POLICY PAPER ON
THE SOCIAL PROTECTION SYSTEM IN VIETNAM

By
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<tr>
<td>COVID</td>
<td>Coronavirus Disease</td>
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<tr>
<td>ESC</td>
<td>Employment Services Center</td>
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<td>GOV</td>
<td>Government of Vietnam</td>
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<td>GSO</td>
<td>General Statistics Office of Vietnam</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<td>MICs</td>
<td>Middle-Income Countries</td>
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<td>MOLISA</td>
<td>Ministry of Labour, Invalids, and Social Affairs</td>
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<td>MPSARD</td>
<td>Master Plan for Social Assistance Reform and Development</td>
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<td>SA</td>
<td>Social Assistance</td>
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<td>SP</td>
<td>Social Protection</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNFPA</td>
<td>United Nations Population’s Fund</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>VSS</td>
<td>Vietnam Social Security Agency</td>
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I am fully responsible for the contents of the report.

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Do Thi Thu
I. INTRODUCTION

1. Background

The development of a modern and inclusive system of social protection is an important milestone in the transition from lower to middle-Income country (MIC) status. Well-designed and implemented social protection systems promote equity by lifting households and individuals out of poverty and reducing the risk of falling back into poverty. To the extent that they enable children to stay in school, and adults to access further education, they contribute to the accumulation of human capital and productivity growth.

Viet Nam’s social assistance system has struggled to keep pace with economic development since the Doi Moi (economic reforms) in the late 1980s. The current system was designed for a time when only 11 per cent of the labour force worked for wages and most people earned an income locally from agriculture or traditional services. Now a majority of workers are wage earners, and migrants account for a large share of the population. Traditional mechanisms of social assistance organized at the local level and funded locally have lost relevance as labour markets have become nationally and even internationally integrated.

The social assistance (SA) system is one of the three key pillars of social protection (SP) alongside labour market and social insurance. Social assistance can be divided into three components: (i) regular - monthly, but limited amounts of cash support for the poorest households; (ii) emergency relief; and (iii) social work/care services. Programmes as presently constructed exclude informal sector workers and especially migrants – the groups referred to as “the missing middle” in the UNDP National Human Development Report 2015. Workers in these groups are eligible for neither social assistance nor social insurance schemes. Emergency support provides cash benefits to victims of natural disasters and idiosyncratic shocks such as loss of houses and death or injury due to fire or accidents.

The Government’s Master Plan for Social Assistance Reform and Development (MPSARD) for the period 2017-2025 recognizes the gaps in the current system, including partial coverage, the low value of cash transfers, and cumbersome administrative processes which reduce responsiveness to shocks. UNDP has consistently advocated reform of the social assistance system as part of the Government’s efforts to realize the Sustainable Development Goals (SDGs) and achieve more inclusive and socially sustainable growth. While MPSARD provides strategic direction, gaps in coverage persisted during the COVID-19 pandemic. Social assistance
programmes based on residence registration hindered efforts to deliver help quickly to households and individuals, especially migrants and informal sector workers, to cushion the blow of the pandemic and prevent an increase in transient poverty. The Government responded with an *ad-hoc* programme offering short-term (3 months, from April to June 2020) cash support to vulnerable groups affected by the pandemic. In addition to targeted groups included in the regular cash transfer programmes (under Decree 136) and poor households, the temporary social protection (SP) package targeted the “missing middle” including: i) near-poor households, ii) workers with temporarily suspended labour contracts; iii) workers with terminated labour contracts but not eligible for unemployment insurance benefits; iv) workers without labour contracts and social insurance, and v) household businesses with annual revenues of less than 100 million VND that had suspended business as the result of COVID-19. However, because of cumbersome administrative procedures and other obstacles, most informal sector workers, migrants and household businesses did not receive support. The COVID-19 pandemic revealed serious gaps in coverage, especially with regards to emergency assistance and support for transient poverty. Moreover, provinces varied in terms of financial and administrative capacity to fund nationally mandated programmes, resulting in inconsistency and inequity in their implementation.

To accelerate the reform process of SP/SA system, UNDP has conducted research on policy reform options to increase the inclusivity and responsiveness of Viet Nam’s social assistance system. UNDP also carried out two rounds of the Rapid Assessment of the COVID-19 Socio-Economic Impacts in Viet Nam (RIM1 and RIM2) in association with UN Women and the Center for Analysis and Forecasting (CAF) of the Viet Nam Academy of Social Sciences. Papers produced by other UN agencies, include UNICEF’s Policy Brief on Priority Areas to Reform Decree 136 for Children (in 2020); analysis by ILO and UNFPA on options for social pension expansion (2020); and an ILO assessment of the implementation of social assistance and options for revising Decree 136/2013 focusing on older persons (2020).

This paper brings together these various contributions to produce policy recommendations for reform of the social protection system in Viet Nam. The paper builds on lessons from the COVID-19 pandemic and issues arising during the implementation of the MPSARD.

2. **Objectives**

The *main objective* of this paper is to provide an assessment of the social protection system in Viet Nam, based on research conducted by UNDP and other UN agencies, and by other international and national organisations.
Specific objectives of the paper are to i) discuss current issues relating to different pillars of the social protection system, particularly during the COVID-19 pandemic; and ii) provide recommendations to realize an inclusive, integrated, and shock-responsive social protection system, in which SDGs are met and no one is left behind.

3. Methodology

In order to pursue the aforementioned objectives, this paper analyses the design and implementation of the social protection system in Viet Nam, especially during the COVID-19 pandemic.

II. KEY ISSUES OF THE SOCIAL PROTECTION SYSTEM IN VIETNAM

1. Structure

The social protection system in Viet Nam consists of four pillars: i) social assistance; ii) social insurance; iii) employment, income and poverty reduction; and iv) basic social services.

Figure 1. Structure of social protection system in Vietnam
Figure 1 illustrates the detailed programmes/schemes in each pillar. Within the scope of this paper, we will focus on the first three schemes. Discussion of the fourth scheme can be found in Nguyen & Giang (2012), Baum (2019), and various reports by GSO with VHLSS data in recent years.

2. Social Assistance

This section describes the design and implementation of regular programmes, emergency programmes, and social care programmes of the social assistance scheme.

In the past two decades, the social assistance scheme in Vietnam has expanded. The scheme itself has evolved as a life-cycle system, addressing risks related to childhood, disability, and old age. Expansion of coverage was driven by the inclusion of more elderly people, people with disabilities (PWDs), orphans, and exemptions from user fees for basic services for certain groups (World Bank 2019). Instead of providing simple, last-resort income support for poor and vulnerable people (such as those who do not have family support), the current social assistance scheme is transitioning to a basic social safety net for the Vietnamese people.

2.1. Regular social assistance programmes

The regular programmes are administratively fragmented and complicated, which reduces access. Currently, social assistance is guided by 8 laws, 1 master plan, 15 decrees of the Government, about 40 decisions of the Prime Minister, and 15 circulars of the line ministries. Evans et al. (2012), Kidd et al. (2016) show that multiple and overlapping criteria are applied, and newer programmes have been introduced in a piecemeal fashion to mitigate the impact of reforms. The absence of flagship programmes has resulted in inconsistency in coverage and implementation. Fragmentation is also reflected in the lack of coherence of delivery systems and divergence between stated policy objectives and budget allocations, which have fallen short of the minimum levels required to achieved desired outcomes. In addition,

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1 The Communist Party of Vietnam. 2012. The Resolution 15-NQ/TW on some social policies for the period 2012-2020
implementation problems have the effect of reducing support for intended beneficiaries, for example significant work burdens for the commune staff who define the local beneficiaries, weak grievance and complaints mechanisms and the potential for misappropriation of funds by local officials reduces the effectiveness of these programmes (Evans et al. 2012; Kidd et al. 2016).

Estimates by Giang et al. (2021) using VHLSS 2012-2020 show coverage of the regular programmes – as a percentage of total population living in households receiving social assistance – increased from 9.7 per cent in 2012 to 12.9 per cent in 2018 then decreased to 10.6 per cent in 2020. About 37 per cent of poor households (officially designated as “poor households” by MOLISA) received some social assistance in 2020. Yet, about 9.5 per cent of non-poor households received some social assistance benefits as well.

**Integration of regular programmes and other anti-poverty programmes** is incomplete. For example, the National Target Poverty Reduction Programme (NTPRP), Programme 135, and the Sustainable Poverty Reduction Support Programme (SDRSP) provide cash or in-kind social assistance to poor and ethnic minority households, groups that are also targeted groups under regular social assistance programmes.

**The level of spending on regular programmes is lower than global benchmarks,** although spending has increased over time (from 0.21 per cent of GDP in 2013 to 0.66 per cent of GDP in 2018). As a result, the average benefit level is low even in comparison to low-income countries (LIC). For example, data from World Bank’s ASPIRE in 2008 indicate that social assistance benefit levels in Vietnam were only about 5 per cent of average household consumption expenditure for the poorest quintile, while the average ratio for low-middle income countries was more than 17 per cent.

Giang et al. (2022)⁵ – with estimates from the Vietnam Household Living Standard Survey 2020 – show that beneficiary households received on average VND 1.5 million per capita, contributing 6.6 per cent to total household income. Regular benefits contributed 10.3 per cent and 6.7 per cent of total household income in poor households and non-poor households, respectively. The current level of benefits was less than a half the average level of the low-income country globally, and around 19-20 per cent of the level of lower middle-income countries (World Bank 2019). More critically, because there is no indexation of regular benefits, the real value (or purchasing power) of benefits has fallen over time. Kidd et al. (2016) show that benefit levels in 2015 were 75 per cent of those in 2007 – the base year – in real terms. The

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⁵ Giang TL, Nguyen VC, & Vu HL. 2022. Policy reform options to increase the inclusivity and responsiveness of Viet Nam’s social assistance system. Hanoi: UNDP
current level of benefit is about 237,000 VND/month in 2016 prices, which is a reduction of 12 per cent in real terms (UNFPA, 2021).6

**Due to both low coverage and low benefit levels, regular programmes have had a limited impact on the national poverty rate.** Kidd et al. (2016), using VHLSS 2012, show that social assistance transfers reduced the national poverty rate by only 1.9 per cent. Giang et al. (2022), using VHLSS 2020, indicate that Decree 136/2012 and Decree 20/2021 helped reduce the poverty rate for receiving households by 3.9 and 5.3 percentage points in comparison with the counter-factual poverty rate, respectively. Under Decree 20/2021, regular programmes would be most effective in reducing poverty for older people living in poor households or without a pension: their poverty rate was reduced by 16 percentage points. The decrease in poverty would be greater among ethnic minorities (7.1 percentage points) than in Kinh/Hoa people (4.8 percentage points), and in rural (6.2 percentage points) compared to urban areas (2.1 percentage points). At the same time, according to UNICEF (2016)7, less than 1 per cent of children aged 0–3 years and 9.5 per cent of those aged 4–15 years have not received benefits.

### 2.2. Social care

Social care services provide care and protection to vulnerable individuals and families, and are an important component of social assistance. Given the urgent care needs of an ageing population, and catastrophic events and risks, **social care in Viet Nam has attracted more attention in recent years, including** personal care, assistive devices, advice, counselling and protection from abuse, particularly for children, older persons and people with disabilities.

The **social care system, however, is based largely on social protection centres**, which provide residential accommodation for vulnerable categories of the population (such as orphans and the mentally disabled). Provision of home-based and community-based social care is extremely limited. Ministry of Health and Health Partnership Group (2018), Phi and Ngo (2020), Giang and Bui (2021), and Glinskaya et al. (2021)8 have

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shown that families have a legal obligation to care for older members, but in some cases care needs of older persons exceed the family’s ability to provide them. Social workers assess needs and draw up assistance plans for older persons who are social protection beneficiaries, but do not do so for other persons such as non-poor older persons without family members to care for them, or poor older persons with non-poor family members, who are nevertheless facing economic difficulties.

**A system of social work has been developed** under Decision 32/2010/QĐ-TTg by the Prime Minister and Decision 2514/2011/QD-BYT by Ministry of Health to expand the delivery of social care services, moving beyond a focus on institutional care for vulnerable groups. However, persistent misunderstandings about the nature of social work and skills and minimum qualifications of social workers have been an obstacle to progress. Lack of clarity contributes to confusion about the education and training standards for and professional qualifications of social workers (Kidd et al. 2016). ILSA (2016) shows that the legal framework for professional social work development is incomplete and as such the regulations on the roles and duties of officials and employees, social workers and procedures for dealing with the provision of social work services to individuals, families, groups or communities have not been specified in a number of relevant laws (such as the Labour Code, the Civil Code, the Law on Marriage and Family, the Law on Domestic Violence Prevention, and the Law on Gender Equality). Moreover, inter-sectoral coordination in the field of social work is still weak.

**Inadequate funding is the main challenge in developing an effective social work system.** Limited funding for centres also translates into low salaries, making it difficult to recruit good staff, and poor infrastructure. Many vulnerable individuals and families are left without adequate support (Phi and Ngo 2020; Giang and Bui 2021).

**An absence of key services has also been a critical issue.** A high proportion of people with care issues and needs receive inadequate attention. People facing mental health issues (such as depression, anxiety, post-traumatic stress, and alcohol and substance abuse) are not well supported, since the current social care system focuses on persons with psychotic disorders. Other emerging issues, such as domestic violence, child abuse, infirmity in old age (including people suffering from dementia) and people with disabilities are not addressed, leaving many people to fend for themselves (Kidd et al. 2016). The COVID-19 pandemic increased awareness of the challenges faced by people with special needs. The current emphasis on treatment rather than prevention contributes to inferior health and social outcomes.

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9 ILSA. 2016. Recommendations for renewing the emergency social assistance policies for the period 2015 – 2025, with a vision to 2030 (in Vietnamese). Hanoi: ILSA
2.3. Emergency social assistance

Facing a rising incidence of catastrophic events (such as natural disasters like flooding and droughts), emergency social assistance programmes in Viet Nam have expanded in recent years to cover more vulnerable groups and geographic areas.

**Limited funding has resulted in inadequate levels of support.** For example, people who lost houses receive only a portion of the total cost of replacement, at a time when they were also likely to have lost their livelihoods. Under Resolution 42/2020 for support to overcome the COVID-19 pandemic, the average level of support per capita was modest compared to workers’ incomes. The lump-sum support of VND 1 million for unemployed workers and VND 1.8 million in wage subsidies was much lower than the average monthly income of VND 4.2 million in Viet Nam in 2020 (GSO, 2021). ILSSA (2021) shows that the level of support under Resolution 68/2021 for informal employees and self-employed workers was equivalent to about 50 per cent of the minimum living standard and 50 per cent of the new poverty line, respectively.

**The level of support is ad hoc and depends heavily on the availability of funding.** As a result, those facing the largest recovery costs do not necessarily receive higher transfers (Kidd et al. 2016). In addition, the level of support provided to those affected by emergencies varies significantly both between and within provinces, and there is no clear guidance to follow. Findings from ILSSA (2021) show that most provinces, especially poor ones, ran out of money to support COVID-19-affected people. Only about 3.64 million people (or 15.6 per cent of 21 million people who were expected to receive support) received cash transfers after two months of implementation for the Resolution 68/2021.

**Weak administrative systems hold back efforts to prevent fraud and make it more difficult for beneficiaries to receive help.** Kidd et. al (2016) show that some beneficiaries receive less rice than the stipulated amount from emergency programmes. Analysing emergency support under Resolution 42/2020, UNICEF (2021) finds that children from poor and near-poor families were eligible for cash assistance, but most other affected children (such as those living in remote areas; migrant children; children with parents who had lost jobs, or had suffered reduced incomes or working in informal sector; families with young children; and children living in the social protection centres)

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did not receive appropriate social assistance. Complicated administrative requirements hamper efforts to identify beneficiaries in a timely manner, resulting in exclusion of eligible beneficiaries or increasing the risk of misappropriation. For instance, some eligible beneficiaries did not receive cash as they lacked identity documents, and local authorities had difficulty identifying informal sector workers who were eligible to receive support.

3. **Social Insurance**

The **social insurance scheme in Viet Nam is an important pillar of the social protection system.** It helps all workers – in both formal and informal sectors – to manage socio-economic shocks and helps them maintain living standards during different periods of the life-cycle such as child rearing, unemployment and old age. There are three schemes in the social insurance system in Viet Nam (ILO 2021)\(^\text{13}\):

i) compulsory social insurance, which is directed to Vietnamese citizens employed with a contract of more than one month (in both the public and private sectors) and military and defense workers. The scheme offers benefits for retirement, survivors, sickness and maternity, labour accidents or occupational diseases (LAOD), and unemployment, but it does not include disability or family benefits;

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

iii) supplementary retirement, aiming at those with high income or savings.

**Coverage as a percent of the labour force is limited, even under the compulsory programme.** Data from the 2019 Labour Force Survey (LFS) show that only 31.12 percent of women and 22.28 percent of men aged 20 to 24 years old were insured. Coverage peaks early, in the 25 to 29 age group, for both women and men (Figure 2). This pattern indicates that many workers have access to the social insurance system early in their careers and drop out in the later stages of life. In particular, women drop out at a faster rate than men. Giang et al. (2021)\(^\text{14}\) show that low coverage was partially due to the non-compliance by employers.

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Figure 2. Social insurance coverage as % of the labour force by age and gender, 2019

Coverage has remained low partly because of the voluntary programme’s limited capacity to include non-wage earners, who account for about 80 per cent of informally-employed women (Figure 3). For instance, domestic workers – even for those who have employment relationships with their employers who are not firms but individuals or households – are not included in the compulsory scheme. Addati et al. 2018 (as cited by ILO 2021) estimate that 0.4 per cent of the workforce (or about 350,000 workers) are domestic workers in Viet Nam, most of whom are women in highly vulnerable occupations.

Figure 3. Social insurance coverage (% of the labour force) by gender, 2015 and 2019
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: Own illustration, based on data from ILO (2021)

The voluntary programme has an increasing number of participants, but it is still extremely limited as a percent of the total labour force (less than 2 per cent) (Figure 4). Workers participate quite early in their careers with the highest rate of participation in the 25-29 age group, and female workers had higher rates of participation than their male counterparts (Figure 5). As explained by ILO (2021), two main factors explained low coverage: i) informal wage-earners lack a formal labour contract and employers fail to register and pay for them with the social insurance system, and ii) workers in agriculture, own-account workers and workers in small family businesses are not included in the compulsory scheme and rarely participate in the voluntary scheme. ILO (2019) noted that informal workers face substantial 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.

Figure 4. Participation in the voluntary social insurance programme, 2008-2020

Source: Own calculations, based on data published by VSS and GSO

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McClanahan et al. (2019) estimate that, with the 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. Giang et al. (2021), with data from LFS 2019, also show that the participation rate was very low among people at lower wage quintiles. As the voluntary insurance scheme does not include short-term benefits (such as sickness or maternity), it is not attractive to workers, particularly for women.

**The “missing middle” of the social insurance system is not only poor and informal workers but also non-poor and formal workers. These groups** include workers who have not met the minimum number of contribution years, and older persons lacking retirement benefits or cash transfers. In which, the majority of informal workers is being missed (Figure 6).

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**Figure 5. Participation in the voluntary programme by age and gender, 2019**

Unit: % of the labour force

Source: Own calculations, using LFS 2019

**Figure 6.** Viet Nam has a large “missing middle” for informal workers

**Gender gaps, in which women are more disadvantaged than men, are a persistent characteristic of both short-term and long-term benefits.** ILO (2021) shows that, in 2019, women working in the private sector had insurable earnings 11.6 per cent lower than men’s, while the difference is less pronounced but still present in the public sector. As a consequence, in 2019 the value of men’s pensions exceeded women’s pensions by an average of 19.8 per cent, in which the gap in pension values was 19.4 per cent in the public sector and 12.2 per cent in the private sector. In addition, the maternity leave programme focuses almost exclusively on mothers, while it still assigns fathers a very limited role in childcare and offers short paternal leave and no parental leave options. The health programme has low coverage with 30 per cent of women and 21.3 per cent of men in the labour force covered in 2019, meaning that uninsured workers are severely affected when falling ill. The COVID-19 pandemic exposed these uninsured workers to more severe risks as pressing needs forced them to work while sick (ILO 2021). This was particularly challenging for female workers.

**The unemployment insurance (UI) system protects only formal sector workers in the event of job loss.** The programme is designed to cover livelihood expenses and link unemployed workers to training and job search resources. However, its coverage rate is still low, at only around 27 per cent of employed workers (or about 13.7 million
workers) by end of April 2022. Millions of workers, of which the majority were working in the informal sector, lost their jobs due to COVID-19 pandemic, but only formal sector workers received support under Resolution 03/2021/UBTVQH15 by the National Assembly.

Employment Service Centers (ESCs) administer unemployment insurance, receive unemployment applications, process payment claims, and provide counseling and training for beneficiaries. However, they do not work efficiently. World Bank (2019) shows that in these centers, staff time is mostly allocated to administering unemployment insurance, while job counseling and vocational training to assist re-employment of unemployment insurance beneficiaries is limited. Most job-seekers perceive ESCs as places that distribute UI benefits, rather than places that can assist the general population in job search.

**Lump-sum withdrawals are a challenging issue, particularly post-COVID-19.** The majority of withdrawals are by young women. Vietnam Social Security (VSS) reports show that, in the period 2013–2016, women obtained 12.8 times more lump sums than the regular retirement pensions, and it was 5.8 times for men. In the 2016-2021, about 4.6 million people received lump-sums, and young and reproductive age persons accounted for the majority. Since the fourth quarter of 2021, the social insurance system experienced the situation of 2 new contributors vs. 1 withdrawer.

**Social insurance schemes are not financially sustainable.** The rapid ageing of the population, the transition from a rural to a more urbanized economy and the decline in the number of multi-generational families are some reasons for financial fragility (Dao Quang Vinh, 2016). In addition, the existing system is designed to be overly generous to a relatively small segment of the Vietnamese population, while failing to achieve financially sustainability or provide old-age financial protection to a majority of the population. Under the pay-as-you-go (PAYG) system, financial balance cannot be obtained as the ratio of contributors to pension recipients has decreased rapidly as the population has aged (ILO 2013; Giang & Nguyen 2017).

4. **Employment and Labour Market Policies**

Employment and labour market policies promote opportunities for workers to move sustainably out of poverty, protect people from destitution and chronic

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poverty, and prevent descents into poverty resulting from socio-economic shocks. Based on the Labour Code and the Employment Law, various policies have been issued, including support for job creation and self-employment, especially for disadvantaged groups of workers, and to help unemployed workers return to the labour market (unemployment insurance policies). Vocational training for rural workers reached more than 8.3 million people in 2012 – 2019, improving the quality of rural labour and speeding up the shift of labour structure from agriculture to non-agriculture, and from low to high productivity industries.

Employment and labour market policies in Vietnam, however, have not yet ensured adequate prevention for people from co-variant shocks like COVID-19. Viet Nam did not deploy active labour market programmes to help displaced workers find new jobs in response to the COVID-19 outbreak. According to UN Viet Nam (2020), vulnerable households and workers were struggling to sustain their livelihoods with workers in agriculture, aquaculture and construction sectors less able to change jobs. The higher level and expected longer duration of income loss among workers in tourism and related activities explains the large number of workers from these occupations moving to other jobs compared to workers in agriculture, aquaculture, and construction. However, moving between jobs during a pandemic may also imply higher health risks and lower income, especially in the city where there is a higher risk of infection due to frequent contact with customers, for example drivers, cashiers and petty trade.

Employment and labour market policies do not protect all workers, and thus leave out many vulnerable groups. There are few labour market programmes beyond unemployment insurance and a network of ESCs, which offer limited services and do not perform an effective job brokerage and matching function. The existing system of labour regulation and protection primarily serves formal sector contracted workers, protecting them with the Labour Code while they are employed, and supplying them with unemployment insurance and priority access to employment services when they are unemployed. However, a majority of the Vietnamese workers are in the informal sector, and both the strict Labour Code and the focus on formal workers in labour market programmes undermine formalization efforts and limit healthy job turnover. The Labour Code is quite strict by international standards and is better designed to protect jobs rather than workers. Its rigidities undermine attempts to promote greater workforce formalization while less than a quarter of the labour force holds a labour contract. Therefore, most workers have little legal protection in the workplace.

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Priority should be given to investments that contribute to productivity growth and create employment, especially for less well-off groups. Investing in climate change adaptation and sustainable energy are examples of using public funds to achieve long-term benefits.

**Given an ageing population, employment and labour market policies lack support for older workers or an appropriate job-seeking support platform for older people.** About 37 per cent of older persons in Vietnam (those aged 60 and over) are still working. Among those aged 60-64, the rate is about 50 per cent (GSO et al. 2021).20 More than 80 per cent of older workers, particularly those aged 75 and over, are working as vulnerable workers as defined by ILO, i.e. self-employed and family workers. The majority of older persons sought jobs via their family members, relatives or friends, rather than ESCs (Giang, Park, Kikkawa, & Nguyen 2022).21

### III. MOVING TOWARDS AN INTEGRATED, INCLUSIVE AND SHOCK-RESPONSIVE SOCIAL PROTECTION SYSTEM

#### 1. Vision

Given various challenges such as climate change, co-variant shocks and risks as well as a rapidly ageing population, the Vietnamese social protection system must undertake significant reforms in order to meet changing and increasing demands. A coherent system is needed for all social protection pillars (as in Figure 1) to address the life-cycle risks faced by all people. More importantly, the system should be designed for a middle-income society. It should be more inclusive and integrated to cover all members of society, rather than the current fragmented system that serves the poorest (through social assistance) and the richest (through social insurance and other programmes).

The social protection system should have a greater emphasis on “prevention”, “promotion”, and “provision” functions, while strengthening the “protection” function for the poor and vulnerable. “Prevention” programmes (for instance, social insurance) manage shocks and help smooth consumption, while “promotion” interventions strengthen socio-economic foundations and promote sustained movement out of poverty. “Provision” programmes ensure that all people in need are able to obtain appropriate and affordable services.

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2. Policy recommendations

2.1. Social Assistance

2.1.1. Regular social assistance programmes

Social assistance transfers should be understood as an investment by the state in its citizens. They offer protection to people across the lifecycle, building confidence and skills and enabling them to participate in the labour market more actively and to invest in their future (Kidd et al. 2016; Giang et al. 2022). A key medium-term economic benefit of social assistance transfers is their ability to stimulate economic activity by increasing spending – and, therefore, domestic demand – in the economy. Greater domestic spending supports businesses and generates economic growth. Because of the multiplier effect, each VND spent on social assistance translates into two or three VND in domestic demand. Moreover, because the poor spend most of their incomes on domestically produced goods and services, very little of this additional spending leaks into imports.

The following recommendations address the issues discussed above and would contribute to building an inclusive, lifecycle-based social security system:

• **Consolidate existing social assistance policies and programmes into a smaller number of better designed and coherent flagship household poverty reduction programmes (UNICEF, 2016).** Benefit levels also should be adequate and delivery mechanisms should be harmonized and rationalized. Existing programme functions should be unbundled to ensure that the current institutional mandates are appropriate.

• ** Adopt a harmonized approach to eligibility and benefit levels across programmes.** Clarify the objectives of programme eligibility thresholds, and applying these thresholds consistently, efficiently, and fairly across programs. Adjust benefit levels across programmes to provide adequate financial support and adjust using a standard rule.

• ** Adopt a phased approach to reforms.** World Bank (2019) has proposed a two-state reform process.
  
  – Phase 1: Consolidate and integrate current policies and programmes in the social assistance system with a steady budget as share of total government spending. The guiding principles for consolidation in this phase would be: (i) consolidate across policy/programmes into a smaller number of policies/programs; (ii) aim to streamline within each policy/programme by
simplifying eligibility criteria and developing rule-based and data informed criteria and indexed benefit levels to protect their real value rather than discretionary criteria and fixed nominal benefit levels. The rules should be simple and feasible and minimize administrative costs.

- **Phase 2: Vietnam should design flagship social assistance programmes with wider socio-economic objectives beyond poverty reduction.** In the context of a middle-income country where absolute poverty is no longer widespread, social assistance should aim to leverage productive outcomes. Social assistance programmes need to support human capital formation through conditional cash transfers promoting productive welfare approaches, so that more beneficiaries move sustainably out of poverty, and building household resilience to shocks.

  - **Vietnam should gradually increase support for social assistance programmes, focusing initially on the individuals and groups most in need** (Kidd et al. 2016). Expansion of social assistance should focus initially on older persons, people with disabilities, and children. Therefore, the proposed schemes would improve and expand upon those currently in place. The main changes to the current system would be to reduce the age of eligibility for old-age pensions to offer universal coverage – in combination with social insurance and merit payments – from age 65 years, to expand the coverage of disability benefits to children and cover all people of working age with severe disabilities, and to provide higher coverage for young children, including during pregnancy.

Some detailed recommendations are as follows:

- **Old age: Citizens’ pensions**

  The two existing old age pensions should be replaced by a Citizens’ Pension for all persons aged 65 years and over, which would offer universal coverage of older people. The proposed value of the Citizens’ pension is VND360,000 per month, which is similar to the amount already provided by some provinces. This level is about 8% of GDP per capita, still low by international standards, as many middle-income countries offer more than 20% of GDP per capita. Therefore, there is significant scope for the government to increase the value of the pension and, as a result, increase its impact. Furthermore, at present, around half of people aged over-65 years already receive some form of pension. Therefore, the expansion in coverage would require incorporating only around half the target population, considerably reducing the cost of expansion (Kidd et al. 2016)

  - **Disability benefits**
Two disability benefits are proposed: i) one for all children with a disability and ii) one for adults of working age with a severe disability. The Child Disability Benefit would be offered as an entitlement to all children with a disability, with a value set at VND360,000 per month, reflecting the potentially high costs and additional expenses of children with disabilities. The Disability Benefit for working age adults would be linked to the VSS pension, in much the same way as the old-age pensions would complement each other. Initially, it would be provided to everyone of working age with a severe disability, corresponding to around 2.4 per cent of the working-age population. Its value would be equivalent to the Citizens’ Pension, which again is relatively low for an adult Disability Benefit in developing countries and leaves room for future increases in value. At age 65 years, recipients would transfer from the Disability Benefit to the Citizens’ Pension.

− Child benefit

A key aim of the Child Benefit would be to offer children a good start in life, helping to tackle undernutrition, enhance early childhood education and facilitate a smooth transition to primary school. Experience in the world, notably in South Africa, has shown that child benefits can have a dramatic effect on physical and cerebral capacity, building human capital and in turn boosting long term economic performance. It is proposed for Viet Nam that the support would be universal, since means testing would increase administrative costs and type 1 and type 2 errors as implied in Evans et al. (2012) and Kidd et al. (2016). Using data from VHLSS 2010 and 2012 with microsimulation techniques, Giang and Nguyen (2017)22 found that a universal coverage of cash transfer to all children aged 0-15 would reduce their poverty rate and poverty gaps, increase their utilisation of health insurance, and increase their school enrollment. McClanahan et al. (2019)23 showed that most informal, agricultural and family workers would face severe constraints on participation in the voluntary social insurance system because many of them would fall into poverty or near-poverty with the current contribution rates, and thus adding child and maternity benefits to the voluntary social insurance would be particularly important for women to close the gaps with men.

− Costs and financing of the proposed schemes

Khondker (2015) argues that one option for financing an expansion in social assistance transfers would be to use savings from the subsidy paid by government to the VSS to cover the pensions of civil servants retiring prior to 1995. The VSS estimates that the

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costs of pensions for the pre-95 pensioners will fall from around 1% of GDP in 2015 to 0.03% of GDP by 2025. Overall, based on rigorous costing and projection methods, Khondker (2015) concludes that there is sufficient fiscal space for the expansion of social assistance transfers, even without savings from pre-95 pensioners. He has estimated that resources available for general taxation financed social security and other poverty reduction schemes in 2016 would be around 4.08% of GDP, increasing slightly to 4.15% of GDP by 2020. This is more than the required funds for the current social security system and the proposed expansion in social security transfers.

Giang and Nguyen (2017) assumed to provide an amount of VND 70,000 per month (or 2.31 per cent of GDP per capita in 2012) to all children aged 0-15 and found that the total cost would slightly decrease from 0.577% of GDP in 2014 to 0.547% of GDP in 2025. In particular, cost for covering all children aged 0-3 would decrease from 0.155% GDP to 0.124% GDP due to decrease in their number over the projection period. Similarly, the total cost for covering all children (aged 0-18, as proposed in the amendment of the Law on Child Care and Protection) with the same benefit at 2.31% GDP per capital would slightly decrease from 0.684% of GDP in 2014 to 0.645% of GDP in 2025, in which the costs covering children aged 16-18 will also decrease from 0.107% GDP in 2014 to 0.098% GDP in 2025.

Giang et al. (2022), using VHLSS 2020 data, estimates the cost of current regular SA programme (i.e., Decree 20/2021) and its various extension scenarios. The results showed that the cost of regular SA programme was quite modest, at only 0.34% of GDP or 1.4% of total government budget. If the programme was expanded to include all children aged 6 or below or lowering the eligible age for old-aged support to 75, the cost of the SA would still be quite low, at 0.87% and 0.41% of GDP, respectively, while the most expanded programme (i.e., covering all children under 12 and lowering the minimum age for older people support to 65), the total costs reach 1.77% of GDP.

Potential impact and coverage of social assistance schemes

The benefits of expanding social assistance transfers could be significant, even at a relatively low level of expenditure. Kidd et al. (2016) shows that the combination of lifecycle schemes would reduce the national poverty rate by 13.4% and the national poverty gap by 17.8%. The impact on beneficiaries themselves by the individual schemes would be significantly higher. The poverty rates for each beneficiary group could be reduced. The impact would be most significant on the wellbeing of older people and people with disabilities living in poverty, among whom the poverty rate would reduce by 38% and 47% respectively. Giang et al. (2022) shows that, without any social assistance, poverty rate in Vietnam would have been 7.31%, while it was 6.75% with Decree 20/2021, and it would range from 6.59% (i.e., covering all children under 6
and lowering the minimum age for older people support to 75) to 5.46% (i.e., covering all children under 12 and lowering the minimum age for older people support to 65).

Furthermore, the reduction in inequality would be much more significant than that generated by the current national social assistance transfer system. With the scenario simulated in Kidd et al. (2016), the Gini co-efficient would fall from 0.357 to 0.348 (a fall of 2.5 per cent).

Spending more on social assistance would expand coverage of the poorest people and benefit most vulnerable groups. According to Kidd et al (2016), 57.5% of citizens would be able to access social assistance transfer schemes. The vast majority of those in the poorest decile would be incorporated into the social assistance transfer system, compared to the current situation in which most miss out. Furthermore, the majority of those that are vulnerable to falling into poverty or do not have insecurity of incomes would also benefit. The majority of those in the most affluent deciles in receipt of a benefit would be older people and people with severe disabilities (Kidd et al. 2016).

An increase in social assistance transfers would also have a positive impact on economic growth. Khondker (2015) estimates that an investment in social assistance transfers has a larger impact on economic growth higher than infrastructure investments. The impact on household consumption would be significantly higher compared to construction (4.3% versus 1.7%), underpinning its strong impact on poverty levels and providing families in the “missing middle” with income security.

2.1.2. Social care

Viet Nam needs to increase resources for its national social care system since current provision only scratches the surface in terms of addressing the scale of needs. The national social work system needs to be significantly strengthened and greater focus is needed on care in the community. Higher standards of care are required in more institutional care centres. While it is important to increase opportunities for the private sector and non-governmental organisations to engage in the sector, main funder of these services should be government.

Three levels of social/care workers should be recognised. Viet Nam needs to press forward in expanding the number of professional social workers, placing them in Social Work Centres, as well as other institutions such as hospitals and prisons. In the MPSAR, the government should set out a target for the number of professional social workers to be employed by local government by 2025. This will require a detailed plan to be developed to expand the system – going beyond the current national plan – and a commitment by government (central and provincial) to provide sufficient funding.
To the extent possible, care should be provided to vulnerable people so that they can remain in their homes. Help with food, bathing, shopping and other essential activities, and would reduce the number of people in institutions and improve quality of life. While the cost of employing social workers and carers may be high, professionalizing these services would create thousands of steady, productive jobs for people in local communities.

The government should establish a system of support for people acting as carers for vulnerable family members so that they do not feel isolated and receive assistance such as respite care, training and counselling.

The government should continue to establish Social Work Centres and, by 2025, they should be located in all districts, with appropriate teams of social workers and ancillary staff. The practice of incorporating Social Work Centres within Social Protection Centres should be discontinued, and Social Work Centres should be established as independent units, within the new governance structure of the social care system. Furthermore, the social work and social care system should be divided between children’s and adult services, since each group faces different challenges.

Government should encourage the private sector and non-governmental organisations to provide services, but these will need to be adequately funded by government. In addition to offering disability benefits, social care services should offer comprehensive assistive devices to people with disabilities as well as house improvements. This should include older people who have experienced disability as a result of the ageing process.

2.1.3. Emergency assistance

Given the risks associated with climate change, Viet Nam should establish an effective system of emergency assistance, including clear specification of categories of events that qualify for support. A review should be commissioned to determine an appropriate level of national budget for emergency assistance. Regulations for the distribution of assistance need to be established and training provided to staff on how to implement the regulations. Effective monitoring systems should be established to prevent fraud. However, emergency assistance should not only be provided by government. A major role can also be played by private insurance, with people taking measures to protect themselves. The government should, therefore, assess current insurance markets and take initiatives to encourage greater involvement of the private sector – including micro-finance institutions – in offering insurance.

Vietnam should also introduce automatic stabilizers to prepare for future crises by allowing firms to apply for employment support schemes if the firm faces economic
challenges outside of its control or allowing a declaration of force majeure to be made that would enable firms to apply to the unemployment insurance fund for job retention support. This would create a dedicated source of funds for employment retention that could be activated in times of crisis. At the same time, as rural workers are predominant in the labour markets and they were severely affected by the COVID-19 in the past two years, it is suggested that Vietnam implement a rural guaranteed employment programme like the one in India (namely Mahatma Gandhi National Rural Employment Guarantee Act - MGNREGA)\textsuperscript{24} since this programme would reduce the incidence of rural poverty and provide an economic stimulus during recessions. In this programme, participants are guaranteed a minimum number of working days per month for such work as maintenance of irrigation systems, roads, and planting trees, and their participation is self-selected since the wage is set low.

**Emergency assistance policies should be adjusted in a timely manner according to the evolution of shocks such as COVID-19 pandemic.** Pandemic spending narrowed the fiscal space for sustained interventions, but the crisis is far from over. A gradual phasing out of emergency measures must be coupled with greater investment in social protection infrastructure, to sustain inclusive growth and improve resilience. As recovery gathers pace, fiscal policy can shift from relief to stimulus, and from stimulus to structural investment for sustained and inclusive growth (ADB, 2021).\textsuperscript{25}

\textbf{2.2. Social Insurance}

The social insurance system should be reformed to make it financially sustainable. This can be achieved by: (i) Gradually increasing the official retirement ages and closing the retirement age gender gap; (ii) Reducing the financial incentives for early retirement; and (iii) Reforming the accrual, indexation and valorization rules.

It is necessary to formalize employment to expand coverage of the social insurance system. World Bank (2019) suggests the following: (i) Create mechanisms for informal workers to interact with the system during enrollment, contribution collection, and pension delivery; (ii) Provide stronger financial incentives for workers to make contributions towards their pension; and (iii) Rely where possible on common platforms to identify participants and manage their accounts.

\textsuperscript{24} In MGNREGA, 100 days of employment is guaranteed to any rural household adult who is willing to do unskilled manual work in a financial year. If a person does not get a job within 15 days, he is eligible for getting unemployment allowance. MGNREGA has covered more than 700 districts in India. There were 28 million individuals reaped the benefits of this scheme in the period 2020-2021 (My India on 27 April 2022).

\textsuperscript{25} ADB (Asian Development Bank). 2021. COVID-19 and Labour Markets in Southeast Asia—Impacts on Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam. Manila: ADB
The social insurance system also should be designed to reduce the gender gap (ILO 2021). The system should be made more responsive to the needs of women and better prepared to deliver gender equitable outcomes. Some suggestions below should be considered when designing social insurance schemes to close gender gaps.

• First, reduction of the minimum contributory period for a retirement pension should be implemented soon according to Resolution 28-NQ/TW which is easier to meet for the working trajectories of women. The current minimum requirement of 20 years of contributions is harder for women to meet than it is for men. 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. Nonetheless, if the qualifying period is reduced to 10 years, the gains 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 (ILO, 2021). In addition, the ILO (2019) has argued that many people are using lump sum withdrawals to cope with flaws in other social security benefits. Strengthening other policies would reduce withdrawals and enhance the social insurance function of retirement benefits.

• Second, the incorporation of care credits in Viet Nam’s social insurance system would enhance the economic protection of women in old age. Care credits are aimed at increasing pension rights of women who have children. In the case of Viet Nam, care credits would also encourage women to maintain their contributions in the system for retirement. 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 depending on labour market patterns and gender gaps, as well as budget possibilities existing in the country. With the scenario in which care credits are available to all women, provided for each child born alive and each child adopted and financed from the social insurance fund for insured women and tax-financed for uninsured women, ILO (2021) estimates that these credits would benefit women who receive a social insurance pension at their specified retirement age. 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). The estimations also showed 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.

• Third, the adjustment of replacement rates and pension formula should target not only long term financial sustainability but also the goal of reducing the gender gap. The specific design of the revised formula must be based on a comprehensive actuarial analysis that incorporates the broader elements and goals of reform, and that reduces gender gaps.

• Fourth, insurable earnings should be adjusted to cover all income. According to ILO (2021), 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. Furthermore, since past earnings are revalued 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.

• Fifth, short-term benefits including multi-tiered maternity benefits and multi-tiered child benefits should be part of an overall gender-responsive policy package. A multi-tiered maternity benefit would make maternity protection a right for all women in Viet Nam, regardless of their employment status. In addition, 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.

2.3. Employment and Labour Market Policies

In a context high levels of informality, Vietnam needs to integrate and improve the performance of its unemployment insurance, job search, and training systems, while integrating the working poor. To reach these targets, some of proposals should be considered.

• First, employment and labour market policies should focus not only unemployment insurance schemes but also job search and vocational and education training systems. The current system is overly focused on the
provision and administration of unemployment insurance and is failing to adequately fulfil its re-employment functions. Unemployment insurance funds, which are not allocated to monthly benefit payments, can create financial space for enhancing job-seeking services at Employment Service Centres and supporting re-training via the vocational and education training system.

- Second, it is necessary to open ESCs to all people in the labour force, including non-unemployment insurance beneficiaries in the informal sector, including women, ethnic minorities, youth and people with disabilities. This would require: designing a national performance-based budgeting and administration framework; promoting performance efficiency of ESCs; developing an interoperable network of job banks across Employment Service Centres, along with a national labour market information system; focusing much more on specific groups with unfavorable labour market experience to improve their access to employment.

- Third, providing more autonomy and capacity for vocational and education training systems in preparing workers in ways that meet industry demand in the context of industrial revolution 4.0 and international integrated economy. However, public spending still plays an important role in support policies basing on training results of Vocational and Education Training centres. Using autonomous governance can increase the quality and market responsiveness of the Vocational and Education Training system. To achieve these targets, it is important to develop information, accountability, and financing systems to underpin reforms across the Vocational and Education Training network. In addition, increased engagement with private enterprises through establishing an Office for Enterprise engagement should be considered by MOLISA. Besides, MOLISA needs to encourage and support the Vocational and Education Training centres to establish their own subsidiary offices, which would be to systematically reach out to enterprises using mechanisms appropriate to the local context and each Vocational and Education Training institutions’ mission. New approaches to promote training that focus on individual learners are also vital to improve human capital as well as increase the quality and market responsiveness of the Vocational and Education Training system in the context of the prevalence of informality and the likelihood that most people will not be employed in large organizations for entire careers.

2.4. Governance of the Social Protection system

Reforms of implementation and delivery systems are needed to expand coverage and protect for vulnerable groups, such as improving information management,
professionalization of staff – in particular those at the frontline of service delivery – and the use of new technologies. Re-engineering should incorporate recommendations to: improve communications; streamline and strengthen the key administrative processes within the operational cycle such as registration, enrolment, case management and grievances; the development of a management information systems using new technologies that facilitates data entry at the local level and access to comprehensive information on beneficiaries within Provincial DOLISA’s and MOLISA; and, the introduction of an alternative payment system that removes the responsibility for payments from commune officials. While the Post Office is being tested as a potential payment service provider, MOLISA should examine alternatives, such as banks and mobile phone companies. Indeed, it may be possible to use a number of payment service providers (Kidd et al. 2016).

Although the current governance arrangements for social assistance are effective, if the social assistance sector were to expand, potential reforms to the system should be considered. MOLISA should take on responsibility for all social assistance transfers. At present, the three components of social assistance are managed by the same departments and staff within each level of government, although they have separate divisions. Yet, each component is different in character, requiring distinct policies and skills. Furthermore, there is a need for a higher level of skills, specialisation and professionalization among staff within each component (Kidd et al. 2016).

The government should reconsider how it organises social assistance and social security sectors more broadly. As in many other countries, it may make sense to strengthen the integration between social assistance transfers, merit payments and social insurance, under a new sector to be known as “Social Security,” which would reflect the “right to social security” outlined in the Constitution. Similarly, social care services could be substantially strengthened, creating a new social Care Department in MOLISA that sets policy and guidance, with responsibility for delivery devolved to Provinces and Districts. A revised structure for emergency assistance should also be developed, with a department – or Ministry – responsible for not only providing assistance during emergencies but also developing policies on disaster mitigation and climate change (Kidd et al. 2016).

Application of digital social assistance and digital social protection will contribute to an inclusive, integrated and modern social protection system which is responsive to development of Industrial Revolution 4.0. The use of electronic transfers into personal bank accounts and the existence of social registries and databases facilitate timely and speedy implementation of these interventions. Leveraging technology in responding to the pandemic through the use of digital e-
banking, for instance, reduces vulnerability to shocks and mitigates widening inequalities in labour market outcomes and living standards across and within countries (ADB, 2021). The use of digital systems – based on the national digital ID system – would enable eligible beneficiaries to self-register, local governments to verify and central government to monitor and evaluate outcomes on a continuous basis. A digital system, if combined with the application of digital payment tools, could help not only with enhancing the transparency of management and implementation of the social assistance programs, but also deliver cash assistance to beneficiaries quickly and safely (Trinh et al. 2021; MOLISA et al. 2021). It would also support the move away from a residence-based social assistance system, which excludes migrant workers, to the one that is based on national citizenship.

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