

AN ANALYSIS OF

POLITICAL VIEWS AND POLICIES IN POVERTY REDUCTION AND PENSION FOR THE ELDERLY IN VIETNAM

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The report was funded by the Rosa Luxemburg Stiftung Southeast Asia,
based on the desk review of publications

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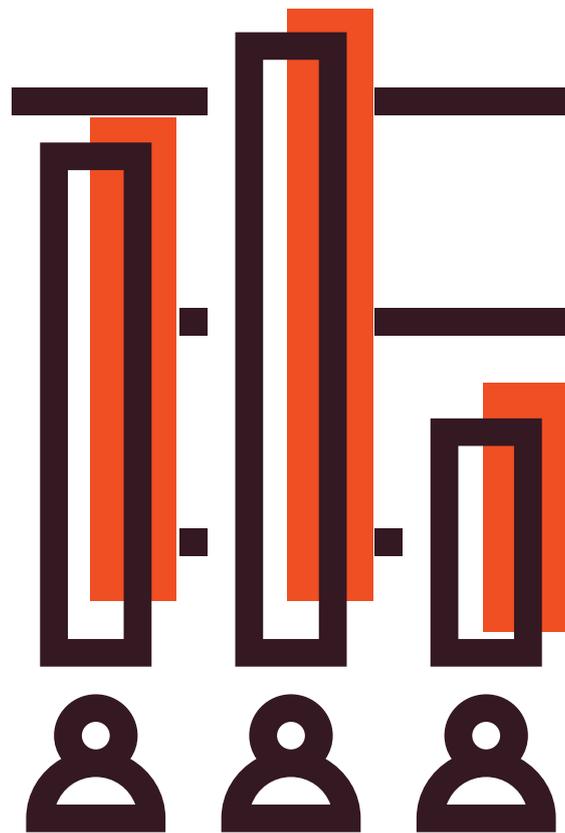
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BACKGROUND



“Renewal” (Doi Moi) Policy started being implemented in 1986 and since then Vietnam has engaged in strong structural reforms and rapid socio-economic development. Vietnam’s economy experienced a fundamental transformation from the central planned economy to the socialist-oriented market one with the recent rapid integration into the global economy. The economic growth taking place on a large scale has resulted in significant improvements in the quality of life for almost people when poverty rate reduced from 58% in 1993 to 9.88% in 2016¹. Good non-income welfare indicators such as access to social services and fundamental infrastructures have affirmed that positive trend. The high and sustainable economic growth rate recognized by the global community has been mainly attributed by the reforms conducted in the rural economic sector via more equal reallocation of agricultural lands to rural households and diversification of cultivation activities. The reforms have created motives for promoting agricultural cultivations and export. Along with those changes, new employment has been created in the private sector, which acts as the driving force for economic growth at a high speed.

Moreover, the aging population is increasing when the rate of people aged 60 years old and higher was 10.2% in 2012. It is projected that the rate will increased to 20.7% and 24.8% in 2040 and 2049, respectively. That rapid aging population rate will be a very big challenge to Vietnam when most of the elderly is living in rural areas (68.2%) and their main job is cultivating. Currently, 59% of the people aged between 60 and 69 years old and about 41% aged more than 70 years old are still working and 56.8% of them are working in agriculture. It is noted that a large number of the elderly, especially those are from 60 to 69 years old, have demands of working but they do not have jobs or their jobs are not suitable to their working capacity. For a number of factors (related to history and culture) as well as existing difficulties posted to them, the ability of the elderly in accumulating assets and savings is weak. Up to 70% of the elderly do not have accumulated assets or savings and 18% of them are living in poor households; meanwhile, social protection policies have not been able to cover all the elderly and respond to their needs. There were nearly 1.43 million old aged people benefiting from the monthly social pension scheme and around 2 million people were enjoying the retirement pension policy and social insurance benefits. The proportion of the subsidized elderly with disabilities was 5.7% (UNFPA, 2011).

Despite impressive achievements in poverty reduction and assurance of minimum income for the elderly, a large number of Vietnamese households are still living just above the poverty line and they can easily fall back into poverty if they just encounter several disadvantages; the elderly still face difficulties in access to social protection policies. Moreover, different economic and social shocks such as climate change, avian-human influenza pandemics, impact of the global financial crisis between 2008 and 2009 have exposed a situation that Vietnam are facing emerging and fundamental challenges in executing sustainable poverty reduction and social protection for the elderly.

1 Decision No. 1095/OD-LDTBXH on approving the results of the National Survey on Poor Households, Just-above Poor Households in 2015 according to the Multi-dimensional Poverty Line for the period of 2016 to 2020.

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POVERTY REDUCTION AND HUNGER ALLEVIATION IN VIETNAM

Poverty reduction, hunger alleviation, restriction of the rich and poor gap are the key missions that Vietnam Communist Party and its Government have identified and executed since the country's inception (1945). Especially since the Sixth Congress of the Communist Party (1986), hunger alleviation and poverty reduction have been recognized as the first priority, which needs hard efforts of both the Government and people to fight against. Only when the hunger alleviation and poverty reduction is dealt with, will the country's socio-economic development, assurance of social protection for people and national security be secure. Therefore, since 1986, that political view has been expressed consistently through the official documents of the Congresses VII, VIII, IX, X, XI and XII of the Communist Party, acting as a legal ground for the Government, socio-political organizations, civil society, people and international community to engage in poverty reduction and hunger alleviation in Vietnam.



1.1 POVERTY REDUCTION POLICIES IN VIETNAM



DIFFERENT APPROACHES IN POVERTY REDUCTION

In order to realize the objective and policies of poverty reduction, since the 1990s, the Communist Part and Government of Vietnam have reduced poverty through applying three approaches concurrently, including: (i) long-term poverty reduction strategies; (ii) medium-term poverty reduction policies; (iii) and short-term poverty reliefs (please see the Table below).

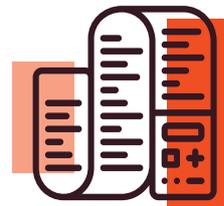
TABLE 1: POVERTY REDUCTION PROGRAMS IN VIETNAM AND ACCESSIBILITY LEVEL

LONG-TERM STRATEGY	MEDIUM-TERM POLICY	SHORT-TERM RELIEFS	LEVEL OF ACCESS TO POLICIES/ RELIEFS	EFFECTIVENESS OF POLICIES/ RELIEFS
1. Social-Economic Development Program for Most Hardship Communes in the Ethnic Minority and Mountainous Areas (Program 135), Phase I: 1997 - 2006; and Phase II: 2006 - 2010;	Preferential credit	Unscheduled reliefs for natural disasters (floods, droughts or fire)	+++	++
	Education	Electricity subsidies for poor households	+++	++
	Healthcare	Food subsidies for the poor	+++	++
2. Speedy and Sustainable Poverty Reduction Programme for 61 Poor Districts in Vietnam (Program No. 30a)	Agricultural extension	Allowances for the poor on (Chinese) Tet Holiday (in cash)	++	+
3. National Target Program on New Rural Development for the Period of 2010 to 2020	Vocational training	Human - avian - cattle) pandemic reliefs	+	+
4. National Target Program on Sustainable Poverty Reduction between 2016 and 2020	Land and cultivation production support	Other kinds of reliefs	+	+

Source: Developed based on the Executive Summary of the Report on An Analytical framework of Technical Assistance for Mid-term Review on Sustainable Poverty Reduction Objective for the period of 2011 to 2015". Dr. Nguyen Huu Dung and Dr. Nguyen Van Cuong, 2014.

Note: +++ High level/effectiveness of accessibility; ++ Medium level/effectiveness of accessibility; + Low level/effectiveness of accessibility (have not met the poor's demands of support)

Long-term poverty reduction strategies comprise national target programs. Those programs are developed and deployed systematically by the Government in the selected geographical areas, focusing on dealing with alleviating hunger and reducing poverty for all people in general and particular population groups such as the poor residing in poor districts or ethnic minority areas. The medium-term policies consist of programs on preferential credit loans, education, vocational training, health care, agricultural extension, etc. Those policies aim at supporting people to access opportunities and resources for self-poverty escape. Short-term supports are often unscheduled reliefs to deal with unexpected vulnerable incidents to the poor due to the factors related to climate change, pandemics or negative impact of the international economic environment. Those supports merely help to reduce the vulnerabilities to the poor in a short-term but have almost no impact on sustainable poverty reduction. However, in fact, in Vietnam's hunger alleviation and poverty reduction strategy, short-term and medium-term supports and policies are crucial to ensure fundamental social protection for people and contribute to realizing the long-term poverty reduction strategy in Vietnam.



POSITIVE IMPACT

For more than 25 years of implementing poverty reduction and hunger alleviation, Vietnam has obtained impressive achievements, which have been highly appreciated by its citizens and the global community (MoLISA, Irish-Aid, & UNDP, 2015; Nguyen, 2012; Pham, 2012; Socialist-Republic-of-Vietnam, 2015; VASS, 2011; WB, 2002). Between 1993 and 2008, the poverty reduction rate (according to the national poverty line²) reduced from 58.1% to 14.5% (more than 43 million people escaped from poverty). In the next period, from 2010 to 2014, the poverty rate continued reducing from 14.2% in 2010 to 8.4% in 2014 (Socialist-Republic-of-Vietnam, 2015). However, according to the WB-GSO's poverty³, by 2013, Vietnam still had 17.2% poor households.

The decreased poverty rate means that Vietnamese people's living standards has been improved, the rich-poor gap between rural and urban areas tend to decrease, from 41.3% in 1993 to 16.7% in 2012 (Socialist-Republic-of-Vietnam, 2015). In particular, the Program on Sustainable Poverty Reduction for the period of 2011 to 2020 have deployed a number of support packages for the poor in health, education, nutrition, housing, sanitation, legal aid service, information and culture as well as constructing infrastructure for poor areas. For example, medical support has been carried out through the scheme of subsidizing the poor to purchase health insurance cards, which enables them to access health care as well as medical examination and treatment services. That support both ensures the rights and benefits of people and acts as an important factor contributing to nurturing a health workforce physically and mentally, improving people's abilities to find jobs, enhancing labour productivity, leading to income increase and reducing poverty sustainability. Policies on vocational training, job creation, and social protection for the poor and vulnerable groups in poverty have achieved certain successes in Vietnam. Particularly, the vocational training policy has contributed to improving technical qualifications for the people living in rural, remote and mountainous areas. For example, the Master Plan on Vocational Training for Rural Labour aimed at training more than 1 million rural workers by 2020 and for more than five years of implementation, this Master Plan is going to achieve its target.

Poor people's quality of life has been improved significantly. Particularly, the average consumption shortage of the poor compared to the poverty line which is measured by the poverty gap ratio continuously fell from 18.5% in 1993 to a very low level of 3.5% in 2008. The severity of poverty also fell from 7.9% in 1993 to 1.2% in 2008 (VASS, 2011). The indicators of health, education,

² Period of 1997 to 2000 (Official Document No. 1751/LĐTBXH): rural and mountainous areas and islands: less than 55 thousand VND/ person/month; rural, delta and midland areas: less than 70 thousand VND/person/month; urban areas: less than 90 thousand VND/person/month.

Period of 2001 to 2005 (Decision No. 1143/2000/QĐ-LĐTBXH): rural and mountainous areas and islands: under 80,000 VND/person/month; plain countryside: less than VND100,000/person/month; urban areas: below 150,000 VND/person/month.

Period of 2006 to 2010 (Decision No. 170/2005/QĐ-TTg): rural area is under 200,000 VND/person/month; urban areas: under 260, 000 VND/person/month.

Period of 2011 to 2015: (Decision No. 09/2011/QĐ-TTg: Poor households (rural areas: income of 400,000 VND/person/month or less; urban areas: income of 500,000/person/month or less); near-poor households (rural areas: income from 401,000-520,000 VND/person/ month; urban areas: income from 501,000-650,000 VND/person/month

³ The common poverty rate estimated by GSO and WB is calculated based on the average expense per capita per month by year: 2002 (160,000 VND); 2004 (173,000 VND); 2006 (213,000 VND); 2008 (280,000 VND); 2010* (653,000 VND); 2012 (871,000 VND).

housing, electricity, roads, clean water and environmental sanitation have improved dramatically. For instance, in 1993, only 37% of the poor could access electricity but at the moment, nearly 90% of the poor have accessed electricity at their home (WB, 2012).

In addition, policies on poverty reduction in Vietnam have also had positive impacts on reducing poverty for different population groups in society, especially the vulnerable ones (the poor, people with disabilities, people living with HIV/AIDS, the elderly, ethnic minorities). For instance, the standard regular social transfer amount for those disadvantaged groups is 270.000 VND/month⁴ or about 12 US dollars. In addition, the Committee for Ethnic Minorities under the direction of the Government developed and deployed specific poverty reduction programs for ethnic minorities according to the Decision No.134/2004/QĐ-TTg dated 20 July 2004 of the Prime Minister on “Several Policies on Supporting Cultivating, Residing Lands and Clean Water for Poor Ethnic Minority Households”. In 2008, the Government under the Decision No. 167/2008/QĐ-TTg dated 12 December 2008 of the Prime Minister implemented the Policy on “Supporting Accommodations for the Poor”, which has significantly supported the poor to overcome their vulnerabilities brought by unsafe accommodations.

NEGATIVE IMPACTS

The above-mentioned impressive achievements in poverty reduction does not mean that in the coming time, the poverty rate in Vietnam will continue to decrease to the value of 0 because Vietnam is facing emerging challenges (WB, 2012). One of the biggest challenges is related to economic shocks or crises. For instance, between 2008 and 2015, the rate of poor households in Vietnam decreased very slowly. Even in 2008, the poverty rate increased by 2.1% compared to the previous year. The main cause for that increase was the impact of the global economic crisis taking place between 2008 and 2009 (details about the impacts of economic crises for the poor, please see the analyses in the section 1.3 below). According to Mr. Bui Sy Loi (2015) - Deputy chairman of National Assembly Committee for Social Affairs, Vietnam needed to take more efforts to develop and implement policies and schemes on sustainable poverty reduction to bridge the rich-poor gap between, the gaps among geographical areas and ethnicities in Vietnam.

Recent study reports (MoLISA, Irish-Aid, & UNDP, 2015; Nguyen, 2012; Pham, 2012; Socialist-Republic-of-Vietnam, 2015; VASS, 2011; WB, 2002) on evaluating poverty in Vietnam have all indicated contradictions and shortcomings existing in current poverty reduction policies. Firstly, Vietnam’s poverty line has been only based on the income indicator to identify the rate of poor households. If following the national poverty rate (period of 2010 - 2015), the poverty line was very low and the poverty rate was correspondingly low. However, if following the poverty line developed by GSO and WB, the poverty rate in Vietnam still stood at 17.2% in 2013. GSO-WB’s poverty line was, although, higher than the national poverty line, was still low (around 30USD/person/month) and it was still based on the income as the one-dimension criterion to calculate the poverty rate. Nonetheless, the poor do not merely have tangible needs (e.g., food, drinking water, shelters, clothes) but also intangible ones such as opportunities to engage in social life, cultural activities, recreations, etc. (multidimensional poverty). Secondly, there are existing issues in the methods and process of identifying poor households, which has led to the situation that the poor are not the subjects of poverty reduction policies while non-poor ones become beneficiaries (Vietnamese households still want to be “poor” to receive transfers and relief from the State). That failure occurs

4 According to the Decision No. 136/2013/ND-CP dated 21 October 2013 Regulating the Social Transfer Policy for the Subjects of Social Protection

when the procedures of identifying poor households have not been standardized and accurate, which leads to legal holes for grassroots authorities and people to take advantage.

Overlaps in poverty reduction policies in Vietnam has been a persistent issue, which is becoming more serious and hindering the realization of poverty reduction policies (MoLISA et al., 2015). Results of the review on legal normative documents on poverty reduction by Oxfam (2015) indicated that by March 2014, ministries and line-ministerial agencies had issued 501 official documents on poverty reduction, 188 of which were directly relevant to poverty reduction and 313 others were indirectly related to it. Moreover, the role of the State in coordinating and connecting the implementation of policies and programs is weak. Although poverty reduction policies have been spread to cover almost all aspects of poor people's life (group of policies on livelihood support, health care, education and training, living conditions and environment, information access, etc.), but the programs and policies were carried out by various actors with few or no connections. For example, of the same subject - poor ethnic minority women, almost all national target programs have aimed at supporting them. Beside, line-ministerial agencies (e.g., Committee for Ethnic Minorities) and socio-political organizations (e.g., Women's Union), and even non-governmental organizations (NGOs) have their own programs to support those women. Overlaps in poverty reduction policies coupled with an inconsistent management mechanism, unclear task assignment and lack of coordination among relevant stakeholders in implementing the policies have led to contradictions in beneficiary management, different level of transfers and supports for the poor as well as various approaches to poverty reduction in Vietnam (VASS, 2011).

At the grassroots level, political views in jointly planning and budgeting for poverty reduction have not been carried out. The vertical management and implementation structure of poverty reduction programs have hindered a common design of poverty reduction programs from all poverty reduction policies/projects conducted in localities. There has not been a consistent direction of soliciting different financial funds, including the state budget, foreign support and local budget to form a joint budget. In addition, in the national target programs, the participatory culture - a crucial element in executing grassroots democracy has not been applied in implementing poverty reduction programs as communication and accountability of commune and district authorities are very limited. Only 10% of the communes nationwide have been able gather the funds in one budget to deploy their own poverty reduction programs. In addition, community engagement, especially people's participation in planning, implementing, monitoring and evaluating the implementation of national target programs on poverty reduction is restricted.

The issue of mobilization and distribution of resources for poverty reduction is also a barrier to the implementation of poverty reduction policies in the future. Although the resources come from various partners; however, in practice, the resources for each program were very limited, dripped and spread. Resources have been allocated for hundreds of projects, various poverty reduction programs with different approaches but they have not been connected to avoid overlaps in beneficiaries and target locations. As a result, poverty reduction programs in Vietnam have not been sustainable.

Another issue existing in poverty reduction in Vietnam is the limited management and implementation capacity of the poverty reduction officers, which have contributed to low effectiveness and efficiency of poverty reduction programs in Vietnam (VASS, 2011). Most of the officers have not been trained with knowledge and skills in implementing and managing poverty reduction projects; at the same time, they have to be in charge of different assigned tasks. When deploying the national target programs or others, the implementing mechanism is often vertical, i.e., from the central to grassroots level. Normally, the staff of the labour invalids and social affairs branch are often responsible for executing those programs. However, the staff of the provincial, district to commune authorities have been normally assigned with a number of other tasks on labour, employment,

child labour, etc., so poverty reduction is among one of their tasks that they have to be in charge in their daily work.

Another inadequacy in Vietnam's poverty reduction policy is the development and deployment of ineffective and unrealistic poverty reduction models. The models on poverty reduction, job creation, labour dispatch to foreign countries, etc..., have been, though, implemented, their effectiveness is not high due to shortcomings existed in implementation (inaccurate selection of beneficiaries, irrelevant forms of training and education, low or unsuitable level of support, etc.). For instance, in deploying the Program No. 135⁵, there was a project on free transfers of seeding cattle and livestock such as calves, piggy, and chickens for the poor to escape poverty. However, that model was not effective because: (i) only few (1-2) seeding cattle or livestock were given to the poor. Even though those cattle or livestock grew up and sold, the amount of money collected from that breeding was not enough to help people out of poverty; (ii) the project only granted the seeding cattle or livestock but did not teach them how to raise those cattle and livestock. As a result, a large number of provided cattle and livestock died after reception; (iii) economic conditions of the poor areas are often extreme and poor (in terms of food, climate, weather, etc.), the cattle or livestock grew up slowly or die because of the extreme weather.

Last but not least, despite the reducing poverty gap between rural and urban areas over the past time, the disparity is still quite big (16.7% in 2002). In 2008, the disparity rate reduced to 15.4%; however, it continued to increase afterwards due to the impact of the economic crisis in 2008 and 2009 (VASS, 2011). That disparity has been caused by different reasons but the key factor is the different participation in and benefit from the country's development process between urban and rural areas. The people living in urban areas often access new changes and development of the economy quickly. In contrast, the rural population is often slow in reacting innovations and changes and hence, they are also slow in catching up with new technologies; their benefits from the economic development and updated innovations were much less than those in urban areas. Nonetheless, they are often the people severely affected by negative impact of innovations and changes. Moreover, their adaptability and responsiveness to negative impacts of changes or innovations are often far weaker than the urban population. If Vietnam's economic growth is not improved in coming time, it is likely that the rich-poor gap will continue increasing. The gap will lead to different social consequences such as more serious social stratification and inequality.

5 Program on Socio-Economic Development for the Extremely Disadvantaged Communes of Ethnic minorities and Mountainous Areas which was approved by the Prime Minister by two Phases: 1997 - 2006 and 2006 - 2010





Successful poverty reduction policies and programs over the past years have been greatly contributed by the State's efforts in line with active engagement of state management agencies, socio-political organizations, NGOs and community. The policy on preferential credit loans for the poor mainly carried out by the Bank of Social Policies with 15 preferential credit programs for the poor is one of the most effective one. The state budget has been prioritized to invest in the policies and projects under the National Target Programs on Sustainable Poverty Reduction (including the Program No. 30a and No. 135), the policies on supporting the poor to access health services, education, housing, vocational training, job creations, etc. Between 2011 and 2013 (3 years), the total state budget allocated for poverty reduction was 120,818 billion dong (or about 5.5 billion USD). Along with the preferential credit loan policies, the Government has conducted a wide range of effective projects and programs on vocational training and jobs creation for the poor. Between 2006 and 2010, it was estimated that about 150,000 poor labourers were freely trained (reaching 100% of the set target), 60% of whom were self-created with jobs or found jobs. The Program No. 135 Phase II (2006-2010) was among one of the strong commitment of the Government in boosting the economic growth and poverty reduction for ethnic minorities (WB, 2012; MoLISA, CEMA & UNDP, 2009).

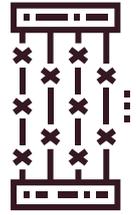
The roles of private sector and international organizations in poverty reduction in Vietnam are quite significant. According to the analysis of poverty reduction by WB (2002), 3 nations/organizations which have provided non-refunded official development assistance (ODA) for Vietnam's socio-economic development and poverty reduction in Vietnam include Japan, Asia Development Bank (ADB) and World Bank. In addition, a number of other countries and organizations such as United Nations, France, Britain, Germany, Belgium, Spain, etc. have also provided technical and financial assistance for Vietnam through aid programs and bilateral trade agreements). Nonetheless, it is also noted that each country or organization when supporting Vietnam has its own interest and purpose. For instance, World Bank is the third biggest donor of Vietnam in poverty reduction; however, in fact, its support is not only for its own benefits (affirming its visibility in the global community) but also for political purposes (Wade, 2002; Engel, 2010). It is said that WB's support for Vietnam because of political purposes because WB is an organization operating for the interest of the USA. Meanwhile, the American economy is developed towards "neoliberalism". Via its sponsoring policies, WB has indirectly influenced Vietnam's socialist-oriented market economy with its political!

In addition, the roles of socio-political organizations, national and international non-governmental organizations in poverty reduction in Vietnam are significant. Women's Union, Farmers' Union, Veterans' Union, etc. have been quite active in assisting Vietnamese people to escape from poverty. In particular, those unions have also developed and implemented their own master plans on poverty reduction for their members. The funds come from the state, the private and donors. For instance, Women's Union developed and deployed the Master Plan No. 295 to provide vocational training for female workers, especially the poor one, ethnic minorities, women living with HIV/AIDS, women with disabilities, etc. However, the engagement of socio-political organizations into poverty reduction have deepened the overlaps and complexities of poverty reduction policies in Vietnam as all the members of Women's Union (women) or Farmers' Union (farmer) or Veterans' Union, etc. are also the beneficiaries of the National Target Programs or the projects on livelihoods

and poverty reductions of NGOs. A lack of coordination among the State and socio-political organizations in conducting the programs and projects has reduced the overall effectiveness and sustainability of poverty reduction, leading to a situation that “you do your work and so do I”. The poor are still the subjects of piloted poverty reduction models. If they are lucky, they can get out of poverty owing to those models or vice versa, they will continue being trapped in their vicious poverty cycle and do not know how to escape from it.

In terms of the roles of civil society organizations (CSOs) in poverty reduction, local people and the Government of Vietnam have all recognized their positive contributions and effectiveness in helping Vietnamese people escape from poverty Isee (2005). However, the issue which needs discussing about the role of CSOs in poverty reduction in Vietnam is their weak criticism and monitoring over the poverty reduction programs conducted by the State. There is a fact that only several years ago, CSO was still a “sensitive” term in Vietnam because its role and form of operation was “adopted” from foreign countries. New-born NGOs in Vietnam in the 1990s were very “careful” in speaking out or raising their voices in protecting the rights and benefits of vulnerable and disadvantaged groups in society and their working fields should only support for the implementation of state policies. Therefore, poverty reduction programs carried out by local and international NGOs in Vietnam over the past years have mainly supported for the execution of poverty reduction programs and policies of the Government. Although at present, CSOs in Vietnam have been more open and stronger in giving input and comments to the state policies; their role is still considered an “extended hand” of the Government in supporting poverty reduction. Their practical role as “critics” has not performed well.





Although poverty reduction policies and efforts in Vietnam have been recognized both in quantity and quality in recent years, those policies and efforts have not well and equally implemented among different population groups, including the ethnic minority one. For example, in 2012, the poverty gap between the Kinh people and other ethnic minorities was very high, up to 49.3% (Socialist-Republic-of-Vietnam, 2015). Of the total 17.2% poor people in Vietnam (according to GSO-WB's poverty line), up to 59.2% were ethnic minorities. Reasons for that gap are both objective and subjective. Objective reasons are related to the natural conditions and ethnic minorities' living areas which are often far and extremely disadvantaged with bad weather. Infrastructure conditions such as roads, schools, health clinics, etc. were very poor and insufficient. Subjective reasons are related to ethnic minorities' low educational attainment, limited knowledge and professional skills. In particular, a large number of them are illiterate, so their ability to integrate into or communicate with the Kinh group or the outside world is limited. Therefore, their opportunities to escape from poverty are very few. In addition, difference in ethnicities is also a contribution to the different results in poverty reduction between the Kinh (major population - 86%) and ethnic minorities (53 ethnicities - 14%) in Vietnam. If considering all aspects, the Kinh group is much more advantageous than other ethnic groups in improving the living standards. Firstly, the living conditions as well as infrastructure in the areas where the Kinh people are living are much better than those of ethnic minorities. The Kinh people are the master of Vietnamese (Vietnam's official language) so the literacy rate of the Kinh People is up to 98% while this rate among ethnic minorities is about more than 60%. Moreover, decision makers and designers of the poverty reduction programs are mainly the Kinh people, who cannot reflect all expectations and needs of ethnic minorities in poverty reduction.

Another issue is that the population groups in the Southeast and Southern regions of Vietnam have escaped from poverty more quickly and sustainably than those in the North and North Central Coast. Reason is that ethnic minorities are mainly residing in North and North Central Coast region; meanwhile, the Kinh and Chinese-Vietnamese people are living in the South and Southeast. As presented above, the rate of ethnic minorities are living under the poverty line is much higher than the rate of Kinh people. According to the report on MDG implementation in 2013, the provinces such as Ho Chi Minh City located in Southeast region of Vietnam succeeded in eliminating poverty in 2012; meanwhile, Binh Duong had only 1.2% of its population was living under the poverty line in 2012. In contrast, in the Central Coast and Northern Mountainous Regions, the poverty rate has been reduced very slowly. In 2012, there were 23.8% of the population in those areas were living under the national poverty line while according the GSO-WB's poverty line, up to 41.9% of them were poor.

Poverty among the elderly is one of the challenges facing Vietnam in the coming time when the social protection system and the pension system has not been inclusive, the coverage of social insurance (compulsory and voluntary) is low (under 11% of the total population UNDP (2009). Meanwhile, the average income of the elderly in Vietnam is only equivalent to 59% of the national average income per capita UNFPA (2011).

Poverty in urban areas also needs concerns. Although the current poverty rate is more concentrated in rural, mountainous and remote areas, the poor in urban areas should be also cared seriously because they are more vulnerable and suffer from duplicated negative impacts of social and economic shocks, which are caused by various factors such as economic crises or increasing inflation rate. Urban poverty should be considered from multidimensional aspects which are related to housing conditions, sanitation, clean water, access to education and most basic social

services because they are also barriers to the poor in enjoying the most fundamental living standards (UNDP, 2010a).

Besides, instabilities of the macro economy due to the economic crisis are one of the causes to the increasing poverty rate in Vietnam. The impact of price increase in 2008 caused the instability in Vietnam's economy and contributed to an increase of 2.1% of the poor households compared to the previous year. The economic crisis has also made the poverty rate reduce slowly. In the period of 2006 to 2008, the poverty rate merely decreased by 1.5% (from 16% in 2006 to 14.5% in 2008); whereas, in the period of 2004 to 2006 and from 2002 to 2004, the poverty rates reduced by 3.5% and 19.5%, respectively (Nguyen, 2009). The economic crisis caused high inflation in the years of 2008 and 2009 and led to certain disadvantages and vulnerabilities to the poor. The poor is, normally, very hard in earning income. If inflation happens, it would push the prices of commodities to be higher, causing more difficulties for the poor to purchase daily necessities. The economic crisis often leads to production stagnation or bankruptcy of companies, especially the small and medium ones, which results in cut-downs on production scale and number of employees. As a result, a number of workers are unemployed; they would fall into poverty if they cannot find new jobs. In addition, the economic crisis is a reason for the government to reduce the state budget for poverty reduction, the policy of austerity (or reducing spending and raising taxes) have been applied by the Government of Vietnam since 2008 to reduce the budget deficit due to their national slow economic growth. That policy has also contributed to reduce the pace of poverty reduction in Vietnam in recent years.

Internal migration (mainly from rural to urban areas) is also an obstacle to poverty reduction in Vietnam. Migrants in cities are increasing, and if multidimensional poverty is applied instead of income poverty, most of the migrants in the cities are the poor. Migrants are facing big challenges in access to housing, social services as well as poverty reduction programs in urban areas as they are not counted as the people living in urban areas. Those services and poverty reduction programs are carried based on the resident certificates held by households and their members; so if the migrants' resident certificates are in rural areas, they are not legitimate to access fundamental social services and poverty reduction programs in urban ones (UNDP, 2010b).

Gender and social inequality are other causes for the exclusion of the poor in access to social protection. Particularly, the rich-poor gap tends to increase in recent years when income inequality is increasing over time. Lower-income households have lower income increases than higher-income ones (The-Government-of-Vietnam, 2012), which has led to increasing risks of social inequality. Normally, the wealthy households have more opportunities to improve their income and access to social services, education, and health care than the poorer ones unless those services are freely provided by the State with favourable conditions for access. In addition, gender inequality is also one of the concerning issue in poverty reduction in Vietnam when gender stereotypes are still persistent in poverty reduction policies and programs in Vietnam. For instance, in providing preferential credit loans for the poor, most of the loan makers are the heads of households (normally the men). Even women are legitimate to the loans because they are specially targeted by special programs, the decision makers for the utilization of the loans is still the men and that gender stereotype is more serious among ethnic minority groups (Oxfam, Action Aid, Isee, & Caritas, 2010). Women's unequal access to and benefit from the poverty reduction programs as well as their fewer opportunities to escape from poverty due to gender biases will hinder their development as well as the poverty reduction process and social development.

Last but not least, particular vulnerabilities of particular social groups such as the people with disabilities, people living with HIV/AIDS or children are also big barriers to the poverty reduction in Vietnam (CAF & IDS, 2005; UBDT, IRC, & UNICEF, 2015). Despite the Government's programs on regular social transfer for them (equivalent to 12\$/person/month), that amount of transfer is too low and only equivalent to more than 50% of the national poverty line. That amount of transfer cannot help the poor to escape from poverty in a short or long term.

1.5

EFFECTIVE POVERTY REDUCTION MODELS IN VIETNAM



In the process of implementing the programs and projects on poverty reduction in Vietnam, various models of poverty reductions have been piloted. They consist of four types: (i) breeding, (ii) farming (cash crops); (iii) fisheries; and (iv) forestry. Several effective models have been replicated in Lao Cai, Ha Giang, Lam Dong, Dong Nai, Ben Tre province ... The most effective model is carried out by normal people and military force in providing health care for people in ethnic minority areas. The model combined economic development and national defense by national defense soldiers to help the poor find jobs, get stable income and escape from poverty; the model in connecting enterprises and poor rural farmers to boost agricultural productions and marketing of products or the model on microfinance via sustaining saving groups run by Women's Union (Report of MARD⁶)

TYPICAL MODEL ON "COMMUNITY LIVELIHOOD "MODEL, CONTRIBUTING TO ELIMINATING HUNGER AND POVERTY REDUCTION IN VAN KIEU ETHNIC MINORITY"⁷

Rural Development Fund in Quang Ninh district, Quang Binh province have had a number of activities to support Van Kieu Ethnic Minority to develop their own economic model via improving the skills of utilizing natural resources such as cultivating lands, breeding, development of sustainable development model, contributing to improving the living standards of Van Kieu Ethnic Minority.

In the mountainous commune, Truong Son, located in the West of Quang Ninh district, there were 929 people, 50% of whom are Van Kieu Ethnic Minority. Main living source of the people there were agricultural products; therefore, people's life was very hard (especially for Van Kieu ethnic minority group). The poverty rate of the commune was 52%. In order to reduce poverty, 3 breeding models were carried out in the commune:



Model of raising chickens in gardens was piloted in Cay Su mountainous village (by 3 households) with 45 chickens. After 4 months, the chickens grew quickly and expanded with more chickens. Ms. Ho Thi Bong living in Cay Su mountainous village shared, "since 2002, my family has been supported to raise Luong Phuong and Tam Hoang chicken stems. Those types of chickens grew and expanded very quickly. Owing to the project support, my family and others in our village have escaped from poverty".



Model of cultivating rice trees, which supported 5 Van Kieu ethnic minority households in Trung Son mountainous village to escape from poverty. Those families were supported with seeds, fertilizers, pesticides and the techniques to cultivate effectively. Owing to fully support, the productivity of rice trees was very high. Head of the Village, Mr. Hoang Van Dung, shared that "because Trung Son Village was guided how to cultivate rice trees as well as provided with good rice seeds, fertilizers and pesticides, the productivity of the rice trees is very high, up to 200 kilograms per 360 meter squares. People in the village are very happy with that".



Model of planting banana trees in Co Trang, Ben Duong and Da Chat Mountainous Villages with 21 households' engagement in planting 903 banana dusts in the area of 7,500m². At present, banana trees are growing well with a high productivity. On average, each banana stem has 8-9 bunches, which value 70,000 to 100,000 VND. The family of Ms. Ho Thi Con living in Ben Duong Village planted 50 banana dusts and her family income has been better.

6 MARD, an evaluation on the sustainable poverty reduction model and construction of management mechanism in developing and replicating the model, 2013, p. 9-10.

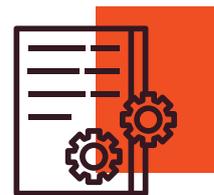
7 Source: Quuong Banh Fund for Rural Development and Poverty Reduction



Some other successful models include: honey farming model in Luong Son, group of savings to breed pigs in Trung Son; or model of planting grass VA-06 in Lien Son, Xuan Son and Thuong Son.

In general, the “community livelihood” initiative is a good model which has brought into play the role of grassroots democracy in poverty reduction for the poor in general and Van Kieu ethnic minority in particular. Based on the actual needs and natural conditions of local people and areas, different livelihood models have been applied for specific groups of poor people in specific areas. In addition, the full support from agricultural extension officers, local authorities as well as good supply of input (seeds, seeding livestock and cattle, techniques, fertilizers and pesticides) for cultivation and breeding, poor people have escaped from poverty sustainably.

1.6 POLICY RECOMMENDATIONS



RECOMMENDATION 1:

The Government of Vietnam should carry out annual assessments on the impact of challenges and shocks on the poverty reduction process in Vietnam. Then, the Government needs to develop the national target programs on poverty reduction and social assistance ones which are relevant to specific groups and with concerns given cultural factors;

RECOMMENDATION 2:

It is essential to build capacity for the staff working on poverty reduction from the central to grassroots level;

RECOMMENDATION 3:

The national poverty line should be reviewed and adjusted to be relevant to people’s minimum living standard, people’s demands and international standards. In addition, the method and procedure of identifying the poor must be assessed and reviewed to ensure the accuracy in selecting the beneficiaries;

RECOMMENDATION 4:

It is crucial to promoting the development of human capital to reduce the rich-poor gap and income inequality in the future. Human capacity building should target the enhancement of educational attainment and technical qualifications for the poor to create more equal opportunities for them to participate in the labour market;

RECOMMENDATION 5:

The Government needs to review poverty reduction programs for ethnic minorities to make them more relevant to their practical needs and natural conditions; taking stronger and more effective measures to reduce poverty among them;

RECOMMENDATION 6:

The Government of Vietnam needs to have effective measures to reduce and deal with urban poverty. In which, it is needed to care about the migration issue from rural to urban areas. Social assistance policies should be opened to all people regardless of their living areas and their resident certificates.

PENSION FOR THE ELDERLY IN VIETNAM

According to Law on Elderly (2009), the elderly are those aged 60 years old and above. Recent studies on the elderly (Giang & Pfau, 2007; Nguyen, 2009; UNFPA, 2010) all indicate that aging population is taking place at a high speed in Vietnam. Results of the mid-term National Census on Population and Housing (2014) showed that the proportion of the elderly in Vietnam tended to increase rapidly (from 4.7% in 1989 to 7.1% in 2014)⁸ and that rate has reached the threshold of aging population⁹. It is forecasted that Vietnam's aging population will continue to increase in the near future and become a major problem if the Government does not prepare an inclusive social protection system.

In Vietnam, concerning and caring physical and spiritual life of the elderly is the responsibility of families, the state and the whole society. Law on Elderly (2009) regulates that "families has responsibility for taking care of the elderly" (Article 5) and "the State ensures a social protection policy for the elderly" (Article 4). For the viewpoint of targeting the family as the focal point of providing care for the elderly, to what extent has the Government of Vietnam done to ensure social protection for the elderly?

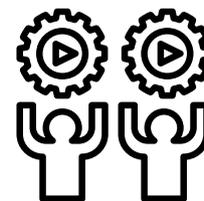
⁸ The proportion of the population aged 60 years old and higher in 2014 was 10.2%

⁹ According to the standard classification of United Nations, a population is considered to be "aging" if the the proportion of the people aged 65 years old and higher is between 7% to 10%.



2.1

PENSION SYSTEM IN VIETNAM: THE ROLE OF THE STATE AND PRIVATE SECTOR



The pension system is an important part of the social protection system of any nation in the world. Vietnam's pension system has been formed since 1962¹⁰ with only one pillar of social insurance pension for state civil employees and officials. Between 1995 and 2007, under the dynamic development of the private sector, the Government of Vietnam expanded the coverage of that pillar to the employees working in the private sector. Since 2007, Vietnam has made many improvements in the pension policy such as the establishment of the voluntary pension scheme since January 2008¹¹.

Compared to the multi-pillar pension system model of World Bank, Vietnam's pension model, for many years, was considered the single-pillar system with the key participation of the State because the system is mainly operating based on the pillar 1 - compulsory social insurance. The remaining pillars either does not exist (pillar 2 and pillar 4) or have been newly established with not many significant participants (pillar 3) or just navigate to a certain social group (pillar 0). The development of the single-pillar pension system often leads to the risk of future imbalances of the social insurance fund and the long-term crisis. This has also been warnings against Vietnam's current pension scheme when the proportion of contributors over the pensioners has reduced sharply from 217/1 in 1996 to 9/1 in 2013. Moreover, the pensioners are going to enjoy longer pension duration as the human lifespan is increasing. As estimated, individual's 31 years of contributions to the insurance fund is only enough to pay the pension for him/her for 13 years; however, the current average length of pension that a person enjoys in Vietnam is 19.5 years. It is forecasted that by 2023, the revenue will be equal to the expenditure. By 2037, if there is no policy or measure to increase the revenue and reduce the expenditure, the annual social insurance revenues and the balanced fund are not affordable to pay for pensioners (Liu, 2013).

VIETNAM'S CURRENT PENSION SYSTEM MODEL

PILLAR 0 – Social protection policy	PILLAR 1 – a. Social insurance pension	PILLAR 2 – Occupational pension	PILLAR 3 – Voluntary social insurance (since 2008)	PILLAR 4 – Support programs on health care and housing from the Government
Subjects: Elderly people aged 80 and older who do not have a pension, social insurance benefits, social support/the elderly of poor households/without kids or family economic assistance Form: Social pension Source: State budget	Subjects: Employees in different active economic sectors Form: Pension programs with prior-identified level of benefits Source: contributions of employees and employers Form: compulsory b. Additional pension (since 2013) Form: Voluntary	Unavailable	Voluntary social insurance pension (since 2013) Subjects: Employees in different active economic sectors Form: Pension programs with prior-identified level of benefits/identified level of contributions Source: Savings of employees/support from employers Form: Voluntary	Unavailable
Provided by the State			Provided by the private sector	

Source: Developed based on the model of social pension of Liu Hai Van, 2013

10 According to the Decree No. 2018/CP issued on 27 December 1961

11 Detailed regulation is in the Law on Social Insurance (2006)

Aware of the contradictions and challenges existing in the current social pension, the Government of Vietnam have taken significant improvements to direct the development of the pension system towards a multi-pillar one, contributing to ensuring the living standards for its citizens at their old age. Law on Social Insurance (amended in 2014) has the regulations to overcome existing contradictions and shortcomings such as expanding the subjects of compulsory social insurance, lengthening people's working age through increasing the retirement age; adjusting the calculation of the retirement age pension to a lower level and adding the regulations on the rights and benefits of employees¹². In addition, Ministry of Labour, Invalids and Social Affairs have deployed the Master Plan on Voluntary and Supplementary Pension Insurances after the Circular No. 15/2013/TT-BTC of the Ministry of Finance on guiding the implementation of voluntary pension insurance and its fund took place in 15 October 2013. Establishment and development of those two types of pensions will supplement for Vietnam's current single-pillar pension system over the past time. Reforms on the current pension system will better sustain and fully cover Vietnamese people's social protection demands.

The further development of a new pillar in the pension system has broken out the monopoly of the State in this system. Currently, Vietnam Social Insurance is the state management agency responsible for implementing the policies related to social insurance. The agency is being operated in a vertical structure with the branches spread from the provincial to grassroots level, responsible for collecting premiums and paying pensions. That decentralization of management has helped the participants to access the grassroots system easily; however, it has also increased administrative costs and led to negative issues related to dispersed collection and expenditures at localities. Moreover, arrears and evasion of social insurance premiums for employees of businesses are hard to be controlled.

Enacted Circular No. 115/2013/TT-BTC on guiding pension insurance and voluntary pension funds applicable to life insurance companies to cover voluntary pension insurance in Vietnam is an important legal framework for the companies to participate in the pension system. To attract the participation of people and businesses in developing the voluntary pension fund, the Government has offered tax incentives for the parties participating in the scheme. According to the survey by the Ministry of Labour, Invalids and Social Affairs in 2010 with nearly 700 businesses in Hanoi and Ho Chi Minh City, nearly 70% of the surveyed businesses and corporations desired and were willingness to assist their employees' participation in the additional retirement account. 05 enterprises with foreign investment capitals formed their own supplementary pension funds for employees working in their organizations (Bui, 2013). By 2013, there had been 06 enterprises which had enough conditions to implement the voluntary pension insurance as regulated.¹³

There is a trend of reforming the current pension system to be consistent with the common trend of many countries in the region and around the world towards the gradual transfer of the pension scheme from the state sector to the private sector with a focus on the development of the voluntary retirement program. At the same time, the pension system will enable the participation of intermediaries, such as monitoring unit, property management units, investment institutions, institutions of retirement program management, etc. Nonetheless, the multi-pillar pension system with greater participation of new private entities is in the process of formation in Vietnam; thus, its impact on ensuring social protection for the elderly is very limited. This will be more clarified in the next analysis on participation and enjoyment of the elderly from the pension policy.

12 Details will be further discussed in the impact of pension policy to the elderly

13 i.e., Prudential Vietnam, Nan Tho Life Insurance, Manulife, AIA Vietnam, Dai-ichi Vietnam, PVI Sun Life



COMPULSORY PENSION POLICY

Only a certain part of Vietnamese old-aged people are enjoying pensions because a majority of them are living in rural areas and doing agricultural activities. In 2013, more than 25.5% of the elderly were living on pensions or social transfers (Liu, 2013). In 2014, 29% of the old aged people (equivalent to 2.76 million) received pensions and social transfer¹⁴. Thus, there are still about 70% of the old aged people who are still working to earn a living or rely on financial support of their children. Meanwhile, in the developed countries with mature multi-pillar pension systems, retirement pension is the main income to ensure people's retirement life. For example, in Denmark, 99% of its citizens aged 67 years and above are entitled to the benefits from the national pension scheme (Do, 2013).

Levels of access to pension sources from social insurance are significantly different among social groups. An analysis of the survey data of the Vietnam Household Living Standard in 2006 shows that urban elderly and the elderly obtaining high education tend to live on pensions/social assistance allowances more (Le & Tran, 2009). The proportion of elderly men living on pensions is much higher than women. People aged 71 years old and higher are living on pensions less than the lower age groups (Le et al, 2010). Thus, the group of population which is less vulnerable at their own age is men because they have higher levels of education, living in urban areas, and are less older. The big difference in the level of participation is also evident in the report of World Bank (2007). The current retirement system of Vietnam is not a supportive system for the poor because the two highest income groups are enjoying up to 50% of the total pension expenditure while the poorest quintile are benefiting only 2% of the pension fund (UNFPA, 2010).

Pension level of the male elderly¹⁵ is higher than that of the female ones. According to the Survey on Labour and Employment in 2015, the monthly average of male wage earners was 4,925,000 VND while that of female wage earners was only 4,430,000 VND (the income gap between male and female workers was 10.1%) (GSO, 2016).

Pension level for the elderly is low. The survey data of the households living standards in 2008 exposed that the average pension and social benefit level of the elderly was 4,957,200 VND/year (UNFPA, 2011). A study by the Institute for Global Aging and Prudential carried out in 2014 in 10 countries indicate that many workers worried about their aging poverty or and the could not afford to live on their retirement pension. There were 95 respondents in Vietnam expressed similar anxieties (Jackson, 2015). In recent years, Vietnam has many regulations detailing pension

14 <http://ageingasia.org/ageing-population-vietnam1/#keyfacts>

15 Current pension level in Vietnam is equivalent to 45% of the average monthly wage for 15 years of social insurance contributions. For each additional year of social insurance contributions, an additional benefit of 2% is increased for men and 3% for women until the level reaches 75% of the average monthly wage. Since 2018, the pension is adjusted and equivalent to 45% of the average monthly wage of the social insurance contributions for 16 years of contribution (for the male workers retiring in 2018), 17 years (for the male workers retired in 2019), 18 years (for the male workers retiring in 2020), and 19 years (for the male workers retiring in 2020), and 20 years (for the male workers retiring from 2021 onwards). For women, the enjoyment of pensions is still for 15 years of contribution.

levels, particularly for the group of people with low pension level, to be relevant to the country's level socio-economic development¹⁶. In the period of 2007 to 2012, Vietnam underwent 6 times to adjust the level of pensions with an average increase of 26.8%/year. However, the current pension level is still far less than the financial needs in the retirement age of the elderly, especially in meeting their needs for health care. Many studies have shown that the health status of the elderly decrease in line with their increase of age. The survey data of 2008 household living standards indicated that health expense per capita of the urban elderly was 1,269,900 VND/year while that expense among the rural elderly was 685,100 VND/year (UNFPA, 2011). The average cost spent on care for an old-aged person is estimated by 7-8 times higher than the average cost of health care for a child (Giang, 2010a). Low income from pensions is also a difficulty for ensuring a reasonable standard of living for the elderly to keep up with general social improvement of living standards, especially when the rate of inflation in Vietnam tends to increase repeatedly - high increase every two years coupled with only 1 year of low increase between 2004 and 2010. Since 2007, the inflation rate has tended to destabilize (increasing from 9.5% in 2004 to 19.8% in 2008 and to 18.1% in 2011) (Tan-Anh et al, 2013).

Currently, Vietnam is mapping a roadmap for the implementation of the regulations on increasing the retirement age; increasing the duration that people have to contribute to the social insurance pension fund to maintain the financial sustainability of the pension system. The plan on increasing the retirement age will also help to improve the level of pension benefit for women, ensuring gender equality. Currently, the retirement age has a gender-based difference (55 for women and 60 for men). The Ministry of Labour, Invalids and Social Affairs is considering the plan on increasing the retirement age of officials and public servants before putting it into the draft amendment of the Labour Code. There are to plans: increasing the retirement age of men from 60 to 62 and of women from 55 to 58 or increasing the retirement age from 55 to 60 for women.

VOLUNTARY SOCIAL INSURANCE POLICY

Voluntary social insurance policy has been established and implemented since 1 January 2007. It is supposed to be a unique and humanitarian policy for informal employers working on the informal sector. However, there have been very few people participating in this system (by 2013, only about 140 thousand participants) (Liu, 2013). There are many factors affecting people's participation. First, from an institutional aspect, the strict regulations have prevented the system from working effectively and its low coverage (MoLISA, 2010). The policy and operational method of the voluntary social insurance system is simply a "copy" of the compulsory social insurance system (UNFPA, 2010). The regulation on long time participation in the voluntary social insurance has made those in middle ages have fewer motives to participate in. Low pension level in addition to low level of old-age guaranty also causes a low participation rate of young workers in the scheme. Second, there have not been many private enterprises that concern about retirement pensions for their employees while small business households, smallholders and farm owners also want to participate in insurance but they are still afraid of inflation. Third, people's awareness of the importance of investment in their old age is low and they still expect their old age is cared by their children. A research by the Institute of Global Aging conducted in 6 countries, including Vietnam,

16 Circular No. 23/2016/TT-LDTBXH regulating the adjustment social insurance pension allowances and monthly allowances according to the Decree No.55/2016/ND-CP on the adjustment of pensions, labor incapacity allowances, monthly allowances and subsidies for preschool teachers having working time before 1995; Circular No. 05/2015/TT-MOLISA guiding the adjustment of pensions and social insurance allowances and monthly allowances under Decree 09/2015/ND-CP on the adjustment of pension level, social insurance benefits and monthly pension for social workers who have retired; ...; ...

in 2014 indicated that 62% of the respondents expected the Government to take responsibility for their retirement income. The elderly have higher expectations of the responsibilities of the Government to provide support for them than the young group (Richard Jackson and Tobias Peter, 2015). In order to improve the slow coverage of the voluntary retirement pension scheme, the Government of Vietnam has improved the pension pillar through revising the Law on Social Insurance No. 58/QH13, which regulates the voluntary social insurance scheme in details. Subsequently, the Decree No. 134/2015/ND-CP of the Government was approved to detail a number of the articles of the Law on Social Insurance. The Decree has introduced various methods such as introducing the low social insurance premium level based on the rural poverty line to encourage informal workers to participate in the scheme. The Government also provides support to the participants from poor, nearly-poor households and some other subjects to participate in the voluntary social insurance scheme. The level of support will be effective since 2018. However, even if being supported, people's ability to participate in the voluntary pension system will be still low. Initial calculations show that the minimum contribution amount of voluntary pension insurance is about 150,000 VND/month; meanwhile, income per capita of the poorest quintile in 2012 was 511,600/month. People had to often spend 66.3% of their income on food, drink, etc. The remaining one is to pay for the items other than food such as clothing, education, leisure activities, culture, sports, travel, healthcare (GSO, 2015). After deducting the support (for the poor), the workers have to save 107,400 VND/month to join the voluntary pension. Thus, is that contribution amount feasible for the poor workers to participate in the voluntary social insurance scheme when they even do not have enough income to pay for their daily needs?

Overall, the new policy on voluntary pension regimes needs to be piloted and assessed for its effectiveness before deploying it in practice. And it should be also noted that the supplementation and development of the voluntary pension pillar can be highly beneficial for the elderly group in the future rather than the current senior groups. Thus, current strategic solutions to ensure the life of elderly people are needed to be considered seriously from different dimensions.

SOCIAL PENSION

Vietnam has its own domestic support policies for the elderly. Specifically, those aged 80 years old and higher can receive a monthly allowance (known as social pension) of 270,000 VND/month (or around 12 US dollars). Social pension policy for the elderly has significantly improved the life and health care of the elderly in recent years. The Government has adjusted the legitimate age to the social pension for the elderly from 90 years old (in 2002) to 80 years (2011) and the amount of allowances has been adjusted 4 times to increase the standard support amount from 24,000 VND (1994) to 270,000 VND in 2013.

As reported by the Ministry of Labour, Invalids and Social Affairs, more than 1.3 million elderly aged 80 years old and older received social pensions in 2012, making social pensions to become one of the most important social assistance policies in Vietnam in terms of its coverage and budget (142 million US dollars) (ILO & UNFPA, 2014). In 2014, 1,505,699 (16% of the old aged people) received social allowances, 1,410,064 of whom aged 80 years old and above, and 95,635 were living alone¹⁷.

However, practical evidence shows that social pension level for the elderly is very low, which is only equivalent to 38.5% of the poverty line in rural areas and 30% of the urban poverty line,

17 <http://ageingasia.org/ageing-population-vietnam1/#keyfacts>

which cannot guarantee the living standards for the elderly. Social pensions have not had any real impact on improving the life of elderly people when the inflation is taking place and the cost of health care is growing quickly; meanwhile, they hardly have other sources of income apart from that allowance. A small-scaled survey on the elderly in Ho Chi Minh City by the Institute for Family and Gender Studies indicates that for the people who only live on social pensions, their life cannot be guaranteed in all three dimensions including sufficient food, full participation in cultural and spiritual life and health care (Le et al, 2010). Besides, the process of policy implementation shows that the coverage of the social pension by region has not well spread. The coverage in the Central Highlands and the Mekong River Delta is about 90%; meanwhile, the coverage is just under 50% in the northern mountainous region (regions of many ethnic minorities) (ILO & UNFPA, 2014). In addition, it is also suggested that the pension policy is not inclusive when it has not covered the population aged 60 to 79 years old. However, it is also suggested that the expansion of social pensions for the elderly with no social insurance pension should be considered carefully. There are two important reasons for essential consideration of the expansion: (i) the expansion of social pension schemes can discourage people's participation in voluntary and compulsory retirement pension schemes; (ii) social pension would be a costly solution in a long run. In particular, providing social pensions equivalent to 55% of the minimum wage through the voluntary pension fund for all persons aged 75 years old and over as well as the entire old aged people in rural areas will cost around 1% of GDP in 2030; providing the social pension of 180,000 VND or 25% of the minimum wage for all people over the age of retirement in the rural areas will cost about 0.5% of GDP in 2030. Thus, targeting social allowances for vulnerable subjects and the elderly poor in the social assistance and poverty reduction programs will reduce the cost and increase their effectiveness (WB, 2012)





In general, in Vietnam, the family is playing an important role in providing care for the elderly. 2006 Vietnam Family Survey on identifying the main living sources of the elderly showed that about 40% of the elderly were living on financial support of their children. That source accounts for the highest proportion if the main living sources of the elderly. The second source was the income earned from old aged people's work (30%); followed by the retirement and social pensions (25.9%). Only 1.6% was from their personal savings and 3.2% was from other sources (MoCST et al. 2008). Currently, the models of care for the elderly are mainly provided by the State through the system of social protection centres to the subjects of incentive and support policies or helpless old people. Paid premium care services for the elderly are only available in big cities and the cost is high (about 7,000,000 VND/month), which is irrelevant to the average income level of a majority of the elderly. That situation clearly exposes that the State's viewpoint of "families as key responsible agent in caring the elderly" is being implemented in practice. However, caring for old aged people's material life is also a burden to a lot of families because a majority of Vietnamese families only have the average living standards, let alone a large number of them (in rural areas) are poor. Moreover, since the trend of nuclear families with fewer children is increasingly prevalent in Vietnam, financial support from descendants and relatives to the elderly tends to decrease. In 1960, the average number of children per couple in childbearing age was 6.4 children; however, in 2013, this figure dropped to 2.1, i.e., in the past, 3.2 children were responsible for caring 1 old aged person but at the moment, 1 children is responsible for caring 1 old person.

Currently, in Vietnam, the social insurance pension benefit is mainly beneficial to a certain group of the elderly people such as the Kinh ethnicity or men, who are not often the vulnerable groups in society. Social pensions are allocated among different groups of elderly people in different population segments of society, but it is still concentrated in older age groups (80 and older). Hence, older people are still the lowest income groups in society. VNCA's survey report (2007) showed that income per capita of the elderly was only equivalent to 59% the average income per capita of the country (UNFPA, 2011). The percentage of the elderly living in poor households in 2014 accounted for 22.3% of the elderly¹⁸. By age group, the higher age a person reaches, the higher probability of poverty he/she may have. Elderly men have lower poverty rates than older women. Elderly people living in rural areas are vulnerable to poverty than those living in urban ones. Kinh old age people's poverty rate and level of vulnerability to poverty is much lower than the elderly people from ethnic minorities (UNFPA, 2011).

The concerning issue is that when their age is older, the old age people's income from production and businesses will decrease in line with their declining working capacity. Therefore, if the sources of income such as pensions and social assistance allowance are too low, the living standards of the elderly will become more precarious. Besides, the increasing longevity of Vietnamese elderly will make the savings/asset accumulations of the elderly run out before they die. As reported by the Ministry of Health, about 95% of the elderly had diseases in their bodies; on average, one elderly was infected with 2.69 kinds of diseases (MoLISA, 2006). The higher ages the elderly are the higher proportion of the elderly people having frail health; a greater number of elderly patients suffered from diseases and they needed longer length of stay in hospitals or at home to recover (UNFPA, 2011). The study also found out that the elderly population in the lowest income group (or poorest) had the same proportion of costs spent on health care as the elderly population having the highest income (or richest) (Giang, 2010a). Therefore, improving the effectiveness of policies on social protection for the elderly is needed, especially for the elderly groups that have not been covered by the pension system. Besides, one of the characteristics of the aging population in Vietnam is the increasing domination of women at higher age. The trend of "feminized" elderly population requires particular care policies to the elderly women because they are often more vulnerable to economic and social shocks than men.

18 <http://ageingasia.org/ageing-population-vietnam1/#keyfacts>

1.6 POLICY RECOMMENDATIONS



RECOMMENDATION 1:

Raising awareness of managers, policy makers and community of the challenges of the aging population to the life of the elderly

RECOMMENDATION 2:

Developing the multi-pillar pension system model with the participation of the state, social partners and the private sector

RECOMMENDATION 3:

The Government of Vietnam needs to develop both medium- and long-term strategies to ensure income safety for the elderly at the present and in the future.

The medium-term strategies focus on:

When the state budget is not sufficient to transfer a large number of the elderly and the level of transfer is insufficient to ensure a material life for the elderly, it is needed to create jobs which are suitable to health conditions and working capacity of the elderly to ensure a minimum living condition for them.

Deploying the social protection policies for the vulnerable elderly group (old aged women/ elderly ethnic minorities, etc.) The support policies for the families of old aged people (for instance, exempting the local contributions for them...)

Long-term strategies focus on:

Raising people's awareness of the importance of investing in their old age via communication, mobilization, persuasion, encouragement and support to let them be aware that participation in the voluntary social insurance policy is a solid backbone for their old age if they are out of the working age and need secure income to live on.

Deploying support measures to assist vulnerable groups (for example, the poor) to participate in the voluntary social insurance policy.



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