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Social Protection for Older People in Vietnam: Role, Challenges and Reform Options

Thanh Long Giang*
National Economics University, Vietnam

Abstract: This paper argues that the Vietnamese population has been ageing more rapidly than expected, and policies to deal with this demographic challenge, particularly delivery of social protection services for the aged, should be formulated without delay. With a focus on retirement and social allowance benefits – the two most important social protection schemes for older people – this paper shows that these benefits can reduce poverty for various groups of older people. Yet, there remain a number of challenges that will substantially influence the current system in terms of accessibility and financing. For the retirement scheme, the paper argues that the current setting will not be financially stable, and as such it should be transformed toward a system of individual accounts with a notional defined-contribution (NDC) scheme in the transitional period. For the cash transfer programme, the results from micro-simulation calculations indicate that a universal cash transfer programme for rural older people would be most influential in terms of poverty reduction.

Keywords: Ageing, micro-simulations, poverty, social protection, Vietnam
JEL classification*:* I38, J14, J26

1. Introduction

Along with the movement from one of the poorest countries in the world in the late 1980s to a low middle-income country since 2008, poverty in Vietnam has decreased substantially, from 58.1 per cent in 1993 to 20.7 percent in 2010 (GSO, various years). At the same time, the social protection system has also developed as shown by progress made in a number of indicators, and as a result Vietnam has achieved most of the Millennium Development Goals (MDGs), ahead of their respective targets.

Vietnam is undergoing dramatic demographic changes toward an ageing population. The number of older persons (defined as persons aged 60 and over) will increase swiftly in the coming decades, and Vietnam will turn from 'ageing' to a 'aged' population in only 20 years, in comparison with 26 years in Japan and 22 years in Thailand – the two countries have been considered as having the most rapidly ageing populations in the region (UNFPA Vietnam, 2011).[1] In addition, the majority of the aged are living in rural and disadvantaged areas, under difficult economic conditions. Also, a continuous transformation from a multi-generational family model to a nuclear family model with an increasing number of elderly living alone or elderly couples is a worrying trend. Older persons, especially those living in rural and disadvantaged areas, are left behind with various vulnerabilities due to a large outflow of the younger generation (Dam *et al.*, 2010). Given such a situation, income security

* Institute of Public Policy and Management,National Economics University,207 Giai Phong Street, Hai Ba Trung DistrictHanoi, Vietnam. Email: *giang.long@ippm.edu.vn*

[1] In this comparison, older people are defined as those aged 65 and over. Moving from 'aging' to 'aged' phase means the old-age population as a per cent of total population increased from 7 to 14 per cent.

and adequate access to quality social protection services for the older people are important along with the ‘phasing-out’ period of familial support.

This paper aims to analyse the current situation, role and challenges of the social protection system for older people in Vietnam, and offers some policy options to reform the system. It is organised as follows. In Section 2, using data from recent household surveys, namely Vietnam Household Living Standard Survey (VHLSS) in 2004 and 2008, we will analyse old-age poverty and the role of social protection benefits in reducing such poverty. Section 3 describes the current social protection benefits for Vietnamese older persons and its role in reducing old-age poverty. In Section 4, we will analyse potential challenges for retirement and social allowance schemes to deal with old-age poverty and the ageing population. We also offer some policy options to deal with these challenges. The final section will conclude the paper.

2. Old-Age Poverty and the Role of Social Protection Benefits

2.1 Descriptive Data for Analysis

This paper uses data from the two Vietnam Household Living Standard Surveys (VHLSS) in 2004 and 2008.[2] These surveys were conducted by the General Statistics Office of Vietnam (GSO 2004; 2008) with technical support from the World Bank. The samples are representative at national, rural and urban, and regional levels.

The surveys collected information through household and community level questionnaires but contained various individual characteristics such as age, gender, educational attainment, relationship to the household head, marital status, working status, wages, and health status. As such, we are able to identify older people (those aged 60 and over) as well as elderly households (those with at least one older person). The VHLSS 2004 included 39,696 persons living in 9,189 households, while VHLSS 2008 included 38,523 persons living in 9,189 households. The number of older people was 3,806 in 2004 and 3,972 in 2008.

At household level, the surveys provided information on the sources of income, household expenditure, consumption of durables, business and agricultural activities, wealth and housing conditions, poverty incidence and participation in poverty alleviation programmes. In particular, the data also provided information on retirement and social allowances that households had received during the past 12 months before the interview. If retirement and/or social allowance benefits were provided in kind, VHLSSs reported their equivalent monetary values.

In each survey, information on commune characteristics was collected from rural communes and can be linked to household data. Commune data included demography, general economic conditions and aid programmes, non-farm employment, agriculture production, local infrastructure and transportation, education, health and health facilities, and social problems.

[2] There are also VHLSSs in 2002 and 2006. However, the 2002 VHLSS provides less information on health insurance than VHLSSs in 2004, 2006, and 2008. In this paper, we chose VHLSS 2004 and 2008 as the interval of four years can provide sufficient data to describe the patterns of social protection services.

2.2 Old-age Poverty and the Role of Social Protection Benefits

2.2.1 Old-age Poverty

In Vietnam, there are two poverty lines. The first line, namely ‘food poverty line’ defined by the Ministry of Labour, War Invalids and Social Affairs (MoLISA), is measured by the annual amount of money required to purchase a ‘typical’ basket of food items which provides 2,100 kCal per person per day. The second line, which is the ‘official poverty line’ defined by GSO includes the purchase of the aforementioned basket of food items and the purchase of a ‘minimal’ amount of non-food items. In all social programmes, the MoLISA poverty line is used. There are poverty lines for rural and urban areas: for the period 2010-2015, they are VND 400,000 per capita income and VND 500,000 per capita income, respectively.

In this paper, we will use GSO’s definition. The official poverty line was VND 2,077,000 (or USD 130) per person per year in 2004, and VND 3,360,000 (or about USD 170) per person per year in 2008. As such, any older person whose per capita household expenditure is lower than this official poverty line will be considered a poor person.

It is well-known that per capita measure of poverty is biased since it does not take into account adult equivalence scale and economies of scale. To deal with this issue, this paper simply varies the official poverty line in order to see how older people in Vietnam are vulnerable to poverty. In particular, in addition to the official poverty line, we will use three other poverty lines:

(i) 50 per cent of the official poverty line, which shows extreme poverty, from which it is very difficult to escape.

(ii) 125 per cent of the official poverty line which shows near-poor status, in which people are not poor, but vulnerable to poverty.

(iii) 200 per cent of the official poverty line which shows non-poor status, in which people may never fall into poverty.

Table 1 presents the results for old-age poverty rates by different groups. For any poverty line, the results generally show three critical trends: (i) the poverty rate increases as people get older; (ii) older females are always poorer than their male counterparts; and (iii) older people in rural areas and those from ethnic minorities are always poorer than their urban and Kinh (Vietnamese) counterparts.

2.2.2 The Role of Social Protection in Old-age Poverty Reduction

So far, the term ‘social protection’ has not been well defined in Vietnam. Depending on the scope of policies and programmes, this term is sometimes used to refer to ‘social security’ or ‘social safety net’. According to MoLISA (2010), the social protection system in Vietnam includes four main pillars: (i) active labour market; (ii) social insurance; (iii) social health insurance; and (iv) social assistance/allowances.[3] In this paper, we will focus only on two programmes for older people, namely retirements (or contributory pensions) which comes under the social insurance pillar, and the cash transfer programme, which comes under the social assistance/allowances pillar.

The VHLSS data do not provide individual information about access to social protection system. Instead, in VHLSS, the question is asked at household level to see whether any

[3] See Giang (2010)for a detailed description and analysis on the social protection system in Vietnam.

Table 1. Vulnerability to poverty of the Vietnamese elderly (2008)

Elderly group	50% poverty line	Official (100%) poverty line	125% poverty line	200% poverty line
All elderly	0.9	13.3	26.5	58.2
Age				
60 – 69	0.6	10.2	22.8	54.9
70 – 79	1.1	16.3	29.3	60.5
80+	1.5	15.7	31.0	62.3
Gender				
Male	0.8	11.7	23.5	55.7
Female	1.0	14.4	28.7	59.9
Ethnicity				
Kinh (Vietnamese)	0.4	12.4	24.5	53.1
Ethnic minorities	6.9	43.2	63.8	78.7
Residential areas				
Rural	1.2	17.0	33.5	68.5
Urban	0.1	3.7	8.2	31.0

Source: Own estimates, using VHLSS 2008

Table 2. Percentage of older people living in households receiving retirements or social allowances

	2004		2008	
	Retirements	Allowances	Retirements	Allowances
All old-age	*23.0*	*14.9*	*21.9*	*18.5*
Age group				
60-69	26.7	11.6	25.8	15.6
70-79	19.5	16.1	18.8	16.2
80+	18.9	22.9	17.7	30.6
Ethnicity				
Kinh	23.8	14.3	23.3	19.1
Ethnic minorities	14.6	21.2	8.0	12.6
Poverty				
Non-Poor	26.2	13.2	24.5	18.5
Poor	8.4	22.7	4.8	18.0
Urbanity				
Rural	19.3	16.6	16.0	20.1
Urban	33.0	10.5	37.5	14.2

Source: Own calculations from VHLSS 2004 and 2008**.**

member of a household has received social protection benefits. Table 2 presents the percentage of older people living in households that received retirement or social allowance benefits in 2004 and 2008. The results show diverse accessibility rates to retirement and social allowances among groups of older people.

Table 2 shows that the percentage of persons in more advanced ages receiving social allowances increased over time. This could be explained by the fact that Decree No. 67/2007 has played an important role in providing social assistance to old-age persons who do not have any contributory pensions and other social assistance benefits.[4] This trend was also observed across other groups of older people, including ethnic minorities and the poor and rural people.

With respect to social allowances, there is a large gap in accessing retirement benefits between older people groups. This could be seen by comparisons between Kinh and ethnic minorities for the year 2008 (23.3 per cent vs. 8.0 per cent); non-poor and poor (24.5 percent vs. 4.8 per cent); and urban and rural (37.5 per cent vs. 16 per cent). This situation can be explained by the fact that the current retirement system has focused mostly on labourers working in the formal sector, while labourers working in the informal sector – who account for a large proportion of the labour force – have not been covered. As a result, a large number of older people are not provided retirement benefits.

In order to see how retirement and social allowance benefits play a role in older people's households, we first estimated their average benefit levels. Table 3 shows that the average benefit levels for both retirement and social allowances increased significantly over time. In particular, across the older people groups, the average retirement benefit increased two-fold, while that of social allowances increased about 3 to 4 times. As a percentage of

Table 3. Average benefits – Level and as a percentage of household consumption

	2004				2008			
	Retirement benefit level (VND1,000)	As % of hh per capita expenditure	Allowances (VND1,000)	As % of hh per capita expenditure	Retirement benefit level (VND1,000)	As % of hh per capita expenditure	Allowances (VND1,000)	As % of hh per capita expenditure
All old-age	2,114	12.2	262	2.7	4,957	16.6	955	5.5
Age group								
60-69	2,565	13.9	192	1.7	6,120	18.9	922	4.7
0-79	1,612	10.8	269	3.4	4,107	14.0	888	5.5
80+	1,802	9.8	479	4.4	3,533	15.2	1,172	7.5
Ethnicity								
Kinh	2,207	12.6	264	2.7	5,355	17.8	998	5.6
Ethnic minorities	1,191	8.2	247	3.0	1,043	4.1	525	3.9
Poverty								
Non-Poor	2,507	13.8	268	2.3	5,635	18.3	1,005	5.2
Poor	326	4.9	237	4.8	535	5.5	629	7.3
Urbanity								
Urban	1,484	11.1	306	3.3	10,890	26.4	744	2.7
Rural	3,845	15.0	142	1.2	2,706	12.8	1,034	6.5

Source: Own calculations from VHLSSs 2004 and 2008.

[4] This Decree covers the most vulnerable groups, including older people, with monthly cash transfers.

Table 4. Old-age poverty rates with and without retirement and/or social allowance benefits

	2004			2008		
	Official	Without retirement banefits	Without both retirement and social allowances	Official	Without retirement banefits	Without both retirement and social allowances
All old-age	19.5	22.4	23.2	13.3	24.1	28.4
Age group						
60-69	19.6	21.9	22.6	10.2	23.0	26.6
70-79	14.9	23.7	25.3	16.3	25.6	29.8
80+	21.1	29.4	32.2	15.7	24.2	30.3
Ethnicity						
Kinh	13.5	16.5	17.4	10.2	21.7	26.1
Ethnic minorities	60.7	63.1	63.5	44.0	48.1	50.8
Urbanity						
Rural	25.0	28.1	29.1	17.0	26.2	31.3
Urban	3.6	6.0	6.2	3.6	6.2	8.7

Source: Own calculations from VHLSSs 2004 and 2008

household expenditure, retirement benefits increased from 12.2 per cent in 2004 to 16.6 per cent in 2008, while social allowances increased from 2.7 per cent to 5.8 per cent, respectively.

Probing further into potential impacts of retirement and social allowance benefits on reducing old-age poverty, we conducted simple micro-simulation estimates for old-age poverty when households *have* and *do not have* any retirement and/or social allowance benefits. Table 4 provides the results.

In general, in comparison with 2004, the impacts of both retirement and social allowance benefits on old-age poverty were more significant in 2008. For instance, without retirement benefits, old-age poverty in 2004 increased from 19.5 per cent to 22.4 per cent, while it increased from13.3 per cent to 24.1 per cent in 2008. Retirement benefits had a greater impact on reducing old-age poverty than social allowance benefits.

Across different groups of older people, a similar trend was observed. By age, all older people could have faced a 50 per cent higher poverty rate if they had not received any retirement or social allowance benefits. For instance, for the group aged 60-69, the poverty rate in 2008 could have increased from 10.2 per cent to 23 per cent if they had not received retirement benefits, and 26.6 percent if they had neither received retirement nor social allowance benefits.

In terms of ethnicity, Kinh older people could have benefited more significantly from retirement and social allowances than their counterparts. Conversely, older people living in rural areas could have benefited more significantly from retirement benefits and social allowances than their urban counterparts.

3. Challenges and Policy Options

3.1 Challenges for Retirement Schemes

The above analysis indicates that retirement and social allowance benefits have generally played a crucial role in reducing old-age poverty in Vietnam. However, as argued in a number of studies (World Bank 2007; Evans *et al.* 2012), the current design and implementation of both retirement and social allowance benefits for older people have not adapted to the ageing population.

For the retirement scheme, it is imperative that two critical problems are addressed in a timely way. First, the scheme does not provide financial incentives for workers to participate. The retirement benefit is normally paid to males and females at age 60 and 55, respectively, with at least 20 years of contribution according to specified formulae. For example, the benefit formula is calibrated by multiplying the base earning by a service factor. Base earning is measured by the average monthly salary during a certain period of time, such as the average monthly salary of the last 10 working years for workers whose wages have been stipulated by state. Service factor is measured with 3 percentage points for the first fifteen years, and 2 percentage points thereafter for males and 3 percentage points thereafter for females. However, the total benefit rate (or replacement rate) cannot exceed 75 per cent. Those having a replacement rate of more than 75 per cent will get a lump-sum in lieu of the additional replacement rate. The benefit rate will be reduced by 1 percentage point for each year of early retirement. It is not possible to defer pension after normal retirement age, but it is possible to combine working and receiving pensions. Benefits are adjusted based on the consumer price index (CPI), but adjustment levels are decided by the government. Both contribution wages and pension benefits are tax-exempted.

Given the use of different formulae between male and female workers and public and non-public sector workers, estimates by World Bank (2007) indicate that even with the same contribution record, a worker in the non-public sector would expect to get lower retirement benefit than his/her counterpart in the public sector (Figure 1). To maximise benefits, Figure 1 implies that male and female workers in the non-public sector should respectively contribute only 28 years and 26 years to reach the maximum replacement rates under the current

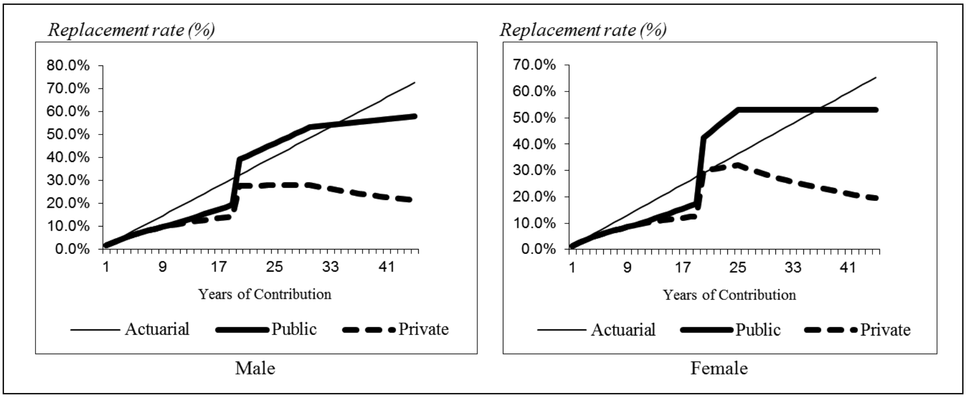

Figure 1. *Retirement scheme with unfair benefits*
Source: World Bank (2007)

regulations; otherwise, they would receive lower additional benefit for each additional year of contribution after these benchmarks.

Second, the long-term financial sustainability of the retirement fund may deteriorate with the current Pay-As-You-Go Defined Benefits (PAYG DB) design under an ageing population. Castel and Rama (2005), assuming the current retirement regulations remain the same, estimate that the retirement scheme dependency ratio (the ratio between the number of beneficiaries and number of contributors) will increase swiftly from 1/34 in 2000 to 1/19 in 2004, to 1/6 in 2020, and to 1/2 in 2050. Furthermore, as the population ages, the life expectancy of the elderly people at retirement will also increase. If the trend of early retirement for both males and females continues into the future, it will increase the number of years that benefits are paid. VSS (2009) shows that the average actual retirement age is 53, with males retiring at age 55 (5 years earlier than the normal retirement age 60) and females at 51 (4 years earlier than the normal retirement age of 55). In addition, the average life expectancy of retirees is 72.5 years with 71.1 years for males and 73.9 years for females. As a result, the average number of years that benefits are received is about 19.5 years with 16.1 years for males and 22.9 years for females. However, this report also indicates that a 28-year contribution can cover pension benefits for 10 years, meaning that the additional costs for the remaining 9.5 years of benefit receipts must be borne by the government budget or other sources.

Given the above scenario, a number of projections have shown that the current PAYG DB pension scheme in Vietnam will not be financially viable. For instance, scenario-based simulations by Gian *et al.* (2010) indicate the same findings that the pension balance will be zero from 2034, and consequently totally depleted in 2039. Giang and Pfau (2009), using stochastic simulations, also show that the pension fund will not be balanced from 2038 and depleted in 2051 with a 90 per cent confidence interval of two years for estimation. To balance the fund, OECD (2008) indicates that the contribution rate should increase from the current 22 per cent to more than 40 per cent. Such a contribution rate would be really costly making contribution evasion more prevalent due to the heavier burden imposed on the contributors.

3.2 Policy Options for Retirement Schemes

Reform can be instituted from a range of pension schemes. Nevertheless, to avoid future financial difficulties and generational inequity, it is suggested that a shift be made from the current PAYG DB scheme to a funded-type scheme, particularly a system of individual accounts. A partial or full shift depends on the specific demographic and socio-economic conditions of the country.

Previous studies (MoLISA 2010; Gian *et al.* 2010) proposed that the current PAYG DB retirement scheme in Vietnam should be transformed to a system of individual accounts with a notional defined contribution (NDC) as a transitional step. The most important reason for this suggestion is that such a transformation would help to reduce pension liabilities and mitigate generational imbalance. It is worth, however, noting that NDC should only constitute a transitional step; otherwise, NDC will just be ‘old wine in a new bottle’ in comparison with PAYG DB. Figure 2 shows how NDC fares better compared to PAYG DB in terms of financial balance: the lower the rate of return (ROR) for NDC, the longer the sustainability of the retirement fund balance.

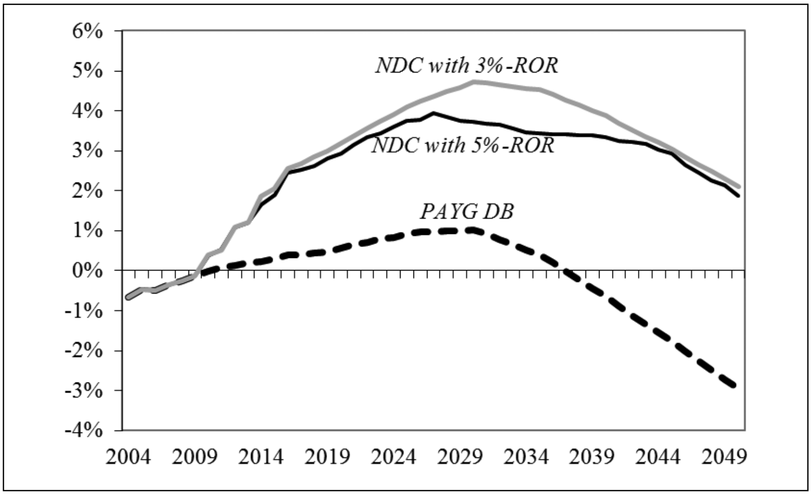

Figure 2. *NDC vs. PAYG DB in terms of financial viability*
Source: Giang (2010)

Another point to note is that since the NDC is designed as a saving account, the amount received will depend on the contributed amount and the rate of return. As such, persons with low contribution due to a low income will received a low benefit, which may not be adequate. Therefore, it is necessary that government pay attention to low-income workers to provide them supplementary support to join the scheme, so as to ensure they receive adequate retirement benefits in old-age.

4. Challenges and Policy Options for a Social Allowance Scheme

4.1 Challenges

In Vietnam, social allowance for older people is mostly in cash. Benefits amounting to a minimum of VND 45,000 (or about USD3) per month were first paid out in 2002 for only older people aged 90 and over who did not have retirement benefits. The benefits were increased to a minimum of VND 65,000 (or about USD4.2) per month in 2004 for the same eligible age group. Decree 67/ND-CP dated 13 April 2007 reduced the minimum eligibility age from 90 to 85 and increased the minimum benefit to VND 120,000 (about USD7.5) per month. On 27 February 2010, Decree 13/ND-CP further reduced the minimum eligible age to 80 and raised the minimum benefit to VND 180,000 (about USD9.5) per month. The final benefit amount is based on a set of multipliers that depend on household composition or specific characteristics of beneficiaries.

The current cash transfer programme for older people covers (i) older people aged 80 and over, who do not receive contributory pensions and social allowances; and (ii) people aged between 60 and 79 years living alone in poor households; and (iii) older people living with other older people and unhealthy spouses, without support from relatives, and in poor households. As of 2011, about 12 per cent of the total older population were covered by this programme, of which 948,111 beneficiaries were from the first category and 123,209 beneficiaries were from the second category (MoLISA 2012).

Given its deficiencies in design and implementation, this scheme has a low coverage and is therefore not able to tackle old-age poverty as effectively as expected. A number of studies, such as that of Giang and Wesumperuma (2012), MoLISA (2012) argue three main issues concerning this scheme.

The first is the scheme's rather weak mechanism to identify beneficiaries. In Vietnam's social protection system, MoLISA staff members at communal level are responsible for identifying beneficiaries of different social and anti-poverty programmes, including social allowances for older people. The most important base is the list of the poor. However, a study by the World Bank (2008) shows that the poverty threshold is generally based on central and local budget availability, rather than on satisfying demand. In addition, the list of poor households is updated annually based on households' income sources and other characteristics, which are subjective and dependent on the evaluation of local staff.

In addition, some regulations are very restrictive, making it difficult for older people to comply with the requirements, such as proving their disability (mentally or physically).

The second issue is adequacy of benefit. So far, the minimum transfer benefit is VND 180,000 which is about 40 per cent of the national poverty line. Existing studies, such as VNCA and GIZ (2013), show that such a benefit level is too low in comparison with the increasing costs of living.

The third major issue is administrative capacity for outreach, implementation, and monitoring. While the coverage of Vietnam's social pension scheme has expanded, the staff handling its administration remains limited and inappropriately distributed across areas and regions. In addition, staff usually do not have professional training in social policy and practice, going by just self-study and experience, leading to inefficiant management. Also, programme design and implementation are decided by various central and local government institutions at various stages, and this inevitably blurs the responsibilities between relevant institutions, which in turn delays policy implementation.

4.2 Policy Options

Recent studies (Weeks *et al*. 2004; and Giang and Pfau 2009; ILO 2012) indicate that, given limited funding and administrative capacity, a universal cash transfer would be a cost-saving scheme in reducing old-age poverty. These studies also emphasise that, given the same cost, a cash transfer programme for rural older people would be most influential in poverty reduction.

Table 5 presents micro-simulation results for different social cash transfer programmes which cost about 0.75 per cent of GDP in 2008. The table shows that it would be most poverty-mitigating if a cash transfer programme is initiated providing a benefit of 54.9 per cent of the 2008 official poverty line to old-age persons aged 61 and over living in rural areas (since it would reduce the poverty gap by 58.3 per cent). Given the same cost, it should be well noted that there would be a clear trade-off between coverage rate and benefit level.

For the long-term, when the Vietnamese population enters the 'aged phase', a universal social cash transfer to older people will be affordable (Table 6). Assume, the benefit, which was the same as in 2008 (i.e., 50 per cent of the official poverty line, or about 9.3 per cent of GDP per capita), is provided to all elderly people with four age thresholds. As the Vietnamese population ages, more elderly people would be beneficiaries of the cash transfer programme,

Table 5. Choices for cash transfer programmes that cost about 0.75 per cent GDP (2008)

Category	Starting age	Beneficiaries as % of total population	Benefit level as % of poverty line	Benefit level as % of GDP per capita	% change in poverty gap for the elderly population
RUR	61	7.4	54.9	10.2	-58.3
RUR	64	6.2	64.8	12.1	-52.3
RUR	67	5.2	77.1	14.3	-46.4
RUR	71	3.8	105.5	19.6	-42.7
RUR	76	2.4	165.9	30.9	-35.5

Note: Options of cash transfer programmes which cost about 0.75 per cent of GDP in 2008 were many, such as those for all older people; only for females; only for rural older people. However, only categories which have the highest impact on poverty indicators (in this case, poverty gap) will be recorded in this table. All categories in this table are rural (RUR), meaning that, at the same budget at 0.75 per cent of GDP in 2008, a cash transfer programme for rural older people will be most influential in old-age poverty reduction.
Source: Own calculations, using VHLSS 2008

Table 6. Fiscal costs for universal cash transfer programmes, 2009-2049

Year	2009	2019	2029	2039	2049
Providing benefits to all elderly (aged 60 and over)					
Eligible population (as % of total population)	8.7	11.4	16.7	21.4	26.1
Benefit (as % GDP per capita)	9.3	9.3	9.3	9.3	9.3
Fiscal cost (as % of GDP)	0.81	1.06	1.55	1.99	2.43
Providing benefits to all elderly aged 65 and over					
Eligible population (as % of total population)	6.4	7.1	11.4	15.6	19.1
Benefit (% GDP per capita)	9.3	9.3	9.3	9.3	9.3
Fiscal cost (as % of GDP)	0.60	0.66	1.06	1.45	1.77
Providing benefits to all elderly aged 70 and over					
Eligible population (as % of total population)	4.6	4.3	6.8	10.4	12.9
Benefit (% GDP per capita)	9.3	9.3	9.3	9.3	9.3
Fiscal cost (as % of GDP)	0.43	0.40	0.63	0.96	1.20
Providing benefits to all elderly aged 75 and over					
Eligible population (as % of total population)	3.0	2.6	3.5	6.1	8.0
Benefit (% GDP per capita)	9.3	9.3	9.3	9.3	9.3
Fiscal cost (as % of GDP)	0.28	0.25	0.32	0.56	0.75

Source: Own calculations, using GSO (2011)

and therefore the fiscal costs would be higher. Table 6 shows, however, that the highest fiscal costs for a universal cash transfer programme covering all elderly people would be as high as 2.43 per cent of GDP in 2049. Such a finding is in line with the simulation results for many other developing countries in UN-DESA (2007).

5. Conclusion

Using household data and results from existing studies, this paper argued that the Vietnamese population has been ageing more quickly than expected, and as such social protection policies for an ageing population should be formulated without delay. The paper showed that retirement and social allowances have increasingly reached various groups of old-age persons, but a number of challenges remain in terms of accessibility and financing, which occur together. To deal with these issues, the paper argues that Vietnam should transform the current PAYG DB retirement scheme to a system of individual accounts with an NDC scheme as a transitional step. At the same time, the current cash transfer programme should be expanded to cover more older people, especially rural older people as it would have the greatest impact on reducing old-age poverty.

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