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Policy recommendations: Increasing gender equality in social insurance pensions in Viet Nam



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Social insurance systems usually link pensions and benefits to workers' past employment histories. Therefore, if no compensation measures are in place, those benefits can reflect the accumulation of disadvantages across multiple dimensions that women face in the labour market and at home throughout their lives.

Since 2013, the gap in the value of the average retirement pension for men and women in Viet Nam has widened, growing from 14 per cent in 2013 to almost 20 per cent in 2019, underlining the urgency for policy measures that further promote gender equality in the social insurance system.

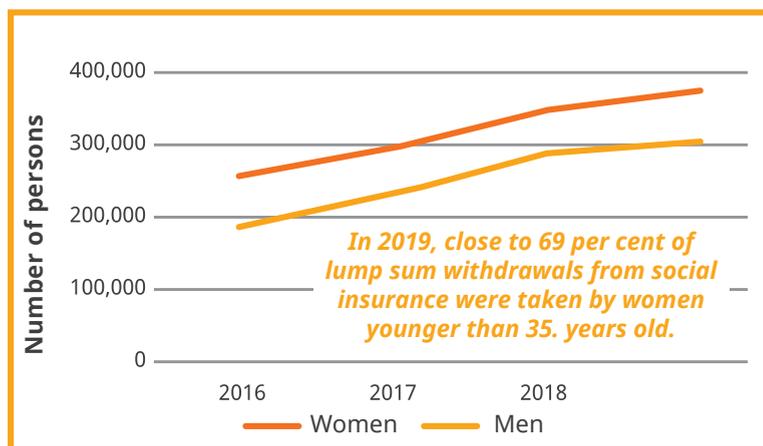
In Viet Nam, recent data show that the value of men's pensions was higher than that of women by an average of almost 20 per cent in 2019. Furthermore, over the previous five years the gap has actually widened, since registering at close to 14 per cent in 2013. Therefore, specific policies are required to prevent the gap from widening even further and, if possible, to narrow it.

Those gaps echo not only gender gaps in participation and earnings throughout the working life, but also women's increased burden of care. As in most countries in the world, in Viet Nam, women dedicate more time to unpaid care than men: An estimated 14.5

per cent of women, compared to 5.5 per cent of men, are out of the labour force due to care reasons. The social insurance system does not account in any way for work interruptions to take care of children or elderly family members. Childbearing, in particular, can have adverse impacts on women's pension benefits because of its effect on women's labour force participation, earnings and thus, contributory histories.

In Viet Nam, women's high take-up of lump sum withdrawals also plays an important role in shortening women's accumulation of contribution records.¹ Detailed data show that most lump-sum withdrawals in Viet Nam are taken by young women. This suggests a link between women's broken careers and childbirth, and that other short-term benefits like maternity and unemployment insurance might not be sufficient to support women through those periods of their working lives.

Figure 1: Termination lump sums in the private sector, 2016–19



¹ In Viet Nam, workers participating in social security have the possibility of withdrawing their pension savings and exiting the system at any point of their careers.

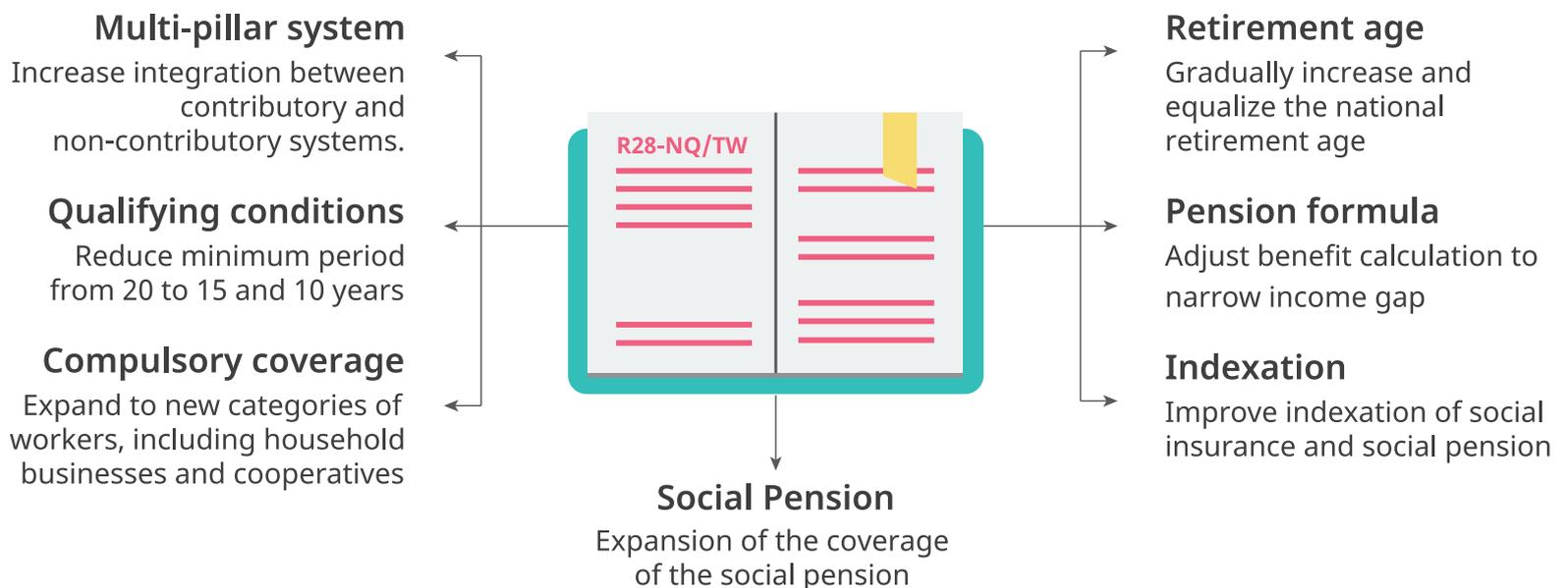
The combination of these and other factors lead to women’s contributory histories being, on average, four years shorter than those of men. That is a fifth of the total 20 years required to qualify for a pension in Viet Nam. Low contribution records have an impact on both coverage and benefit amounts, since benefits are calculated taking into account the years effectively contributed. In Viet Nam, higher accrual rates for women were designed to compensate for this inequality. However, the data show that this policy has not been sufficient to avoid a significant gender gap in pension outcomes.

The revision of the Social Insurance Law and Decree 136 are the right opportunity to expand measures that compensate women and other vulnerable groups with lower insurable earnings and shorter contributory careers, building on the path laid out by party Resolution 28-NQ/TW.

Several of the measures proposed in Party Resolution 28-NQ/TW and the Master Plan on Social Insurance Reform (MPSIR) can have a positive impact in gender equality, depending on their specific design:

Social Insurance Reform

Resolution 28-NQ/TW establishes the objective of expanding coverage, particularly to workers in the informal sector, “towards social insurance for all”



The 2019 Labour Code increased the retirement ages of men and women and narrowed the gap between them. There was an expectation that retiring earlier could imply lower retirement ages for women. However, ILO estimates show that under the new regulation, the gender gap in replacement rates will only decrease between 1 and 2 per cent, which is positive but overall not sufficient to overcome the difference.

The report *Adapting social insurance to women's life courses: A gender impact assessment of Viet Nam* (ILO 2021) presents a detailed gender assessment of the policy options currently on the table, and makes recommendations about which could be more effective to promote gender equality through the social security system². These measures include contribution requirements, care credits, replacement rates and pension formula, indexation and universal social pension.

01 Contribution requirements

According to the 2014 Social Insurance Law, in order to qualify for an old age pension, workers must have a minimum of 20 years of contributions. This requirement is harder for women to meet than it is for men. On this matter, Resolution 28-NQ/TW proposes a reduction of the qualifying period from 20 to 15 years in 2024 and to 10 years by 2028. Estimates show that this measure would benefit a small number of workers who are close to retirement age and are just short of meeting these thresholds. They also show that, as long as frequent lump sum withdrawals continue to be the norm, the reduction of minimum qualifying conditions will only have a limited impact in increasing the number of people who retire with a pension. Therefore, they will help to align conditions with the working trajectories of women with, but will not be sufficient on their own.

² Betina Ramírez López and Camila Arza, *Adapting social insurance to women's life courses: A gender impact assessment of Viet Nam* (ILO, 2021).

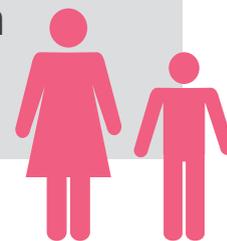
³ For instance, a six month child credit would mean that for every child a woman has during her contributory career, an additional six months would be added to her contributory records, thus getting her closer to meeting specific contributory thresholds for retirement pensions.

02 Care credits

Several social insurance systems in Europe and elsewhere have introduced contribution credits as an explicit instrument to compensate for the shorter careers and lower benefits of women who have children or exit the labour force to take care of others.³

While periods of maternity are considered as contributed for pension purposes, these are not the only periods during which women care for others. Indeed, children require care for a much longer period than the six months maternity leave, and usually it is women who perform that role while trying to balance paid employment. Given the lack of widespread access to affordable childcare services for small children in Viet Nam, many women, in particular those working in industries (especially rural-to-urban migrant female workers), may have no other option but to quit their jobs to take care of their babies after their maternity leaves end.

A care credit, combined with a social pension that gradually reaches people over 67 years, could benefit 1.7 million women in 2020, rising to 4.8 million women in 2030.





In the case of Viet Nam, child credits could also work as an incentive to encourage women to maintain their contributions in the system for retirement, rather than withdrawing lump sums, because they increase their chance to qualify for a pension. Considering the large share of women who work in the informal economy, child credits could be extended to women as a top-up to the social pension. Child pension credits can have multiple designs, but the final design must consider labour market patterns and gender gaps, as well as current fiscal space. **ILO estimates suggest that under the most generous scenario of 18 months credit per child, women's pensions in**

Viet Nam could increase by 8.3 per cent and there would be a virtual elimination of the gender gap in the pension value of private sector workers.

For uninsured women, the care credit could help provide more adequate benefits to a larger proportion of the elderly, and thus have a significant impact on poverty reduction efforts. As a compensatory measure, care credits operate as an ex post distributional instrument and must be carefully designed to avoid reinforcing traditional gender roles and the unequal distribution of care duties between men and women.

03 Replacement rates and pension formula

Resolution 28-NQ/TW states the aim of “adjusting the way of pension calculation towards reducing the accrual rate” as a measure to ensure the financial sustainability of the social insurance fund. On the table are alternative formulas that would reduce the cost of the system while trying to reinforce income redistribution. However, options entail equal accrual rates for men and women and therefore a larger cut for women than for men that would significantly increase the gender gap of pension values (up to 20 per cent in some scenarios). **Thus, in a context where the adjustment of the pension formula is necessary to ensure the long-term financial balance of the fund, the government should look for alternatives to the straightforward equalization of accrual rates as this would place a higher burden of sacrifice on women than men.** The specific and final design of the revised formula should be developed through the appropriate actuarial analysis that incorporates the broader goals of the system reform – and preventing an increase in gender gaps should be top among them. In a context of gender inequality in the labour market, the use of gender differential policies should be continued where it is necessary to balance outcomes.

04 Indexation

By retiring earlier and having a higher life expectancy than men, women are particularly at risk of benefit erosion in the absence of adequate indexation. To date, pensions in Viet Nam have generally been indexed to wage growth as measured by the public sector basic salary. However, with the removal of this component there is a need for a new definition, and Viet Nam is considering a shift towards a blend of inflation and wage indexing, or inflation only. In the latter scenario, pensioners may





05 Universal social pension

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

maintain the purchasing power of pensions but will not share in the improved living standards of active workers. It is estimated that women retiring with an average pension at age 55 currently get a pension equivalent to 1.3 times the minimum wage. However, if benefits are indexed only to inflation and wages continue in their current growth trajectory, then women's average benefit could drop to 39 per cent of the minimum wage by the end of their retirement period (29 years). Mixed methods also result in a growing gender gap with age. **Overall, indexation choices must balance the aims of benefit adequacy, cost containment and gender equality, and pay particular attention to the oldest pensioners.**

Moving forward, it is important that all reforms to the social security system are adapted to women's specific life courses. Because the social insurance system is so complex, no policy will be sufficient on its own, and thus, only a package of reforms that addresses the gender challenges of the systems in an integral way will be effective.

This policy brief is number 2 in a series of technical notes based on the report *Adapting social insurance to women's life courses: A gender impact assessment of Viet Nam*. It was prepared by the ILO Social Protection team in Viet Nam as an input to the ongoing process of revision of the 2014 Social Insurance Law. The draft benefited from comments from the Policy and Legal Department of the Viet Nam Women's Union.

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