AGING POPULATION AND EXPANDING SOCIAL INSURANCE IN VIETNAM

Capacity Building Seminar on Enhancing Social Spending in Support of Inclusive Growth in Asia
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OUTLINE

• Aging Population in Vietnam
• Social Insurance in Vietnam
• Challenges and Changes
• Recommendations
AGING POPULATION IN VIETNAM

AGE STRUCTURE OF VIETNAM POPULATION (2009 - 2049)

<table>
<thead>
<tr>
<th>Year</th>
<th>0-14</th>
<th>15-59</th>
<th>60+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>24.5%</td>
<td>66.9%</td>
<td>8.7%</td>
</tr>
<tr>
<td>2015</td>
<td>23.4%</td>
<td>67.0%</td>
<td>9.6%</td>
</tr>
<tr>
<td>2020</td>
<td>23.0%</td>
<td>65.4%</td>
<td>11.6%</td>
</tr>
<tr>
<td>2025</td>
<td>22.0%</td>
<td>63.9%</td>
<td>14.1%</td>
</tr>
<tr>
<td>2030</td>
<td>20.4%</td>
<td>63.2%</td>
<td>16.5%</td>
</tr>
<tr>
<td>2035</td>
<td>18.8%</td>
<td>62.5%</td>
<td>18.7%</td>
</tr>
<tr>
<td>2040</td>
<td>17.9%</td>
<td>61.4%</td>
<td>20.7%</td>
</tr>
<tr>
<td>2045</td>
<td>17.6%</td>
<td>59.4%</td>
<td>23.0%</td>
</tr>
<tr>
<td>2049</td>
<td>17.6%</td>
<td>57.6%</td>
<td>24.8%</td>
</tr>
</tbody>
</table>


AGING POPULATION IN VIETNAM

Aging characteristics in Vietnam

- The ratio of the oldest old (80+) will be higher
- The aging speed in Vietnam is among highest
- The ratio between elderly female and elderly males is increasing at higher age.
- The aging rates are noticeably different among regions and provinces

Source: Live Longer and Prosper: Aging in East Asia and Pacific (WB, 2016)
AGING POPULATION IN VIETNAM

Are they challenges to social insurance?

SOCIAL INSURANCE IN VIETNAM

- Functions of Vietnam Social Security (VSS)
  - Manage the Social Insurance (SI) Fund and the Health Insurance (HI) Fund
  - Collect SI and HI contributions from employees and employers.
  - Make payments on retirement pension and other social security benefits (maternity, health care, funeral)
SOCIAL INSURANCE IN VIETNAM

• Connection with other government agencies
  ◦ Ministry of Labour, Invalids and Social Affairs: cooperation in implementation of the Law on Social Insurance, report to the MOLISA on the management of the SI Fund
  ◦ Ministry of Health: cooperation in implementation of the Law on Health Insurance, report to the MoH on the management of the HI Fund
  ◦ Ministry of Finance: cooperation in financial mechanism for SI and HI funds, report to the MoF on the financial management of the funds, particularly revenue/expenditures and investment

SOCIAL INSURANCE IN VIETNAM

• SI contribution mechanism:
  ◦ Employees contribute 8% of their contracted salary to the SI fund
  ◦ Employers contribute 18% of their employee’s contracted salary to the SI fund
  ◦ PAYG basis: the fund get the contribution from current workers and use that money to pay benefit for current beneficiaries, and the future beneficiaries will get the benefit from future contribution
SOCIAL INSURANCE IN VIETNAM

• SI benefits
  ◦ Pension: male at age 60, female at age 55 having not less than 20 years of SI contribution, are eligible to receive pension
  ◦ The amount of monthly pension is calculated by formula, but not excess 75% of the legal average monthly salary.
  ◦ Employees could have other social security benefit such as maternity payment (6 months), sickness supports, and funeral payment

SOCIAL INSURANCE IN VIETNAM

• Revenues and expenditures of SI fund
  ◦ Revenue: contributions from employees and employers; income from investment; support from state budget, and other sources
  ◦ Expenditures: pensions and other social security benefits, authorized investments
### Revenues and expenditures of SI fund


<table>
<thead>
<tr>
<th>No</th>
<th>Items</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue</td>
<td>37,557</td>
<td>49,914</td>
<td>62,509</td>
<td>89,992</td>
<td>106,861</td>
<td>130,770</td>
<td>145,880</td>
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<tr>
<td>1</td>
<td>Compulsory SI</td>
<td>37,488</td>
<td>49,740</td>
<td>62,258</td>
<td>89,613</td>
<td>106,305</td>
<td>130,059</td>
<td>145,053</td>
</tr>
<tr>
<td>2</td>
<td>Voluntary SI</td>
<td>69</td>
<td>174</td>
<td>25</td>
<td>379</td>
<td>556</td>
<td>711</td>
<td>827</td>
</tr>
<tr>
<td></td>
<td>Expenditures</td>
<td>28,419</td>
<td>35,188</td>
<td>44,261</td>
<td>59,097</td>
<td>75,690</td>
<td>86,266</td>
<td>101,201</td>
</tr>
<tr>
<td>1</td>
<td>Compulsory SI</td>
<td>28,419</td>
<td>35,163</td>
<td>44,231</td>
<td>59,044</td>
<td>75,590</td>
<td>86,106</td>
<td>100,891</td>
</tr>
<tr>
<td>2</td>
<td>Voluntary SI</td>
<td>0,67</td>
<td>25</td>
<td>24</td>
<td>54</td>
<td>100</td>
<td>160</td>
<td>310</td>
</tr>
</tbody>
</table>

Source: Vietnam Social Security

### Coverage of SI fund


<table>
<thead>
<tr>
<th>No</th>
<th>Items</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Compulsory SI</td>
<td>8,901,170</td>
<td>9,441,246</td>
<td>10,104,497</td>
<td>10,436,868</td>
<td>11,023,846</td>
<td>11,451,530</td>
<td>12,319,866</td>
</tr>
<tr>
<td>2</td>
<td>Voluntary SI</td>
<td>41,193</td>
<td>81,319</td>
<td>96,400</td>
<td>139,643</td>
<td>187,753</td>
<td>196,254</td>
<td>254,643</td>
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<tr>
<td></td>
<td>Total</td>
<td>8,942,363</td>
<td>9,522,565</td>
<td>10,200,897</td>
<td>10,576,511</td>
<td>11,211,599</td>
<td>11,647,784</td>
<td>12,574,509</td>
</tr>
</tbody>
</table>

Source: Vietnam Social Security
CHALLENGES AND CHANGES

- Challenges to SI in short term
  - SI contribution delay and avoidance cause losses in SI revenue
  - Cash is still dominant while ATM is not popular in pension payment
  - IT application in VSS could not connect the system nationwide
  - Very minor role of private sector in SI

- Challenges to SI in long term
  - SI coverage is small
  - PAYG basis cause inequality between younger and older generations
  - Aging population causes threat to the sustainability of SI fund
CHALLENGES AND CHANGES

• New Law on SI launched in 2014, effective in 2016 with many changes
  ◦ Extend SI coverage to cover other types of employees
  ◦ Extend the contribution period to receive full pension
  ◦ Reporting every 6 months
  ◦ Introduction of supplementary pension fund

CHALLENGES AND CHANGES

• Targets of SI:
  National Strategy on SI development by 2020 (announced in 2013)
  ◦ Coverage: 50% of population in working age (15-59) by 2020
  ◦ Modernization: nationwide connection within SSV by 2017, inter-agencies connection by 2020
  ◦ Standardization: Application of ISO 9001:2008 throughout the administrative system by 2016
RECOMMENDATIONS

- Extending coverage of SI
- Improving connectivity and database
- Participation of private sector
- Changing PAYG basis

Thank you