



SOCIAL INSURANCE FUND WITH THE EXTENSION OF MATERNITY LEAVE FOR FEMALE EMPLOYEES TO 6 MONTHS

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1. Overview of current maternity scheme:

1.1. Regulations of the social insurance policy on maternity scheme

a. Regulation on qualifying conditions and levels of maternity benefits:

- Coverage and conditions for entitlement include: female employees in pregnancy; female employees giving birth; employees adopting a child less than four months old; employees having an intrauterine device (IUD) insertion or taking sterilization measures.

In cases of female employees giving birth or employees taking adoption of a child less than four months old, the additional condition of having at least 6 months of social insurance contributions in the last 12 months preceding the childbirth or child adoption must be met.

- Duration of maternity leave covered by social insurance maternity allowance:

+Female employees during pregnancy are entitled to take leaves for 5 pre-natal check-ups, one day for each check-up; in case they live far from medical establishments or have pathological signs or abnormal pregnancies, they are entitled to a two-day leave for each check-up.

+ Female employees having a miscarriage, an abortion or a stillbirth are entitled to a 10-day leave if they are less than 01 month in the pregnancy, a 20-day leave if they are 01 month to less than 03 months in the pregnancy; a 40-day leave if they are 03 to less than 06 months in the pregnancy; a 50-day leave if they are more than 6 months in the pregnancy.

+ Female employees having childbirth are entitled to a 4-month leave if they work under normal working conditions; a 5 month leave if they perform arduous, hazardous or dangerous occupations or jobs, work under a three-shift regime, work regularly in regions with regional allowance coefficient of 0.7 or more, or if they are officers of the armed or police forces; a 6-month leave if they are persons with disabilities with assessed loss of working capacity of at least 21%.

In addition, if employees give birth to twins or more, they are entitled to an additional leave of 30 days for the second and each subsequent child; if the newborn child dies within 60 days after birth, the mother shall be entitled to a 90-day leave starting from the date of delivery. If the newborn child dies after 60 days or more after birth, the mother is entitled to take a leave for 30 days starting from the date of the child's death; if the mother dies after delivery, the father or the direct supporter of the child is entitled to maternity benefit until the baby is 4 months of age.

+ Employees (male or female) adopting a child less than four months of age shall enjoy maternity benefit until the child is four months of age.

+ Employees (male or female) are entitled to a 7-day leave when having a UID insertion or a 15-day leave when taking sterilization measures.

- Levels of maternity benefit: 100% of the average monthly salary on which social insurance premiums are based for 6 months preceding the leave. In addition, it is stipulated that female employees after giving birth are entitled to a lump-sum allowance equivalent to two months' standard minimum salaries for each child and the duration of the maternity leave is recorded into the total social insurance contributions but no contribution payment is required for the duration of the leave.

When only the father is covered by social insurance and the mother dies in delivery, the father is entitled to a lump-sum allowance equivalent to two months' standard minimum salaries for each child.

If female employees return to work before the end of the mandated maternity leave and fully satisfy regulated conditions, they shall be entitled to maternity benefit until the end of the mandated period in addition to salaries or remuneration for their days of work.

30 to 60 days after the mandated leave for miscarriage, abortion, stillbirth or childbirth, if female employees' health still remains weak, they can take a leave for convalescence and rehabilitation up to 5 to 10 days and have 25% of the standard minimum monthly salary paid if they stay at home, or 40% of the standard minimum monthly salary paid if they stay at a nursing home.

b. Regulation on social insurance fund for sickness and maternity benefits:

- Sources of funds: sickness and maternity funds are formed with premium paid by employers at a rate of 3% of total salary funds for employees on which social insurance contributions are imposed.

- Sickness and maternity funds are used to pay for:

+ Indemnity for sickness according to regulation including: sick leave, leave due to having an accident or having to provide care for a sick child;

+ Indemnity for maternity according to the above regulation;

+ Indemnity for convalescence and rehabilitation after sickness or delivery according to regulation;

+ management cost (including payment fees).

1.2. Implementation of maternity scheme

- *Results of implementation for the 2001-2009 period*

Expenditure	Sickness	Maternity	Convalescence & rehabilitation	Management cost	TOTAL
- Number of beneficiaries:	16,972,500	2,920,583	5,641,254		25,534,336
- % compared to total holders	30.5%	5.5%	12%		48.0%
- Indemnity amount (million VND)	3,266,489	10,139,300	2,027,286	836,526	17,106,127
- % compared to total salary on which premium is calculated	0.41%	1.27%	0.25%	0.11%	2.04%
- % compared to total indemnity amount	20%	62%	12.5%	5.5%	100%

Remarks:

+ The total number of beneficiaries of maternity benefits was small (accounting for 5.5%) compared to the total number of social insurance holders for sickness and maternity;

+ Average indemnity amount for sickness, maternity, convalescence was lower than 3%, accounting for 2.04% of total salary;

+ Total payment for maternity benefit accounted for a major part (62%) of the total payment of sickness, maternity benefits.

- *Results of Implementation of the Law on Social Insurance (2007 – 2011):*

Expenditure	Sickness	Maternity		Convalescence & rehabilitation	Management expense	TOTAL
		Total	Of which : delivery			
- Number of holders:						44,375,453
- Receivable social insurance premium (million VND)						28,917,029
-Number of beneficiaries (people):	16,016,920	3,084,439	1,420,014	1,723,211		20,824,570
- % compared with number of holders :	36.1%	7%	3.2%	3.9%		47.0%
- Indemnity amount (million VND)	3,535,825	13,694,534	11,832,201	927,460	1,012,095	19,169,914

VND)						
- % compared with receivable social insurance premium	12.23%	47.4%	41.0%	3.2%	3.5%	66.3%
- Fund balance to December 31st, 2011 including interests from investment (million VND)						10,493,250

Remarks:

+ The number of beneficiaries of maternity benefit was not high (accounting for 7%) of to the total number of social insurance holders for sickness and maternity, but was higher than the average rates of previous years, of which 3.2% were beneficiaries of childbirth and child adoption benefits.

+ The annual average indemnity amount paid for sickness, maternity, convalescence and rehabilitation benefits reached 66.3% of the total contributions to sickness and maternity funds (41% of which was indemnity for childbirth and child adoption). The balance of the sickness and maternity funds from 2007 to the end of 2011 was 33.7% or 10,500 billion VND (nearly double the amount payable for 2011 of 5,357 billion VND).

Reasons for the large balance of sickness and maternity funds

+ **First**, Some units and organizations, particularly state administrative agencies, still paid salaries based on the normal salary scheme instead of implementing sickness and maternity insurance payment to employees on sick or maternity leave;

+ **Second**, the regulation that in order to be entitled to maternity benefits for childbirth or child adoption, employees must have 6 months of social insurance contributions for 12 months preceding delivery proved to be unreasonable in the cases of employees who have made social insurance contributions for many years, yet not entitled to maternity benefit as they have to take longer time off work to rest due to fetal abnormalities or are forced to stop working for many days due to their employers' difficult situations.

+ **Third** the stipulated lump-sum of 2 months' minimum salaries for childbirth was too small to pay for essential things for a newborn baby.

+ **Fourth**, According to regulation, the duration of maternity leave is recorded into total social insurance contributions (but no contributions are required for the period) for calculating retirement and survivor pensions. However, there has not been any regulation regarding transferring contributions of this period to retirement and survivor pension funds.

+ **Fifth**, the premium to social insurance fund mandated at 3% of total salary fund is higher than benefit payment levels.

2. Estimates for sickness and maternity funds if the duration of paid leave for female employees giving birth and employees adopting a child were to be extended

Statistics show that, under the current regulation and implementation of the social insurance policy, a female employee takes a leave of 135 days on average for one childbirth; the wage per day for female employees having a childbirth accounts for 9% of standard minimum salary; the number of insured mother a year accounts for 3.2% of the total social insurance holders for sickness and maternity.

Given the above figures, if the levels of other benefits (sickness and maternity benefits for prenatal check-up, miscarriage, abortion, stillbirth, family planning, lump-sum allowance for childbirth, etc..) are kept the same according to current regulation while the duration of paid leave when giving birth were to be extended from 135 days/each delivery to 180 days/delivery (roughly 6 months), the expected results would be as follows.

+ Fund balance for 5 years between 2007 and 2011:

Expenditure	Sickness	Maternity		Convalescence & Rehabilitation	Management cost	TOTAL
		Total	Of which: delivery			
- Number of holders:						44,375,453
- Amount receivable social insurance premium (million VND)						28,917,029
-Number of beneficiaries (people):	16,016,920	3,084,439	1,420,014	1,723,211		20,824,570
- % compared to number of holders :	36.1%	7%	3.2%	3.9%		47.0%
- Indemnity amount paid (million VND)	3,535,825	17,638,601	15,776,268	927,460	1,012,095	23,113,981
- % compared to receivable social insurance premium	12.23%	61.0%	54.60%	3.2%	3.5%	80.0%
- Fund balance to December 31st, 2011, including interests for investment (million VND)						6,125,430

It can be seen from the above table that if the indemnity amount for maternity benefit for employees giving birth were paid for 6 months/delivery for 5 years from 2007 to 2011, it would still be within the fund's affordability and a fund balance would still be secured (with a ratio of payment to contributions of 80%).

+ Estimates for 2012 to 2030:

Receivable social insurance contributions for sickness and maternity funds and indemnity amount from these funds (with the duration of maternity leave to be extended to 6 months while other benefits remain unchanged.) can be calculated on the following bases : the estimated number of social insurance holders; the level of social insurance premium to sickness and maternity funds as stipulated by the Law on social insurance (3% of the salary on which social insurance is calculated) ; the rate of employees having sick leaves covered by social insurance will account for 45% of the year's total number of social insurance holders (the current rate being at 36.1%) ; the rate of beneficiaries to convalescence allowance will be at 5% of the year's total number of insurance participants (the current rate being at 3.9%) ; the number of beneficiaries of maternity benefit accounting for 8.5% the year's total number of social insurance holders (the current rate being of 7%), of which the estimated number of insured mothers will account for 3.5% the total number of social insurance holders (the current rate being at 3.2%) ; and estimates of minimum salaries for the years between 2012 and 2030 (such as estimates for pension fund with an estimated increase of 16.5%/year from 2012-2015, an increase of 10% per year from 2016 to 2025, and an increase of 7% per year from 2026 onwards).

Based the above estimated figures, presuming that the current population policy (which regulates the number of children per family being no more than 2) is still in effect, the estimated annual rate of indemnity-receivable premium for sickness and maternity funds will be 92% (with a reserve of 8%).

Presented above are some background information on the current status and estimates for the sickness and maternity funds if the duration of paid maternity leave for female employees were to be increased to 6 months to lay the ground for researching and planning a suitable maternity policy.

Based on the fund estimates and the balance of the sickness and maternity funds to December 31st, 2011 (over 10 trillion VND), if maternity leave policy for female employees were to be extended to 6 months, and presuming that the premium level is kept at 3% of the total salary (no increase in the level of contribution), the fund balance would still be maintained and a fund reserve would remain mandatory ./.

Ha Noi, April 18th, 2012