

# TAKING ADVANTAGE OF THE DEMOGRAPHIC BONUS IN VIET NAM

*Opportunities, Challenges, and Policy Options*





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UNFPA, the United Nations Population Fund, is an international development agency that promotes the right of every woman, man and child to enjoy a life of health and equal opportunity. UNFPA supports countries in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every birth is safe, every young person is free of HIV/AIDS, and every girl and woman is treated with dignity and respect.



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DR. GIANG THANH LONG

## FOREWORD

According to the 2009 Population and Housing Census, Viet Nam has now entered a period which demographers and economists call a time of “Demographic Bonus”. This period will last for about 30 years, and is correlated with a unique, “one time only” transition in a countries demographic history, during which there are 2 or more economically productive persons for every 1 person who is economically dependent.

It is estimated that as much as one third of all economic growth in highly performing economies in East Asia resulted from the Demographic Bonus. Studies show, however, that the benefits of a “Demographic Bonus” are not automatic. The most successful countries have made significant investments in health, education training and human resource development, and thereby ensured their expanded labour force had appropriate skills to contribute to a sustainable and responsive market economy. In turn, a well managed and growing economy allows for steadily increasing investments in social protection, health, education and further advanced training and capacity development. With appropriate policies, and careful investments, Viet Nam could follow in the path of other recently industrialized economies and take full advantage of it’s period of “Demographic Bonus”.

In this regard, the Demographic Bonus has been considered as one of the priority issues to be addressed in Viet Nam’s Socio-Economic Development Strategy over the next decade, as well as the Socio-Economic Development Plan for the period of 2011-2015. Furthermore, the issue has been addressed in the Population and Reproductive Health Strategy, 2011-2020, and other sectoral policies and strategies.

The present report titled *“Taking Advantage of the Demographic Bonus in Viet Nam: Opportunities, Challenges, and Policy Options”* has been commissioned by UNFPA within the context of the current UN One Plan. The report aims to provide a thorough and comprehensive review and analysis of the issues, and provide tentative recommendations for policy makers and planners in order to maximize the potential advantage of the period of Demographic Bonus.

We would like to express our sincere thanks to Dr. Giang Thanh Long, and the

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This report has been written for policymakers, managers, researchers, and other professionals, who are concerned about sustainable, pro-poor and inclusive growth. We hope this document will provide timely and welcome evidence, for those supporting overall social development, social protection, and universal access to quality health, education and training services.

**Bruce Campbell**  
*Representative of the United Nations Population Fund in Viet Nam*

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## DEMOGRAPHIC BONUS

The concept Demographic Bonus has thus far not received universal agreement with regard to its definition or calculation method. For example: for the purpose of this report, a country is considered to be in a stage of Demographic Bonus once the Total Dependency Ratio (explained below) is less than 50. For the report on Population and Housing Census 2009 by the General Statistics Office Demographic Bonus was defined as occurring when children (aged 0-14) and the elderly (aged 65 and over) respectively account for less than 30% and 15% of the total population. In many other studies, e.g. Andrew Mason, Ronald Lee and colleagues, a population is defined to enter a stage of Demographic Bonus when the growth rate of the Economic Support Ratio - i.e. the ratio between the economically active section and the economically inactive section of a population - is greater than 0.

Other names used to describe a state of Demographic Bonus include: Demographic Dividend; Demographic Window of Opportunity; Demographic Gift.

## 'AGING', 'AGED', 'VERY AGED' AND 'HYPER AGED' POPULATION

According to Cowgill and Holmes (1970) [as quoted in Andrews and Philips, 2006], a population is classified as 'aging' when the elderly (65 and over) account for 7 to 9.9% of the total population. Similarly, 10-19.9% of people 65 and over identifies a population which is 'aged'; a population with 20-29.9% people of 65 and over is 'very aged' and more than 30% describes a population which is 'hyper aged'. This categorization is used by the United Nations and other international organizations.

## ECONOMICALLY ACTIVE POPULATION

The Economically Active Population of a country is also often called the Labour Force. The Labour Statistics International department of the International Labour Office (ILO) defines that a Labour Force includes employed and unemployed persons. According to the GSO (2009), an Economically Active Population includes those aged 15 and over regardless of being employed or unemployed during a particular time of reference (7 days prior to a survey/census date).

## MIDDLE INCOME COUNTRY

Annually, the World Bank classifies countries in terms of income. Based on the 2008 Gross National Income (GNI) per capita index, the current classification is as follows: Low Income Countries (\$975 or less); Lower Middle Income Countries (\$976-\$3,855), Upper Middle Income Countries (\$3,856-\$11,905); and High-Income Countries (\$11,906 or more).

## 'GLASS CEILING'

"Glass Ceiling" is commonly referred to as an invisible but real barrier through which advancement can be seen but not reached. In terms of economic development, Ohno (2010) distinguished several different stages before a Glass Ceiling is reached and a country finds itself in a self-limiting impasse: Stage I is when simple production in a country takes place under foreign guidance (e.g. as currently in Viet Nam); Stage II refers to an industrialization period with various supporting industries, but during which foreign management remains (e.g. as in Malaysia and Thailand); Stage III is reached when industrial production is accompanied by internalized skills

and technology, which allow the production of high quality goods (e.g. as in Taiwan, South Korea); Stage IV delineates industrial production which is characterized by internalized innovation, and full capacity as a global leader with regard to product design (e.g. as in the United States, Japan, the EU). Moving from Stage I to Stage II requires agglomeration of human and physical capital. Moving from Stage II to Stage III requires technology absorption, while moving from Stage III to Stage IV requires creativity. It is in this stage that a population starts to feel the benefits of economic development and is becoming a Middle Income country yet in which it also reaches a “Glass ceiling”. A number of ASEAN countries, particularly Malaysia and Thailand, are examples of this developmental stage.

**TOTAL  
FERTILITY RATE (TFR)**

According to the United Nations Department for Economic and Social Affairs UNDESA (2005), the Total Fertility Rate is the average number of children a woman would bear during the course of her lifetime if the current age-specific Fertility Rates remained constant throughout her childbearing years (normally between the ages of 15 and 49).

**REPLACEMENT  
LEVEL FERTILITY RATE**

According to the Population Reference Bureau (PRB, 2005) and other UN organizations, the Replacement Level Fertility Rate is the average number of daughters that would be born to a woman (or a group of women) if she (they) passed through her (their) lifetime conforming to the age-specific Fertility and Mortality Rates for a given year. In other words, this is the level of fertility at which a couple has just enough children to replace themselves. Currently, this rate is about 2.1.

**CHILD/YOUTH  
DEPENDENCY RATIO**

In the context of this report, as in other international documents, the Child/Youth Dependency Ratio is the number of persons aged 0 to 14 per one hundred persons aged 15 to 64.

**OLD AGE  
DEPENDENCY RATIO**

In the context of this report, as in other international documents, the Old Age Dependency Ratio is the number of persons aged 65 and over per one hundred persons aged 15 to 64.

**TOTAL  
DEPENDENCY RATIO**

The sum of the Child/Youth Dependency Ratio and the Old Age Dependency Ratio.

Existing population data and projections indicate that Viet Nam will begin to experience a stage of Demographic Bonus from 2010 onward, and that this stage will last for about 30 years. The early awareness of the reaching of this period of Demographic Bonus implies a great opportunity for Viet Nam as the country can prepare the promotion of high quality education and training; the full use of its labour force for economic growth and development; improvements in health care, especially for youth and adolescents; and the design of a comprehensive social protection system.

Based on the data from the Population and Housing Censuses in 1979-2009 as well as the above mentioned population projections, the aim of this report is to analyze changes in the age structure of the Vietnamese population in the past and the future. The report further focuses on the opportunities but also on the challenges presented by such a Demographic Bonus period. Suggestions are subsequently made with regard to 4 main policy areas: (i) education and training; (ii) labour, employment, and human resources; (iii) population, family,

the possibility to expand focus from coverage of education services to improve the quality of its country wide pre-primary, primary and secondary education systems.

- Efforts to restructure Viet Nam's labour force and economy will provide an opportunity to review and improve the national vocational training system as well.

### Challenges:

- Substantial differences exist regarding the accessibility to education services among different population groups, with people of the poor ethnic minorities being the most disparate and disadvantaged.
- Education outcomes have been very modest, and do not meet the demands of a changing job market. The quality of education varies greatly between different educational settings.
- The investment in education has thus far not been highly efficient and focused.

### Policy options:

groups, particularly by the provision of financing and improved training networks.

- Expand and improve the quality of vocational training that responds to the changing needs of the job market.
- To adopt to the rapidly changing promote education programmes with a focus on communication skills, behaviors, and social knowledge, especially for young people.

### POLICIES WITH REGARD TO LABOUR, EMPLOYMENT AND HUMAN RESOURCES:

#### Opportunities:

- There will be a large young labour force.
- If the labour force has relevant skills, Viet Nam will be able to become an excellent design and production partner of the global economic community.
- The demographic dividend will be high, if the employment rate is high.
- Progressive migration policies, encouraging skilled labourers to relocated in areas where they are most needed, will enhance productivity, increase economic growth and reduce poverty.

#### Challenges:

- There will be a labour force which is strong in number but may not have the most appropriate skills

to contribute to a value added economy.

- Currently gender bias exists in the labour market, which in turn negatively impacts the social position of women.
- The high percentage of available agricultural labour does not match the available agricultural land which will diminish due to urbanization and changes in land use purposes.
- Unemployment and underemployment of youth have become a social issue in a competitive labour market. The numbers of young migrant labourers have been increasing, but policies with regard to labour, employment and social services, and particularly regarding income, training, and skill improvement, have not met their demand.

#### Policy options:

- Diversify occupations and industries in rural areas, as well as promote the quality of labour intensive industries.
- Develop the specific skills required to support technology design (not only production).
- Increase employment opportunities towards high value added jobs based on high productivity, especially for youth.
- Improve Gender Equality in the labour market, especially by improving the accessibility to vocational training and employment,

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