

# A Brief on the Vietnamese Pension Schemes

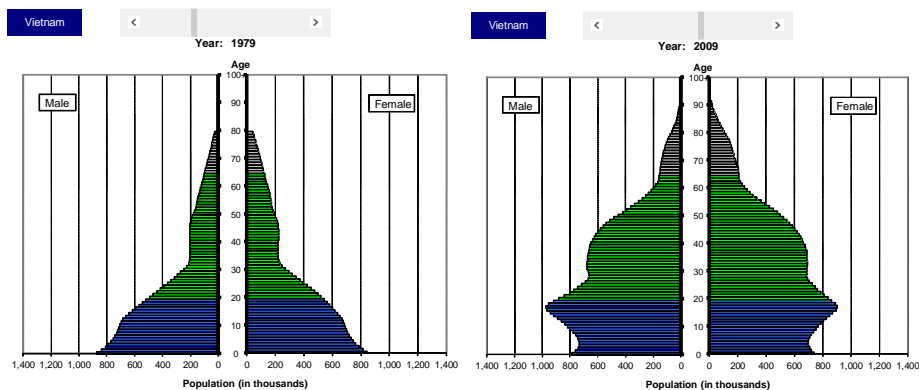
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## Sketch on demographic transition

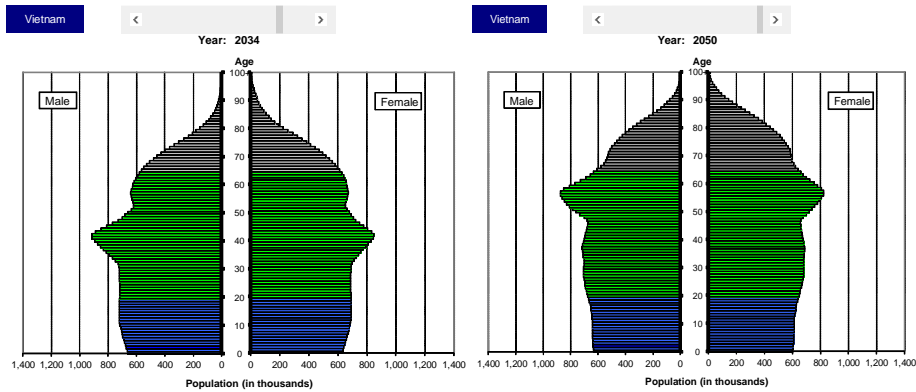
*Moved from young to 'demographic dividend'*



Source: United Nations (2010)

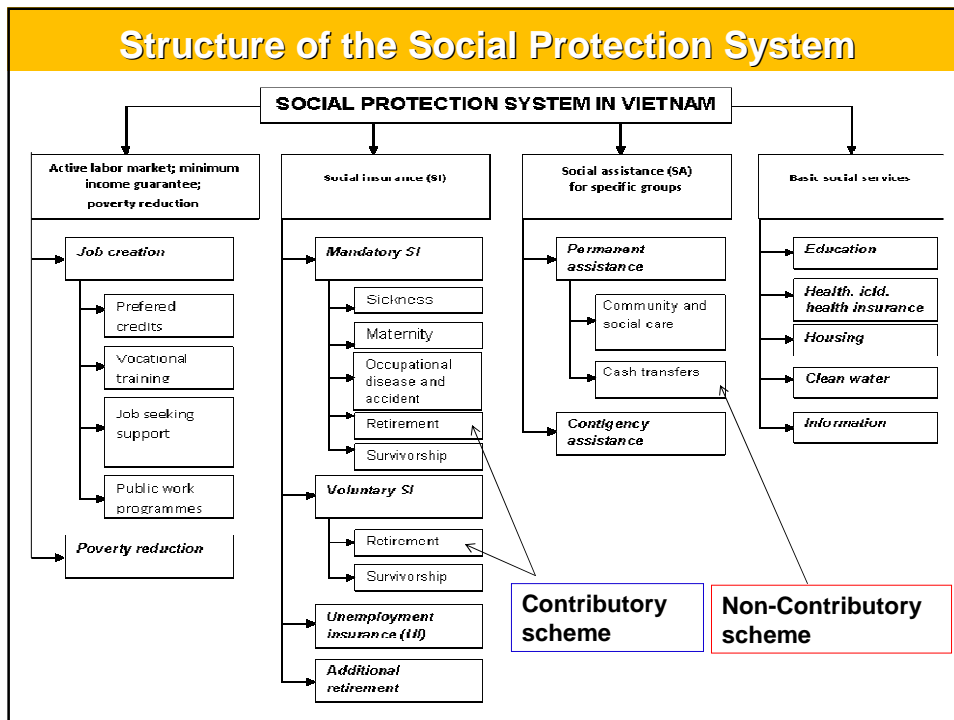
## Sketch on demographic transition

... and to 'aged' and 'very aged' population



Source: United Nations (2010)

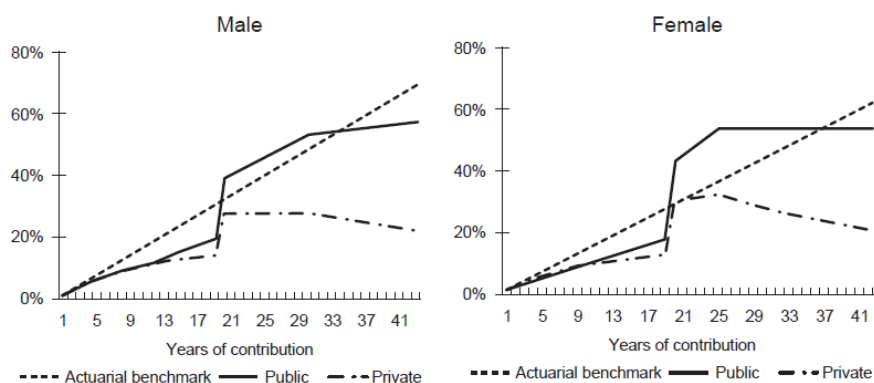
## Structure of the Social Protection System



## Contributory Pension Scheme

- Compulsory for public servants and SOE workers, as well as contract-based private sector workers. Currently, 10.9 million contributors
- Voluntary for other workers. Currently, 0.6 million contributors. This is really limited! WHY?
- Contribution rate is 22 percent of payroll, of which 14% from employers and 8% from employees
- Benefit formulas are different for males and females, for public and non-public sector workers
- Replacement rate is high, but absolute level is not adequate for living.

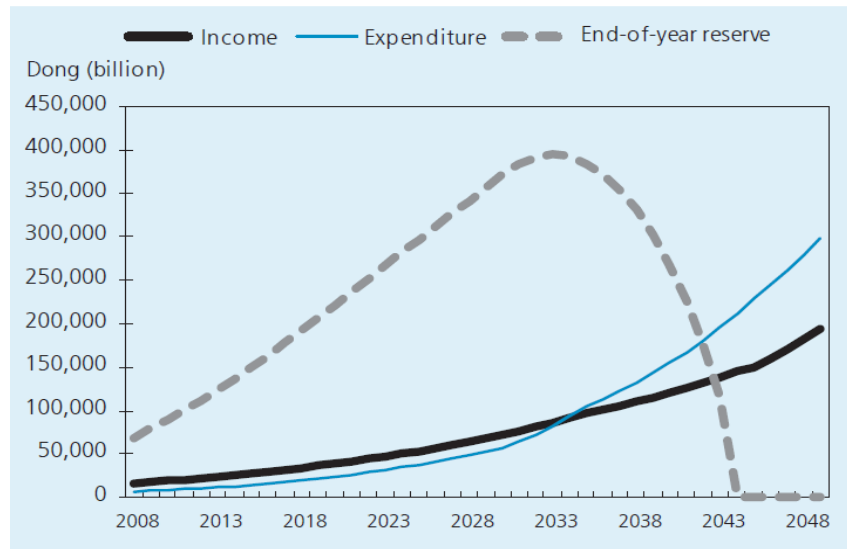
## Contributory Pension Scheme



Though, 28-year contribution will be paid for only 10 years in retirement, while average expected receiving period is 19.5 years (for males is about 17 years, and females is about 22 years)

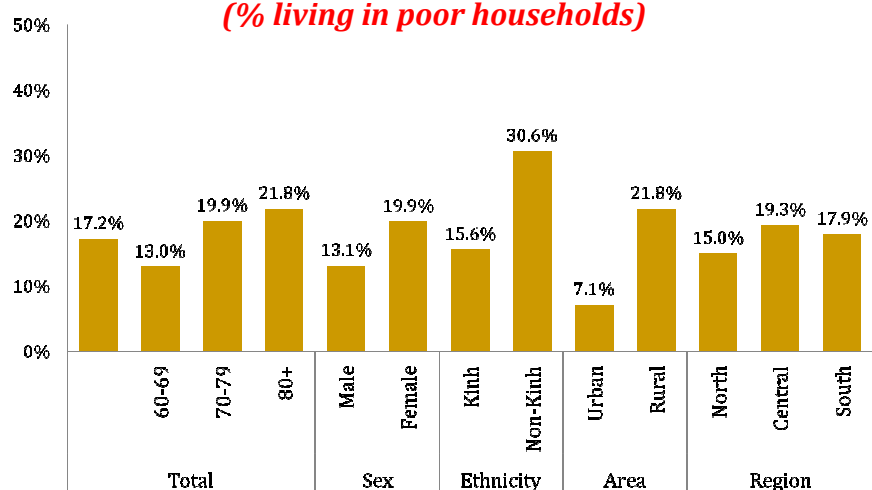
## Contributory Pension Scheme

### ■ Long-term financial balance



## Non-contributory Pension Scheme

*More vulnerable people are poorer  
(% living in poor households)*



Source: Vietnam Aging Survey (VNAS) 2011

## Non-contributory Pension Scheme

Category	Beneficiaries	Multiplier	Benefit level
1	Older people living in poor households, AND: 1/ living alone; or 2/ living with ill older spouse and do not have any children, grandchildren or relatives to support		
	- Under 80 years old	1,0	180
	- Under 80 years old, and are severely disable;	1,5	270
	- 80 years old and over	1,5	270
	- 80 years old and over, and are severely disable;	2,0	360
2	80 years old and over - but not as in 1 - who do not have retirement or other social allowance benefits	1,0	180

## Non-contributory Pension Scheme

### *Milestones of the social pensions scheme*

No.	Time	Age eligibility	Benefit per month
1	26 March 2000	90 and over	VND 45,000 (or about \$3)
2	2004	90 and over	VND 65,000 (or about \$4.2)
3	13 April 2007	85 and over	VND 120,000 (about \$7.5)
4	27 February 2010	80 and over	VND 180,000 (about \$9.5)

- As of Dec. 2012, there were 1.43 million older people (or 16% of the total older people) receiving benefit, of which 1.39 million were in Category 2.
- Total cost was 0.07 percent of 2012 GDP
- A number of issues in identifying beneficiaries; delivery of benefit; and M&E
- Though, is it possible to have a universal scheme for OPs?

## Non-contributory Pension Scheme

### Potential impacts on expenditure equality and poverty distribution

Indicators	Pre-program	Post-program			
		60+	65+	70+	75+
<i>Group</i>	<i>Gini coefficient</i>				
Total population	0.393	0.386	0.387	0.389	0.390
Elderly	0.406	0.372	0.379	0.386	0.393
<i>Poverty ratios</i>	<i>Percentage of the elderly population</i>				
0% - 50%	2.08	0.41	0.52	0.48	0.54
50% - 100%	16.07	9.76	9.87	10.59	11.33
100% - 125%	12.11	9.18	9.72	10.47	10.53
125% - 200%	31.02	32.55	20.11	36.25	38.37
> 200%	38.72	48.10	54.80	42.20	39.23
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

Source: Own estimates, using VHLSS 2010

## Non-contributory Pension Scheme

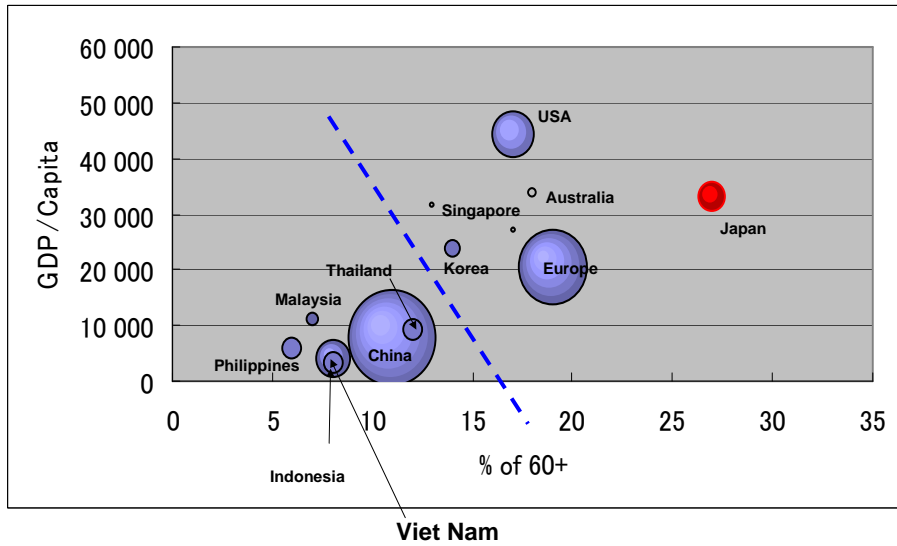
### Fiscal costs for universal cash transfer programs, 2009-2049

Year	2009	2019	2029	2039	2049
<i>Providing benefits to all elderly (aged 60 and over)</i>					
Eligible Population (as % of total population)	8.7	11.4	16.7	21.4	26.1
Benefit (as % GDP per capita)	17.2	17.2	17.2	17.2	17.2
Fiscal Cost (as % of GDP)	1.49	1.96	2.87	3.68	4.48
<i>Providing benefits to all elderly aged 65 and over</i>					
Eligible Population (as % of total population)	6.4	7.1	11.4	15.6	19.1
Benefit (% GDP per capita)	17.2	17.2	17.2	17.2	17.2
Fiscal Cost (as % of GDP)	1.10	1.22	1.96	2.68	3.28
<i>Providing benefits to all elderly aged 70 and over</i>					
Eligible Population (as % of total population)	4.6	4.3	6.8	10.4	12.9
Benefit (% GDP per capita)	17.2	17.2	17.2	17.2	17.2
Fiscal Cost (as % of GDP)	0.79	0.74	1.17	1.78	2.22
<i>Providing benefits to all elderly aged 75 and over</i>					
Eligible Population (as % of total population)	3.0	2.6	3.5	6.1	8.0
Benefit (% GDP per capita)	17.2	17.2	17.2	17.2	17.2
Fiscal Cost (as % of GDP)	0.52	0.47	0.60	1.04	1.37

Notes: fiscal costs are for benefit payments only, and exclude administrative and other related costs.

Source: Own calculations, using data from GSO (2011).

***BIG CHALLENGE - Getting old before getting rich?***



Source: *World Health Statistics 2008*, cited from Ogawa and Toshihiro (2009)

***THANKS FOR YOUR ATTENTION !***

