

Income security for older persons in Viet Nam: Social pensions

POLICY BRIEF

August 2014

Key findings

- Income has increased for every age group in Viet Nam except for people between 65 and 80 years.
- High coverage of non-contributory pension (social pension) policy for people aged 80 and older: almost 80 per cent of targeted people and very limited leakage.
- The social pension for people 80 years old and older has contributed to improving the income of older persons.
- Still, around 70 per cent of people between 60 and 79 years do not receive any income support from Government schemes.
- Inflation has eroded the social pension by 33 per cent from 2010.

Viet Nam's record on economic growth and poverty reduction over the last two decades has been remarkable. However, between 2010 and 2012, income increased for most age groups except for those between 65 and 80 years (Figure 1).

Several factors can explain the bad economic outcomes in old age. First, changes in family composition and social norms may lead to more old people living alone. Second, increased life expectancy means that old people may exhaust their savings well before dying. Finally, Government policies to ensure income protection for older persons, especially those from 60 to 79 years old, are falling short. Less than 100,000 people, accounting for 1.3 per cent of population in that age group receive monthly social allowances (aka. social pensions) in 2012.

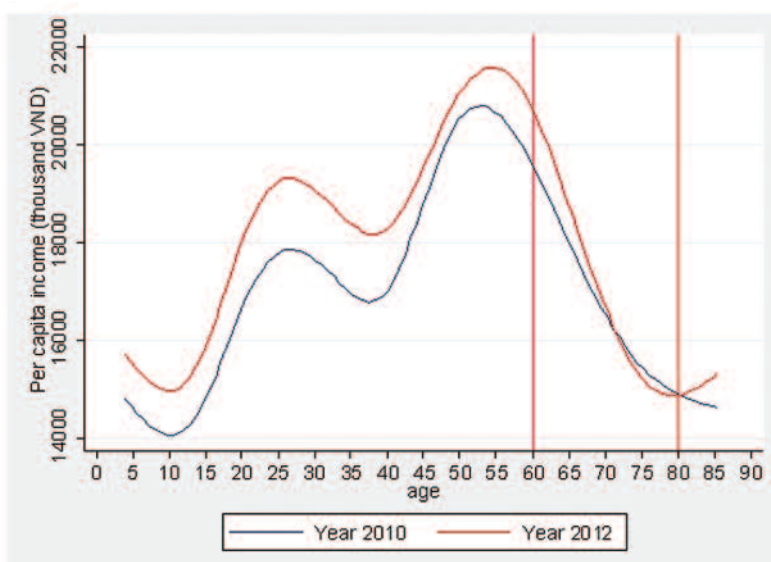


Figure 1. Income per capita by age 2010 and 2012
(Source: VHLSS 2010, 2012)



Social pensions for older people

According to Decree 06/2011/NĐ-CP, beneficiaries of social pensions include: (i) people aged between 60 and 79 who are poor and living alone or living with ill old spouse and do not have children or relatives to support, and (ii) people aged 80 and above who do not receive contributory pensions. Before January 2011, the threshold age for the latter group was 85 under Decree (67)13/2010/NĐ-CP.

After reducing the eligible age, the coverage of the social pension expanded quite significantly. According to the Ministry of Labour - Invalids and Social Affairs (MoLISA), more than 1.3 million people aged 80 years and above received social pensions in 2012, making social pension one of the most important social assistance policies in Viet Nam in terms of coverage and expenditure at US\$142 million.

The basic monthly benefit level stipulated in Decree 13/2010/NĐ-CP is VND180,000 (equivalent to \$8.5 per month), which represents only 5 per cent of the average contributory pension, according to Viet Nam Household Living Standards Survey (VHLSS) 2012. More importantly, the benefit provided for people aged 80 years and older represents only 45 per cent of the rural poverty line and 36 per cent of the urban poverty line. Thus, it may be insufficient to bring beneficiaries out of poverty. However, the benefit level is adjusted taking into account the beneficiaries' health status. For instance, older people with severe disability will receive VND360,000 (\$17) monthly.

According to MOLISA, some richer provinces have increased the benefit level: Hanoi at VND350,000 (\$16.7) and HCM City at VND240,000 (\$11.4). Overall, eleven provinces are already providing income support over VND200,000 (\$9.5). However, most provinces still apply the basic benefit level established in Decree 13/2010/NĐ-CP that has remained constant from 2010 at VND180,000. Therefore, the real level of income support has eroded significantly due to record high inflation rates between 2010 and 2013: the level of benefit has fallen by 33 per cent in real terms from 2010, reducing the adequacy of the social pension. By contrast, the minimum wage has been adjusted so that no purchasing power has been lost from 2010 to 2014.

The Government acknowledged the erosion of social assistance in issuing Decree 136/2013/NĐ-CP, increasing the basic benefit level to VND270,000 (\$12.9 per month). However, it has been on hold, claimed for not having a circular to guide the implementation yet. In order to tackle poverty in old age, as well as to support other vulnerable groups like orphans or people with disability, the Government may need to consider implementing Decree 136 as soon as possible.



Social pension for people aged 80 and above: implementation success

According to the Viet Nam National Aging Survey 2011 (VNAS), 78.6 per cent of people aged 80 years and older who did not receive a contributory pension received social pensions. Considering that the eligible age had been reduced from 85 to 80 only in January 2011, the take-up rate is impressive, highlighting the robust implementation capacity at local level in Viet Nam, but also the fact that the eligibility criteria is straightforward and simple, reducing identification problems. Coverage of males and females is almost identical, whereas the Kinh majority is better covered than the ethnic minorities: 79.3 per cent and 73.7 per cent respectively.

	Coverage of social pensions age 80+ over target population (%)
Urban/Rural	
Special cities (Hanoi and HCM city)	62.99
Other urban areas	88.29
Rural	78.32
Regions	
Red River Delta	74.84
Northern Mountains	47.90
Central Coast	72.46
Central Highland	91.80
South East	77.94
Mekong River Delta	88

Table 1. Coverage of social pensions 80+ years

Nevertheless, data on regional level coverage have revealed underperformers and champion implementers. While coverage in the Central Highlands and the Mekong Delta was around 90 per cent, at the opposite end of the spectrum, coverage in the northern mountains was below 50 per cent, well below the national average, underlying lower coverage for ethnic minorities. The coverage in Hanoi and HCM City is also low at 63 per cent.

Not only implementation was high, but also leakage seems to be rather low: very few people under 80 years old and who do not meet the criteria for social pension for people 60 to 79 years old received a social pension (Figure 2).

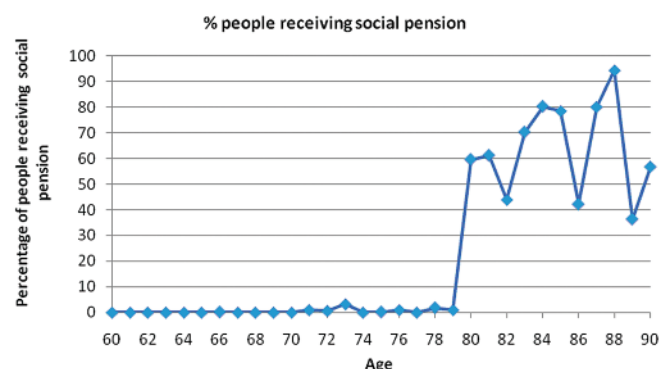


Figure 2. Share of population receiving social pension (for 80 years old and above) by age (VNAS 2011)

Social pension for people aged 80 and above: higher incomes

In order to assess the impact of social pensions for people aged 80 and above, we compare the income of people right above and below the eligible age (method called regression discontinuity). Using VNAS 2011, a significant jump in income is observed exactly at the threshold age indicating that social pensions are indeed improving the economic outcomes of people aged 80 and over (see Figure 3).

Figure 3 shows that income reduces between 60 and 79. Moreover, social pension successfully builds a floor for older people, raising incomes. Accordingly, the benefit payment from social pension helps beneficiaries increase the probability of having better financial resources than in the past and than their neighbors.

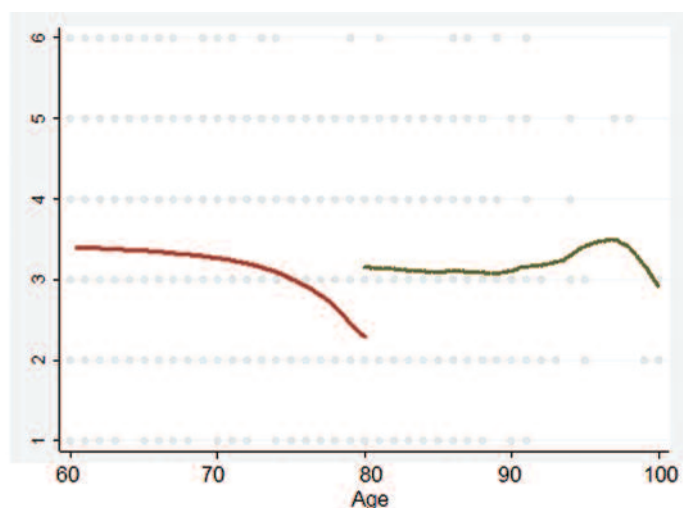


Figure 3. Income level by age: impact of the social pension 80+ (VNAS, 2011)

Social pension beneficiaries tend to feel better about their health and less sick. However, there is not enough evidence to show if social pension has impact on health status of the recipients. More research and better data are needed.

Worrying gap between 60 and 79

In contrast, the policy targeting people between 60 and 79 who are poor and live alone or living with ill old spouse and without support from children or relatives is falling short. In 2012, MoLISA data indicated that only around 95,000 people benefited from this scheme. The contrast with the other social pension is clear. This low coverage rate can be explained by the narrow eligibility criteria of the policy. First, by targeting only people who are poor and without family support, the potential number of beneficiaries is actually small, since not many elderly will qualify. Additionally, coverage of the targeted population is even lower, because Departments of Labour, Invalids and Social Affairs are struggling to identify people that fall in that narrow target group. Indeed,

according to VNAS, only 42 per cent of households with only one member who is also poor receive social pensions. Hence, there are many exclusion errors. A consequence of the shortfalls of the social pension for this group -both in terms of design and implementation- is that the coverage gap is large (see Figure 4).

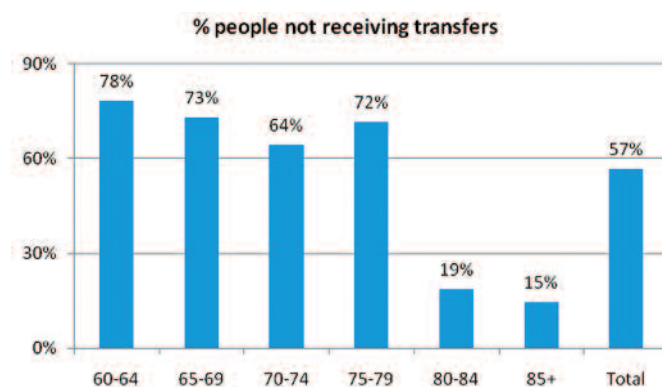


Figure 4. Share of people not receiving transfers (VNAS 2011)

Around 70 per cent of people from 60 to 79 do not receive any social transfer from the Government, that is, they need to rely on their savings and their families to survive. Taking into account the social and family changes occurring in Viet Nam, the Government may need to revamp its income support policy for people between 60 and 79 in order to ensure a Social Protection Floor for older persons.

Equity and old age income protection

Due to the lower rate of female workers participating in social security, fewer women benefit from contributory pensions. Less than 8 per cent of females above 60 years receive a contributory pension, whereas more than 12 per cent of males receive contributory pensions. However, the coverage of social pensions is identical for males and females from 80 years and above, since there is no pre-requisite linked to labour market participation. Similarly, social pension is also better distributed across different ethnic and income groups.

Therefore, when designing the long term pension strategy, the Government will need to take into account that contributory pensions has benefited mostly males and the Kinh majority, whereas social pensions would be better distributed in gender and ethnic terms.



Recommendations

The Government can consider the following recommendations to improve the outcomes of social protection policies for old age:

1. Reduce the coverage gap for people between 60 and 79 in Decree 136/2013/NĐ-CP. The Government may consider two alternatives:

- Target all poor people between 65 and 79, or
- Reduce the eligible age from 80 to 75 years and develop a roadmap for reducing it further.

2. Implement Decree 136/2013/NĐ-CP urgently to compensate for the benefit level erosion caused by inflation. Moreover, consider indexing the benefit level with inflation or at least establish a procedure to adjust the benefit level regularly.

3. The northern mountainous region, Hanoi and HCM should quickly improve and extend the coverage of social pensions for people aged 80 and over. All regions and cities should aim at covering at least 80 per cent of the targeted population by the end of 2014.

4. The Government of Viet Nam should consider drawing a medium term comprehensive strategy to ensure income security in old age, including both social pensions and contributory pensions, in order to provide a Social Protection Floor for older persons. A longer term strategy for a comprehensive pension system and old age benefits should be considered to ensure the coherence of social insurance and social assistance schemes.

5. The Government should quickly respond to rapid ageing and seriously consider employment opportunities for older persons as a mean to ensure income and benefits for old age.

6. MoLISA and the General Statistics Office shall cooperate to improve the data and information available. Current surveys do not provide individual data on ben-



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