

AGING POPULATION IN VIETNAM: TREND, CHALLENGES AND POLICY IMPLICATIONS FOR SOCIAL PROTECTION REFORMS

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Presentation at the Fukino Project International Symposium on
“Contemporary Issues of Public Policies in Asia: Challenge after the Financial Crisis”

Hitotsubashi University, Tokyo, Japan on 20 February 2010

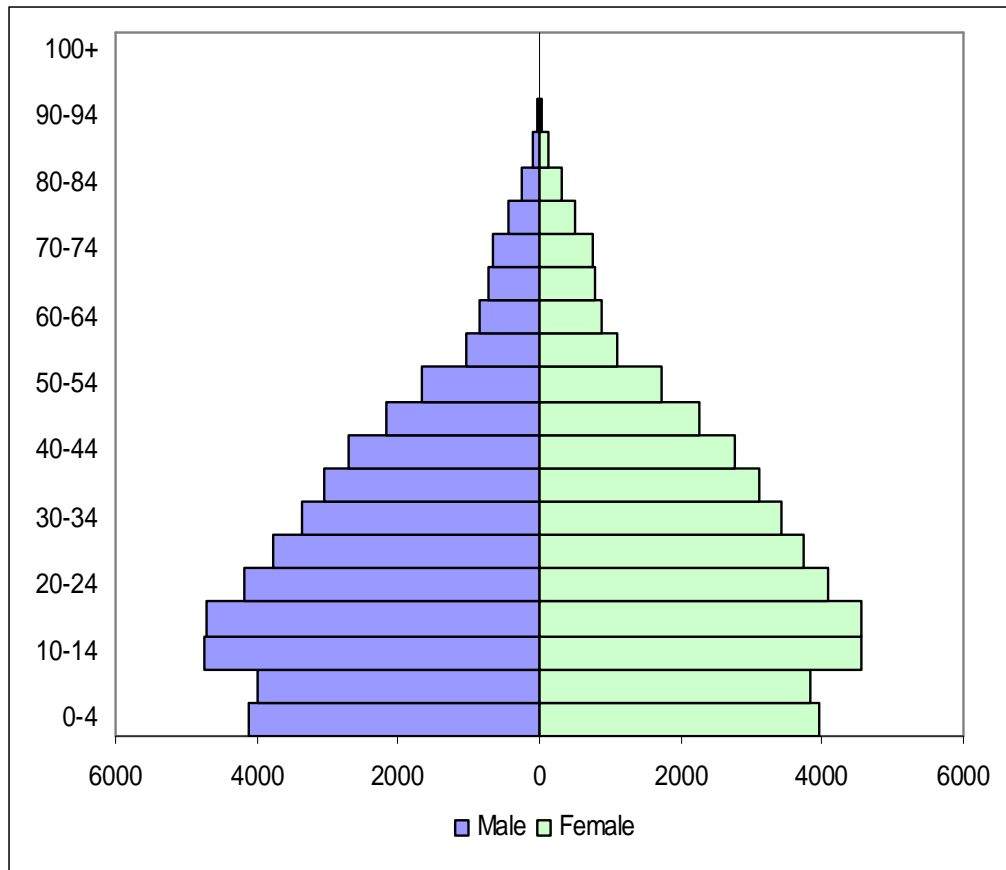
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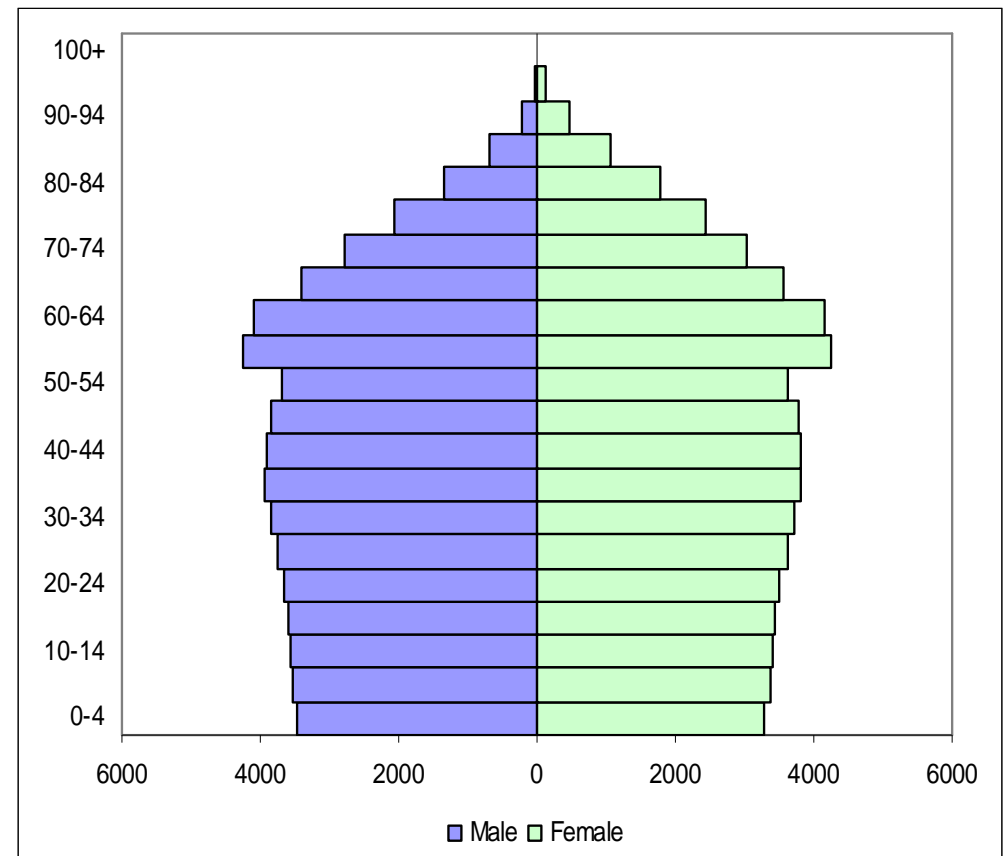
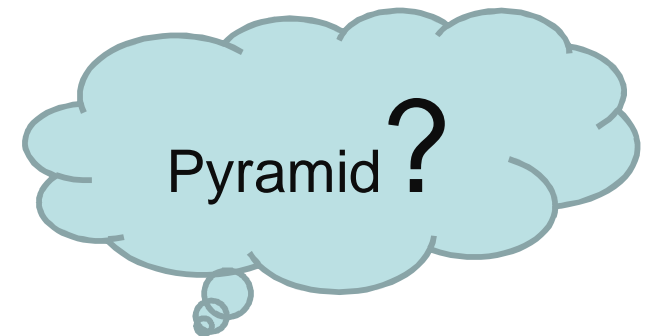
INTRODUCTION

- Aging and aged populations are popular demographic trends in developed and high-performing developing economies.
- Aging population provides a number of socio-economic implications. On the one hand, it shows great social progresses and achievements. On the other, it indicates various policy challenges.
- Vietnam will enter an aging phase from 2010 onwards. As such, what should we do to welcome it?

Projected Population in Vietnam, 2050



2005



2050

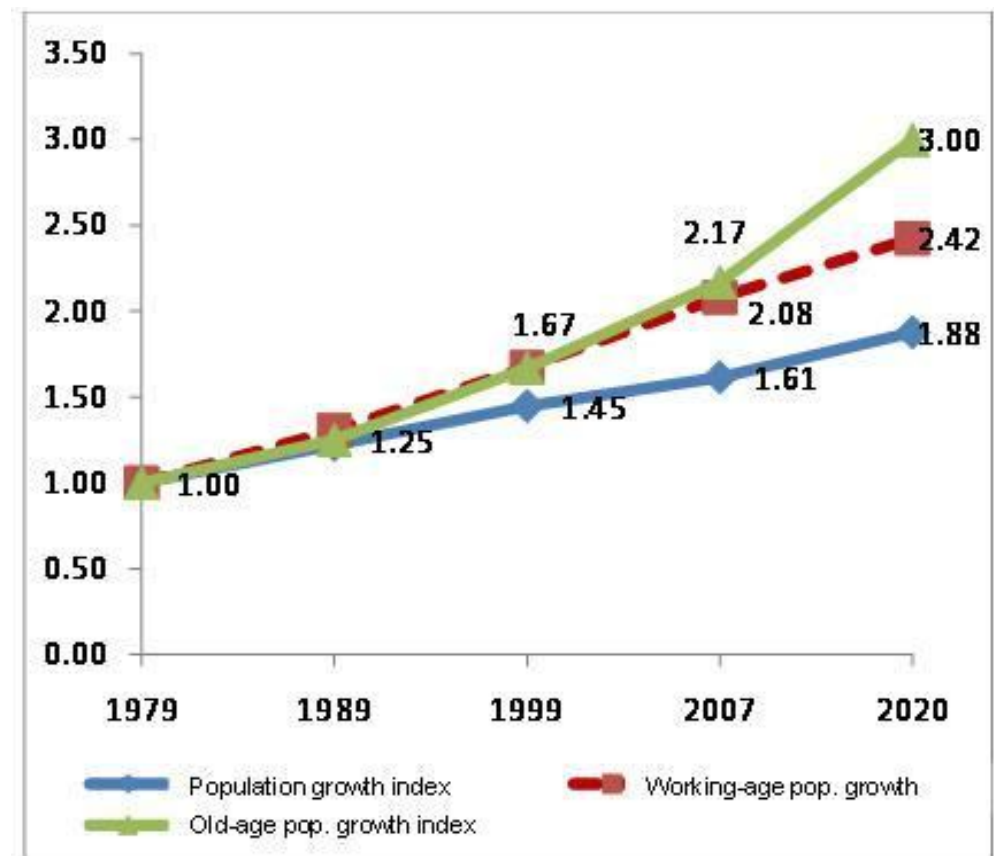
Source: Own compilation using UN (2008)

CHARACTERISTICS AND CHALLENGES: **Demographic**

1 – Old-age population swiftly increases in terms of both relative and absolute numbers. Growth rate of old-age population has been higher than those of other population groups.

Year	Total pop. (mil. pp)	Old-age (mil. pp)	Percent of old-age (%)
1979	53.74	3.71	6.90
1989	64.41	4.64	7.20
1999	76.32	6.19	8.12
2007	85.12	8.04	9.90

Source: GSO (various years)



Source: Nguyen Đình Cu (2009)

Aging at the oldest old...

<i>Age groups (% of total pop.)</i>	<i>1979</i>	<i>1989</i>	<i>1999</i>	<i>2002</i>	<i>2004</i>	<i>2006</i>	<i>2008</i>
60-64	2.28	2.40	2.31	2.46	2.65	2.51	2.47
65-69	1.90	1.90	2.20	2.29	2.27	2.31	2.33
70-74	1.34	1.20	1.58	1.97	2.07	1.95	1.99
75-79	0.90	0.80	1.09	1.26	1.41	1.62	1.66
80+	0.54	0.70	0.93	1.26	1.50	1.53	1.57

Source: Population Censuses 1979, 1989, 1999 and own calculation using Vietnam Household Living Standard Survey VHLSS2004, 2006 and 2008

Life expectancy at birth has been improved...

<i>Year</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>
1985-1990	62.9	61.1	64.9
1990-1995	67.8	66.1	69.6
1995-2000	70.8	69	72.4
2000-2005	73.1	71.2	74.9
2005-2010	74.3	72.3	76.2
2010-2015	75.4	73.3	77.4
2015-2020	76.4	74.2	78.4
2020-2025	77.2	75.1	79.3
2025-2030	78	75.8	80

Source: United Nations (2008)

... but healthy life expectancy is still low. It is only 66 years, since a Vietnam has on average 8.4 years of illness! (Human Development Report 2009)

Time to prepare the aging population in Vietnam is shorter than many others.

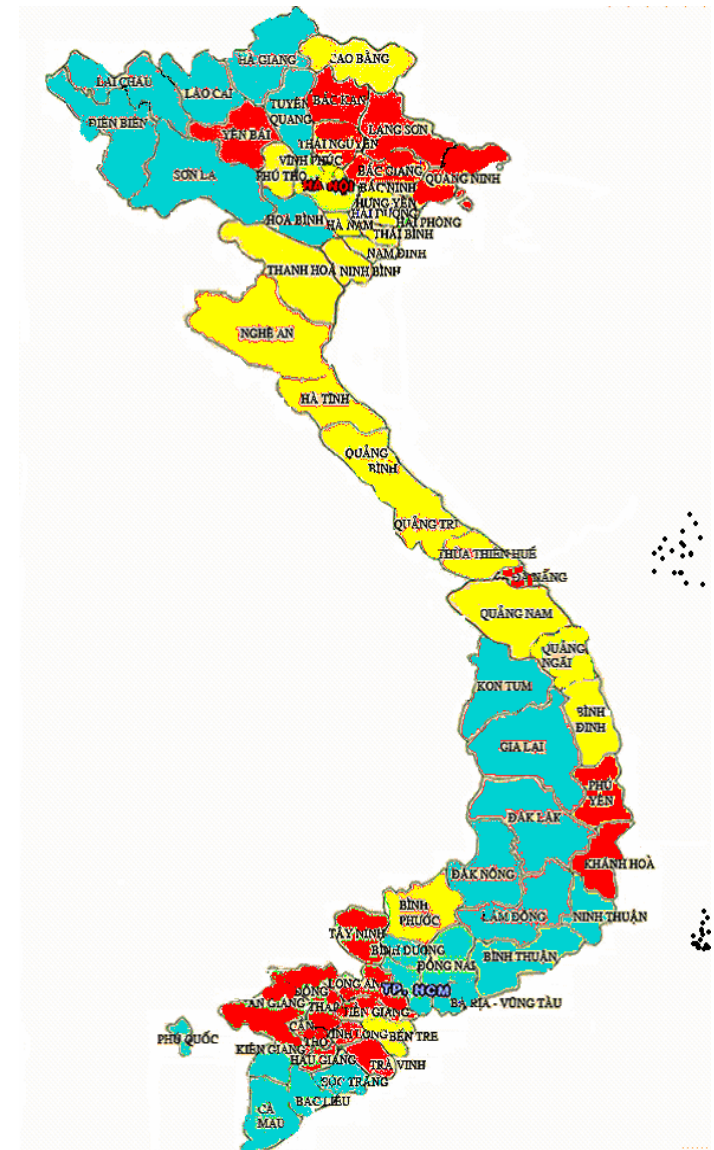
- To increase percentage of old-age population in the total population from 7% to 10%:

France (70 years); US (35 years); Japan (15 years); Vietnam (20 years).

- To increase percentage of old-age population in the total population from 7% to 14%:

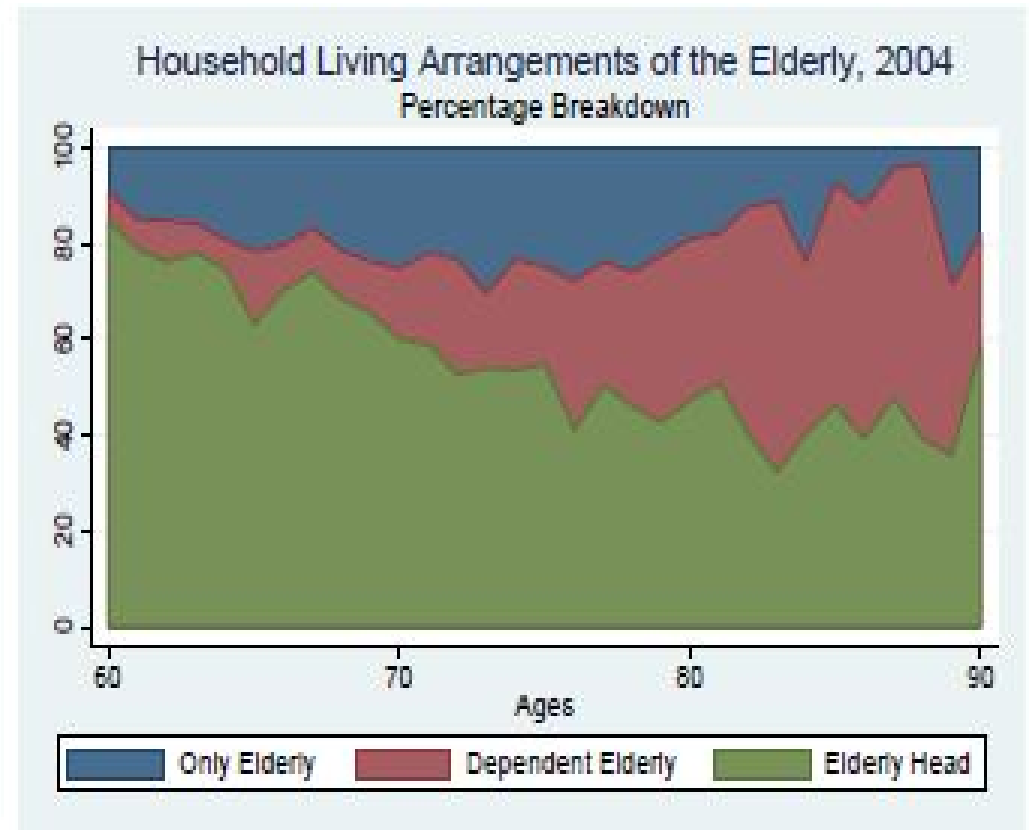
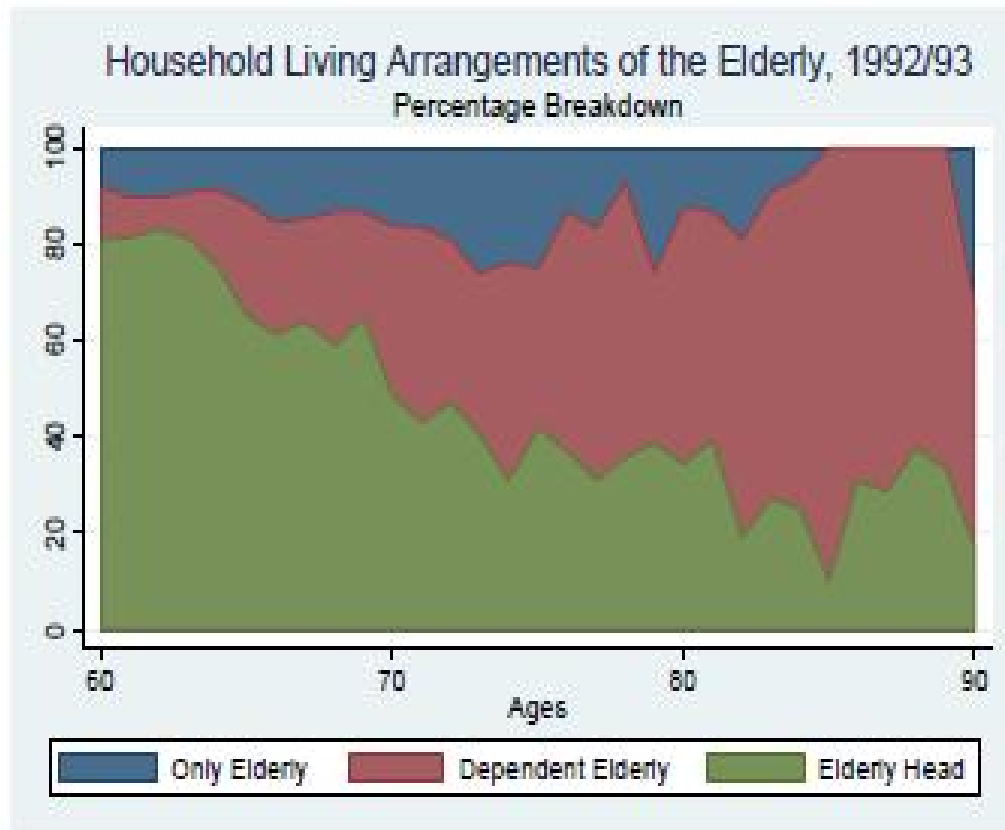
France (115 years); Sweden (85 years); Italia (61 years); Japan (26 years); Vietnam (35 years)

Aging rates are different in terms of regions, which have diverse social and economic development levels.



CHARACTERISTICS AND CHALLENGES: **Living**

2 – Old-age household living arrangements has been changed substantially



Source: Giang & Pfau (2007)

Percentage of old-age households **with only old-age person** has increased. Among living-alone old-age persons, female and rural persons are dominant. Percentage of **"skip-generation"** old-age household has increased

<i>Living-alone Elderly</i>	<i>1993</i>	<i>1998</i>	<i>2002</i>	<i>2004</i>
Male	15.49%	18.40%	24.32%	18.84%
Female	84.51%	81.6%	75.68%	81.16%
Rural	80.00%	82.91%	82.85%	77.94%
Urban	20.00%	17.09%	17.15%	22.06%

Source: Giang & Pfau (2007)

<i>Age group</i>	<i>60-64</i>	<i>65-69</i>	<i>70-74</i>	<i>75-79</i>	<i>80-84</i>	<i>85+</i>
Number of females to 100 males	129	126	141	167	190	238

Source: Pham & Do (2009)

CHARACTERISTICS AND CHALLENGES: Health & Healthcare

Types and causes of illnesses have been changed. Threats from “double health burden” keeps raising. Average cost of healthcare for an old-age person is about 7-8 times higher than that for a child.

Diseases		Age Group	
		60-74	≥ 75
High Blood Pressure	n	391/930	202/370
	%	42.0%	54.6%
Coronary Artery Problems	n	89/898	36/360
	%	9.9%	10.0%
Heart Failure	n	51/900	35/366
	%	5.7%	9.6%
Vascular Failure	n	149/897	54/366
	%	16.6%	14.8%
Stress	n	24/617	12/123
	%	3.9%	9.8%
Parkinson	n	12/924	3/354
	%	1.3%	0.8%
Depression	n	7/846	7/309
	%	0.8%	2.3%

Source: Pham & Do (2009)

CHARACTERISTICS AND CHALLENGES: Health & Healthcare

... But **accessibility** to healthcare services is different for different old-age groups. In general, financial burden for healthcare are shouldered by poorer groups.

Characteristics	At least once to visit a healthcare facility in the year	Types of healthcare facility			Avg. number of visits (both inpatient and outpatient)
		<i>State Hospitals</i>	<i>Private hospitals</i>	<i>Medical centers and others</i>	
<i>Area of living</i>					
Urban	84.7	50.3	34.5	15.2	3.8 (11.8%)
Rural	81.3	39.0	26.0	35.0	2.8 (12.4%)
<i>Having social insurance or assistance?</i>					
No	82.1	38.2	33.3	28.5	3.3 (12.5%)
Yes	82.5	49.0	19.5	31.5	2.7 (11.7%)
<i>Income quintile</i>					
1 (poorest)	78.4	30.5	22.4	47.1	2.2 (8.7%)
2	78.4	36.6	24.6	38.8	2.6 (9.3%)
3	82.1	38.9	30.0	31.1	3.1 (12.6%)
4	85.5	49.4	26.5	24.1	2.8 (14.0%)
(richest)	86.7	51.4	36.3	12.3	4.5 (15.7%)

Source: Giang Thanh Long (2008)

“About 64% of the old-age persons said that they faced various difficulties. Among them, 46% due to diseases; 34% due to unaffordability for living; 17.8% could not get healthcare; and 1.8% were not cared by children/grandchildren.

37.8% of rural old-age persons could not afford for minimum living and 19.5% could not afford for healthcare. Respectively, 26% and 13.4% for urban old-age persons.

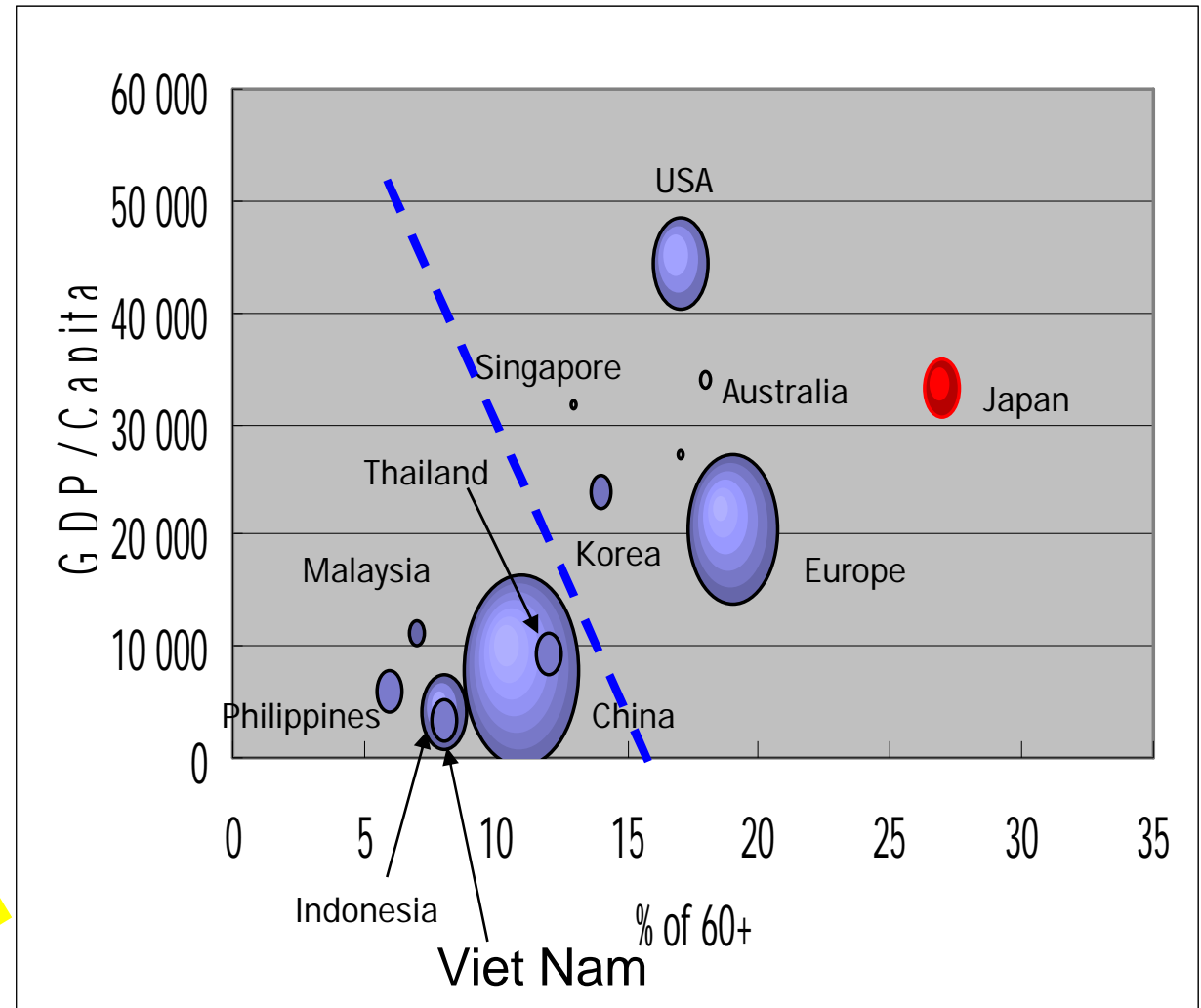
Female elderly faced difficulties due to diseases (52.6%) and unaffordability (37.1%), while those of males were 39.8% and 31.3%, respectively”

Source: Vietnamese Household Survey 2006, Ministry of Culture, Information and Tourism; Institute for Family and Gender; and UNICEF (2006)

CHARACTERISTICS AND CHALLENGES: **Economic**

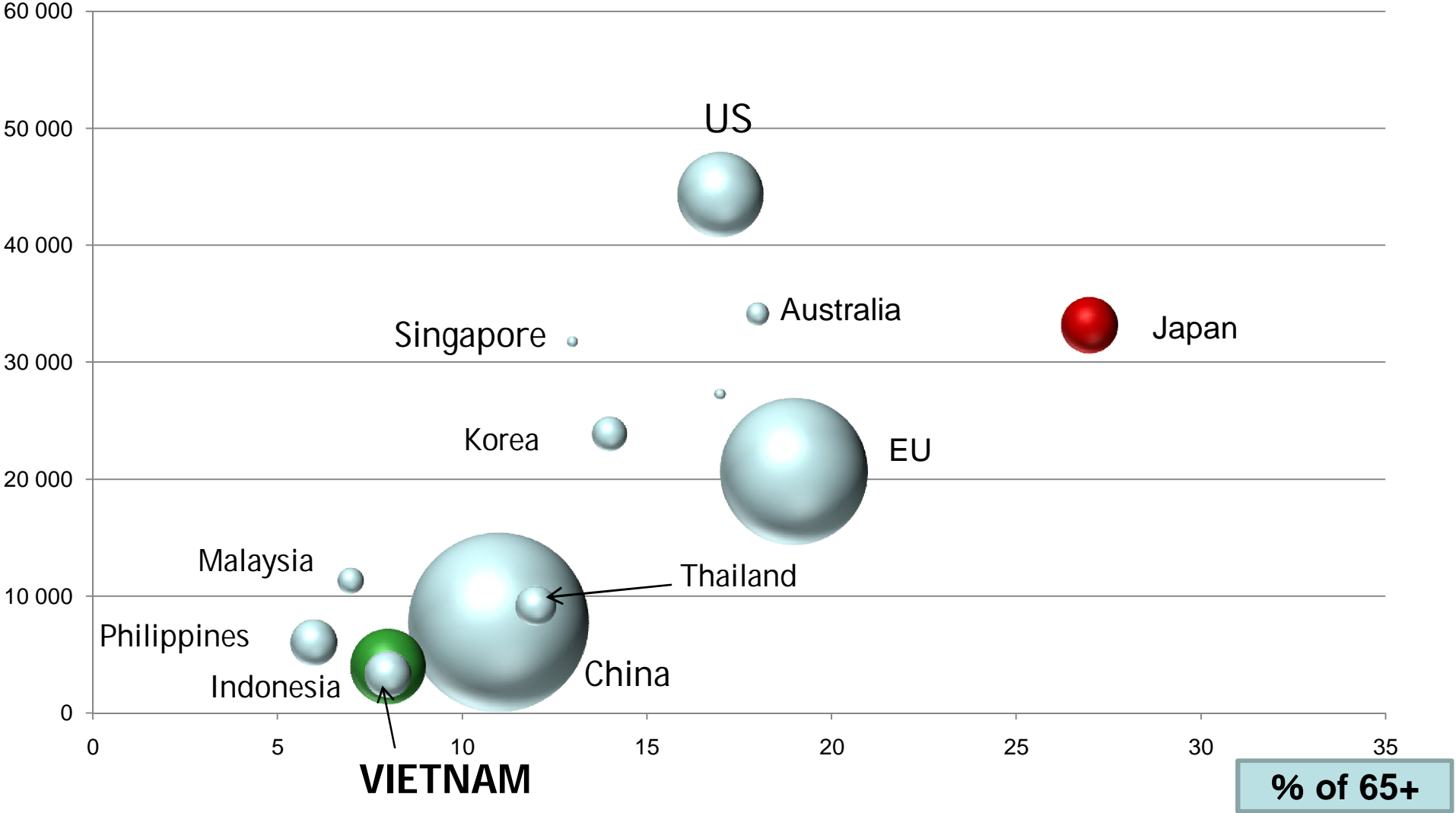


Getting old before
getting rich?



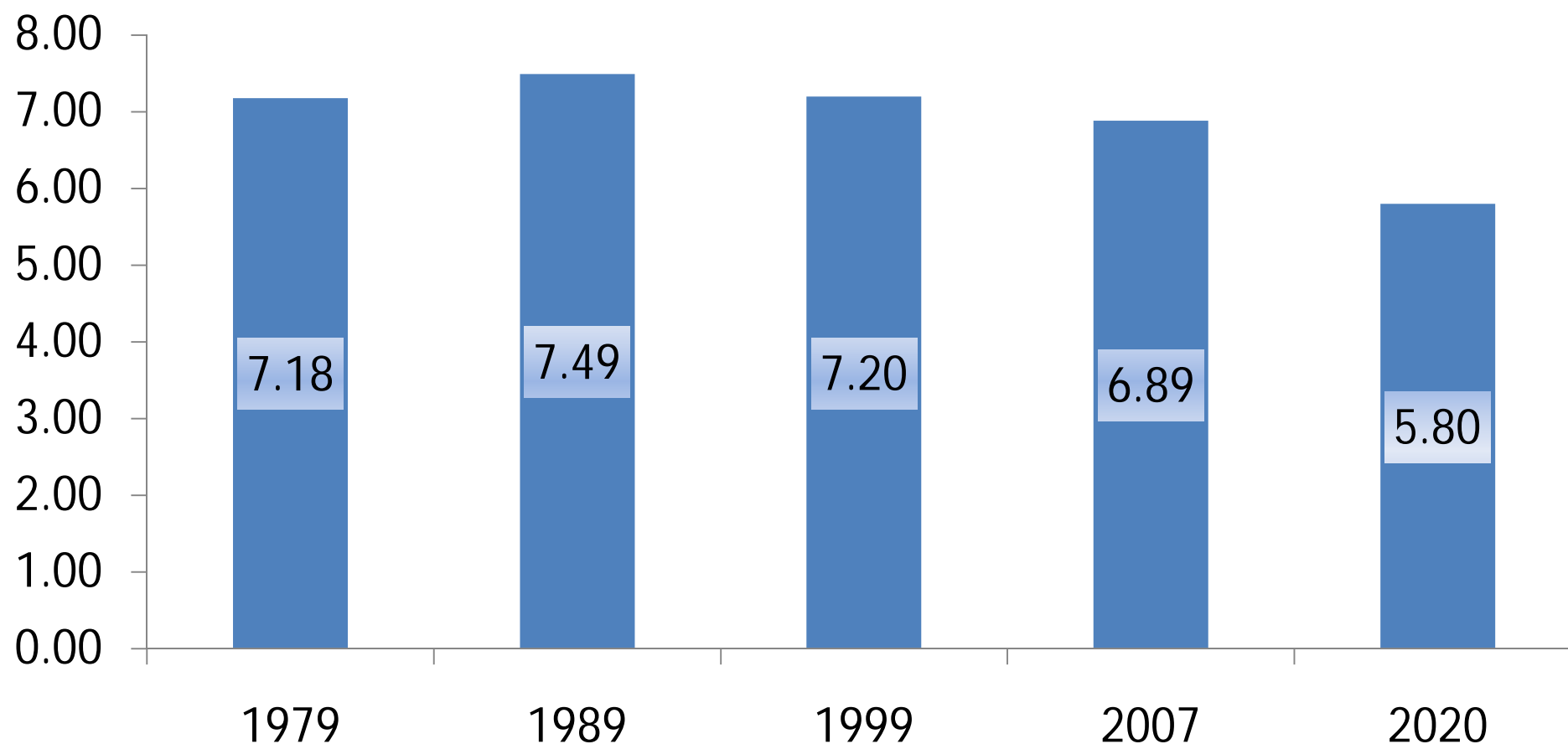
Source: World Health Statistics 2008

Per capita GDP



Source: World Health Statistics 2008

The potential support ratio (number of persons age 15-59/number of old-age persons) has been decreasing)

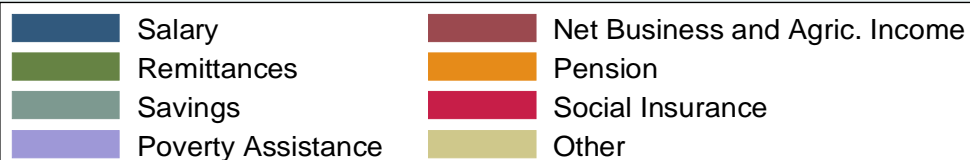
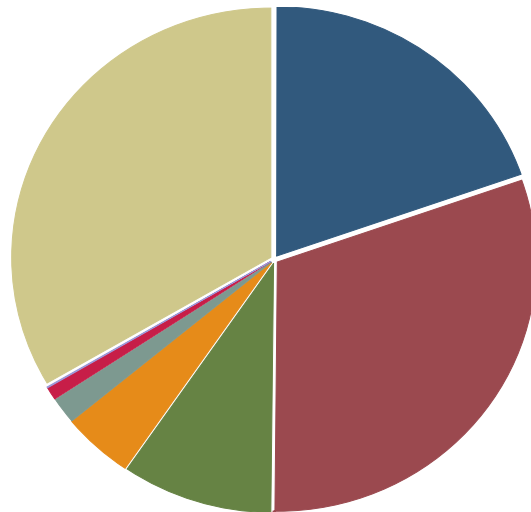


Source: Nguyen Đình Cu (2009)



- About 43.8 percent of old-age persons are working (in 2008), but most of them are working in agriculture or household firms with low and volatile income.
- Percentage of old-age persons receiving pensions and social assistance is still low. Pensions and social assistance benefits account for a small portion of old-age household's total income.

Income sources for elderly households



Source: Giang & Pfau (2007)

Indicators	Percent of Elderly Population	Poverty Rates for Varying Poverty Lines			
		50% Official	Official	125% Official	200% Official
<i>Elderly People</i>		<i>1.5</i>	<i>17.9</i>	<i>29.8</i>	<i>58.6</i>
<i>Age</i>					
60 – 69	49.7	0.9	14.7	25.4	54.3
70 – 79	35.2	1.8	21.0	33.3	62.7
80 and older	15.1	2.6	21.0	35.7	63.3
<i>Gender</i>					
Male	41.6	1.2	16.4	27.6	55.9
Female	58.4	1.7	18.9	31.3	60.6
<i>Marital Status</i>					
Married	60.5	1.2	15.8	27.4	56.4
Non-married	39.5	2.0	21.1	33.4	62.0
<i>Kinh People?</i>					
Yes	90.1	0.8	14.8	26.1	56.2
No	9.9	7.6	45.7	63.1	81.2
<i>Areas</i>					
Urban	26.7	0.1	4.3	8.8	23.7
Rural	73.3	2.0	22.8	37.4	71.3
<i>Region</i>					
Red River Delta	25.8	0.7	16.3	27.6	57.8
North East	10.5	1.3	25.2	42.5	72.5
North West	1.9	4.6	53.2	66.1	80.0
North Central Coast	12.6	4.3	31.2	45.6	71.0
South Central Coast	9.9	2.8	21.6	34.0	67.3
Central Highlands	3.4	3.7	24.1	42.9	68.1
South East	15.4	0.3	2.8	7.3	23.8
Mekong River Delta	20.6	0.5	13.1	25.4	63.4
<i>Living Arrangements</i>					
Only Elderly	20.7	1.8	16.8	28.4	57.9
With Children	75.5	1.4	18.6	30.6	59.7
With Others, no Children	3.8	1.1	10.5	20.1	41.4
<i>Working?</i>					
Yes	43.9	1.3	18.4	30.6	63.1
No	56.1	1.7	17.5	29.2	55.1
<i>Receiving Social Security?</i>					
Yes	34.9	1.3	15.7	26.5	51.5
No	65.1	1.5	18.6	30.8	60.8

- Older elderly is more vulnerable to poverty than younger ones.
- High concentration of old-age persons living closely to the poverty line (near poor).
- Elderly living in rural; females; ethnic minorities are more vulnerable to poverty than counterparts living in urban; males; and Kinh persons.
- Elderly having social protection benefits are less vulnerable to poverty than those no having these benefits.

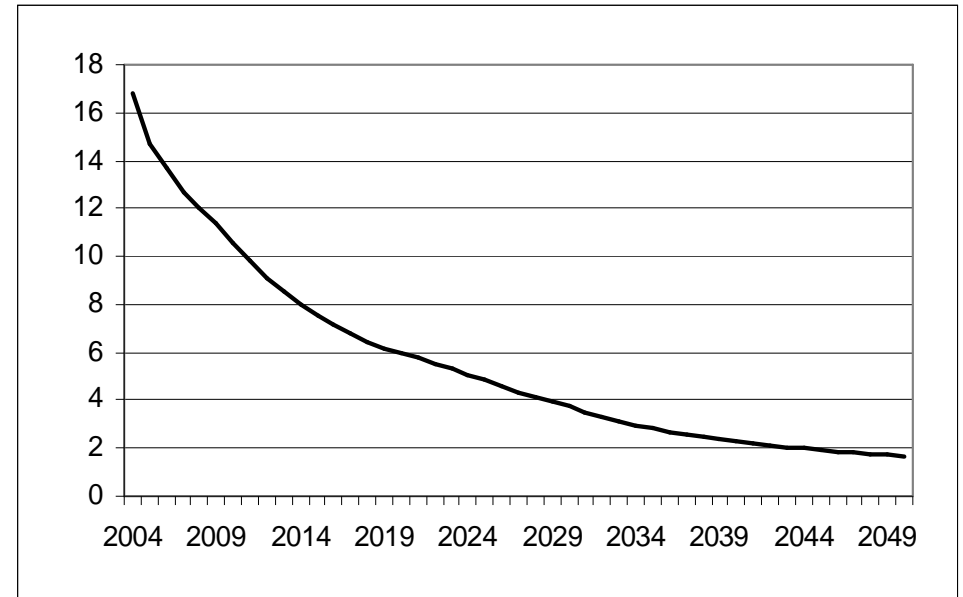
CHARACTERISTICS AND CHALLENGES: Social Protection

- The current design of the social insurance scheme, especially the Pay-As-You-Go Defined Benefits – PAYG DB – pension scheme, will not be sustainable in coming time due to various reasons, including higher rate of aging, lower fertility rates, and mislink between contributions and benefits.
- National targeting and social assistance programs have been widely provided, but accessibility of more vulnerable old-age groups (rural, mountainous, ethnic minority, poor...) has been low. Leakage rate is high.

Assuming that the current social insurance scheme is remained, **scheme dependency ratio** (measured by the ratio between number of beneficiaries and number of contributors) will increase swiftly.

- Year 2000: 34 contributors – 1 beneficiary
- Year 2004: 19 contributors – 1 beneficiary
- Year 2020: 6 contributors – 1 beneficiary

Projected scheme dependency ratio



Source: Castel & Rama (2005)



Early retirements in increasing life expectancies will put a lot of pressures on fund balance:

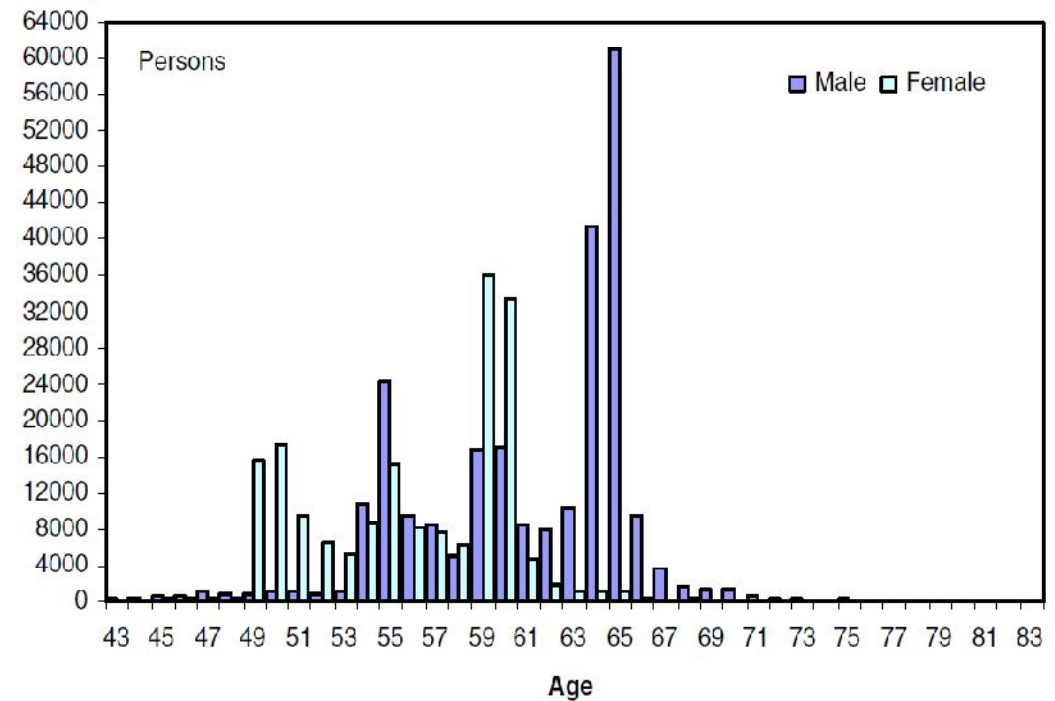
- Avg. actual retirement age is 53, in which male is 55 (compared with NRA of 60) and female is 51 (compared with NRA of 55).

- Avg. life expectancy of retirees is 72.5, in which male is 71.1; female is 73.9)

- On average, average number of years of benefit receipt is 19.5 years (male: 16,1; female: 22,9)

- **But...**

Current early retirement



Source: Giang & Pfau (2009)



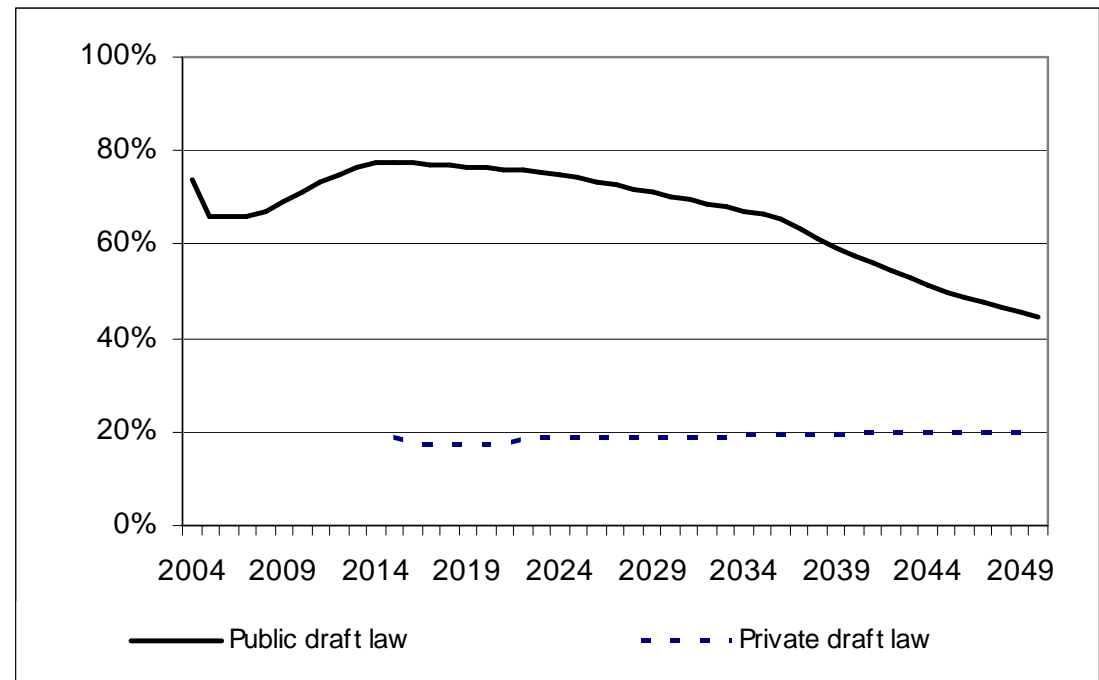
But...

-28-year contribution can cover the pension benefits for 10 years → Who will bear the additional costs with 19.5 years of receipt?

- **Balancing the fund** requires: (1) reducing replacement rate and/or (2) increasing contribution rate.

- Current average pension is \$US 50-70 per pensioner per month → hard to cut; contribution rate must increase to 30% to balance fund until 2045 → feasible?

Estimated replacement rate



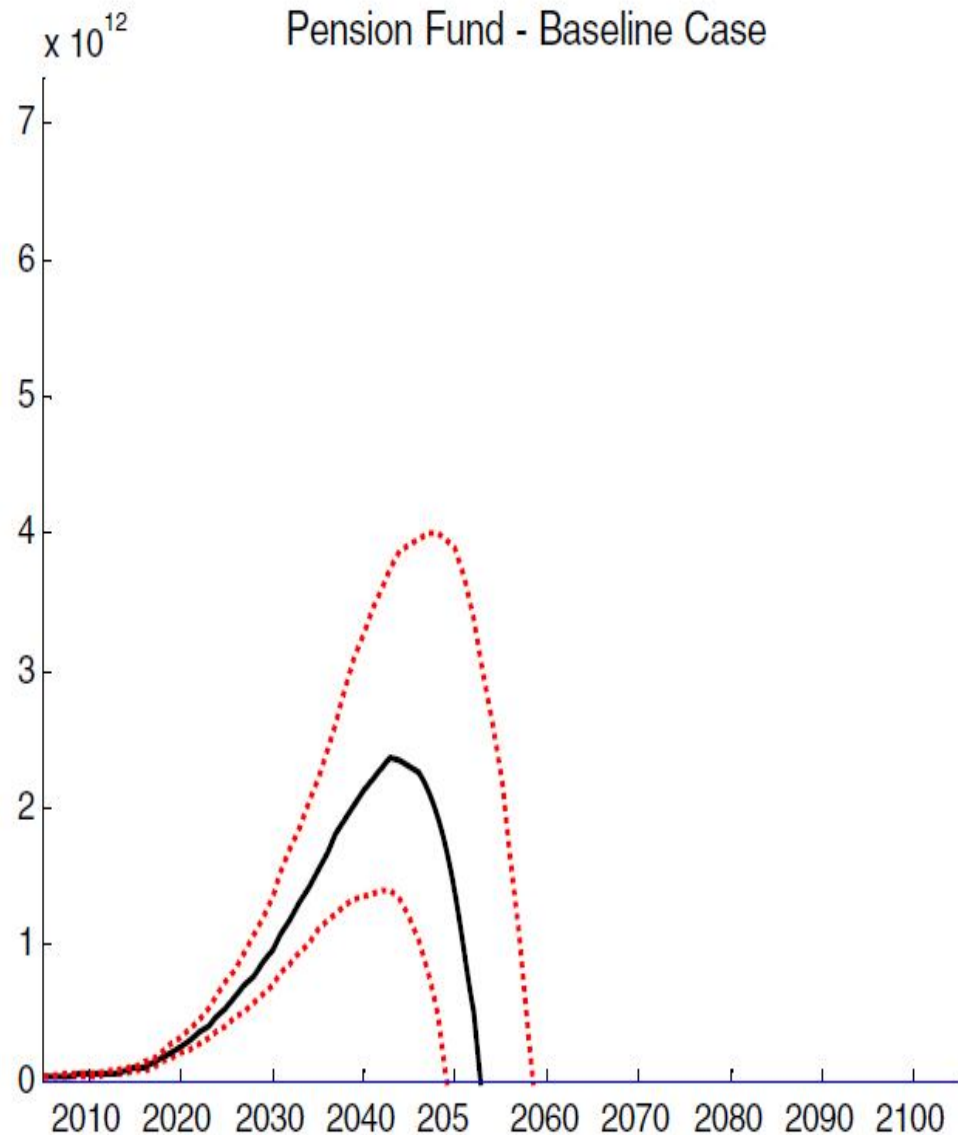
Source: Castel & Rama (2005)

Unsustainable!

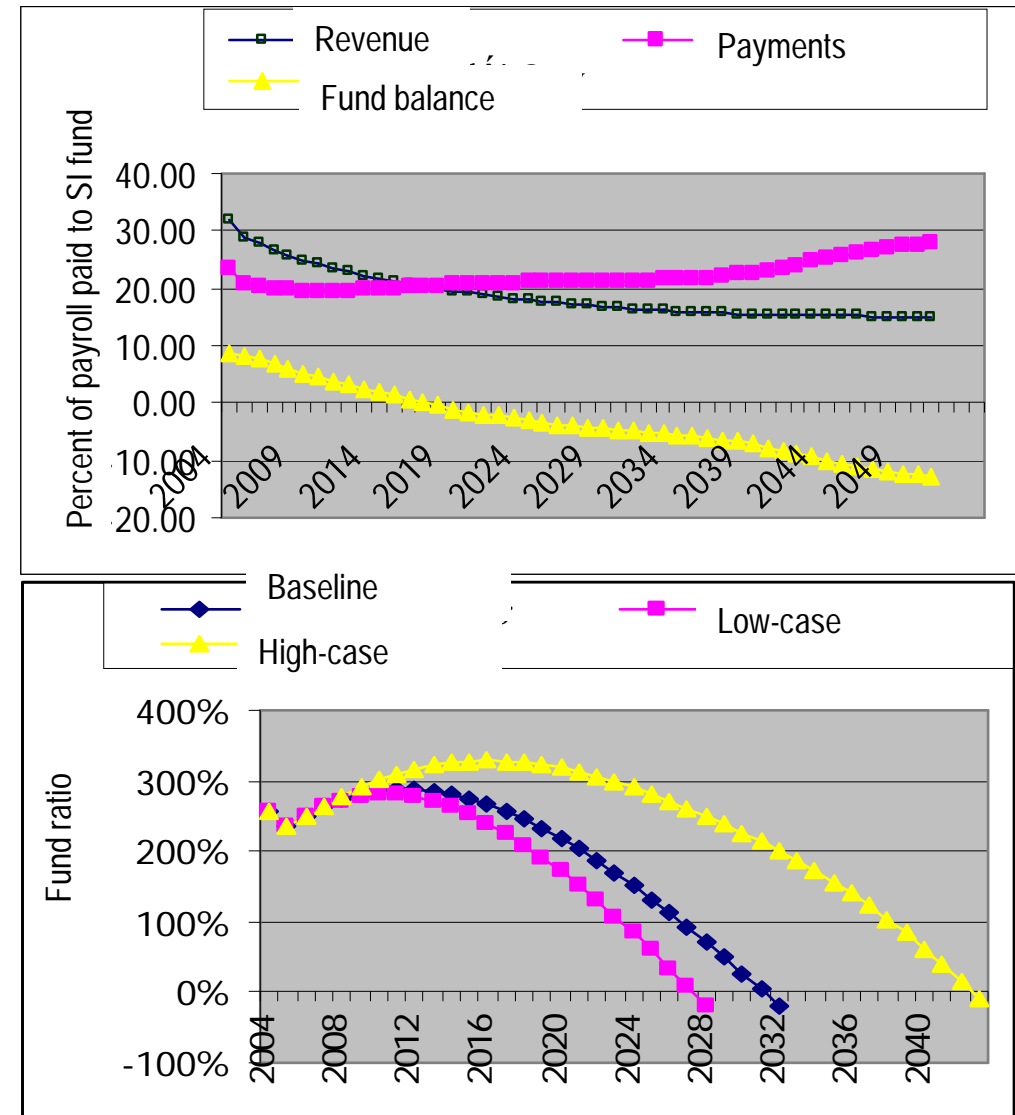
SUSTAINABILITY = Suitability + Stability

As such, unbalanced fund is foreseen...

Projected social insurance fund



Source: Giang & Pfau (2009)



Source: Nguyen (2006)

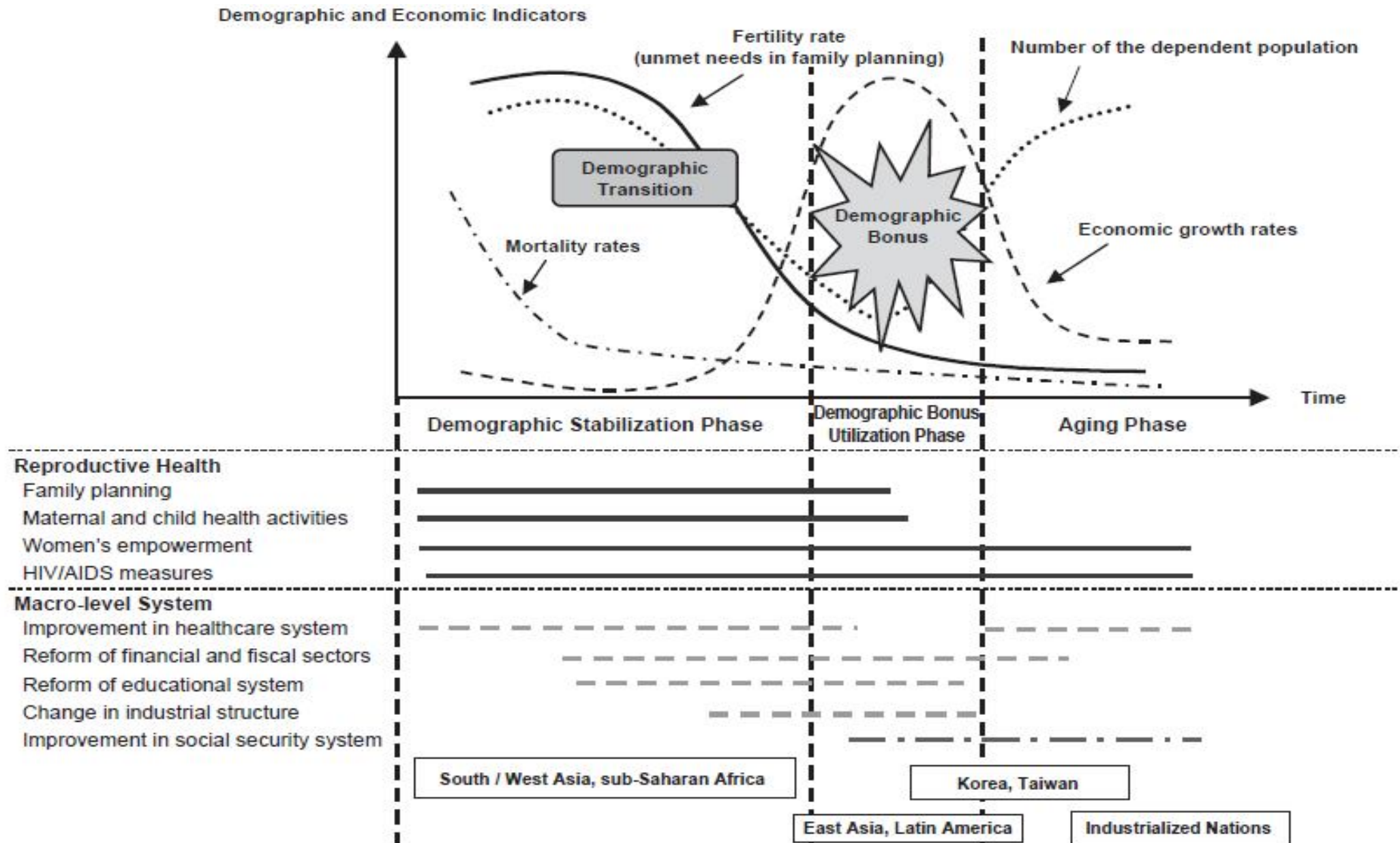
Accessibility and leakage

		Percent of beneficiaries who are			Percent of the poor who are beneficiaries		Distribution of beneficiaries by quintile				
	Percent of households with/who	Non-poor	Poor	Food poor	Among all the poor	Among the food poor	Poorest	Near poorest	Middle	Near richest	Richest
Poor-household certificate	3.8	27.4	72.6	36.9	9.5	12.8	58.5	24.7	9.1	6.5	1.1
Health care card	4.0	28.6	71.4	42.0	9.9	15.5	57.8	20.8	13.6	4.6	3.3
Access to subsidized credit	2.2	25.1	74.9	37.9	5.8	7.1	60.2	20.4	13.7	4.4	1.3
Exemption of education fees	5.5	30.2	69.8	39.8	13.2	20.0	56.9	23.3	11.6	6.5	1.9
Live in Program 135 commune	14.8	44.8	55.2	30.1	28.2	41.0	43.5	22.6	15.1	13.6	5.3

Source: Nguyen Viet Cuong (2003)

POLICY SUGGESTIONS

Experiences of Japan and other countries in adapting demographic changes for sustainable development



POLICY SUGGESTIONS

- Creating an appropriate **roadmap to reform the pension scheme** from PAYG DB to individual accounts.
 - To guarantee both intra- and inter-generational equality in terms of contributions and benefits
 - To stabilize pension fund, and avoid significant pension liabilities (Giang Thanh Long, 2004, 2008).
 - To adapt the current and expected development of financial markets in Vietnam.
- **Diversifying insurance provisions** to increase accessibility of different population groups, in which strengthening voluntary and supplementary insurance is a need.
 - These schemes should be flexible, suitable with financial capacity of participants, and linked with other insurance types.
- **Designing social assistance scheme towards a universal (coverage) scheme**
 - Social (non-contributory) pension scheme, which mainly serve elderly living in rural areas and female elderly, is suggested as it will have largest impacts on poverty reduction for the elderly (Giang and Pfau, 2009).

POLICY SUGGESTIONS...

- Promoting economic activities for the elderly, so as to guarantee income and other living conditions.
- Diversifying living arrangements for the elderly to adapt with various changes in living styles (living with children and grandchildren, old-age care shelters...).
- Preparing long-term healthcare services to welcome a large and increasing flow of old-age persons.

CONCLUDING REMARKS

- Aging is a great social achievement of development at both global and national level. **Aging is not a burden**, but it will create a lot of serious socio-economic consequences if we do not prepare and design policies and strategies adapting with such a demographic trend.
- Vietnam will enter an aging phase with high pace, but the time for preparation is really short. As such, Vietnam does need realistic and appropriate policies and strategies.

CONCLUDING REMARKS

- Policies and strategies should be designed and implemented using various *quantitative analyses* on the relation between “aging population” and economic growth. “*Second demographic dividend*” can be clearly realized under realistic and appropriate policies.
- No policies can be powerful than the attitude of each individual in “preparing for old-age from young”. Preparing for ourselves is also preparing for families, communities, and future generations.

**THANK YOU
FOR YOUR ATTENTION!**



Let's start from now... for a prosperous future