



Pension Reforms in Vietnam: Voices of Local Citizenry

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Abstract

Research purpose:

This article examines pension reform in Viet Nam, a developing country. Viet Nam pension reform is targeted towards encouraging participation. This study examines the views of citizens – those who are affected by pension reform. The questions addressed in the study is why, despite the reforms, people are not willing to participate in a pension system.

Research motivation:

The research motivation is to seek views of people on the ground on why they are not willing to participate in a pension system in Vietnam.

Research design, approach, and method:

This study reports on original data from 28 interviews and a survey with 1,049 respondents.

Main findings:

Although citizens' views were diverse, many respondents expressed a low level of trust in pension management, which significantly correlated with their unwillingness to participate in a pension scheme. Importantly, the low levels of trust and low levels of willingness to participate were common in people who were targeted by the reforms – people with informal employment. However, low trust was not addressed explicitly by recent reforms.

Practical/managerial implications:

The findings suggest that pension policy advisors develop an awareness of the dimension of ordinary people's voice in developing countries, especially people with socioeconomic groups such as people with informal employment. This paper provides some recommendations for pension policy to be better aligned with citizens' views.

Keywords: pension reform; old-age income; Viet Nam;

1. INTRODUCTION

Although many developing countries, including Viet Nam, have reformed their pension systems to expand coverage, low coverage persists, limiting the goal of old-age poverty reduction (Reardon, 2022). For example, around 60% of older people in Viet Nam do not receive a pension, contributing to old-age poverty (Phuc Minh, 2023). Expanding coverage would improve old-age income security in retirement (Barr, 2018; OECD, 2018) and many governments have reformed their pension systems to expand coverage and contain government spending on pensions.

Some notable reasons drive low coverage in developing countries. Many developing countries have high levels of informal employment and yet often compulsory pension systems exclude those with informal employment due to potential high administration expenses (Park & Estrada, 2013; Asher & Bali, 2015). Governments have therefore established voluntary contributory pension schemes to encourage individuals to save and prepare for their old-age income security. Individuals' affordability to pay also affects their participation in a contributory pension system (Cuadros-Meñaca, 2020). As those with informal employment are also associated with low wages from subsistence activities (Unnikrishnan and Imai, 2020) even when these individuals are included in pension schemes, they are unlikely to participate. Therefore, irrespective of pension policies to encourage people to join a pension scheme, coverage remains low in developing countries.

To expand coverage especially in developing countries, governments have introduced or revised non-contributory pensions to assist older people who previously received no contributory pension, especially poor older people. In Viet Nam, according to the Politburo Resolutions of 2012 and 2018, one of the objectives of Vietnamese pension reforms is to expand coverage of the social-insurance-pension system (Central Executive Committee, 2012, 2018). Expanding such pension coverage has been shown to reduce poverty for older people and increased their consumption of healthcare and education (Unnikrishnan & Imai, 2020). However, in many developing countries, non-contributory pensions for poor older people are typically modest (Kaushal, 2014; Porisky et al., 2023) and many eligible older people do not receive a non-contributory pension due to the government's weak implementation (Porisky et al., 2023). Although the reform of non-contributory pension policies can immediately expand the coverage, such schemes are costly for governments, especially as the population ages. When faced with an ageing population, governments simultaneously face higher costs in existing, defined-benefit pension schemes as pensioners live longer and receive the pension for a longer period of time (Hanby et al., 2019; Munnell et al., 2015). Therefore, to ensure the financial sustainability of a pension system, governments implement reform measures such as increasing the retirement age or reducing the pension rate. These are likely to create negative impacts on low-income elders.

Many studies have analysed the triggers and consequences of pension reforms worldwide. However, most analysed perspectives of policymakers and experts, and national censuses including citizens' incomes and expenditures (e.g. Asri, 2019; Kaushal, 2014; Li and More, 2016; Unnikrishnan and Imai, 2023). Few studies analyse insights and views from people directly affected by pension reforms, and given coverage remains low, understanding individuals' motivations is likely to be necessary. To augment the few studies examining people's views on pension policies in developing countries, this article provides evidence in a fast-developing country – Viet Nam – on citizens' views on the pension system. The objective is to shed light on why they were unwilling to participate despite reforms to encourage them to.

Drawing on interviews and a survey with 1,049 people, this paper shows that although people's views are diverse regarding pension adequacy and affordability, those with a low level of trust in the pension management agency are unwilling to participate in a voluntary contributory pension scheme. More importantly, people unwilling to participate in a contributory scheme and expressing a low level of trust are those who are currently not included in the pension system. Additionally, they are people with informal employment and whom pension reform policies apparently target.

This paper contributes to two aspects of understanding pension policy reform. The first is the importance of listening to the views of ordinary people in developing countries. This article finds that the lower socioeconomic position, the more likely they will be to resist pension policies. The second contribution of this paper relates to pension coverage expansion in developing countries. By providing empirical evidence on the relationship between individuals' trust and their willingness to participate, this paper suggests trust is an important factor hindering participation, and that low levels of trust and the unwillingness to participate are more dominant in people with informal employment. As these people are frequently the target of pension reforms, their lack of trust can explain why reforms have limited success in expanding pension coverage.

The paper begins with a literature review to show the gap that this paper addresses. The methodology follows with findings, discussions, and conclusions

2. LITERATURE REVIEW

Coverage refers to the size of the population covered (i.e. those who are members) in a pension scheme given such schemes often cover only a segment of the population. Extending pension scheme coverage is a means to achieve the goal of old-age income security for a large population. Globally, 68% of the older population (people above statutory pensionable ages) receive a pension; the highest actual coverage is in the Northern American region, and the lowest (23%) is in Sub-Saharan Africa (ILO, 2017b, p. 79).

The ability of a pension scheme to provide old-age income security across an entire population is limited because of the financial and administrative constraints of a pension system (e.g. Porisky et al., 2023). The World Bank expresses old-age income security as both being protected against the risk of poverty in old age and smoothing consumption between work and retirement (World Bank, 2008). It provides five modalities to achieve these objectives, with 'pillar' one and two being compulsory schemes where members contribute during their working life to receive pension payments upon retirement. These schemes typically require employers to contribute also. Public servants are often the first group to be included in a compulsory publicly-managed scheme (World Bank, 2016) with occupational schemes – schemes provided by employers – often excluding self-employed contractors and part-time employees (OECD, 2019). Low coverage is common in Viet Nam and other Asian countries such as China, Indonesia, Korea, Malaysia, Philippines, Singapore, and Thailand (Park & Estrada, 2013). Asian countries' low pension coverage (13.2%-58%) can be compared to the high coverage in developed countries such as the US, Japan, and Germany (on average around 90%) (Park & Estrada, 2013).

High levels of informal employment contribute to low coverage in Asian countries' compulsory pension systems because the inclusion of people with informal employment would incur high administrative costs (Park & Estrada, 2013; Asher &

Bali, 2015). Another reason for low coverage in a compulsory contributory scheme is when employers and employees avoid participating, despite the mandate to do so. In Viet Nam, compliance with and enforcement of the Social Insurance Law is weak, thus employers evade their obligation to register employees and/or make lower payments into pension schemes than required (e.g. using a lower annual income level than the employee receives) (Castel & To, 2012; Evans & Harkness, 2008). Also, when individuals find the contribution rates to be too high, it results in avoidance behaviour. In China, the requirement to pay a high contribution rate to the compulsory, publicly-managed, defined-contribution pension scheme contributed to 43% of workers avoiding participating despite being mandated to do so; most of the avoiders were the unemployed, self-employed, migrant workers and private-sector workers (Hu, 2012). High contribution rates for individuals to privately-managed pension systems also resulted in coverage remaining low or even reducing during pension privatisation reforms in Latin American countries in the 1990s (Calvo et al., 2010; Wang et al., 2016).

The World Bank (2008) also recognises voluntary pension schemes can help in providing old-age income security by expanding to those in informal employment or who are otherwise not covered by compulsory schemes. While the Vietnamese voluntary social-insurance pension system has been available since 2008 for such people, Schmitt and Chadwick (2014) claimed that informal-sector workers were unwilling to participate in this voluntary publicly-managed system, citing unaffordable contribution amounts, unsuitable payment methods, and inadequate pensions. Nevertheless, respondents to Mai and Nguyen's (2021) study reported positive opinions about the affordability and suitability of payment methods; however, half of their respondents participated in and contributed to this scheme, suggesting they had overcome others' perceived difficulties. Similar to Schmitt and Chadwick (2014), Mai and Nguyen (2021) found that inadequate pension and government subsidy amounts were the least attractive characteristics of this scheme.

The Vietnamese formal pension system is assessed as having limited effectiveness in reducing old-age poverty because of both low coverage and low pension amounts for the poor (H. D. Nguyen and Dao, 2002). Around 3% of poor households received a social insurance pension in 2006 (V. C. Nguyen, 2013). Ethnic minorities who are more likely to be poor are often excluded because most are workers with informal employment (Evans & Harkness, 2008). Only a small percentage of older people in rural areas or with informal employment are included in the publicly-managed pension systems in Viet Nam and other countries in the region such as Indonesia and the Philippines (Asher & Bali, 2015; Park & Estrada, 2013). Most informal-sector workers do not receive any old-age pension.

It is worth noting that most prior studies analysing factors that hinder coverage have primarily relied on policy analysis or the opinions of experts and policymakers. Although such opinions provide well-analysed information, their opinions may or may not reflect the opinions and perspectives of people on the ground – those who are directly affected by pension policies (Murphy & Albu, 2018). Nevertheless, given the ongoing push to increase coverage of pension schemes and the reforms enacted by governments, especially in developing countries, it is imperative that citizens' views are examined to improve pension policy development and coverage.

A few studies have sought input from current or potential beneficiaries to understand why they were willing or unwilling to participate in a voluntary contributory pension. Miti et al. (2021) interviewed 28 Zambian drivers and domestic workers to identify the enablers and barriers to joining a pension scheme. Another study conducted by Mai and Nguyen (2021) surveyed 348 people in the capital city of Viet Nam (Hanoi) for their views on the voluntary contributory social-insurance pension scheme. Amongst current members, a high percentage (nearly 80%) expressed satisfaction with their participation, although some reported dissatisfaction, with the scheme around matters such as administrative procedures in providing pensions (Mai and Nguyen, 2021). While the two studies analyse people's views that can explain their willingness and unwillingness to join a pension scheme, they do not compare the views of people from different groups, such as views of people with formal and informal employment. The comparison can better explain why a particular group of people do not want to join a pension system, despite potentially facing old-age poverty.

Overall, there is scarce empirical evidence on the views of ordinary people whom pension policies seek to encourage to participate. That may explain why, despite reforms undertaken in developing countries to expand contributory pension scheme coverage, these have not yet been successful. Some authors, such as Neu (2001) and Graham (2009), highlight the need for accounting researchers to study the perspectives of indigenous people or ordinary people in developing countries, rather than only elites. This is because the opinions and perspectives of experts or politicians may or may not reflect the perspectives of people "on the ground" – people who are directly affected by policies (Murphy and Albu, 2018). By understanding people's perspectives, policymakers can develop more effective strategies to increase participation and ensure the success of these schemes. Given few studies provide empirical evidence for why individuals are unwilling to join a contributory pension scheme (Sane & Thomas, 2015), our study fills a gap by analysing and comparing the views of different groups of people as to why they do not participate in a contributory pension scheme. Hence, the research question is "why, despite the reforms, people are not willing to participate in a pension system – the case of Viet Nam?"

3. METHODOLOGY

This study used the mixed method of interviews and a survey to understand the opinions of local people regarding the Vietnamese pension reforms. Participants in both the interviews and survey were ordinary Vietnamese people, as opposed to policymakers whose opinions are usually sought about how pension regulations are formulated. The study was approved by the authors' university.

Twenty-eight semi-structured interviews were undertaken to gain an understanding of local people's perspectives. In addition, the study used a survey with a larger group of people in order to measure the extent of agreement with the interviewees' perspectives and compare the perspectives between groups of people. The use of these mixed methods provides additional findings and insights enabling both breadth and depth of responses (Grafton et al., 2011).

With regards the survey, first, a pilot survey was conducted with 11 people to ensure the instrument's understandability, detect errors and improve the questions (Ornstein, 2013). Following this, a Qualtrics online survey with an anonymous link was distributed by snowball sampling to around 3,000 email addresses, texts to 120 phone numbers, and posts on four Facebook pages. Vietnamese was the default language for the survey and the same anonymous link was used for all participants. It was impossible to know who participated in the survey, or the number of people who may have seen the link and decided not to participate, thus, it is not possible to comment on non-response bias. A total of 1,218 questionnaires were received. During data cleaning, 169 questionnaires were deleted because respondents answered questions relating to demographic characteristics only, and one respondent chose all responses for each question. Therefore, 1,049 questionnaires were used for the analysis. The Appendix presents the demographic characteristics of survey respondents.

While the survey's demographic characteristics show that the participants were unrepresentative of the Vietnamese population regarding education, living area, and the inclusion rate in the compulsory social-insurance pension system, it included adequate numbers of participants with lower educational attainment, rural residents, and non-members of the compulsory system, to allow the examination of statistically significant relationships between two variables or two groups of people. As an exploratory study of citizens' views on Viet Nam's pension system, and taking into account the interview data as well, this provides important information on factors before policy consideration. Even so, further research should make sustained efforts to seek out and understand the voices of people with low income and who may be marginalised in pension policies.

This next section provides the findings from the interviews and survey on the views of Vietnamese people about the system.

4. RESULTS AND DISCUSSION

In order to address the research question of why, despite the reforms, people do not participate in a pension system, this section commences with a discussion on participants' views on the affordability of payments to the Vietnamese contributory social-insurance pension system. This is followed by perceptions on pension adequacy, and trust as an important reason affecting their willingness to participate in this system. The survey material enables quantitative analysis with extracts from interviews enabling explanation of citizens' views.

4.1 How affordable are contributions to the social-insurance pension system?

According to Social Insurance Law (2014), members of the social insurance system need to participate and contribute for at least 20 years to be eligible for a monthly pension when they reach retirement age. Moreover, individuals with formal employment who participate in the compulsory scheme should contribute 8% of their reference salary with a further 14% contribution being made by their employers. A similar contribution is required for individuals without an employer registering them, who have informal employment and want to join the voluntary system, in that they must contribute 22% of a reference salary. They are at liberty to choose what that salary is.

Due to the government's reforms and promotion of the voluntary social-insurance pension scheme for people who are not covered in the compulsory pension scheme we asked working-age survey respondents if they could afford to make contributions to the voluntary social-insurance pension scheme. The study shows that affordability to contribute was significantly correlated with education, living area and member status. The correlation between affordability and education was significant with Pearson Chi-square $\chi^2(6, N=866) = 79.10, p < 0.001$, Cramer's V value = 0.21, $p < 0.001$. The correlation between affordability and living area was significant at the 0.05 level with Pearson chi-square $\chi^2(2, N=846) = 6.63, p = 0.036$; Cramer's V value = 0.09, $p = 0.036$. The correlation between affordability and member status was significant with Pearson Chi-square $\chi^2(2, N=848) = 30.82, p < 0.001$; Cramer's V value = 0.19, $p < 0.001$.

People who are current members of the compulsory system (i.e., they had formal employment), with a higher education level, or living in an urban area were more likely to agree they could afford contributions (8% of their reference salary) than people who are currently non-members, with lower education levels, or living in a rural area. This suggests that many people with informal employment may not have the financial ability to pay (22% of a chosen reference salary), especially for a long period (currently at least 20 years) to be eligible for a pension.

Many interview participants with informal employment expressed that they could not afford to participate in the voluntary social-insurance pension system. For example, a woman with informal employment stated that she did not want to join because if her health deteriorated, she could not work, and would not have money to continue contributing to the system, “I may be too difficult to join, and I may be weak in the middle of the contribution period” (40 year-old woman). Instead, she said that she dealt with daily activities and would let the future happen as it is.

Another woman with informal employment commented that she wanted the government to increase co-contribution or subsidies for people participating in the voluntary social-insurance pension system.

“I want to be registered [in the pension system]. ... Homemakers or people like me cannot participate although we want to. ... People with informal employment have low income. If the government does not support, we need to pay 100% and it would cost a lot of money. Only 2 or 3 of 100 individuals would join. If the government pays 50% [of the contribution] for people with informal employment or the unemployed, I’m sure that many people will join.” (40 year-old woman).

People with informal employment prefer investments that would allow them to withdraw funds if they were in desperate need. The female interviewee of informal employment (above) asked the interviewer a hypothetical situation whether she could get back her contributory money if she joined the voluntary social-insurance pension scheme but then could not afford to pay during the required contribution period. After being answered that she could receive around 70% of the amount she contributed, she replied that she would not join, because she would lose money. Therefore, people with low income appear to prefer savings that allow them to withdraw money easily when they need it without penalties. Hence, the contributory pension scheme's inflexibility and penalty for early withdrawal may hinder the willingness of people with low income to join the system.

People with informal employment, many who have low income, are more likely to spend their money on current needs rather than on future needs such as retirement income. An interviewee with informal employment paid premiums for her life insurance contracts and her husband’s accident insurance who was a self-employed truck driver. Although such premiums were a financial burden for her family, she joined because she worried about unfortunate situations such as accidents that she and her husband may have, which would impact negatively on their school-age children. Short-term needs appear to be more important than long-term needs for vulnerable people who have little income to save for their old age.

4.2 How adequate are the pensions?

This section analyses local people’s views on the adequacy of contributory social-insurance pensions (whether compulsory or voluntary), and then non-contributory pensions.

4.2.1 The adequacy of social-insurance pensions

Pensioner participants were asked to what extent their social-insurance pension amounts covered their basic needs. Basic needs are explained in the survey as food, accommodation and public health. Diverse views were expressed in the survey, depending on whether the pensioners received an employment or age-related social-insurance pension. Of pensioner respondents, 18.6% (22/118) answered their pension was inadequate for basic needs, compared to 77.9% (92/118) believing the pension adequately met basic needs. High satisfaction accords with Mai and Nguyen (2021) and is likely to be due to the high percentage of survey participants with high educational attainment and living in an urban area.

Those who answered that their social-insurance pension was inadequate for basic needs were more likely to be pensioners who could not afford their basic needs at a household level. There is a significant correlation between participants’ affordability of material needs at a household level and the adequacy of their social-insurance pension, with Fisher's Exact Test $\chi^2(6, N=118) = 25.696, p < 0.000$. The Fisher Exact test was run because 6 cells (50%) have expected count less than five.

Even so, poor older people highly appreciated their social-insurance pension because “it’s better to have a modest pension than to have nothing”, as mentioned by an interviewee. “I have to be thrifty with my needs. It would be more difficult if I’m sick because then I need to spend additional money. So, I’m cutting my coat according to my cloth. Anyway, it’s better to have a modest pension than to have nothing. I get by spending thriftily. ... What can I do if I’m not happy with my life? I’ve asked God to take care of my spirit. If I’m rich, I thank God for that. If I have a low income, I live thriftily so that I still can get by. But in general, I’m pleased with my life”. (61 year-old woman)

When a small amount of pension is helpful for low-income pensioners, it appears that a small pension or a small increase in a pension can bring many benefits to low-income pensioners.

4.2.2 The adequacy of non-contributory pensions

As the non-contributory pension scheme exists for the poor and very old, to understand how local people in Viet Nam see their adequacy, survey respondents were asked about the expectation of the government’s material support if they became poor in old age. Around 70% (660/935) answered that such support would be insufficient for basic needs in old age, and 20% (185/935) answered that it would at least meet basic needs (the remaining 10% responded that they did not know).

Another interviewee who has informal employment commented: “Regarding the amount, even if I want more, that would not be impossible. If I want the eligible age to be 70, it’s still 80. The amount is around 360 thousand VND/month, not enough to go to the pagoda or to eat betel and areca. I accept the current amount because little is better than none”. (72 year-old man)

Again, low-income people expressed their appreciation for any modest pension received.

Prior studies report different results regarding the impacts of non-contributory pensions in developing countries. Studies using national surveys in developing countries often show that non-contributory pensions, although modest, have improved the income and emotional well-being of older people (Nguyen, 2021; Ralston *et al.*, 2019; Teerawichitchainan and Pothisiri, 2021). Indeed, non-contributory pensions are most desirable to people with low income such as farmers (Shen and Williamson, 2010). Although prior studies have found older people perceiving a non-contributory pension to be helpful, they also report comments that low non-contributory pension amounts have only a small impact on reducing poverty and narrowing the income gap among older people (Godfrey-Wood and Mamani-Vargas, 2019; Teerawichitchainan and Pothisiri, 2021; Unnikrishnan and Imai, 2020). V. C. Nguyen (2013) used the Vietnamese Living Household Surveys and estimated that the non-contributory pension reduced the poverty rate in the population by 0.26% in 2006. Another limitation of non-contributory pensions in developing countries involves limited access for poor illiterate elders due to their difficulties in accessing the information and meeting the paperwork criteria (Asri, 2019; Kaushal, 2014). Therefore, while recognising the important role of a non-contributory pension, our findings confirm the limitations of the Vietnamese non-contributory pension.

While one solution would be to raise the non-contributory pension payments, the World Bank (2008) warns governments to assess its viability, particularly the availability of budgetary resources, and this is reflected in the Vietnamese government’s push for contributory pension schemes, rather than non-contributory pension, in its reforms. The next section shows an important finding regarding people’s trust in the pension management agency and explains that people’s low trust can contribute to the limited success of pension reforms to encourage people to participate in the voluntary social-insurance pension system.

4.3 To what extent people trust pension management agencies?

Survey respondents were asked, “To what extent do you trust Vietnamese Social Security (VSS) to spend contribution money wisely in the interests of its members?”. More than half of the respondents reported a low level or no trust in VSS; those who did not trust or trusted VSS to a small extent (145 + 386 = 531/988 or 53.8%) were twice the number of those who reported a higher level of trust (they trusted to a large extent or completely) (170 + 86 = 256/988 or 25.9%). (The remaining 20.3% (201/988 people) stated they could not answer.)

4.3.1 Why did people express their low levels of trust?

Interviewees and survey respondents reported systemic reasons for not trusting the VSS. First, they perceived the social-insurance pension system was financially unstable. An interviewee reported hearing about a possible bankruptcy from the media (61 year-old woman) which frequently reports on the possible depletion of the system’s reserves (Asia Insurance Review, 2018; Đõ, 2003; Galian, 2013). Although, since 1995, the social-insurance legislation has stipulated that the government must guarantee the solvency of the social-insurance programmes (*Decree 12-CP Issuing the Regulation on Social Insurance*, 1995; “Social Insurance Law”, 2006; “Social Insurance Law”, 2014), international organisations such as the World Bank and the ILO have issued statements about a possible bankruptcy based on actuarial estimations. It is apparent that these statements reported by the media negatively affect people’s evaluations of the operations of the social-insurance pension system. As required by its legislation, the Vietnamese government has gradually taken measures to improve the financial position of the social-insurance pension system since 2004. Although changes in policies may improve trust among people who believe these will improve pension scheme financial sustainability, allegations of mismanagement send negative signals to people who already perceive the government negatively. In 2018, an official investigation involved leaders of VSS, which might negatively affect public trust in VSS.

Information transparency impacts people’s trust in VSS. Information about the operations of the social-insurance pension system is provided from different sources, including the National Assembly’s reports, government officials’ answers to the media, and the websites of VSS and local social agencies. Despite the many sources of data, Evans *et al.* (2007, p. 78) comment that information provided by Vietnamese governmental agencies about the social-insurance system is often inconsistent, stating “Data ... availability was not consistent across the various programmes”. Hence information reliability is an issue as well. According to our survey, 84% (830/983) of respondents wanted VSS to publish more detailed information about how they manage and invest in the social-insurance pension fund. There is a statistically significant relationship between trust in VSS and the need to have more information provided by VSS. Pearson chi-square χ^2 (9, N=983) = 46.96, $p < 0.001$. The effect size of the relationship is Cramer’s $V = 0.126$, $p < 0.001$.

Nevertheless, survey respondents with low trust are not interested in VSS publishing additional information. The examination of the relationship between trust and the need for more information revealed that those who reported a high

level of trust in VSS were more likely to seek more information from VSS than respondents who reported a low level of trust.

Another possible reason for low trust is the weak enforcement of the Social Insurance Law. One survey respondent mentioned the weak enforcement of the Social Insurance Law, where employers do not register their workers, stating: “I will participate if the benefits of workers are protected. Currently, there is a big gap between pension amounts and living expenditures. Moreover, although employers deduct workers’ wages, they do not pay insurance agencies. Therefore, although the social-insurance programmes seem to be a protection for workers, if the government does not supervise adequately, workers are still at risk”. (aged 30 – 45 woman)

Prior research from Pellissery and Walker (2007) also claimed that weak enforcement of employers’ compliance lowers people’s levels of trust. When employers do not register their workers in the compulsory social security system, workers’ benefits are not protected under this system, which not only means they lose potential pension benefits, but in turn lowers workers’ levels of trust in the system.

4.3.2 Why is trust important? Findings on Trust and the Willingness to Participate

Results from our survey show that trust in VSS was significantly correlated with the willingness to participate in the voluntary social-insurance pension scheme. Pearson chi-square χ^2 (8, N=866) = 98.9, $p < 0.000$. The effect size Cramer’s $V = 0.239$, $p < 0.000$. Low trust in VSS and the resulting unwillingness to participate can hinder the goal of Vietnamese pension reform to expand the system’s coverage.

This finding about trust and willingness to join a pension scheme in our study is different from a study by Cai et al. (2020) in China. Cai et al. (2020) found an insignificant positive relationship between Chinese villagers’ trust and their preference for a monthly pension (over one-time cash receipts when the local government took their land) irrespective of their levels of trust in the local government. The difference between the findings of Cai et al. (2020) and ours may come from the affordability of membership contributions. Although Cai et al. (2020)’s participants are rural villagers, suggesting a possibility of low affordability to pay, they were not required to contribute to their pension because they had had land which must be given to the government and as a result, receiving a government’s compensation. Moreover, many of the participants in Cai et al. (2020) were close to the retirement age (55 and 60 for women and men, respectively) as the mean participants’ age was 55. This is different from our study where around 88% of participants were younger participants, and they need to pay for at least 20 years to be eligible for a monthly pension. The affordability of the required payments can hinder the participation of people with informal employment and affordability may contribute to the significance of the relationship between trust and willingness to join.

4.3.3 Who is more likely to show a low level of trust in VSS?

Indeed, our study shows that low levels of trust are significantly different among different groups as there was a significant correlation between membership status and trust in VSS. Pearson chi-square χ^2 (4, N=872) = 20.94, $p < 0.001$; the effect size Cramer’s $V = 0.155$, $p < 0.001$.

By examining the relationship between levels of trust in VSS and membership status, we found that people with non-members – people with informal employment and not included from the compulsory social-insurance pension system – were more likely to express low levels of trust than people with members – people with formal employment. That is, workers with informal employment were more likely to have a lower level of trust in VSS than formal-sector workers.

That finding agrees with our other finding, that non-members of the compulsory social-insurance pension scheme, or people with informal employment, were also less willing to participate in the voluntary social-insurance pension scheme. The membership status of the compulsory scheme was significantly correlated with the willingness to participate in the voluntary scheme. Pearson chi-square χ^2 (2, N=847) = 21.32, $p < 0.001$; the effect size Cramer’s $V = 0.159$, $p < 0.001$.

Although the voluntary social-insurance pension scheme was introduced to target those who cannot join the compulsory social-insurance pension scheme as they are not in formal employment (Nguyen and Castel, 2009), our study shows that the targeted participants – people with informal employment – were less willing to participate.

Our finding that people with informal employment were unlikely to join a voluntary contributory pension scheme is different from the finding in the study by Sane and Thomas (2015) who found that low-income informal workers in India were willing to join a contributory publicly-managed pension scheme. While their respondents were able and willing to make irregular payments to the scheme, Sane and Thomas (2015) do not examine people’s levels of trust. Also, the pension scheme examined by Sane and Thomas (2015) is a defined-contribution scheme, which is considered to have a more transparent actuarial relationship between contributions and benefits than a defined-benefit scheme (Barr and Diamond, 2006). The Vietnamese social-insurance pension system is a defined-benefit scheme and our study finds that people with informal employment did not understand the salient features of this defined-benefit system as well as those with formal employment. The relationships between membership status of the compulsory social-insurance pension system and the awareness of the compulsory and voluntary social-insurance schemes are significant, with Pearson chi-squares χ^2 (2, N=836)=29.06, $p < 0.001^*$, Cramer’s $V=0.186$, $p < 0.001^*$, and χ^2 (2, N=859)=16.17, $p < 0.001^*$, Cramer’s

$V=0.137$, $p<0.001^*$, respectively. Hence, we suggest further research on the relationship between levels of trust and defined-contribution/defined-benefit schemes.

In providing empirical evidence regarding levels of trust in contributory publicly-managed pension schemes we add to prior studies in this area, specifically those claiming that mistrust can hinder coverage extension in rural China (Williamson *et al.*, 2017), Malaysia (Asher, 2012), Korea (Kim, 2012), South Asian countries (Pellissery and Walker, 2007) and the Arab region (Price and Attia, 2017). These authors suggest other possible reasons for people's mistrust such as when pensions reduce following legislation changes (Kim, 2012), lack of pension adjustments according to inflation (Price and Attia, 2017) and weak enforcement of legislation (Pellissery and Walker, 2007). However, those studies do not present empirical evidence for their trust claims, except Kim (2012) who cites data from a national survey. Therefore while we did not specifically assess these other potential components of hindrances to expanding coverage, we provide empirical evidence for the relationship between trust and willingness to participate. In doing so, it highlights the importance of recognising that low levels of trust are a reason for low pension coverage.

5. CONCLUSION

This paper used empirical evidence of people's views to explain why the participation of informal workers in the contributory voluntary pension system remains low despite recent government reform measures such as subsidies and communication campaigns to encourage their participation. The research finds that low trust in pension management agencies is significantly related to an unwillingness to participate in the social-insurance pension system, especially in people with informal employment, and people with informal employment expressed a lower level of trust in pension management than people with formal employment. This finding sheds light on why people with informal employment were unwilling to participate in the voluntary social-insurance pension system that was introduced for them.

The paper contributes to the pension reform literature by examining the perspectives of local people who are affected by pension policies. We explore the views of diverse groups of ordinary people who are affected by the reforms, contributing to the understanding of how pension reforms are experienced by people in a developing country. This paper also provided empirical evidence on the relationship between trust and coverage expansion. Indeed, the evidence shows that trust is important for expanding pension coverage and as a result, enhancing old-age income security in developing countries. Our research also shows that low trust in management agencies is more common in people with informal employment than people with formal employment.

Although this study is based on evidence specific to Viet Nam, the results can be relevant in other fast-developing countries which also have a low percentage of the labour force participating in pension systems due to large informal employment (World Bank, 2016). This study suggests that fast-developing countries should attempt to understand the views of people who could be excluded from pension policies if such countries are to motivate those groups to participate in pension schemes and to raise them from poverty in old age. In particular, understanding and addressing their levels of trust in pension schemes could be helpful to expand coverage.

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Appendix. Demographic characteristics of survey respondents compared to the Vietnamese population

Characteristics	Count	%	% in the population
Gender			
Male	433	41.4	49.8 ^a
Female	607	58.1	50.2 ^a
Other	5	0.5	
Age			
15–30	261	25.0	^o
30–45	544	52.1	^o
45–60	114	10.9	^o
60–80	126	12.0	11.8 ^b
>80	0	0.0	2.0 ^f
Living area			
Urban area	867	82.0	34.4 ^a
In which: Ho Chi Minh City	578	54.7	8.3 ^c
Rural area	166	15.7	65.6 ^a
Overseas	24	2.3	^o
Marital status			
Single	307	29.4	^o
Married	668	63.9	69.2 ^a
Divorced	56	5.4	2.1 ^a
Widowed	14	1.3	^o
Number of children			
0	334	32.2	
1	234	22.6	
2	423	40.8	
3	41	4.0	
More than 3	4	0.4	
Highest qualification			
No formal education	2	0.2	^o
Primary school	11	1.0	^o
Secondary school	16	1.5	^o
High school	54	5.1	^o
Vocational school	67	6.4	^o
Undergraduate	504	48.0	
Post-graduate	397	37.8	9.5 ^d
Member of the compulsory social-insurance pension system			
Yes	698	78.1	32.6
No	191	21.4	67.4
Do not know	5	0.6	
Affordability of needs			
Cannot afford basic needs	33	3.2	6.1 ^e
Just afford basic needs	442	42.5	^o
Afford basic needs and some advanced needs	565	54.3	^o

Note:

Participants were allowed to not answer a question if they did not want to, which was intended to encourage people to finish the survey. Therefore, the numbers of people answering each question were different and could be less than the total number of 1,049 respondents. Questions not answered were treated as missing values and not counted in the results. The percentage for each demographic characteristic question in the third column is calculated out of the total respondents answering that question.

^a Source: Huy Thắng (2019)

^b Source: Nguyen (2020)

^c Source: World Population Review (2021)

^d Source: ILO (2018)

^e Source: UNDP (2018)

^f Source: Kim Thanh (2019)

^o No information available

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