder for women to meet than it is for men. On this matter, Resolution No. 28-NQ/TW proposes reducing the qualifying period from 20 to 15 years in 2024 and from 15 to 10 years in 2028. The data show that this measure would benefit the small number of workers who are close to retirement age and just short of meeting these thresholds. However, the data also show that as long as frequent lump sum withdrawals continue to be the norm, the reduction of minimum qualifying conditions will have a limited impact in increasing the number of people who retire with a pension. This policy change will help to align qualifying conditions with the working trajectories of women, but it is only one among a set of measures that need to be taken to increase coverage. It is also important to note that the reduction of the minimum contributory period must be combined with adequate levels of minimum pensions in all cases.
- 2. Retirement age:** The 2019 Labour Code increased the retirement ages of men and women and narrowed the gap between them. There was an expectation that retiring earlier could imply lower retirement rates for women. ILO estimates show that under the new regulation, the gender gap in benefits will decrease by only 1–2 per cent, which is positive but overall not sufficient to overcome the difference. Again, the conclusion is that in the short term, additional measures are required to compensate women for the effects of the biases in the labour market.
- 3. Care credits:** Resolution No. 28-NQ/TW calls for improving the pension calculation formula to ensure fairness among men and women. Care credits are a policy tool that many countries have introduced to cover periods when parents drop out of the labour force for caring purposes. It explicitly compensates for the shorter careers and lower benefits of women whose paid work trajectories are affected by care roles. In the case of Viet Nam, care credits can encourage women to keep their contributions in the system rather than withdrawing lump sums, because care credits increase their chance to meet qualifying conditions for a pension. A large share of women work in the informal economy: care credits could be extended to them as a top up to the social pension. Care credits can have multiple designs: a simulated example for Viet Nam has shown that on average, a care credit of 18 months based on the reference salary could increase the value of women's pensions by 8.3 per cent and reduce the gender gap to just 1.5 per cent. Estimations show that this measure can be implemented at reasonably low costs. As a compensatory measure, care credits must be carefully designed to avoid reinforcing traditional gender roles and the unequal distribution of care duties between men and women.
- 4. Replacement rates and pension formula:** Resolution No. 28-NQ/TW states the aim of “adjusting the way of pension calculation towards reducing the accrual rate” as a measure to ensure the fund's financial sustainability. On the table are alternative formulas that would reduce the cost of the system while trying to reinforce income redistribution. However, options entail equal accrual rates for men and women and therefore a larger cut for women than for men that would significantly increase the gender gap of pension values (up to 20 per cent in some scenarios). Thus, in a context where adjusting the pension formula is considered necessary to ensure the long-term financial balance of the fund, the Government should look for alternatives to the straightforward equalization

of accrual rates as this would place a higher burden of sacrifice on women than men. The specific and final design of the revised formula should be developed through the appropriate actuarial analysis that incorporates the broader goals of the system reform – and preventing an increase in gender gaps should be top among them. In a context of gender inequality in the labour market, the use of gender differential policies may continue to be necessary to balance outcomes.

5. **Insurable earnings:** In light of such potential reforms, it is important to note the under-declaration of earnings poses a continued obstacle to the social insurance system. The under-declaration of earnings in Viet Nam is pushing down the reference wage for pension calculation, for both men and women, and with it, the value of pensions. Guaranteeing that insurable earnings represent the entire wage is vital for benefit adequacy.
6. **Indexation:** By retiring earlier and having a higher life expectancy, women are particularly at risk of benefit erosion in the absence of adequate indexation. To date, pensions in Viet Nam have generally been indexed to wage growth as measured by the public sector basic salary. However, with the removal of this component there is a need for a new definition, and Viet Nam is considering a shift towards a combination of inflation and wage indexing, or inflation only. With inflation only, pensioners may maintain the purchasing power of pensions but will not share in the improved living standards of active workers. The combined method also results in a growing gender gap with age. Overall, indexation choices must balance the aims of benefit adequacy, cost containment and gender equality, and pay particular attention to the oldest pensioners.



7. **Universal social pension:** Over the past decades, it has become increasingly clear and accepted that contributory pension systems are not sufficient to ensure access to social security for all. This is particularly the case in low- and middle-income countries where there is a large informal economy, such as Viet Nam. Indeed, only non-contributory pensions can have an immediate impact on the economic security of older adults, because the extension of social insurance takes time. The characteristics of women's life courses make basic non - contributory pensions particularly relevant for them. The reform of the Social Insurance Law can be a unique opportunity to incorporate existing social pensions into legislation and expand their reach. Overall, it is crucial that the social pension is enshrined into legislation – specifying the range, qualifying conditions and levels of benefits as well as the source of funds. Practically, the eligibility age should be consistent with life expectancies and take into account the age at which work capacity decreases. In time, the eligibility age for the social pension should become aligned with the normal retirement age. But coverage is not all that counts: adequacy is important as well. Recent assessments of the current social pension have emphasised its limited impact due to its very low value. As an income-replacement benefit, it is important to ensure that the social pension is sufficient to avoid poverty and secure at least a basic standard of living consistent with the consumption needs of older adults.



8. **Multi-tiered maternity benefits:** From a gender equality perspective, it is crucial to give women outside the social insurance system the right to a maternity benefit. A tax-financed maternity benefit for all those who cannot afford social insurance contributions would offer basic income security for uninsured mothers, ensuring that no women in Viet Nam would fall into poverty as a result of giving birth or adopting a child. The cost of such a policy is estimated at less than 0.04 per cent of gross domestic product (GDP) in 2020. More broadly, it is important for policy makers to consider implementing broader parental leave to encourage fathers to get involved in childcare and promote a more balanced distribution of childcare duties between men and women.
9. **Multi-tiered child benefits:** The proposed child benefit for Viet Nam includes a tax-financed universal child benefit that is offered as the right of all children but is further linked by design to the social insurance system. While a benefit is provided to all children, regardless of the employment status of their parents, under a multi-tiered system a higher value benefit can be provided to contributing members of the social insurance scheme to offset the losses associated with a social insurance contribution in a tangible way. Unlike other social insurance cash benefits, it would provide immediate income support for the millions of families who already have children of eligible age, thus acting as an encouragement to join the contributory system wherever possible.

Because the social insurance system is so complex, this report finds several areas for improvement across its different branches and makes specific recommendations. No policy will be sufficient on its own, and thus, the State will not be able to rely on any one single measure in order to see significant improvements to the gender gap. Only a package of reforms that addresses the gender challenges of the systems in an integral way – understanding that gender inequality is one of many issues affecting the sustainability and adequacy of the system – will be effective. This is appropriate since it is exactly what Resolution No. 28-NQ/TW seeks to achieve: a comprehensive review of the system.

However, certain policies – especially care credits – can achieve larger gains than others in reducing the gender gap within the social insurance system. Outside of the social insurance system, which reaches only a minority of women in Viet Nam, expanding the social pension is the most important public policy for the protection of women in old age.

Beyond those specific social insurance design features, gender equality in socio-economic protection and well-being requires policies that go beyond social insurance and offer an integrated response to the multiple needs and risks faced by women over the life course. This includes not only gender-sensitive social insurance systems, but also labour market policies, high quality public services and policies to better reconcile paid work and care, including public childcare systems. Policies in each of these areas can help meet specific needs, reinforce each other and bring additional gains for social protection outcomes and for the well-being of women in the multiple roles they play over life – as contributing members of society, as daughters, mothers and wives, as workers and as pensioners, among so many other roles.

## ► ABBREVIATIONS

---

<b>CPI</b>	Consumer Price Index
<b>GDP</b>	Gross Domestic Product
<b>ILO</b>	International Labour Organization
<b>ISSA</b>	International Social Security Association
<b>LAOD</b>	Labour Accident or Occupational Disease
<b>MOLISA</b>	Ministry of Labour – Invalids and Social Affairs
<b>MPSARD</b>	Master Plan on Social Assistance Reform and Development
<b>MPSIR</b>	Master Plan on Social Insurance Reform
<b>MTCB</b>	Multi-Tiered Child Benefit
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>SSA</b>	Social Security Administration
<b>VSS</b>	Viet Nam Social Security



▀▀ Having children has a great influence on employment. Without family support the mother or father must sacrifice. Women sacrifice the most.

▸ Ms T., 50 years old, own-account worker, Binh Duong Province

## ▸ 1. INTRODUCTION

---

Across the world, social insurance systems face major challenges to achieving gender equity. The economic protection of women over the life course depends on several factors, including social insurance rules and implementation, labour market conditions and family arrangements over the past and present.

**This report analyses the gender dimensions of the social insurance system in Viet Nam, focusing on the benefits of old-age, survivors, maternity and sickness, regulated by the Social Insurance Law<sup>2</sup>.** Passed in June 2006 and amended in 2014, Viet Nam's Social Insurance Law establishes (1) a compulsory social insurance scheme offering sickness, maternity, labour accident and occupational disease (LAOD), and old age and survivors benefits to salaried workers; and (2) a voluntary social insurance scheme offering old age and survivors benefits for workers who are not employed in a formal contractual relationship and voluntarily join the scheme. Coverage against unemployment is provided under the Law on Employment and health insurance is regulated by the Health Insurance Law.

The social insurance system has developed over the past decades, but effective coverage remains low and a large majority of the Vietnamese population is currently unprotected. In particular, most women in Viet Nam do not benefit from the social insurance system and lack income security at crucial stages of the life course, such as when giving birth, becoming widows or getting old.

In this context, in May 2018 the Party's Central Committee promulgated Resolution No. 28-NQ/TW, endorsing Master Plan on Social Insurance Reform (MPSIR) to guide future social security reforms with a commitment to achieve universal coverage through multi-tiered systems. This report also analyses the reform options elaborated under the guidance of Resolution No. 28-NQ/TW.

<sup>2</sup> Law No. 58/2014/QH13 and related legislation. Unemployment insurance and labour injury and occupational disease (LAOD) are also part of the social insurance system in Viet Nam, but beyond the scope of this report. Unemployment insurance is regulated by the Law on Employment of 2013 and LAOD is regulated by both the Social Insurance Law (articles 42–52) and the Law on Occupational Safety and Hygiene of 2015 (articles 41–62). All references to the Social Insurance Law in this report refer to the Law as amended in 2014.

The ongoing reform process can be an opportunity to broaden the coverage and scope of the social security system. It can also offer an opportunity to incorporate new measures relevant for gender equality. Thus, with the aim of informing the ongoing reform process, this report also makes a series of policy recommendations to enhance gender equality in the social insurance system<sup>3</sup>.

The report is structured as follows. Chapter 1 presents an analytical framework for assessing gender equality in the social insurance system. It analyses the main socio-demographic and labour market features of Viet Nam, specifically focusing on the gender differences that matter for social insurance outcomes. Chapter 2 describes the specific context of social security and its challenges in terms of coverage, benefits and adequacy. It provides a detailed gender assessment of social insurance retirement pensions, survival pensions, maternity and sickness benefits, focusing both on system rules and the outcomes of their implementation. Chapter 3 builds on this to present a series of parametric reform options for the social insurance pension scheme, as well as relevant short-term benefits, including the financial implications of different reform scenarios and their impacts on coverage. Chapter 4 summarizes final recommendations.

## 1.1 Gender equality and social insurance: Key dimensions for analysis

**Since women's life courses are different from men's, social security systems also often have different outcomes for women and men.** While the specific configuration of gender roles in the labour market and in the family varies across countries, there is a generalized pattern for women to have lower labour force participation and lower earnings, and to dedicate more time to take care of children and elderly relatives. This pattern is particularly important for social insurance systems where benefit entitlements depend on past working trajectories, contributions and earnings. Some of the contingencies covered by social insurance are particularly relevant for women, including maternity, for obvious reasons, as well as retirement and survival pensions, due to women's longer life expectancy, higher chance of becoming widows and the greater vulnerability that women often face in later life. Around the world, women tend to have lower coverage and receive lower benefits from retirement pension systems than men (Arza 2015; Bettio, Tinios and Betti 2013).

Four main aspects of women's life courses influence their experience with social insurance systems in terms of coverage and benefits:

1. **Labour force participation:** Around the world, women have lower labour force participation than men. Gender roles and cultural norms pressure women to assume most of the care for children and other relatives with care needs (United Nations 2010; ILO 2018). This care burden compromises their labour force participation and earnings. Many women participate in the labour force as second earners in households where men are the main breadwinners, and they are the first ones to drop out or reduce working hours when care needs increase (such as when a child is born or when a relative gets sick and needs care). These gender roles also influence the number of hours that women engage in paid work, their occupations and opportunities for promotion, and the earnings they receive, and thus, their overall capacity to engage in formal employment. Worldwide, these patterns of paid work and care entail lower access to social insurance and lower benefits for women.

<sup>3</sup> In this report, we refer to social security as comprising both contributory and non-contributory protection, and to social insurance as work-related contributory schemes.

2. **Earnings:** Women also tend to have lower average earnings than men. There are multiple reasons for this, including occupational segregation, which occurs when occupations and sectors with higher earnings are male dominated, and the “glass ceiling” of constraints faced by women striving to reach top positions in business and politics. In 2018, women were paid approximately 20 per cent less than men across the world (ILO 2018). Social insurance systems normally calculate benefits as a percentage of past earnings. This applies to most branches of the system including old age, disability and survivor pensions, maternity, sickness, unemployment, and work injury benefits. As a result, lower earnings mean lower social insurance benefits for women, unless adequate mechanisms compensate for women’s labour market disadvantages.
3. **Longevity:** Women have higher life expectancies than men. This is particularly important for retirement and survivors' systems, since greater longevity means that women spend a longer period in retirement than men. It also means that women are more likely to become widows. Widowhood brings vulnerability in old age for many women, especially for those who are not entitled to an adequate old age or widow’s pensions. Often, these women must rely on family support (including co-residence with other family members with whom to pool resources). However, not every elderly person has a family that can offer adequate support. Changing family structures and migration are also eroding these traditional arrangements, making it more and more important for states to develop adequate social security systems to guarantee old age economic security for all.
4. **Maternity and care:** While both women and men have children, it is women who bear the health risks associated with pregnancy and childbirth, as well as most of the labour market risks associated with having and caring for a child, including the abovementioned impact that interrupted paid work trajectories can have on social insurance benefits. Countries have responded to these risks with labour regulations to prevent gender discrimination (for example, during pregnancy) as well as with paid maternity leave in the social insurance system (Addati, Cassirer and Gilchrist 2014). However, regulations are not always effective enough. Across the world, most women are not entitled to paid leave when having a child and many have no protection at all. Furthermore, care tasks performed by women go well beyond the few months provided for maternity by most social insurance systems, including caring and raising children as well as providing care for sick or disabled relatives. All these types of unpaid work are often not considered in the eligibility rules and benefits of work-related social insurance systems.



**These characteristics of women’s life courses affect social insurance outcomes in ways that largely depend on the specific design features of each branch of the social insurance system.** Two design features particularly shape gender outcomes: coverage, including the types of risks covered and the eligibility conditions; and the rules for benefit calculation, which determine benefit adequacy (Arza 2015; Bettio, Tinios and Betti 2013; Gilbert 2006; Ginn 2003).

1. **Coverage:** The types of risks that are covered and the conditions for eligibility for benefits can either provide women with equal protections as men, or punish them for their particular work and care trajectories. First, the kinds of risks covered are crucial. Around the world, most social insurance systems include old age, disability and survivors, LAOD, sickness and maternity; some systems also include child and family benefits and unemployment benefits. Second, the target population – who is eligible and under what conditions – is also key. Aspects include what types of employment and occupations are included in mandatory coverage, which ones have access to voluntary insurance and under what conditions, how many years of work or contributions are required to be eligible for a benefit, and what is the retirement age for pensions, among others. Basic non-contributory benefits (minimum social protection floors) and specific provisions to recognize periods of time dedicated to unpaid care are particularly important for the social security coverage of women.
2. **Benefit calculation:** The way in which benefit entitlements are calculated is crucial to determine the level of protection that women get, the adequacy of benefits, and the gender gaps in benefit amounts. In earnings-related social insurance systems, benefits are calculated as a percentage of past earnings, and in some cases that percentage also depends on years of contributions (for instance, in many retirement pension systems). Key features of the benefit calculation rules from a gender perspective are the reference salary used in the calculation of benefit entitlements, the replacement rates applied, the treatment given to periods of care or care-related leave, the application of minimum and maximum benefit thresholds, and the rules for benefit indexation (especially for long-term benefits such as retirement and survivor pensions).

**Gender equality is a central priority of the Sustainable Development Goals.** Target 5.4 encourages governments to “recognise and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate” (figure 1.1). One of the constraints for women’s economic empowerment is the large share of unpaid care and domestic work that women undertake. In Asia, over 20 per cent of women cite work/family balance as a major challenge to their participation in the labour force (UN Women and ADB 2018, 10).

Social security systems can contribute much to these matters. They can introduce incentives to share care work between women and men (such as through leave provisions that facilitate and incentivize men to do care work). They can also help reduce the impact that gender roles currently have on women’s economic autonomy and access to social security benefits (such as implementing benefit eligibility rules that better align with women’s life courses, compensate for time dedicated to unpaid work, and guaranteed basic protection for all women). **This requires a gender-sensitive social security system that is aware of existing gender inequalities and of the different risks that women and men face, and that also responds to those risks and needs by shaping entitlements, conditions and rights accordingly.**

**Figure 1.1 Sustainable Development Goal (SDG) 5: Gender Equality**



Source: Extracted from UN Women and ADB (2018, 7).

## 1.2 Women, work and social insurance in Viet Nam

**The population in Viet Nam is aging rapidly.** Fertility declined from around 6.5 children per woman in 1970 to 1.95 in the 2017/18 fiscal year, according to the Organisation for Economic Co-operation and Development (OECD) (2019). The population aged 65 and over is estimated at 7.9 per cent of the total population in 2020, and projected to rise to 20.4 per cent in 2050 (United Nations 2019). This socio-demographic change increases the demand on policies to ensure that this growing elderly population will have adequate economic protection and care services in the years to come.

Ageing and old age protection is a gender-specific issue: in 2020 in Viet Nam women made an estimated 60 per cent of the population aged 65 and over and 68 per cent of the population aged 80 and over (United Nations 2019). Because women make a majority of the

elderly population and they are also the main providers of care for elderly people with care needs, old age protection is a key element shaping women's welfare and gender equality in the years to come.

Lower fertility also means that women currently working in the informal economy, with no rights to a social insurance pension, in the future will have fewer children than their older counterparts to provide economic support and care for them when they become old. This, combined with urbanization and migration, can deeply change the availability of care provided by younger family members in the years to come.

Ageing is also likely to increase the pressure on the time of women, most of whom participate in the labour force and continue to be the main providers of unpaid care in the family, for children, elderly and disabled relatives. At the same time, women's increasing attachment to the labour force and the concomitant reliance of families on their earnings make it difficult for women to provide full-time care for ageing spouses or parents while also holding on to their jobs (UN Women 2019). As more people live into their eighties, elderly care demands are likely to grow, and women are likely to bear most of this growing demand.

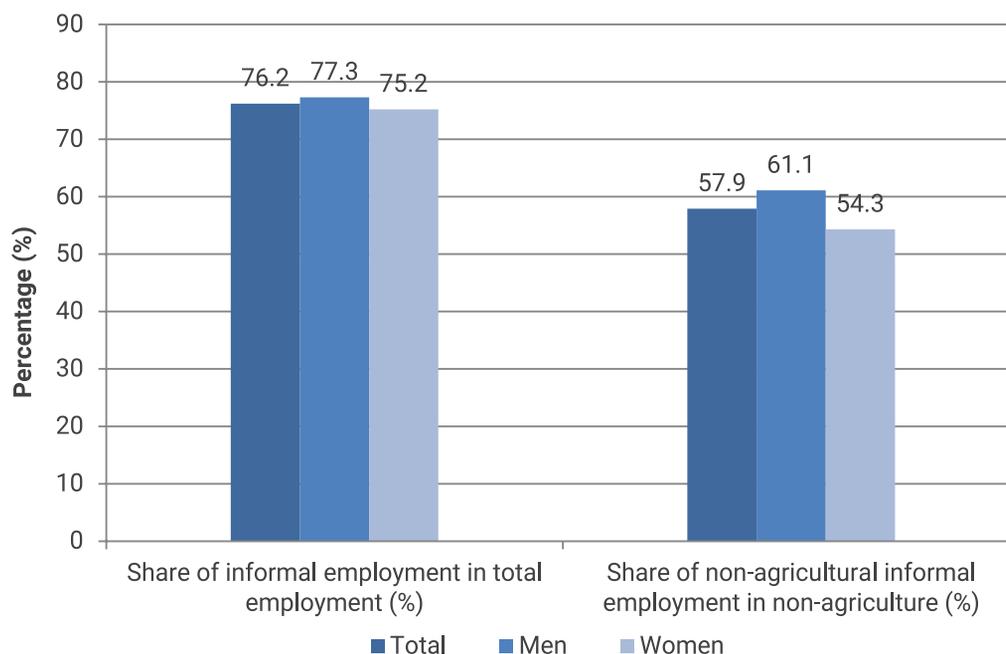
**Table 1.1. Labour force participation rate, by sex and urban vs rural location, Viet Nam, 2020 (percentage)**

Population aged 15–64	National	Rural	Urban
<b>Total</b>	<b>76.3</b>	<b>78.3</b>	<b>72.9</b>
Male	81.7	83.6	78.3
Female	70.8	72.7	67.7
<b>Gender gap</b>	<b>10.9</b>	<b>11.0</b>	<b>10.6</b>

Source: ILO (2021a).

Overall, 70.8 per cent of women aged 15–64 participate in the labour force, 72.7 per cent in rural areas and 67.7 per cent in urban areas (table 1.1). The gender gap in participation is 10.9 percentage points. In terms of earnings, the gender gap in average monthly earnings is an estimated 10.6 per cent (ILO 2021b). Gender gaps in participation and earnings have implications for women's access to social insurance benefits and for the benefit amounts that women receive, compared to men. In Viet Nam, a large share of women work in agriculture or are contributing family workers, with no mandatory social insurance coverage and limited financial capacity to join the voluntary scheme. Fewer women than men reach top or managerial positions, which normally involve higher earnings: only 0.6 per cent of working women are in managerial positions (compared to 1.5 per cent of working men), and 1.1 are employers (compared to 2.9 per cent of men) (ILO 2021c). In contrast, Vietnamese women dedicate more time to unpaid care than men: an estimated 14.5 per cent of women, compared to 5.5 per cent of men, are out of the labour force due to care reasons (Addati et al. 2018).

**Figure 1.2 Share of informal employment in total employment and non-agricultural employment by sex, Viet Nam, 2015 (percentage)**



Source: ILO (2018a, table B1).

Viet Nam has a large informal economy where women and men work and earn an income but are not included in the mandatory social security scheme. **Informal employment accounts for 57.9 per cent of the non-agricultural employment (61.1 for men and 54.3 for women), and 76.2 per cent of total employment (77.3 for men and 75.2 for women)** (figure 1.2). The distribution of informal employment by employment status is presented in table 1.2. Most workers in informal employment are own-account workers (48.6 per cent), and the figure is roughly the same for men (47.8 per cent) and women (49.4 per cent). Compared to men, a smaller share of informally working women are employees (19.1 per cent, compared to 35.6 per cent of informally working men), and **a much larger share of women are contributing family workers (30.4 per cent, compared to 14.2 per cent of informally working men).**

There are 800 cooperatives in Bac Giang province, of which 72 per cent are agricultural ones and 71 per cent are led by women. Women also represent 40 per cent of these cooperatives' workforce. Some cooperative members want to participate in social insurance because they are worried about having no source of income in their old age. They do not want to become a burden to their children, but they don't know what to do.

► **Leader of Provincial Cooperative Alliance,  
Bac Giang Province**

A majority of women in informal employment work in the agricultural sector (61 per cent), about 27.7 per cent work in services, and a minority in industry (11.3 per cent). For men, the distribution is 54.8 per cent in agriculture, 22.6 per cent in services and 22.6 per cent in industry (ILO 2018a). In short, informality is very high for women as it is for men. In non-agricultural employment, it is higher for men. For women, informal employment is mostly linked to employment in agriculture and to work as contributing family workers, and less prevalent – though not absent – for women who are employees and those working in industry. This is important to keep in mind, as it means that in order to be inclusive of women, coverage expansion strategies will need to address the specific challenges that agricultural and contributing family workers experience in relation to the contributory system – at both the policy and administrative levels.

**Table 1.2 Distribution of workers in informal employment and formal employment, by employment status and sex, including agriculture, Viet Nam, 2015**

	Informal employment	Formal employment
<b>Total</b>	100.0	100.0
Employees	27.7	80.2
Employers	1.8	6.9
Own-account workers	48.6	12.9
Contributing family workers	21.9	0.0
<b>Men</b>	100.0	100.0
Employees	35.6	77.4
Employers	2.4	9.7
Own-account workers	47.8	12.9
Contributing family workers	14.2	0.0
<b>Women</b>	100.0	100.0
Employees	19.1	82.9
Employers	1.2	4.3
Own-account workers	49.4	12.9
Contributing family workers	30.4	0.0

Source: ILO (2018a, table B5).

The outbreak of the COVID-19 pandemic in early 2020 deeply affected labour markets worldwide. In Viet Nam, it led to slow growth, a record-level decline in the labour force and a rise in unemployment. The Ministry of Planning and Investment (2020) provided detailed data on the impact of the pandemic on economic growth and employment in Viet Nam. In the second quarter of 2020 yearly GDP growth was only 0.36 per cent and the unemployment rate reached the highest level in ten years, rising to 4.46 per cent. As of June 2020, 30.8 million people aged 15 and over suffered from COVID-19's effects on labour markets in Viet Nam, including workers who lost their jobs, had to take off work in turn, or had reductions

in work hours or income, among other impacts. The labour force declined by 2.4 million people and the employed population experienced the largest drop in ten years (Ministry of Planning and Investment 2020).

**Women were more affected than men by the labour market impact of the COVID-19 pandemic.** The female labour force reduced by 5.4 per cent in the second quarter of 2020 compared to same quarter in preceding year, compared to 3.2 per cent for men. Out of a total 2.6 million jobs lost, 1.5 million were female. Informal workers and low skilled workers were, together with women, among population groups most affected by the labour market impacts of the pandemic.

This shock on labour markets can undermine social insurance rights and benefits of women and men. As fewer women are employed and insured, fewer will have access to short-term benefits, such as unemployment, sickness and maternity benefits. Job loss and income reductions can also affect future pensions. The labour force reduction may be temporary, but if economic recovery is slow, it may have a long-term impact on work trajectories, reducing the contribution credits that workers have when reaching the retirement age, thus affecting their pension rights and benefits. Furthermore, if workers losing their jobs today take up termination lump sums that deplete their contribution credits in the social insurance system, the negative impact on future pension entitlements can be even higher. This is again likely to affect women more than men, because women are suffering more from the labour market costs of the pandemic and are already today less likely to accumulate sufficient contribution credits for retirement and more likely to take termination lump sums. This particular issue is discussed in detail in section 2.3.



▀▀ I got married when I was 24 and gave birth to my first child a year later. I decided to stay at home to take care of the child and withdrew a five year lump sum.

▸ Ms H., 36 year old, own-account worker,  
Binh Duong Province

## ▸ 2. The current social insurance system and its gender impacts

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A significant driver of gender inequalities in social insurance systems around the world is the interaction between gender-segregated labour markets, gender roles in the family, and the design and implementation of social insurance systems. When the design of social insurance systems does not take into account existing gender inequalities, it often ends up reproducing or even deepening those inequalities. Hence, in a reform process that aims to make important steps to build a comprehensive social security system, it is vital to understand the gender dimensions of the legal framework of the social insurance system as well as the gender outcomes of its implementation. This can help identify the specific reform measures that could enhance gender equality in the social insurance system and make the most out of the redistributive potential intrinsic to defined benefit schemes, such as the one in place in Viet Nam.

As discussed above, the rules of eligibility and benefit calculation are essential factors that shape the gender outcomes of the social insurance system. **In a context of gender inequality in the labour market and in social and family relations, gender-neutral rules may not be sufficient to guarantee adequate protection for women.** Policies promoting gender equality need to adapt the rules of eligibility and benefit calculation to the life course patterns of women. This means (1) avoiding penalizing women for their specific work-care trajectories, including maternity, paid work interruptions, and time dedicated to unpaid work and care; and (2) simultaneously compensating for the differences these particular trajectories have on social insurance outcomes.

This chapter examines the existing challenges within each benefit branch, including gender gaps in coverage and benefits, as well as benefit adequacy. Second, it analyses the design elements that drive or fail to correct these gaps. The analysis provides the basis for the discussion in Chapter 3 on the Government's proposals for reform and the ILO's analysis of possible measures from a gender perspective. Finally, Chapter 4 provides recommendations on how to move towards a broader, equitable and gender responsive social insurance system.

## 2.1 Social insurance coverage

The social security literature distinguishes between legal and effective coverage (for example, ILO 2017a). “Legal coverage” refers to workers included in the compulsory social insurance scheme and “effective coverage” refers to workers protected in practice. As mentioned above, Viet Nam has a compulsory social insurance scheme and a voluntary one. In theory, these two schemes together incorporate virtually all the working population in the country (legal coverage), but in practice, effective coverage is very limited.

The compulsory social insurance scheme is directed to Vietnamese citizens employed with a contract of more than one month (public and private sector)<sup>4</sup>, as well as military and defence workers. It offers benefits for retirement, survivors, sickness and maternity, labour accident or occupational disease (LAOD), and unemployment. It includes no branch for disability or family benefits<sup>5</sup>.

The voluntary social insurance scheme is oriented to Vietnamese citizens (aged 15 years or older) who are not covered by the compulsory scheme; they can voluntarily join and pay contributions to have access to retirement and survivors benefits only. The voluntary scheme does not provide protection in case of sickness, maternity, LAOD, or unemployment.

**Domestic workers are not included in the compulsory scheme despite the fact that they have an employment relationship**, because the employer is not a firm but an individual or household. An estimated 0.4 per cent of the workforce, or approximately 350,000 workers, are domestic workers in Viet Nam (Addati et al. 2018, table A.4.2), a typically heavily feminized and highly vulnerable occupation. Despite the growing importance of this type of work for many women and households and the policies implemented for this sector (box 2.1), domestic workers remain outside compulsory social insurance, which makes them particularly vulnerable in cases of sickness, maternity and old age. The Labour Code of 2019 (articles 161.5 and 163.2) establishes that employers must “pay the domestic worker an amount of his/her social insurance and health insurance premiums in accordance with the law, for the domestic worker to manage insurance by themselves.” However, affiliation is unlikely to effectively occur.

4. The requirement that the duration of contract must be at least one month excludes casual workers, day labourers, and all wage earners with no written contract (Olivier 2020; see also the discussion in McClanahan, Gelders and Ramírez López 2019, 15).

5. Foreign citizens are also covered in cases of sickness and maternity and will become covered for retirement and survivors in 2022. Some specific groups of workers have mandatory coverage only for retirement and survivors, such as Vietnamese citizens working abroad, guest workers and part-time staff in communes, wards and townships (for details see table II.1 in Appendix II).

### Box 2.1. Domestic work in Viet Nam

While many Vietnamese women are in paid work, gender inequality remains the norm in a society with most of the housework burdens falling on women, as shown by the national Household Living Standards Surveys. In this context, domestic workers, who are mostly women, have come to play a vital role not only in Viet Nam's families, but also in the economy and the labour market. Domestic workers not only participate in the labour market, but their work also gives other working-age women the opportunity to take jobs that otherwise would be incompatible with their responsibilities at home.

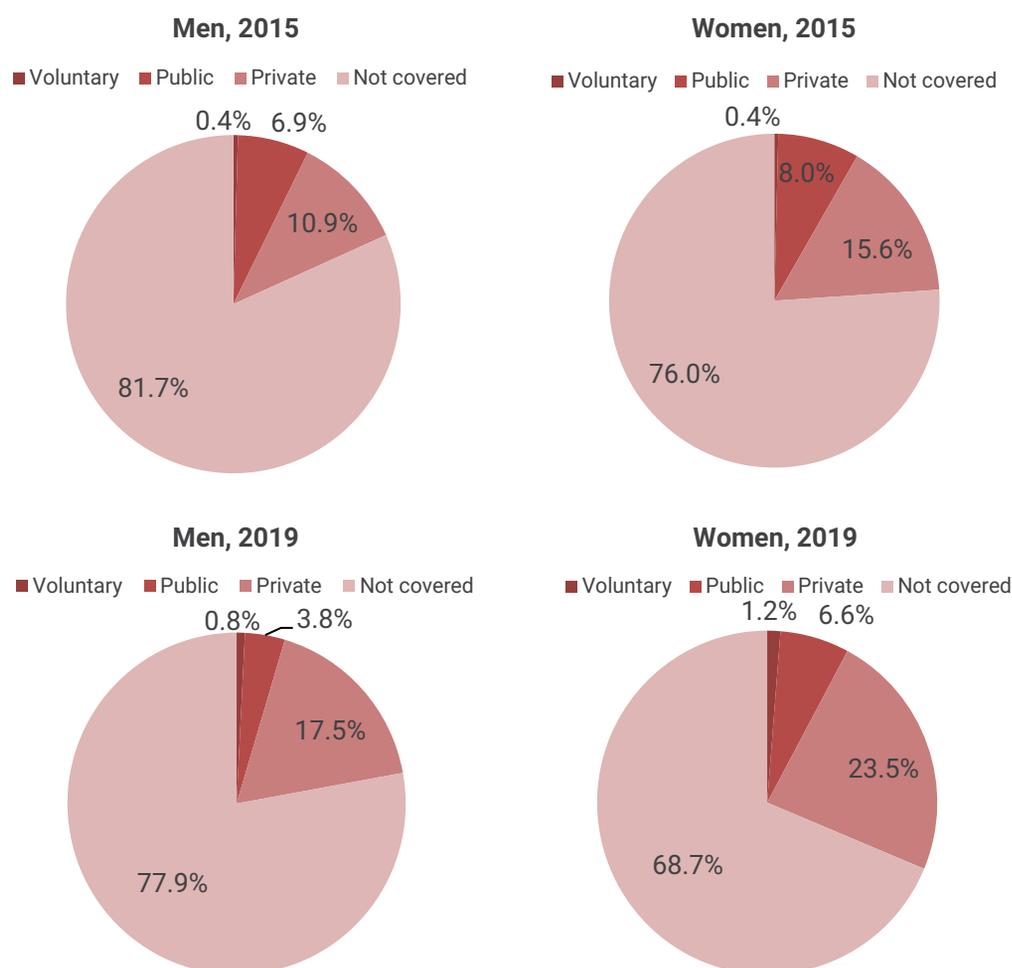
The Ministry of Labour – Invalids and Social Affairs (MOLISA) estimates that Viet Nam will have about 350,000 domestic workers by 2020. Many women also see increasing opportunities to undertake domestic work abroad in diverse destinations, including Taiwan Province of China, Macau (China), Cyprus, Malaysia or Saudi Arabia.

Viet Nam took a big step in offering better legal protection for domestic workers through its 2012 Labour Code and Decree 27 in 2014. It ensures that domestic workers are entitled to enjoy compulsory minimum wages, public holiday payments, minimum rest periods and annual leave. However, social insurance for this group continues to be available only through the voluntary system and thus there is no legally enforceable entitlement for employers to register their domestic workers. Moreover, the voluntary regime only covers old age and retirement pensions, so these workers continue to be vulnerable to short-term shocks such as unemployment, sickness, disability and maternity – all of which can particularly affect women in domestic work.

*Source: Lee (2017).*



**Figure 2.1 Social insurance coverage of workers, by sex, Viet Nam, 2015 and 2019 (percentage of the labour force)**



Note: "Public sector" refers to workers under the state prescribed salary-regime and "private sector" refers to workers under the employer-decided salary regime, as classified by Viet Nam Social Security (VSS), based on the salary regime of worker's last contribution made.

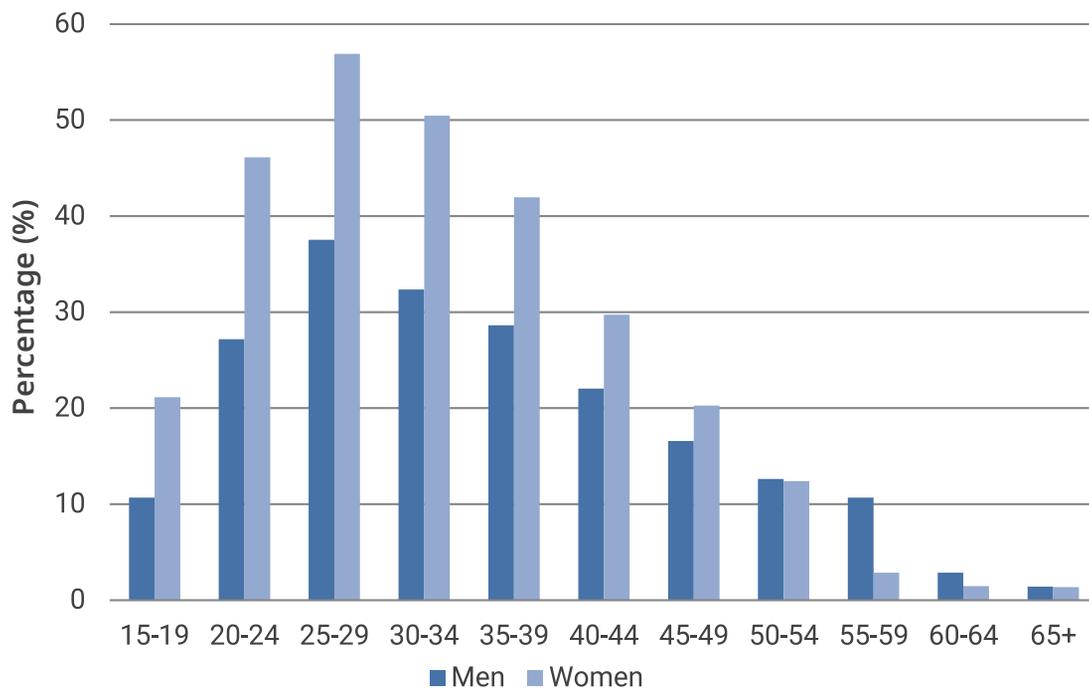
Source: ILO estimations, based on data from the VSS and Viet Nam's General Statistics Office.

**Effective social insurance coverage in Viet Nam is low**, as shown in figure 2.1. About 24 per cent of women and 18.3 per cent of men in the labour force were covered in 2015. By 2019, coverage increased to an estimated 31.3 per cent of women and 22.1 per cent of men in the labour force. As will be shown below, **women have a higher coverage rate as workers, but when it comes to receiving retirement pensions, women have a lower rate of coverage and lower benefits than men.**

Coverage of workers is higher at young ages among both women and men. For both men and women in the labour force, the highest coverage rate happens at the age bracket 25–29 (when 56.9 per cent of women and 37.5 per cent of men in the labour force are covered), as shown in figure 2.2. After age 40, coverage rates reduce considerably for women and men, dropping to 20.3 per cent for women and 16.6 per cent for men in the age bracket 45–49. This singular pattern indicates that many workers enter the social insurance system early in their working lives, but at some point, they drop out. The underlying reasons for this are an issue for further investigation and may be related to the patterns of hiring and laying

off workers in particular economic sectors and firms, as well as to cohort effects (younger generations being more prone to be insured). Understanding why workers (particularly women) reach relatively high rates of coverage at young ages but later drop out of the insurance system is crucial to designing an effective policy for coverage expansion.

**Figure 2.2 Social insurance coverage of workers, by age and sex, Viet Nam, 2019  
(percentage of the labour force)**



Source: ILO estimations, based on data from the VSS.

Two main factors underlie the low coverage rates of the social insurance system – a problem that prevails in many other middle- and low-income countries (ILO 2017a). First, informal wage-earners lack a formal labour contract and employers fail to register them with the social insurance system and to pay social insurance contributions for them. Second, workers in agriculture, own-account workers and workers in small family businesses are not included in the compulsory scheme and have very low affiliation to the voluntary scheme. As mentioned above, 54.3 per cent of women employed in non-agricultural work are in the informal economy; if agriculture is included, informal work rises to 75.2 per cent of total female employment (figure 1.2 above). Wage earners are only a minority of these informal workers. The majority are non-wage earners, with 49.4 per cent own account workers and 30.4 per cent family contributing workers (table 1.2), and are currently not comprised in the compulsory scheme.

Therefore, the gap between legal and effective coverage results in part from the exclusion of informal wage-earners and in part from the limited effectiveness of the voluntary scheme to incorporate non-wage earners (who make 81 per cent of total informal employment in the case of women). At present, the data show that very few workers join the voluntary scheme: 0.8 per cent of men and 1.2 per cent of women (figure 2.1). The ILO (2019a) noted that informal workers face severe barriers to participation, including low contributory capacity, lack of information, qualifying conditions of the social insurance system that are not adapted to the profile of informal workers, legal and administrative barriers, and a general lack of

public trust in the social insurance system. In a recent report, McClanahan, Gelders and Ramírez López (2019) estimate that considering current contribution rates, many informal workers would fall into poverty or near-poverty if they joined the system. And this is likely to affect women more than men, given their lower average earnings. The fact that the voluntary insurance scheme does not include short-term benefits such as sickness or maternity, may make it even less appealing, particularly for women. As McClanahan, Gelders and Ramírez López (2019) suggest, adding child and maternity benefits to the voluntary social insurance scheme might enhance the affordability of joining for many families, because they will receive something they need in return for their contributions. But even with a short-term benefit package, most informal, agricultural and family workers will continue to face severe constraints on participation.

**Therefore, expanding non-contributory benefits for the population not included in the compulsory system (including social pensions and maternity allowances) is key to close these coverage gaps and can be particularly important for women, who are most vulnerable when lacking adequate social protection during old age as well as in widowhood and maternity.**

## 2.2 Old age pensions

The following subsection reviews the gaps existent in the old age pensions scheme, based on the administrative data provided by VSS.

### 2.2.1 Current challenges

#### Gender gaps in coverage

**Old age pension coverage is low for both women and men: An estimated 20.5 per cent of the population aged 65 and over received a retirement pension in 2019.** This includes retirement pensions paid by the social insurance fund and by the State budget (most widely known as pre-1995 pensions). **The gender gap in coverage is large: 16 per cent of women aged 65 and over receive a social insurance pension, compared to 27.3 per cent of men.** At older ages the gap is even larger: only 6.9 per cent of women aged 80 and over receive a pension compared to 25.9 per cent of men, as shown in table 2.1. These coverage rates include retirement pension only. While some women (and men) may receive survivor pensions or social pension allowances, those benefits pay a modest amount, which is not comparable to a retirement pension.

**Table 2.1 Retirement pension coverage, by age and sex, Viet Nam, 2019**

Age group	Men (%)	Women (%)	Total (%)	Gender gap
65–69	23.9	19.4	21.4	4.5
70–74	30.2	22.9	26.0	7.3
75–79	33.6	15.8	22.7	6.9
80+	25.9	6.9	13.4	19
65+	27.3	16.0	20.5	11.3

Source: ILO estimations, based on data from the VSS.

The gender gap remains in new benefits paid between 2016 and 2019. Over that period, the retirement system paid 452,131 new benefits (an average of 113,033 benefits per year), with 45 per cent received by women (table 2.2). In the private sector, men received 60 per cent of all new pensions paid, and women 40 per cent, or almost 40,000 male retirees compared to just over 27,000 female. As mentioned above, men are more likely than women to retire with capacity loss or after 15 years in particularly heavy or dangerous work. Women received 47 per cent of new normal retirement pensions paid in the period, and 39 per cent of new retirement pensions paid under special conditions. Table 2.2 also shows the limited role that the voluntary scheme still has for old age protection: it paid 35,526 benefits over the period, which is 7.9 per cent of all new benefits paid. Women received a higher share of these benefits than men (57 per cent), but even for women these benefits are less than 10 per cent of all new benefits received in the period<sup>6</sup>.

**Table 2.2 Number of new retirement pensioners, by sector and sex, Viet Nam, 2016-19**

New pensioners	Men		Women		Total number
	Number	% of total	Number	% of total	
<b>Normal retirement</b>					
Mandatory public	142 787	53	127 103	47	269 890
Mandatory private	39 478	59	27 134	41	66 612
Voluntary	15 002	43	20 199	57	35 201
Total	197 267	53	174 436	47	371 703
<b>Difficult jobs or capacity loss</b>					
Mandatory public	15 224	65	8 366	35	23 590
Mandatory private	33 786	60	22 727	40	56 513
Voluntary	204	63	121	37	325
Total	49 214	61	31 214	39	80 428
<b>Total</b>					
Mandatory public	158 011	54	135 469	46	293 480
Mandatory private	73 264	60	49 861	40	123 125
Voluntary	15 206	43	20 320	57	35 526
Total	246 481	55	205 650	45	452 131

Source: ILO estimations, based on data from VSS.

### Gender gaps in benefits

**The gender gap in benefits is an estimated 19.8 per cent**, as shown in table 2.3<sup>7</sup>. This means that in addition to lower retirement pension coverage, women have lower retirement benefits than men. In pensions paid by the social insurance fund, the gender gap is large in

<sup>6</sup> Part of these workers may have made contributions to the mandatory system before retiring under the voluntary system.

<sup>7</sup> The gender gap in pension benefits is estimated as one minus the ratio between average female pensions over average male pensions (gender gap = 1 - female pension/male pension).

the mandatory system (18.4 per cent), and negative in the voluntary system, where benefits of both men and women are similarly low. In pensions paid by the State budget (pre-1995 pensions), the gender gap is somewhat larger: 23.9 per cent overall, and 28.3 per cent for old age pensions (table 2.3).

**Table 2.3. Benefit amounts and gender gap in pensions: All retirement pensions currently in payment, by sex, Viet Nam, 2019**

Type of pension	Benefit amount (VND)		Gender gap (%)
	Men	Women	
<b>Financed from social insurance fund</b>			
Mandatory insurance (public and private)	5 837 033	4 762 953	<b>18.4</b>
Voluntary insurance	2 272 762	2 396 522	<b>-5.4</b>
Total	5 762 523	4 687 863	<b>18.6</b>
<b>Financed from state budget (pre-1995 pensions)</b>			
Old-age pension	4 751 036	3 407 932	<b>28.3</b>
Work capacity loss, Decree 236, Decisions 60, 812 & 91	2 244 660	2 113 912	<b>5.8</b>
Work capacity loss, Decision 613	1 069 141	1 079 824	<b>-1.0</b>
Work injury	778 489	754 155	<b>3.1</b>
Rubber workers	1 507 400	1 507 400	<b>0.0</b>
Total	3 878 704	2 953 202	<b>23.9</b>
<b>Total VSS retirement pension</b>	<b>5 098 542</b>	<b>4 087 836</b>	<b>19.8</b>

*Note: The gender gap in pensions is equal to 1 minus the ratio of female pension to male pension, in percentage. The total VSS retirement pension is the average benefit (last line), weighted by number of benefits.*

*Source: ILO estimations, based on data from the VSS.*

For new retirement pensions paid in 2019, the gender gap reduces to 15.7 per cent on average (taking all types of retirement pensions), as shown in table 2.4. Overall, the gender gap is larger for workers retiring under the public state-prescribed salary regime (19.4 per cent) than those retiring under private employer-decided salary regime (12.2 per cent). For normal retirement, the gender gap is 18.1 per cent, and for retirement with capacity loss the gender gap is 6.3 per cent. The somewhat smaller gender gap in new pensions compared to all currently paid retirement pensions may be due to multiple factors that influence the pension rights and benefits of women over time, including pension reforms as well as changing working and earnings patterns of women and men over time, which

deserve further investigation. However, the small difference may also stem from yearly fluctuations. Moreover, despite the reduction, if the gender gap continues to decrease at the rate observed in the past decade, it will take a very long time until the gap is bridged under the current policy framework. This points to the fact that more pro-active policies are required to narrow the gap.

**Table 2.4. Benefit amounts and gender gap in pensions: New retirement pensions, by type, sector and sex, Viet Nam, 2019**

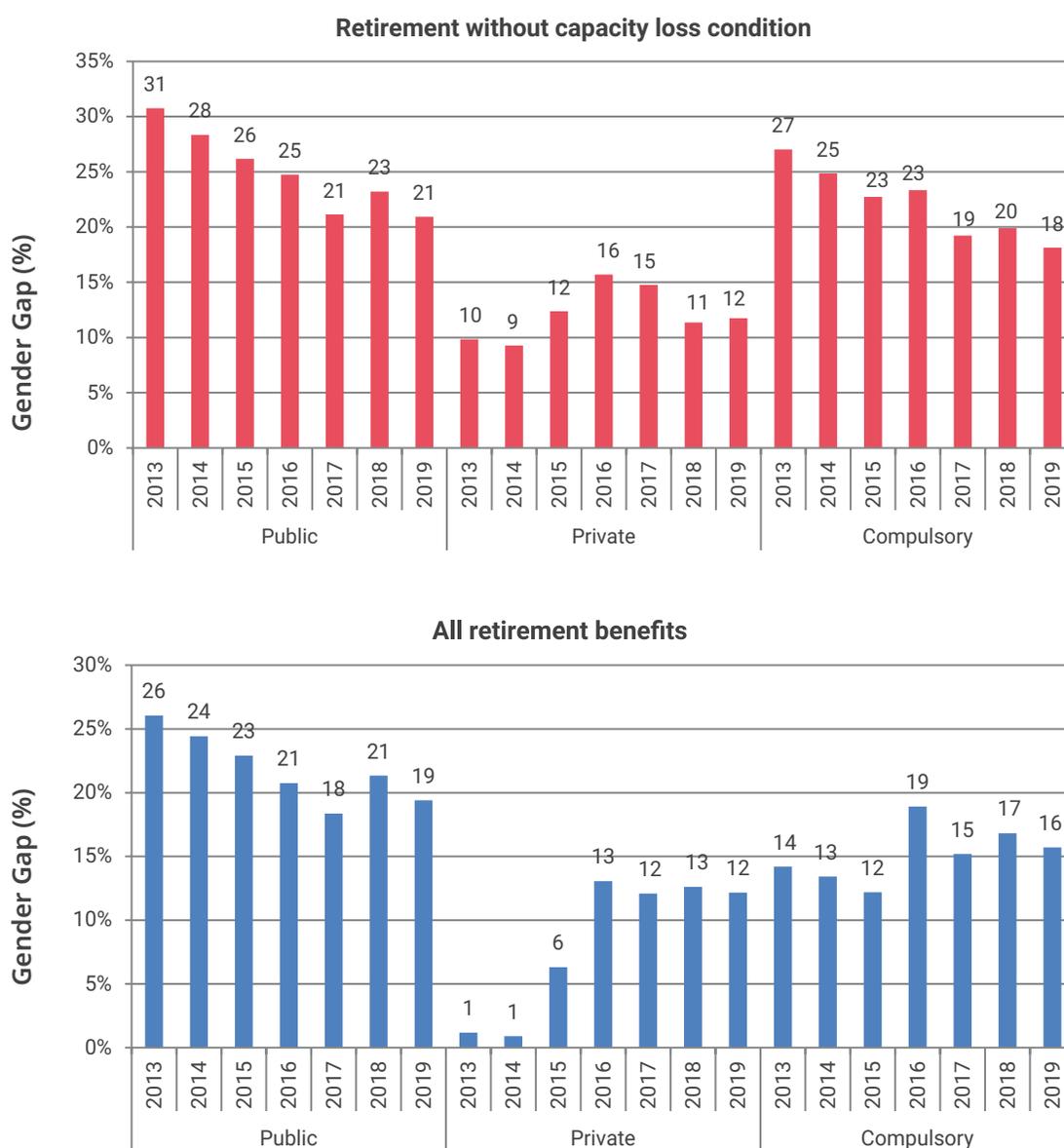
New retirement pensions	Number of benefits		Benefit amount (VND)		Gender gap (%)
	Men	Women	Men	Women	
<b>Without capacity loss</b>					
Public	35 316	31 763	7 106 304	5 619 698	20.9
Private	10 371	6 666	4 507 620	3 978 528	11.7
Public and private	45 687	38 429	6 516 400	5 335 016	18.1
<b>With capacity loss</b>					
Public	2 210	1 220	4 161 064	4 762 770	-14.5
Private	5 739	3 346	3 273 088	2 765 039	15.5
Public and private	7 949	4 566	3 519 965	3 298 817	6.3
<b>All benefits</b>					
Public	37 526	32 983	6 932 851	5 588 001	<b>19.4</b>
Private	16 110	10 012	4 067 833	3 572 981	<b>12.2</b>
<b>Public and private</b>	<b>53 636</b>	<b>42 995</b>	<b>6 072 320</b>	<b>5 118 775</b>	<b>15.7</b>

*Note: The gender gap in pensions is equal to one minus the ratio of female pension to male pension, in percentage.*

*Source: ILO estimations, based on data from the VSS.*

To paint a broader picture of the evolution of gender gaps in recent years, figure 2.3 plots gender gaps in benefits for 2013–19. The data shows that in the compulsory system (public and private), gender gaps in benefits fluctuate between 18 and 27 per cent, and between 12 and 19 per cent if accounting for pensions taken early due to reduced capacity to work. While in the case of retirement without capacity loss there seems to be a downward trend (led by the reduction of gender gap in public sector pensions), when looking at all pensions together, the trend is less clear. In both cases, the gender gap is higher in the public sector, where the gender gap in insurable earnings is also higher – a fact probably linked to the issue of under-declaration of insurable earnings in the private sector (ILO 2019a), which deserves further study.

**Figure 2.3 Gender gap in pension benefit amounts of new retirement pensions paid each year by sector, Viet Nam, 2013–19 (percentage)**



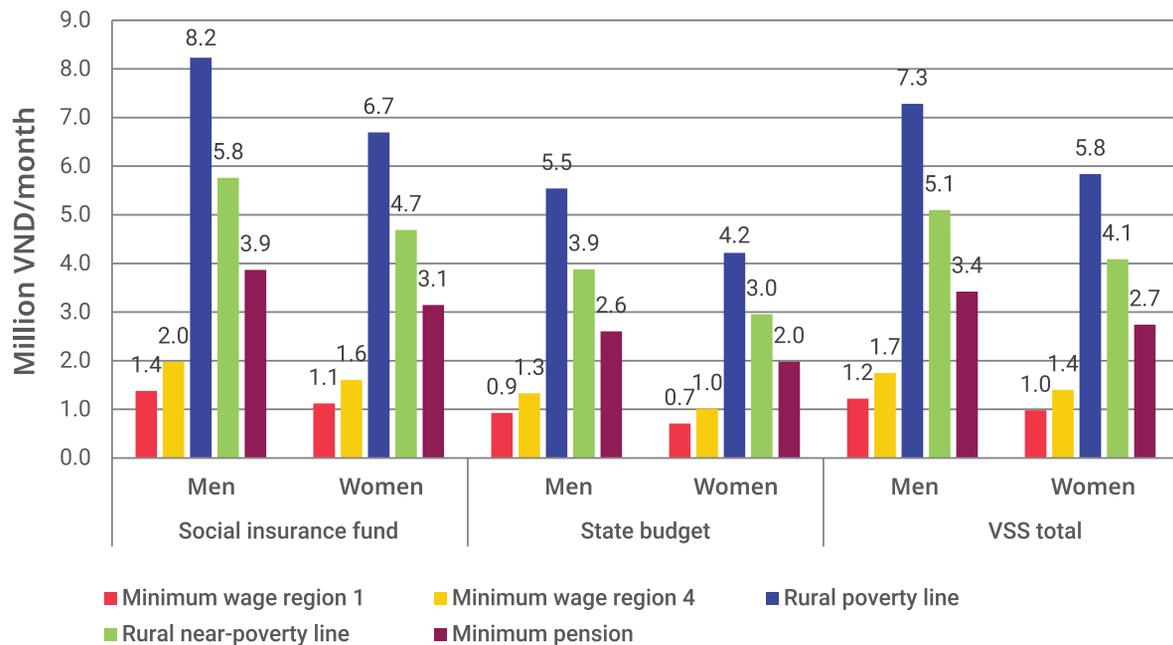
Note: The gender gap in pensions is equal to one minus the ratio of female pension to male pension, in percentage.

Source: ILO estimations, based on data from the VSS.

### Gender gaps in adequacy

Besides gender gaps in coverage, it is important to assess the adequacy of benefits for women and men, by comparing the pension amount with a value of reference, such as the minimum wage, the poverty line, and the minimum pension. Viet Nam has four levels for the minimum wage, depending on the region. Figure 2.4 compares the average pension for women and men (including all pensions currently in payment by the social insurance fund and the state budget) to the minimum wage in regions 1 and 4 (the highest and lowest values), the rural poverty line, the rural near-poverty line and the minimum pension. All pensions are well above the rural poverty line and the rural near-poverty line. Women's average pensions currently in payment are just about at the level of the minimum wage for region 1 but above the minimum pension for region 4. Pensions paid by the State budget are lower than pensions paid by the social insurance fund.

**Figure 2.4 Retirement pensions in payment, by sex, Viet Nam, 2019  
(as ratio of minimum wages and poverty lines)**



Note: The minimum wage is 4,180,000 dong (region 1) and 2,920,000 dong (region 4). The rural poverty line is 700,000 dong; the rural near-poverty line is 1,000,000 dong; and the minimum pension is 1,490,000 dong. All values are for 2019.

Source: Estimations based on table 2.3 above.

### 2.2.2 Exacerbating design features

Social insurance pensions pay earnings-related benefits to workers who have contributed over a specified period of time. In pension systems that link benefits to past employment and earnings, benefits tend to reflect the accumulation of disadvantages that women face in the world of work and in the gendered distribution of unpaid care in the family. When benefits are based on past employment and earnings and no specific mechanisms exist to recognize unpaid work, gender inequalities in the labour market and in the family are transmitted to the benefits paid by the social insurance system (Arza 2015; Razavi 2011). Having limited contributory records, many women fail to meet the eligibility conditions to obtain a benefit, and those who do tend to have lower benefits than men because their working histories are shorter, have more interruptions, more part-time work, and lower earnings.

As discussed above, the gender outcomes in retirement pensions depend on (i) the gender profile of labour markets, (ii) the pension system rules that determine eligibility conditions and benefit calculation, and (iii) the types of instruments that compensate for existing gender inequalities in the labour market and in the distribution of paid work and care in the family. In Viet Nam, the retirement pension system offers two types of benefits: a regular earnings-related pension and a lump sum benefit. This section focuses on regular retirement pensions; the next section focuses on lump sums. The subsections below discuss the main aspects of eligibility and benefit calculation rules that matter for gender outcomes in the retirement pension system, and evaluate current gender gaps in coverage and benefits.

## Eligibility rules

To obtain a retirement pension, insured workers must meet a set of eligibility conditions, including a minimum period of contributions and the legal age of retirement. The gender dimensions of each of these conditions are discussed below.

### Eligibility rules: Contribution requirements

**According to the Social Insurance Law, in order to qualify for a retirement pension, workers must have a minimum of 20 years of contributions<sup>8</sup>.** Given the characteristics of the Vietnamese labour market discussed above, it may be hard for most women to accumulate 20 years of contributions<sup>9</sup>. Indeed, as has been shown, women currently have lower effective access to pensions in old age and receive lower pension benefit amounts than men. This is a problem because low contribution records in turn lower both coverage and benefit amounts.

By comparing contribution trajectories of women and men it is possible to further evaluate their different ability to qualify. **Data on the average contributory history of insured workers (past credits) show that women and men have low contribution records** (figure 2.5). In the private sector<sup>10</sup>, female workers aged between 40 and 53 who are current contributors to the social insurance system, have an average of between 9 and 13 years of contributions, after which past credits drop. The past credits are somewhat higher for men, between 10 and 19 at ages 41–58. These figures are averages: some women and men have sufficiently long periods to qualify for a retirement pension. In the public sector, past credits are higher and grow with age to a figure closer to the minimum requirement. By age 40, the average past credit is 15 years for men and 16 years for women, rising to a maximum average of 28 years for women at age 53, and 29 years for men at age 58.

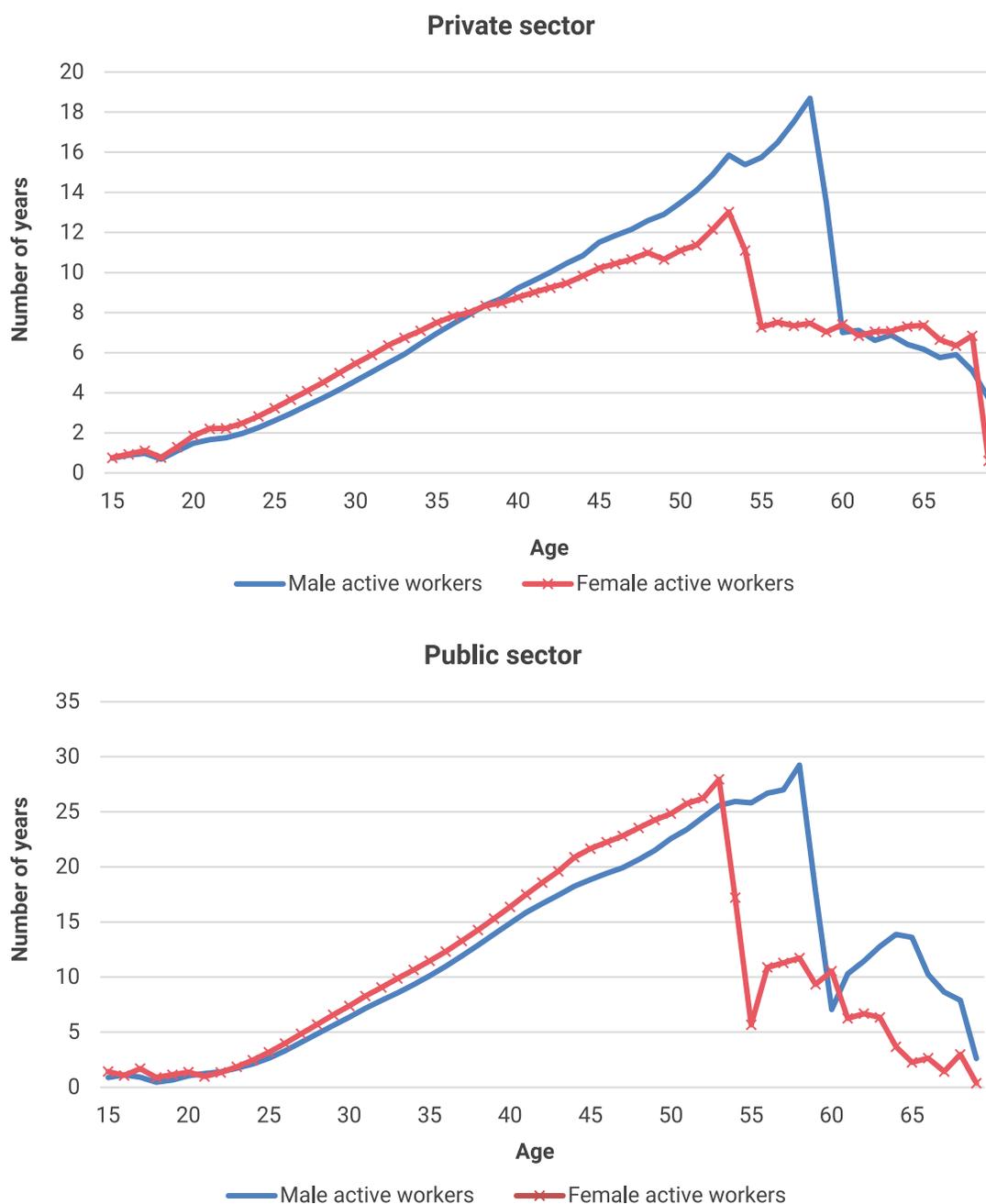


<sup>8</sup> Law 58/2014/QH13, art. 54.3.

<sup>9</sup> The minimum ILO standards (Convention No. 102) for eligibility to the old age pension is 15 years.

<sup>10</sup> In all tables and figures presented in this report, for both contributors and beneficiaries, “public sector” refers to workers under state prescribed salary regime and “private sector” refers to workers under the employer-decided salary regime, as classified by the VSS (based on the salary regime of worker’s last contribution made).

Figure 2.5 Past credits of active workers, by sector, age and sex, Viet Nam, 2019



Source: ILO estimations, based on data from the VSS.

The past credits of workers who get a pension upon retirement are higher. This is expected since these workers must have fulfilled the minimum qualifying period of 20 years to be eligible for a pension. In 2019, on average (including all types of retirement, with and without capacity loss), women retired with 27.4 years of contribution in the private sector and 31.0 in the public sector, compared to an average of 31.8 and 34.8, respectively, for men (table 2.5). A gender difference remains if we look at the two types of retirement (with and without capacity loss) separately. In both cases, men have around four more years of contributions than women on average (except for men retiring with capacity loss in the public sector, who have one year more than women). In the voluntary sector, where coverage is very limited, on average both women and men retire with just enough to claim a benefit (20 years of contributions).

**Table 2.5 Average duration of contribution periods at retirement (past credits) for new retirement pensioners, by sector and sex, Viet Nam, 2019**

Pension scheme	Average for all pensioners		Pensioners with no capacity loss		Pensioners with at least 61% capacity loss	
	Men	Women	Men	Women	Men	Women
Mandatory	33.9	30.2	34.7	30.7	29.2	25.5
Public	34.8	31.0	35.1	31.1	30.3	29.0
Private	31.8	27.4	33.4	28.9	28.7	24.2
Voluntary	20.2	20.1	20.2	20.1	25.9	23.4

Source: ILO estimations, based on data from the VSS.

In short, the data show that contribution records of workers are low, and women have shorter contributory histories than men and retire with fewer pension credits. The fact that insured women concentrate in young ages could indicate that many may have been covered at some point in time, but eventually drop out and reach the retirement age without the minimum years of contributions required to qualify for a pension. It could also indicate a cohort effect, with younger generations enjoying higher coverage than their older counterparts. Low contribution records have an impact on both coverage and benefit amounts, since benefits are calculated taking into account the number of years effectively contributed.

Under the current Social Insurance Law, the only option for workers who do not meet the contribution requirement is to take a lump sum (see section 3.3 below). While this provision makes it possible for contributors who are ineligible for a periodical benefit to at least get something, lump sum benefits do not offer the kind of old age security throughout the retirement period that periodic benefits are intended to<sup>11</sup>. In fact, the ILO only recognizes pensions (that is, periodic payments) as adequate benefits to properly protect individuals against the risk of outliving their own savings or assets, as expressed in the Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128).

**Reducing contributory requirements to better reflect real contributory careers could help workers, both female and male, who have some years of contributions but not the required minimum, to obtain a retirement pension.** As discussed below, Resolution No. 28-NQ/TW has already proposed incorporating this in the forthcoming reform. While this policy might not have a significant impact on its own, if combined with other measures such as care credits, it could help increase the number of people qualifying for a social insurance pension. Moreover, the effectiveness of this measure will depend on the parallel implementation of an adequate and coherent social pension that ensures even people who are unable to meet the minimum conditions receive adequate benefits.

<sup>11</sup> As discussed below, lump sum benefits can also be taken before retirement (termination lump sums).

### Eligibility rules: Retirement ages

The retirement age is currently 55 years for women and 60 years for men working in the public and private sectors in both the compulsory and voluntary systems (for details see table II.2 in Appendix II)<sup>12</sup>. The recent reform of the Labour Code (2019, art. 169) increased these retirement ages and narrowed the gap between women and men to only two years difference. After a phasing-in period, the retirement age will be 62 years for men (by 2028) and 60 years for women (by 2035). Aiming to slowly narrow the gender gap in retirement ages, women's retirement age is due to increase by five years over a period of 15 years (four months per calendar year between 2021 and 2035), and men's retirement age will increase two years over a period of eight years (three months per calendar year between 2021 and 2028)<sup>13</sup>.

Lower retirement ages for women were normal practice in the past, but socio-demographic changes including the transformation of family structures and employment patterns, rising life expectancies, and concerns about pension costs, have made countries increasingly reconsider this rule. Over the past decades, many countries have implemented reforms that narrowed or completely eliminated the gender difference in retirement ages. Whether differential retirement ages are an advantage or a disadvantage for women is an issue of debate. Arguments in favour of equalizing retirement ages note that in pension systems that consider the number of years of contributions in the calculation of benefit, retiring earlier may imply lower replacement rates for women. In Viet Nam, the ILO has also noted some evidence that women's earlier retirement in the civil service prevents them from reaching the highest salary grades, leading to pensions lower than men's (ILO undated; ILO 2019a). Arguments against note that raising the retirement age for women more than for men puts cost-containment on the shoulders of women, adding to the disadvantages they already face in the world of work and social insurance. Section 3.1.2 below presents an estimation of new retirement ages on women's benefits.



<sup>12</sup> Law 58/2014/QH13, art. 54)

<sup>13</sup> For further analysis of this reform option, see ILO 2019a, section 4.2.

Most East and South-East Asian countries already have equal retirement ages for women and men, including China, Indonesia, Malaysia, the Philippines, Singapore, the Republic of Korea and Thailand (SSA and ISSA 2019; table I.1 in Appendix I; ILO 2019a). Increasing retirement ages is a sensitive aspect of pension reforms, and people need time to adapt expectations and life choices to the new rules. This makes it particularly important to have sufficiently long phase-in periods, to reduce the costs borne by generations close to retirement and help workers plan ahead and adapt to the new rules. The fact that some occupations can better adapt to longer working lives than others must also be considered, together with the health status of older workers in different occupations and sectors.

In countries that have multiple options for early retirement, a key indicator is the effective retirement age. The legal framework currently includes several options for early retirement, which are widely used, particularly by men. Workers in specific occupations, such as the military or workers in extremely heavy or dangerous jobs, can retire earlier. Early retirement is also available for workers with capacity decrease of 61 per cent or more. Workers who have worked 15 years in extremely heavy, hazardous or dangerous jobs and also have a capacity decrease of 61 per cent or more can retire at any age (table II.2 in Appendix II).

**Table 2.6 Average effective retirement age of new retirement pensioners, by sector and sex, Viet Nam, 2019**

Pension scheme	No capacity loss		At least 61% capacity loss		Average <sup>1</sup>	
	Men	Women	Men	Women	Men	Women
<b>Public and private</b>	58.2	54.5	54.2	49.4	57.6	54.0
Public	57.9	54.5	55.5	52.0	57.8	54.4
Private	59.1	54.6	53.7	48.4	57.2	52.5
<b>Voluntary</b>	60.8	55.9	53.6	49.2	60.7	55.8

<sup>1</sup> Weighted by number of benefits.

Source: ILO estimations, based on data from VSS.

Many workers retire before the normal retirement age of 60 years for men and 55 years for women currently in force. As a result, the effective retirement age is lower than the normal retirement age, especially for men (table 2.6). In the mandatory regime, it is estimated that in 2019 men retired, on average, at age 57.6 and women at age 54 – a gap of 3.6 years, which is 1.4 years lower than the five years' difference in the normal retirement age applicable in the same year.

### Benefit calculation

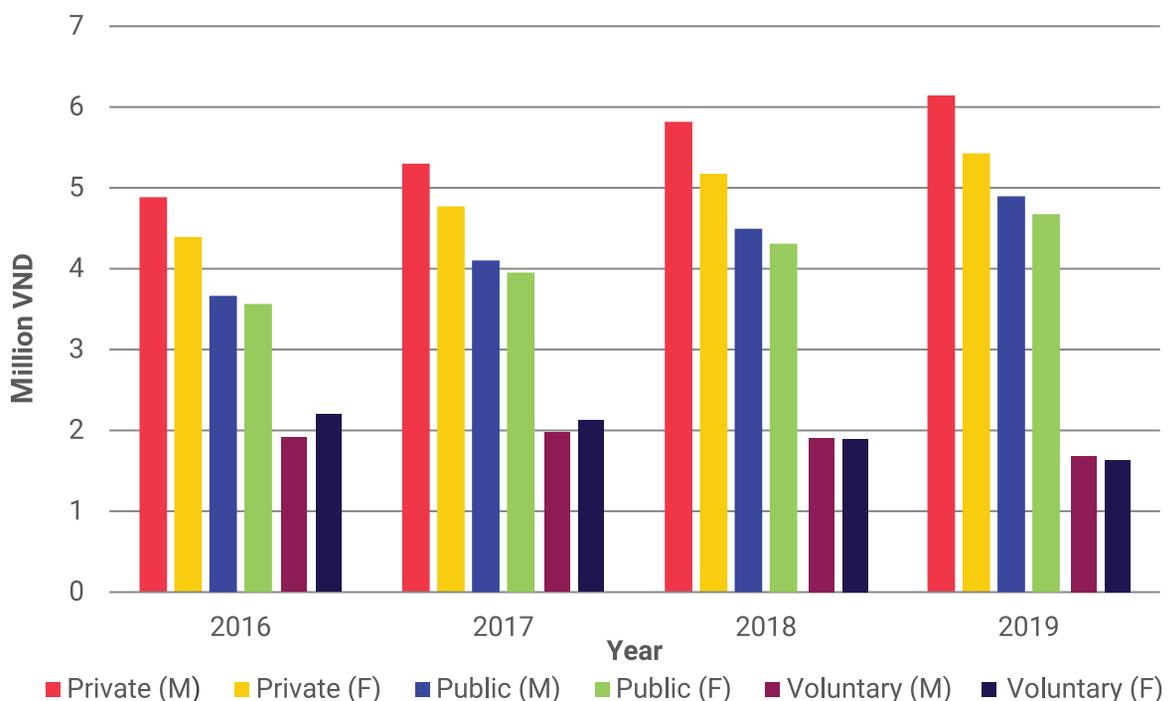
Earnings-related benefits, as used in the Vietnamese system, can reproduce wage differentials between women and men and can penalize women for their shorter work careers and lower earnings. Several factors influence the pension benefit amount that entitled women and men receive, including work trajectories and pension system rules. In work trajectories, key factors are labour force participation and earnings, as well as career breaks and retirement decisions. In pension system rules, key factors are the insurable earnings, replacement rates,

minimum and maximum benefits, and the rules for benefit indexation after retirement – all of which are discussed below. These factors jointly determine the benefit amounts that women and men can get and the gender gap in pension benefits.

### Benefit calculation: Insurable earnings for pension calculation

In Viet Nam, the pension benefit is calculated as a percentage of a reference wage, which is based on the insurable earnings that workers had over their working lives. For workers under the private sector regime, the reference wage is equal to the average insurable earnings of the entire period of insurance, indexed in line with the consumer price index (CPI)<sup>14</sup>. For workers who joined before 1995, it takes the last five years' insurable earnings indexed with the basic salary's increase. The reference wage for workers in the State sector gradually shifts to full career earnings (for workers joining as of 2025) and CPI indexation (for workers joining as of 2016)<sup>15</sup>.

**Figure 2.6 Monthly average insurable earnings, by group of participants, Viet Nam, 2016–19 (Million VND)**



Source: ILO estimations, based on data from the VSS.

Insurable earnings are very important for future pension amounts. Existing data indicate that for women working in the private sector, insurable earnings were lower than for men by between 10 and 11.6 per cent between 2016 and 2019 (figure 2.6). In the public sector, the difference between women and men's insurable earnings is less pronounced, between 2.7 and 4.5 per cent in the same period. In relative terms, insurable earnings for women in 2019 are between 1.3 and 1.9 times the minimum wage (regions 1 to 4) and 3.6 times the basic salary in the private sector; in the public sector, they are between 1.1 and 1.6 times the minimum wage and 3.1 times the basic salary.

<sup>14</sup> Law 58/2014/QH13, articles 62.2 and 63.2; Decree 115/2015/ND-CP, article 10; ILO 2020a.

<sup>15</sup> Law 58/2014/QH13, articles 62.1 and 63.1; ILO 2020a.

It's a common practice among non state-owned enterprises to develop a pay scale or a payroll that allows low SI premiums. Employees themselves prefer it that way.

▶ **Mr D., human resources manager,  
Bac Giang Province**

There are two types of salaries recorded at my company, a social insurance salary of 8 millions, and the actual salary of 22 millions.

▶ **Ms G., 39 years old, accountant,  
Binh Duong Province**

There are nearly 100 employees in my company, out of which 65 per cent are women. Their average monthly income is 6-7 million, but social insurance contributions are only a percentage of their base wage.

▶ **Mr N., human resources manager,  
Bac Giang Province**

When I was working in B company, I only contributed 20 per cent of my pay. When I moved to the headquarters I contributed more, from 1 million it went up to 5 to 7 million a month.

▶ **Ms H., 42 years old, insurance broker,  
Binh Duong Province**

Previous ILO reports have pointed at a problem of **under-declaration of insurable earnings in Viet Nam, which can push down the reference wage for pension calculation for both women and men, and with it, the future pension amount.** As ILO (2019a) notes, the insurable earnings must consider the basic salary plus wage-related allowances and any other additional amounts (such as position and location allowances), but in practice employers and workers tend to under-declare earnings in order to reduce the contribution burden. This has implications for future pensions: if insurable earnings are lower than real earnings, effective replacement rates can be lower than established in the legal framework, reducing both women's and men's pension entitlements.

On the other hand, in a context of real wage growth, the indexation of past insurable earnings following the evolution of CPI reduces their relative value compared to current wages, lowering the reference wage and the pension benefit that workers obtain at retirement for both women and men. The gender impact depends on how work and contribution records distribute over the life course for women and men. For instance, if women work at early ages and then drop out of the labour force due to childbirth to re-enter after the children have grown up, the first years of work and earnings are worth relatively less. The data presented in figure 2.6 above shows that women are indeed more insured at young ages, although given the intense use of termination lump sums (see below), it is not clear how much of those early credits remain in the system for future pensions.

### Benefit calculation: Replacement rates

In Viet Nam, the Social Insurance Law establishes a basic replacement rate of 45 per cent for the first 15 years of contributions for women and 20 years of contributions for men, which increases with each additional year of contributions up to a maximum of 75 per cent of the reference salary. Up until 2017, both women and men obtained 45 per cent for the first 15 years of contributions, but the accrual rate for contribution years after 15 was 3 per cent per year for women and 2 per cent for men. Decree 153/2018/NĐ-CP reduced this accrual rate for women to 2 per cent starting on January 2018<sup>16</sup>. It also established that men reach the basic replacement rate of 45 per cent after the first 20 years of contributions (rather than the first 15 years, as before). The maximum replacement rate remains the same for women and men, but women get it with 30 years of contributions, and men with 35 (table 2.7).

**Table 2.7 Pension replacement rates per year of contributions, by sex, Viet Nam**

Number of Years of Contributions	Yearly increase in replacement rate	
	Men	Women
1–15	2.25	3.00
16–20	2.25	2.00
21–25	2.00	2.00
26–30	2.00	2.00
31–35	2.00	0
35+	0	0
<b>Years of contribution required to reach a replacement rate of 75 per cent</b>	<b>35</b>	<b>30</b>

Source: ILO estimations, based on Law 58/2014/QH13.

As a result, **women can get a higher replacement rate than men for the same number of years of contributions**. Under the old rules, a woman retiring with 20 years of contributions would obtain a replacement rate of 60 per cent, compared to 55 per cent for men; under the new rules, women will obtain 55 per cent and men 45 per cent. Under the new rules, it will take longer for both women and men to reach that maximum replacement rate of 75 per cent, but women will reach it within five contribution years less than men.

These differential rules may partly compensate for the shorter and more interrupted working careers that women have, as well as for their lower earnings. In earnings related systems, benefits reflect earnings gaps – producing lower benefits for all workers who have lower earnings, including women. Hence, differential replacement rates can partly reduce the gender gaps in benefits that would otherwise prevail. Other instruments, such as care credits, operate in a similar direction. Differential replacement rates and care credits are not mutually exclusive, but complementary: higher accrual rates include all women independently of the number of children they have, thus also including childless women. Moreover, higher accrual rates at the beginning of the working life (in the first 15 years for women and the first 20 years for men) can benefit all workers with short working histories, including those coming in and out of formal employment.

While differential benefit calculation rules help compensate for pre-existing inequalities, compensatory measures must be carefully designed to avoid reproducing traditional gender roles and the unequal distribution of care duties between women and men (this also applies to care credits, as discussed below in section 3.2.4). In particular, this means avoiding incentives for women to stay out of the labour force (which does not seem to be the case under the current system, since each year of contributions counts) as well as combining compensatory measures with policies to promote co-responsibility in care duties, foster equal pay and reduce gender segregation in the labour market, in order to overcome the root causes of gender gaps in pensions. An improvement in gender equality in the family and in the labour market can also bring more gender equality in the pension system, and at some point in time make compensatory measures finally unnecessary.



### Benefit calculation: Minimum and maximum pensions

The minimum pension is a central instrument in most social insurance systems to guarantee a basic level of economic protection for pensioners. Minimum pensions can be particularly important for workers with low earnings and for those with short contributory histories, as with many women. In Viet Nam, the minimum pension is currently equal to the basic salary of the public sector (1,490,000 Vietnamese dong per month in 2019) and only pensioners in the compulsory system are eligible (ILO 2019a). This is around 1.7 times the MOLISA urban poverty line (just above 2 times the rural one), and between 36 and 51 per cent of the minimum wage, depending on the region. Although we lack data on minimum pensions' received by women specifically, given their lower earnings and shorter working lives, it is likely that women benefit most from redistributive instruments like this. Hence, minimum pension adequacy is important for gender equality. Minimum pensions must also be established by law and be subject to regular and adequate indexation to guarantee this level of protection is maintained over time. In a multi-tiered system as proposed by Resolution No. 28-NQ/TW, the minimum pensions amount and indexation rules should also ideally be coherent with non-contributory benefit amounts, to ensure integration of all components of the system (a point further discussed later in this report).

The maximum pension is another redistributive mechanism that social insurance systems commonly use. In Viet Nam, the maximum retirement pension is set at 75 per cent of insurable earnings. However, setting the maximum benefit as a replacement rate, rather than as an absolute value (in dong), reproduces the earnings distribution above the minimum pension. One option, widely used and which allows for a more progressive redistribution, is to set the maximum pension as an absolute value, determined as a number of times the minimum pension, which is also regularly indexed. Considering that women have lower earnings, this type of maximum pension can help reduce gender gaps in pensions – and is an instrument that deserves further investigation.

### Benefit calculation: Benefit indexation

Adequate benefit indexation is also essential to preserve the value of pensions over time and particularly important for women who have longer life expectancies and retire earlier. The legal framework in Viet Nam establishes that the indexation of pensions is based on the “increase in the consumer price index and economic growth to suit the state budget capacity and social insurance fund”<sup>17</sup>. In practice indexation has followed wage growth.

Around the world many countries – including most European ones – have shifted from wage growth indexation to CPI growth indexation, in order to contain future pension spending (Arza 2017; OECD 2013). In contexts of real wage growth, this can involve a loss for pensioners who spend long periods in retirement, like most women. The ILO has warned about the impact that inadequate indexation can have on benefits. In a simulation assuming both inflation and real wages grow at 2 per cent, the drop in the pension value after 20 years of receipt is 33 per cent if price indexation is applied, and 55 per cent if no indexation is applied, compared to wage indexation (ILO 2014b, 92, figure 4.14).

In Viet Nam, the impact that unlinking benefit indexation from wage growth can have on insured women should be carefully considered. Women's life expectancy at the legal retirement age (55) is 28.5 years, and men's life expectancy at their legal retirement age (60)

<sup>17</sup> Law 58/2014/QH13, art. 57.

is 19.7 years (United Nations 2019). Therefore, women are at greater risk of benefit erosion over time: considering the long periods that women spend in retirement and their lower initial benefits, adequate benefit indexation is vital for women's old age economic security. Chapter 3 below discusses this matter further.

## 2.3 Lump sum benefits

Besides earnings-related regular benefits, the Vietnamese old age pension system also offers lump sum allowances that insured workers can receive in specific situations (table II.3 in Appendix II):

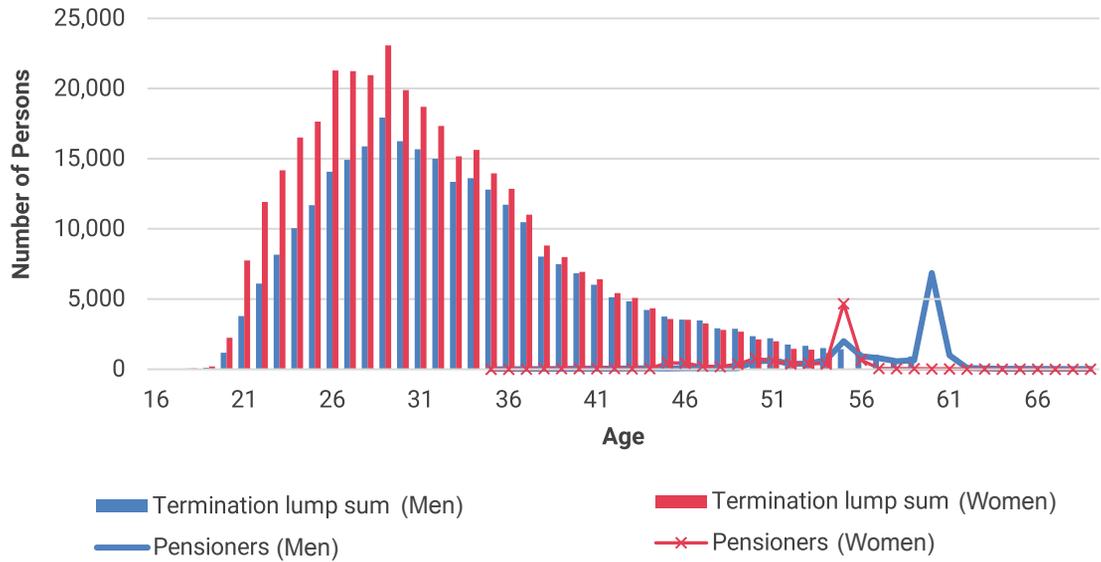
- a. **Retirement lump sum:** A retirement lump sum is offered for insured workers who reach the retirement age having paid contributions for a period exceeding the number of years required to obtain the maximum replacement rate of 75 per cent. These workers obtain both a regular retirement pension and a lump sum benefit for the years contributed in excess. In this case, the lump sum is equal to half the monthly salary base per year of contribution exceeding the number required for the maximum replacement rate.
- b. **Termination lump sum:** A termination lump sum is offered for insured workers who reach the retirement age without being eligible to a pension, who settle abroad, or who have a fatal disease. Termination lump sums can also be received by military personnel who are demobilized or have ceased working without being eligible for a pension as well as by insured persons who request it, after discontinuing social insurance payment for one year. In this case, the lump sum is equal to between 1.50 and 2 times the monthly salary base for each year of insurance (before and after 2014, respectively).

### 2.3.1 Current challenges

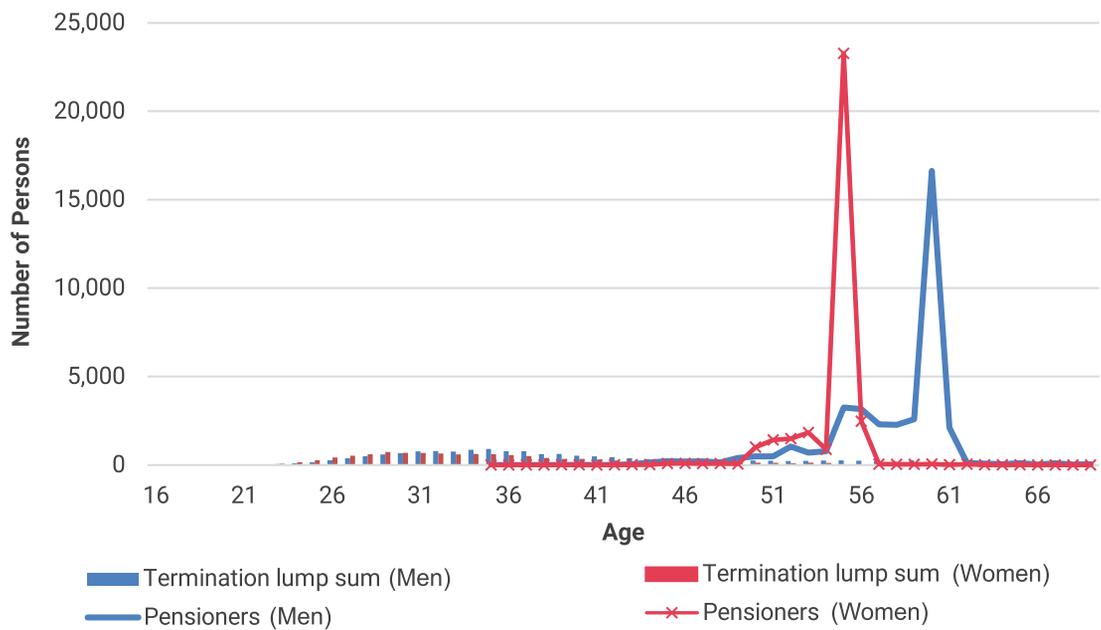
Most termination lump sums are taken by workers in the private sector (see figure 2.7 below). In the public sector, termination lump sums are less common, probably due to greater job stability. Data also show that termination lump sums are particularly appealing at young ages and among women. In 2019, about 69 per cent of termination lump sums received by women were taken before age 35 (figure 2.7). This early take-up of lump sum benefits is an expected pattern, because it is precisely at young ages when myopia about the need for a retirement pension in old age is more common. Mandatory social insurance systems are precisely conceived to avoid myopia and encourage workers to contribute in advance without waiting until older ages, when it may be too late to secure an adequate pension. On the other hand, if workers have weak expectations of building a sufficient record of contributions to qualify for a retirement pension, they may have an additional incentive to take termination lump sums. Finally, the link between termination lump sums' take-up and the patterns of hiring and laying off workers in specific industries where young women work also deserves further investigation.

**Figure 2.7 Number of new retirement pensions and termination lump sums, by age and sex, Viet Nam, 2019**

**Private sector**



**Public sector**



Source: ILO estimations, based on data from the VSS.

**Table 2.8 Distribution of lump sum payments, by type, sector and sex, Viet Nam, 2016–19 average (as percentage of total lump sum payments)**

Type of lump sums	Private sector		Public sector	
	Men	Women	Men	Women
Maximum retirement pension	4.0%	1.9%	36.3%	57.1%
Retirement without pension	1.4%	1.6%	2.8%	2.3%
Death non-related to work	2.1%	0.6%	16.3%	7.9%
Termination (one year waiting)	90.6%	94.8%	36.1%	29.6%
Other reasons <sup>1</sup>	1.9%	1.2%	8.4%	3.2%
<b>Total number of lump sum payments</b>	1 054 818	1 272 151	225 567	178 915

<sup>1</sup> Includes employment injury disability, employment injury death, funeral grants and other reasons.

Source: ILO estimations, based on data from the VSS.

Women make a majority of recipients of termination lump sums taken after one year of discontinued insurance. In 2016–19, women took 54.8 per cent of these benefits and received only 44.5 per cent of all new regular pensions paid. In the same period, the number of termination lump sums taken by men after one year of discontinued insurance was 4.5 times the number of retirement benefits they received in the same period, and in the case of women, it was 6.8 times<sup>18</sup>. This reflects both women's higher propensity to take termination lump sums and their lower access to regular retirement pensions.

A recent in-depth report on termination lump sums (Hong and Toan 2018) investigates their gender and social impacts and concludes that these benefits are widely taken, particularly by young women and workers with lower educational and technical qualifications (most not graduates of upper secondary education), which adversely affects their opportunities to get a retirement pension in the future. The authors also point out that the fact that the job market does not have the capacity to offer long-term employment encourages workers facing economic difficulties to prioritize immediate needs and take termination lump sums, at the cost of reducing their own future pension rights.

Moreover, even if frequent withdrawals were somehow reduced, the possibility to choose a termination lump sum instead of a regular pension remains. One-off lump sum payments present a particular challenge for the adequacy of women's benefits due to their longer life expectancy, compared to men's.

### **2.3.2 Exacerbating design features**

By design, the retirement lump sum favours workers with long careers. Women need to have more than 30 years of contribution, and men more than 35, to reach the 75 per cent replacement rate and be eligible for a retirement lump sum for the additional years of contributions. Retirement lump sums are 9.1 per cent of all lump sums collected in 2016–19

<sup>18</sup> Calculated by the ILO, based on the VSS data presented in Table 2.8.

(representing a slightly higher percentage among men than women – 9.7 per cent for men and 8.7 per cent for women)<sup>19</sup>.

The case of termination lump sums is different. The high take-up of termination lump sums after discontinued insurance for one year raises concerns for adversely affecting the accumulation of contribution records required to qualify for a retirement pension (Hong and Toan 2018). Since access to survivor benefits also requires a minimum number of years of contribution by the deceased person (see below), termination lump sums can also work against insurance for survivors. When men get a termination lump sum, they could lose both their own right to retirement and indirectly affect also their survivors' right to a survival pension, including for wife and dependent children.

Hence, the assessment of termination lump sums as a social security policy must weigh the benefits it brings to relieve workers and families from economic hardship in the event of job loss against the costs it entails for their future social security.

## 2.4 Survivor pensions

As with retirement, in the case of survivor pensions there are also two types of benefits: a regular survivor pension and a lump sum allowance. In order to get a survival pension, the deceased person must be an insured worker who has contributed for at least 15 years and did not liquidate his or her rights (by receiving a termination lump sum) or who died from a labour accident or occupational disease (LAOD), a pensioner, or a beneficiary of LAOD allowance for a working capacity decrease of at least 61 per cent<sup>20</sup>. There is no right to survival pension under the voluntary insurance system (a lump sum can be obtained instead).

The survivor pension can be received by the following survivors of an entitled worker or pensioner: (1) children, aged 0–17 or having a working capacity decrease of 81 per cent or more; (2) a widow or widower, aged 55 and above in the case of women and 60 and above in the case of men, or having a work capacity decrease of 81 per cent or more; and (3) dependent family members, aged 55 and above (women) or 60 and above (men), or having a work capacity decrease of 81 per cent or more. In order to receive the benefit, all surviving adults must not have a monthly income higher than the basic salary. The benefit is equal to half the basic salary for each eligible survivor (up to a maximum of four survivors are eligible). The survivor lump sum is paid when the conditions for receiving a survivor pension are not met, there are no eligible survivors, or eligible survivors choose to receive the lump sum. Survivor lump sums can also be received by survivors of insured workers and pensioners under voluntary insurance (for details on benefit amounts, see table II.5 in Appendix II).

Survivor pensions are a fundamental component of traditional systems of economic security in old age based on the male breadwinner model. These benefits aim to guarantee the economic protection of dependent family members in case of death of the main income earner in the household, and women are normally the main recipients. In most developed countries, widows' pensions have been a key instrument for the protection of elderly women and to ensure that the death of one of the spouses does not leave the other spouse and children unprotected. At the same time, survivor pensions have also been questioned from a gender equality perspective as a policy that tends to assume and reproduce economic dependency of women rather than encourage their economic autonomy. However, in a context when many

<sup>19</sup> ILO estimations, based on data from the VSS.

<sup>20</sup> For details see table II.4 in Appendix II.

women lack adequate pensions of their own, largely due to their labour market trajectories that are not full-time and life-long, survivors pensions remain critical for many women.

## 2.4.1 Current challenges

### Gender gaps in coverage

Table 2.9 reports the number and distribution of survivors' pensions in 2013–16 by gender of the person generating the benefit (not the person receiving the benefit). Most death benefits were generated by men. In addition, among the benefits generated by the death of entitled women, only 7–17 per cent (depending on year and sector) were regular pensions, while the rest were lump sums or funeral grants. Being younger than their husbands and having higher life expectancy may mean that women are more likely to become widows than men to become widowers. In addition, in order to qualify for a monthly survivor allowance, adult survivors must have no income or a monthly income lower than the basic salary, which may be more likely among surviving women than among surviving men. Most regular survivor pensions generated by men benefit widows (around 80 per cent in 2016).

**Table 2.9 Number of survivor benefits, by sex of deceased person generating the benefit, Viet Nam, 2013–16**

Year	No. of deaths generating survivor benefits		% of deaths generating regular survivor pensions		Type of benefit (% of regular survivor pensions)					
	Men	Women	Men	Women	For surviving spouse		For orphans		For other survivors	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
<b>Public</b>										
2013	19 128	4 911	41%	16%	72%	23%	24%	49%	39%	84%
2014	20 793	5 387	42%	16%	69%	23%	22%	45%	42%	80%
2015	20 487	5 508	41%	17%	69%	28%	21%	40%	41%	79%
2016	18 098	4 614	35%	11%	81%	47%	13%	28%	30%	63%
<b>Private</b>										
2013	17 915	6 160	32%	9%	80%	39%	14%	30%	28%	67%
2014	19 328	6 660	32%	9%	76%	33%	15%	31%	34%	70%
2015	21 845	7 755	31%	10%	76%	40%	15%	30%	32%	68%
2016	21 175	7 898	27%	7%	80%	49%	14%	32%	28%	50%

*Note: The gender refers to the person generating the benefit, not to the person receiving the benefit. Source: ILO (2020), tables 10, 11 and 12, based on data from the VSS.*

## Gender gaps in benefits and adequacy

Overall, the number of survivor pensions is low, and so is the average amount of survivor benefits, which is also similar for women and men since it is based on the basic salary for all. In contrast, survivor lump sums are based on average insurable earnings, which can create an incentive for survivors to choose a lump sum instead of a survivor pension. As with retirement, the fact that the survivor can choose between a regular benefit and the lump sum can work against the aim to guarantee income security for survivors over time.

### 2.4.2 Exacerbating design features

**In Viet Nam, survivor pensions are relatively low and few workers are entitled to them.** People whose spouses do not have a minimum of 15 years of contributions are not eligible. The age of eligibility is the same as the retirement age and there is an earnings threshold of one basic salary (equal to the minimum pension benefit) to qualify. These factors restrict coverage. On the other hand, in terms of adequacy, the survivor pension is also limited: **The benefit is not earnings related but a flat rate, and its value is relatively low at only 50 per cent of the basic salary per eligible survivor.** In addition, the fact that survivor lump sums are based on average insurable earnings can create an incentive for survivors to choose a lump sum instead of a survivor pension. As with retirement, the fact that the survivor can choose to take a lump sum instead of a regular benefit can contribute to reduce economic hardship in the short term, but may work against the aim to guarantee income security for survivors over time.



All together this means that **the survivor system is not a particularly generous one; it seems to work mainly as an instrument to ensure that women who are already in retirement age but lack a pension can get a basic benefit.** For many women, the death of the husband can produce a sharp drop in income and living standards that the social security system needs to address. The low share of survivors' pensions that are periodic benefits is also an issue of concern. These matters deserve further study to evaluate the living conditions of widowed women in various contexts and identify the policy options available to provide adequate economic protection for them, both immediately after the husband's death and over the longer term with periodic benefits. Furthermore, the limitations of the survivors' pension make it even more necessary to develop an adequate package of rights-based benefits, for both children and older adults, which is not linked to position in the family, including a universal child benefit, as proposed by McClanahan, Gelders and Ramírez López (2019), and an adequate and universal non-contributory pension, as proposed in section 3 of this report.

## 2.5 Maternity benefits

Women insured in the compulsory social insurance system have a number of social protection rights when pregnant and after giving birth. The maternity scheme offers six months of paid leave equal to 100 per cent of the average of salaries of the six months preceding the leave. Pregnant women also have the right to one day leave for prenatal check-ups (up to five times) and between 10 and 50 days leave for miscarriage. Intended mothers have a right to maternity leave until the child is six months old. In contrast, men only have five days paternity leave for childbirth (extended to 14 under special circumstances). In case the mother dies or is unable to care for the child due to postnatal risk, the father is entitled to the maternity leave until the child is six months old. The system offers a paid leave until the child is six months old in case of adoption and a paid leave of 7 or 15 days for contraceptive measures. Finally, the maternity system also pays a lump sum benefit equal to two times the basic salary to the insured mother (or if uninsured, to the insured father) for childbirth or adoption of a child less than 6 months old (for details, see table II.6 in Appendix II).



**Table 2.10 Paid leave entitlements available to mothers, selected countries, 2018  
(percentage of earnings and weeks)**

Country	Paid maternity leave			Paid parental and home care leave available to mothers <sup>1</sup>			Total paid leave available to mothers		
	Length	Benefit (%)	Full-rate equivalent	Length	Benefit (%)	Full-rate equivalent	Length	Benefit (%)	Full-rate equivalent
	(1)	(2)	(3)	(4)	(5)	(6)	(7) = (1) + (4)	(8)	(9)
Australia	18.0	42.9	7.7	0.0	0.0	0.0	18.0	42.9	7.7
China	14.0	100.0	14.0	0.0	0.0	0.0	14.0	100.0	14.0
Indonesia	13.0	100.0	13.0	0.0	0.0	0.0	13.0	100.0	13.0
Japan	14.0	67.0	9.4	44.0	59.9	26.4	58.0	61.6	35.8
Korea	12.9	80.2	10.3	52.0	28.5	14.8	64.9	38.8	25.1
New Zealand	18.0	46.8	8.4	0.0	0.0	0.0	18.0	46.8	8.4
Singapore	16.0	100.0	16.0	0.0	0.0	0.0	16.0	100.0	16.0
Thailand	12.9	100.0	12.9	0.0	0.0	0.0	12.9	100.0	12.9
Viet Nam	<b>26.0</b>	<b>100.0</b>	<b>26.0</b>	0.0	0.0	0.0	<b>26.0</b>	<b>100.0</b>	<b>26.0</b>
OECD average <sup>2</sup>	18.1	n/a	n/a	35.8	n/a	n/a	53.9	n/a	n/a

Notes: Data reflect entitlements at the national or federal level only. For country estimation details, see notes in OECD (2019).

n/a = not applicable or data no available

<sup>1</sup> Paid parental leave and subsequent periods of paid home care leave to care for young children.

<sup>2</sup> Unweighted average across OECD member countries.

Source: OECD (2019).

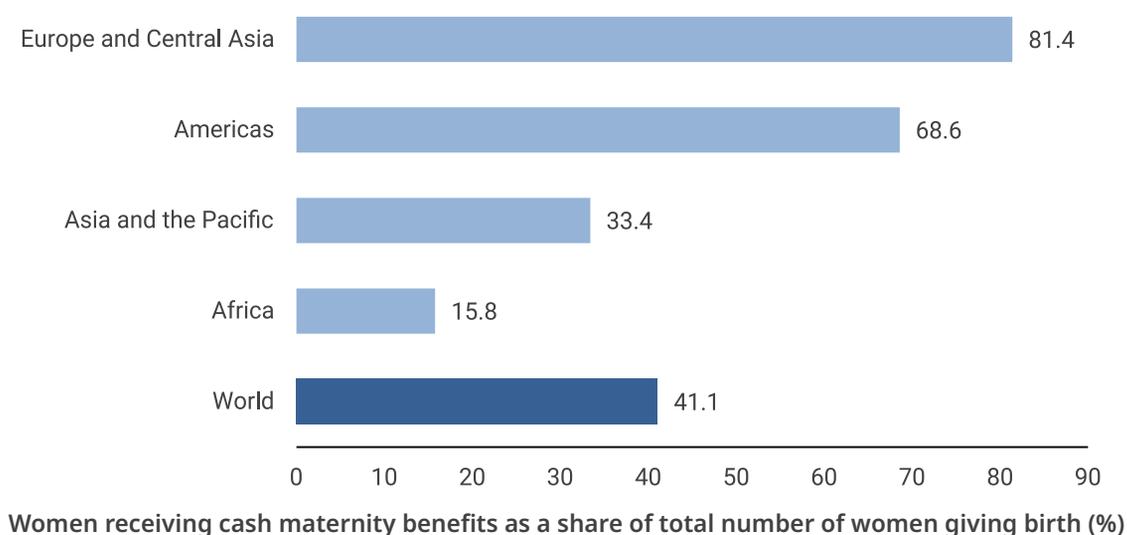
Viet Nam's maternity benefits are among the region's most generous system in terms of duration and replacement rate (table 2.10). Maternity benefits comply with ILO Convention No. 102 of minimum standards, which suggests periodic cash benefits for 12 weeks at 45 per cent of the reference wage; with the Maternity Protection Convention No. 183 of 2000, which suggests a paid leave of 14 weeks of at two thirds of previous earnings; and with the Maternity Protection Recommendation No. 191, which suggests a paid leave of 18 weeks at 100 per cent of previous earnings.

### 2.5.1 Current challenges

The **main drawback of the maternity system in Viet Nam is its low coverage**. Only workers in the compulsory social insurance system have access to maternity benefits<sup>21</sup>. Workers affiliated with the voluntary system are not covered for maternity. And most importantly, in terms of the size of the population, **a large majority of women are uninsured either because they are not in the labour force, or because they are informal wage-earners or non-wage earners**.

21 Except for women staffs in communes, wards and townships, who are part of the compulsory system but have no right to maternity leave or other short-term benefits.

**Figure 2.8 Effective coverage for mothers with newborns:  
Percentage of women giving birth receiving maternity cash benefits,  
by region, 2015 or latest available year**



*Note: Proportion of women giving birth covered by maternity benefits: ratio of women receiving maternity benefits to women giving birth in the same year. Regional and global estimates weighted by the number of women giving birth.*

*Source: Extracted from ILO (2017a), figure 3.5 and p. 32, based on World Social Protection Database, SSI; ILOSTAT, UN World Population Prospects; national sources.*

It is estimated that **in 2019, only 30 per cent of women in the labour force were covered for maternity** (that is, the share of women in the labour force that are insured in the mandatory system; see figure 2.1 above). Considering that not all women are in the labour force, the effective level of protection is lower. Coverage is higher among women in reproductive age (15–49) (estimated at 39 per cent) because social insurance participation is higher at younger ages. Focusing specifically on women with newborns, the ILO estimated that 44.5 per cent had maternity leave in Viet Nam in 2015 (ILO 2017a). This is comparatively more than the regional average in Asia and the Pacific (33.4 per cent) but considerable below other regions like the Americas (68.6 per cent) or Europe and Central Asia (81.4 per cent), where most women are entitled to maternity cash benefits (figure 2.8). In contrast, most Vietnamese women are not eligible for paid maternity leave when giving birth or adopting a child. Unlike in the case of pensions, where a (still narrow) non-contributory benefit exists, in the case of maternity uninsured women do not have a non-contributory alternative.

Thus, maternity protection in Viet Nam is segmented between a maternalist system of high protection for mothers who participate in mandatory social insurance, and no protection for the rest. **The main challenge is to extend coverage to the large population of women who currently have no access to any maternity protection.** Lack of maternity protection affects not only women's earnings and work trajectories, but also the well-being of mothers and children and of the family at large. Extending coverage seems the main urgent challenge for the maternity system from both a gender-equality and a social protection perspective.

Apart from extending access, **a second challenge of the maternity system in Viet Nam, from a gender-equality perspective, is that it focuses almost exclusively on mothers.** Indeed, the system benefits mothers with generous paid leave but assigns fathers a very limited role in childcare. The paternity leave is short and there is no parental leave option to encourage fathers to get involved in childcare. Improving paternal leave and encouraging its take-up is important in improving gender outcomes as it facilitates a better division of household and sharing tasks. The improved declaration of earnings and thus of the insurable base will be a prerequisite for the success of this and other such policies. It has been observed in other countries like Japan and the Republic of Korea, that even when paternal leave is more generous, take-up is often low. This may be partly because, like in Viet Nam, men are the higher earners, so the financial loss is greater as compensation for time off is lower than the salary. The widespread under-declaration of earnings in Viet Nam exacerbates this situation.

## 2.6 Sickness benefits

In the case of sickness, coverage is also restricted to workers affiliated with the compulsory social insurance system. Sickness benefits include paid leave for periods of sickness for work under normal and particular conditions, for diseases requiring long-term treatment, for military, for care of a sick child, and for health rehabilitation. The number of days covered per year depends on the length of insurance of each worker. For workers under normal conditions, the sickness leave ranges from 30 days for workers with up to 15 years of insurance, 40 days for workers with between 15 and 30 years of insurance, and 60 days for workers with more than 30 years of insurance. For workers under particular conditions, the sickness period is 40, 50, and 70 days, respectively. In all cases, the sickness benefit is equal to 75 per cent of the insurable salary (except for the military who receive 100 per cent, and for the sickness benefit for health rehabilitation that pays 30 per cent of the basic salary) (for details see table II.7 in Appendix II).

### 2.6.1 Current challenges

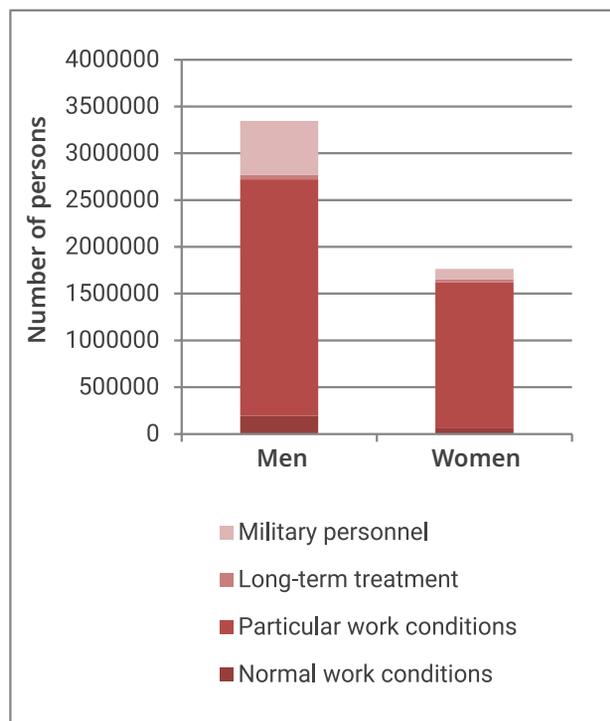
**The main limitation of the sickness system is the same as with the maternity system: low coverage.** In 2019, an estimated 30 per cent of women and 21.3 per cent of men in the labour force were covered (that is, workers affiliated with the mandatory scheme), as presented in figure 2.1 above. Providing economic protection in case of sickness to informal wage-earners and non-wage earners is not an easy task. In Viet Nam, as in other middle- and low-income countries, this means that getting sick can have considerable impacts on the work and earnings trajectories, and bring economic hardship to entire families. As with maternity, for these workers, getting sick may mean a sharp income decline with no buffers to prevent poverty other than family support. Pressing needs may also push many of these workers to continue working while sick, putting their health at further risk.

The distribution of sickness benefits between women and men and between sectors is presented in figure 2.9. **Women have higher coverage but account for considerably fewer sickness benefits taken up each year than men.** Most benefits are taken in the private sector (which makes 90 per cent of all claims presented in figure 2.9). In the public sector, the distribution of claims between women and men is similar; the main difference occurs in the private sector, where men take almost twice as many benefits as women.<sup>22</sup> Overall, women receive 36.2 per cent of all sickness benefits paid. The reasons for this require further investigation – a possible explanation may be a higher proportion of male workers in heavy, hazardous or dangerous occupations.

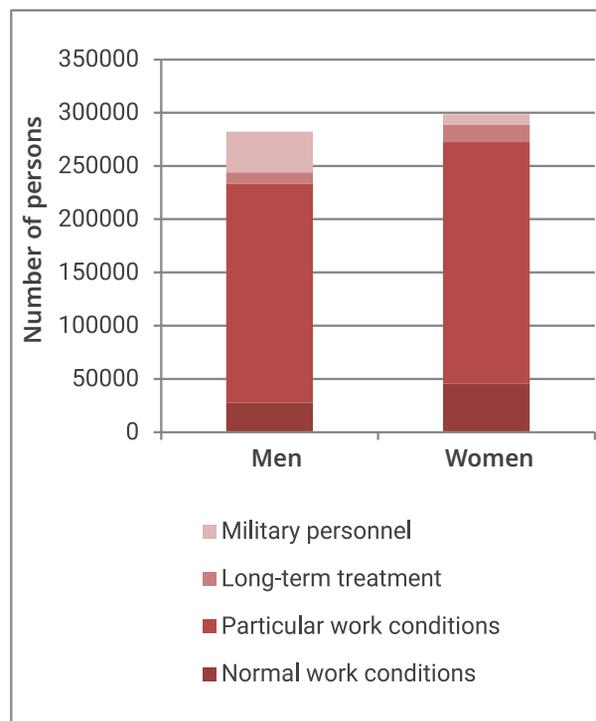
22 *Further research on the operations of the sickness benefit is required to understand the reasons behind this disparity. It would be important to assess if the hazards women face are currently not adequately covered by sick leave.*

Figure 2.9 Number of sickness benefit awarded, by sector and sex, Viet Nam, 2015

### Private sector



### Public sector



Source: Estimations from ILO (2020), table 15, based on data from the VSS.

## 2.6.2 Exacerbating design features

Differences in the length of the sickness leave based on the length of insurance can generate gender inequality given the shorter paid work careers that women tend to have, compared to men.

The Social Insurance Law also establishes that insured women and men have the right to sick leave of up to 20 working days if the child is under 3 years old<sup>23</sup>, or 15 working days if the child is between 3 and 7 years old. These maximum periods are per child per year. Although the Social Insurance Law makes both father and mother entitled to take the leave, as reported in UN Women et al. (2018), the Labour Code restricts this leave to female workers only, reinforcing gender norms<sup>24</sup>.

<sup>23</sup> Law 58/2014/QH13, art. 27, and Circular 59/2015/TT-BLDTBXH, art. 5.

<sup>24</sup> Labour Code 2019, art. 141.

▀▀ I started working at the age of 20, removing shells of cashew nuts. No insurance whatsoever, I didn't know it existed back then. It would have been good if I had social insurance for the past 13 years. I've heard that contracted workers like me would be given nothing when we retire.

▸ Ms H., 45 years old, own-account worker,  
Binh Duong Province

### ▸ 3. Towards an integrated, inclusive and gender equitable social insurance system

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Chapter 2 of this report laid out in detail the current challenges facing the social security system from a gender perspective as well as the way in which gender outcomes depend on the gender profile of labour markets and on system rules that determine eligibility conditions and benefit calculations. It is evident that existing gender inequality in the Vietnamese social insurance system is the result of specific characteristics of women's lives that are not adequately considered by the social insurance system. The upcoming revision of the 2014 Social Insurance Law could be an opportunity to promote measures to enhance gender equality in the design and implementation of the various branches of the system.

**Several of the measures proposed in Party Resolution No. 28-NQ/TW and the MPSIR can have positive effects on gender equality, which will depend on specific design features not yet specified in existing legal instruments.** Indeed, policy design is crucial to materialize the goal of gender-responsive social security systems. This section focuses on design features that matter for gender equality, including recommendations to make the social insurance system in Viet Nam more responsive to the needs of women and better prepared to deliver gender equitable outcomes.

Beyond the specific social insurance design features discussed below, it must be noted that gender equality in socio-economic protection and well-being requires **policies that go beyond social insurance, and offer an integrated response to the multiple needs and risks faced by women over the life course. This includes gender-sensitive social insurance systems, but also labour market policies, high quality public services and policies to better reconcile paid work and care, including public childcare systems.** Each of these policies can help meet specific needs, reinforce each other and bring additional gains for social protection outcomes and for the well-being of women in the multiple roles they play over life – as daughters, mothers and wives, as workers and as pensioners.

Reforming the social insurance policy to make sure social insurance is a main pillar of the social security system, step by step expanding firmly the coverage of social insurance, towards the goal of social insurance for all. Developing a diversified, multi-pillar, modern and internationally integrated social insurance system with principles of contributing-benefiting, equity, equality, sharing and sustainability. Enhancing the capacity, effectiveness and efficiency of state management and developing a streamlined, professional, modern, reliable and transparent organizational system to implement social insurance policy.

- ▶ **Overall objective of Resolution No. 28-NQ/TW of 2018 (translated)**

### **3.1 Reform proposals**

A social insurance reform is currently on the agenda of the Vietnamese government. In 2018, the Party promulgated Resolution No. 28-NQ/TW to guide future social insurance reforms and the Government developed an Action Program for the implementation of that Resolution (Resolution 125/NQ-CP in 2018). These instruments established the objective to develop a multi-pillar social insurance system that is integrated and modern and that combines the contributory principles with the principles of equity, equality, sharing and sustainability. The reform also aims to increase the number of informal sector workers participating in social insurance, to modify the qualifying conditions to enjoy old age pensions in a flexible manner, expanding compulsory insurance to cover other groups of people, and revising pension benefit indexation mechanisms (box 3.1). The social assistance system is also going through a process of reform with a plan for expansion, the Master Plan on Social Assistance Reform and Development (MPSARD), as stipulated in the Decision 488/QD-TTg of 2017.

**Resolution No. 28-NQ/TW established that the guiding objective for social security reform is to expand coverage of the population, particularly of workers in the informal sector, “towards the goal of social insurance for all”.** The targets for 2030 are to reach a coverage rate of 60 per cent of the working population in the social insurance system, and ensure that 60 per cent of the population in normal retirement age receives a pension (social insurance or social allowance), 5 per cent of the labour force participate in voluntary insurance, and 45 per cent of working population is covered by unemployment insurance, as shown in table 3.1.

**Table 3.1 Coverage targets of Resolution No. 28-NQ/TW and the Government's Action Plan, Viet Nam (percentage)**

Coverage target	Up to 2021	Up to 2025	Up to 2030
Working age population participating in social insurance schemes	35.0	45.0	60.0
Labour force accounted for by farmers and workers in the informal economy participating in voluntary insurance	1.0	2.5	5.0
Working age population in unemployment insurance scheme	28.0	35.0	45.0
Persons above normal retirement age entitled to a pension, monthly insurance benefits and social allowances	45.0	55.0	60.0

Source: Resolution No. 28-NQ/TW and Resolution No. 125/NQ-CP.

The government's reform plan portrays the orientation of reforms to come, including both the objectives and the reform measures that are being considered. However, at the moment there is no final decision on the specific parameters that will be implemented (such as the benefit indexation formula or the value of accrual rates), which are key to determine outcomes. **This section of the report presents a gender assessment of the various policy options currently on the table and makes recommendations** for the best reform measures Viet Nam could implement to promote gender equality.

## 3.2 Old age pensions eligibility rules

This section details how the specific rules of the Vietnamese old age social insurance pensions shape women's access – or lack thereof – to benefits and estimates the impacts that alternative reforms options.

### 3.2.1 Contribution requirements

- ▶▶ Amending the qualifying conditions on old-age pension entitlement toward gradually reducing the minimum number of years of social insurance contributions from 20 years to 15 years, towards 10 years with appropriately calculated level of monthly pension in order to create conditions for elderly workers, who would have had fewer years of social insurance contributions, to access and enjoy social insurance benefits.

▶ Resolution No. 28-NQ/TW of 2018, title III.2 (translated)

**According to the 2014 Social Insurance Law, in order to qualify for a retirement pension, workers must have a minimum of 20 years of contributions<sup>25</sup>.** As shown in section 2.2.2 above, while the contribution records of all workers in Viet Nam are low, women have shorter contributory histories than men and retire with fewer pension credits. On average, men have four additional years of contributions compared to women. This key difference has a large impact on both coverage and benefit amounts, since benefits are calculated taking into account the number of years effectively contributed (partial compensation for this, in the form of higher accrual rates for women, currently exist and are discussed further below). Lower contribution records are the result of lower labour force participation – more part-time or interrupted working careers – which result from more time dedicated taking care of others.

In Viet Nam, the current minimum requirement of 20 years of contributions is harder for women to meet than it is for men (see section 2.2.2 above). On this matter, Resolution No. 28-NQ/TW is very clear, proposing to reduce the minimum qualifying period to 10 years. The reduction of the period would occur in two steps: a first reduction from 20 to 15 years would apply in 2024, and a second reduction from 15 to 10 years would apply in 2028. The rest of this section examines the impact of this proposal on the proportion of women who qualify for a pension and the value of their benefits.

Under the current Social Insurance Law, the only option for workers who do not meet the contribution requirement is to take a termination lump sum; thus, we also assess how many workers who withdrew lump sums over the past five years could have qualified for a pension if at the time, the minimum requirement had been set at 15 and 10 years, respectively. The results are shown in table 3.2 below.



**Table 3.2 Profile of contributors who withdrew lump sums, by sector and sex, Viet Nam, 2016–19**

Years	Average age	Number	Average lump sum	Average reference salary	Average number of contribution years	Proportion of number of beneficiaries with at least	
						15 cont. years (%)	10 cont. years (%)
<b>Public</b>							
<i>Men</i>							
2016	39.5	32 970	32 999 106	2 673 600	6.7	8	23
2017	40.4	20 942	36 000 351	2 780 547	6.8	8	24
2018	41.0	17 341	35 069 593	2 754 498	6.7	7	23
2019	40.7	16 980	38 287 439	2 791 392	6.8	7	23
<i>Women</i>							
2016	37.6	19 887	29 202 621	2 417 930	6.4	7	22
2017	37.6	13 976	30 246 116	2 528 032	6.1	6	19
2018	37.3	11 501	31 134 382	2 570 542	6.2	5	19
2019	36.6	11 965	36 051 354	2 726 502	6.5	5	21
<b>Private</b>							
<i>Men</i>							
2016	36.3	186 218	20 140 457	2 905 983	3.8	1	6
2017	35.6	230 406	25 726 642	3 245 679	4.2	2	8
2018	35.0	286 844	29 797 865	3 590 212	4.4	2	9
2019	34.0	301 261	34 334 656	3 985 203	4.5	2	10
<i>Women</i>							
2016	34.3	253 847	18 190 693	2 792 306	3.6	1	4
2017	33.7	292 417	22 671 609	3 123 667	3.9	1	6
2018	33.0	346 164	27 410 851	3 486 473	4.2	2	7
2019	32.2	371 517	32 427 377	3 865 117	4.3	1	8

Source: ILO estimations, based on VSS data.

The data show that in 2019, just 8 per cent of women in the private sector who withdrew a lump sum had reached at least 10 years of contributions, and just 1 per cent had reached 15 years. These low numbers are explained by the fact that, on average, both men and women made withdrawals after just four years of contributions. The number of withdrawals has also increased over the past five years, and at a faster rate for women, who at the same time are becoming younger and younger at the time of withdrawal. On average, women who withdrew a termination lump sum in 2019 were just 32 years old. **This suggests that as long as current patterns of lump sum withdrawals prevail, the reduction of minimum qualifying conditions will have a limited impact in increasing the number of people who retire with a pension<sup>26</sup>.**

<sup>26</sup> On the other hand, it might also reflect how low prospects for meeting minimum qualification requirements play a role when people decide to withdraw a lump sum, in which case, more achievable qualifying conditions could help.

Nonetheless, the policy might have a significant impact for that small percentage of workers who have waited longer to withdraw a lump sum. In 2019, among women aged 55 and above that took a termination lump sum, 6 per cent would qualify for a pension if the minimum qualifying period were reduced to 15 years. For men aged 60 and above, the impact would be 9 per cent. If the qualifying period reduced to 10 years, the gain would rise significantly to 26 per cent for women and 30 per cent for men. Still, in absolute terms this represents just 1,341 men and 1,736 women, which means the total pension coverage rate would not see significant gains.

Of course, there is also the expectation that reducing the qualifying period will increase the expectation of receiving a pension, encouraging fewer withdrawals. Even in this case, **the results indicate that reducing the qualifying period is only one among a set of measures that need to be taken to increase coverage.**

**Table 3.3 Number of termination lump sums in the private sector, by sex and years of contributions, Viet Nam, 2016–19**

Year	Men			Women		
	15+	55+	60+	15+	55+	60+
<b>Total number of termination lump sums</b>						
2016	186 044	10 256	5 086	253 799	7 048	1 966
2017	230 238	10 974	5 224	292 373	6 973	1 557
2018	286 697	11 770	5 171	346 142	6 950	1 354
2019	301 116	10 243	4 409	371 487	6 393	1 095
<b>Number of termination lump sums by persons with 15 years of contributions or more</b>						
2016	2 565	671	370	2 417	348	107
2017	4 584	958	430	3 570	377	73
2018	6 001	988	436	5 490	406	62
2019	6 641	864	395	5 403	356	61
<b>Termination lump sums by persons with 15 years of contributions or more, as share of total termination lump sums</b>						
2016	1%	7%	7%	1%	5%	5%
2017	2%	9%	8%	1%	5%	5%
2018	2%	8%	8%	2%	6%	5%
2019	2%	8%	9%	1%	6%	6%
<b>Number of termination lump sums by persons with 10 years of contributions or more</b>						
2016	10 543	2 216	1 301	11 327	1 491	426
2017	18 141	2 919	1 497	16 469	1 667	387
2018	25 305	3 124	1 545	24 467	1 822	344
2019	28 799	2 759	1 341	28 235	1 736	293
<b>Termination lump sums by persons with 10 years of contributions or more, as share of total termination lump sums</b>						
2016	6%	22%	26%	4%	21%	22%
2017	8%	27%	29%	6%	24%	25%
2018	9%	27%	30%	7%	26%	25%
2019	10%	27%	30%	8%	27%	27%

Source: ILO estimations, based on VSS data

**Thus, overall, the results show that among workers who have accumulated at least 10 years of contributions, a reduction of the required contribution period would significantly increase the proportion of ensured persons who would qualify for a pension. However, this is a small number of workers given that on average, people make lump sum withdrawals within four years after entering the system.** In 2019, a reduced qualification of 15 years would have benefited just 395 men and 356 women (table 3.3). The impact of this policy will be very sensitive to any changes made in the allowance of termination lump sum withdrawals. There is also the possibility that the reduced qualifying conditions might act as an incentive to delay withdrawals further as people could perceive a regular pension is within their grasp.

Resolution No. 28-NQ/TW has also put this issue on the agenda, proposing measures to make the system “stricter in terms of the social insurance lump sum entitlement”. As seen above, the withdrawal of lump sums has a real and wide impact on worker’s ability to build sufficient contribution records and qualify for a retirement pension in the future. Limiting withdrawals is essential to ensure more people accumulate sufficient contributions to qualify for pensions.

However, termination lump sums may fill other social protection needs that the system does not meet. For example, lump sum benefits may work as a kind of unemployment insurance that helps families cope with job loss or as a financial contribution for the costs of raising children. Indeed, the ILO (2019a) has argued that many people are using lump sum withdrawals to cope with flaws in other social security benefits. Thus, strengthening other policy sectors may also help reduce these withdrawals and enhance the social insurance function of retirement benefits. Policies on termination lump sums should take into consideration the entire social protection system, including the labour market opportunities for women at different ages, the patterns of laying-off by firms, and unemployment insurance available to women and men at different points of their lives.

Going back to the proposal of reducing minimum contribution requirements, a second important question is, of course, how the value of pensions will be affected by the considerably shorter contributory careers. When comparing the value of the potential pensions to those of lump sums, the projections show that qualifying for a pension under the reduced qualification period represents a greater benefit for women than for men. The simulations show that due to the differential accrual rates, it would take a longer period for men, compared to women, to achieve a replacement rate that breaks even with the lump sum. The ratio of the lump sum to the annual pension is about 6–7 for men and about 5 for women. However, the break-even point is lower than life expectancy at retirement age, meaning that pensions would have a greater total value than lump sums.

**Table 3.4 Simulation of pensions relative to lump sums**

Key pension system features	Duration of contribution (years)									
	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
<b>Replacement rate</b>										
Men	23%	25%	27%	29%	32%	34%	36%	38%	41%	43%
Women	30%	33%	36%	39%	42%	45%	47%	49%	51%	53%
Contribution years before 2014	2	3	4	5	6	7	8	9	10	11
Contribution years since 2014	8	8	8	8	8	8	8	8	8	8
Lump sum (no. of months)	19.0	20.5	22.0	23.5	25.0	26.5	28.0	29.5	31.0	32.5
<b>Lump sum (multiple of annual pension)</b>										
Men	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.4	6.3
Women	5.3	5.2	5.1	5.0	5.0	4.9	5.0	5.0	5.1	5.1

*Note: The pension formula is 45 per cent of the reference salary for the first 20 years of contribution for men and 15 for women, plus 2 per cent per additional year. If the qualification period were reduced to less than 20 years for men and 15 years for women, the replacement rate of 45 per cent would be proportionally reduced. The lump sum formula is 1.5 months of reference salary per year of contribution before 2014 and 2 months per year from 2014.*

*The ratio of pension to lump sum for 10 years of contribution (including 2 years before 2014) is calculated as follows: the monthly pension is 22.5 per cent of reference salary for men (45% x 10/20) and 30 percent for women (45% x 10/15).*

*Lump sum = 19 months of reference salary (8 x 2 + 2 x 1.5).*

*Ratio of the lump sum divided by the annual pension is 7.0 for men, or 19/(22.5% x 12), and 5.3 for women, or 19/(30% x 12).*

*Source: ILO estimations, based on VSS data.*

When reducing the qualifying period, it is also important to guarantee basic benefit adequacy (an issue addressed in greater detail below). For that purpose, **the reduction of the minimum contributory period must be combined with adequate levels of minimum pensions in all cases.** For this, it is also important to have an integrated system that coherently combines contributory and non-contributory benefits to recognize contributed years and offer adequate protection for workers with different contributory histories and for the elderly population at large.

**Reducing the minimum contributory period for a retirement pension could be an effective way to better align qualifying conditions with the working trajectories of women.** It will help women and men who make some years of contributions to the system but not enough to qualify for a pension. However, this policy will not perform at its maximum potential if frequent lump sum withdrawals during the earlier years of the contributory career continue to limit workers' capacity to accumulate even these reduced minimum contributory periods.

In the context of the COVID-19 pandemic's impacts on the labour market, reducing the minimum qualifying period can be even more important. Indeed, as mentioned above, the rise in unemployment and the reduction of the labour force among women can make some of them face still greater difficulties to accumulate the minimum contribution credits to qualify for a pension in the future. But in that same context, these workers will be most likely to make withdrawals to compensate for any loss in earnings. As noted, the lump sum withdrawals might fill a function not fully met by other branches of the social insurance system (such as income loss due to unemployment or care duties). To ensure that the global COVID-19 crisis does not exacerbate this issue and continue to affect workers decades later in the form of reduced pensions, it is important to ensure that the appropriate response mechanisms are in place so that workers do not have to resort to the last recourse of liquidating their accumulated pension rights.

In short, in order to ensure that more women can obtain a social insurance pension, access conditions should be made flexible enough in terms of contribution requirements to avoid excluding workers with short and interrupted contributory careers. Specific instruments can help compensate for the impact that having children can have on women's working careers (below).

### **3.2.2 Retirement age**

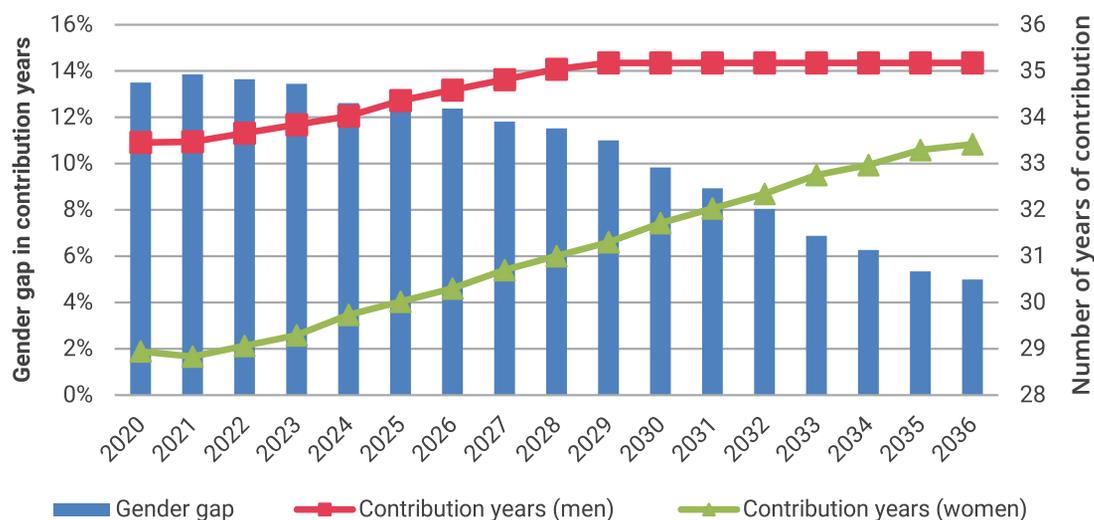
Adjusting the retirement age should have a long-term vision and phases in line with economic growth, job creation, unemployment settlement without causing negative impacts on the labour market; ensuring the quantity, quality and structure of the population; gender equality; balancing the Social Insurance Fund in the long term; population aging trends; the nature and type of jobs and between branches, occupations and sectors. From year 2021, adjusting the retirement age according to the goal on retirement age raise; narrowing the gender gap in the retirement age regulations.

#### **▶ Resolution No. 28-NQ/TW, title III.7 (translated)**

As mentioned earlier, the 2019 Labour Code (art. 169) has already increased the retirement ages of men and women and narrowed the gap between them. After a phasing-in period, the retirement age will be 62 years for men (by 2028) and 60 years for women (by 2035). Prior to this change, there was a robust public debate on the rationale behind the differential retirement ages for men and women. Arguments in favour of the increase noted that in pension systems that consider the number of years of contributions in the calculation of the benefit, retiring earlier could imply lower replacement rates for women.

ILO estimates show that under the new regulation, the gender gap in replacement rates will only fluctuate between 1 and 2 per cent<sup>27</sup>. This is because of two reasons. First, given that the maximum replacement rate continues to be set at 75 per cent, an increase in the contribution period (figure 3.1) does not translate into an increase in replacement rates (figure 3.2).

**Figure 3.1 Projected contribution records for private sector workers after retirement age increase, by sex, Viet Nam, 2020–36**



Note: The projection of contribution records and replacement rates is based on the career profile of the insured workers in private sector who retired with a pension in 2019. In 2020, the average number of contribution years is the same as in 2019, 33.5 years for men and 28.9 years for women as the status quo of normal retirement age is still applicable, i.e., age 60 for men and 55 for women. From 2021 and after, the normal retirement age increases by 3 months for men and by 4 months for women every year until reaching 62 for men and 60 for women. Those who cannot satisfy the new age criteria are assumed to continue their participation and delay retirement to the earliest possible moment.

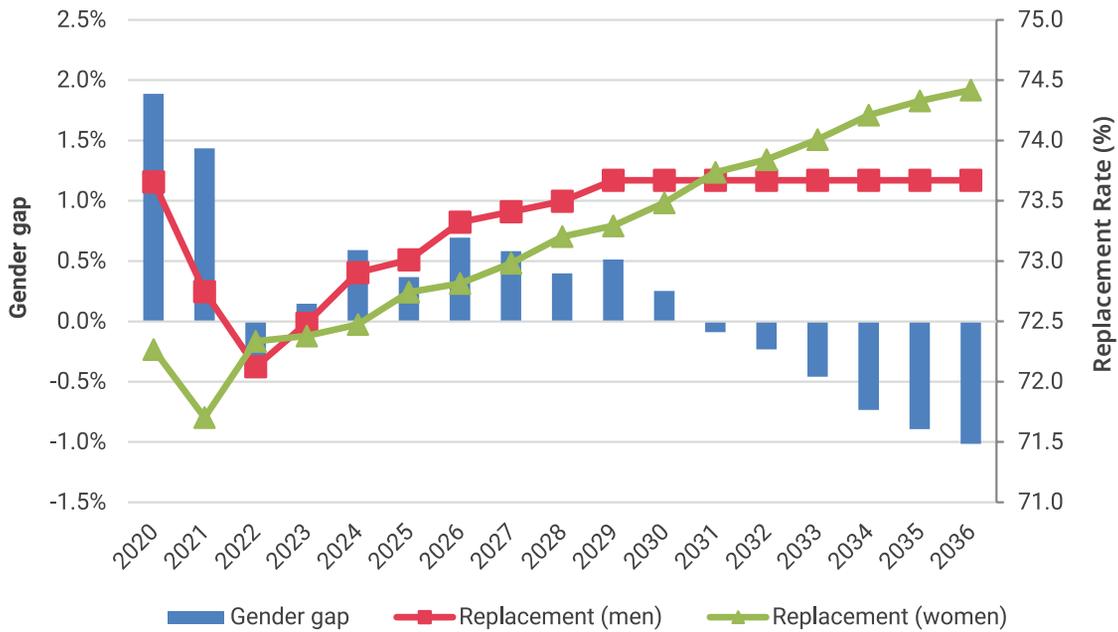
In average the increase of normal retirement age of men by 2 years results in an increase of contribution period by 1.7 years (from 33.5 to 35.2 years); the increase of normal retirement age of women by 5 years results in an increase of contribution period by 4.3 years (from 28.9 to 33.2 years). The additional contribution years in excess of the number of years necessary to acquire 75% of maximum replacement rate (34 years in 2021 and 35 years from 2022 for men and 30 years for women) do not contribute to increase the pension.

Source: ILO estimations, based on VSS data.

27 The estimations on the gender impact of the normal retirement age increase on retirement pensions were done by estimating the effect of the normal retirement age increase on male and female new pensioners in the private sector who retire without reduction of working capacity. The estimations are based on the following assumptions:

- The number of new pensioners by age in 2019 and their average number of contribution years are assumed for the years 2020–36 under the status quo (with the normal retirement age at 60 for men and 55 for women). They are based on data provided for the actuarial valuation (AR2019).
- Insured persons who cannot retire due to increase of normal retirement age are assumed to continue to work and to contribute to the social insurance scheme. The effect of increasing the contribution period beyond the period necessary for the maximum replacement rate is not captured.
- Other pension qualification conditions (other than age requirement) of the Social Insurance Law continue to apply.
- The impact of normal retirement age increase on pension amount is measured through the impact on the replacement rate.
- The reference salary of new pensioners by age in 2019 is assumed for the years 2020–36 under the status quo. They are estimated from data provided for the actuarial valuation (AR2019). No salary increase is assumed during the additional participation period due to the normal retirement age increase.

**Figure 3.2 Projected replacement rates for private sector workers after the retirement age increase, by sex, Viet Nam, 2020–36**



*Note: The decrease of replacement rate from 2020 to 2022 for men is mainly due to the increase in the contribution period to reach 45% of replacement rate: 18 years for retirement in 2020, 19 years in 2021 and 20 years from 2022. The replacement rate for women is decreasing from 2020 to 2021 because women who satisfy the retirement age criteria in 2021 (55 and 4 months) have, on average a shorter contribution period.*

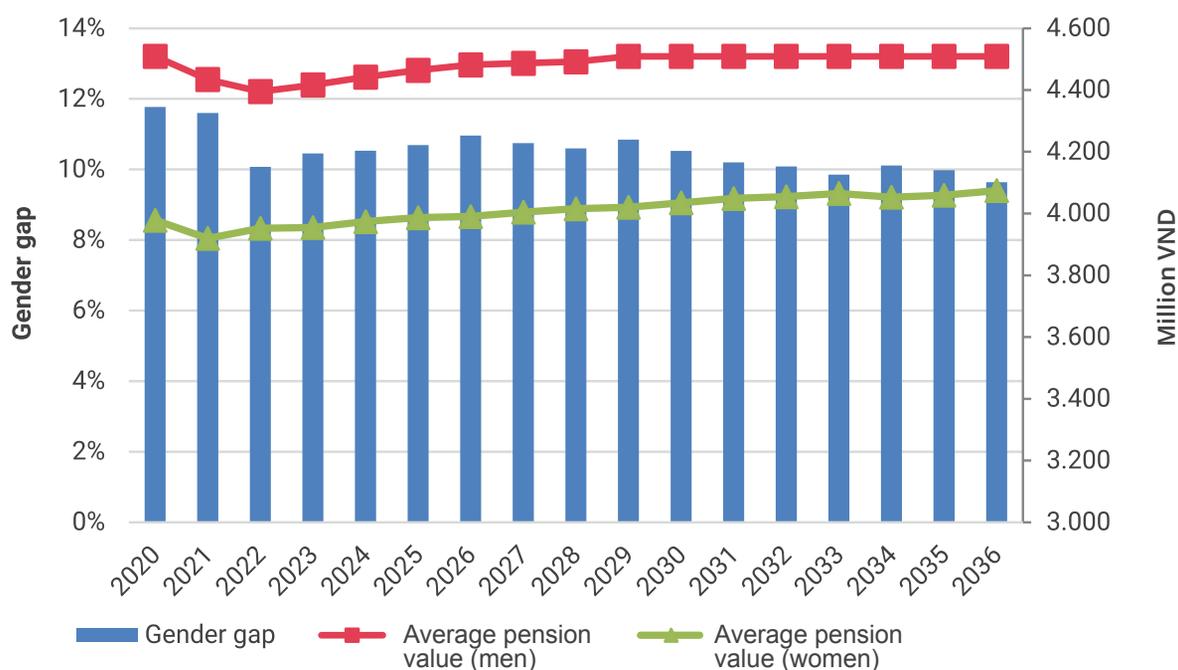
*The reduction of the gender gap in the replacement rate from 2020 to 2022 is due mainly to the deterioration of the pension formula of men. From 2022 for men and from 2021 for women until the end of the transition period of the normal retirement age, the replacement rate is increasing as those who had to postpone retirement accumulate more credits. The increase of replacement rate stops at 2029 for men while it continues for women until 2036.*

Source: ILO estimations, based on VSS data.



Replacement rates can be a little abstract, so figure 3.3 presents the impact of increasing the normal retirement age on the actual value of pensions and gender gap between men and women. We notice a small decrease in the gap from 12 to 10 per cent, which is positive, but overall not sufficient to overcome the difference.

**Figure 3.3 Projection of average pension value, by sex, Viet Nam, 2020-26**



*Note: In addition to the effect of normal retirement age increase (delaying retirement and increased contribution period), the value of pension also takes into account the change in the pension formula for men from 2020 to 2022.*

*Source: ILO estimations, based on VSS data.*

Second, and most importantly, a majority of women are leaving the VSS years before they reach their normal retirement age (figure 2.2). Those women are not captured in the estimation because they do not have a right to a pension. Until the labour market and household dynamics driving this fundamental phenomenon are addressed, the possibility of building longer contribution careers will benefit only a small proportion of women – those who still have formal employment around retirement age and wish to continue contributing, perhaps to meet minimum qualification requirements.

To be sure, this does not mean the normal retirement age should not have been increased because women are not working that late. However, it does mean that **this policy will not benefit women at large until the labour market is able to supply lifelong formal employment that allows them to build full contributory careers, and thus, it implies that additional measures are required in the short term to compensate women for the effects of the biases in the labour market.** Thus, in the context of the equalization of retirement ages mandated by the new Labour Code and the opportunity presented by the upcoming revision of the Social Insurance Law, it might be appropriate to introduce new, more effective measures to compensate women for their additional care burden. A specific proposal on this matter is presented below.

### 3.2.3 Care credits

Adjusting the way of pension calculation towards reducing the accrual rate; ensuring the balance of old-age pension funds in the long term in line with international practices. Adjusting prolongation of actual social insurance participation period of time by phases; protecting interests of pensioners based on the principle of contributing-benefiting, fairness and sharing. Continuing to review, revise and improve the old-age pension calculation formula to ensure fairness among men and women, between the state and non-state sectors; harmonizing the principles of contributing-benefiting and sharing between high-income people and low-income ones to narrow the income gap among pensioners.

► **Resolution No. 28-NQ/TW (translated)**

Care credits are a policy tool aimed at compensating women (and men) for periods spent caring for young children (or in some instances, older persons or persons with disabilities), whether by providing income protection for current carers or by recognizing unpaid care in future benefits. Many countries increasingly use this method to directly impact benefit outcomes and compensate for care work performed by women.

Resolution No. 28-NQ/TW gives a clear mandate to revise the old age pension calculation formula to ensure fairness among men and women and narrow the income gap among pensioners. The current pension formula varies by gender, as follows:

- for men (from 2022), 2.25 per cent for the first 20 years and 2 per cent thereafter<sup>28</sup>; and
- for women, 3 per cent for the first 15 years and 2 per cent thereafter.

**Table 3.5 Social insurance replacement rates, by sex, Viet Nam**

Gender and year of retirement	Replacement rate
Women	45% plus 2% per year of contribution above 15
Men retiring in:	
2019	45% plus 2% per year of contribution above 17
2020	45% plus 2% per year of contribution above 18
2021	45% plus 2% per year of contribution above 19
2022 and after	45% plus 2% per year of contribution above 20

28 *Transitional measures apply before 2022.*

Table 3.5 above outlines the replacement rates for each gender. The current benefit formula allows workers to accrue the ILO Minimum Standard of a 45 per cent replacement rate within 20 years.<sup>29</sup> Women can reach this threshold within 15 years thanks to a higher accrual rate during this period. This last measure, specifically, shows that differential rules by gender are not a new concept for the Vietnamese social insurance system. Although it is not stated in the 2014 Social Insurance Law as such, this constitutes an implicit mechanism to address women's shorter paid work trajectories in benefit calculation.

Women's increased burden of care is a fact. A large body of evidence shows that unpaid care work performed by women can have adverse consequences on their pension rights. This has led several countries to increasingly recognize specific periods of time dedicated to care of children or other family members as periods of pension contributions. **Thus, several social insurance systems in Europe and elsewhere have introduced contribution credits as an explicit instrument to compensate for the shorter careers and lower benefits of women who have children or exit the labour force to take care of others** (Bettio, Tinios and Betti, 2013; Jankowski 2011; OECD 2015).

Other countries, like Viet Nam, have instead used implicit mechanisms, where the increased accrual rate during the early years of the contributory career partly compensate for women's shorter careers and unpaid care work. However, this benefit applies to the mandatory social insurance only, and even for these women, it has not been sufficient to bridge all gaps in coverage and benefits, as section 2.2.1 above presented. Beyond this, the Vietnamese social insurance system does not have any explicit measure to recognize and compensate unpaid care work. Employed women who take an extended maternity leave in arrangement with their employers (beyond the paid maternity leave of the social insurance system) obtain no contributory records over that period. Work interruptions to take care of children or elderly family members are not compensated in any way. For workers not affiliated to compulsory insurance, there are no provisions to recognize the unpaid care they perform over the life course.

Childbearing can have adverse impacts on women's pension benefits because it affects women's labour force participation and earnings. Care credits can at least reduce these adverse impacts. As mentioned earlier in this report, in Viet Nam, periods of maternity leave are considered for pension purposes. However, maternity leave periods are not the only periods during which women care for others – indeed, children require care for a much longer period than the six months' maternity leave, and often it is women who perform that role, often combining care duties with paid employment, and making an extra effort to reconcile work and care. Given the lack of access to childcare services for small children, many women, particularly those working in industries (especially rural-to-urban migrant female workers), may have no other option but to quit their jobs to take care of their babies after their maternity leaves end.

**The incorporation of care credits in Viet Nam's social insurance system could enhance the economic protection of women in old age.** Care credits are now common in European countries, and have been increasingly implemented in pension reforms elsewhere, like in Chile and Uruguay (OECD 2015; Jankowski 2011). With a variety of specific designs, care

<sup>29</sup> *This is in theory, as the under declaration of earnings in Viet Nam means that there is a real gap between social insurance benefits and real income and consumption patterns before retirement. The issue of adequacy and generosity of the system must be understood within this context.*

credits are aimed at increasing pension rights of women who have children. Some countries tie these credits to work leave while others recognize a predetermined credit per child. In some countries, the design of pension credits includes multiple alternatives to combine work and care. Estimations for OECD countries suggest that pension care credits reduce gender gaps but do not eliminate them: work interruptions by women continue to generate lower pension for them, and the effective impact depends on the generosity of the program (OECD 2015).

In the case of Viet Nam, care credits can also work as an incentive to encourage women to maintain their contributions in the system for retirement, rather than withdrawing termination lump sums, because they increase their chance to effectively meet the qualifying conditions to get a pension. Considering the large share of women who work in the informal economy, care credits could also be extended to them, ideally as a top up to the social pension. Care credits can have multiple designs. The specific choice must consider labour market patterns and gender gaps, as well as budget possibilities existing in the country. Below, we estimate the impacts and costs of a care credit that is:

- (a) available to all women, regardless of whether they are insured or not;
- (b) provided for each child born alive and each child adopted;
- (c) independent from whether labour force participation continued or not after the child was born;
- (d) equal to 2 per cent of the reference base per credited year; and
- (e) financed from the social insurance fund for insured women and tax-financed for uninsured women.



Box 3.1 below lists the design parameters of a potential care credit scheme for Viet Nam.

**Box 3.1.**  
**Design features of care credit options for Viet Nam**

Eligibility criteria and benefit levels are some of the key design features of a potential care credit scheme. The options presented in this report include as some of the main eligibility criteria:

- Insured and uninsured women who had at least one child born alive or who adopted a child are eligible.
- There is no requirement to stop employment after the child is born to be eligible.
- The care credit can be received together with the retirement pension at retirement age in the case of insured women, or at the age of receipt of social pension in the case of uninsured women.

Other key features of the potential care credit schemes options presented below include:

- Length of the care credit (estimations include three alternatives: 6, 12 and 18 months per child).
- The care credit obtained contributes to the minimum contributory period to qualify for a social insurance pension.
- The care credit also contributes to increasing the benefit with an accrual rate of 2 per cent of the reference base per every 12 months of credit received.
- For insured women, the care credit can take the total pension above the 75 per cent threshold.
- Options for the reference base include reference salary basic salary and rural poverty line.

Estimations consider care credits with different levels of generosity in terms of the length of the period credited (6, 12 or 18 months per child) and the reference base for calculation (insurable earnings, basic salary or rural poverty line). For insured women, the care credit helps them reach the minimum contributory period and increases the pension benefit (which can go above the 75 per cent threshold of insurable earnings). For uninsured women, the care credit is designed to complement the social pension.

**Table 3.6: Insured women: Estimated impacts of multiple care credit options on pension benefits and gender gaps in pensions, Viet Nam, 2019**

Sector	18 months per child		12 months per child		6 months per child		Without care credits
	Reference salary	Basic salary	Reference salary	Basic salary	Reference salary	Basic salary	
<b>Estimated increase in average pension with care credit</b>							
Private	8.9%	2.0%	5.9%	1.4%	3.0%	0.7%	
Public	8.1%	1.3%	5.4%	0.9%	2.7%	0.4%	
Public and private	8.3%	1.4%	5.5%	0.9%	2.8%	0.5%	
<b>Estimated gender gap in pensions</b>							
Private	1.5%	7.3%	4.2%	8.1%	6.8%	8.8%	12.2%
Public	16.0%	21.0%	18.1%	21.4%	20.1%	21.8%	19.4%
Public and private	8.7%	14.5%	11.1%	14.9%	13.4%	15.3%	15.7%

*Note: See estimation details in notes to figure 3.4 below.*

*Source: ILO estimations, based on data from the VSS.*

Table 3.6 presents the results for multiple care credit options for insured women. **These credits would benefit women who receive a social insurance pension at their specified retirement age;** this is currently 16 per cent of women aged 65 and over (table 2.1 above) and is expected to rise following abovementioned government reform aims. **Estimations suggest that, on average (in mandatory and voluntary systems), women’s pensions can increase by 8.3 per cent under the most generous scenario** (a care credit of 18 months based on the reference salary). For shorter periods of care credits, the increase in benefits drops to 5.5 per cent in average (12 months) and 2.8 per cent (6 months). Care credits that take the basic salary as the reference base account for smaller improvements in pension benefits (between 0.5 and 1.4 per cent on average depending on credit length). Focusing on gender gaps (bottom four lines of table 3.6), the estimations show that only the most generous credit can virtually eliminate the gender gap in the pensions of private workers. It also considerably reduces the gender gap in pensions of public workers. In all other scenarios, the gap diminishes but does not disappear.

**Table 3.7 Uninsured women: Estimated impact of multiple care credit options on benefit received (social pension allowance), Viet Nam, 2020**

Reference base and credit length	Average increase in benefit received (% of social pension allowance)
<b>Basic salary</b>	
18 months	34
12 months	23
6 months	11
<b>Poverty line</b>	
18 months	16
12 months	10
6 months	5

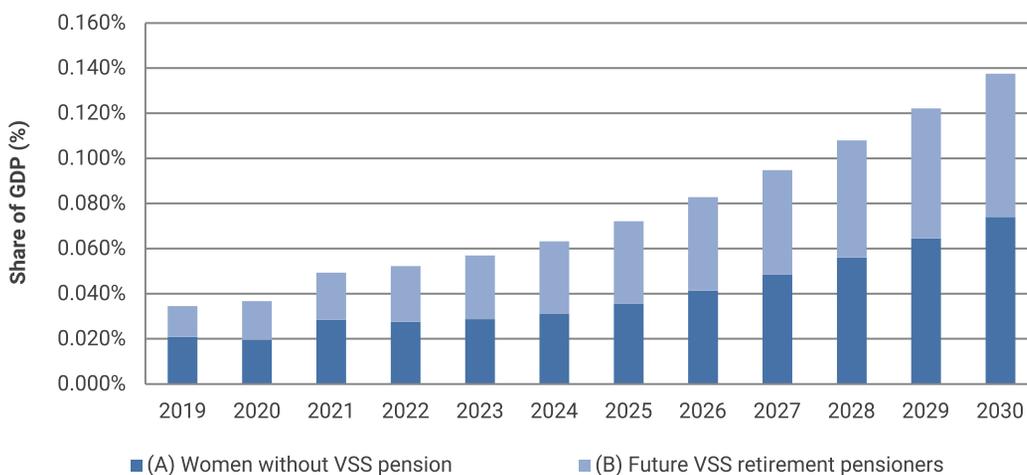
*Note: See estimation details in notes to figure 3.4 below.*

*Source: ILO estimations, based on data from the VSS.*

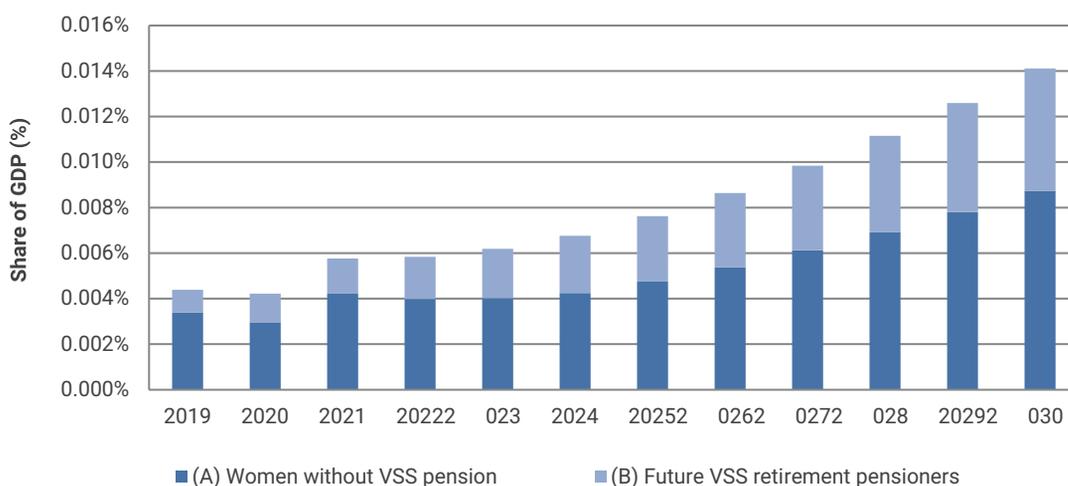
Table 3.7 presents the results for multiple care credit options for uninsured women. **Implemented with a phasing-in period together with a social pension allowance that reduces the eligibility age from 80 in 2020 to 67 in 2030, this credit could benefit 1.7 million women in 2020, rising to 4.8 million women in 2030.** The impact on the care credit is calculated as a per cent of the social pension, estimated at its current value (270,000 dong in 2020). As expected, the results show that the impact will depend on the length of the credit and on the reference base. In the less generous scenario (6 months of credit) the benefit received would increase by 5–11 per cent depending on whether it takes the rural poverty line or the basic salary as the reference base. In the most generous credit (18 months), the benefit received rises by 16–34 per cent. This increase is large because the social pension amount is modest (39 per cent of the rural poverty line). The estimates show that a care credit can substantially impact the social pension benefit amounts received by uninsured women.

**Figure 3.4 Estimated cost projections of child pension credits for insured and uninsured women, Viet Nam, 2019-2030 (Percentage of GDP)**

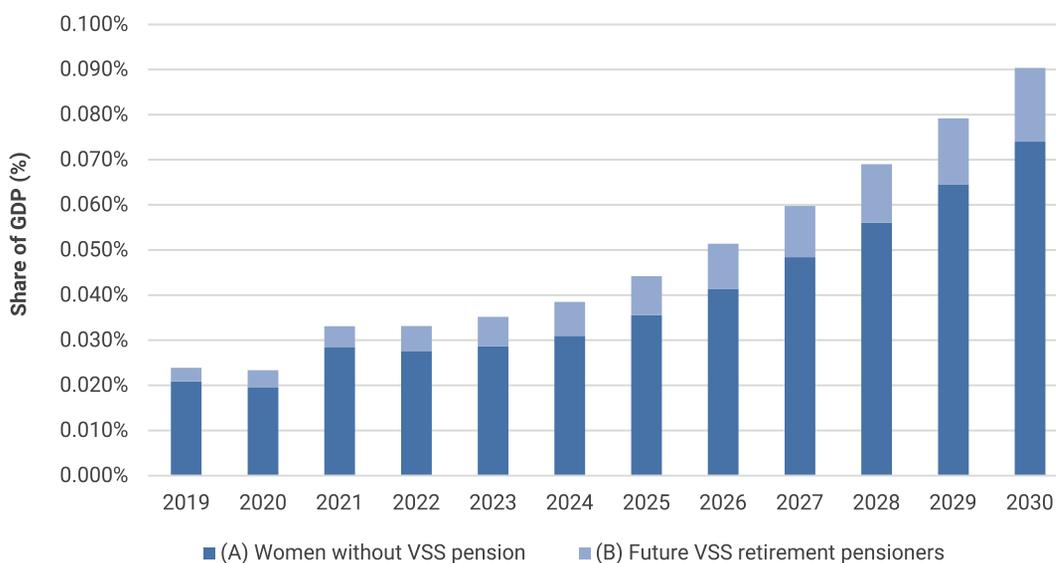
**Alternative 1 (most generous):** 18 months of credit based on the social insurance reference salary for insured women and on the basic salary for uninsured women



**Alternative 2 (least generous):** 6 months of credit based on the basic salary for insured women and on the rural poverty line for uninsured women.



**Alternative 3 (equal reference base):** 18 months of credit based on the basic salary for all women.



**Note:** *Estimations are based on the parameters in box 3.1, and assume: (1) a social pension of 270,000 dong in 2020 increasing to 360,000 dong per month in 2021, after which it is indexed with an indexation formula based on 50 per cent of wage growth and 50 per cent of inflation; (2) an average fertility rate of two children per woman; (3) a projected number of social insurance pensioners based on ILO (2019a; 2020b), which considers the status quo of normal retirement age (55 for women and 60 for men) and termination rate before retirement, and assumes a social insurance coverage rate increase to 38 per cent of the employed population over a period of 50 years; (4) a phasing in reduction of eligibility age for social pension allowances, going from age 80 in 2020 to age 67 in 2030.*

*Source: ILO estimations based on data from the VSS and parameters in box 3.1.*

Figure 3.4 focuses on the longer term costs of the care credit. As mentioned above, the costs depend on the generosity of the care credit scheme, particularly regarding the length and reference base for the calculation, as well as on coverage. In the first scenario (alternative 1), where each woman would receive 18 months of credits for each child calculated at 2 per cent per year on the insurable earnings for insured women, and on the basic salary for uninsured women, the total cost of the scheme is estimated at 0.035 per cent of GDP in 2019, rising to 0.137 per cent in 2030<sup>30</sup>. The greatest part of these costs is explained by care credits for uninsured women (0.021 per cent of GDP in 2019 rising to 0.074 per cent in 2030) who make the large majority of all beneficiaries. As a percentage of the estimated cost of the social pension (not presented in figure 3.4), care credits under this scenario are estimated at about 25.7 per cent in 2020 and 21.5 per cent in 2030. Care credits for insured women cost less at the beginning and grow over time as more entitled pensioners retire.

The second and third scenarios involve lower costs. In the second (alternative 2), the credit is for only six months and based on the basic salary for insured women and on the poverty line for uninsured women. This is the least generous scenario, with lower benefits and lower costs that situate at 0.004 per cent of GDP in 2019 and 0.014 per cent in 2030. In the third scenario (alternative 3), 18 months of credit are offered, but all women receive equal credit: the reference base is the basic salary for insured and uninsured women. In this case, costs are estimated at 0.024 per cent of GDP in 2019 and 0.090 per cent in 2030<sup>31</sup>.

The estimations illustrate alternatives for care credits – the specific design should ideally be considered in tandem with the rest of the reform measures to be adopted, in an integrated way and within the appropriate actuarial review. These estimations show that care credits can contribute to increase women’s pensions and reduce gender gaps in benefits; they can also be provided at reasonably low costs. However, they are not a magic solution for gender gaps in pensions, which are hard to completely overcome with this instrument alone. As a compensatory measure, care credits must be carefully designed to avoid reinforcing traditional gender roles and the unequal distribution of care duties between women and men. The choice to offer care credit to all women – independently of whether they leave the labour force – aims precisely at avoiding generating incentives for women to leave the labour force. That provision is also consistent with the fact that having a child can have costs on women’s working trajectories that go beyond work interruptions, including reduced working hours, lower possibilities for promotion and lower earnings, which also affect pension entitlements.

30 *Estimations assume care credits start being paid in 2016 to new VSS pensioners and in 2019 to all uninsured women receiving the social pension allowance, according to the phasing-in period mentioned above. Therefore, the number of credits paid increase over time.*

31 *In the second scenario, the cost of care credits for uninsured women as percentage of the total social pension costs are estimated at 3.9 per cent in 2020 and 2.5 per cent in 2030. In the third scenario the cost of care credits for uninsured women as percentage of total social pension costs are the same as in the first scenario.*

**In a world of gender equality, policies like this would be unnecessary. But while gender inequalities persist, these measures can help compensate for the costs that current gender roles have on women's economic protection and avoid perpetuating the cumulative disadvantages that women face over the life course.** It is a pragmatic option, while we aim for a transformative change in gender roles. Therefore, it is key to remember that care credits must be complemented with broader policies that address the root causes of gender inequalities in social security and in the labour market, strive for a better share of paid work and care in the family and overcome all types of gender inequalities that persist in the labour market. In particular, the expansion of public childcare services and shared parental leave are policies that can help promote better sharing of childcare responsibilities between families and states, and between mothers and fathers.

### 3.3 Old age pensions benefit calculation

Adjusting the way of pension calculation towards reducing the accrual rate; ensuring the balance of old-age pension funds in the long term in line with international practices. Adjusting prolongation of actual social insurance participation period of time by phases; protecting interests of pensioners based on the principle of contributing-benefiting, fairness and sharing. Indexing old-age pension relatively independent to the wage of working persons; changing the manner of adjusting the old-age pension towards a sharing principle.

#### ▶ Resolution No. 28-NQ/TW (translated)

Benefit adequacy is essential to secure economic protection in old age. Key pension system rules, such as insurable earnings, replacement and accrual rates, minimum and maximum benefits, as well as the rules of indexation after retirement, jointly determine the benefit amounts that women and men receive and the gender gap in pension benefits.

#### 3.3.1 Replacement rates and pension formula

Resolution No. 28-NQ/TW states the aim of "adjusting the way of pension calculation towards reducing the accrual rate" (III.9). In the current system, the replacement rate offered to persons with 20 years of contributions reaches 45 per cent for males (after 2021) and 55 per cent for females.

The challenge the fund faces is to reduce the cost of the system through a less generous formula, while in the short term continuing to support workers with frequent interruptions of careers (especially women) and reinforcing income distribution and expanding access.

The Social Insurance Law replacement rates took the accrual rate of women from 3 to 2 percent after the first 15 years of contribution (table 3.5). Resolution No. 28-NQ/TW proposes

a further reduction of the accrual rate without specifying the method. Recently, together with MOLISA, the ILO has analysed a number of options that would reduce the cost of the system while trying to reinforce income distribution. All options entailed equal accrual rates for men and women, and therefore the drop, compared to current rules, is larger for women. Below, we take two of the benefit formula options and simulate their impact on the final replacement rate for men and women and the gender gap in pension benefits:

- Formula A used 1.75 per cent of member's wage up to the national average wage, plus 1.25 per cent on member's wage above national average wage.
- Formula B used 1.75 per cent multiplied by half of the sum of the average national wage and the individual wage.

Both formulas have the specific objective of supporting workers with lower earnings by putting more weight on the lowest part of the salary. This is meant to promote income redistribution. Formula B is more favourable to low-income workers because of the weight that it places on the national average wage.

The simulation has been performed for the following profiles of reference salary and assumptions (table 3.8).

**Table 3.8 Profiles of reference salary for new pension formula simulations, by sex, Viet Nam (Million VND)<sup>32</sup>**

Wage type	Low	Medium	High
<b>Individual wage</b>			
Male	3,000	6,000	9,000
Female	3,000	6,000	9,000
<b>National average wage</b>			5,000
<b>Minimum pension</b>			1,500

*Note: The three profiles are expressed in terms of multiples of the basic salary of 1.5 million dong: twice for the low profile, four times for the medium profile and six times for the high profile.*

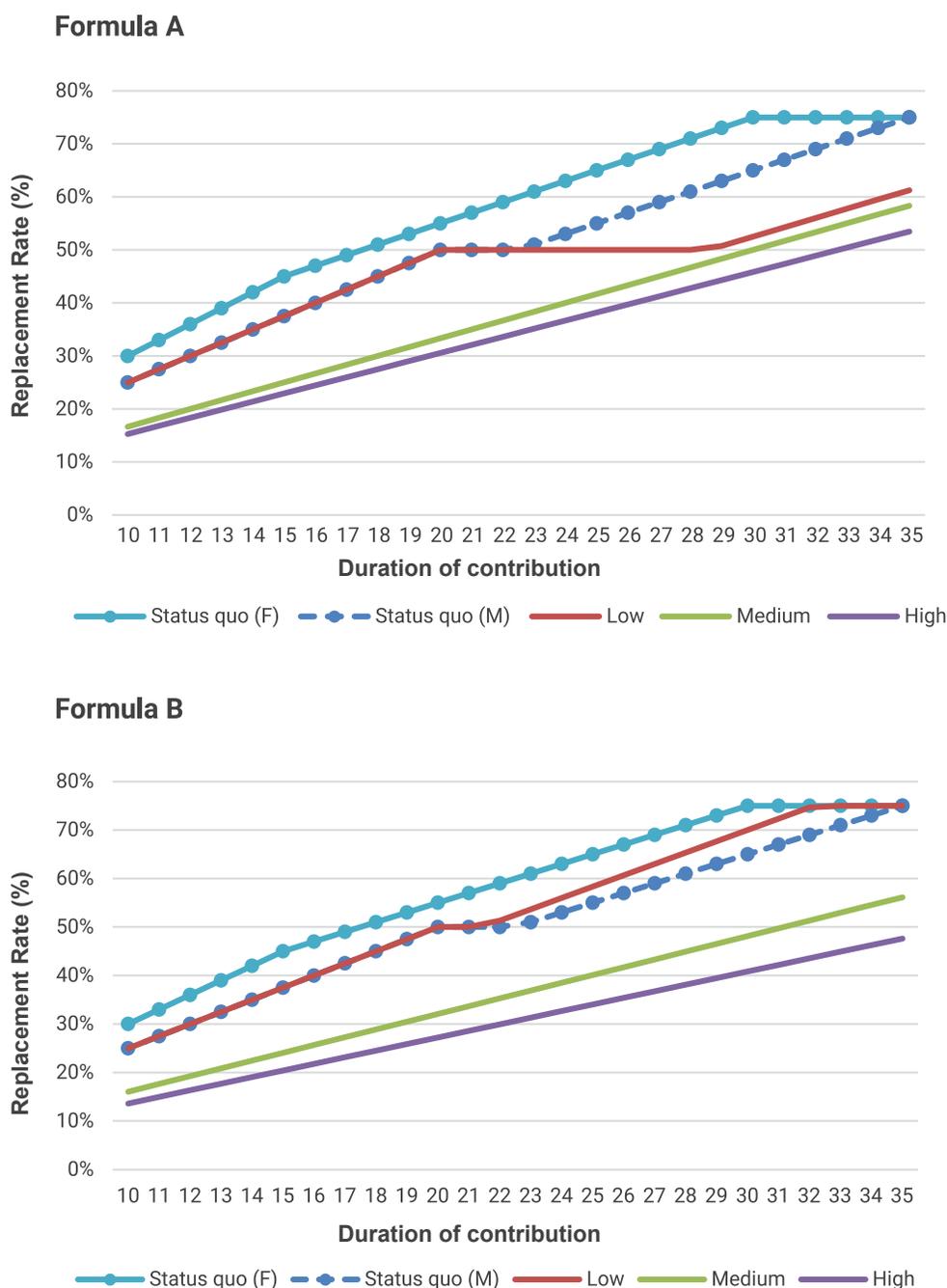
*According to data on insurable earnings in 2019, the average insurable earnings for insured persons under compulsory insurance is 5.5 million dong per month. About 5 per cent of insured persons under compulsory insurance earn more than 10 million dong and 4 per cent earn less than 3 million dong.*

*Source: ILO estimations, based on VSS data*

Figure 3.5 compares these current replacement rates with those that would result from the alternative pension formulas A and B. Because in the alternative formulas the yearly accrual rate is uniform for both men and women over the whole contributory period, workers with the same reference salary achieve the same replacement with every additional contribution year. As expected, we see formula B promotes higher replacement rates for low-income earners. However, the most evident result is the overall drop in replacement rates under both formulas, particularly for women.

<sup>32</sup> Reference values are necessary in Viet Nam because real insurable earnings are not available due to the generalized under-declaration of earnings to the social insurance system. Still, reference values could reflect the earnings gap between men and women as a way to reflect that reality.

Figure 3.5 Simulated replacement rate of pension formulas A and B compared to status quo, by duration of contribution, Viet Nam, 2019



Note: This is a simulation of theoretical replacement rates and does not consider the existing gender gap in wages and contribution credits (equal reference wage is assumed, as detailed in table 3.8).

Both of the proposed new formulas are less generous than the status quo, both for men and women of all income levels. However, as table 3.9 shows, the effect is much larger on women and thus **the implementation of pension formulas A and B would significantly increase the gender gap in pension values, from 2 per cent to 13 per cent in the public sector, and from 12 per cent to more than 20 per cent in the private sector.**

**Table 3.9 Simulated average pension value under alternative pension formula for new retirement benefits, by age group, sector and sex, Viet Nam, 2019**

Public sector							Private sector					
Men			Women				Men			Women		
Age group	Status quo	Formula A	Formula B	Status quo	Formula A	Formula B	Status quo	Formula A	Formula B	Status quo	Formula A	Formula B
<40							2.648	1.989	1.930	3.162	1.952	1.907
40-44	2.594	2.059	1.994				2.662	2.021	1.980	3.187	2.003	1.964
45-49	2.710	2.126	2.152	3.579	2.290	2.235	3.014	2.277	2.211	2.779	1.898	1.935
50-54	3.209	2.459	2.425	5.557	3.603	3.309	3.280	2.557	2.527	3.274	2.250	2.243
55-59	5.077	3.798	3.528	5.586	3.807	3.483	3.994	3.090	2.987	4.193	2.951	2.856
60-64	6.024	4.657	4.204	7.969	5.787	4.970	4.749	3.720	3.505	2.777	1.906	1.870
65-69	9.352	7.847	6.586	7.270	5.527	4.756	2.689	2.105	2.034	2.626	1.995	1.948
Total	5.662	4.344	3.954	5.569	3.761	3.444	4.228	3.296	3.149	3.700	2.574	2.524
Gender gap in pension value				2%	13%	13%				12%	22%	20%

*Note: The table excludes reduction of working capacity.*

*Source: ILO estimations, based on VSS data*

**This means that, unless contributory careers or insurable earnings increase considerably, reducing accrual rates further risks lessening the pension benefits of future generations of women, both in absolute terms and relative to their male peers.** Even explicit compensatory policies, such as implementing a child pension credit, would not mitigate the effect of equalizing accrual rates.

Thus, in a context where the adjustment of the pension formula is necessary to ensure the long term financial balance of the fund, the government should look for alternatives to the straightforward equalization of accrual rates, as this would place a higher burden of sacrifice on women than men. A proportional reduction could be one option. The specific design of the revised formula must be done within a comprehensive actuarial analysis that incorporates all broader elements and goals of the system reform, and preventing an increase in gender gaps should be a top priority among them. This is consistent with the spirit of the Resolution of “protecting interests of pensioners based on the principle of contributing-benefiting, fairness and sharing” and is another instance where differential rather than gender neutral policies are necessary.

**Table 3.10 Simulated average pension values for new benefits, calculated including child pension credits, Viet Nam, 2019**

Age range	Public sector		Private sector	
	Formula A	Formula B	Formula A	Formula B
<40			2.121	2.076
40–44			2.169	2.130
45–49	2.459	2.404	2.032	2.070
50–54	3.829	3.535	2.397	2.389
55–59	4.032	3.709	3.124	3.029
60–64	6.108	5.291	2.044	2.007
65–69	5.830	5.058	2.121	2.074
Total	3.986	3.669	2.733	2.683
Gender gap	8%	7%	17%	15%

Source: ILO estimations, based on VSS data.

Table 3.10 shows the effect of implementing the most generous child pension credit option, of granting 18 months per child under the alternative formulas. As the summary in table 3.11 outlines, this measure would reduce the gender gap by 5–6 percentage points within the public sector, but this would still be 5–6 percentage points higher than the status quo. In the private sector, the final gender gaps would vary from 17 per cent under formula A to 15 per cent under formula B, compared to the current 12 per cent.

**Table 3.11 Simulated gender gap in pensions for new retirement benefits, under alternative benefit formula, by sector, Viet Nam, 2019 (percentage)**

Sector	Status quo	Formula A	Formula B	Formula A + CPC	Formula B + CPC
Public	2	13	13	8	7
Private	12	22	20	17	15

Source: ILO estimations, based on VSS data

These results are important and a stark reminder that in a context of gender inequality in the labour market and in social and family relations, gender-neutral rules may not be sufficient to guarantee adequate social protection for women. Thus, from a gender perspective, the current proposal for the review of old age pension formulas must be followed closely to promote the continued use of gender differential policies where necessary.

### 3.3.2 Insurable earnings

In light of such potential reforms, it is important to note that if the under-declaration of earnings persists, the effective replacement rate will likely be lower than the theoretical rates as the replacement rate will be applied on a base that is lower than the earnings workers actually received. Resolution No. 28-NQ/TW includes no proposal for the adjustment of insurable earnings, as this is a matter related to the definition and composition of wages, which is regulated under the Labour Code. Since this report is being drafted as a contribution to the revision of the Social Insurance Law, it includes no proposal in that direction.

However, as outlined in section 2.2.2, the under-declaration of earnings in Viet Nam is pushing down the reference wage for pension calculation, for both men and women, and with it, the value of pensions. This is a direct challenge to one of the central goals of a social insurance pension, which is to smooth consumption between working life and retirement. Furthermore, since past earnings are revaluated per the CPI, in a context of real wage growth, the reference salary is also likely to be below previous years' earnings. Therefore, **guaranteeing that insurable earnings represent the entire wage is vital for benefit adequacy**. It is an issue that must be addressed if the country wants to have an adequate social security system with benefits that are meaningful to workers.

### 3.3.3 Indexation

Finally, indexation is vital for both contributory and non-contributory pensions. Resolution No. 28-NQ/TW establishes that the "indexing of old-age pensions [should be] relatively independent of the wage of working persons" (title III.11), and proposes "adjusting social pension allowances according to the State budget capability; the basic pension shall be adjusted mainly on the basis of the increase of the consumer price index, the capacity of the social insurance fund and the State budget" (title III.11).

As discussed above, adequate benefit indexation is important to maintain the living standards of pensioners over the retirement period. Since women spend longer periods in retirement, they are more exposed to the risk of benefit depreciation if adequate indexation is not applied. Currently, the government determines the adjustment of pensions based on the increase in the CPI and economic growth rates to suit the budget of the State. In practice, VSS pensions have generally been indexed to wage increases, as determined by the public sector base salary. This has protected pensioners against inflation and allowed them to benefit from productivity gains in the economy. However, because the number of pensioners is increasing faster than the number of contributors, it will be increasingly difficult for the VSS pension fund to afford this.

Commonly around the world, countries have begun to shift to a blend of inflation and wage indexing, or inflation only. With inflation only, pensioners may maintain the purchasing power of their pensions but will not share in the improved living standards of active workers. Currently, it is estimated that women retiring with the average benefit at age 55 get a pension that is equal to 1.3 times the minimum wage (as an average of four regions). However, if benefits are indexed only to inflation and wages continue in the current growth trajectory<sup>33</sup>, then women's average benefit could drop to 39 per cent of the minimum wage by the end of their retirement period (29 years)<sup>34</sup>. This kind of drop can be avoided through wage indexation, and would be less pronounced with a combined wage-CPI indexation, or if a smaller minimum pension applies.

For men retiring at the age of 60, a similar scenario also generates a relative drop in benefits compared to the minimum wage, but the total loss they experience over the retirement period is smaller because that period is shorter (20 years). While the absolute drop very much depends on assumptions on the relative evolution of wages and prices, this illustrates the point that **by retiring earlier and having a higher life expectancy, women are particularly at risk of benefit erosion in the absence of adequate indexation**. The low retirement ages and long life expectancies in Viet Nam exacerbate this effect.

33 *Real wage growth assumptions are taken from the ILO actuarial valuation (ILO 2020a), going from 5.1 per cent in 2021 to 2 per cent in 2060.*

34 *Based on life expectancy at retirement age as projected by the UN World Population prospects (80 years for men and 84 years for women).*

Viet Nam needs to review its indexation mechanism while at the same time ensuring that benefit adequacy is maintained. Together with the Department of Social Security at MOLISA, the ILO has developed the following reform proposal, whereby the indexation rate for pensioners who receive the minimum pension would be equal to two thirds of wage increase and one third of CPI. Such a mechanism would be appropriate if the minimum pension (for new pensioners) is equally indexed.

**Table 3.12 Impact of indexation on the gender gap, by age group and sector, Viet Nam (percentage)**

Age	Public sector average pension			Private sector average pension		
	Total	5-year indexed	10-year indexed	Total	5-year indexed	10-year indexed
<40	-42.4	-39.8	-37.4	-36.6	-34.4	-32.3
40-44	-32.5	-31.1	-29.8	-41.4	-39.2	-37.1
45-49	-11.1	-10.8	-10.4	-10.5	-10.1	-9.7
50-54	-18.4	-17.9	-17.4	-9.7	-9.4	-9.0
55-59	-24.8	-24.1	-23.5	-21.7	-21.1	-20.6
60-64	5.6	5.5	5.4	11.5	11.2	11.0
65-69	11.9	11.7	11.5	3.3	3.2	3.1
70-74	18.5	18.2	17.9	6.4	6.3	6.1
75-79	27.6	27.1	26.6	36.4	35.8	35.3
80-84	30.7	30.2	29.7	44.3	43.7	43.0
85-89	29.4	29.0	28.6	26.0	25.5	25.1
90-94	14.6	14.4	14.2	-	-	-
95-99	30.6	30.2	29.8	-	-	-
<b>Total</b>	<b>5.6</b>	<b>5.5</b>	<b>5.4</b>	<b>4.9</b>	<b>4.8</b>	<b>4.7</b>

Source: ILO estimations, based on VSS data.

- = nil or negligible.

In general, the gender gap in pensions increases with age, as shown in table 3.12. The proposed indexing formula has little effect on the gender gap because the indexation is proportional to the amount of the pension, and very few pensioners – men or women – receive the minimum pension.

Overall, indexation choices must balance the aims of benefit adequacy, cost-containment and gender equality, and pay particular attention to the oldest pensioners (above age 80) who are more exposed to benefit erosion over time and may need the greatest support. Multiple indexation formulas could also be considered for redistributive purposes, for instance, with better provisions for the minimum pension than for the rest, to ensure basic protection and redistribution. Finally, since indexation is probably shifting to a less generous formula, an adequate minimum pension will be key to protect those who live longer.

In a multi-tiered system, non-contributory benefits should ideally be indexed with the same formula as minimum pensions in the social insurance system, in order to ensure they evolve together in an adequate and coherent way.

### 3.3.4 Social pension

The state budget provides a monthly allowance for the elderly without a monthly pension or social insurance benefit. Adopting policies to mobilize social resources to pay additional contributions for the elderly, so that they can enjoy higher levels of pension or benefits; with a gradual reduction, adjusting the age qualified for entitlement of social pension allowances in line with the budget's capacity.

#### ► Resolution No. 28-NQ/TW (translated)

In addition to the social insurance old age pension discussed at length in this report – which covers 20.5 per cent of people aged 65 and above – the current state pension system also includes a tax-financed social pension to everyone aged 80 and above who do not receive the social insurance pension, leaving a very large coverage gap among those aged 60–79<sup>35</sup>. Still, the current old age pension system has a notable impact on the well-being of older persons. Together, the VSS and social pension reduce the near-poverty rate among those aged 65 and above from 23.7 per cent to 16.1 per cent (ILO 2019). However, while the social pension covers a larger percentage of the population than the VSS pension, the VSS scheme has the larger impact on old age poverty. The ILO estimates that the current social pension reduces old age poverty by just 0.8 per cent. That means that in its current design, the policy does not meet its basic objective of preventing old-age poverty. This is because of the low value and coverage of the over-80 social pension.

Over the past decades, it has become increasingly clear that contributory pension systems are not sufficient to ensure access to social security for all. This is particularly the case in low and middle-income countries, such as Viet Nam, where there is a large informal economy (ILO 2017a). As the ILO has strongly argued over past decades, a minimum social protection floor can help these countries meet the aim of universal access to social security. Furthermore, only non-contributory pensions can have an immediate impact on the economic security of older adults because the extension of social insurance coverage takes time to materialize (people have to contribute for several years in order to receive benefits) and is not always feasible or effective – as Viet Nam's experience with voluntary social insurance has clearly shown.

Non-contributory pensions are a key instrument for old age economic security across the world. Several countries offer non-contributory benefits as a basic level of economic protection to the elderly with no social insurance pensions. In Viet Nam, given that the social insurance pension covers 27.3 per cent of elderly men compared to just 16 per cent of elderly women,

<sup>35</sup> Some provinces with surplus funding offer the benefit at the age of 70 or 75. In addition, if people aged 60–79 live alone and in poverty, they can receive a social pension paid at a higher rate, but the narrow targeting applied translates into very small coverage numbers.

the tax-financed social pension is a much more relevant policy for women's protection in old age. Generally, it is an important policy for all those who had limited opportunity to contribute to the social insurance system during their working lives, such as persons with low or irregular incomes, workers in informal employment, difficult-to-reach groups such as agricultural workers, and women, who are over-represented in these groups.

As discussed above, in Viet Nam, the gap in labour market participation and earnings between women and men is narrower than in other countries, and women enjoy higher social insurance coverage as workers. However, women are currently less likely to obtain a retirement pension, and those who manage to qualify for one receive lower benefits than men, on average. Women are also more exposed to old age related risks due to their longevity and higher chances of becoming widows, all of which increases their vulnerability in the absence of a regular pension

**An adequate social pension with broad (ideally universal) access is vital for gender equality in old age security in Viet Nam.** As mentioned above, Resolution No. 28-NQ/TW and the MPSIR have set the target to increase coverage of benefits to reach 60 per cent of the population above the retirement age by developing a multi-pillar pension system, including a non-contributory pension and social insurance pension<sup>36</sup>. The system, as it stands, also features a huge gap in benefit amounts, with a social pension of 270,000 dong and an average retirement pension of between 5 and 6 million dong for women and men, respectively (table 2.3).



<sup>36</sup> Resolution No. 28-NQ/TW also includes a third pillar of supplementary market-based voluntary pensions, which is not addressed in this report. From a gender lens, market-based voluntary pensions should be carefully considered since these programs often suffer from a number of gender biases.

A number of design features are important to make the basic non-contributory pension most effective and equitable<sup>37</sup>:

- a. **A rights-based benefit:** As established in the ILO Social Protection Floors Recommendation No. 202 (2012), **basic pensions must be established by law, specifying the range, qualifying conditions, and levels of the benefits, and the source of funds.** A clear legal framework is essential for a rights-based approach that gives beneficiaries clarity regarding the specific benefits they can obtain, the criteria to qualify, the procedures to access these benefits, and complaints and appeal mechanisms available for them (Olivier 2020, 42). Thus, the social pension should be incorporated into the upcoming revision of the Social Insurance Law. Embracing a rights-based approach also means embracing the concept of universality, which has already been incorporated into Resolution No. 28-NQ/TW as “social insurance for all”. Given that the social insurance system is not able to expand rapidly, the expansion of tax-funded pensions is paramount to close Viet Nam’s old age coverage gaps. In fact, decisive expansion is needed to avoid losing ground gained. At the national level, the ILO estimates that due to the rapid pace of demographic aging, the already low coverage rate is decreasing. Even with universal coverage at age 75, the coverage rate would only reach 33 per cent of people above normal retirement age in 2030 (Ramírez López and Nguyen 2020). These results underline the need for more ambitious action in the short and medium term.
- b. **A reasonable retirement age: In terms of qualifying conditions, the eligibility age for social pensions must be consistent with real life expectancy** and take into account the age at which capacity to work decreases. Ideally, it should also be consistent with the age of retirement in the social insurance system. If the age to qualify is too high, many older adults who need support may remain unprotected. As part of the technical support to the revision of Decree 136, the ILO has projected that in order to reach the coverage aims of Resolution No. 28-NQ/TW, the eligibility age should be progressively reduced from 80 to 68 by 2030. However, the revision that is currently being considered by the Ministry of Finance is much smaller and would not be applied nationally, resulting in no significant coverage expansion. In fact, the ILO has calculated that **if no decisive nationwide expansion of the social pension is approved, the rapid aging process Viet Nam is facing will in fact result in a progressive decrease in the already low overall coverage in the coming years.**
- c. **Adequacy:** currently, the base value of the benefit is set at 270,000 dong (US\$11.60). This is equivalent to just 7.5 per cent of the average minimum wage, or 38.5 per cent of the rural poverty line. At just 5.6 per cent of GDP per capita, the benefit value is among the lowest compared with similar non-contributory benefits in middle-income countries. The low value of the transfer may also explain the continued high levels of poverty among the elderly, even though they receive the pension. In fact, the ILO has calculated that the social pension only reduces poverty by 0.8 per cent (Kidd, Gelders and Tran 2019). Without a benefit improvement and an adequate indexation mechanism, the effectiveness of this policy will only deteriorate over time. It is estimated that, by 2030, the real value of the current 270,000 dong would amount to just 160,000 dong (in 2015 prices). **Regular adjustments of the benefit level are key to maintain the purchasing power of transfers and ensure adequate pensions in the future.** The ILO has provided

37 For more details, please see the ILO’s report *Potential impacts of social pensions in Viet Nam* (ILO 2019).

technical proposals for the indexation of the social pension, but regardless of the method selected, it is important to maintain coherence between the values and indexation mechanisms of the social pension and the social insurance minimum pension, so as to avoid growing inequalities resulting from the system's own rules.

The fact that the population aged 70 and over are among the groups with the highest poverty rate in Viet Nam (only surpassed by children in ages 5–14) shows that there is much to improve in terms of coverage and adequacy of basic old age pensions (McClanahan, Gelders and Ramírez López 2019, figure 6.2; Kidd, Gelders and Tran 2019). In short, a broad and adequate non-contributory pension is a key component of a gender-equitable social security system. The characteristics of women's life courses make basic non-contributory pensions particularly relevant for them. The expansion of these benefits will be a fundamental tool to enhance the protection of older adults, and of women in particular. **The reform of the Social Insurance Law can be a key opportunity to incorporate existing social pensions into the legislation and increase their benefits and reach.** As ILO estimates show, this expansion can help meet the targets of Resolution No. 28-NQ/TW at a relatively affordable cost.

### 3.4 Short-term benefits

Researching and designing short-term social insurance packages with contributions, level of benefits and modes of payment suitable to informal workers.

#### ► Resolution No. 28-NQ/TW (translated)

As mentioned earlier, the Government has struggled to encourage voluntary participation among informally employed people, the majority of whom are women. Recent reforms have prioritized improving coverage of older persons, with good reason. However, 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. And there are no maternity/paternity benefits in the voluntary system, resulting in unequal entitlements between the two contributory systems.

At the same time, Viet Nam's current social protection benefits aimed at families and children are fragmented, unequal and incomplete. The social assistance system offers only narrowly defined benefits for certain categories of families and children in need. Not only do these systems fail to accommodate key lifecycle risks associated with family life, but they leave out millions of vulnerable families and children, particularly those in the "missing middle".

The current reform context – including the mandate in Decision 488/QĐ-TTg to introduce a child benefit for all children up to age 36 months and in Resolutions 28-NQ/TW and 125-NQ/CP to expand social insurance through a package of short-term benefits – present a key opportunity to move toward a coherent and effective set of gender-sensitive policies for families within the social security system (McClanahan, Gelders and Ramírez López 2019)<sup>38</sup>.

38 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).

In Viet Nam's emerging multi-tiered old age pension system, everyone above a certain age should have a right to receive guaranteed income support (social pension), while those who contributed to the VSS should earn entitlement to a higher level benefit (social insurance pension), thereby guaranteeing income security to everyone while maintaining the incentive to contribute. Adopting a similar model for benefits aimed at younger cohorts would be a powerful and efficient mechanism for reaching workers in the informal economy and their families, which can also be geared to promote gender equality.

### 3.4.1 Multi-tiered maternity benefits

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. Given the limited percentage covered by social insurance in Viet Nam, most women today have to rely on income pooling in the family to cope with the income loss that is produced when they withdraw from the labour force to give birth, recover and take care of a newborn baby. Paid maternity leave has long been a key component of the social insurance system for women. **These benefits provide women with time to care for themselves and for their babies, employment stability, and income security**, all of which is very important for their well-being, socio-economic position, and labour trajectories (Addati, Cassirer and Gilchrist 2014).

But as shown above, **in Viet Nam most women lack access to these benefits, and in practice have no right to economic protection when giving birth or adopting a child** (section 2.5). This means that while Viet Nam meets ILO standards regarding the level and duration of maternity benefits for insured workers, it does not meet ILO standards in terms of coverage (ILO 2017b, table 9). **From a gender equality perspective, it is crucial to give women outside the social insurance system, as well as the few that are insured in the voluntary system, the right to a maternity benefit.** While for workers in informal employment, a non-contributory maternity benefit cannot guarantee employment stability after the leave period (as maternity regulations do for workers in formal employment), it can at least provide a basic level of economic security in the first few months after childbirth.

Reform objectives presented in Resolution No. 28-NQ/TW and the MPSIR do not include any specific reference to maternity protection. However, they mention the aim of "researching and designing short-term social insurance packages with contributions, level of benefits and modes of payment suitable to informal workers" (title III.5), with a focus apparently placed on the voluntary system. However, ILO research has suggested that adding a maternity benefit to the voluntary scheme is unlikely to be sufficient to overcome the obstacles currently facing uninsured wage-earners to join and contribute (McClanahan, Gelders and Ramírez López 2019, 58).

Instead, the ILO proposes the extension of maternity benefits to all mothers of newborns as part of a multi-tiered benefit package that also includes a child benefit. **A multi-tiered maternity benefit would make maternity protection a right for all women in Viet Nam, regardless of their employment status.** The contributory benefit would replace lost income for new parents enrolled in compulsory and voluntary social insurance who would be able to maintain their standard of living during the six months following childbirth/adoption<sup>39</sup>.

*Decision No. 488/QĐ-TTg is also referred to as MPSARD.*

39 *Analysis of the Viet Nam Household Living Standards Survey 2016 indicates that, overall, 970,000 female workers had given birth in the year preceding the survey (about 4 per cent of adult female workers). Among non-wage earners, the proportion is about 3 per cent having newborns in the previous year.*

A tax-financed maternity benefit for all those who cannot afford social insurance contribution would offer basic income security for uninsured mothers, entitling them to a protection they currently lack. If it is set at or above the poverty line, it would ensure that no woman in Viet Nam who gives birth or adopts a child would fall into poverty as a result of having a child.

The cost of the maternity benefit for uninsured women is estimated at less than 0.04 per cent of GDP in 2020, declining to 0.02 per cent of GDP in 2030 (McClanahan, Gelders and Ramírez López 2019, 61). Another study estimates the cost of providing a monthly allowance equal to the basic salary for six months to all uninsured women is about 0.10 per cent of GDP over the long term, which represents less than 50 per cent of the cost of social insurance maternity benefits in the short-term, and less than 30 per cent in the long term (ILO 2019c, 22).

**Table 3.13 Estimated cost of maternity benefits, Viet Nam, 2013–46 (share of GDP)**

Year	Compulsory insurance	Extension of VSS benefit to uninsured mothers
2016	0.32 %	0.17 %
2020	0.35 %	0.13 %
2026	0.31 %	0.11 %
2036	0.24 %	0.11 %
2046	0.30 %	0.09 %

Source: ILO (2019c).

Therefore, **expanding maternity benefits to uninsured women can considerably improve the protection of women at a crucial stage in the life course at a relatively affordable cost. It can incorporate a large share of women, including the most vulnerable women working in the informal economy, protecting them and their newborn babies, for half or less than half the cost of the current maternity system that benefits a smaller number of women.**

In addition, in order to reorient the maternity system from an almost exclusive focus on mothers, Viet Nam may also **consider implementing broader parental leave to encourage fathers to get involved in childcare and promote a more balanced distribution of childcare duties between men and women.**

Parental leave, increasingly implemented in countries around the world, can be operative for that purpose. The ILO Recommendation No. 191 (paragraph 10.3) establishes that “the employed mother or the employed father of the child should be entitled to parental leave during a period following the expiry of maternity leave” (ILO 2014a, 60). Parental leave should not involve a reduction of maternity leave, which is essential and linked to the physical recovery after childbirth as well as to breastfeeding. Rather, it involves an extension of available weeks of paid leave that complement maternity leave and is more oriented to offering families time to care for the newborn baby, which can be taken by either the mother or the father.

Improving paternal leave and encouraging its take up is important in improving gender outcomes as it facilitates a better division of household and caring tasks. At present, paternal leave is significantly less generous than leave for mothers. Even where it does exist and is relatively long – for example, in neighbouring Japan and the Republic of Korea up to one year is available – take up is often low. This may be because, like in Viet Nam, men are the higher earners, so the financial loss for taking leave is greater for the family, particularly if earnings are under-declared. Leave will need to be paid at a higher level and leave periods will have to be flexible to suit the family.

There is much to gain from such policies. Fathers' access to paid leave can promote their early interaction with their children, which has a positive impact on child development as well as on breaking down traditional gender roles and promoting equality between men and women at work and at home (ILO 2014a). International experience shows a wide variety of entitlements across countries, but also an incipient trend to increasingly incorporate fathers in childbirth related benefits, especially but not only in most developed countries (ILO 2014a).

The specific design of such a policy must be analysed further when the time is right in Viet Nam, considering costs and priorities. In the case of Viet Nam, a possible first step could be to increase paternity leave from 5 to 10 days, so as to signal a way towards the modification of deeply rooted gender roles in childcare. While in Viet Nam the expansion of maternity protection for uninsured women seems to be the most urgent policy need, parental leave could start being considered as a gender equality enhancing measure for the social insurance system.

### **3.4.2 Multi-tiered child benefits**

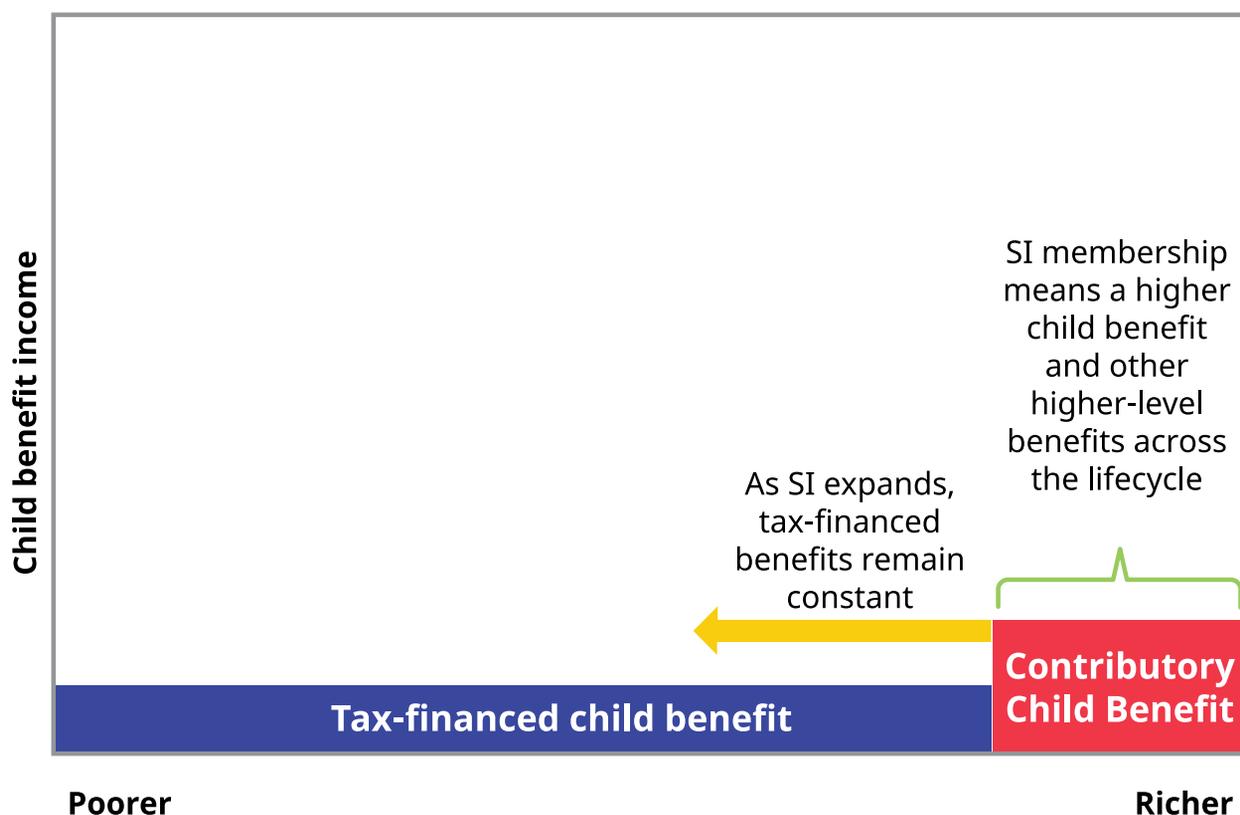
A child benefit would be a very positive incorporation to the social security system in Viet Nam<sup>40</sup>. Primarily, the direct beneficiaries would be Vietnamese children. However, a well-designed child benefit system also unlocks a variety of indirect benefits for the broader family and, ultimately, the national economy. Many of these benefits can be harnessed as powerful tools to empower women and promote gender equality within Vietnamese society.

In a previous report, the ILO has proposed a multi-tiered child benefit (MTCB) for Viet Nam (McClanahan, Gelders and Ramírez López, 2019). Such a system includes a tax-financed universal child benefit that is offered as the right of all children but is further linked by design to the social insurance system – the VSS scheme. While a benefit is provided to all children (regardless of the employment status of their parents), under an MTCB system, a higher value benefit can be provided to contributing members of the social insurance scheme to offset the losses associated with a social insurance contribution in a tangible way. Unlike other social insurance cash benefits, it would provide immediate income support for the millions of families who already have children of eligible age.

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40 For more details on the possible design and impacts of a multi-tiered child benefit in Viet Nam, please see the ILO report *A focus on families: A short-term benefit package for the extension of multi-tiered social security coverage in Viet Nam* (McClanahan, Gelders and Ramírez López, 2019).

**Figure 3.6 An ideal multi-tiered child system with a universal child benefit guarantee**

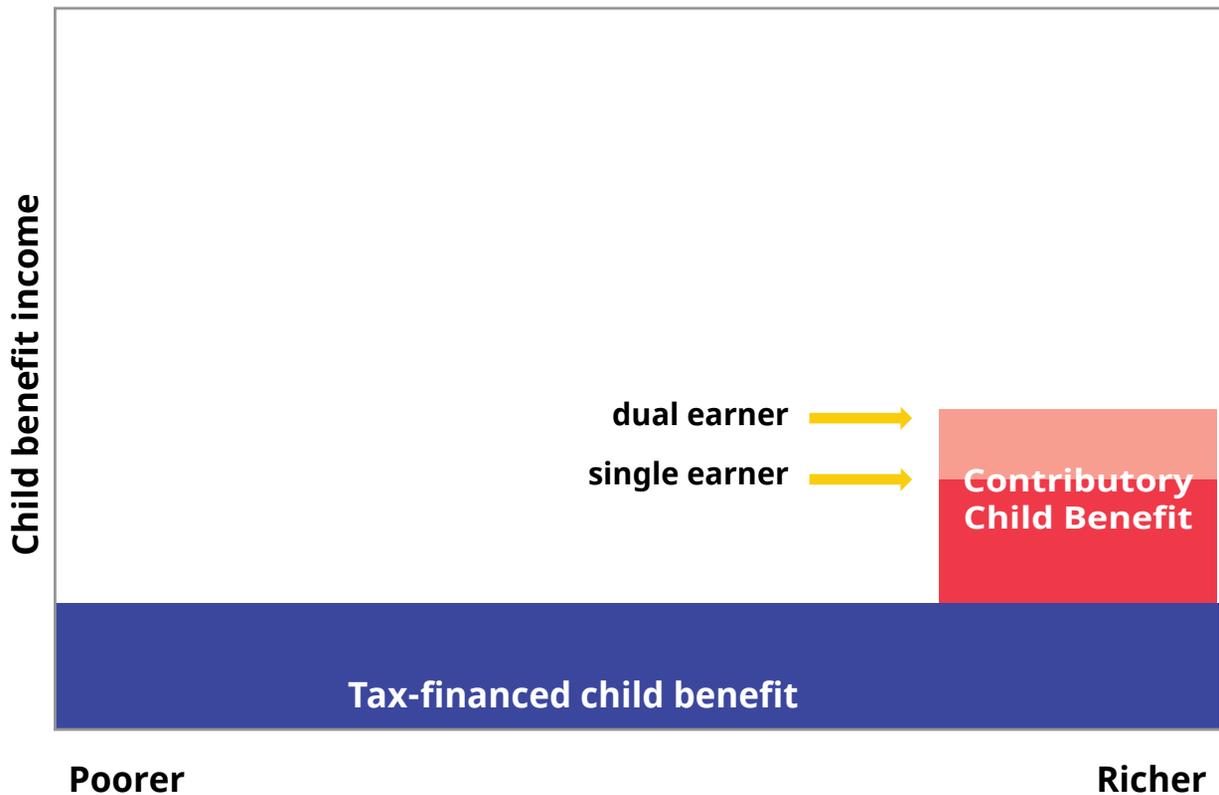


Source: McClanahan, Gelders and Ramírez López (2019).

According to survey estimates, out of all parents with children aged 0–15 years in Viet Nam, 72 per cent are uninsured. A majority of these are informal workers, a group where women are overrepresented. In a context of widespread low incomes, few of these informal workers can afford to contribute for social insurance. In order to join the VSS, it is estimated that parents in the informal economy would be required to contribute 26.5 per cent of their earnings, on average. While making a contribution to VSS builds their rights towards long-term benefit like pensions, in the present time many people experience those contributions as a welfare loss.

Working parents who might otherwise join social insurance as they are starting out in the labour market must instead face the direct and immediate cost of having a child. Rather than saving for their old age, their priority is to care for their children. Thus, an MTBC could be leveraged to incentivize the inclusion of the informal workforce into the VSS, offsetting part of the significant cost of contributing for long term social insurance benefits, while also addressing the current and immediate costs related to raising children. If a higher benefit is offered when both mother and father join the system (as in figure 3.7), it can promote dual earner families where mothers are also insured.

**Figure 3.7 Gender-responsive multi-tiered child benefit system**



Source: McClanahan, Gelders and Ramírez López (2019).

The extra income from child benefits is likely to generate indirect benefits for women's position within the household by disrupting traditional gender roles and affording women more bargaining power. In addition, studies have found the causes of domestic violence to be intimately linked to precarity around incomes and employment (Staggs and Riger 2005). Money pressures can exacerbate gendered tensions within relationships, and economic dependence on male partners can make it difficult for women to remove themselves and their children from abusive environments (Barnett 2000). By enhancing the income security of all families, there is good evidence that access to social security benefits (in this case a child benefit and potentially a range of social insurance benefits) can help to reduce domestic violence, which will result in further positive impacts for women and children (Angelucci 2008; Buller et al. 2018; Peterman et al. 2019).

In sum, child and family benefits can and should be part of an overall gender-responsive policy package. Of course, policy makers should not rely on them alone to correct the most deeply embedded gender-based inequalities, but as part of a policy package also including other tools. Free or subsidized childcare as well as social security benefits such as paid parental leave, caregivers' allowances, caregivers' credits (such as the pension credit to cover missing contribution periods) and non-contributory pensions, should also be part of a government's larger strategy for promoting gender equality.

## ► 4. CONCLUSIONS

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Gender inequality in social insurance systems is the result of multiple gender gaps that are produced and reproduced over the life course. These gaps are also a product of specific characteristics of women's lives that are not adequately considered by social insurance systems. The ongoing reform of the 2014 Social Insurance Law is an opportunity to promote measures that enhance gender equality in the design and implementation of the various branches of the system, particularly old age pensions. It is thus key to ensure that this process is evidence-based and fully considers the impact of reform measures on men and women.

This report has presented the current gender-related challenges of the social security system, and the potential gender impacts of several measures being considered in the perspective of the implementation of Resolution No. 28-NQ/TW. It is evident that the effects of these policies are not gender neutral. Indeed, in a context of gender inequality in the labour market and in social and family relations, gender-neutral rules may not be sufficient to guarantee adequate social protection for women. Moving forward, it is important that all reforms to the social security system are adapted to women's specific life courses. This report also makes a series of recommendations to make the social security system more gender equitable.

Because the social insurance system is so complex, this report finds several areas for improvement across its different branches and makes specific recommendations. No policy will be sufficient on its own, and thus, the State will not be able to rely on any one single measure in order to see significant improvements to the gender gap. Only a package of reforms that addresses the gender challenges of the systems in an integral way – understanding that gender inequality is one of many issues affecting the sustainability and adequacy of the system – will be effective. This is appropriate since it is exactly what Resolution No. 28-NQ/TW seeks to achieve: a comprehensive review of the system.

However, certain policies can achieve larger gains than others in reducing the gender gap within the social insurance system. Case in point would be the introduction of care credits. Outside of the social insurance system, which only reaches a minority of women in Viet Nam, the expansion of the social pension is the most important public policy for the protection of women in old age. The current reform process is an opportunity to embed the social pension into the legislation and integrate it with the social insurance system.

Beyond the specific social security design features discussed above, it must be noted that gender equality in socio-economic protection and well-being requires policies that go beyond social insurance and offer an integrated response to the multiple needs and risks faced by women over the life course. This includes not only gender-sensitive social insurance systems, but also labour market policies, high quality public services and policies to better reconcile paid work and care, including public childcare systems. Each of these policies can help meet specific needs, reinforce each other and bring additional gains for social protection outcomes and for the well-being of women in the multiple roles they play over life – as contributing members of society, as daughters, mothers and wives, as workers and pensioners, and so many others.

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## Appendix I. Comparative tables.

Table I.1. Demographic and social security statistics in selected Asian countries, 2016–2018

Country	GDP per capita (PPP)	Total population (millions)	Population 65+ (%)	Life expectancy at birth (years)		Statutory pensionable age		Total Contribution rates (%)		
				Men	Women	Men	Women	Worker	Employer	Total
China	16 807	1386.4	10.6	74.8	77.8	60	60	9.00	23.75	32.75 <sup>1</sup>
Hong Kong (China)	61 540	7.4	16.3	81.3	87.3	65	65	5.00	5.00	10.00 <sup>1</sup>
Indonesia	12 284	264.0	5.3	67.2	71.4	56	56	3.00	6.24	9.24 <sup>1</sup>
Malaysia	29 449	31.6	6.3	73.2	77.7	55	55	11.70	14.95	26.65 <sup>1</sup>
Philippines	8 343	104.9	4.8	65.8	72.7	60	60	0.00	0.00	0.00 <sup>2</sup>
Singapore	9 905	5.6	12.9	80.6	85.1	55	55	20.00	17.00	37.00 <sup>1,2</sup>
South Korea	38 335	51.5	13.9	79.0	85.2	61	61	5.15	6.10	11.25
Taiwan Province of China	50 500	23.6	14.4	77.2	83.7	61	61	7.02	13.57	20.59
Thailand	17 872	69.0	11.4	71.6	79.1	55	55	5.00	5.02	10.02
Vietnam	6 776	95.5	7.1	71.5	80.9	60	55	9.00	18.50	27.05

GDP = gross domestic product; PPP = purchasing power parity.

1. Employers pay the total cost or provide benefits directly to the insured. <sup>2</sup> Nonstandard financing. See SSA and ISSA (2019) for details.

Source: SSA and ISSA (2019).

## Appendix II: Legal features of the social insurance system in Viet Nam

Table II.1. Legal coverage of the social insurance system, Viet Nam

Personal scope	Retirement and death	LAOD	Sickness	Maternity
<b>Vietnamese citizens (article 2.1)</b>				
a/ Persons working under - indefinite-term labour contracts, - definite-term labour contracts, seasonal labour contracts or contracts for given jobs with a term between 3 and 12 months;	yes	yes	yes	yes
b/ labour contracts with a term between 1 and 3 months;	yes	yes	yes	yes
c/ Cadres, civil servants and public employees;	yes	yes	yes	yes
d/ Defence workers, public security workers and persons doing other jobs in cipher agencies;	yes	yes	yes	yes
dd/ Officers and professionals of the people's army; Officers and professional non-commissioned officers and officers and technical non-commissioned officers of the people's public security; Persons engaged in cipher work enjoying salaries like army members;	yes	yes	yes	yes
e/ Non-commissioned officers and soldiers of the people's army; Non-commissioned officers and soldiers on definite-term service in the people's public security; Army, public security and cipher cadets who are entitled to cost-of-living allowance;	yes	yes	no	no
g/ Persons working abroad under labour contracts;	yes	no	no	no
h/ Salaried managers of enterprises and cooperatives;	yes	yes	yes	yes
i/ Part-time staffs in communes, wards and townships	yes	no	no	no
<b>Foreign citizens (article 2.2)</b> Working in Viet Nam with work permits or practice certificates or practice licenses granted by Vietnamese authorities are covered by compulsory social insurance <sup>1</sup>	from 01/01/2022		from 01/12/2018	
<b>Voluntary social insurance (article 2.4)</b> Vietnamese citizens aged 15 years or older excluded from compulsory insurance are covered for retirement and death.	yes	no	no	no
<b>Employers (article 2.3)</b> State agencies, non-business units and people's armed forces units; Political organizations, socio-political organizations, socio-politico-professional organizations, socio-professional organizations and other social organizations; Foreign agencies and organizations, and international organizations operating in the Vietnamese territory; Enterprises, cooperatives, individual business households, cooperative groups, and other organizations and individuals that hire or employ employees under labour contracts.				

<sup>1</sup> Decree N° 143/2018/ND-CP on compulsory social insurance for expat employee working in Viet Nam.

LAOD = labour accident or occupational disease.

Source: Extracted from ILO (2020a).

**Table II.2. Eligibility conditions for retirement pensions, Viet Nam**

Category, age and gender of insured	Contribution period
<b>Private sector and civil servants</b> (article 54.1; article 2.1.a, b, c, d, g, h and i)	
Age 60 male or 55 female	20 years; 15 years for female staffs in communes, wards or townships (article 54.3)
Age 55–60 male or 50–55 female	20 years including (1) 15 years in (extremely) heavy, hazardous or dangerous jobs or in areas with a region-based allowance coefficient of 0.7 or higher; or (2) capacity decrease of 61 per cent or more (age conditions are 51 for males and 46 for females in 2016 and gradually move in 2020 to those indicated)
Age 50–55, male or female	20 years with 15 years in coal mine
Age 50 male or 45 female	20 years with capacity decrease of 81 per cent or more
Any age, male or female	20 years with 15 years in (extremely) heavy, hazardous or dangerous jobs or in areas with a region-based allowance coefficient of 0.7 or higher and capacity decrease of 61 per cent or more (art. 55.1)
<b>Military (article 54.2)<sup>1</sup></b>	
Age 55 male or 50 female	20 years
Age 50–55 male or 45–50 female	20 years including (1) 15 years in (extremely) heavy, hazardous or dangerous jobs or in areas with a region-based allowance coefficient of 0.7 or higher; or (2) capacity decrease of 61 per cent or more.
Any age, male or female	15 years in (extremely) heavy, hazardous or dangerous jobs or in areas with a region-based allowance coefficient of 0.7 or higher and capacity decrease of 61 per cent or more
<b>Voluntary insurance participants</b>	
Age 60 male or 55 female	20 years

<sup>1</sup> *The military include:*

*The military include:*

- *officers and professionals of the people's army;*
- *officers and professional non-commissioned officers and officers and technical non-commissioned officers of the people's public security;*
- *persons engaged in cipher work receiving salaries like army members (article 2.1.dd);*
- *non-commissioned officers and soldiers of the people's army;*
- *non-commissioned officers and soldiers on definite-term service in the people's public security; and army, public security and cipher cadets who are entitled to cost-of-living allowance (article 2.1.e).*

*Source: Extracted from ILO (2020a).*

**Table II.3. Lump-sum allowances in the social insurance system, Viet Nam**

Lump sum type	Conditions	Amount calculations
Retirement lump sum (art. 58; art. 75)	Insured persons who upon retirement have paid social insurance premiums for a period exceeding the number of years corresponding to the 75 per cent pension rate are entitled to not only pension but also a lump sum allowance.	The amount is the product of the following: - the individual monthly salary base; - 0.5; and - the number of contributing years which exceeds the number required for the maximum (75 per cent) replacement rate.
Termination lump sum (art. 60; art. 77) <sup>1</sup>	Insured persons can request for a lump sum social insurance allowance if they fall in one of the following cases where they: - have reached the retirement age without being eligible for retirement pension; - have settled abroad; - contracted a fatal disease as prescribed by the Ministry of Health; - are military personnel who are demobilized or have ceased working without being eligible for retirement pension; - have discontinued social insurance payment for at least one year and paid social insurance premiums for less than twenty years; <sup>1</sup> or - are suffering from working capacity decrease of at least 61 per cent and having paid social insurance premiums for less than twenty years.	The amount is equal to: - 1.5 times the individual monthly salary base for each year of insurance prior to 2014; - two times the individual monthly salary base for each year of insurance since 2014; or - the amount of contribution paid or maximum two times the individual monthly salary base if the period of insurance is less than one year.

<sup>1</sup> Resolution 93/2015/QH13 and Decree 115/2015/ND-CP.

Source: Extracted from ILO (2020a).

**Table II.4. Survivors' pension (compulsory insurance only), Viet Nam**

Eligibility conditions (article 67)	Benefit amount (article 68)
<p>Deceased insured person:</p> <ul style="list-style-type: none"> <li>- has contributed at least 15 years and has not liquidated his/her rights.</li> <li>- was receiving a monthly pension.</li> <li>- died from LAOD.</li> <li>- was receiving a monthly LAOD disease allowance for a working capacity decrease of at least 61 per cent.</li> </ul> <p>Beneficiaries of monthly survivor allowance include:</p> <ul style="list-style-type: none"> <li>- Children under 18 years or suffer a working capacity decrease of 81 per cent or more; or children whose father died while they are in the womb.</li> <li>- Widow aged at least 55 or widower aged at least 60; if younger, the widow or widower suffers a working capacity decrease of 81 per cent or more.</li> <li>- Dependent family members of the insured in accordance with the law on marriage and family who are aged at least 60 for men or at least 55 for women. If younger, they suffer a working capacity decrease of 81 per cent or more.</li> <li>- Adult survivors' monthly income must be lower than the basic salary.</li> </ul>	<ul style="list-style-type: none"> <li>- 50 per cent of the basic salary per eligible survivor, 70 per cent for survivor with no direct fosterer.</li> <li>- The number of eligible survivors is limited to four.</li> <li>- For multiple deaths, each survivor is entitled to two times the above allowance</li> </ul>

LAOD = *labour accident or occupational disease*.

Source: Extracted from ILO (2020a).

**Table II.5. Survivors' lump sum allowance, Viet Nam**

Eligibility conditions	Benefit amount
<p>Compulsory insurance (article 69)</p> <ul style="list-style-type: none"> <li>- Conditions for a monthly survivor allowance are not satisfied (article 67.1).</li> <li>- Conditions for a monthly survivor allowance are satisfied but there are no eligible survivors (article 67.2).</li> <li>- Eligible survivors (article 67.2) wish to receive a lump sum survivor allowance, except for children aged less than 6, children or spouses suffering a working capacity decrease of 81 per cent or more.</li> </ul> <p>Voluntary insurance (article 80.1)</p> <ul style="list-style-type: none"> <li>- Insured person has not liquidated his/her rights or</li> <li>- Pensioners</li> </ul>	<p>Compulsory insurance (article 70) and voluntary insurance (article 80.2)</p> <p>For a deceased person who has not liquidated his/her rights, the amount is equal to</p> <ul style="list-style-type: none"> <li>- 1.5 times the individual monthly salary base for each year of insurance prior to 2014;</li> <li>- 2 times the individual monthly salary base for each year of insurance since 2014;</li> <li>- The total amount should not be less than 3 times the salary base.</li> </ul> <p>For a pensioner,</p> <ul style="list-style-type: none"> <li>- who died within 2 months of the start of pension, the amount is equal to 48 months of pension;</li> <li>- who died after receiving 2 months of pension, the amount is equal to 48 months of pension reduced by ½ month per month of pension after 2 months.</li> <li>- The total amount should not be less than 3 months of pension.</li> </ul>

Source: Extracted from ILO (2020a).

Table II.6. Maternity benefits, Viet Nam

Beneficiary and circumstances	2014 Social Insurance law reference	Benefits
<b>Insured female worker</b>		
Prenatal check-up	Article 32	5 times 1 day
Miscarriage, abortion, stillbirth or pathological abortion	Article 33	10 days (pregnancy < 5 weeks); 20 days (5-13 weeks); 40 days (13-25 weeks); 50 days (25 weeks or more)
Childbirth	Article 34.1	6-month leave (maximum 2 months before childbirth)
Child dies before the end of maternity leave under 34.1	Article 34.3	4-month leave from childbirth if the child dies before 2 months old; 2-month leave from the child's death if older than 2 months
Surrogate mothers	Article 35.1	Leave for prenatal check-up, miscarriage, abortion, stillbirth or pathological abortion; Leave until relinquishing the child but not more than defined under article 34.1 and not less than 60 days.
Intended mothers	Article 35.2	Leave until the child is 6 months old
<b>Insured male worker</b>		
Childbirth	Article 34.2	5-day leave (max 14 according to circumstances)
Mother dies in childbirth	Article 34.4	Leave until the child is 6 months old
Mother dies in childbirth and the insured father or fosterer does not take the leave	Article 34.5	Remaining period defined in article 34.1.
Uninsured mother dies or is unable to care for the child	Article 34.6	Leave until the child is 6 months old
<b>Insured worker both sexes</b>		
Adoption	Article 36	Leave until the child is 6 months old
Contraceptive measures	Article 37	7- or 15-day leave
Childbirth or adoption	Article 38	Lump sum equal to two times basic salary

Note: For male and female insured workers, the benefits defined in Articles 32–37 refer to the following:

1. The monthly allowance is equal to 100 per cent of the average of salaries of 6 months preceding the leave.
2. The per diem is equal to 1/24 of monthly allowance in articles 32 and 34.2, and 1/30 otherwise.

Source: Extracted from ILO (2020a).

Table II.7. Sickness benefits, Viet Nam

Social insurance law article		Allowance duration (working days)			Allowance level (% insurable salary, article 28)		
		Social insurance period (years)			Social insurance period (years)		
		< 15	15–30	30+	< 15	15–30	30+
26.1.a	Work under normal conditions	30	40	60	75%	75%	75%
26.1.b	Work under particular conditions <sup>1</sup>	40	50	70	75%	75%	75%
26.2.a 26.2.b	Diseases requiring long-term treatment	up to 180 days >180 days maximum Social Insurance period			75%	75%	75%
					65%	55%	50%
26.3	Military (article 2.1.dd)	as required			100%	100%	100%
27	Parent leave	20 days for child under 3 or 15 days for child between 3 and 7			75%	75%	75%
28	Health rehabilitation	5 to 10 days			30% of basic salary		

<sup>1</sup> Heavy, hazardous or dangerous occupations or jobs extremely heavy, hazardous or dangerous occupations or jobs on the list issued by the Ministry of Labour – Invalids and Social Affairs, or working in areas with a region-based allowance coefficient of 0.7 or higher. The region-based allowances compensate workers, employees and civil servants of the public sector working in unfavourable geographic areas (remote, underdeveloped, poorly served by transport systems and public services, under difficult climatic conditions) to contribute to stabilizing their labour force. The amount of allowance for a given region is equal to its coefficient multiplied by the basic salary. Circular 11/2005/TTLT-BNV-BLĐTBXH-BTC-UBDT is the most recent in force that defines the coefficients for all geographical regions of Viet Nam.

Source: Extracted from ILO (2020a).

## Appendix III: Data sources and validation

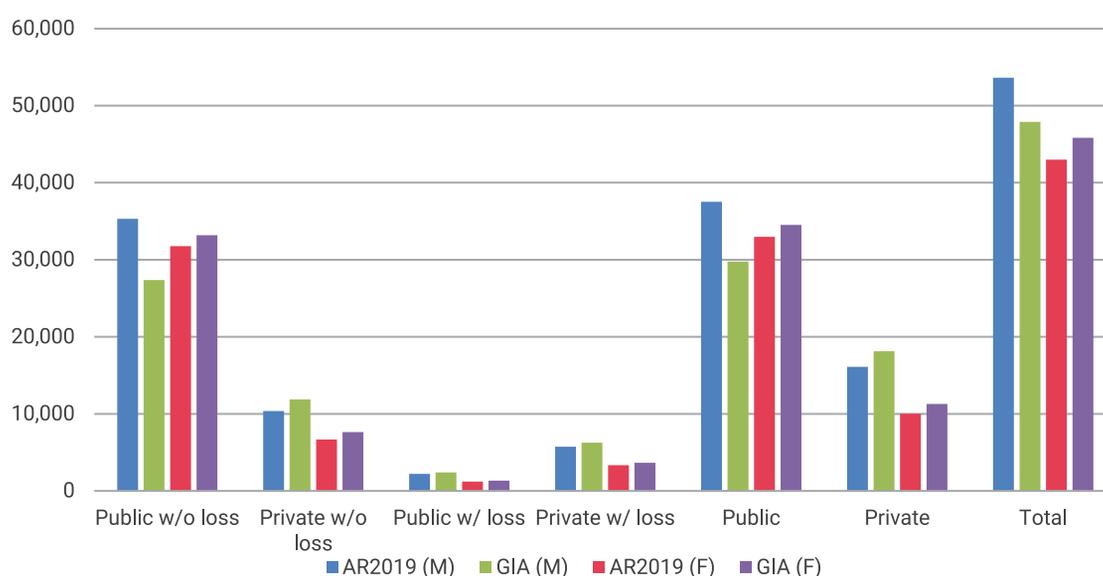
Several sets of data have been provided by the VSS as part of the actuarial valuation as of 31 December 2019 (AR2019) and for the purpose of specific studies such as this one on gender impact assessment (GIA). Although data provided for specific studies are more detailed, they have not gone through a validation process by the administrator as robust as the data provided for the actuarial valuation. Where GIA data differ from AR2019 data, the analysis is based on the later. Where the analysis requires the use of more detailed data, it is performed on a sub-group for whom the subsets of data are more consistent (such as the private sector).

**Table III.1 Number of new pensioners in compulsory insurance, by sector and sex, Viet Nam, 2019**

Sector and capacity loss condition	Number of new pensioners				Gender gap	
	AR2019		GIA		AR2019	GIA
	Male	Female	Male	Female		
<b>Public</b>						
Total	37 526	32 983	29 770	34 531	12%	-16%
Without capacity loss	35 316	31 763	27 377	33 186	10%	-21%
With capacity loss	2 210	1 220	2 393	1 345	45%	44%
<b>Private</b>						
Total	16 110	10 012	18 133	11 289	38%	38%
Without capacity loss	10 371	6 666	11 873	7 644	36%	36%
With capacity loss	5 739	3 346	6 260	3 645	42%	42%
<b>Total</b>	<b>53 636</b>	<b>42 995</b>	<b>47 903</b>	<b>45 820</b>	<b>20%</b>	<b>4%</b>

AR2019 = actuarial valuation of 31 December 2019, GIA = gender impact assessment.

**Figure III.1 Number of new pensioners in compulsory insurance, by sector and sex, Viet Nam, 2019**



AR2019 = actuarial valuation of 31 December 2019, GIA = gender impact assessment.

**Table III.2 Average number of new pensions and reference salary in compulsory insurance, by sector and sex, Viet Nam, 2019**

Sector and capacity loss condition	Reference salary (AR2019)		New pension (GIA)		Reference salary as percentage of new pension	
	Male	Female	Male	Female	AR2019	GIA
<b>Public</b>						
Total	9 503 394	7 587 140	7 803 202	7 515 784	122%	101%
Without capacity loss	9 681 821	7 608 438	7 918 161	7 536 583	122%	101%
With capacity loss	6 652 110	7 032 639	6 488 020	7 002 593	103%	100%
<b>Private</b>						
Total	6 048 397	5 304 170	6 077 447	5 315 916	100%	100%
Without capacity loss	6 348 526	5 581 890	6 375 144	5 592 625	100%	100%
With capacity loss	5 506 030	4 750 888	5 512 822	4 735 623	100%	100%
<b>Total</b>	<b>7 086 133</b>	<b>5 835 792</b>	<b>6 730 707</b>	<b>5 857 913</b>	<b>105%</b>	<b>100%</b>

AR2019 = actuarial valuation of 31 December 2019, GIA = gender impact assessment.

**Table III.3 Retirements with pension or lump sum (without qualifying to a pension), by sector and sex, Viet Nam, 2016–19**

Pension type and year of retirement	Retirement without pension (A)		Retirement without capacity loss condition (B)		Lump sums vs. pensioners (A/B)	
	Number	Average amount (VND)	Number	Average amount (VND)	Number	Average amount (VND)
Public (male)						
2016	1 423	45 059 435	35 932	6 134 765	4%	7.3
2017	1 429	43 428 303	36 084	6 330 916	4%	6.9
2018	1 790	40 011 175	35 455	6 770 039	5%	5.9
2019	1 752	36 410 838	35 316	7 106 304	5%	5.1
Public (female)						
2016	1 094	42 246 567	29 988	4 617 478	4%	9.1
2017	943	39 056 417	34 835	4 993 036	3%	7.8
2018	963	40 847 868	30 517	5 198 527	3%	7.9
2019	1 038	40 831 693	31 763	5 619 698	3%	7.3
Private (male)						
2016	2 838	39 322 487	7 925	4 022 404	36%	9.8
2017	3 551	44 218 187	10 899	4 140 728	33%	10.7
2018	4 148	47 991 723	10 283	4 250 632	40%	11.3
2019	4 146	52 431 364	10 371	4 507 620	40%	11.6
Private (female)						
2016	4 096	31 744 335	6 075	3 390 898	67%	9.4
2017	4 788	37 992 603	8 585	3 529 494	56%	10.8
2018	5 786	41 330 921	5 808	3 768 222	100%	11.0
2019	6 275	46 830 350	6 666	3 978 528	94%	11.8

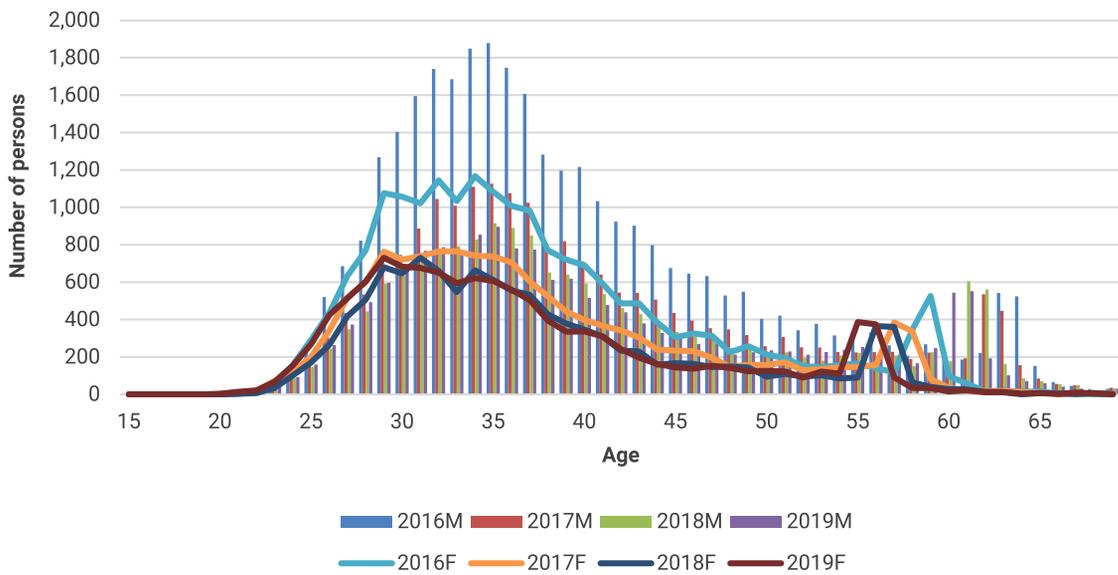
**Table III.4 Termination lump sums (social insurance lump sum further to one-year waiting), by sector and sex, Viet Nam, 2016–19**

Pension type and year of retirement	Number					Average amount (VND)				
	GIA	AR2019	Annual reports	GIA/AR2019	GIA/Ann. Rep.	GIA	AR2019	Annual reports	GIA/AR2019	GIA/Ann. Rep.
Public sector (men)										
2016	32 970	31 223	n/a	106%	n/a	32 999 106	31 876 059	n/a	104%	n/a
2017	20 942	19 304	n/a	108%	n/a	36 000 351	33 571 089	n/a	107%	n/a
2018	17 341	15 666	n/a	111%	n/a	35 069 593	35 273 855	n/a	99%	n/a
2019	16 980	15 316	n/a	111%	n/a	38 287 439	39 250 302	n/a	98%	n/a
Public sector (women)										
2016	19 887	18 565	n/a	107%	n/a	29 202 621	28 099 034	n/a	104%	n/a
2017	13 976	12 763	n/a	110%	n/a	30 246 116	27 001 119	n/a	112%	n/a
2018	11 501	10 578	n/a	109%	n/a	31 134 382	30 727 971	n/a	101%	n/a
2019	11 965	10 967	n/a	109%	n/a	36 051 354	36 060 781	n/a	100%	n/a
Private sector (men)										
2016	186 218	173 088	n/a	108%	n/a	20 140 457	19 713 473	n/a	102%	n/a
2017	230 406	218 308	n/a	106%	n/a	25 726 642	25 300 954	n/a	102%	n/a
2018	286 844	277 700	n/a	103%	n/a	29 797 865	29 741 677	n/a	100%	n/a
2019	301 261	286 648	n/a	105%	n/a	34 334 656	34 237 474	n/a	100%	n/a
Private sector (women)										
2016	253 847	239 450	n/a	106%	n/a	18 190 693	17 954 938	n/a	101%	n/a
2017	292 417	279 070	n/a	105%	n/a	22 671 609	22 220 083	n/a	102%	n/a
2018	346 164	336 700	n/a	103%	n/a	27 410 851	27 228 134	n/a	101%	n/a
2019	371 517	350 432	n/a	106%	n/a	32 427 377	32 313 954	n/a	100%	n/a
Total (men)										
2016	219 188	204 311	n/a	107%	n/a	22 074 640	21 572 171	n/a	102%	n/a
2017	251 348	237 612	n/a	106%	n/a	26 582 635	25 972 834	n/a	102%	n/a
2018	304 185	293 366	n/a	104%	n/a	30 098 396	30 037 100	n/a	100%	n/a
2019	318 241	301 964	n/a	105%	n/a	34 545 560	34 491 731	n/a	100%	n/a
Total (women)										
2016	273 734	258 015	n/a	106%	n/a	18 990 718	18 684 838	n/a	102%	n/a
2017	306 393	291 833	n/a	105%	n/a	23 017 118	22 429 177	n/a	103%	n/a
2018	357 665	347 278	n/a	103%	n/a	27 530 584	27 334 738	n/a	101%	n/a
2019	383 482	361 399	n/a	106%	n/a	32 540 449	32 427 655	n/a	100%	n/a
Grand total										
2016	492 922	462 326	619 716	107%	80%	20 362 048	19 960 808	19 484 732	102%	105%
2017	557 741	529 445	666 955	105%	84%	24 623 931	24 019 551	23 322 194	103%	106%
2018	661 850	640 644	762 386	103%	87%	28 710 745	28 572 213	27 875 643	100%	103%
2019	701 723	663 363	807 089	106%	87%	33 449 794	33 367 226	26 524 956	100%	126%

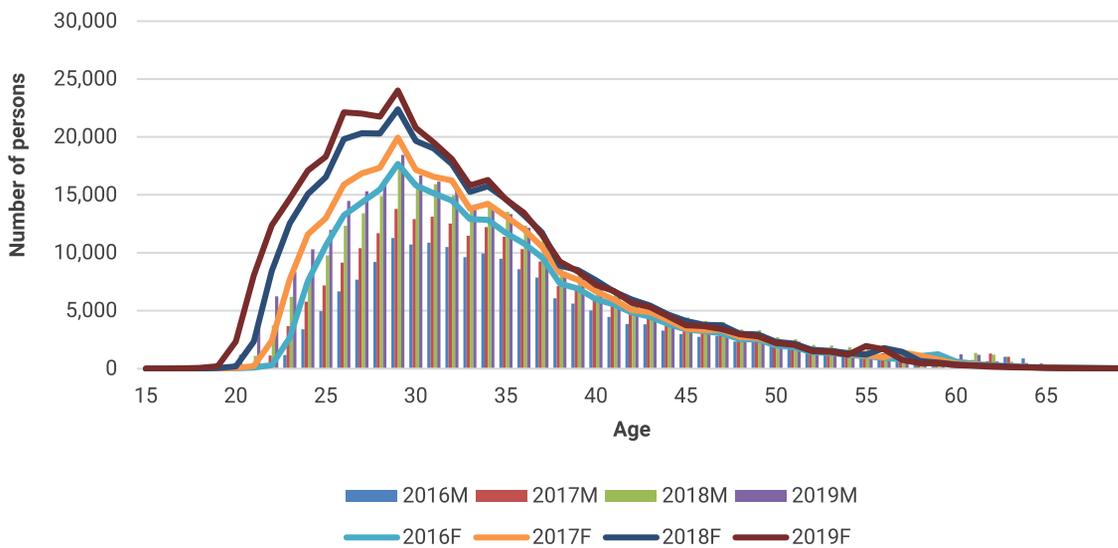
*n/a = not applicable.*

Figure III.2 Number of termination lump sums, by age, sector and sex, Viet Nam, 2016-19

Public sector



Private sector



Women consistently represent the highest number of persons taking lump sums in the period under analysis.



