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EXCELLENCE IN SOCIAL SECURITY



Own Account Workers in Viet Nam

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Social security for the self-employed and platform workers

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Outline

- **Understanding of own-account workers**
- **Features of own-account workers in Viet Nam**
- **Policy orientation for expanding the formal coverage**

Context and understanding of informal employment

- ILO: all employment arrangements that do not provide individuals with legal or social protection through their work, thereby leaving them more exposed to economic risk
- GSO: those who perform jobs that are legally or in fact not protected by labour legislations, do not pay income tax or are not entitled to social protection and other employment benefits (such as no prior notice of dismissal, no severance and termination compensation, no annual salary increase or no sick leave).

Conceptual framework for informal employment of ILO

- i. the status of employment (own-account worker, employer, family-contributing worker, employee, member of producer cooperatives);
- ii. type of business production unit (formal, informal and household).

Sector	Status of employment								
	Own-account worker		Employer		Contributing family worker	Employee		Member of producer's cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal sector					1	2			
Informal sector (a)	3		4		5	6	7	8	
Household sector (b)	9					10			

Determination of informal employment in Viet Nam

- i. Characteristics of the production unit in which workers are engaged (formal, informal or household sector);
- ii. Status of employment;
- iii. Employment contract that workers enter into or agree with employers; and
- iv. Status of social insurance covered by employers (compulsory social insurance is covered or not)

ICLS17 (excluding workers in AFF households without business registration)		ICLS20 (all employed persons)
<i>Determining formal or informal workers</i>		
Formal workers	<ul style="list-style-type: none"> • Wage workers/cooperative member with compulsory social insurance • Employer/own-account worker in formal sector. 	<ul style="list-style-type: none"> • Wage workers/cooperative member with compulsory social insurance • Employer/own-account worker in formal sector.
Informal workers	<ul style="list-style-type: none"> • Wage workers/cooperative member without compulsory social insurance or verbal agreement or work assignment contract. • Employer/own-account worker in informal sector (<i>excluding workers in AFF</i>) • Unpaid contributing family worker (<i>excluding workers in AFF</i>) 	<ul style="list-style-type: none"> • Wage workers/cooperative member without compulsory social insurance or verbal agreement or work assignment contract. • Employer/own-account worker in informal sector (<i>including workers in AFF</i>) • Unpaid contributing family worker (<i>including workers in AFF</i>)

Features of own-account workers

		Total			Employer		Own-account workers		Contributing family workers	Members of producers' cooperatives		Employees	
		Total	Formal	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal	Informal
2019	Total	50,633.3	15,854.8	34,778.5	835.2	658.2	1,620.3	15,404.3	6,166.1	2.1	4.4	13,397.3	12,545.5
	Formal sector enterprises	22,224.1	15,854.8	6,369.2	835.2	0.2	1,620.3	1.6	837.9	2.1	4.4	13,397.3	5,525.0
	Informal sector enterprises	28,191.7	0.0	28,191.7		657.9		15,337.2	5,328.2			0.0	6,868.4
	Households	217.5		217.5				65.5				0.0	152.0
2020	Total	50,036.0	15,914.7	34,121.3	811.5	636.1	1,784.0	15,452.5	5,393.8	3.3	5.5	13,315.9	12,633.4
	Formal sector enterprises	22,504.5	15,910.5	6,594.0	811.5		1,784.0		778.5	3.3	5.5	13,311.7	5,810.0
	Informal sector enterprises	27,331.0	4.3	27,326.8		636.1		15,386.5	4,615.3			4.3	6,688.8
	Households	200.5		200.5				65.9				0.0	134.5
2021	Total	49,072.0	15,439.7	33,632.3	582.8	521.9	1,634.4	15,094.5	5,739.2	1.6	7.1	13,220.9	12,269.7
	Formal sector enterprises	21,411.7	15,435.6	5,976.1	582.8		1,634.4		779.8	1.6	7.1	13,216.9	5,189.3
	Informal sector enterprises	27,512.3	4.1	27,508.2		521.9		15,094.5	4,959.4			4.1	6,932.4
	Households	148.0		148.0				0.0				0.0	148.0

Source: GSO

	Overall	Formal workers	Informal workers	Earnings differential
Overall	5,621.1	8,159.0	4,454.7	- 3,704
Employer	15,476.3	17,984.9	12,675.1	- 5,310
Own-account worker	5,596.5	9,576.5	5,164.7	- 4,412
Cooperative member	5,833.1	6,465.2	5,688.5	- 777
Employee	6,475.9	7,550.9	5,316.9	-2,234

Source: GSO

Earnings of own-account workers

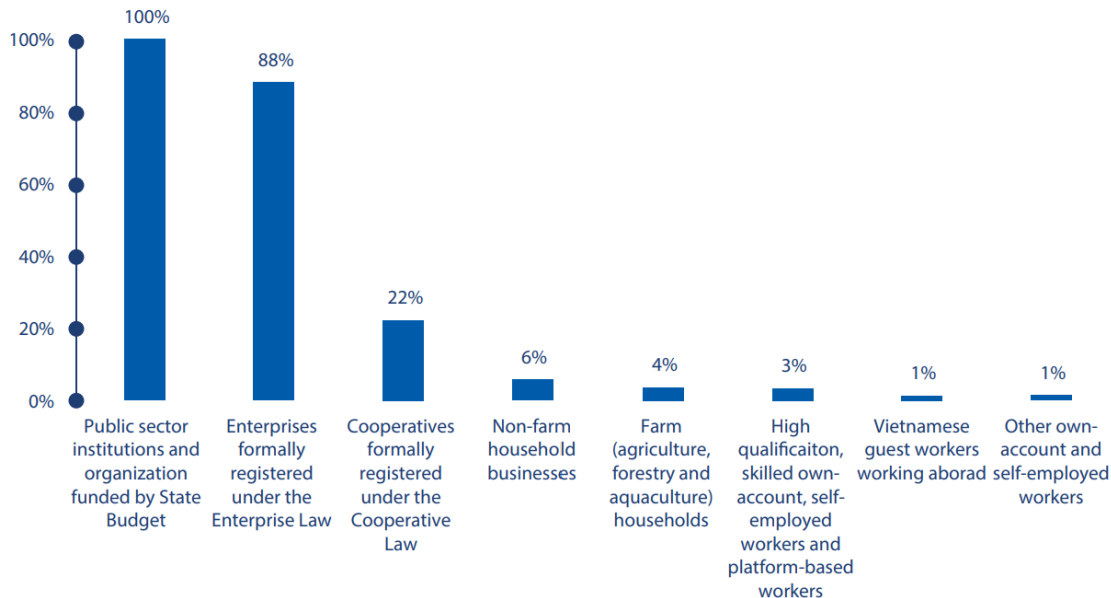
	Hours worked (hours/week)		Under-employment rate (%)		The rate of workers with secondary jobs (%)	
	Formal workers	Informal workers	Formal workers	Informal workers	Formal workers	Informal workers
Overall	42.8	37.5	1.63	3.55	2.37	10.18
Employers	44.3	42.2	1.78	2.03	2.02	6.95
Own-account workers	43.5	35.2	2.23	3.18	4.01	12.39
Family contributing workers	-	32.5	-	3.82	-	10.82
Cooperative members	41.5	34.5	6.60	6.46	8.97	42.19
Employees	42.6	42.5	1.55	3.95	2.18	7.28

Source: GSO

Working hours of own-account workers

Social Insurance of own-account workers

- Higher social enrollment rate economic units which are subject to stricter labor and social security regulations
- Up to 97.8% of informal workers do not engage in any type of insurance;
- Only 2.1% of informal workers reported having participated in voluntary social insurance
- Only 0.1% of informal workers have compulsory social insurance (mainly family contributing workers and own-account workers at more than 97%)



Own-account workers with high qualifications and skills

- Recent emerging along with the economy going digital and with the 4.0 industry revolution, a group of highly qualified own-account workers has emerged in the labor market;
- It is forecasted that own-account workers on digital platforms in Vietnam may well exceed more than 1-1.5 million workers within the next decade
- **Special features:**
 - not having formal employment relationship with tech firms or firms owning or operating the platforms;
 - Upward trend of shifting from jobs with employment relationship to self-employed own-account in the form of business partners
 - a proportion of these own-account workers earn a substantial income but do not fulfill tax and social insurance obligations

Own-account workers with low qualifications and skills

- Account for a large proportion of informal workers in Vietnam: construction workers, street food vendors, micro business owners, cleaning workers, and domestic helpers,...
- Estimation for 2021: about 7.5 million, accounting for about 15-16% of the working age labor
- Characterized by having no or unstable income or lower income

→ Social insurance products for this group of own-account workers also need to be designed to suit their capabilities, payment plan, payment methods or co-payments.

Expanding formal coverage

Targets on social insurance coverage by each group of worker

	2020	2025	2030
Workers on payroll	100%	100%	100%
Workers in formally-registered businesses	88%	93.5%	100%
Labor in cooperatives	22%	37%	70%
Non-farm household businesses	6%	23%	50%
Own-account workers (skilled and qualified)	2%	100%	100%
Guest workers working abroad	1%	16%	30%
Workers in AFF households, domestic helpers and other own-account workers	5%	10%	15%

Expanding formal coverage (2)

- **Integrated approach: aimed at expanding social insurance coverage, expanding the formal economy, while enhancing the rights of workers regardless of the fact if they have an employment relationship or not**
 - including more workers categories/ economic units eligible for compulsory social insurance,
 - improving attractiveness of social insurance products, service and systems, including strengthening existing benefits;
 - introducing new ones (such as family/child benefits), and
 - improving compliance with laws and regulation related to social insurance by registered economic units and enterprises

Expanding formal coverage (2)

■ Systemic measures and a paradigm shift

- applied especially to groups of workers with enough income to pay or co-pay for social insurance
For own-account workers, especially those who are self-employed dependent on platform-based firms, skilled and qualified workers, social insurance enrollment is a mandatory condition to be met to be eligible to enter into service contracts regardless of whether they are short-term or long-term.
- For business, such regulations will be revised to ensure that such contract will be deemed invalid and the expenses paid under the contract will be considered ineligible as tax-deductible expenses
- Low-income workers, social protection beneficiaries, and low-income own-account workers continue to be supported by the State to enroll in compulsory and voluntary social insurance. → expansion of social insurance enrollment, enhances the formality of own-account workers and helps them enter the labor market and better protected by the social safety net.

Expanding formal coverage (3)

■ Regulatory and administrative measures

- Strengthening the enforcement of the Law on Social Insurance to improve compliance
- Effective public communication to encourage employers and workers on social insurance scheme
- Revise laws and regulation to integrate the principle that social insurance enrollment is a **mandatory condition for participating in the labor market** for by own-account workers → provide a valid social insurance number and current social insurance enrollment when signing contracts
- The Law on Tax, Law on Social Insurance, Law on Contract and related regulations on contracts need to be adjusted to link tax administration with social insurance administration
- Encourage household businesses to registered as sole proprietorship under the Enterprise Law, facilitating the formalization of this important business sectors

Expanding formal coverage (3)

■ Market and technical solutions

- further innovate and diversify compulsory and voluntary social insurance products and services
- Investment should be made to improve the technology and technical infrastructure for managing social insurance accounts of enrollees
- The coordination mechanism between tax authorities and social insurance agencies in monitoring the development of social insurance enrollees should be institutionalized
- The National Citizen Database has been launched and put into use → effectively use of the database by linking citizen identification codes with social insurance number and personal income tax code → enhancing compliance and facilitating/easing related procedures (enrollment, payouts, receipts of benefits and entitlements)



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