



Solutions to ensure social security for informal workers in Vietnam

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Abstract

The informal economic sector has contributed significantly to economic growth, job creation, income increase, and poverty reduction for many employees. However, informal workers are basically low-skilled, mostly poor, and also vulnerable in society. To ensure social security, some countries have implemented health insurance, pension and disability insurance, social allowances, etc. as pillars in the social security system, contributing positively to social stability. The paper proposes a number of solutions to contribute to improving the quality of social security for informal workers in Vietnam.

Keywords: Solutions, ensures, social security, informal workers, Vietnam

Introduction

Vietnam is in a golden population period when the working-age population is twice as high as the non-working-age population. Every year, the working-age population participating in the labor market accounts for a fairly high proportion, about 75%. However, the majority of Vietnamese workers still have to accept vulnerable jobs, without social insurance and without labor contracts. It is informal employment. For a country with a large population and low economic development like Vietnam, informal employment is an indispensable part that contributes significantly to the process of employment creation and income generation for workers. Although informality has a negative impact on workers' income, safety and health, they are sometimes forced to do informal employment as a last resort to ensure their livelihood in the context of limited social welfare conditions or uncertain income from formal employment. Over the past years, the Vietnamese Government has made efforts to develop the economy and solve the problem of formalizing informal employment to ensure decent jobs for workers, but the situation of workers being forced to do informal, unsustainable jobs for many years has not improved significantly, especially during the Covid 19 pandemic. Therefore, in the context of strong economic fluctuations and “shakes”, the issue of ensuring social security for informal workers needs to be approached and thoroughly researched from many aspects.

Contents

1. Social security for workers in the informal economic sector

It can be said that the informal economic sector exists as an objective necessity, always subject to the impact of economic laws, socio-economic development policies as well as the effectiveness of the legal system at different levels depending on each country.

The term “*informal economic sector*” was introduced in 1973 to describe a traditional economic sector in developing countries. After much debate among different viewpoints, it was not until 1993 at the 15th International Conference of Labor Statisticians that the definition of the informal economic sector was unified based on approaches to production units. Accordingly, *the informal economic sector is a collection of units that produce goods and services for*

sale on the market but are not registered to operate under any form of legal status.

In 2002, the International Labor Organization (ILO) and the Organization for Economic Cooperation and Development (OECD) defined the informal economic sector as an “unserved economic sector” with three elements: 1- Informal economy (partially or completely free from state regulations, especially in developing countries: self-employment). 2- Underground economy (avoiding state regulations to intentionally understate sales, such as “black market” to avoid tax audits). 3- Illegal economy (trading in illegal products and services, such as drugs, prostitution...) [1].

Thus, essentially, the informal economic sector is the area where informal employment exists - a set of units that produce products and services with the aim of creating jobs and income for those involved, contributing to GDP that the formal economic sector cannot reach.

According to the ILO’s conceptual framework, informal economy workers include the following groups: 1- Own-account workers involved in their own business production units in the informal economic sector; 2- Employers/owners engaged in their own business production units in the informal economic sector; 3- Family-contributing workers, irrespective of whether they are working in business production units belonging to either the formal or informal economic sectors; 4- Member of producer’s cooperatives involved in the informal economic sector; 5- Employees holding informal jobs in formal business production units employees working for business production units in the informal economic sector or employees hired for domestic work in households; 6- Own-account workers engaged in the production of goods and services exclusively for their own final use by their households.

Recent research results show that informal economic sector labor is stratified in a very diverse manner, depending on the conditions, circumstances and causes that promote this type of labor in each country. However, studies can still provide some characteristics of this regional labor group.

Regarding legal characteristics, workers in the informal economic sector are not covered by the legal system; do not enjoy sick leave, vacation and allowances; and do not have written labor contracts. These are the outstanding characteristics of workers in the informal economic sector.

Being outside the scope of the legal system raises concerns about protecting the interests and social security rights of this group of workers.

Another characteristic of workers in the informal economic sector is that labor productivity in this sector is often lower than that of the formal economic sector, because the common characteristics of this sector's labor group are simple, low-skilled, temporary, precarious, unstable work and low income.

Social security plays an important role in the national social policy system to protect and ensure the safety of members of society in cases of risks leading to reduced or lost income or increased unexpected expenses due to various reasons. Social security for workers in the informal sector is a system of mechanisms, policies, and solutions of the state and the community to help members of the informal economic sector in society cope with risks and socio-economic "shocks" that reduce or lose their income due to illness, maternity, accidents, occupational diseases, old age, or other objective reasons that cause them to fall into poverty and impoverishment; and provide health care services to the community, through policy systems on social insurance, health insurance, unemployment insurance, social assistance, and special assistance (social incentives).

The informal economic sector, *on the one hand*, makes an important contribution to growth; *but on the other hand*, it is home to many social problems, which are major barriers to sustainable development and ensuring social equity, in which social security for workers in the informal economic sector is a difficult problem. According to the ILO, an estimated 20% of workers in the global informal economy are covered by national social security network, the rest are the majority of workers and their dependents who are excluded from this system. Along with that, the right to social security of workers in the informal economic sector faces many barriers. Employers are always looking for ways to evade taxes and social security contributions while the government does not have suitable social security programs for the characteristics of this group of workers.

Currently, in most developing countries, social insurance is actually mandatory for enterprises in the formal economic sector. In the informal economic sector, the implementation of voluntary social insurance is very limited because the income of the labor group in this sector is often too low, uncertain and unstable.

In Vietnam, the concept of the informal economic sector has been only studied in 2006 and there is currently no consensus on the point of view, because statistics are not simple. In 2010, according to a study conducted by the General Statistics Office in collaboration with international partners, the informal economic sector has been understood as all non-agricultural individual households that produce and trade a part of goods for sale in the market, and do not have a business registration and regardless of where the business activities take place (in a business establishment, on the street or at home). Informal economic sector workers are defined as workers who are not covered by social insurance (here, informal economic sector workers do not include illegal workers, also known as workers in the underground economy) ^[2].

2. Current situation of access to social security of informal workers in Vietnam

The size of informal workers is quite large with over 18 million people, accounting for 57.2% of the total number of

non-agricultural workers. If including labor in the agricultural household sector, the rate of informal workers accounts for 78.6%. About 60% of informal workers are concentrated in rural areas where there are many traditional craft villages, non-agricultural individual businesses and cooperatives. Informal workers are mainly concentrated in the Mekong Delta, North Central Coast, Central Coast and Red River Delta, of which the largest concentration is in Hanoi and Ho Chi Minh City, accounting for over 20% of the total informal workers in the country (General Statistics Office - ILO, 2023).

In 2023, the workers in the informal sector are about 27.52 million people. Of which, the number of male workers is more than 15 million people, accounting for 55.04% of total informal employment. The group of 60 years old and over has the highest number of participants in the informal sector, reaching about 14.51%.

The rate of workers in the informal sector in urban areas accounts for about 22.96%, informal workers mainly do service work, self-sufficient work and unregistered business. This is a vulnerable group of workers in the labor market when the economy is affected by shocks (General Statistics Office, 2023) ^[3].

The impact of the Covid-19 pandemic that broke out in early 2020 has slowed down the growth rate of the number of people participating in voluntary social insurance. Although the number of people participating in voluntary social insurance has increased, it has been still below the potential level. Many people who are eligible to participate in voluntary social insurance have not participated yet. In 2021, more than 1.4 million people participated in voluntary social insurance, an increase of 28% over the same period in 2020, reaching only 2.94% of the working-age workforce including farmers and informal workers.

Research results show that the number of people accessing social security depends largely on social security policies, communication work, and their labor and income characteristics, as shown below: i) When income increases, workers in the informal sector tend to participate in voluntary social insurance more; ii) When the age of workers increases, the possibility of participating in voluntary social insurance increases, but at a certain age, the possibility of participating in social insurance decreases; iii) Female workers in the informal sector tend to participate in voluntary social insurance more than men. This is explained by the fact that female workers tend to save more than men; iv) workers in rural areas are more likely to participate in voluntary social insurance than those in urban areas, because they are less pressured by housing rental, high costs and their ability to save is also better; v) informal workers in the Northern mountainous region, Central region, Central Highlands and Mekong Delta are more likely to participate in voluntary social insurance.

3. Barriers to accessing to social security of informal workers in Vietnam currently

First, the system of policies and laws on social security. The current social security legal system in Vietnam includes five main groups, namely: Social insurance, health insurance, unemployment insurance, social assistance and social incentives have created an important legal basis for implementing social security policies nationwide. However, the provisions of the law on social insurance still have limitations that need to be overcome to ensure the right to

social insurance for people in general and informal workers in particular. The most important pillar of the social security system is social insurance. A reality is that informal sector workers do not have labor contracts, so they are not entitled to compulsory social insurance and of course are not covered by unemployment insurance according to Article 43 of the Law on Employment 2013. Therefore, workers who want to participate in social insurance can only participate in voluntary social insurance. According to the Law on Social Insurance 2014, voluntary social insurance is currently only implemented with two regimes: retirement and death, while compulsory social insurance is implemented with five regimes (sickness, maternity, work-related accidents, occupational diseases, retirement, death). This regulation has unintentionally become a barrier that prevents workers in the informal sector from participating in this type of social insurance, especially female workers^[4].

According to Article 87 of the Law on Social Insurance, employees pay 22% of their monthly income chosen by the employee to the pension and death benefit fund every month, while compulsory social insurance has a contribution rate of 26% for 6 regimes (sickness; maternity; work accident; occupational disease; retirement; death benefit), but employees only have to pay 8%, the remaining is paid by the employer. As a result, inequality has been created between employees participating in compulsory social insurance and employees participating in voluntary social insurance. Employees participating in voluntary social insurance must pay 14% more than employees participating in compulsory social insurance, but their benefits are lower (only 2 regimes are available).

The Social Insurance Law 2014 does not limit the ceiling age for voluntary social insurance participation, creating favorable conditions for informal workers to participate, but it also creates barriers and concerns about the benefits of workers, especially elderly workers. Supposing that a 60-year-old male worker participates in voluntary social insurance to receive a pension after 20 years. However, the average life expectancy of men receiving pensions is currently about 73 years old. Therefore, they participate but will not enjoy benefits. On the other hand, regarding the policy, the elderly from 80 years old have social pension.

The current policy on retirement insurance benefits also does not ensure fairness among employees participating in compulsory social insurance and voluntary social insurance. For compulsory social insurance participants, when the monthly pension is lower than the basic salary, they will receive the same amount as the basic salary. Conversely, voluntary social insurance participants will only receive the actual amount. Thus, it is entirely possible that voluntary social insurance participants will live below the basic salary when they retire. This will not ensure their livelihood; and their participating in social insurance will not be a safe solution when they retire, they will choose other forms instead of participating in voluntary social insurance.

Regarding health insurance policy, the Law on Health Insurance, issued in 2008 and amended in 2014, has created a legal basis for implementing the goal of universal health insurance. Besides the advantages such as adding some subjects to participate in health insurance, scope of benefits, payment for cases of medical examination and treatment connecting between levels, the current Law on Health Insurance still has some unreasonable regulations. That is, the regulations on health insurance participants have not

covered all practical cases, and there are no measures to support the development of participants. The regulations on fees and responsibilities for paying health insurance are not flexible. The benefits of paying for medical examination and treatment costs under health insurance have not ensured fairness among participants; and the subjects participating in health insurance have not been expanded.

Regarding social assistance policy, Decree 136/2013/ND-CP of the Government: The social assistance policy regulations for social protection beneficiaries dated October 21, 2013 still do not cover all beneficiaries in need of patronage. In fact, there have been still many informal workers who need material and spiritual help but not yet regulated by law, such as: People with long-term illnesses who are not eligible for occupational disease benefits, people exposed to toxic substances due to war, victims of epidemics or disasters, people affected by economic recession... In addition, low subsidy levels and inflexible conditions for receiving subsidies also cause difficulties for informal workers when they need help.

Second, income and education level. Low income is a major obstacle to informal workers' participation in social security services. Without financial resources, it is difficult for workers to participate deeply in the social security service network. Statistics in 2021 showed that the average salary of informal workers was only 6.4 million VND, while the average salary of formal workers was 8.8 million VND, that was equal to 2/3 of the salary of formal workers. Universal health insurance is a pillar of Vietnam's social security policy, for the goal of sustainable development and ensuring equity in people's health care. Most workers with informal employment have not received professional or technical training. Among nearly 20 million workers with informal employment, workers with secondary education account for the highest proportion (32.5%), followed by workers with primary education (23.2%) and high school education (17.7%). Workers with technical qualifications from vocational schools or higher only account for 16.4% of the total number of workers with informal employment (General Statistics Office, 2023). Most low-skilled informal workers do not participate in any organization, so it seems that they must face more difficulties in finding employment, increasing income, especially in case of natural disasters and epidemics, for example, the Covid-19 pandemic has occurred since the beginning of 2020.

Third, the management, inspection and supervision of the informal economic sector. According to the General Statistics Office, the informal economic sector is understood as an unobserved economic sector consisting of 5 components: (1) Legal production and business activities but business owners do not declare them for the purpose of tax evasion; (2) Illegal economic activities prohibited by law such as drug trafficking, including legal activities; (3) Unobserved formal economic sectors such as: small-scale production and business activities, regardless of whether they are production and business or individual households or do not have labor contracts...; (4) The self-production and self-consumption economic sectors of households such as households that self-produce and self-accumulate to cover their living expenses; (5) Basic data collection activities are omitted. The informal economic sector with its characteristics of no labor contracts, no illegal activities, non-declaration, dissipation, etc. will be a huge obstacle for workers to access the protections of the social security

regime such as social insurance, health insurance and subsidies from the State and society. This raises the need to strengthen management, inspection and supervision of this area. However, the results of the 2023 economic census by the General Statistics Office show that the informal economic sector still accounts for a very large proportion of production and business units with more than 5,144 million non-agricultural individual production and business establishments. Of which, there are about 77% of motorbike taxi services, street vendors, and retail goods in open-air markets.... Although the informal economy is scattered and fragmented, it accounts for 87.7% of the total number of production and business establishments and 32% of the total number of employees working at economic establishments, administrative agencies, and public service units. The cause of this situation is partly due to the awareness of employers and largely due to the fact that state management is still loose and lacks control over this area.

Fourth, the socio-economic conditions at the local level. Difficulties in local socio-economic conditions also mean that employment opportunities, income increase, and improvement of workers' lives are very limited. On the other hand, difficult socio-economic conditions is also an obstacle for local authorities who want to effectively implement social security policies but lack resources. The difference in the level of socio-economic development between regions has become the main cause for the formation of labor migration flows (including informal labor) in search of employment opportunities, income, and life improvement. Surveys show that employment and economy are the most basic reasons for migration. Economic reasons include: not only the familiar push from the place of origin such as: lack of arable land, lack of jobs, low income... but also by the attraction from immigration places such as: higher job opportunities, stabler jobs, higher salary and income than that of the old place of residence. There are currently 4 main migration flows in Vietnam: Urban - urban migration flow accounts for 31.6%, rural - urban one accounts for 36.2%, urban - rural one accounts for 12.6%, rural - rural one accounts for 19.6%. Of which, the migration flow from rural to urban areas accounts for the highest proportion, and is 3 times higher than the migration flow from urban to rural areas. Rural-urban migrants often participate in the informal sector, where they may be self-employed individual businesses or work for other individual businesses. They can work inside private spaces such as inside restaurants, factories, households... or outside in public spaces (streets, alleys, hamlets, open spaces near parks, flower gardens...).

2.4. Solutions to ensure social security for informal workers in Vietnam

First, the legal system on social security needs to have stronger changes to create conditions for informal sector workers to participate in the social security service network more widely in the direction of: i) Expand the voluntary social insurance regime so that informal workers can participate in compulsory social insurance regimes like informal workers according to a reasonable and flexible roadmap. For example, in the immediate future, it is possible to supplement maternity benefits and occupational accident insurance for informal workers participating in voluntary social insurance; ii) Research on reducing voluntary social insurance contributions for employees; iii) Research on reducing the minimum social insurance participation time to receive retirement benefits for elderly

workers; iv) Maintain the minimum pension level not lower than the basic salary for voluntary social insurance participants; v) stipulate a roadmap for increasing the general health insurance benefit level for those currently receiving less than 100% of medical examination and treatment costs; vi) stipulate a roadmap to continue adjusting the increase in social allowances and social incentives, expanding the scope of beneficiaries to those with long-term illnesses who are not eligible for occupational disease benefits, those infected with toxic substances due to war, victims of epidemics or disasters, and those affected by economic recession ^[5].

Second, promoting the formalization of the informal economic sector. This is the basis and premise for formalizing the informal economic sector and informal labor force. The shift to the formal sector will give workers more clear opportunities to sign labor contracts, pay social insurance, health insurance, and participate in other social security services. The State needs to have policies to support the informal economic sector to transition to the formal economic sector: i) Publicity, transparency and simplification of approval and licensing procedures when informal economic households switch to establishing enterprises; ii) Preferential loans and tax exemptions when converting to the formal sector; iii) Supporting enterprises in terms of procedures and legal aspects when participating in social insurance for employees; iv) Reducing the number of inspections, supervisions and unnecessary, cumbersome procedures.

Third, strengthening the development and improving the quality of the informal sector workforce, especially when participating in new economic types on online technology platforms, with technology applications. At the same time, promoting the strong shift of workers in this sector to the formal sector on the basis of creating opportunities and conditions for them to participate in training, retraining and skill improvement programs to keep up with the vocational skill requirements of the labor market in two directions: 1- The State needs to continue implementing the current policy on vocational education, focusing on providing informal sector workers with the capacity to access and move to formal sector - where there are better labor relations and social security, including developing basic and necessary skills to adapt to the Fourth Industrial Revolution, such as developing multi-skills, mastering a specialized profession, and knowing many related professions; creative skills in work; skills to solve complex professional, technical and operational problems; skills to negotiate, bargain and reach agreements on employment with employers (regarding positions, wages - salaries, social insurance, occupational safety and hygiene and other working conditions); skills to work in teams, in a multicultural environment; foreign language and computer skills... Informal sector workers with sufficient skills will have a great advantage in accessing to formal sector employment; at the same time, they can quickly adapt to changes in employment in the informal sector labor market in new economic types with high income, security and the ability to ensure better social security; 2- Improve the effectiveness of state management of the informal sector labor market associated with ensuring social security for workers, in sync with labor market management nationwide. Specifically, it is necessary to focus on improving the quality of forecasting on development and providing comprehensive, timely and

complete information on the informal sector labor market within the overall national labor market information and forecasting system. Supplementing and perfecting policies to effectively manage employment risks; ensuring more sustainable social security for workers in the informal labor market. Researching and supplementing policies to support informal sector workers in vocational skills training and job referral (exemption or reduction of training fees, job referral service fees, etc.) to be able to access employment through technology applications in the sharing economy or Gig economy..., or find employment in the formal sector. Emergency social assistance from the annual budget or from the surplus of the Unemployment Insurance Fund; supporting for purchasing health insurance for poor and near-poor households...^[6].

Fourth, planning for socio-economic development, gradually reducing development gaps among regions. In particular, it is necessary to have policies to promote socio-economic development and support product output in rural and mountainous areas where there is a large migration rate. Closely monitoring and minimizing the conversion of agricultural land and forest land to industrial use to reduce the push for emigration. On the one hand, it creates conditions for localities to have more resources to effectively implement social security policies, giving people more employment opportunities and income to improve their lives in a sustainable way, on the other hand, it helps reduce the pressure of migration and the concentration of too many informal workers in large cities such as Hanoi and Ho Chi Minh City.

Fifth, strengthening the inspection, supervision and monitoring of the implementation of labor law regulations; promptly handling violations of business law, labor law, slow or evasive payment of social insurance for employees, and failure to sign labor contracts by establishments using informal workers to improve working conditions and prevent possible risks to employees. Strengthening the work of preventing negativity and corruption in the implementation of social incentive policies and state subsidies; enhancing and consolidating people's trust in the policy goals set forth by the Party and State. Along with that, promoting popularizing and mobilization to create a large number of informal workers participating in social security funds such as social insurance, health insurance, and the spirit of proactive declaration of labor use of both employees and employers. The sooner the declaration is made, the more it will help employees quickly accumulate the number of years of contribution and the amount of contribution, to calculate retirement benefits later. Dissemination is carried out through various channels, especially through appropriate media and communications to the characteristics and specific nature of each target group and region. Continuing to promote effective dissemination methods such as organizing seminars on social security policies in each unit such as residential groups, villages, hamlets, and distributing leaflets to each person.

3. Conclusion

The implementation of social security policies for all people has always been of concern to our Party and State. Accordingly, all classes and economic sectors in society need to be treated fairly and have certain rights and obligations in accessing social security services. In which, social insurance and health insurance are the pillars of the State's implementation of social security. Formal and

informal sector workers must have equal access to social security. Therefore, expanding the coverage of social security to all members of society, all workers in the formal and informal sectors is an urgent requirement currently, aiming at the goal of all citizens enjoying equal benefits from the state's policies on social security services.

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