

Fiscal policy, income inequality and inclusiveness: IMF-JICA Conference, Tokyo, Japan 17-18 February, 2015



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Country profile (2014)

1. GDP growth rate, %	5,6
2. Total population, mil of people	90,7
3. GDP per capita, US\$	1,350
4. Total employment, mil people	54,2
5. Informal employment ,%	75.5
6. Unemployment rate, %	2.0
7. Poverty rate, %	6,45
8. Gov. spending on social protection, % of GDP	5,02

Part 1

Income inequality before and after taxes and benefits

(OECD-ILSSA study, 2013-2014)

1.1 Before and after taxes and benefits

Personal income taxes (PITs) pursue two objectives:

- Generating revenues for the state to provide basic services (e.g. education, health, security, etc.)
- Reducing income inequality

In **OECD** countries PITs represents an important share of total revenues (on average 33.5% in 2011) and reduce the Gini coefficient by up to 4.5 percentage points.

In developing countries PITs represent a smaller share of total revenues, are mostly not comprehensive (only formal workers) and have a limited role in achieving redistribution.

In **Viet Nam** the revenues from PITs accounted only for 3,2% of the total revenues from taxes in 1998 (Haughton et al., 2006). There are no recent studies on the effect of PITs on income distribution in VN.

1.1 Before and after taxes and benefits

Objective:

Estimate the impact of PITs and benefits on inequality reduction

Income definitions

Gross private income = gross market income + private transfers

Gross total income = gross private income + direct public cash transfers

Net total income = gross total income – taxes

Impact Analysed	Calculation
Effect of Direct Public Cash Transfers	Gini (gross total income) - Gini (gross private income)
Effect of Personal Income tax	Gini (net total income) - Gini (gross total income)
Effect of Public Intervention	Gini (net total income) - Gini (gross private income)

1.1 Before and after taxes and benefits

Methodology to estimate the effect of taxes

Case 1: Impact of **Taxes** on income inequality using taxes reported in Vietnam households living standards survey (VHLSS) 2012

Case 2: Potential impact of current Viet Nam's **PIT regime** if fully enforced

- **Scenario 1:** VHLSS 2012 observed income is treated as NET INCOME (no evasion)
- **Scenario 2:** VHLSS 2012 observed income is treated as GROSS INCOME (total evasion)

1.1 Before and after taxes and benefits

PERSONAL INCOME TAX REGIME

- **Coverage**: the whole population
- **Income source**: dependent/waged, self-employment income, income from business and production, capital investment, capital transfers, transfer of real property, royalties, franchising, winning or prizes, receipt of inheritances and receipt of gifts.
- **Income exempt**: real estate transferred between legal and blood-relations, scholarships, overseas remittances, pensions paid by the Social Insurance Fund and income from charities.
- **Taxable income** = Gross income - deductions

1.1 Before and after taxes and benefits

PERSONAL INCOME TAX REGIME

- Taxable income = Gross income – deductions
- **Deductions** are:
 - **Contributions to the mandatory social insurance system:** mandatory for wage workers = 9.5% of gross wage
 - **Personal relief:** 48 million VND per year (**4 million VND per month in 2012**) for each taxpayer irrespectively of the months worked.
 - **Dependent relief:** 1.6 million VND per month and dependent

1.1 Before and after taxes and benefits

Tax Grades and Tax Rates

Tax grade	Taxed income per year (VND million)	Taxed income per month (VND million)	Tax rate (%)
1	Up to 60	Up to 5	5
2	Between over 60 and 120	Between over 5 and 10	10
3	Between over 120 and 216	Between over 10 and 18	15
4	Between over 216 and 384	Between over 18 and 32	20
5	Between over 384 and 624	Between over 32 and 52	25
6	Between over 624 and 960	Between over 52 and 80	30
7	Over 960	Over 80	35

Source: MOF

Case 2: Potential impact of current Viet Nam's PIT regime if fully enforced

Scenario 1: income observed in VHLSS 2012 is treated as NET INCOME (no evasion)

- Step 1: transform income in the brackets from Gross to Net
- Step 2: assign people to their respective bracket
- Step 3: compute PITs for each individual (→ total PITs revenue)
- Step 4: estimate the impact of PITs on income inequality

Scenario 2: income observed in VHLSS 2012 is treated as GROSS INCOME (total evasion)

- Step 1: assign people to their respective bracket
- Step 2: compute PITs for each individual (→ total PITs revenue)
- Step 3: estimate the impact of PITs on income inequality

Case 2 (scenario 1- no evasion)

Potential impact of current Viet Nam's PIT regime if fully enforced

Tax grade	Gross taxed income per year	Corresponding NET income per year*	Tax rate	tax-payers	Population
	(VND million)	(VND million)	%	%	(thousands)
0	no taxable income	no taxable income	0	83.23	45,032
1	up to 60	up to 52	5	12.92	6,991
2	60-120	52-100	10	2.38	1,297
3	120-216	100-174	15	0.88	476
4	216-384	174-296	20	0.44	235
5	384-624	296-459	25	0.1	56
6	624-960	459-672	30	0.01	7
7	over 960	over 672	35	0.04	22

Source: OECD calculation based on VHLSS 2012

*figures rounded to 1 million, sample observations in grade 6 and 7 are lower than 10

Case 2 (scenario 2-total evasion)

Potential impact of current Viet Nam's PIT regime if fully enforced

Tax grade	Gross taxed income per year	Tax rate	tax-payers	Population
	(VND million)	%	%	(thousands)
0	no taxable income	0	86.37	46,730
1	up to 60	5	11.19	6,056
2	60-120	10	1.5	809
3	120-216	15	0.72	387
4	216-384	20	0.17	91
5	384-624	25	0.03	18
6	624-960	30	0.03	14
7	over 960	35	0	0

Source: OECD calculation based on VHLSS 2012

*figures rounded to 1 million, sample observations in grade 6 and 7 are lower than 10

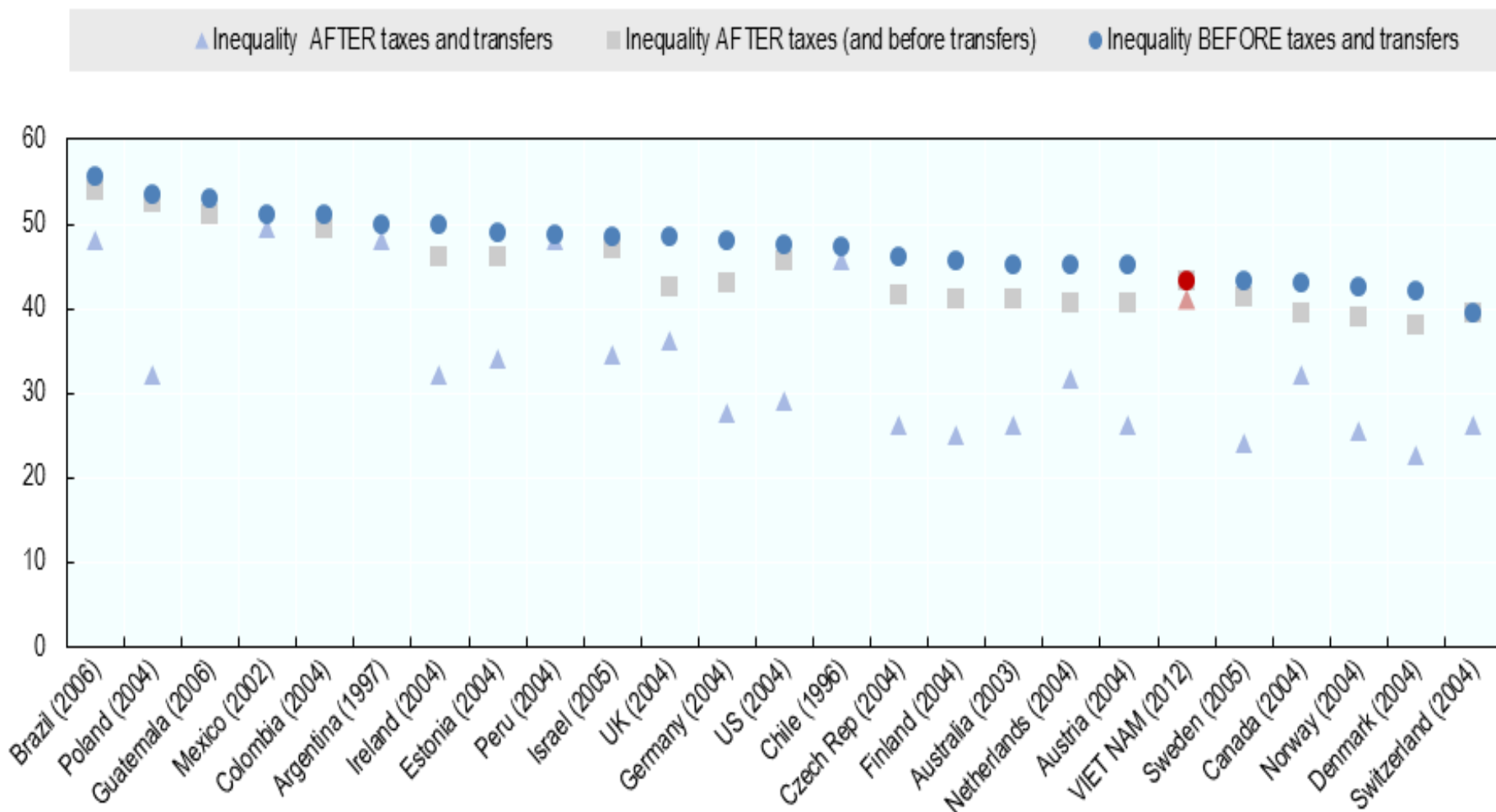
Percentage of tax-paying households per Decile

Decile	Case 1	Case 2	
		Scenario 1	Scenario 2
1	40.0	0	0
2	47.9	0	0
3	53.7	0	0
4	52.7	0.3	0.2
5	61.2	3.6	3.1
6	59.7	10.1	6.6
7	59.7	21.5	15.8
8	61.7	45.3	31.4
9	55.4	71.2	60.5
10	54.3	91.2	86.1

Decile's share of total PIT revenue, in Percent

Decile	Case 1	Case 2	
		Scenario 1	Scenario 2
1	1.6	0	0
2	0.8	0	0
3	1.7	0	0
4	2	0.01	0.02
5	2.4	0.11	0.37
6	3.9	0.36	0.95
7	4.7	1.03	2.4
8	5.4	3.3	5.9
9	5.3	9.1	15.9
10	72.1	86.1	74.4

- ✓ Taxes have no effect on reducing inequality, public transfer have a small effect.
- ✓ The effect of taxes on GINI could range between 1.5 and 0.8 (OECD average is 4.5)
- ✓ The tax system is rather progressive but only a minority of income earners (14%-17%) in the top deciles are obliged to pay taxes



Source: OECD calculation based on VHLSS 2012

Part 2:

Social Cohesion Assessment

in Vietnam

(OECD-ILSSA study, 2013-2014)

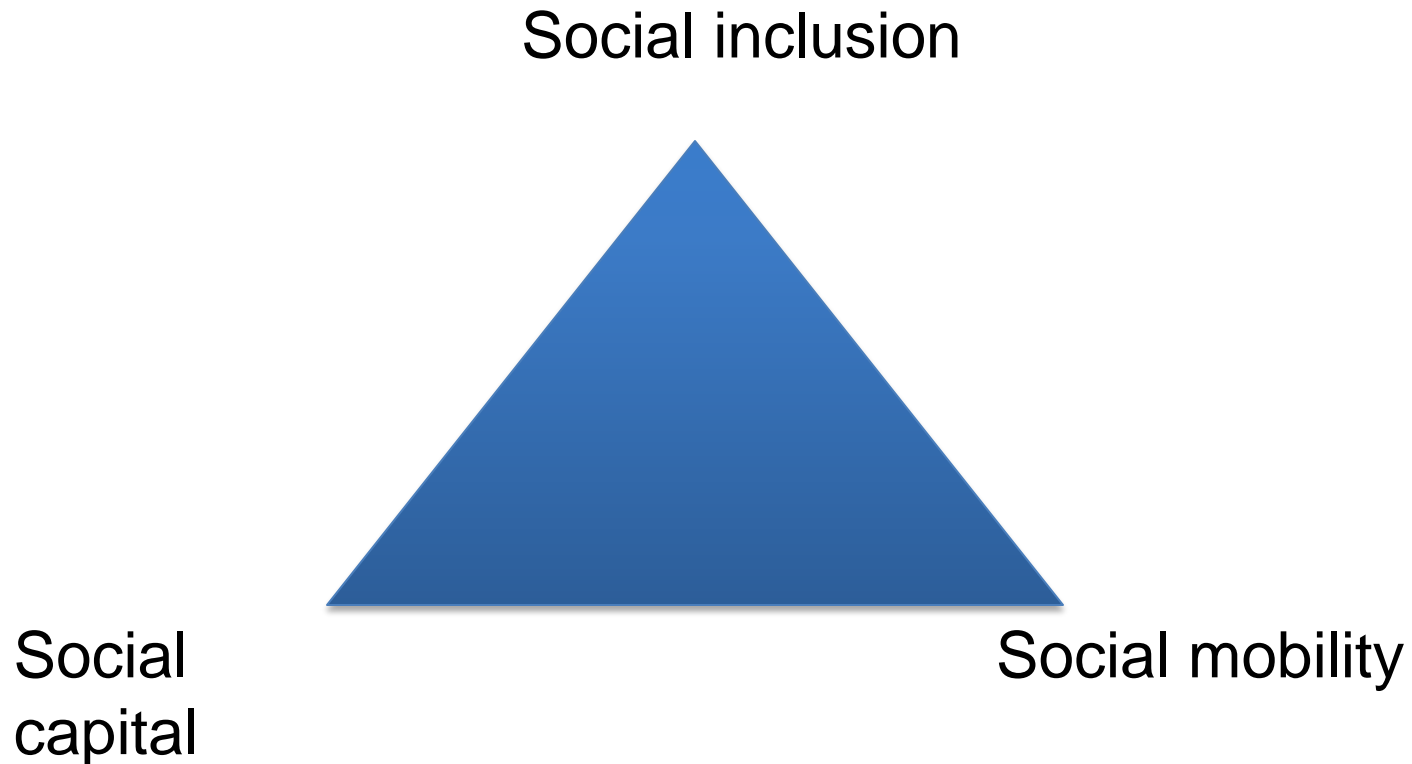
Definition

According to OECD (PGD, 2012) social cohesion may be defined as the capacity of a society to:

- ✓ achieve progress in well-being for all its members,
- ✓ fight exclusion and marginalization,
- ✓ create a sense of belonging,
- ✓ promote trust,
- ✓ offer its members the opportunity of upward mobility.

Objectives

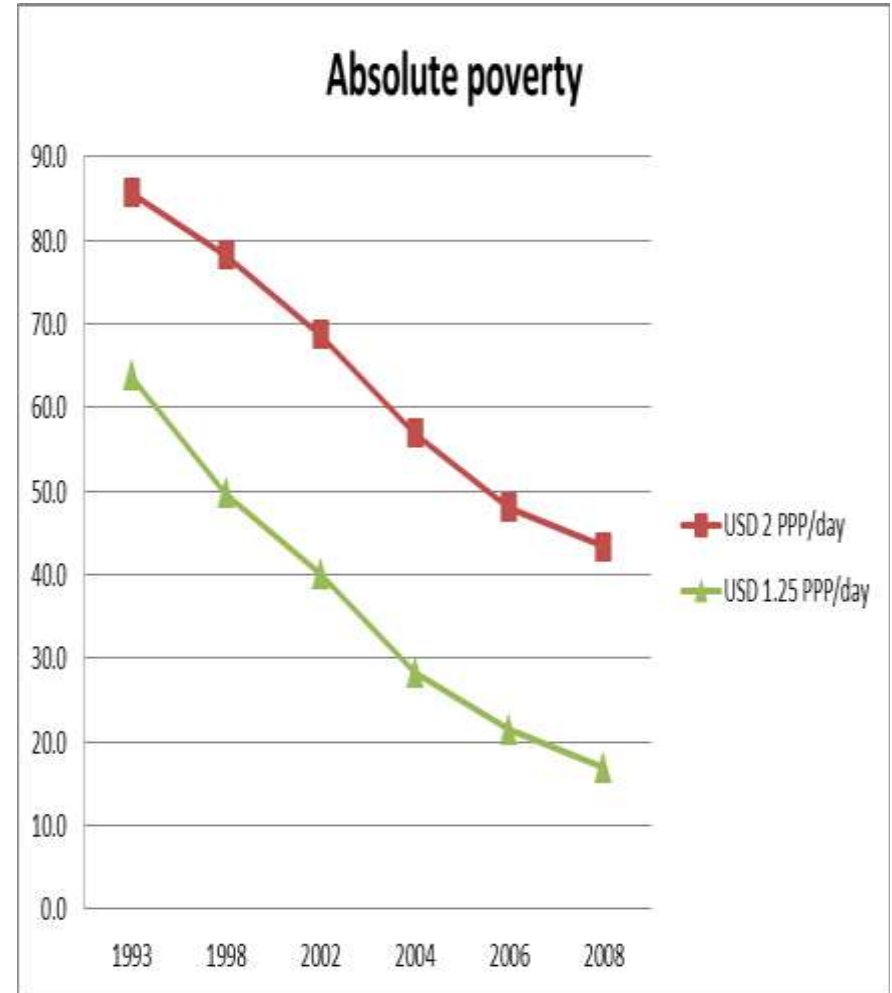
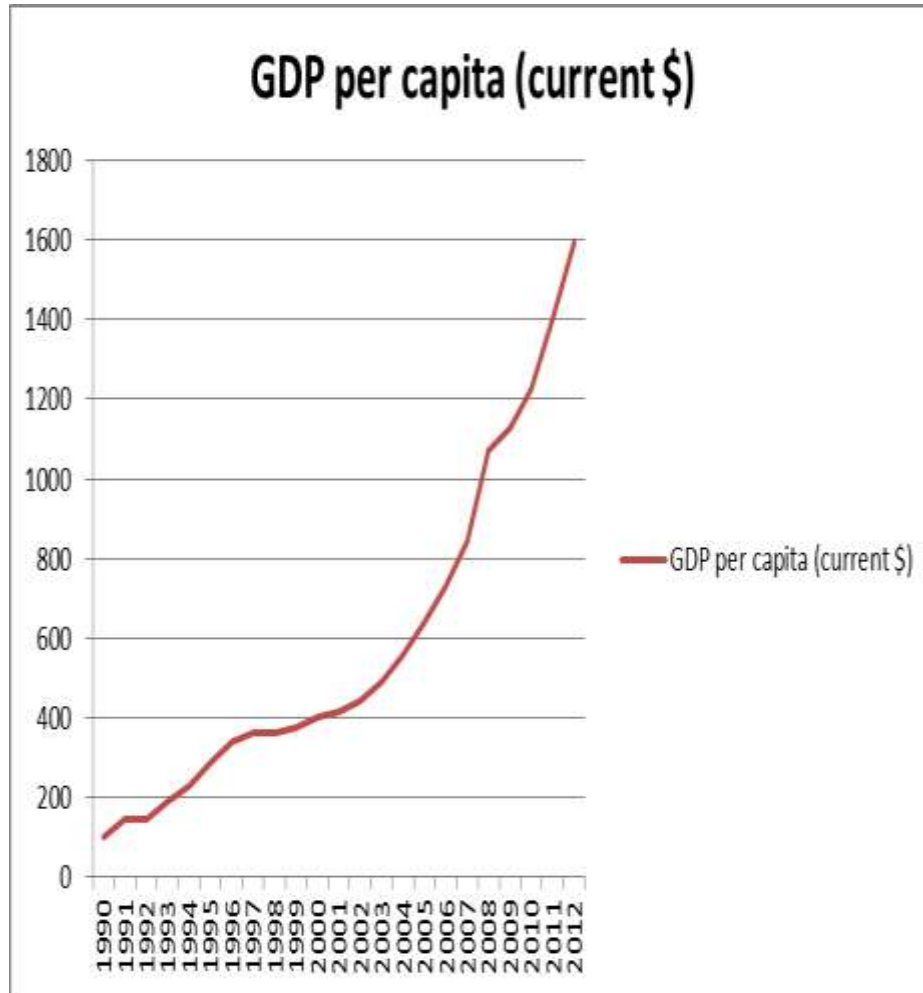
Review the state of social cohesion in Viet Nam through three different, but equally important, lenses:



- 2.1 Social inclusion: Focus on inclusive growth and disparities in key social outcomes
- 2.2 Social mobility: Focus on income and job mobility and intergenerational mobility
- 2.3 Social capital: Focus on trust, social networks, civic engagement and social norms

2.1.1. Was growth inclusive in Viet Nam? (1/5)

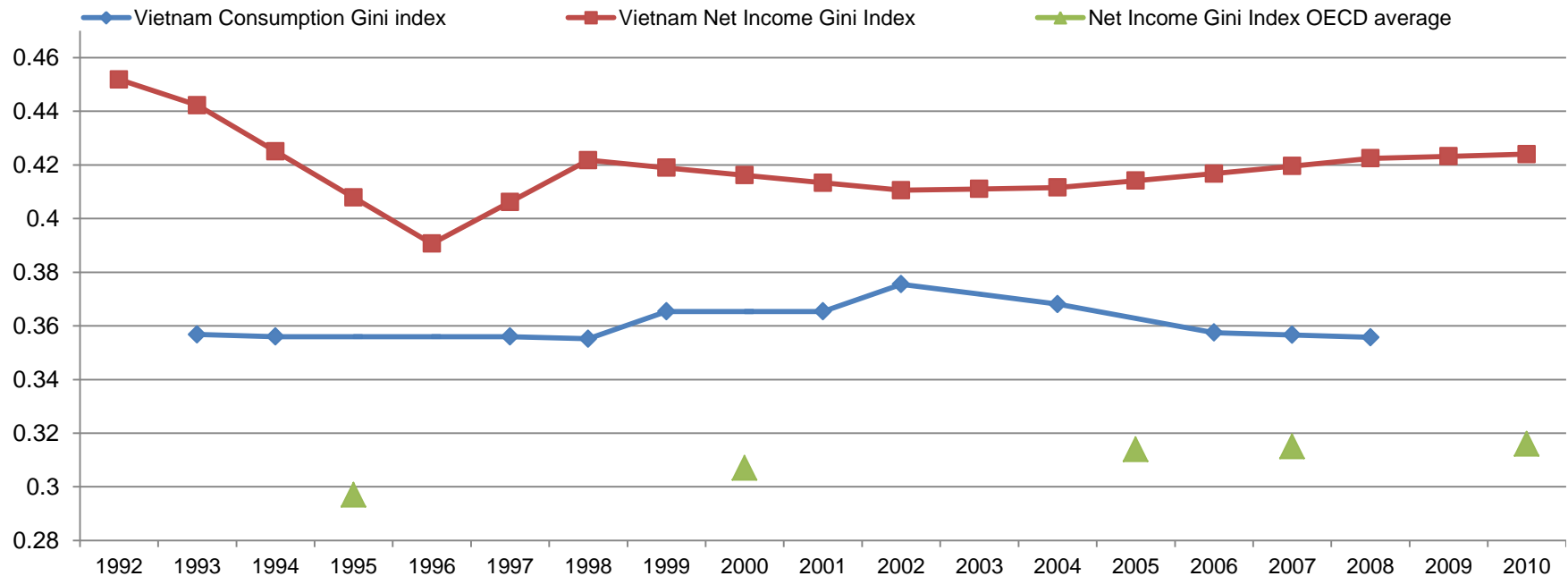
-> Recent growth performance led to an increase in household consumption and a remarkable decline in consumption poverty.



2.1.1. Was growth inclusive in Viet Nam? (2/5)

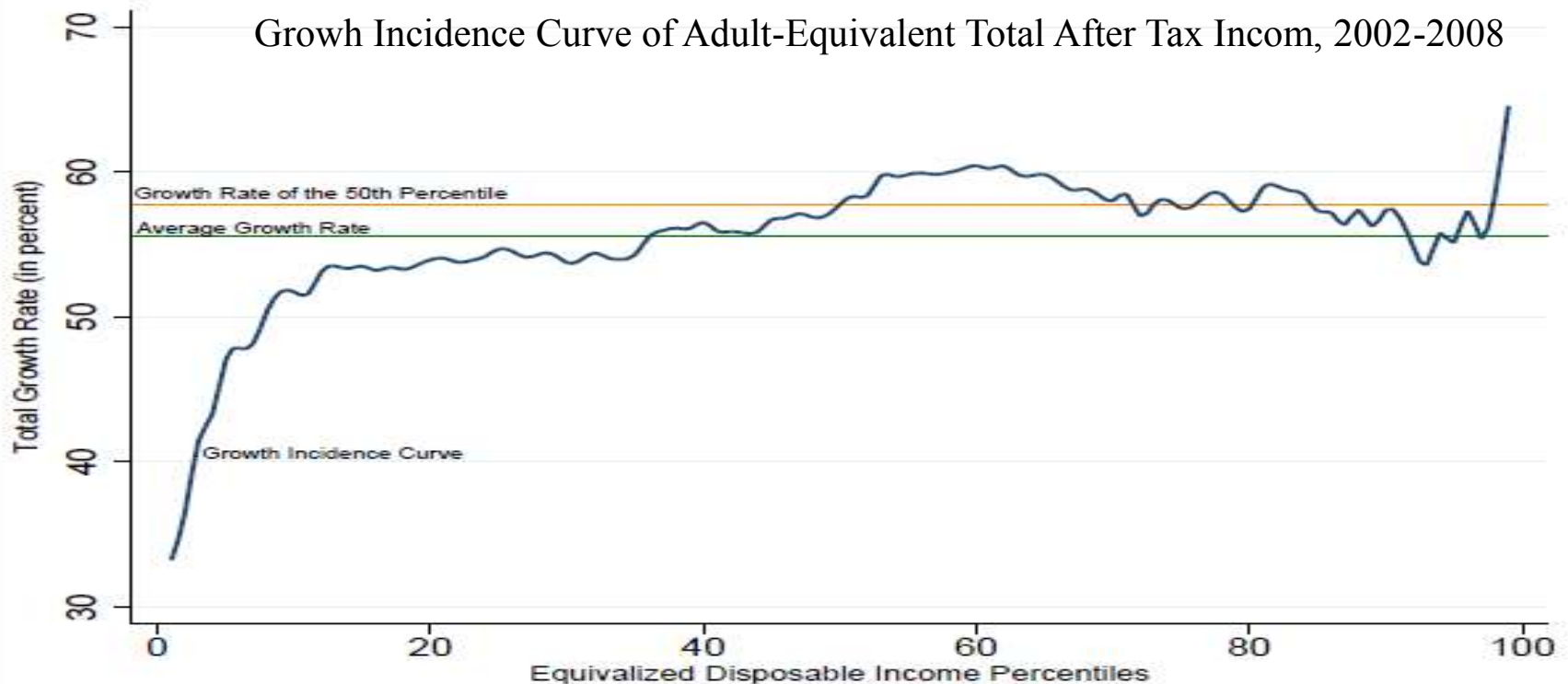
-> *Structural transformation has been accompanied by a moderate increase in income inequality that is nonetheless remarkably higher than in OECD countries.*

Trends in income and consumption inequality



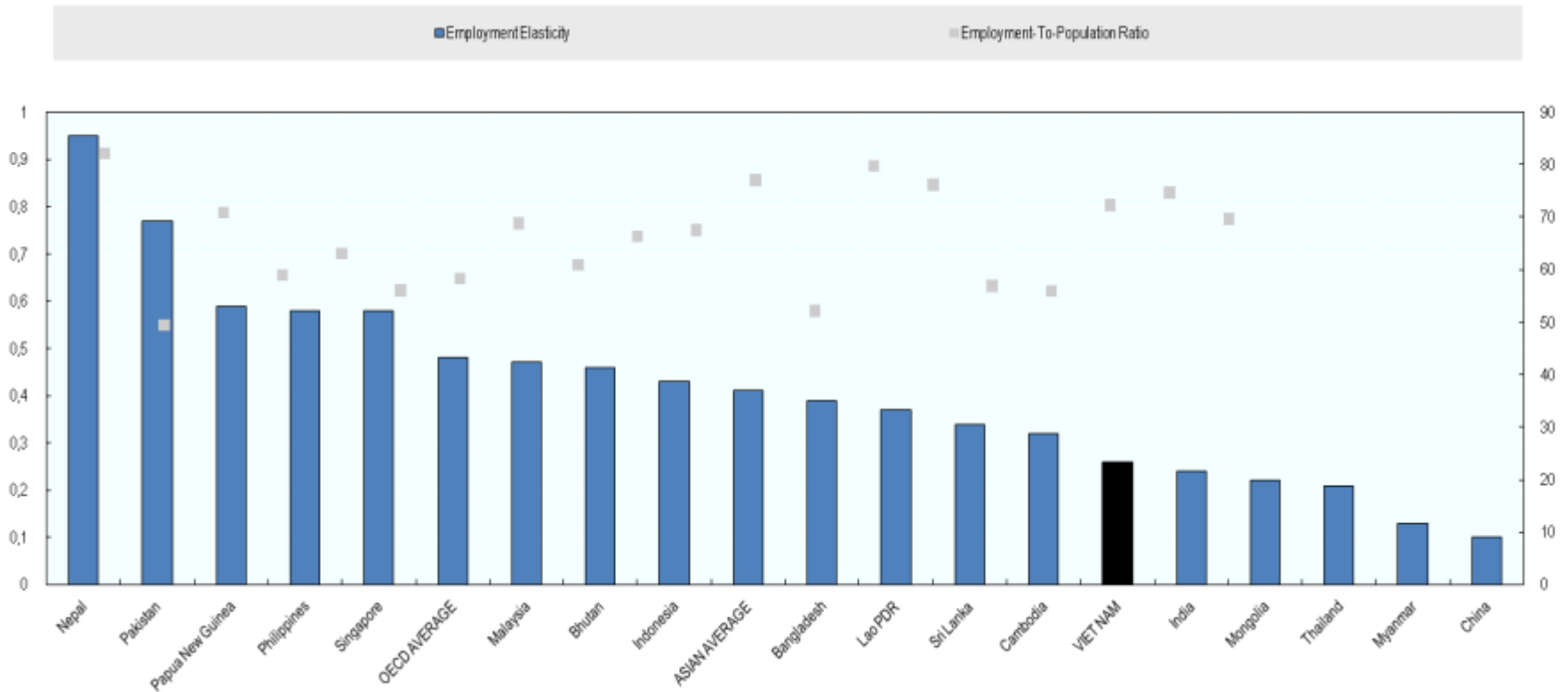
2.1.1. Was growth inclusive in Viet Nam? (3/5)

-> During the last decade, overall the **richest households, followed by the middle class** has gained more from economic performance, while the distribution of gains favored less the bottom 20 percent.



2.1.1. Was growth inclusive in Viet Nam? (4/5)

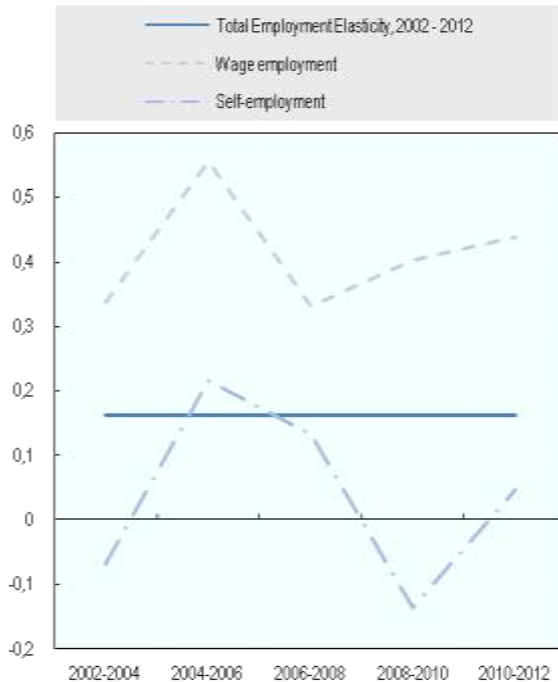
-> *The employment intensity of growth is low in Viet Nam, in comparison to both Asian and OECD countries, yet the pattern of growth has been labour intensive with nearly full employment.*



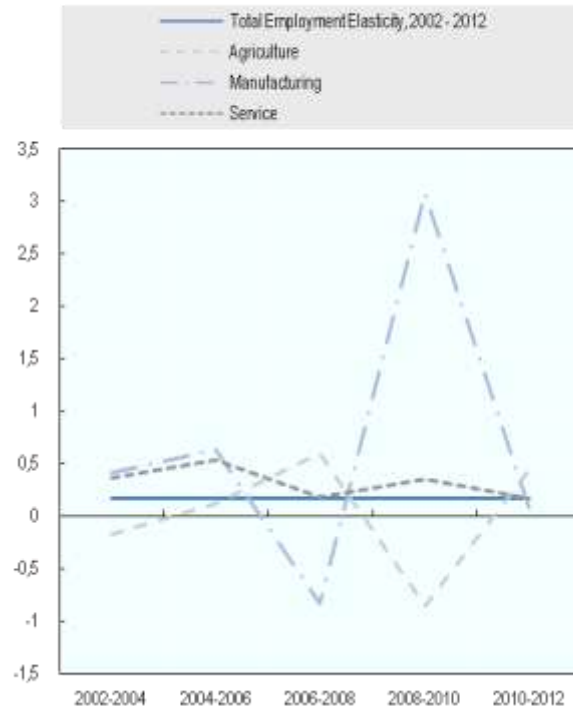
2.1.1. Was growth inclusive in Viet Nam? (5/5)

-> *There are large disparities in the employment intensity of growth by type of employment, industries and ownership of businesses.*

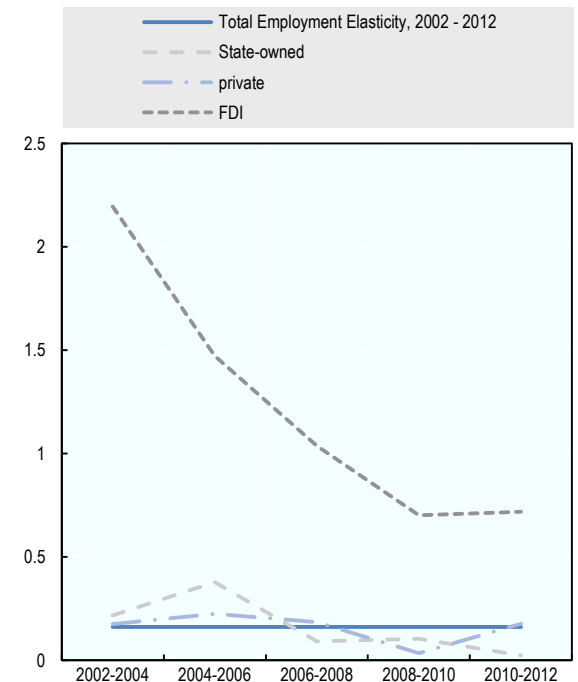
b - Employment elasticities by type of employment



c - Sectoral employment elasticities



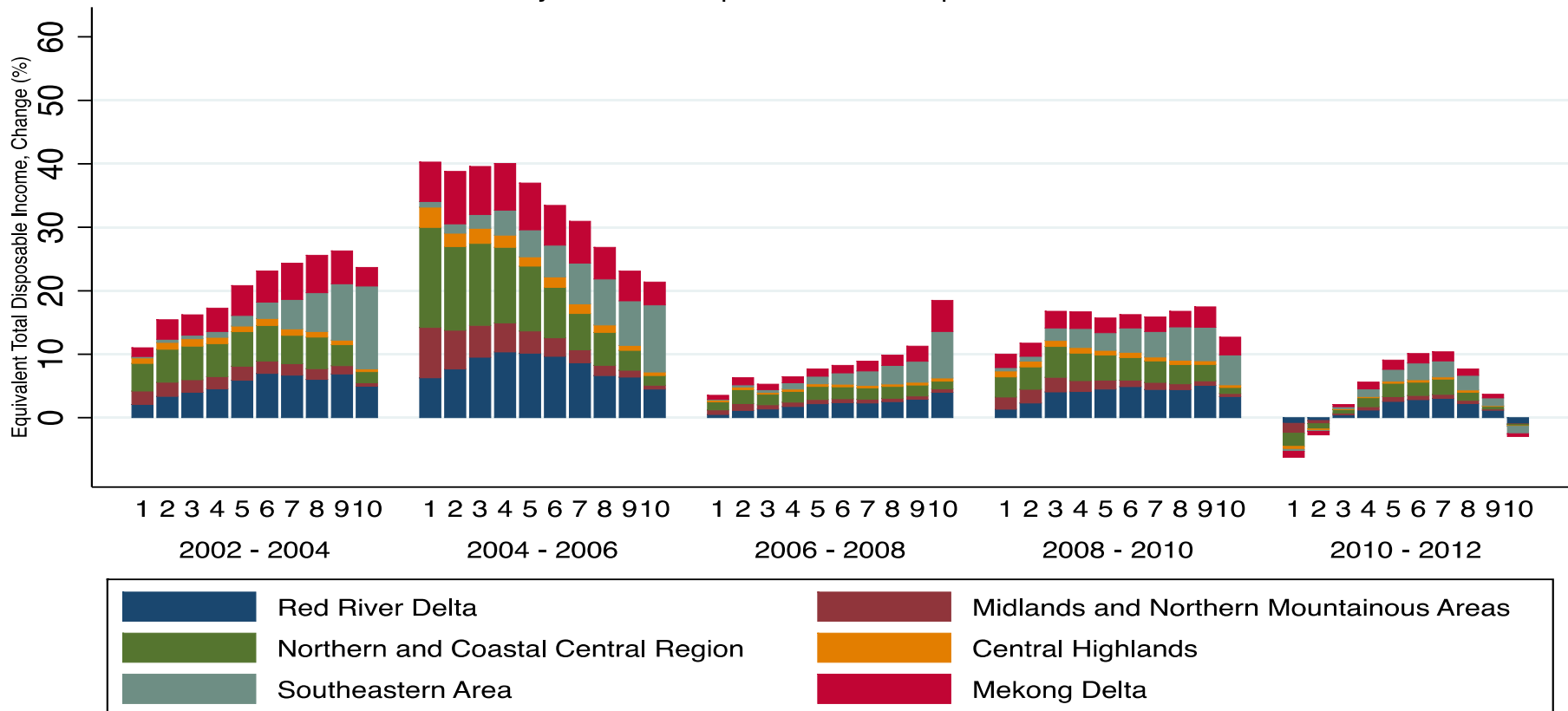
d - Employment elasticities by type of ownership



2.1.2. How is well-being spatially distributed? (1/6)

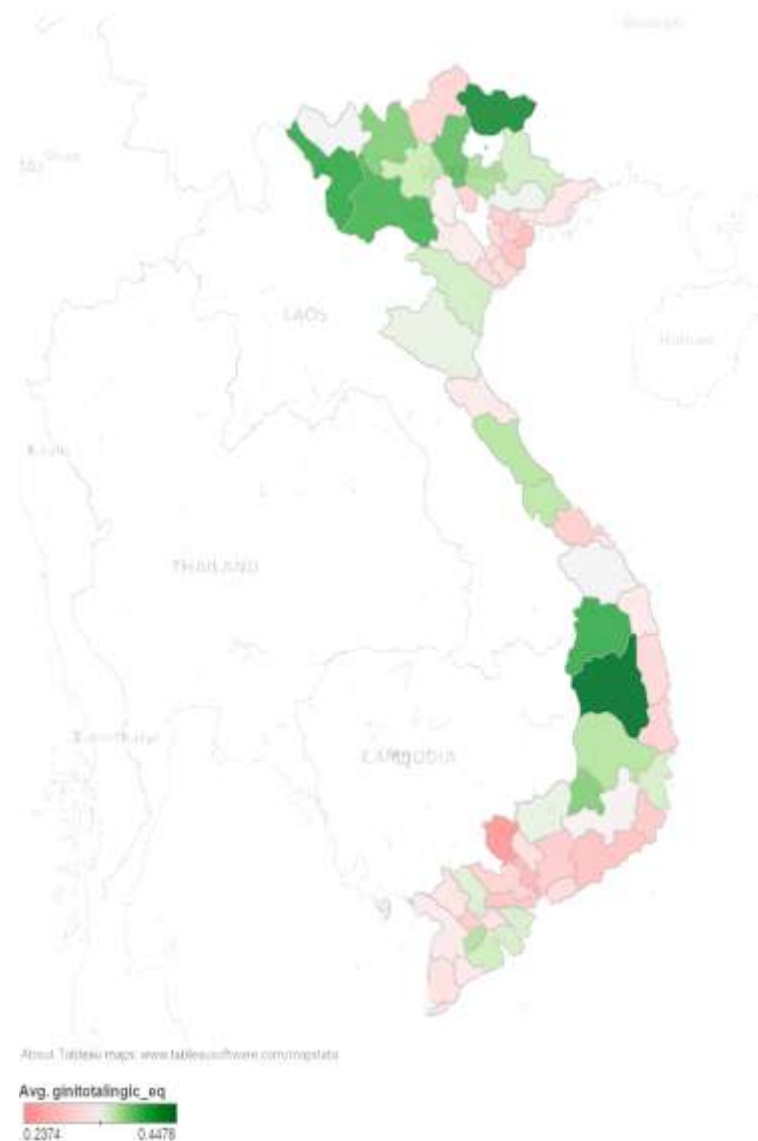
-> *There are large variations across provinces as to the extent to which growth has been inclusive.*

Vietnam, Macro-Regional Contribution to National Growth Incidence Curve, 2002 - 2010
By Deciles of Equivalent Total Disposable Income



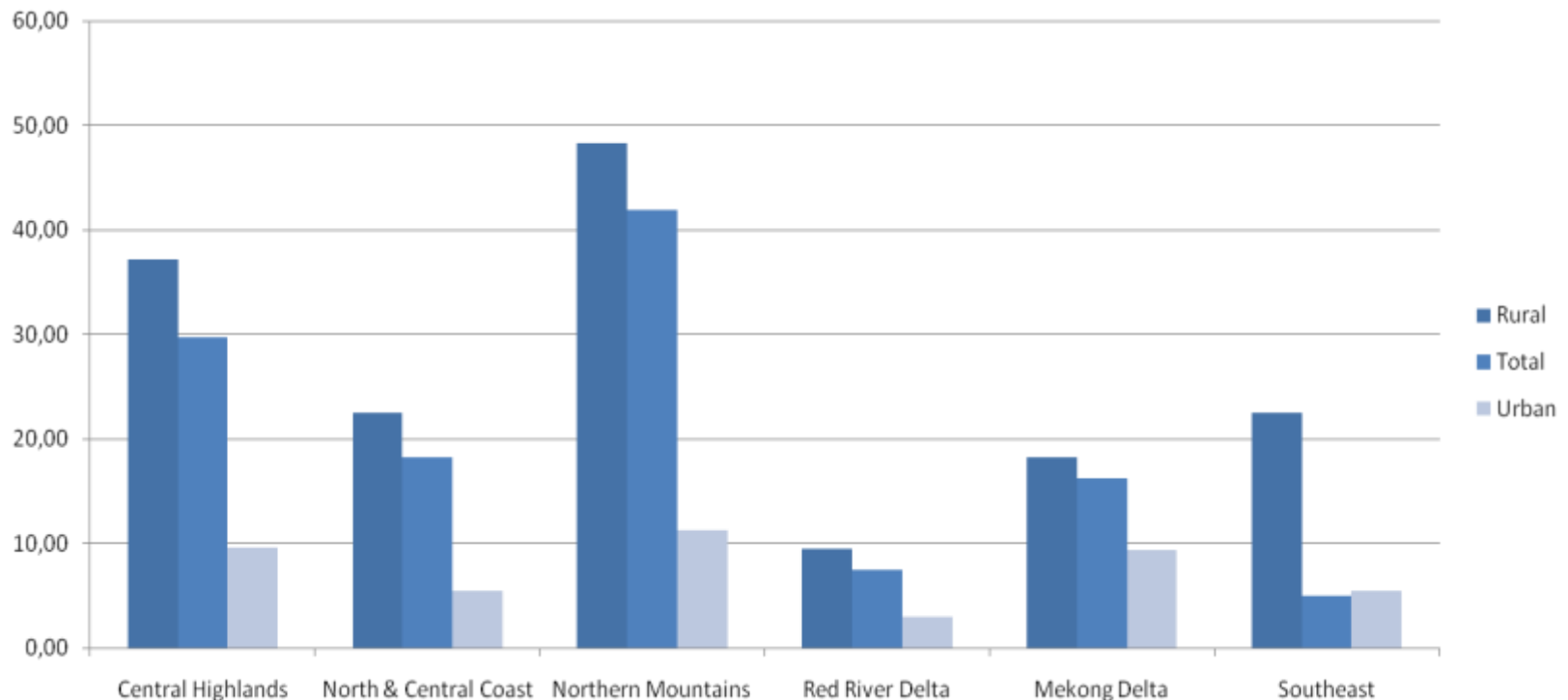
2.1.2. How is well-being spatially distributed? (2/6)

-> *Inequality mapping shows that the level of income inequality varies substantially across regions and is spatially concentrated in poor areas.*



2.1.2. How is well-being spatially distributed? (3/6)

-> *The incidence of poverty in Viet Nam has a strong spatial dimension. Poverty is largely rural and affects all regions, although to a different extent. The Northern Mountains and Central Highlands regions have the highest poverty rates (2012).*



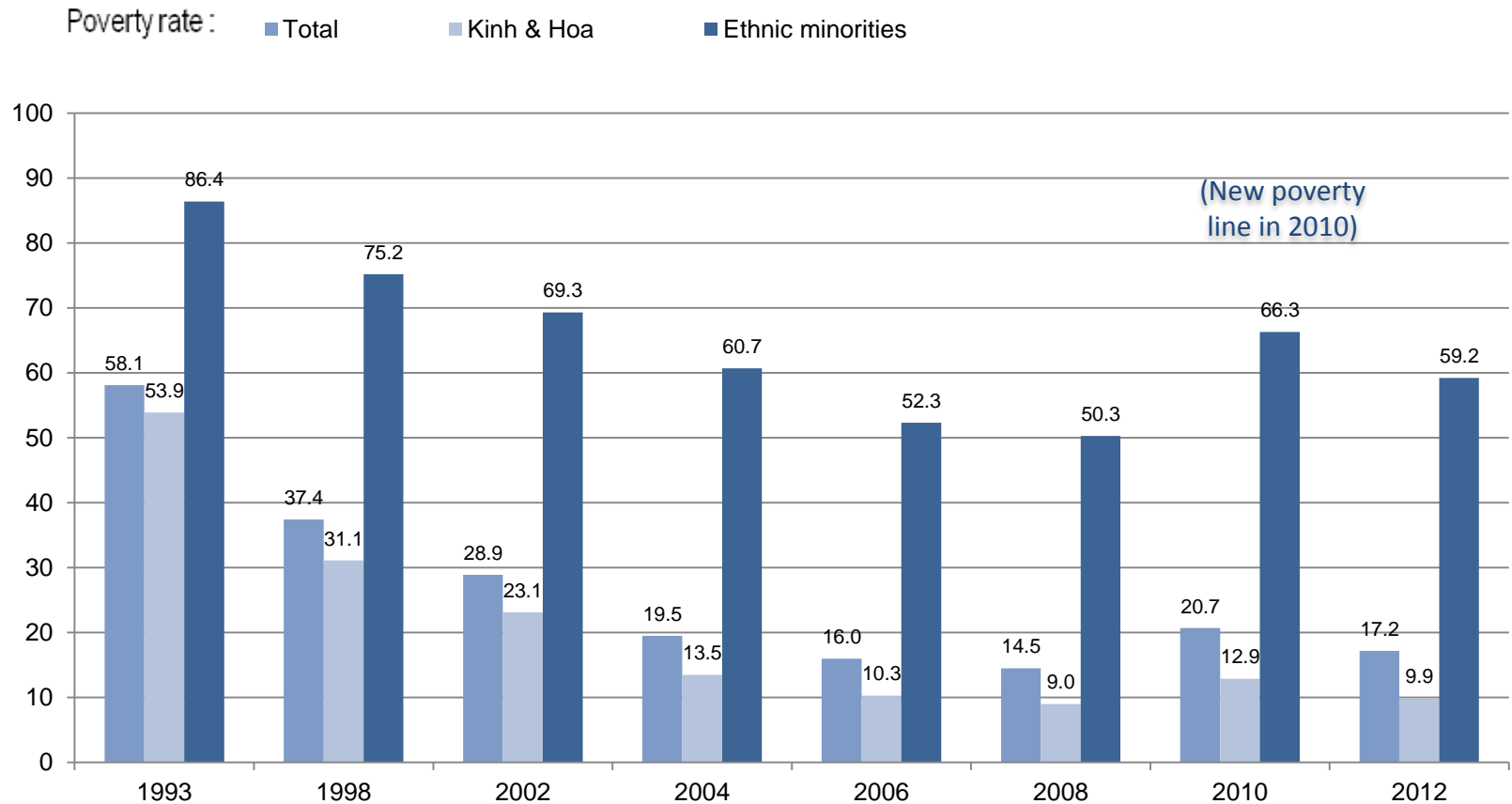
2.1.2. How is well-being spatially distributed? (5/6)

-> Rural areas exhibit worst social outcomes and access to basic infrastructure services.

Row Labels	National Average	Urban	Rural
Education			
Higher Secondary Attainment rate	15.78	24.01	12.05
Higher Secondary Enrollment rate, net	59.27	67.42	56.39
Lower Secondary Attainment rate	26.49	22.23	28.42
Lower Secondary Enrollment rate, net	80.61	83.06	79.74
Primary Attainment rate	25.05	19.72	27.46
Primary Enrollment rate, net	92.14	91.24	92.5
Tertiary Attainment rate	1.52	2.56	1.04
Tertiary Enrollment rate, net	26.98	38.69	22.61
Employment			
Median Hourly Earnings, in VND	16.09	20.05	14.29
NEET (15-24)	5.37	8.22	4.33
Type of Employment: inactive	23.36	30.76	20.18
Type of Employment: self-employed	46.25	28.52	53.88
Type of Employment: wage-employed	30.39	40.72	25.95
Health			
Cannot Afford Health Treatment (any type of treatment)	3.26	2.48	3.61
No Health Insurance	35.64	32.49	36.96
Housing			
Access to improved drinking water	86.76	95.53	83
Access to improved sanitation	73.5	93.03	65.13
Access to national electricity	97.55	99.7	96.63
Overcrowding (<7m ² /person or 11<m ² for 2 or more)	20.77	20.46	20.91
Vulnerability			
Incidence of Child Labour	4.12	1.16	5.26
Informal Employment	70.51	59.86	78.44
Low paid work (<60% of the median wage)	12.61	7.17	16.44
Working Elderly	34.43	19.7	40.66

2.1.3. How big are disparities across ethnic groups? (1/3)

-> *Income poverty is disproportionately high among ethnic minority groups.*



2.1.3. How big are disparities across ethnic groups? (1/3)

-> *Ethnic minorities face a serious disadvantage in terms of education and employment outcomes, they have worse housing conditions are particularly bad among ethnic minorities. Yet, they enjoy a greater health insurance coverage.*

2012	National Average	Men	Women	Majority	Minority	age 15-24
Education						
Higher Secondary Attainment rate	15.78	18.19	13.63	16.99	7.33	
Higher Secondary Enrollment rate, net	59.27	56.04	62.6	65	32.81	
Lower Secondary Attainment rate	29.06	30.01	28.15	30.45	19.75	
Lower Secondary Attainment rate	26.49	28.58	24.62	27.66	18.25	
Primary Attainment rate	25.05	24.88	25.19	25.24	23.67	
Primary Enrollment rate, net	92.14	92.35	91.91	92.94	88.61	
Tertiary Attainment rate	1.52	1.25	1.75	1.63	0.72	
Tertiary Enrollment rate, net	26.98	24.31	29.79	30.84	8.31	
Employment						
Median Hourly Earnings, in VND	16.09	17.06	14.47	16.29	13.52	13.23
NEET (15-24)	5.37	4.25	6.54	6.08	1.98	
Type of Employment: inactive	23.36	19.48	26.97	25.22	11.68	46.89
Type of Employment: self-employed	46.25	43.25	49.04	42	73.01	26.83
Type of Employment: wage-employed	30.39	37.27	23.99	32.79	15.31	26.29
Health						
Cannot Afford Health Treatment (any type of treatment)	3.26	3.68	2.94	3.02	5.05	
No Health Insurance	35.64	36.26	35.05	39.43	13.79	
Housing						
Access to improved drinking water	86.76			92.72	46.36	
Access to improved sanitation	73.5			80.47	26.26	
Access to national electricity	97.55			99.29	85.79	
Overcrowding (<7m ² /person or 11<m ² for 2 or more)	20.77			18.3	37.55	
Vulnerability						
Incidence of Child Labour	4.12	4.09	4.15	2.16	12.82	
Informal Employment	70.51	72.13	68.72	69.92	80.23	73.77
Low paid work (<60% of the median wage)	12.61	9.48	17.22	12.11	19.78	19.77
Working Elderly	34.43	41.23	30.13	33.87	39.92	

2.1.4. How large is gender and age-related inequality?

-> Viet Nam enjoys a fairly high level of gender and age-related equality in several socio-economic outcomes. Yet, as in most countries in the world, women in Viet Nam face a disadvantage in terms of wage, and there are important age-related inequities in the area of employment and income.

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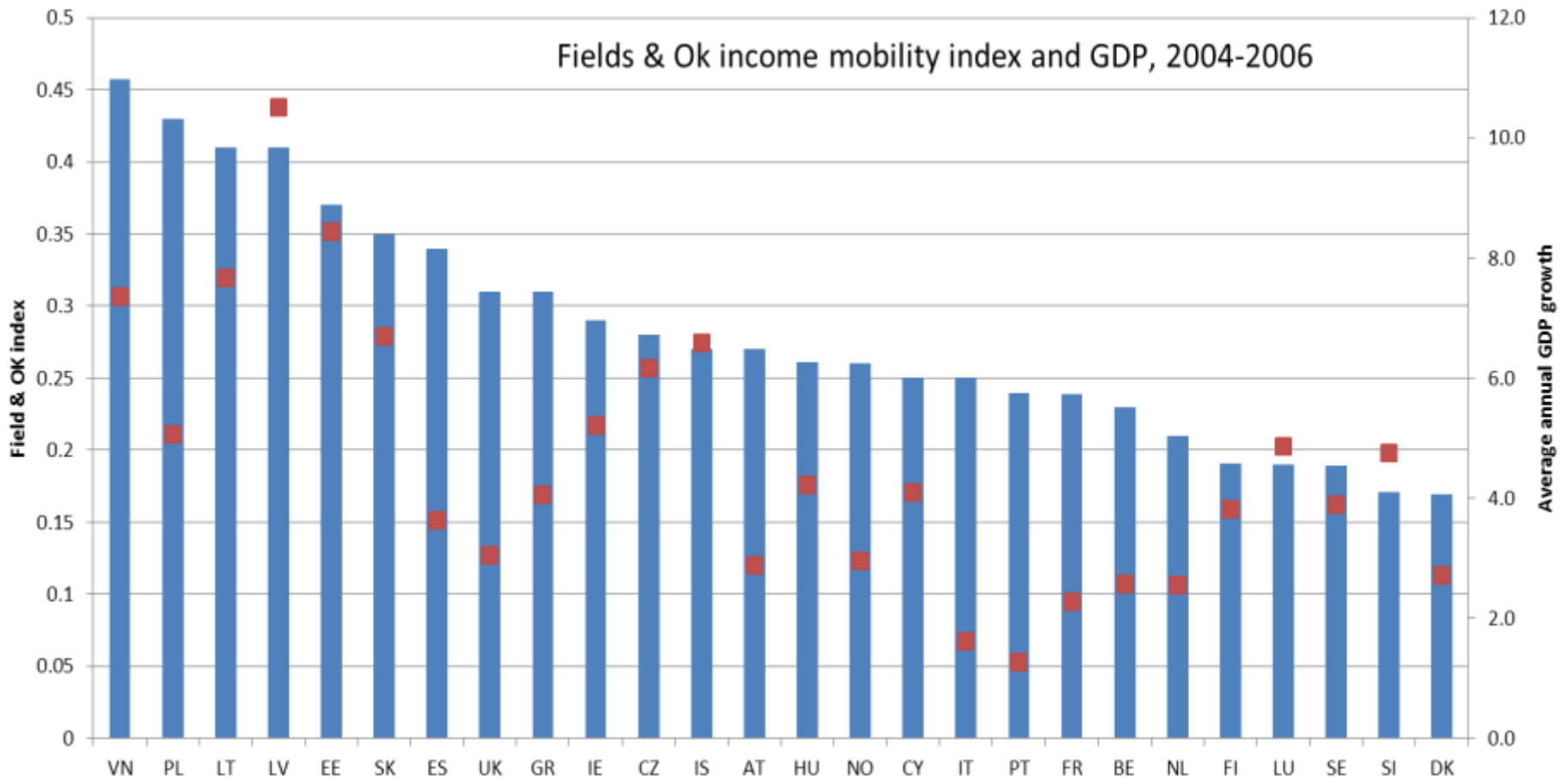
2.1 Social inclusion: Focus on inclusive growth and distribution of key social outcomes

2.2 Social mobility: Focus on income and job mobility and inter-generational mobility

2.3 Social capital: Focus on trust, social networks, civic engagement and social norms

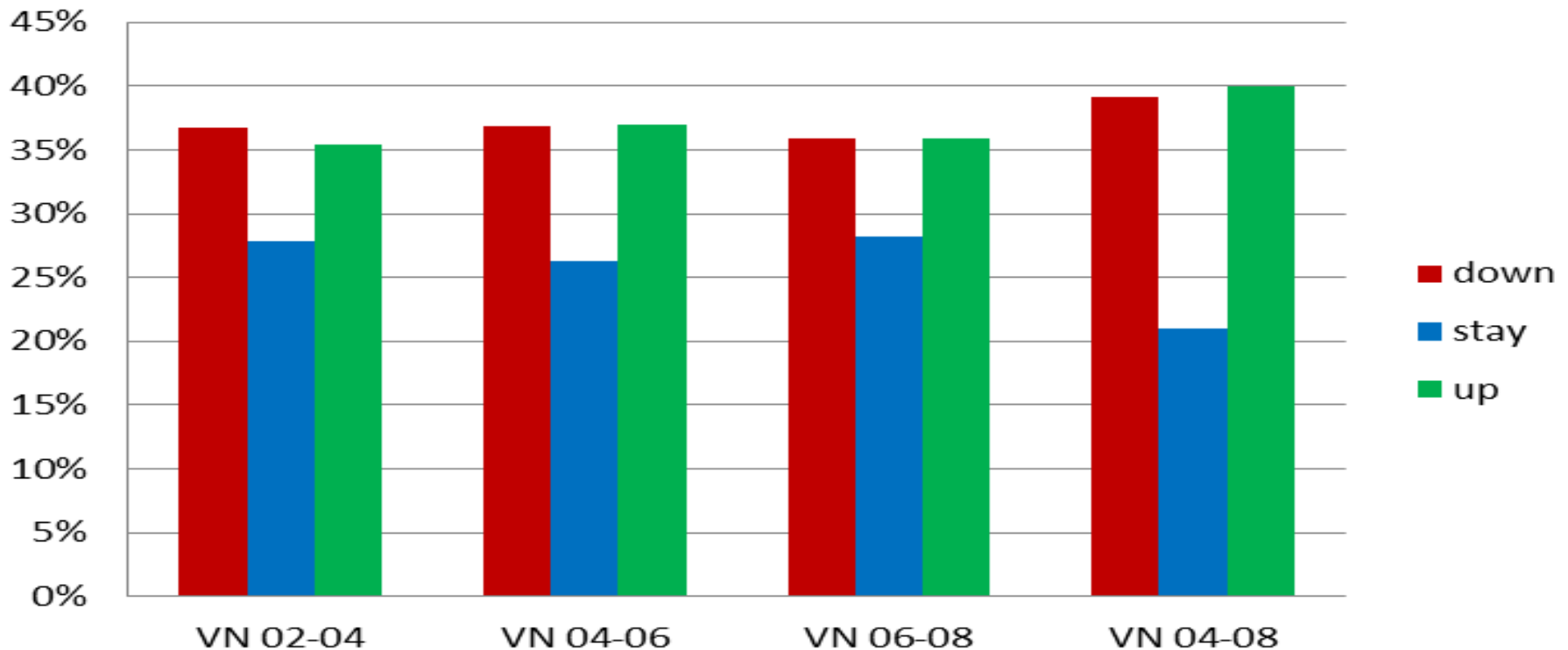
2.2.1 Is income mobility supporting more equity? (1/4)

-> *Past growth performance in Viet Nam has been associated with high absolute income mobility.*



2.2.1 Is income mobility supporting more equity? (2/4)

-> *What is remarkable is that downward income mobility has been as important as upward mobility, indicating that there has been both winners and losers in fast growing Viet Nam.*



2.2.1 Is income mobility supporting more equity? (3/4)

-> *A large share of the poor moved up the income ladder, contributing to the rise of the middle class in Viet Nam.*

Table 1. Transition Matrix: Middle Class, 2004-2008

		2008		
		poor	Middle class	rich
2004	poor	39.5	58.5	2.1
	Middle class	10.4	73.0	16.6
	rich	2.0	36.6	61.4

Source: Authors' calculation based on VHLSS 2004 and 2008

2.2.1 Is income mobility supporting more equity? (4/4)

-> *The middle class in Viet Nam appears to be a rather heterogeneous group with a lot of variations in income.*

Table 1. Transition Matrix: Movements within the Middle Class, 2004-2008

		Deciles in 2008						
		2	3	4	5	6	7	8
Deciles in 2004	2	16.9	24.7	21.8	17.9	10.9	6.9	0.9
	3	17.7	16.5	16.1	13.9	22.5	11.8	1.6
	4	8.6	20.8	20.0	20.7	16.1	9.9	4.0
	5	11.1	13.2	17.9	15.4	23.7	15.4	3.4
	6	6.8	14.1	15.0	23.9	13.7	19.0	7.4
	7	9.0	5.8	16.2	16.8	15.9	28.7	7.7
	8	11.7	25.8	4.7	13.9	16.5	14.4	13.0

Source: Authors' calculations based on VHLSS 2004 and 2008

2.2.2 What drives upward and downward income mobility?

- > *Living in urban areas, a higher employment share in the household, the share of agriculture income in total income, and moving from low to medium manufacture are strong correlates of upward income mobility.*
- > *Engagement in own account agriculture, the number of children, and the presence of a disabled household member increase the risk of downward income mobility.*

2.2.3 Is structural transformation in Viet Nam associated with large job mobility ? (1/2)

- > *Mobility is fairly low in terms of employment status, with a large share of the employed remaining in self-employment.*
 - > *Opportunities to leave self-employment appear particularly limited for minority groups, as well as for women and workers in pre-retirement age.*
- Figure 1: Within employment mobility, by employment status, 2004-2008**

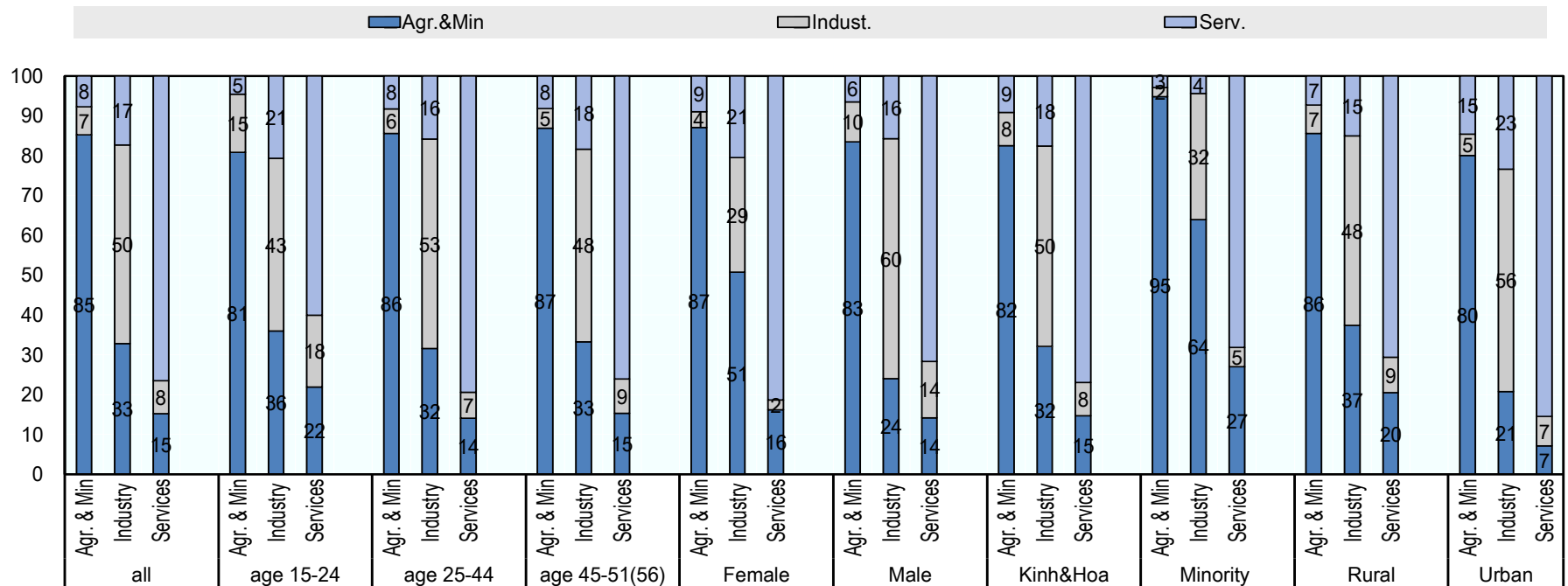


Source: VHLSS

2.2.3 Is structural transformation in Viet Nam associated with large job mobility ? (1/2)

- > Sectorial mobility is moderate, with the most important movements observed from agriculture into industries and services .
- > Mobility rates into agriculture are disproportionately high for minority groups and women, but there are also surprisingly above national average for youth.

Figure 1: Within employment mobility, by sectors, 2004-2008

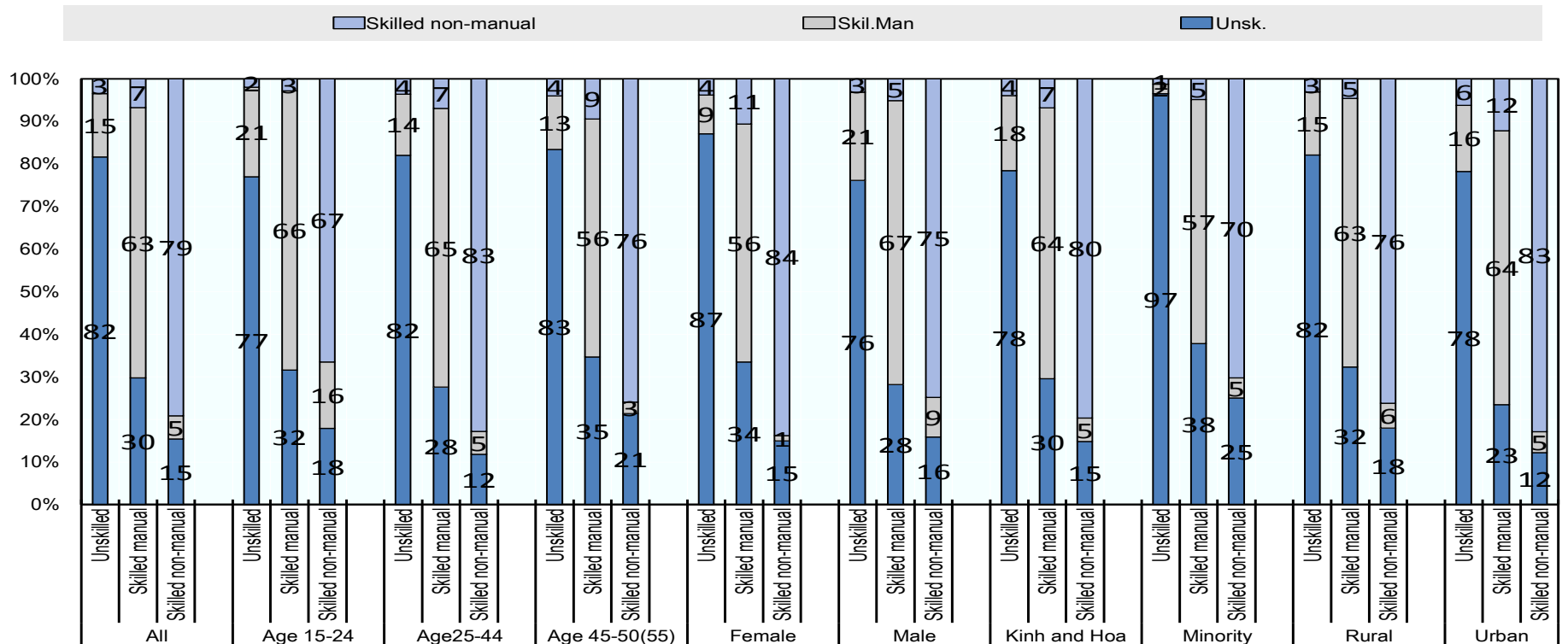


Source: VHLSS

2.2.4 Are there opportunities to upgrade in more qualified jobs ? (1/2)

-> *Unskilled workers have limited opportunities to up-grade in jobs requiring higher levels of skills, while downward skill mobility affects a non-negligible share of skilled workers.*

Figure 1: Within employment mobility, by skills level, 2004-2008

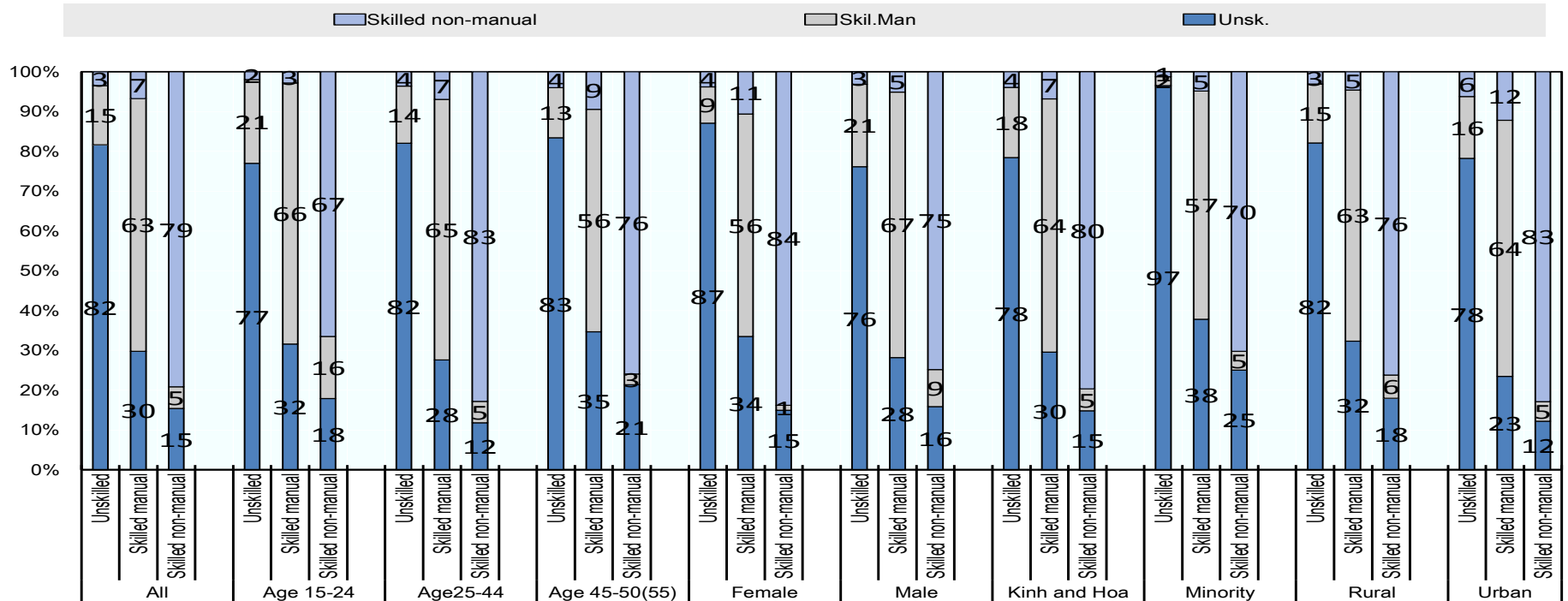


Source: VHLSS

2.2.4 Are there opportunities to upgrade in more qualified jobs ? (1/2)

-> Downward skills mobility affects disproportionately ethnic minority groups and workers close to pre-retirement age. In contrast, unskilled youth have greater upward skills mobility.

Figure 1: Within employment mobility, by skills level, 2004-2008

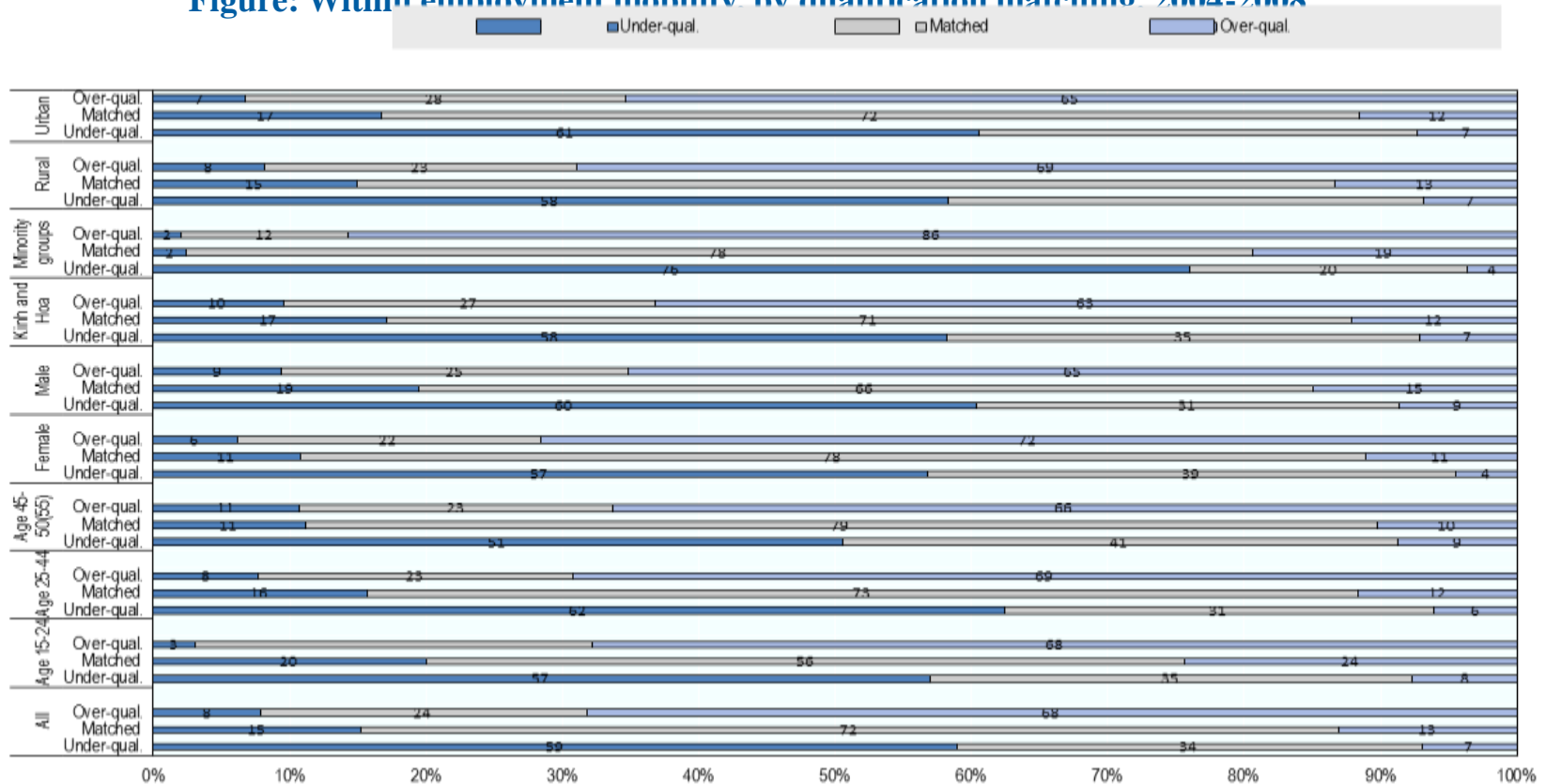


Source: VHLSS

2.2.5 Is job mobility contributing to reduce skills mismatch over time ? (1/2)

-> Qualification mismatch is an important challenge in Viet Nam, and the opportunities for workers to move to jobs that match their level of skills remain limited.

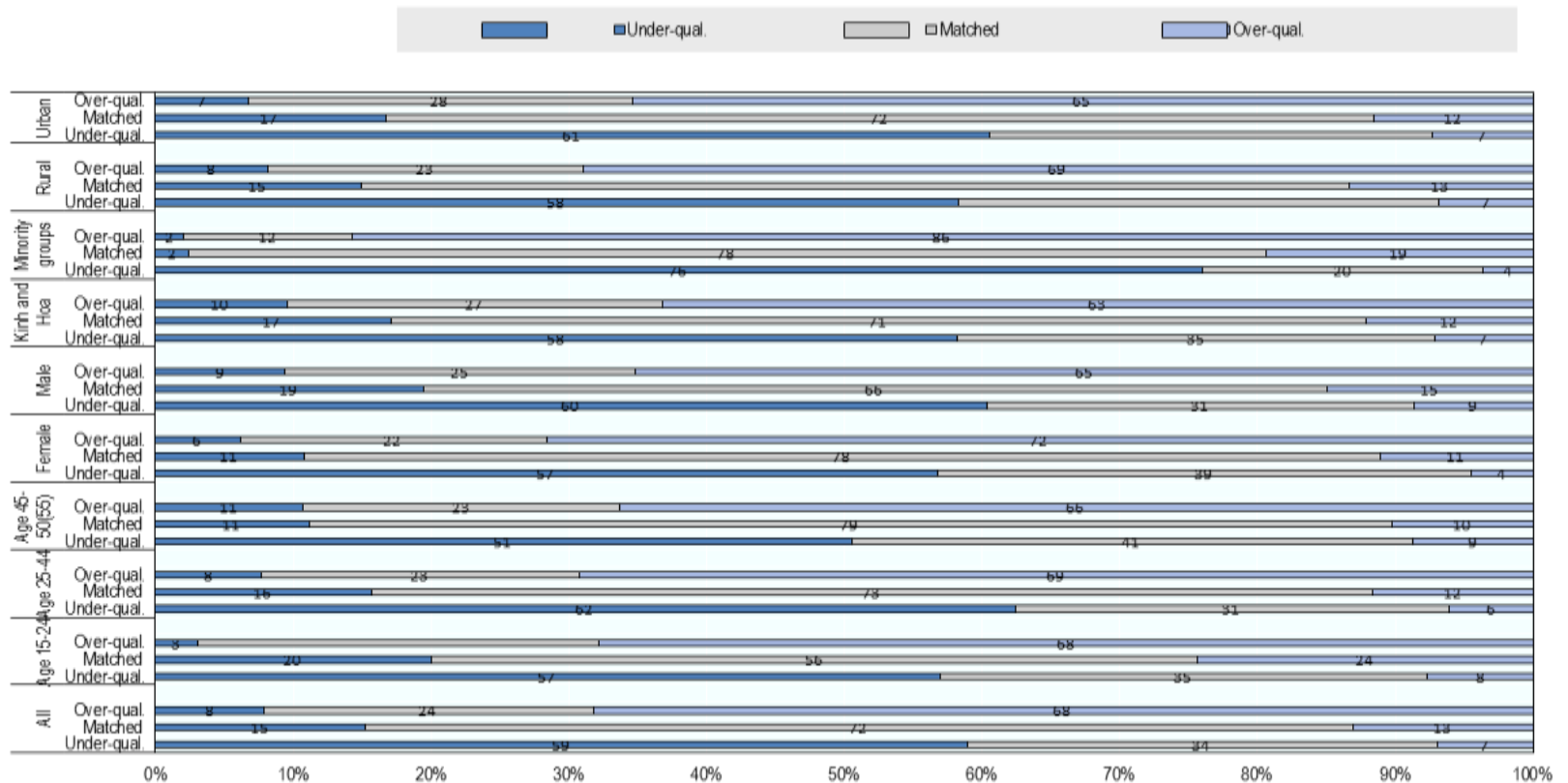
Figure: Within employment mobility by qualification matching, 2004-2008



2.2.5 Is job mobility contributing to reduce skills mismatch over time ? (1/2)

-> Workers from ethnic minority groups face the most difficulties to find jobs that match their skills as they experience the highest chances of remaining overqualified or underqualified.

Figure: Within employment mobility, by qualification matching, 2004-2008



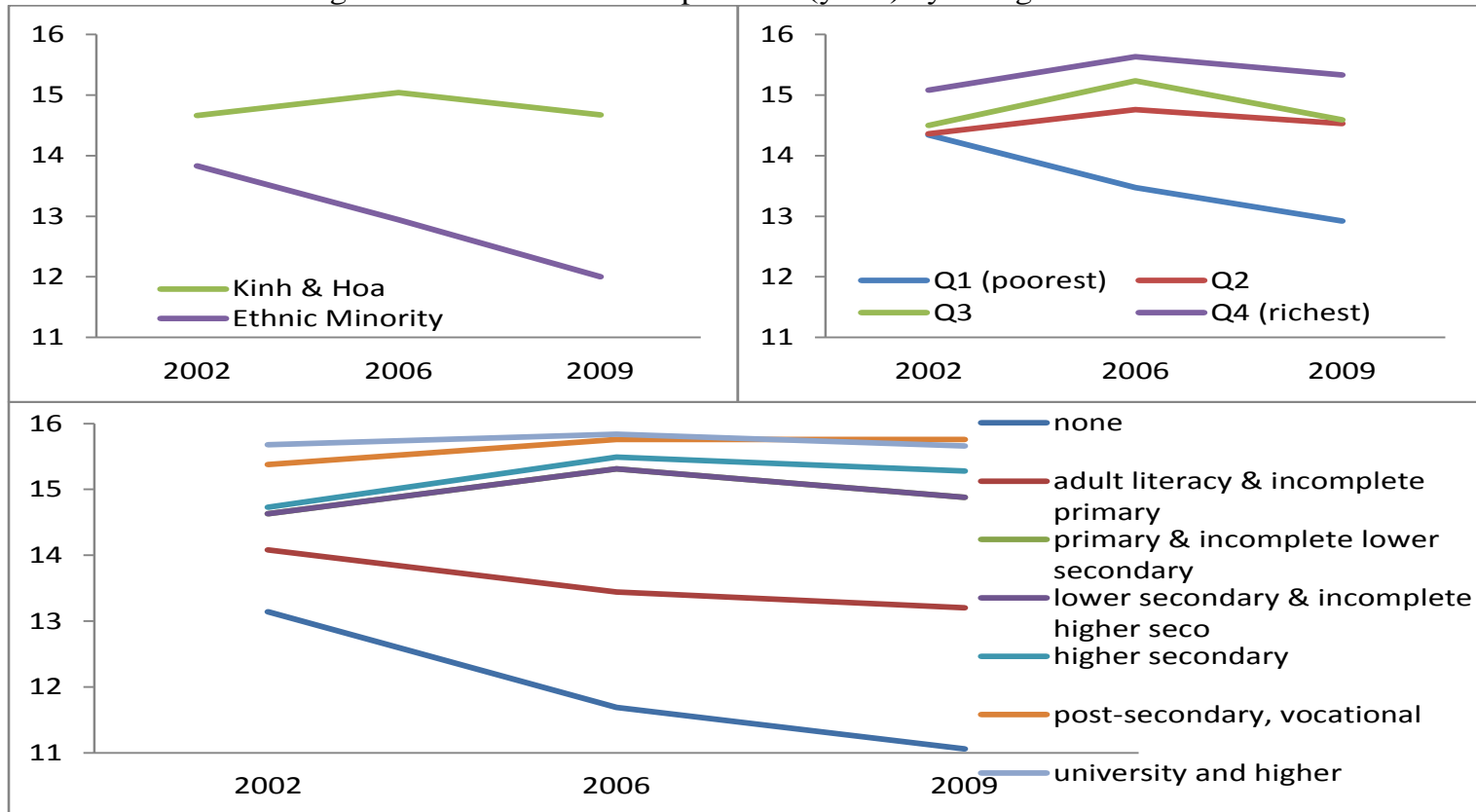
2.2.6 How important is intergenerational mobility

?

-> The fact that children from disadvantaged background have lower education aspirations raises concerns about the level of inter-generational mobility in VN.

Figure 1: Children's educational aspirations, by socio-economic status of the household

Average children educational aspirations (years) by background variables



2.2.7 What drives intergenerational mobility ?

-> *Fiscal capital and human capital are important determinants of children's education aspirations.*

-> *While social capital does not seem to have a strong direct effect on children's education aspirations, it nonetheless affect the way fiscal and human capital influence these aspirations and contribute to more equal outcomes.*

2.1 Social inclusion: Focus on inclusive growth and distribution of key social outcomes

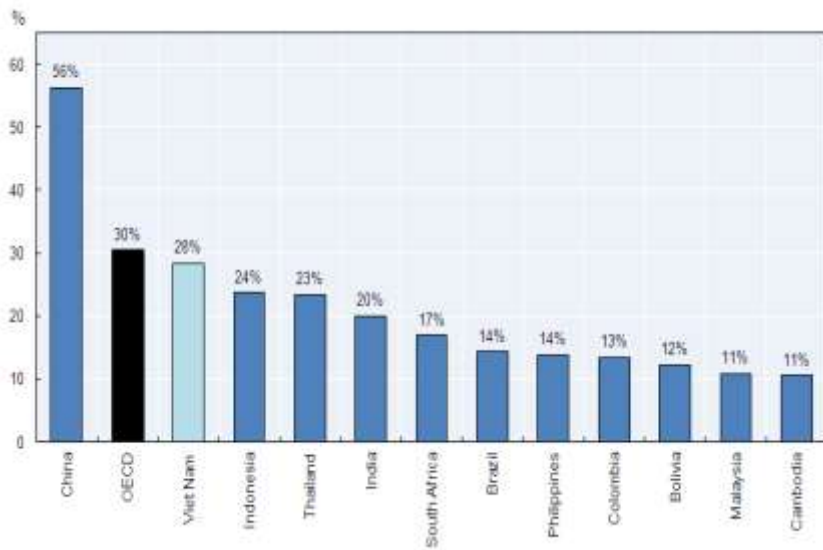
2.2 Social mobility: Focus on income and job mobility and intergenerational mobility

2.3 Social capital: Focus on trust, social networks, civic engagement and social norms

2.3.1 Are people trusting each other in Viet Nam ?

-> *Interpersonal trust is relatively high overall, as well as tolerance for diversity (albeit much lower than the OECD).*

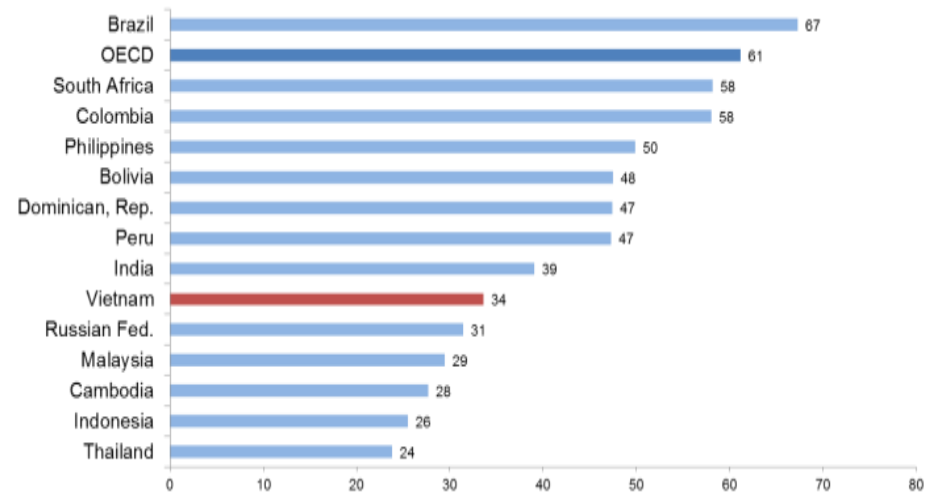
Figure 1: Percentage of people saying that most people can be trusted, 2009-2010



Note: Interpersonal trust is measured as the average between 2009 and 2010 of the share of respondents who answered that most people can be trusted to the question: "Generally speaking, would you say that most people can be trusted or that you have to be careful in dealing with people"? OECD average includes 30 OECD countries excluding Australia, Iceland, New Zealand and Norway.

Source: Gallup World Poll, 2009-2010

Figure 2: Tolerance to diversity index, average 2006-2012



Note: The Diversity Index measures a community's acceptance of people from different racial, ethnic, and cultural groups.

Source: World Poll Index (Gallup World Poll)

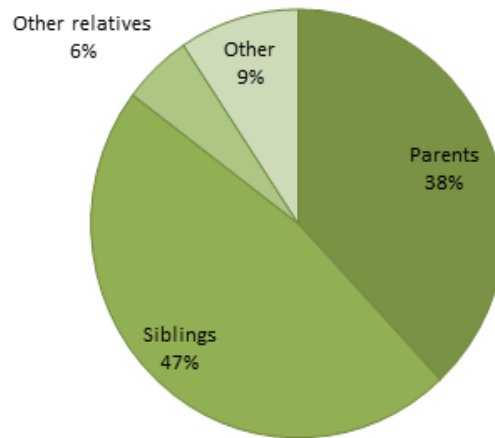
2.3.2 Are people trusting public institutions ?

- > *Overall, the level of satisfaction with public institutions remains moderate, and there are also large disparities across provinces.*
- > *A major factor of distrust in public institutions in Viet Nam is due to land reforms.*
- > *Women, who make up the majority of the agricultural labour force, have particularly suffered from land reforms.*
- > *Real or perceived corruption remains a challenge that hampers trust in the government, but there are signs of improvement.*

2.3.3 Where do Vietnamese get they support from in case of problems?

-> *Traditionally an agrarian society, the family in Viet Nam plays a critical role for survival and remains the main source of social network support.*

Figure 1: Social network support and the role of family



Source: Gallup World Poll 2010? Note: Who would help you in case of problems?

2.3.4 Is support from social network equally important for all, and for what?

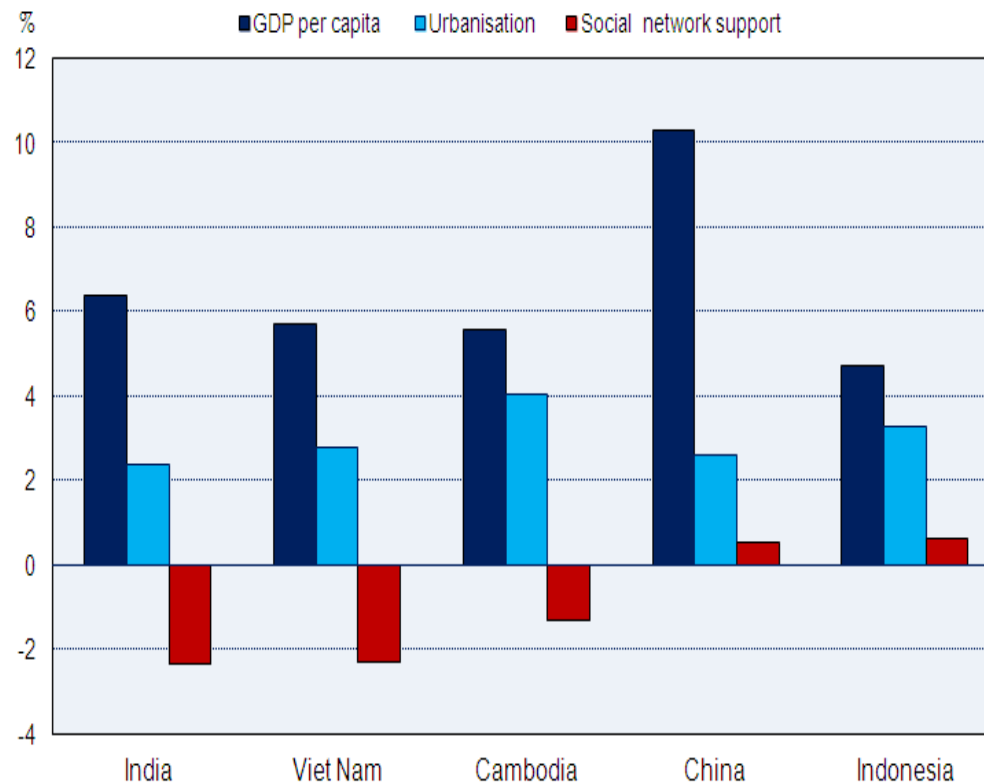
-> Family support is particularly important for poorer households and vulnerable groups, while better-off people can rely on support from acquaintances who are better connected and hold higher positions.

-> Access to credit and business activities are also closely dependent on informal networks.

2.3.5 Is social network support affected by structural transformation?

-> *Industrialisation and urbanisation are adversely affecting social network support.*

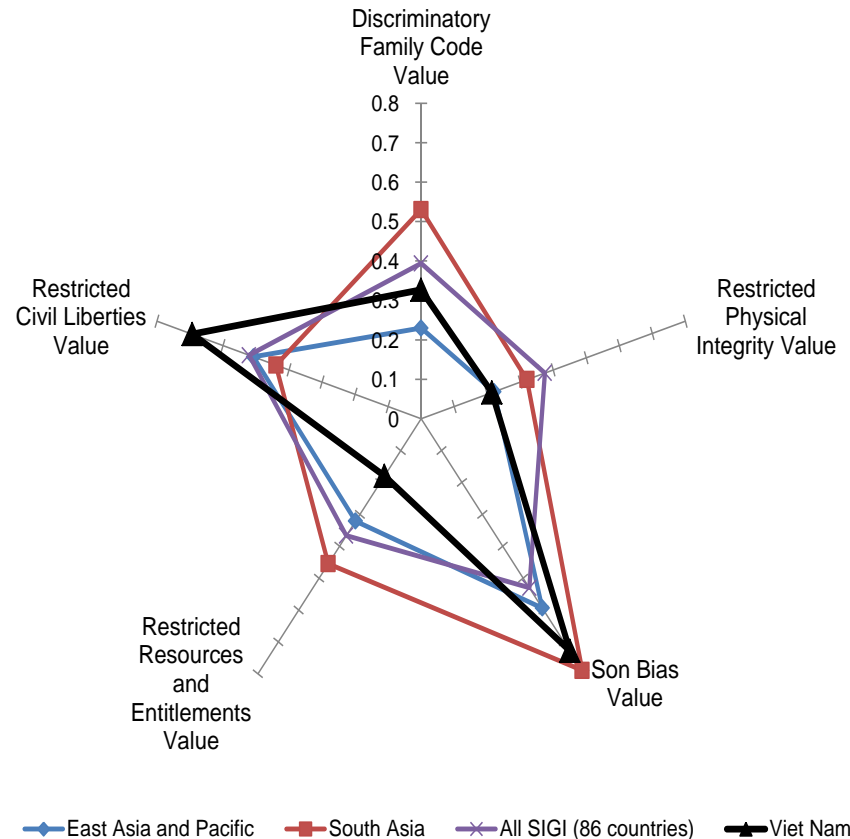
Figure 1: Changes in social network support, urbanization and growth performance, 2006-2012



2.3.6 Which role play social norms in Viet Nam?

-> *A number of formal and informal social norms appear to have an adverse impact on gender equity.*

Figure 1: the Social Institutions and Gender Index, Viet Nam (2012)



Part 3:

**Are social policies in Viet Nam
conducive to social cohesion?**

3.1 Main Social Protection Programs (1/2)

Name of Program	Types of SP	Legal frame	Ministry responsible
National Program of employment creation/Employment Public Program	LMP	Law on Employment	MOLISA
Short-term vocational training for rural workers	LMP	Vocational Program for the Rural Areas	MOLISA and MARD
Credit programs for the poor HH and HH in poorest districts	LMP	National Poverty Reduction Programs	MOLISA and Bank for Social Policies
Credit Labour exporting programs for the poor and poorest districts	LMP	National Poverty Reduction Programs	MOLISA and Bank for Social Policies
Expanding the labour market information systems (LMIS) to rural areas (since 2009)	LMP	National Poverty Reduction Programs	MOLISA and Bank for Social Policies
Monthly payments for pensioners	SI	Social Insurance Law	VSS and MOLISA
Unemployment benefits	SI	Social Insurance Law, Employment Law	MOILISA and VSS
Lump sum payments for retirees, survivorship, funeral allowances	SI	Government decision 67,13, 136	MOLISA
Sickness, maternity, health recovery payments	SI	Social Insurance Law	MOLISA
Compulsory health insurance	SI	Health insurance Law	MOLISA and MOH
Voluntary health insurance	SI	Health insurance Law	MOLISA and MOH

3.1. Main Social Protection Programs (2/2)

Name of Program	Types of SP	Legal frame	Ministry responsible
Health care certificates for the poor and ethnic minorities	SA	Poverty Reduction Program	MOLISA
Monthly allowance for the elderly living on their own	SA	Government decision 67,13, 136	MOLISA
Monthly allowance for disability (disabled, mental illness, HIV/AIDS)	SA	Government decision 67,13, 136	MOLISA
Monthly allowance for vulnerable people in social protection centers.	SA	Government decision 67,13, 136	MOLISA
Monthly allowance for single parent feed-up children	SA	Government decision 67,13, 136	MOLISA
Monthly allowance for orphans and family feeding up the orphans	SA	636,916	MOLISA
Emergency Relief for the poor fallen into the danger of hunger	SA	Government decision 67,13, 136	MOLISA
Disaster Relief	SA	Government decision 67,13, 136	MOLISA
Cash transfers for the poor in the Lunar Year	SA	Government decision 67,13, 136	MOLISA

3.2 Social Protection outcomes: Facts and figures (2014) (1/3)

1. Social Health Protection

• Coverage (% of population) **70.2**

2. Social Insurance (SI)

• Compulsory SI (% of labour force) **20.3**

• Voluntary SI (% of labour force) **0.4**

= Total labour force covered by SI **20.4**

3. Unemployment insurance (% of LF) **25.0**

4. Social Assistance (% of population) **3.0**

3.2 Social Protection Programs: Beneficiaries, millions people (2/3)

No.	SP PROGRAMS	2011	2012	2013
1	National Program of employment creation	171	240	215
2	Shortterm vocational training for rural workers	350	490	574
3	Monthly payments for pensioners	2,186	2,487	2,640
4	Unemployment benefits	444	421	511
5	Lump sum payments for retirees, survivorship, funeral allowances	547	603	638
6	Sickness, maternity, health recovery payments	5,046	5,232	6,144
7	Compulsory health insurance	52,000	53,800	56,210
8	Voluntary health insurance	5,000	5,500	6,110
9	Health care certificates for the poor and ethnic minorities	13,705	13,852	14,000
10	Monthly allowance for the elderly living on their own	945	1,429	1,496
11	Monthly allowance for disability (disabled, mental illness, HIV/AIDS)	568	730	900
12	Monthly allowance for vulnerable people in social protection centres	37	42	58
13	Monthly allowance for single parent feedup children	50	69	79
14	Monthly allowance for orphans and family feeding up the orphans	74	71	117
15	Emergency Relief for the poor fallen into the danger of hunger	2,439	1,912	1,794
16	Disaster Relief	1,756	1,429	2,799
17	Cash transfers for the poor on the occasion of the Lunar Year	2,404	1,884	1,768
	Total	87,722	90,191	96,055

3.2 Social protection beneficiaries (3/3)

	2009	2011	2012	2013
Total (millions people)	79.1	87.7	90.2	96.1
Labour Market	0.6	0.5	0.7	0.8
Social Insurance	41.5	65.2	68.0	72.3
Social Assistance	37.0	22.0	21.4	23.0
Share, %	100	100	100	100
Labour Market	0.76	0.59	0.81	0.82
Social Insurance	52.47	74.35	75.44	75.22
Social Assistance	46.78	25.05	23.75	23.96

3.3.1 Poverty reduction programs: Coverage of poor households (1/3)

- Poverty reduction programmes reach their official targets (registered poor). Coverage of rural and ethnic minority households is also high.
- Percentage of households benefitting from poverty alleviation programmes in 2011 or 2012

	Total	Urban	Rural
All households	29.1	10.6	37.0
Registered poor ¹	97.5	92.3	98.0
Not registered poor	18.1	7.0	23.6
Ethnic minorities	73.2	40.5	76.5
Kinh & Hoa	22.6	9.4	29.1

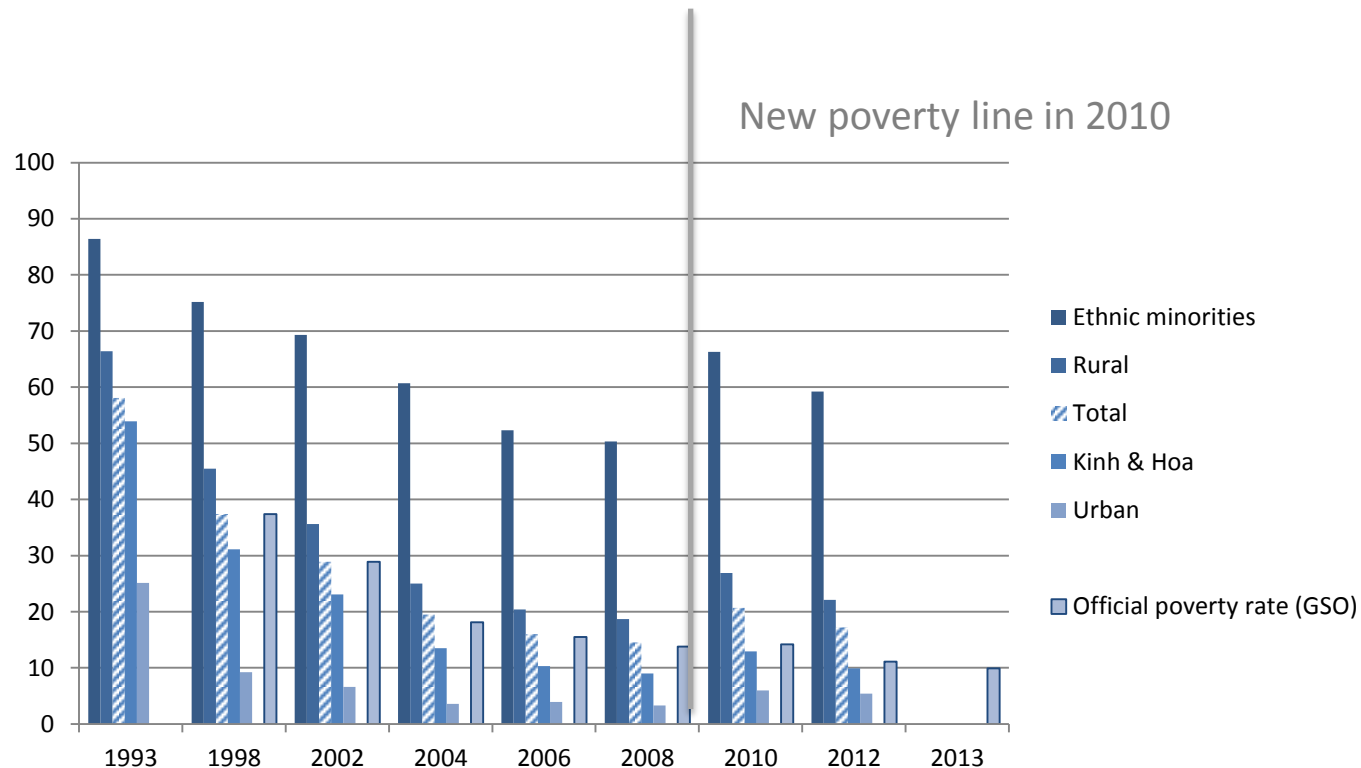
3.3.1 Poverty reduction programmes: *Coverage by types of benefits (2/3)*

Subsidies, exemptions & support (in 2011 or 2012)	All households			Households in rural areas				
	All households	All ethnic minorities	Registered poor	The poorest	Quint. 2	Quint. 3	Quint. 4	The richest
Health insurance	18.3	54.7	82.8	45.4	25.8	15.2	9.5	5.6
Health spending	13.6	45.8	83.2	39.0	19.4	10.2	6.0	2.8
Education fees	8.2	31.4	50.3	27.8	11.7	4.9	2.1	1.0
Boarding schools	1.5	7.7	8.3	4.7	2.3	1.1	0.5	0.2
Training	0.2	1.2	1.2	0.9	0.0	0.2	0.2	0.0
Housing	1.1	3.0	7.4	2.9	1.8	0.9	0.3	0.2
Clean water	1.4	7.8	7.2	4.6	1.7	1.1	0.5	0.3
Land	0.1	0.4	0.4	0.3	0.0	0.1	0.1	0.0
Agri Ext services	7.8	24.5	18.5	18.3	8.3	7.8	5.1	3.3
Migration	0.3	1.0	1.5	1.0	0.0	0.3	0.2	0.0
Food	5.4	21.0	31.2	18.2	6.5	3.2	1.8	1.2
Kerosene	0.2	0.5	0.7	0.3	0.2	0.4	0.0	0.1
Support	0.1	0.5	0.8	0.4	0.1	0.1	0.1	0.0
Credit	4.5	17.3	31.1	14.5	5.8	2.7	1.8	0.9
Equipment	10.3	30.0	40.2	24.2	14.1	9.2	5.8	3.5
Other	4.8	20.0	17.6	11.8	5.3	4.7	2.9	1.7

3.3.1 Poverty reduction programs: Poverty rates (3/3)

- Poverty reduced by 75% from 1990 to 2008. Poverty rate was estimated at 14.5% in 2008 (17.2% in 2012, according to the new poverty line). However, poverty is concentrated among ethnic minorities and in certain regions.

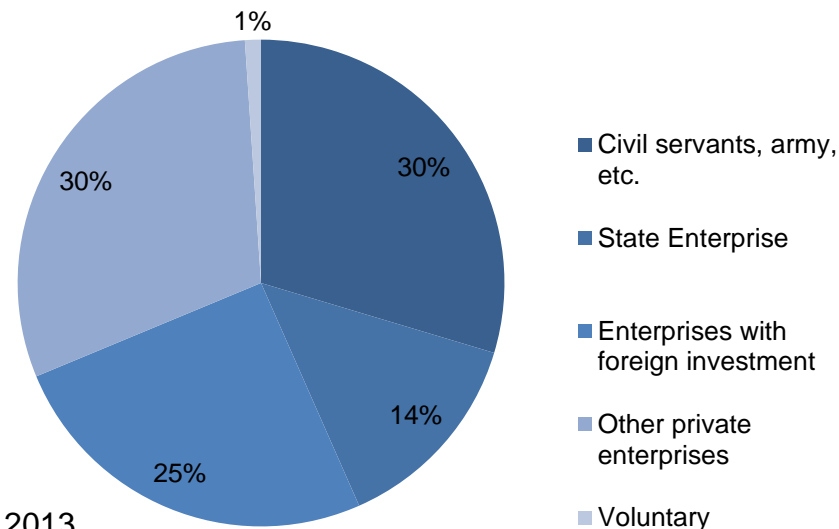
- Poverty rates for total population and by place of residence and ethnicity,1993-2013**



3.3.2 Social insurance coverage

About 18% of the total workforce (9 million) participate in mandatory social insurance scheme, nearly half are in the public sector. Only 1% of participants were on voluntarily scheme.

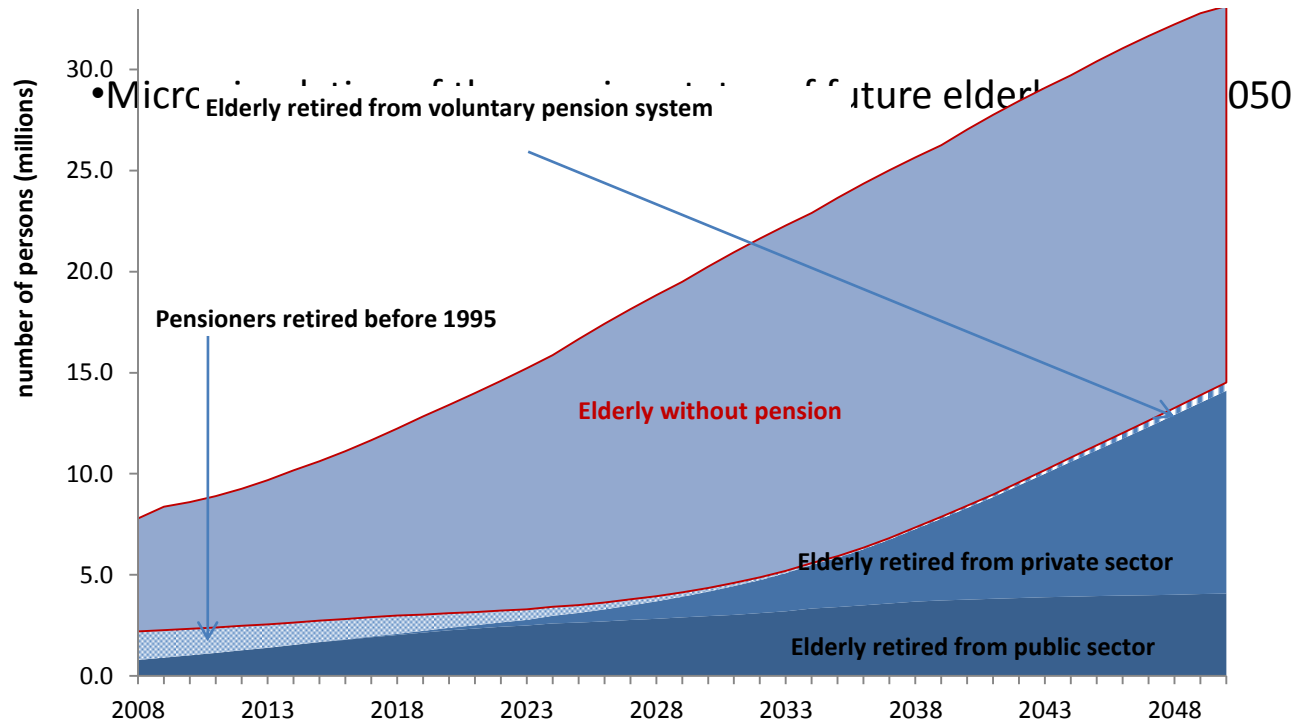
Distribution of participants in social insurance schemes (2011)



Source: VSS 2013

3.3.2 Social insurance: *Pension coverage gap*

- Pension covered only 16.4% of the total workforce, and in general they were among the better off. Today, 73% of elderlies do not receive any pension and the gap will remain wide for decades to come.



3.3.3. Social assistance coverage of households

Although monthly benefits are intended for vulnerable people, not necessarily poor, social assistance (except for allowances for people with merit) has been progressive with more poor people receiving cash transfers than the rich.

Coverage of social cash transfers in 2012, in percentage of total households

	All	Urban	Rural	Ethnic minority	Registered Poor	The poorest Q1	Quint. 2	Quint. 3	Quint. 4	The richest Q5
Monthly benefits ¹	10.1	5.5	12.1	19.3	37.5	21.2	14.6	8.5	7.0	4.1
Emergency transfers ²	1.6	0.4	2.1	3.1	4.5	4.2	1.7	1.8	0.6	0.5
People with merit ³	4.3	2.5	5.1	3.3	3.4	3.2	4.5	4.3	5.3	4.1

Source: Calculated from GSO VHLSS 2012.

Note: 1/ Monthly benefits are intended for vulnerable groups, such as orphans, over 85, disabled, single parents, etc. 2/ Emergency transfers are one time lump sums. 3/ Monthly allowances to people who participated in the National Revolution. This takes up 30% of the total State Budget for social cash transfers.

3.3.4 Social protection programs (2012): Health

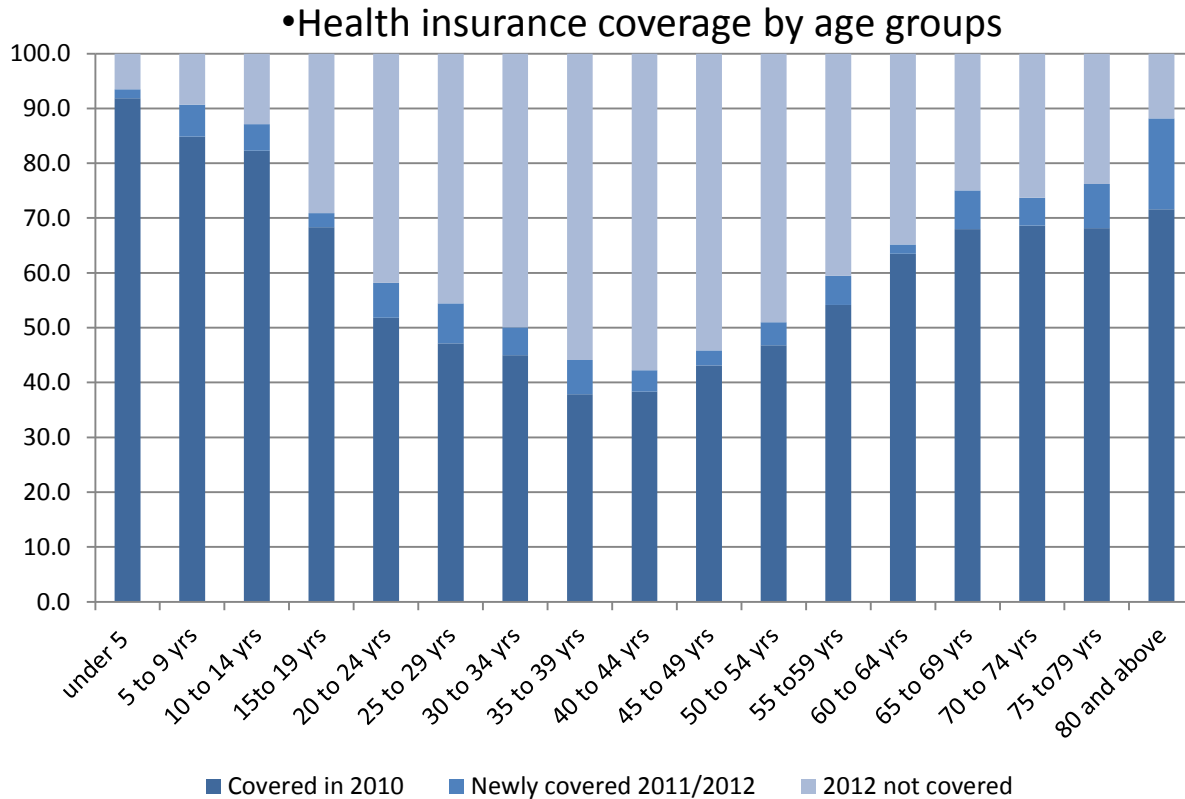
- Most of the MDGs related to health have been achieved or are close to being met.

Indicator (Source: JAHR, 2013)	MDG 1990 - 2015	Baseline	2012	2015 goal	Source
Under-five underweight rate (%)	MDG 1 Reduce poverty & hunger	41%	16.2%	20.5%	NIN
Infant mortality (per 1,000 live births)	MDG 4 Reduce child mortality	44.0	15.4	14.8	GSO
Under-five mortality (per 1,000 live births)		58.1	23.2	19.3	GSO
Rate of immunization against measles		55%	96.4%	100%	MoH
Maternal mortality rate per 100000 live births	MDG 5 Improve maternal health	233	69	58.3	GSO
Share of women giving birth with a trained health worker		86%	97.9	96-98%	MoH
Contraceptive prevalence		73.9%	76.2%	82%	GSO
Share of women giving birth after 3 antenatal visits		87.9%	89.4%	80-87%	MoH
HIV prevalence rate (% people age 15-49 years old)	MDG 6 Combat HIV/AIDS, malaria & other diseases	0.004 (1991)	0.45 (2011)	Not specified	EP
Malaria prevalence rate (per 100 000)		96	49	Achieved	MoH
Malaria mortality rate (per 100 000)		0.031	0.010	Achieved	MoH
Tuberculosis prevalence rate (per 100 000)		375	225	187	WHO
Share of population using improved drinking water (%)	MDG 7 Access to safe water and basic sanitation	57%	92%	78.5%	WHO
Share of rural population using sanitary latrine		37%	78%	68.5%	UNICEF JMP

3.3.4 Social protection programs:

a) Health insurance coverage

•In 2012, 66.8% of the population had health insurance. Most of the people that are not covered are between age 25 and 60, the working population. Most of those who do not have health insurance say that they do not feel the need for it (in good health or see no value in the services).



•Source: Calculated from VHLSS 2010, 2012

3.3.4 Social protection programs:

a) Health care services

•All communes are equipped with a commune health centre (CHC) and a physician. CHCs that meet national standards are much lower in Northern Mountains and Central Highlands regions. The number of physicians per capita is low and hospitals in cities tend to be overcrowded.

•Healthcare provision by region

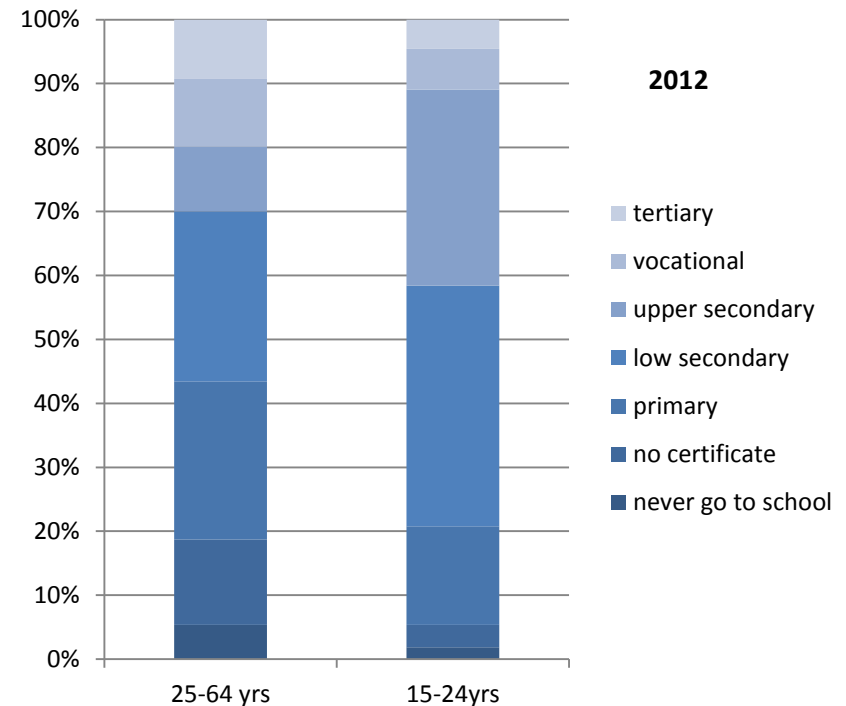
Year 2012	Total	Red River Delta	Northern Mount.	North & Central Coast	Central Highl.	South-east	Mekong River Delta
Children under age 1 fully immunized	95.9	97.7	95.5	97.1	96.5	93.3	95.0
CHCs ¹ with national standards ²	74.1	90.3	53.0	68.5	61.9	90.7	87.1
CHCs ¹ with physician	93.4	92.2	95.1	94.5	97.0	99.1	96.7
CHCs with obstetric, paediatric or midwife	76.0	78.7	66.4	68.8	69.7	83.4	87.2
Rural villages with health worker	96.6	98.0	96.3	97.9	98.1	96.6	90.8

•Source: JHAR (2013) Notes: 1/ CHC: Commune health centres 2/ The data indicates achievement for a mix of old and new standards (new benchmarks applied in 2012).

3.3.4 Social protection programs (2012): b) Education

- ✓ Literacy rate among people aged 15 and above is 93% (2011).
- ✓ Universal Primary Education is close to being achieved. Primary school net enrolment rate was 92%, with 90% continuing to lower secondary education.
- ✓ Secondary school net enrollment was 81%.
- ✓ Today's generation has surpassed the level of education completed by their elders.
- ✓ Good gender balance in both primary and secondary education.
- ✓ Viet Nam ranked among the top performers in the PISA 2012 (upper secondary education), above OECD average

Distribution of level of achievement in education by age groups



Source: VHLSS 2012

3.3.4 Social protection programs :

b) *Education quality and access*

- Pupils to teacher ratio has significantly decreased.

	Total	Red River Delta	Northern Mountains	North & Central Coast	Central Highlands	Southeast	Mekong River Delta
All schools	17.8	18.0	14.2	17.6	18.9	21.6	18.4
Primary	19.4	20.3	14.3	18.3	19.8	25.6	20.7
Lower secondary	15.8	15.3	13.1	15.4	17.8	19.2	16.5
Upper secondary	18.3	18.6	17.0	20.9	18.5	17.5	16.0

- Source: GSO 2013

	Geographical areas						Listed as being a remote place		Prevalent ethnicity	
	Total	Coastal	Delta	Midland	Low mountains	High mountains	Listed	Not listed	Ethnic Minority	Kinh & Hoa
Lower sec. schools	95.0	98.6	94.8	87.8	95.7	95.6	95.2	94.9	95.3	94.9
Upper sec. schools	19.1	18.6	20.2	21.7	17.0	18.0	15.7	20.4	12.8	20.6

- There is a primary school in every commune and a lower secondary school in almost all rural communes. Efforts needed on upper secondary schools.

3.3.4 Social protection programs:

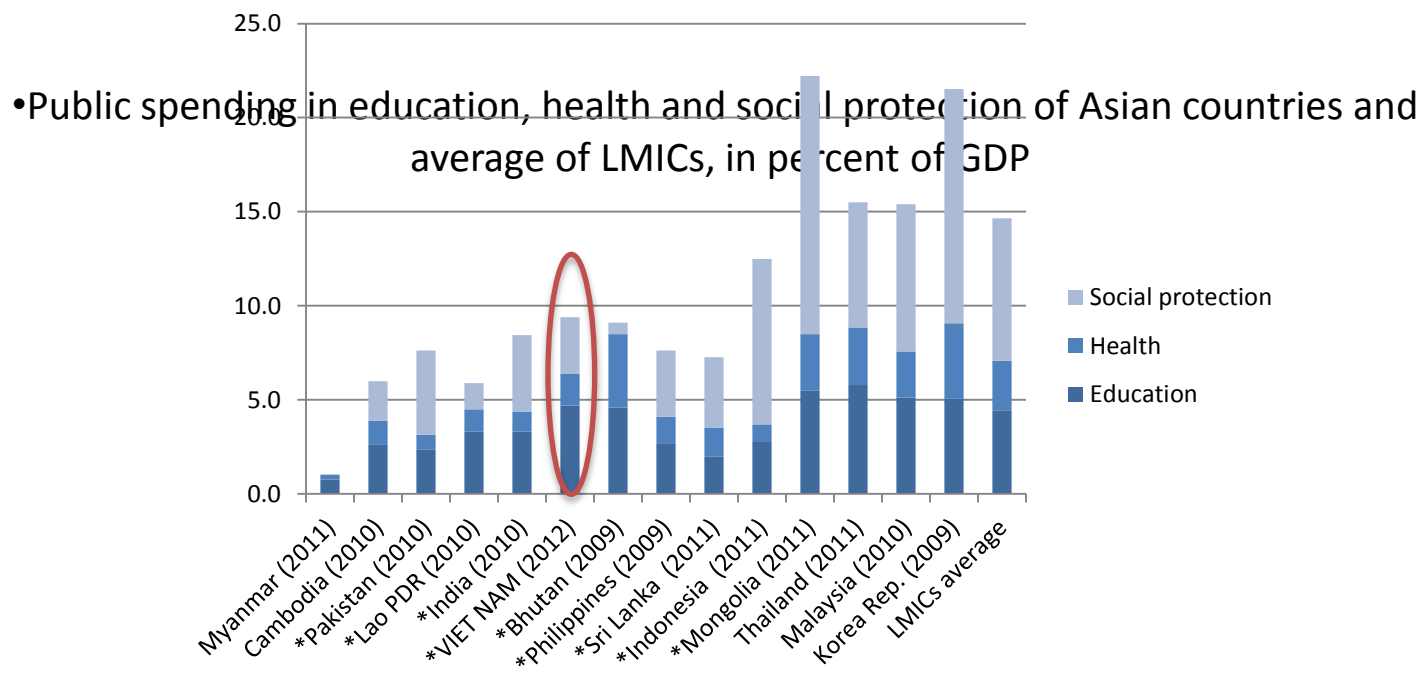
b) Education differences by ethnicity and gender

- The share of children not attending school is higher for ethnic minority children than the national average and compared to their Kinh/Hoa peers.

	Total	Rural	Urban	Boys	Girls	Kinh& Hoa	Ethnic Minority	Eth Min Boys	Eth Min Girls	The poorest	Quint. 2
Total	7.2	7.2	7.3	7.6	6.8	6.1	12.1	11.7	12.5	12.5	6.3
Age 6 to 10	6.7	6.3	7.6	6.8	6.5	6.0	9.7	8.9	10.6	9.8	4.7
Age 11 to 14	7.8	8.2	6.9	8.6	7.1	6.2	15.0	15.4	14.6	15.8	8.2

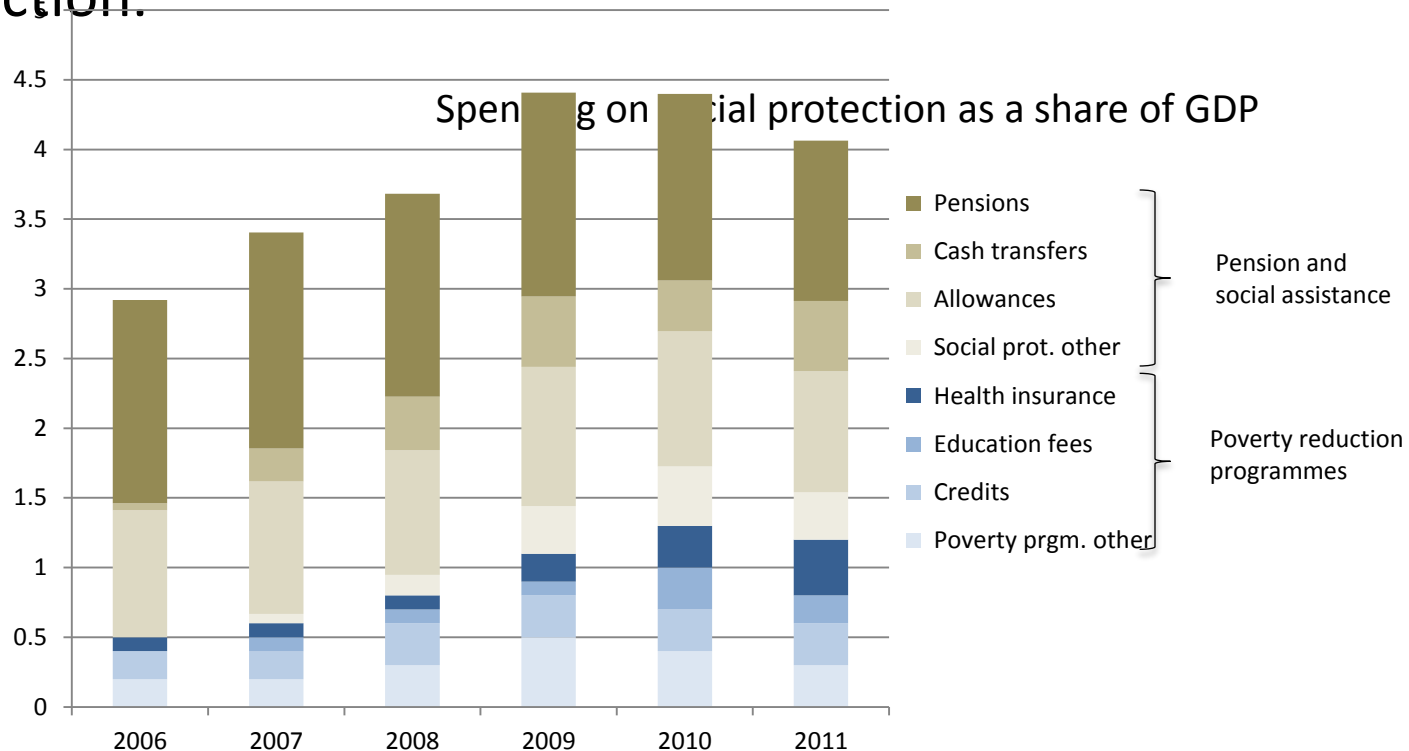
3.4.1 Social protection spending, 2012

- Total social expenditure of Viet Nam, at 9.9%¹ of GDP is comparable to other Asian LMICs, but lower than the average for LMICs globally².



3.4.2 Social Protection: Public spending

- Public spending reached 4.1% of GDP in 2011 (5.2% including spending by VSS of 1.1%). Social insurance and social assistance take up an important share of the total public spending on social protection.



3.4.3 Social assistance public spending

In 2012, 2.3 million people reported receiving one of these benefits (doubled from 2010).

Monthly benefits range between VND180,000-540,000 (9-26 USD) per month per household, representing about 5% of poorest households' consumption.

It seems that the richer households benefit from larger sums of monthly benefits.

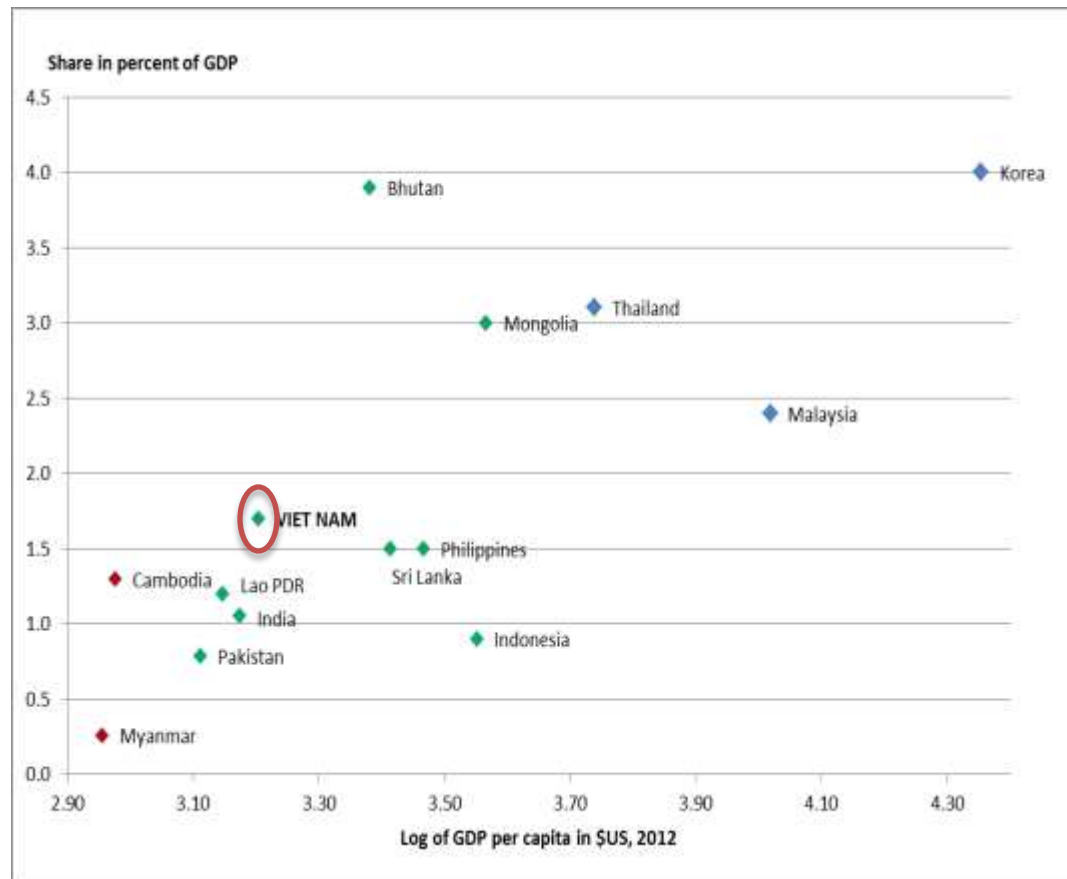
Cash allowances benefits as a share of recipient's total consumption

	The poorest	Quint. 2	Quint. 3	Quint. 4	The richest	Total
Monthly benefits	5.0	6.8	7.8	5.7	10.1	6.7
Emergency benefits	1.0	1.3	7.9	0.5	1.6	1.0

3.4.4. Basic social services:

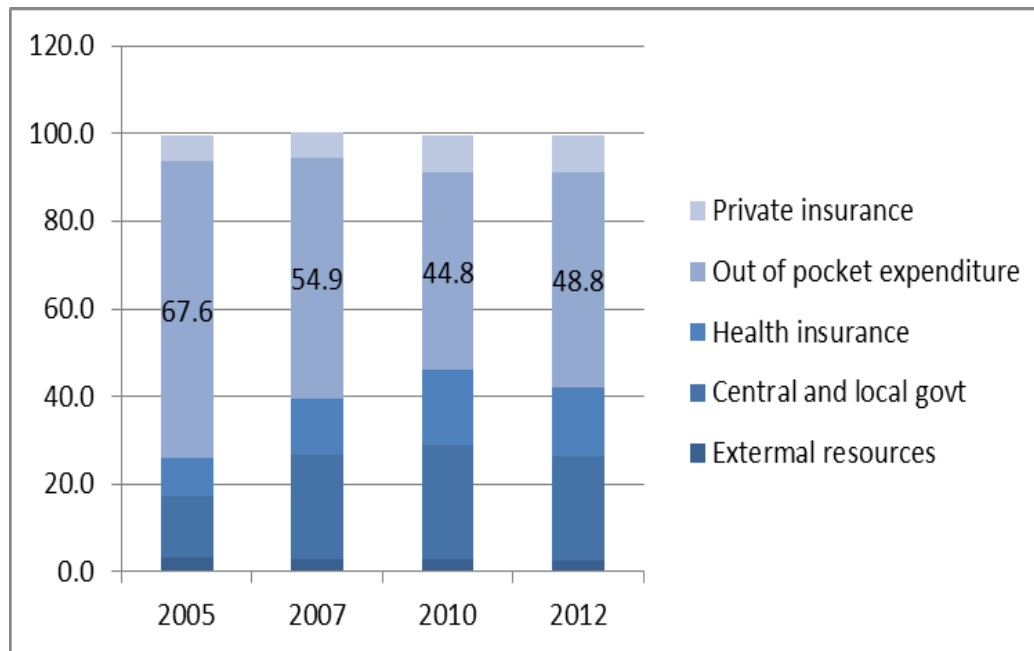
a) Public expenditure in health

Total public expenditure in health is about average compared to other LMICs in the regions. Its share in GDP is 1.7% (2012).



Total health spending

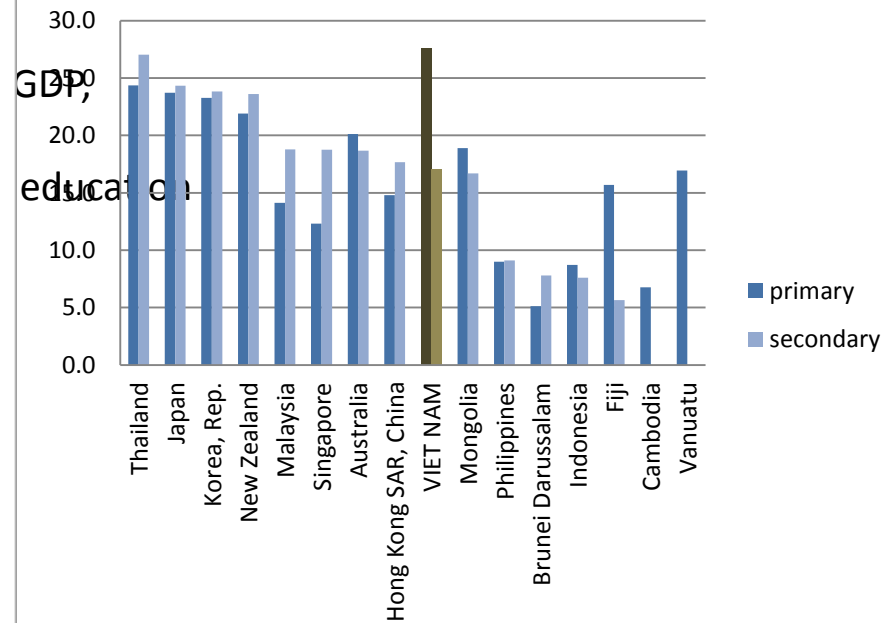
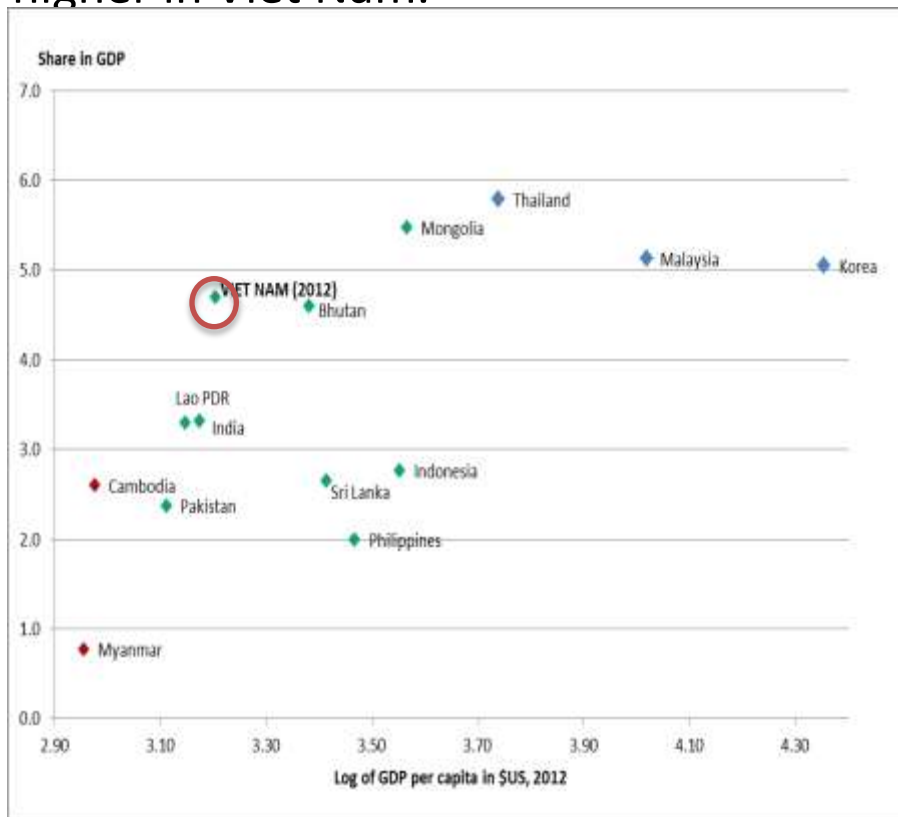
• Total health spending (private and public) as a share in GDP increased from 5% in 2002 to 6.6% in 2012. Between 2006 and 2010, health expenditures per capita almost doubled from USD 45 to 89 per capita, while household out-of-pocket payments increased only by 37% (from USD 28 to 38 dollars). The share of the public sector was multiplied by 3.3. The share of out-of-pocket expenditure is expected to continue to decrease.



3.4.4. Basic social services:

b) Public pending on education

- Public spending on education, at 4.7% of GDP, is relatively high, compared to other Asian countries. Public spending per student in primary education is much higher in Viet Nam.

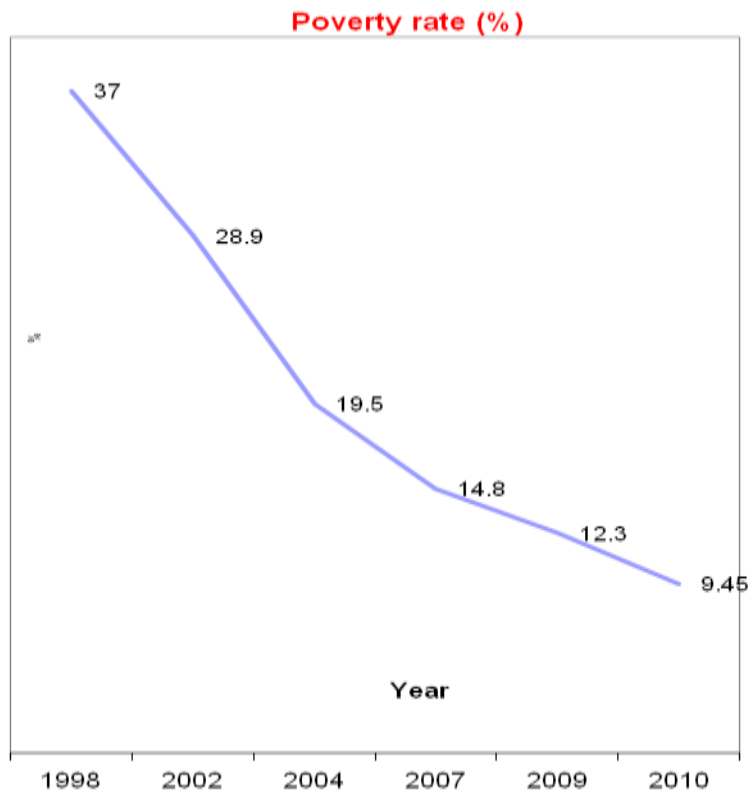


Part 4.
Social Protection
Master Plan, 2012-2020

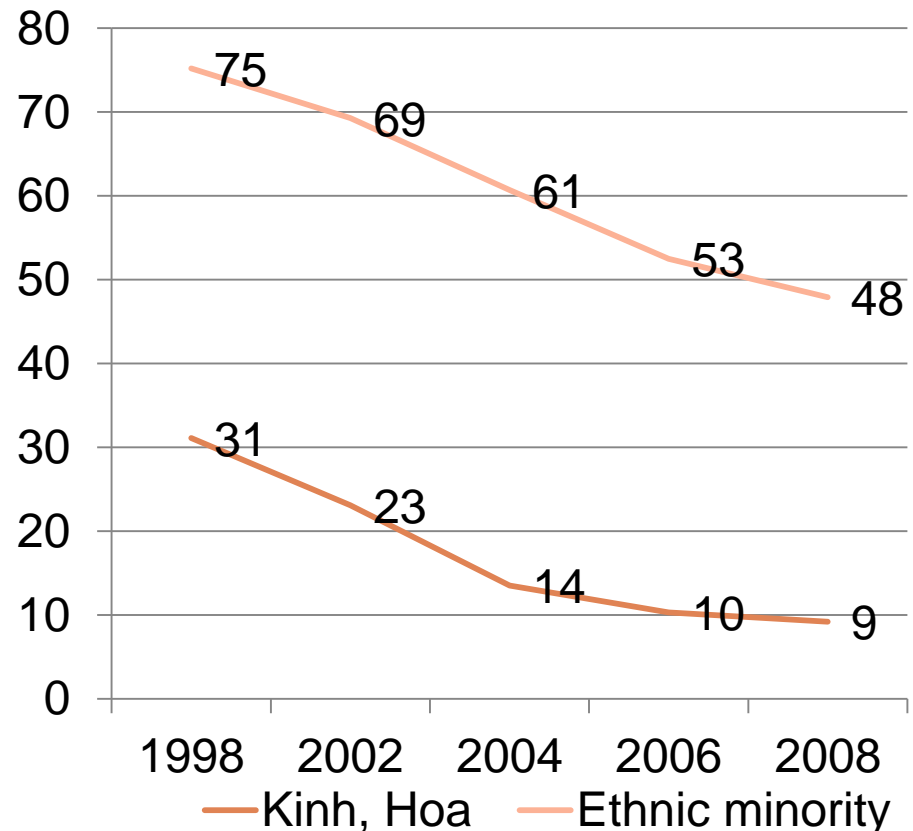
**(Adopted by Party Congress No 5 in 2012,
known as PR 15)**

4.1 Social protection challenges: Ethnicity

- Number of people below poverty line (2\$/day) and the poverty rate reduces sharply, but income widened gap between Kinh/Hoa and Ethnic Minority
- Share of Ethnic Minority of the poor rose from 53% in 2006 to 65% in 2010 compared to only 15% of total population.



IOKYO, 19 FEB 2015



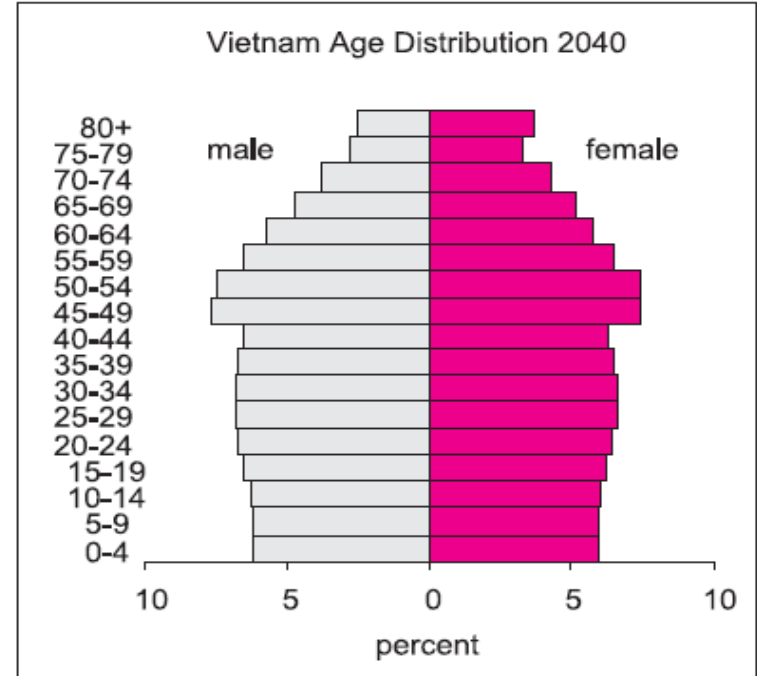
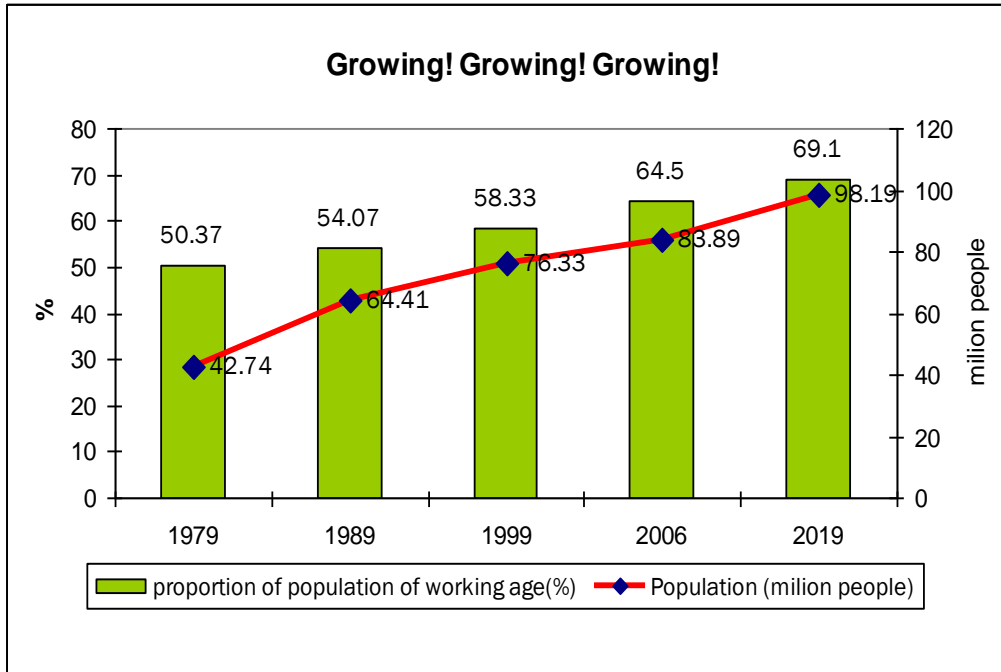
4.1 Social protection challenges: Rural poor \$ children

- Opportunity for the rural population are reduced due to limited access to basic services
- A significant share of the poor and vulnerable today resides in and around Vietnam's greater metropolitan areas
- Children are suffered most

Domain	Education	Health	Housing	Clean water and sanitation	Employment	Social Inclusion	Total child poverty
Poverty rare	16.06	52.85	17.35	42.71	9,86	8.79	28,93

4.1. Social protection challenging: Population Aging

- “Demographic Bonus started from 2010, last only to 2018 or get aged since 2040



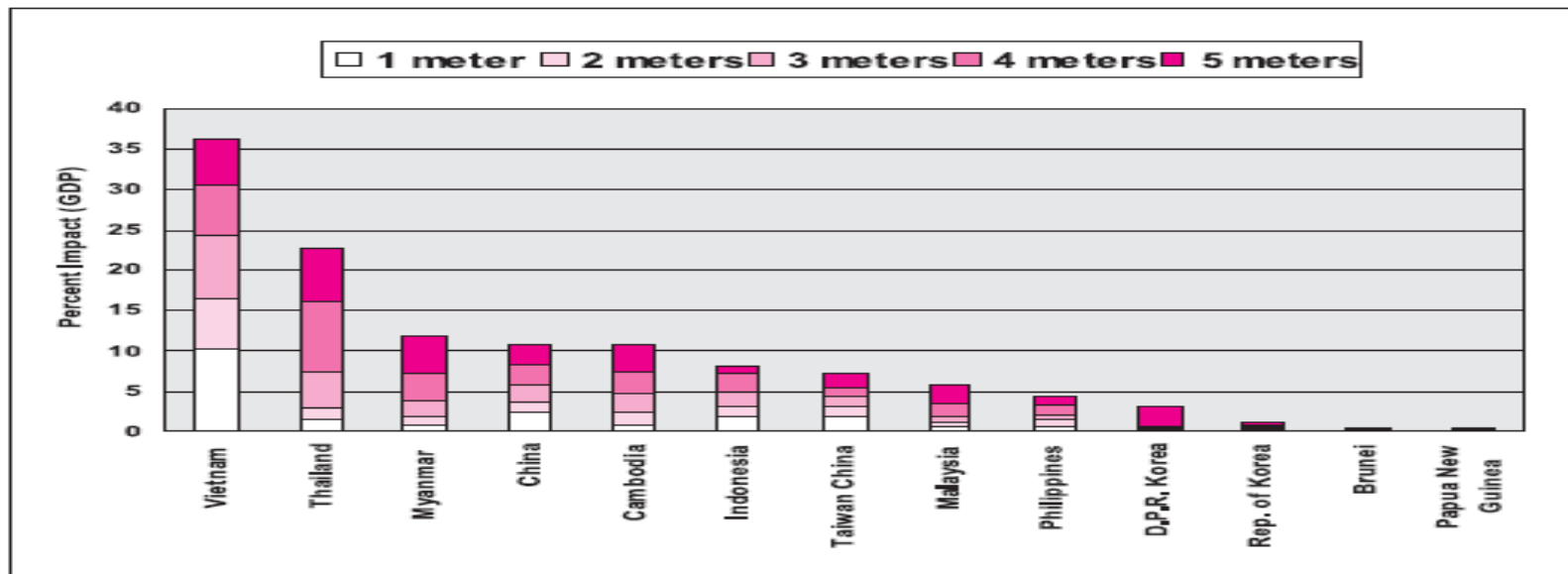
**Getting old before
getting rich?**

4.1 Social protection challenging of SP: Rural-urban Migration

- Rapid urban growth: 30% of population
- 50% of industrial output is generated in 6 largest cities (Hanoi, HCMC, Haiphong, Danang, CanTho and Baria Vungtau, with total population of 18.5 million) >> high migration flow from rural to urban areas,
- Workers in urban areas are facing job lost and wage reduction during the global financial crisis;
- Employment in urban and peri-urban areas create new vulnerabilities with less stable job and rising costs of leaving
- Farmers faced with volatile prices, climate relate shocks and endemic animal diseases

4.1. Social protection challenging: Weather and climate changes

- Located in tropical monsoon areas in South East Asia, VN is one of the most hazard-prone areas in the Asia Pacific Region>> storms, floods and other natural hazards result in annual economic losses equivalent to 1-1.5% of GDP.
- Vietnam is among the most impacted countries by climate change with complex and interrelated consequences for every sector of the society
- This seriously impacted on people life (together with health)



Tokyo, 19 Feb 2015

Source: GSO, VHLSS

4.2 The role of social protection

1. Social policies play important roles as objectives and driving forces for sustainable and rapid development. Social policies have to be considered equally to economic ones and implemented alongside with economic development.
2. To ensure people with merits, the minimum living standards and timely supports for people in difficult circumstances.
3. Government maintains its major role in development and implementation of social policies while mobilizing the stronger participation of the society and promotion of international cooperation.
4. Gradually achieve universal to all, with priority has been given to people under extremely difficult circumstance: including the poor; ethnic minority; people living in remote, mountainous areas; workers in rural areas and informal sector; the unemployed; the disabled; children; old-age and sick people; those affected by natural calamities, economic and social risks.

4.3 Development objectives

By 2020, basically achieve social security for the whole population, ensuring minimum levels in income, education, housing, clean water and information, making contribution to gradual enhancement of incomes, ensuring secured living and happiness of the people.

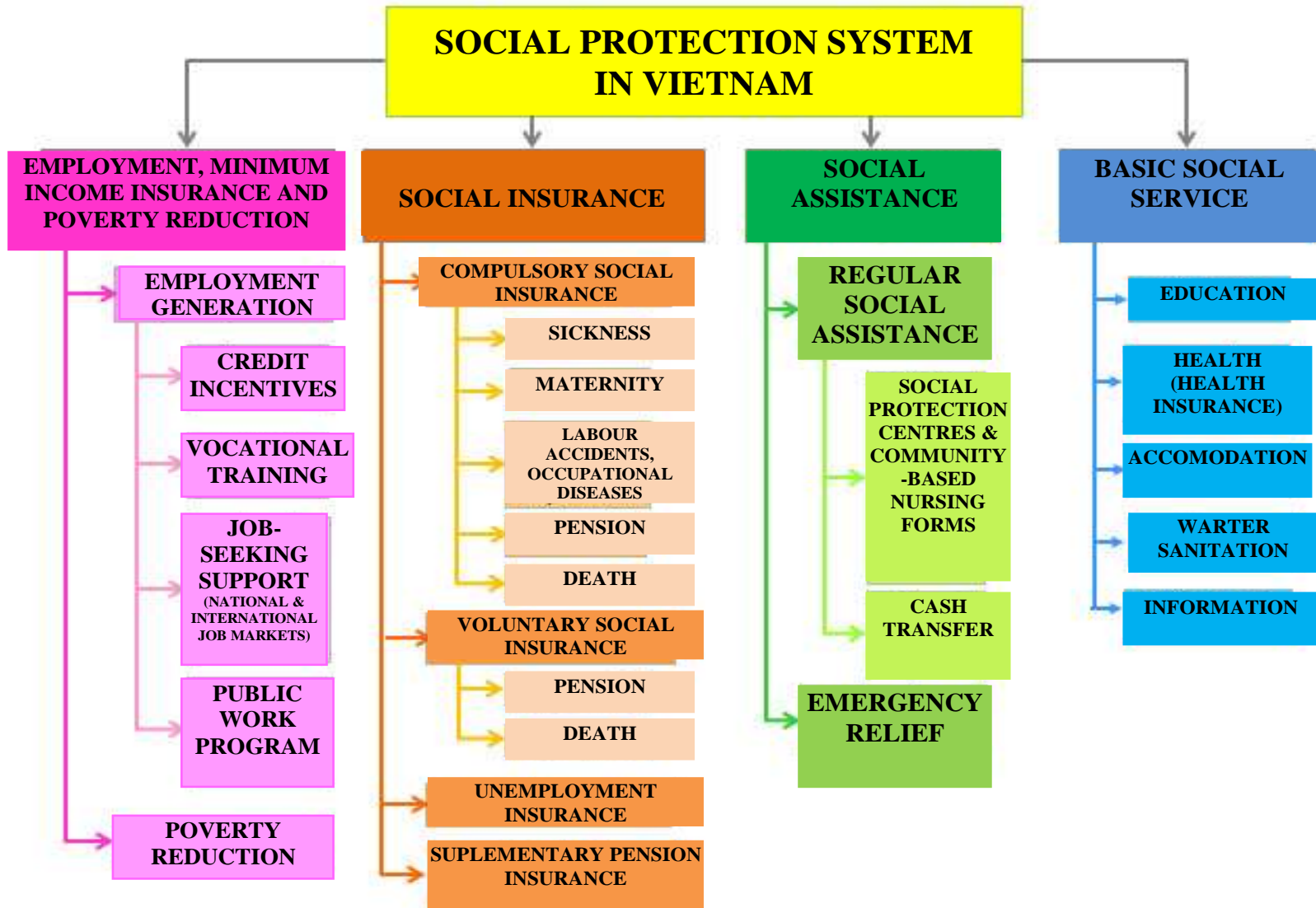
4.3 Development objectives: Indicators

TT	Objectives	2015	2020
1	Participation in health insurance (millions)	91.7	96.2
	Of which: Fully subsidized	29.4	25.5
	Partly subsidized	36.9	38.7
	- Coverage rate by health insurance (%)	80.0	90.0
2	Participation in social insurance (millions)	20.2	28.4
	- Compulsory (formal sector)	16.0	22.0
	- Voluntary (informal sector)	4.2	6.4
	- Coverage of total labor force (%)	35.0	50.0

4.3 Development objectives: Indicators

T T	Indicators	2015	2020
3	Participation in Unemployment scheme (million)	10.0	15.7
	Coverage of total labor force (%)	19.1	28.6
4	Paticipation in social assistance schemes (million)	3.5	4.0
	of which: Regular assistance	3.0	3.5
	- Coverage of population, %	3.56	3.23
	of which, coverage of regular assistance,	3.00	2.66

Figure 6: SOCIAL PROTECTION SYSTEM IN VIETNAM FOR THE PERIOD OF 2012-2020



Part 5: Development strategies to achieve inclusive growth by 2020

5.1 More sustainable Economic growth

Socio-Economic Development strategy (SEDS) 2011-2020 aiming at maximizing long-term welfare through rapid growth in conjunction with sustainable development

- Main drives: Structure reform, environment sustainability, social equity; and minimizing problems of macro economic instability;
- 3 breakthrough areas: Promoting human resource/skills development (for modern industry and innovation); improving market institutions/ building modern state government and infrastructure development.

5. 2 More and better job

Master Plan on Labor Market Development 2011-2020 aiming at increasing the quality and sustainability of economic growth through increasing the decent work and enterprise development.

- Modernize labor market with more balance between supply and demand: Improving legal environment for SMEs:
- Enhancement labour market institutions
- More labour market integration and standards: Ratify ILO conventions on Employment (C122, C88, C142, C181)
- Develop labor market information system and employment promotion services
- Increasing skills for workers
- Enhancing labor management: National Program on Labor protection, Occupational Health and Safety.

5.3 Social Protection reform

5.3.1 Ensuring minimum income and poverty reduction

a) Employment, minimum income:

-To continue to support production, employment generations, vocational trainings, labour export

-Priority given to the poor, ethnic minority in poor communes and districts as well as the most disadvantaged villages.

-By 2020, the general unemployment rate shall be below 3% and urban unemployment rate shall be below 4%.

5.3.1 Ensuring minimum income and poverty reduction

b) Poverty reduction programs

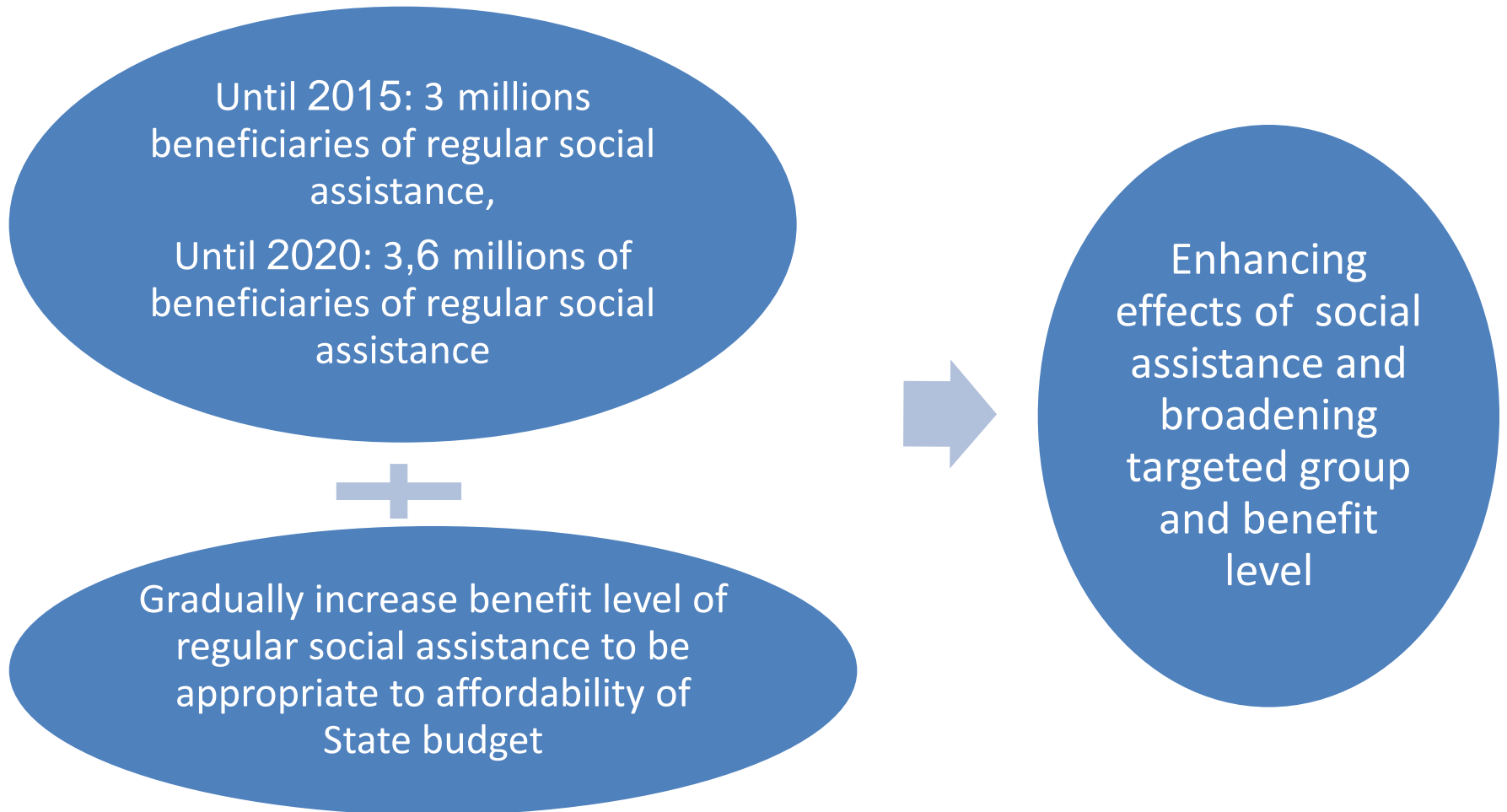
- From income poverty to multi-dimensional poverty
- To continue poverty reduction programs for poor districts, ethnic poor, the most disadvantaged villages as well as costal and island villages
- By 2020, the per capita income of poor households increases by 3.5 times compared to that of 2010. The poverty rate reduces by 1.5 - 2%/year and by 4% in districts and communes with high ratios of poor households.

5.3.2 Social protection reform: Increase coverage of social insurance

- (i) Better compliance of Social Insurance for formal sector
- (ii) Increase accessibility of vulnerable groups:
 - Creating more incentive for informal sector to participate in voluntary social insurance;
 - Pilot support voluntary social insurance program for the working poor with partly subsidized by Government
- (iii) Increase financial sustainability: Gradually transfer from defined benefits (DB) to defined contribution (DC); more balanced between contributions and benefits, increase retirement age

5.3.3 Social Protection reform: Social Assistance for vulnerable people

a) Regular social assistance



b) Emergency social assistance

Improve
effect of
emergency
social
assistance

- Ensure beneficiary get assistance from risks, storm, disaster etc, to overcome difficulty
- Restore production, employment, ensure minimum income.

Measure:

- Finalize mechanism and method for implementing to enhance effect of emergency social assistance at locality
- Research on mechanism of emergency social assistance fund for unforeseen situation at locality
- Continue to propaganda and well organize mutual affection activities

5.3.4 Social protection reform:

Ensure access to basic social services at minimum level

a) Minimum education

- Reinforce accessibility of people to education at all level, Lower age of education popularization from 5-4 year old and lower secondary school; Increase rate of trained labors,
- Increase the number of students in ethnic minority boarding schools; semi-boarding schools; kindergartens in industrial zones and rural areas.
- By 2020, net enrollment ratio of primary education is 99%, lower-secondary education is 95%; 98% of people from 15 ages up are literate, 70% trained workforce.

5.3.4 Access to basic social services

b) Minimum health service

- Focus on health services and improve quality of people's health care, with priority given to poor commune and ethnic districts, mothers and children.
- Getting Vietnam out of the list of 20 countries heavily burdened by tuberculosis;
- By 2020:
 - More than 90% of children below 1 year-old receive full vaccination; rate of underweighted malnutrition children under age of 5 reduced below 10%.
 - More than 80% of the population participate into health insurance. Broaden policy of assisting cost of buying health insurance for people having income under the average level ; Reform State's management of health insurance,...

5.3.4 Access to basic social services

c) Housing at minimum level

- Improve living standards for people, especially the poor, people with low income in urban areas, workers in industrial parks, students.
- Continue to implement program of abolishing temporary houses for 50,000 poor households until 2013 and 900,000 poor household until 2020.
- Reform mechanism of assisting house for the low income people

5.3.4 Access to basic social services

d) Clean water

- Basically improve using pure water especially in rural areas, ethnic minority group.
- Continue to implement National Target Program on providing pure water and sanitation of rural environment in the period of 2012-2015 and the following years
- By 2020, 100% of rural population will have access to clean water, of which 70% with access to clean water at national standards.

5.3.4 Access to basic social services

e) Information

- Reinforce information access to the poor, people in difficult areas, restore, strengthen and develop basic information net.
- Implement master plan on providing **magazines, newspapers** to grass root level; continue implement National target Program on basic information to remote areas, ethnic minority in the period of 2011-2015
- By 2015, 100% of disadvantaged communes in border, safety zones, coastal and islands areas have communal radio stations.

5.4.1 Reforming State's budget spending on social protection

- Enhance budget mobilisation and allocation to gradually increase of minimum living standard
- Further decenlisation of budget allocation
- Continue to socialize, enhance role of individuals in providing social services.

5.4.2 Mobilizing financial resource

- Total expense for social protection: 13-15% GDP
- State's expenses:
 - Accounts for 30% of total expenses for social protection
 - Takes 5% of GDP or 11-12% of State budget

Thank you very much
for your attention!