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IMPACTS OF PENSION ON

ELDERLY POVERTY REDUCTION IN VIETNAM

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ABSTRACT

Il Vietnam è un paese ed è entrato nel periodo dell'invecchiamento della popolazione a un ritmo molto rapido. I vietnamiti tendono a vivere più a lungo, ma non rimangono più sani ed economicamente adeguati alla loro vecchiaia. Il tasso di invecchiamento è più veloce della capacità del Paese di gestire il sistema di welfare. La maggior parte degli anziani sono persone povere. Una vita di basso reddito e lavoro precario in genere significa nessuna possibilità di risparmiare denaro per la pensione o le spese mediche man mano che invecchiano. Il governo nazionale fornisce un programma di indennità per gli anziani senza pensioni contributive. Tuttavia, è molto limitato e poche persone possono beneficiare di aiuti finanziari.

Questa tesi dimostra che la copertura pensionistica è correlata in modo statisticamente significativo con la povertà della vecchiaia e la disparità di reddito in molti paesi del mondo. Questa è un'importante informazione per i politici vietnamiti per risolvere il problema attuale nel Paese. Detto questo, è probabile che all'aumentare della copertura pensionistica, più persone accedano al sistema di sicurezza sociale, con una diminuzione del tasso di povertà degli anziani. Insomma, più anziani ottengono la pensione, che è una fonte di reddito, più possono essere sicuri e meno poveri. Ciò può portare a una situazione più equa per il Paese, con gli anziani che potranno dipendere meno dai propri figli a differenza di ora.

ABSTRACT

Vietnam is a low-middle-income country and has entered the period of population aging at a very fast rate. Vietnamese people tend to live longer, but not stay healthier and economically sufficient at their old age. The aging rate is faster than the welfare capacity of the country to handle it. The majority of the senior are poor people in the nation. A life of low income and precarious employment typically means no chance to save money for retirement or medical costs as they age. An allowance program for senior citizens without contributory pensions is provided by the national government. However, it is very limited and that few people qualify for financial aid.

This thesis prove that pension coverage has significantly statistic meaning in correlation with old-age poverty and income inequality in many countries in the world. This is a relevant information for Vietnamese policy-makers to solve the current problem in the country. Saying so, it is likely that when the pension coverage gets higher, which means more people get access to the social security system, the old-age poverty rate will get lower. In short, more old people get their pension, which is a source of income, they can be more secure and being less poor. This can lead to a more equal situation for the country and the elderly do not have to depend too much on their children as they are doing now.

Table of Contents

List of Tables and Figures

CHAPTER ONE: INTRODUCTION

1.1. Background Information

a) The Ageing Population of the World, Asia, and Vietnam

Aging population is a worldwide problem mostly due to low birth rates and longer life expectancy. Many problems arise for an aging economy: demographic imbalances, lack of labor force, impact on economic development goals and pressure on pension funds. An aging population can lead to more economic dependence on people in the working age and lack of social assistance to the old people. One of the most serious problems can be old age poverty since the old people cannot work to financially support themselves while the country has no social security to secure the standard of living of these people.

According to World Population Aging Reports by the United Nations in 2019 and 2020, both the number and the proportion of people aged over 65 increased worldwide. The proportion of adult life spent beyond age 65 increased from less than a fifth in the 1960s to a quarter or more in most developed countries today. In 2019, there were 703 million older persons aged 65 or over. This number increased to 727 million in 2020 and is projected to more than double in 2050. Since 1990, the share of the old age population has been constantly increasing from 6% in 1990 to 9% in 2019 and is projected to rise to 16% in 2050 worldwide. This reflects an inevitable trend in the aging population all over the world.

In the past several decades, the issues related to the aging population used to be commonly known in Europe and North America. However, today many Asian countries are experiencing a similar problem. Asia's population is aging faster than any other world region (UN, 2019). By

2050, low- and middle-income countries will be home to 80% of the world's older population, according to projections by the World Health Organization. To raise awareness about this topic, the United Nations General Assembly has declared the timeframe between 2021 and 2030 the "Decade of Healthy Ageing." The initiative aims to "reduce health inequities and improve the lives of older people, their families and communities through collective action."

Experiencing the same situation of low birth rate and mortality rate, the image of an Asia that is full of older people and lack of children is foreseen. Actual number of old people increases along with the share of the total population. As of 2020, the population in Asia aged 65 and older was estimated at 414 million, accounting for 9.5% of the total Asian population. The proportion of Asian old age population is on par with the world's one, making the statement that Asia is a young age continent no longer valid.

Among the Asian countries, Vietnam is one of the countries with the fastest aging population. From 1980 until 2015, the Vietnamese old age population more than doubled while the total population almost double and the proportion of children declined. This demographic change occurred in Vietnam not only due to a decrease in mortality and an increase in life expectancy, but largely due to a sharp decrease in the birth rate. The declining birth rate in the past decades has had a great impact on the population structure of Vietnam, accelerating the aging rate of the population.

The Vietnamese population of people aged 65 and above, according to World Bank, has increased from 4.72% in 1960 to 8.2% in 2021. On average, in the period 2009-2019, the total population increased by 1.14%/year, the elderly population increased by 4.35%/year. During the last 10 years, the line became steeper proving how fast the nation is ageing. By 2036, Vietnam

will enter a period of aging population, transitioning from an "aging" society to an "aged" society. Or in other words, the country is about to exit the "golden population structure."

As a low-middle-income country, Vietnam has entered the period of population aging at a very fast rate. According to the General Statistics Office, the life expectancy of the Vietnamese people continuously increases rapidly, from 68.6 years old in 1999 to 73.2 years old in 2014 and is forecasted to be 78 years old in 2030.

The agency also forecasts that Vietnam's population aged 65 and over will exceed 15% of the total population by 2039. In 2026, Vietnam will enter an aging population period, lasting for about 28 years (2026-2054). , corresponding to the proportion of the population aged 65 years and over, accounting for 10.2% to 19.9%. After that, there was a period of very old population structure (2055-2069), corresponding to the proportion of the population from 65 years old accounting for from 20% to less than 29.9%, with more than 30 million elderly people.

Like many other countries in the world, the current and future population changes of Vietnam also pose issues that need to be taken care of soon, especially when the majority of elderly people in Vietnam live in the region. In rural areas, living with children and grandchildren, material life is still difficult when not many people are guaranteed a life from pension as mentioned above.

b) Vietnam Old-Age Poverty

Income security is the basic right for any people, especially for the old since they are at the age that many economic opportunities are closed for them. To maintain an elderly's autonomy, nothing is better than lifting their financial hardship. However, this is still a real challenge for Vietnamese society.

The Vietnamese elderly in general have a struggling life when they get older. Having a quick look on the status of their health and well-being proves part of the struggles. Although the average life expectancy is quite high, the healthy life expectancy of the elderly in the country is quite low, only about 64 years old; especially, 67.2% of the elderly have weak and very weak health conditions, while many have incurable diseases (Nguyen, 2022). About 95% of the elderly have diseases, mainly chronic non-communicable diseases, on average each Vietnamese elderly suffers from three diseases (Nguyen, 2022). Only about 60% of the elderly have health insurance cards. In addition, the system of elderly health care facilities in Vietnam still faces many difficulties and challenges.

According to data from the General Department of Population and Family Planning (Ministry of Health), in Vietnam, the poverty rate among the elderly is 23.5%. Among the older people, 65.7% of them live in rural areas, are farmers and work in agriculture. Low income is precarious. Moreover, because they are no longer healthy enough to work, most have to live in dependence.

In Vietnam, older adults are among the poorest individuals. Compared to the national near-poverty rate of 14.5%, the poverty rate among older people aged 65 and over is 16.1%, and it rises to 17.1% among those aged 70 and over when measured against the Ministry of Labour - Invalids and Social Affairs (MOLISA) near-poverty line, which is set at 1 million Vietnamese dongs (VND) per month in rural areas and VND1.3 million in urban areas. Additionally, around about 45 years old, both men's and women's labor force involvement start to decline. The majority of older men and women who do not have pensions are unable to support themselves and must rely on others.

1.2. Problem Statement

"Low coverage, low pension value for people with low income are considered to explain the limited effectiveness of the system in reducing old-age poverty." (Nguyen, B. 2022)

Vietnamese people tend to live longer, but not stay healthier and sufficient at their old age. Two issues have been witnessed in Vietnam. First, the aging rate is faster than the welfare capacity of the country to handle it. The majority of the senior poor people in the nation, a life of low income and precarious employment typically means no chance to save money for retirement or medical costs as they age. An allowance program for senior citizens without contributory pensions is provided by the national government. However, observers point out that it is very limited and that few people qualify for financial aid: only citizens over the age of 80 are eligible for pensions. For those who are under the required age range, financial assistance must be officially verified as being in need.

In particular, the population aging process is taking place rapidly and on a large scale during the key period of modernization. Second, the risk of "getting old before getting rich" is witnessed. This risk is growing in Vietnam while its per capita income is many times lower than that of the developed countries.

People of 60 and above occupy over 11% of the population, but most of them have a difficult life, low income, unstable or no income, depending on their children or have to work after retirement age. Therefore, the elderly's life in general is still very difficult. In addition, the social security system has not yet met the needs of the elderly; there is no long-term care system and job supply system as well as long-term health care for the elderly; a part of society still has misconceptions about the elderly. The role of civil organizations, mass organizations and

individuals has not really been promoted. These are also difficulties and challenges for the quality of life of the elderly.

In this hardship, economic well-being is the most problematic issue regarding the elders. Old people are forced to depend or work until their sunset time due to an inefficient pension system. Main problems related to pension in Vietnam can be stated below:

- Low coverage

- Low pension value

- Urban elders are the main beneficiary of pension rather the rural poor elders.

All of these issues cause difficulties for the old-age more or less even when they have pensions. Though pension coverage varies across regions and by rural/urban, the highest coverage of the region cannot reach 50% of the old to have pensions, either from Vietnam Social Security (VSS) or social pension. The pension coverage has increased during the last decade but still cannot cover the majority of the old-age population. In 2015-2016, among the elderly in Vietnam, only about 33.5% had a pension and a stable income. The rest have no pension, are facing many difficulties in life and have to depend on their children, especially females. The number of elderly people receiving pensions and social allowances is very low, leading to the situation that many elderly people with poor health still have to work and earn their own daily living. Therefore, the life of the elderly, especially in rural areas, is still very difficult and strenuous.

Another problem of the Vietnamese pension that requires more attention from the policymakers is that the wealthier tends to get pension from VSS while the poorer has less access to it. This causes a paradoxical situation for the country that the poor become poorer and the rich still have a comfortable life. Old-age insecurity and uncertainty can be forever lasting in the country without any correction in the pension system and redistribution.

During the COVID-19 time, the insecurity and financial struggles hit the poor older people in many different ways. First, they are the most physically vulnerable facing the pandemic so their needs for healthcare suddenly rise. For the ones who do the labor works for their living, they cannot do it anymore due to the social distancing. Older people not having pensions have no ways of earning their living but to work or to economically depend on their children. During this hard time, if their children also lose their jobs, the "domino effect" will happen and worsen the income insecurity for the whole family, including the senior citizens. That elderly should still be financially autonomous by having pensions becomes more and more urgent and serious in the context of a pandemic, pushing the country's policy makers into a stressful situation to expand the social pension fund one way or the other.

1.3. Research Objectives and Questions

Poverty is listed as the first goal in Sustainable Development Goals 30 (SDG) by the United Nations for some reasons. Among all of the poverty kinds, the elderly poverty in Vietnam tackles several SDG goals. Reducing the poverty as SGD 1, maintaining health and well-being as SDG 3, and tackling gender equality of SDG 5 at the same time since many of the old age population in Vietnam are females. The Vietnamese government during the COVID-19 time followed the motto that "No one will be left behind". It means to support all and every kind of citizen, especially the vulnerable, making the old-age poverty reduction hotter than ever since the older people are one of the most vulnerable.

Within this thesis, the impacts of pensions in Vietnam on old-age poverty will be emphasized. While social security is broader and should include access to healthcare and income security at the same time, this work focuses on the economic support to the elderly, which is widely

known as pensions and social allowances. Utmost, it is crucial to know the impacts of social pensions on Vietnamese old-age poverty and the elderly's well-being.

The thesis aims to illustrate the big picture of old age poverty in Vietnam with a focus on its correlation with social pensions. In normal times, the shortage of social security makes many old people struggle. During the COVID-19 time, this hardship is even worse.

The research questions include some sub-topics to depict the picture of economic struggle for old age people in Vietnam. Although the statements present three main problem of the current pension system, including low coverage, low value and target problem, this thesis focuses on answering the question:

"To what extent does a higher pension coverage affect Vietnamese elderly poverty?"

While the most important objective of this research is to understand the situation of old-age poverty and analyze the need for pension adjustment in Vietnam. This paper also gives some points of view and policy suggestions to reduce this poverty. To some extent, the research aims to picture a better life for old Vietnamese people and contribute to omitting the curse of "being old and poor" in the country.

1.4. Research Structure

In what follows this thesis consists of further five chapters.

Chapter 1 presents the introduction and overview of the thesis topic.

Chapter 2 defines key concepts of this study and critically summarizes previous studies on this topic.

Chapter 3 explains how the research was designed, conducted, and analyzed.

Chapter 4 presents the results of the study related to the research questions

Lastly, chapter 5 provides the discussion and recommendation for future study. Moreover, this chapter also discusses the limitations of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1. Studies about old age population in Vietnam

According to World Bank (2021), Vietnam is on the cusp of a dramatic aging population. There will be a dramatic suffering in economic well-being for the senior residents and also the whole country if Vietnam does not well-prepare for this situation. Cowgill and Holmes (1970), as quoted in Andrews and Philips (2006) defines an aging population is a population in which the elderly (65 years of age and above) account for 7 to 9.9 percent of the total. An aged population is a population in which the elderly account for 10 to 19.9 percent of the total. A population in which the elderly account for 20 to 29.9 percent of the total is called very aged, and a population in which the elderly account for more than 30 percent of the total is called hyper aged. Accordingly, Vietnam is in the transitional stage since its ratio of old-age people increased quickly over the last decade. The change is fast and continues to happen in the next few decades as predicted, making the fact that the country truly becomes an aged population be foreseen.

World Bank (2016) reckons that Vietnam is one of the fastest-aging countries and this fact is proved when comparing its pace of aging to several countries. In 2012, these trends already placed Vietnam in a group of countries classified as having an "aging population." Vietnam is projected to become "aged" in 2026. This pace of aging is one of the fastest in the world. France needed 115 years to move between the same points, the United States 69 years, and Japan and China 26 years. In contrast, Vietnam will need only 20 years to reach that point (Kinsella and Gist, 1995; U.S. Census Bureau, 2008; GSO 2010).

Among the elderly, the fastest growth in population is projected to occur among the oldest old. The percentage of those aged 80 and above among the population aged 60 and above increased

from 7.8 percent in 1979 to 19.8 percent in 2014. The share peaked in 2014 and is projected to decline in the next 15 years, a trend which can be explained by the conflict that occurred during the late 1960s and early 1970s. The oldest old population will start to increase again in 2029, and by 2049, about 15.9 percent of the population aged 60 and above will be in their eighties.

2.2. Studies about Vietnam old-age poverty

Vietnam Household Living Standards (2020) use the GSO-World Bank poverty line to calculate the poverty rate in Vietnam. As such, the income-based indicators as below, indicates the monthly income of a household. Households lying under this line are living in poverty.

Table 1: Income based poverty line (monthly income)[1]

Year	Urban (VND thousand dong)	Urban (USD)	Rural (VND thousand dong)	Rural (USD)
2016	900	39	700	30
2017	935	41	725	32
2018	975	42	755	33
2020	1028	45	800	35

[1] Author's calculation based on VLSS 2018 and exchange rate of USD/VND is appx. 23000 in 2020.

Figure 1: Poverty Reduction in Vietnam (1993 – 2020)[2]
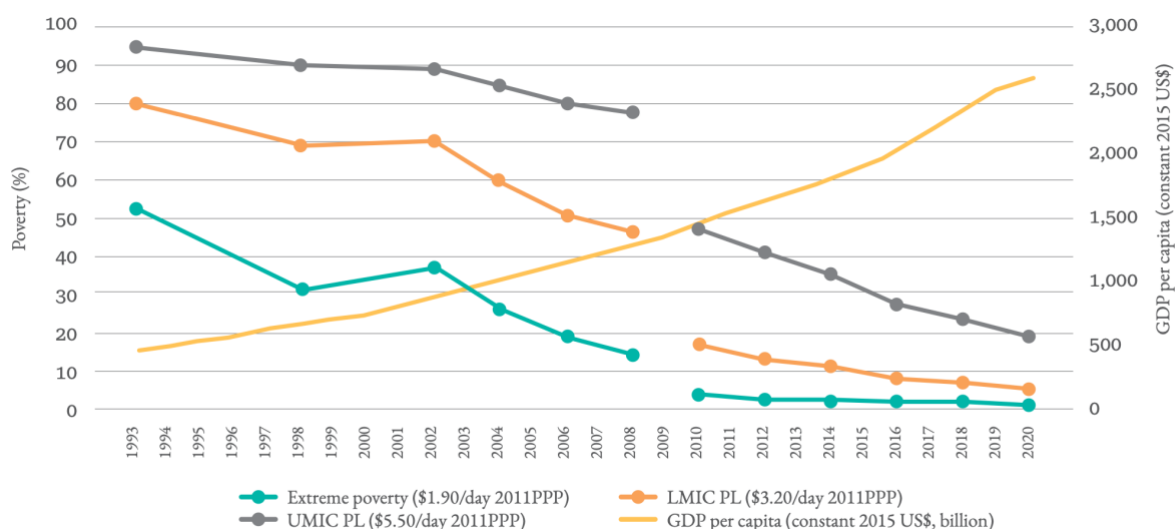
World Bank (2022) uses data from successive Vietnam Household Living Standards Survey (VLHSS) which indicate that Vietnam has gained some success from poverty reduction in the last 20 years. Especially, older generations benefited the most relative to other age groups in terms of poverty reduction in both urban and rural area. While the national poverty rate fell from 20.6 to 9.3 percent during 2010-2016, the rate among older people dropped even further, from 14.7 to 4.9 percent for those 65-69 years old, from 18.6 to 6.7 for those 70-79 years old, and from 23.3 to 8.5 percent for those age 80 and above.

There are not many studies on old age poverty in Vietnam. Evans et al. (2007) explained the connection between poverty and old age in Vietnam. The authors concentrated on the effects of social security payments and benefits as well as the factors that prevent older households from living in poverty. The study, however, did not separate the families into urban and rural locations, which could have quite diverse socioeconomic conditions, and instead used aggregate data for all the senior households.

[2] World Bank (2022) Fig. 1.3 at page 27

Giang and Pfau (2009) evaluated the causes and susceptibility of poverty among elderly adults in Vietnam using data from the Vietnam Household Living Standard Survey. Their findings suggested distinct tendencies in Vietnam's urban and rural areas. Age, single status, residence location, and employment status were connected with metropolitan areas with greater elderly poverty rates. Age, gender, sex, ethnicity, residential regions, household composition, and household size were the most important variables in rural areas. Particularly in rural areas, remittances and social security benefits seemed to be crucial for lowering poverty among elders' households. The factors that determine the severity of poverty among the elderly poor are not addressed by their study though.

Vu and Nguyen (2021) used probit model to investigate the causes of senior poverty occurrences and depth in Vietnam using data from the Vietnam Household Living Standard Surveys conducted in 2010 and 2016. The article shows that Vietnam's elderly poverty rate is generally lower than the country's overall poverty rate. However, some older populations are more at risk of poverty than others. Particularly, senior residents in rural places are more prone to poverty than older residents of urban areas. In both urban and rural locations, the authors identified a number of determinants of senior poverty, including region, ethnicity, education, and family age distribution. Especially, they mentioned social assistance/pensions and remittances are both essential for alleviating senior poverty in rural areas.

The study by Tran et al. (2020) proved that older people's overall economic well-being is average, measured objectively and subjectively. The three most commonly cited income sources of the elders are children living in the country (38.5%), earnings from work (37.3%), and pension (23.8%); 15.9% of older people receive government subsidies and 10.8% earn from family business. Unsurprisingly, income of the oldest group (80+) is mostly from children in the country

(47.8%) and government subsidies (46.3%). This reflects the fact that living arrangement is one of the most crucial factors that affects the household's income and the well-being of the elder. As 61.3% of older people co-reside with at least one child, they financially depend on their children. This study also points out that the government assistance is insufficient due to increasing living cost since 80+ years old and poor elders only receive a monthly subsidy of VND270,000 (about US$12).

Figure 2: Source of Income of Older Population in Vietnam by Age [3]
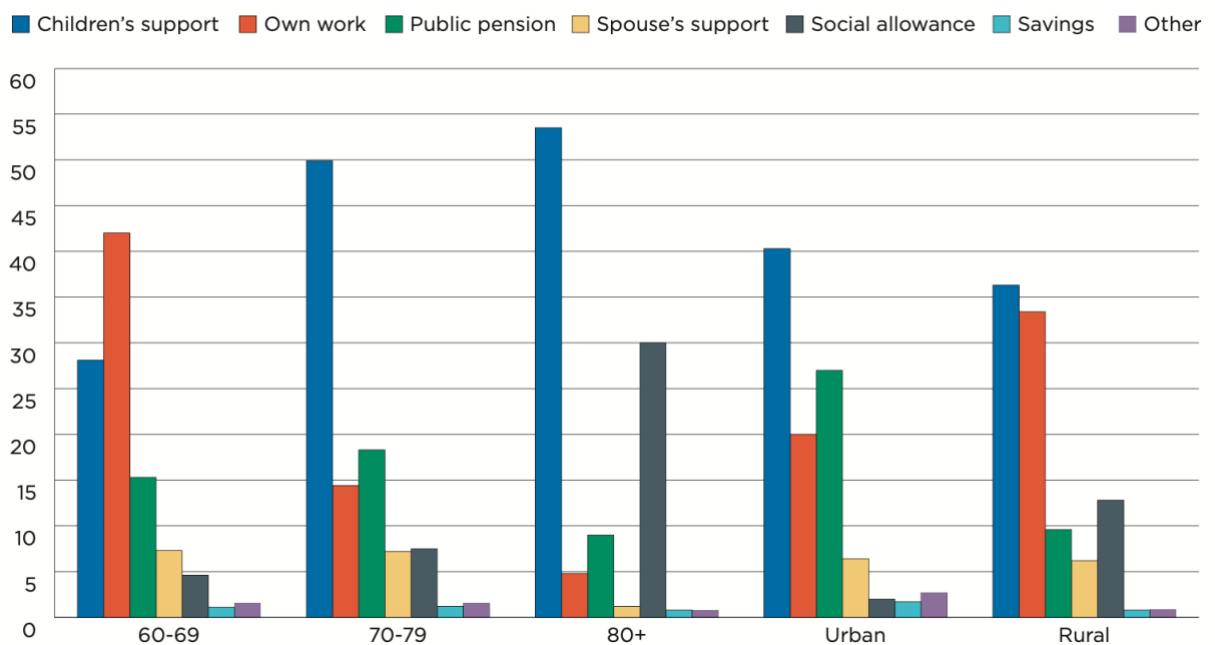
Wan et al. (2022) also conclude the same findings about income sources of older people in Vietnam. Depending on their age and whether they live in a rural or urban area, the older population's primary sources of income vary. Between the ages of 60 and 69 and 70 and 79, there is a discernible trend away from income derived from one's own employment and toward child support. Moreover, they find out that the public pension benefit to urban elders much more than rural elders though the rural tend to have more financial struggle. Older rural inhabitants are more

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[3] Wan et al. (2022) Fig. 3.5 at page 35

likely than their urban counterparts to rely on social services as their primary source of income, in part because rural areas lack pension systems, and in part because they depend more on their own job. Also, it is important to note that in Vietnam, the income from individual savings has only made up a small fraction of older people's sources of income.

General Statistics Office of Vietnam (2013) reports that more than 68.2% of the elders (about 6.15 million) lived in rural areas, only 16%–17% of them received pensions, and 10% received social benefits. Although a small number of the elders receive social benefits, retirement funds, and old-age pensions, these types of funding are increasing as the population ages. The money is placed in the social security fund, but the pension system has its own problem and a stable financial system is needed to manage it (Tran et al., 2016). Given that, the elder's main income comes from their work, especially for the youngest group.

Nguyen and Nguyen (2020) country report pointed out that 46 percent of those aged 60-64 age group, 30 percent of the 70-79 age group and 10 percent of those above 80 have to work to earn their daily living. In late 2019, Vietnam had around 14.1 million people past the retired age, but only 4.9 million, equivalent to around 30 percent, had access to the retirement pension. For seniors without pension, social security and financial stability, there is no other option except to continue working in order to make ends meet. There is some state support for the elderly that are very poor, but this is also limited.

As dependence on work income drops noticeably with advancing age, the proportion that relies on transfers from children and on pension benefits increases. Pension benefits are a stable income source but below subsistence levels. The older people, especially those 80+, rely heavily on children as their primary source of income.

In short, the elders, as discussed above, majorly depends on three sources of income: children's financial support, wages, and pensions. Among that, pensions seem not sufficient and play mediorcre role in sustaining a living for the old-age. This leads to two scenario either the elders are forced to depend on their children or they have no retirement option and have to work until sunset years.

2.3. Studies about Current Pensions System

There are currently two tiers to the Vietnamese state pension system. First, the government has a social pension scheme that provides allowances to elderly citizens without a contributory pension. But analysts have pointed out that it is extremely restrictive, and only about one in five qualify for it. To be eligible, a citizen has to be above 80 (which is also above average national life expectancy for both genders); or aged between 60 and 79 and be officially identified as poor. Everyone over the age of 80 who is not receiving a social insurance pension is eligible for a tax-financed social pension under the first tier, but many provinces with excess funds start offering the social pension at age 70 or 75. People between the ages of 60 and 79 may also be eligible for a higher-rate social pension if they live alone and in poverty. Second, members of the Viet Nam Social Security (VSS) program are eligible for a second-tier social insurance pension at age 55 (for women) and 60 (for men), as long as they have paid 20 years of social contributions. Due to the social pension's exclusive focus on the poor, there is a very significant coverage gap for people between the ages of 60 and 79.

Figure 3. Current Pension Scheme in Vietnam[4]
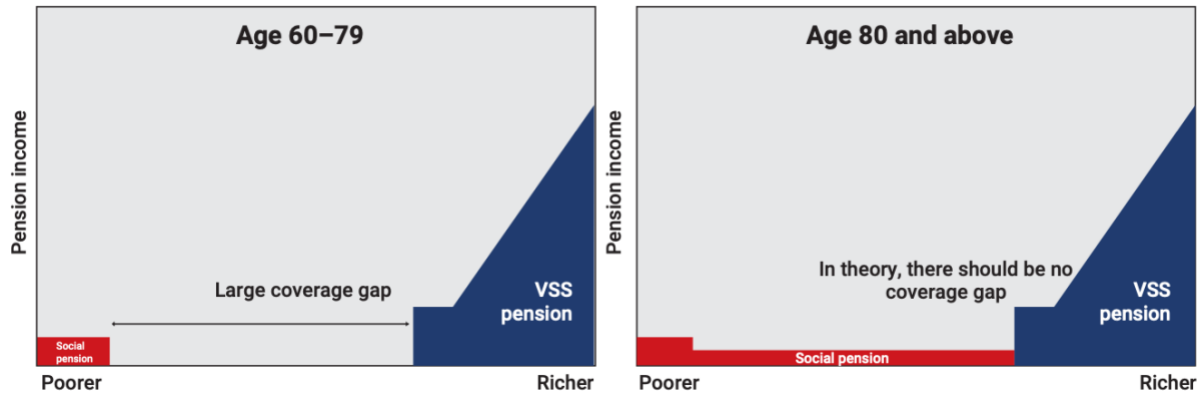
Nguyen (2022) defines the utmost goal of pensions in Vietnam is to secure the income for old-age people, and therefore, reducing poverty for them. The authors discusses the same pensions scheme naming social-insurance pension the first pillar, the non-contributory scheme as the zero pillar and mention voluntary private pension scheme as the third pillar. The third pillar is not popular and not to be focused in this thesis. The other two pillars, as Nguyen analyzed, have different characteristics in distribution. Non-contributory scheme only based on age while social-insurance pension based on number of years of contribution and base salary. As social insurance pension can be compulsory or voluntary, it generates disparity among the pensioners. While people who works and compulsorily contributes to this fund, they get above minimum wage amount of pension. Farmers, informal workers who voluntarily contribute gets a much lower amount, discourage them from contributing to the pension fund. Due to low coverage and low pension amounts for the poor, the Vietnamese official pension system is considered to have limited effectiveness in decreasing old-age poverty (H. D. Nguyen and Dao, 2002).

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[4] Kidd and Tran (2019), Figure 2.1 at page 9.

Although the social-insurance pension has a low level of coverage, this scheme has a considerably lower level of coverage for the poor. In 2006, about 3% of low-income households got a social insurance pension (V. C. Nguyen, 2013). Because the majority of ethnic minorities' workers have informal jobs, they are frequently omitted from the first pillar despite being more likely to be impoverished (Evans & Harkness, 2008). In Viet Nam and other nations in the region like Indonesia and the Philippines, a tiny proportion of elderly people living in rural areas or working in informal jobs are included in the social-insurance pension(Asher & Bali, 2015; Park & Estrada, 2013). Low coverage of the poor may indicate that this pension only trivially reduces poverty.

Nguyen, T. P. (2019) used interview data to demonstrate how seniors in Ho Chi Minh City who worked in manual labor were having trouble making ends meet on their meager social-insurance pensions. The majority of workers in the unorganized sector do not receive any retirement benefits, and the non-contributory pension levels for those that qualified were below the poverty line (Schmitt & Chadwick, 2014). The three nations Schmitt and Chadwick studied—Cambodia, Indonesia, and Thailand—have a similar predicament (2014).

Evans and Harkness (2008) looked at how the social-insurance-pension system was used by the government to transfer resources to combat poverty. The authors argued that Vietnamese Communist Party members, public sector workers in urban areas, and highly educated people with high wages got more transfers from the government than other groups using the Viet Nam Household Living Standards Survey of 2006. This is due to the fact that many of them did not contribute to the social-insurance-pension system prior to 1995 and instead received the pension based on their (high) salary at retirement. It was discovered that minority ethnic older persons,

who are likely to be shut out of the system, had a lower likelihood of receiving state transfers (Evans & Harkness, 2008).

Some authors have provided explanations for the lack of coverage in Asian nations like Vietnam. For instance, Evans and Harkness (2008) assert that Viet Nam's social-insurance pension coverage was insufficient since a sizable portion of the workforce was employed in the informal sector. Additionally, the Social Insurance Law's enforcement and compliance are poor (Castel & To, 2012; Evans & Harkness, 2008). People with informal jobs are frequently left out of the compulsory system in various Asian nations since doing so would result in enormous administrative costs (Park & Estrada, 2013).

The financial sustainability of the social insurance pension system is a subject of some research. Giang (2004, 2010) used an actuarial model to assess the financial viability of the Vietnamese social insurance system. Giang (2004) demonstrated that the system's implicit pension debt as a percentage of GDP was high due to low contribution rates relative to pension rates, which may have had an impact on the system's ability to preserve its financial health. Giang (2004) further asserted that the possibility of financial unviability presented issues with regard to intergenerational equality because it would be incumbent upon future generations to pay contributions for pension benefits enjoyed by earlier generations. Giang (2004, 2010) suggested switching from a defined-benefit system to a notional defined-contribution one in order to reinforce the relationship between contribution rates and pension rates and to increase intergenerational equity.

Giang and Pfau (2009) calculated the expenses associated with non-contributory pensions in order to reduce poverty in Vietnam. The authors used simulation techniques to examine four non-contributory pension systems that covered all old people, solely elderly people living in rural areas,

only elderly women, and only elderly people in the poorest districts. Data from the 2004 Viet Nam Household Living Standards Survey were used by the writers. The predicted yearly costs for each model, according to the authors, would not exceed 3.5% of GDP from 2004 to 2050, supporting their claim that the social pension might be financially feasible for the government. Additionally, the social pension configuration, which included older individuals in rural areas, might be the most effective way to combat old-age poverty. Additionally, compared to an arrangement with a higher eligible age and a greater pension value, the arrangement with a lower eligible age and a lower pension amount would probably be more successful in eliminating old-age poverty.

To sum up, prior research on the Vietnamese pension system assessed the objective of reducing poverty, as well as coverage, wealth transfer, and intergenerational equity as strategies to achieve it. Due to inadequate coverage, particularly for those who are more likely to be impoverished in old age, such as those with informal employment, prior research has shown that both social-insurance pension and social pension in Vietnam are unsuccessful in reducing old-age poverty.

CHAPTER THREE: METHODOLOGY

The empirical analysis in this thesis is aimed at unveiling the relation between poverty and the pension coverage. I use panel data for 94 countries and I estimate by Ordinary Least Squares (OLS) and instrumental variables (IV), the equation of a poverty indicator specified as a function of the pension coverage and other control variables. The main findings confirm the hypothesis that with a higher pension coverage, the elderly will live a better life with lower poverty rate.

3.1. Sample

This thesis uses World Bank data to collect the numbers of the indicators of Poverty Rate, Population, Population over 65 year-old, GDP, GDP growth, GDP per capita and Pension Coverage of 94 nations. The sample has 210 observations that included 94 cross-sectional units, i.e. coutries, which are observed from a of minimum 1 year to a maximum of 4 years.

The ideal set of countries to be included in the sample are low-middle income countries, which have similarities in economic situation with Vietnam. However, if I limited the analysis to the subsample of low-middle income countries, I would be left with 39 countries and 108 observations, resulting in low statistical power to analyze the relation between poverty and the pension covergae. Hence, I inlcuded all the countries for which data on pension coverage is available. Many countries' pension coverage is missing and, especially for the least developed countries. This explains why my sample contains 94 nations.

Table 2. Summary statistics of the variables used in the empirical analysis

	Min	Max	Mean	SD
Poverty Ratio	0	70	1	10
Pension coverage	0	100	79	36
Gini index	24	54	35	7
Population	89,949	1,396,215,000	10,525,347	191,188,692
Population 65 above	5	144,440,124	1,353,906	16,988,888
GDP	177,935,349	21,372,572,437,000	158,602,347,614	2,857,787,839,982
GDP growth	(11)	14	3	4
GDP per capita	670	116,966	23,817	20,187

*Note: Author's Summary based on Dataset

In this thesis, Poverty Rate and Gini Index are computed based on World Bank's definition. Accordingly, the Poverty Rate is the percentage of the population living on less than $2.15 a day at 2017 purchasing power adjusted prices (World Bank Glossary) The Gini index measures the extent to which the distribution of income or consumption among individuals or households within an economy deviates from a perfectly equal distribution (World Bank Glossary). A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.

For example, from the pool data, some countries have

3.2. Ordinary least-squares (OLS)

OLS regression is a generalized linear modelling technique. OLS regression is one of the major estimators used to analyse data and forms the basis of many other techniques, for example ANOVA and the Generalised linear models (Rutherford, 2001). The usefulness of the technique can be greatly extended with the use of dummy variable coding to include grouped explanatory variables (Hutcheson and Moutinho, 2008) for a discussion of the analysis of experimental designs using regression) and data transformation methods (Fox, 2002). OLS regression is

particularly powerful as it relatively easy to also check the model asumption such as linearity, constant variance and the effect of outliers using simple graphical methods (see Hutcheson and Sofroniou, 1999).

In this thesis, the model finds out the relationship between a continuous response variable (Y=poverty rate) and some explanatory variables (X1, X2, …Xn). In this case, a single response variable (poverty rate) is predicted by multiple explanatory variables as below.

$$Poverty\ Rate = \alpha + \beta 1\ Population + \beta 2\ Population\ over\ 65\text{-}year\text{-}old + \beta 3 GDP +$$

$$\beta 4 GDP growth + \beta 5 GDP\ per\ capita + \beta 6 Pension\ Coverage + \varepsilon$$

In which:

α is the constant terms and it indicates the value of Y when all values of the explanatory variables are zero.

βi, for i=1…,6, are parameters and indicate the change in the conditional expectation of Y when Xi varies by one unit, keeping fixed all the other explanatory variables in the model. ε is error term.

The expectation of running this model is that $\beta 1$ will be significant and negative, which means that the Pension Coverage negatively and oppositely correlates with the Poverty Rate. This can explain the hypothesis that the more/less pension coverage is, the lower/higher poverty rate it will be. Similarly, another model in which Y=Gini Index was run with the same expectation, that the pension coverage will also negatively correlate with Gini index of a country.

3.3.   Two stage least square

Two-Stage least squares (2SLS) regression analysis is a statistical technique that is used in the analysis of structural equations. This technique is the extension of the OLS method. It is used when the dependent variable's error term is correlated with the independent variables.

Problematic causal variable: The dependent or endogenous variable whose error term is correlated with the other dependent variable error term. A problematic causal variable is replaced with the substitute variable in the first stage of the analysis.

Instrumental variables: An instrument variable is used to create a new variable by replacing the problematic variable.

Stages: The consistency of the OLS estimator is based on the assumption that the value of the error terms is independent of predictor variables. When this assumption does not hold, this technique helps us to solve this problem. This analysis assumes that there is a secondary predictor that is correlated to the problematic predictor but not with the error term. Given the existence of at leats one instrumental variable for each endogenous regressor, the following two stages are used:

In the first stage, the endogenous regressor is regressed on the other exogenous covariates and the excluded instruments and the fitted values are computed. The fitted values are a new regressor to be exploited in the second stage.

In the second stage, the fitted values from stage one areused in place of the actual values of the endogenous regressor and the modified equation is estimated by OLS.

In this thesis, the excluded instruments are the 2 population variables. The two population variables are likely correlated to the endogenous regressor, the coverage rate. Obviously, pension coverage is based on the age of population and the size of the population. In many countries, people start receiving their pensions from the age of 65 or 60. So population size and age are correlated

to the pension coverage. Second, the two external instruments (population and population over 65) are assumed not to be directly correlated to poverty ratio, since the population growth may be related more when overpopulation and aging problem appears (Borgen Project, 2020).

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1. Results

In the first model, Poverty Rate is the dependent variable. A pooled OLS regression was run using 210 observations for 94 countries. The results prove that Pension coverage and Poverty Rate oppositely correlate with each other. The coefficient is -0.130558 meaning that with every 1 point of increase in pension coverage, the poverty rate will decrease by 0.13 point. Moreover, the two variables, Population and Population over 65, present a lack of significance of the coefficients from OLS, which mean they have less explanatory power. This may be interpreted as evidence of the exogeneity of the instruments. GDP variables correlates with Poverty Rate yet not as significant as Pension Coverage in this model.

Among the explanatory variables, Pension coverage is statistically significant in the relationship with the old-age poverty rate (indicated by three stars in the result table). It can be said that pension coverage and elderly poverty rate are strongly related. This implies the policies in the next chapter to soothe the elderly poverty for Vietnamese seniors.

Table 3: OLS regression of Poverty Rate as Dependent Variable

Dependent Variable: Poverty Rate					
Coefficient					
Population	Population over 65	GDP	GDP growth	GDP per capita	Pension Coverage
1.39e-08	-2.53e-07	5.72e-13**	0.453*	-7.39e-05*	-0.13055***
(1.28e-08)	(1.81e-07)	(2.40e-13)	(0.247)	(3.47e-05)	(0.045)

| 210 | 210 | 210 | 210 | 210 | 210 |

Notes: This panel presents estimated coefficients from regressions with Poverty Rate as dependent variable. Standard errors are (reported in parentheses). Observations are reported in *italic*.

In the next model, the Gini Index is the dependent variable. It is obvious that Pension coverage and Gini Index also opposite correlate with each other. The coefficient is -0.0735230, meaning that with every 1 point of increase in pension coverage, the Gini Index will decrease by 0.07 point. At the same time, GDP is statistically important here when it comes to economic inequality.

Table 4: OLS regression of Gini Index as Dependent Variable

Dependent Variable: Gini Index					
Coefficient					
Population	Population over 65	GDP	GDP growth	GDP per capita	Pension Coverage
-2.58e-09	-9.91e-09	6.52e-13***	-0.197	-6.92e-05	-0.073***
(7.33e-09)	(1.00e-07)	(1.20e-13)	(0.191)	(4.21e-05)	(0.025)
209	*209*	*209*	*209*	*209*	*209*

Notes: This panel presents estimated coefficients from regressions with Gini Index as dependent variable. Standard errors are (reported in parentheses). Observations are reported in *italic*.

Since Gini Index indicates the income inequality within a nation, this coefficient somehow explains the economic status of the seniors. In the previous studies, it is said that the elderly is suffering the most from income inequality since they do not have any source of income at the retirement age. Therefore, the result that pension coverage negatively correlate with poverty rate also imply an effect of pension coverage on elderly's income and economic inequality, which will be presented more in the next chapter.

Table 5: Two-stage-least-squares Regression of Poverty Rate as Dependent Variable

Dependent Variable: Poverty Rate

Instrumented: Pension Coverage

Omitted: Population, Population over 65

	Coefficient		
GDP	GDP growth	GDP per capita	Pension Coverage
0.000	0.156	-6.52e-06	-0.240***
(0.000)	(0.326)	(4.66e-05)	(0.078)
210	*210*	*210*	*210*

Sargan Test: p-value = 0.335

Null hypothesis: all instruments are valid

Weak Instrument Test: F statistic (3, 195) = 13.481

*Note: Standard errors are (reported in parentheses). Observations are reported in *italic*.

In Two-stage least squaresmodel, the dependent variable is Poverty Rate, while the instrumented variable is Pension Coverage. Population and Population over 65 year old were taken out because these variables deem to not play a significant role of explanation in the OLS model. By running the Two-stage least squares, the endogenous problem was solved. Pension coverage continued to correlate significantly with poverty rate in this model and the coefficient is -0.24. Since OLS is often inconsistent under omitted variables, instrumental variables are generally used to solve that endogeneity problem. Two-stage least squares regression uses instrumental variables that are uncorrelated with the error terms to compute the estimated values of the problematic predictor (the first stage) and then uses those computed values to estimate a

linear regression model of the dependent variable (the second stage). The intuition for this approach is that instead of using the original endogenous variable, we adopt the predicted version of it, which is regressed on the list of exogenous variables, hence the OLS applied in the structural equation with this new setting works because we have purged out the correlation part of the predictor with the error term. However, there are two important identifications to address.

The first one is the weak correlation between the instruments and the endogenous variable. Staiger and Stock (1997) suggested that a statistical rejection of the null hypothesis in the first stage of regression is not enough for a reliable set of instruments. Based on bias calculation for the IV estimator, they recommend that the IV inference is solid when the first stage F statistic (t statistic with one instrument) has an absolute value greater than 10 ($10^{0.5}$ for t statistic). From the results obtained by running TSLS, the F statistic is 13.48 which isgreater than 10, hence we can dismiss the concern about weak correlations between the instruments (Population and Population over 65 years old) and the endogenous variable (Pension Coverage).

The second one is the exogeneity of those excluded instruments. And the Sargan (1958) test of over-identifying restrictions, meaning that we have more instruments than the endogenous regressors, is an approach to test this hypothesis. The p-value is large (0.33) and the null hypothesis that the overidentifying restrictions are valid cannot be rejected. The instruments are determined to be qualified.

Table 6: Two-Stage Least Square Regression of Gini Index as Dependent Variable

Dependent Variable: Gini Index

Instrumented: Pension Coverage

Omitted: Population, Population over 65

	Coefficient		
GDP	GDP growth	GDP per capita	Pension Coverage
5.22e-013**ᵗ	-0.257**	-6.00e-05	-0.080*
(0.000)	(0.188)	(3.58e-05)	(0.046)
209	*209*	*209*	*209*

Sargan Test: p-value = 0.188

Null hypothesis: all instruments are valid

Weak Instrument Test: F-statistic (2, 195) = 18.93

*Note: Standard errors are (reported in parentheses). Observations are reported in *italic*.

From the results obtained by running TSLS, the F statistic is 18.93 which is much greater than 10, hence we can dismiss the concern about weak correlations between the instruments (Population and Population over 65 years old) and the endogenous variable (Pension Coverage). About the Sargan test of over-identifying restrictions, meaning that we have more instruments than the endogenous regressors, is an approach to test this hypothesis. The p-value is large (0.13) and the null hypothesis that the overidentifying restrictions are valid cannot be rejected. The instruments are determined to be qualified.

4.2. Discussion

From the results, it is known that pension coverage and old-age poverty is highly correlated. Though there is some weakness of the design that cannot reflect all the factors that affect the poverty rate, the results somehow give direction on how to soothe this problem. Across nations and time stamps, higher pension coverage, lower poverty rate and Gini index. Since Gini index reflects the income inequality, it can be said that when the seniors having pensions, the inequality in a country can be lessened. To ensure a good life for the elderly and their families, it is belived that forms of social protection, of which pensions - the most common form - are the key to the problem.

According to the view of the ILO, coverage is "the extent to which a policy/service/system is made available to beneficiaries". The universal social insurance that countries are aiming for is health insurance coverage for all classes of people.

According to ILO, the insurance coverage is reflected in the following basic criteria:

- Coverage: measures the percentage of participants (by sex, age, and other demographic characteristics) in the total population.

- Depth: Measured by the level of benefit/income replacement or the level of meeting the needs of the participating target groups of each policy group.

- Satisfaction level: measured by availability and accessibility of the social security system

- Actual coverage: Reflecting the actual application of policies, measuring the actual level of participation of the people; Actual coverage is always lower than policy due to poor implementation, avoidance of responsibility, deliberate policy misrepresentation, as well as financial difficulties

From the concept of coverage, it can be seen that improving pension coverage is the level of people's participation, whether the approach is narrow (each policy/programme) or wide (the whole system), aimed at towards three basic goals: ensuring that many people participate in the policy/system and the level of protection (level of benefit) is enhanced.

Workers, retirees, incapacitated people, beneficiaries of social policies and a part of the poor feel more secure when they get old, having a fairly reliable support of pension. Along with the development of social insurance policies, the participation of all levels and sectors, the increasingly improved quality of communication has also helped a part of the people to have a correct awareness of the superiority of social insurance.

Social insurance is one of the important social security policies, a solid financial mechanism to help protect and care for the workers when they get old. Over the past 20 years, social insurance has affirmed the correctness of a social policy of the Vietnamese party, in line with the process of national renewal. However, at a low level of pension coverage, Vietnamese goverment seems to have many work to do and much room to improve, which will be discussed in the next chapter.

However, this thesis is just the first step in defining the relationship between pension coverage and old-age poverty rate. The data was limited when it comes to pension coverage and other economic indicators, so the panel is not as large as expected. Different countries at different economic developing levels also experience different pension system. In general, by looking at 210 observations, it proves that higher pension coverage is a good sign of less old-age poverty. It needs to be more precise by comparing countries from the same economic levels, or having geographical similarities to come to the most useful conclusion. At the moment, this can be referral information for Vietnamese goverment in adjusting their pension policies.

Therefore, building a social security system with the main pillars of social insurance (pension) with high coverage must be considered an inevitable direction. This orientation, first of all, should soon be concretized right in the process of formulating and amending the Law on Social Insurance, in order to quickly expand the coverage of social insurance, so that more and more people can have a support platform when the working age is over.

CHAPTER FIVE: POLICY IMPLICATIONS

After 2036, Vietnam will end the golden population period and enter the aging process. At that time, welfare policies will focus on caring for the elderly more than workers in the working age. In Vietnam, the structure of the social security system consists of five pillars: social insurance, health insurance, unemployment insurance, social relief, social assistance and incentives. However, currently, the proportion of people participating in social insurance is not as expected, so in the future, a large number of elderly people will not have a pension to ensure their life as well as health insurance. Hence, participating in social insurance from a working age is the best solution for everyone to have a pension to protect themselves and ensure life in old age and many other welfare regimes.

From Chapter four, it is obvious that pension coverage plays an important role in improving old-age income and lessens the poverty and income inequality in many countries in the world. This is a great lesson for Vietname policy-makers to solve the current problem in the country. In this chapter, there will be two parts discussing why the pension coverage now is low, and from that point, there will be suggestions and implications to improve the current situation.

5.1.   Current pension situation in Vietnam

The country currently has about 25 million salaried workers (official economic sector), but only about 16 million people participate in social insurance. In the informal sector (without contracts), there are about 21.4 million people participating in the labor force, but only 0.2% participate in compulsory social insurance and 1.9% pay social insurance premiums voluntarily. In general, the number of employees participating in social insurance has reached more than 32% of the labor force in the age group.

The monthly salary and health insurance card are an important security support for the elderly, helping them have a better life. However, at present, the proportion of elderly people enjoying retirement benefits in our country is still low. In order for the majority of elderly people to have pensions, the authorities have focused on implementing many solutions. It is interesting to note that the lives of many elderly people are still difficult, have low income, are unstable or have no income, and are dependent on their children, grandchildren and relatives. The main reason is that the number of elderly people with monthly salaries and allowances is not much.

There are more than 3.3 million elderly people in the country currently enjoying retirement benefits and social insurance benefits; nearly 900,000 elderly people enjoy the preferential regime for people with meritorious services to the revolution, equivalent to nearly 40% of the total number of elderly people who have a monthly salary (Lieu, 2018). Among the rest of the elderly, there are only a few groups (people without caregivers, people aged 80 years or older...) with nearly 1.9 million people eligible for monthly social allowances. From this fact, it can be affirmed that participating in social insurance from a working age is the best solution for everyone to have a pension when they are old and many other welfare regimes.

With attention to the elderly, in Vietnam, over the years, the Party and State have implemented many social security policies for the elderly such as social insurance, health insurance and social security policies, social assistance policies. However, only about 39% of the elderly people in the country are entitled to pensions, social insurance benefits, policies for people with meritorious services and social allowances (VSS, 2022). That also means that up to 61% of elderly people still have to take care of themselves after reaching the end of working age. These are mostly people aged from 60 to 79 years old, not belonging to poor households, near-poor households or not subject to other social preferential policies.

Currently, the rate of payment of voluntary social insurance is equal to 22% of the income chosen by the employee freely. However, the minimum monthly income as a basis for payment is equal to the poverty line of rural areas (1.5 million VND) and the highest is 20 times the base salary (29.8 million VND). Regarding the payment method, employees can choose one of the following six methods: Monthly payment; paid every three months; paid every six months; paid every 12 months; pay once for many years to come, but not more than once every five years; one-time payment for the missing years for those who have reached the pension age but the remaining payment period does not exceed 10 years. Regarding the question of who can participate in voluntary social insurance and how to participate, the National Social Security informs that Vietnamese citizens who are 15 years of age or older and are not subject to compulsory social insurance can participate. Voluntary social insurance to have a pension later.

Currently, in addition to those who are cadres, civil servants, public employees in agencies, units, employees in enterprises, etc. participating in social insurance and compulsory health insurance, as well as people in the informal sector, laborers, etc. Self-employed workers have the right to participate in social insurance to receive pension when they reach the end of working age. When meeting the conditions for retirement age and participation period, participants of voluntary social insurance will be entitled to a monthly pension. The benefits of pension and health insurance of participants of voluntary social insurance are also guaranteed like those of participants of compulsory social insurance and health insurance. The pension level is continuously raised on the basis of the increase of the consumer price index and economic growth in accordance with the state budget and the social insurance fund; be granted a health insurance card (during the period of pension enjoyment) with a benefit rate of up to 95% when

going to medical examination and treatment at medical facilities, higher than the rate of 80% of the participants of health insurance according to the current household. applicable by law.

Regarding the opinion that the devaluation of the currency will affect the pension, affecting the legitimate interests of social insurance participants, Vietnam Social Security has just released information to clarify the issue. According to Vietnam Social Insurance, when participating in social insurance, when meeting the conditions for retirement age and participation period, employees are entitled to a monthly pension, a stable source of income to ensure their life. Living in old age and during retirement are granted a free health insurance card (with 95% of medical examination and treatment expenses) for health care. Notably, the pension level is not a fixed level at the time of retirement but is periodically adjusted up according to the consumer price index (CPI) and economic growth to ensure the life of retirees. Therefore, pensioners always have their value preserved and are not at risk when the currency depreciates. In principle of social insurance, the level of social insurance enjoyment is calculated on the basis of the premium rate, payment period and sharing among the participants. The rate of pension enjoyment is proportional to the social insurance premium payment rate, the time of payment, which means that the higher the contribution rate, the longer the payment period, the higher the pension benefit.

In fact, there are some cases of pension benefits with low benefits, mainly because employees pay social insurance premiums with low premiums, and the payment period is only minimal. There are also many cases where employees retire early before the prescribed age, leading to a reduction in the percentage due to early retirement. Concerning the opinion that the depreciating currency will affect the pension, affecting the legitimate interests of participants, Vietnam Social Security believes that this understanding is not accurate. In fact, the regulations

of the social insurance policy have taken into account inflation or price slippage for employees' salaries on which social insurance premiums are based, not only when calculating pensions, but also ensuring the pension is enough for a living. This factor during the employee's pension enjoyment, aims to ensure that the basic pensioner's income meets the needs of life.

Specifically, when calculating the level of pension enjoyment, the salary for which social insurance premiums have been paid as the basis for calculating the employee's pension are adjusted. For employees who pay social insurance premiums according to the salary regime prescribed by the State, the salary for which social insurance premiums have been paid shall be adjusted according to the base salary at the time of enjoying the retirement regime, participating in social insurance before January 1, 2016.

For employees who pay social insurance premiums according to the salary regime prescribed by the State and start participating in social insurance from January 1, 2016 onwards, and employees who pay social insurance according to the new regieme. If the salary level is decided by the employer, the salary paid for social insurance as a basis for calculating the average monthly salary on which social insurance premiums are based is adjusted on the basis of the consumer price index of each individual employee period prescribed by the Government. Over the past time, the pension level of retirees has been continuously raised, on the basis of the increase of the consumer price index and economic growth in line with the state budget and the Social Insurance fund.

Since 1995, the State has made 22 adjustments to pensions to ensure the life of retirees. In 2022, despite the difficult economic situation of our country, the pension has been adjusted to a general rate of 7.4% from January 1, 2022 (VSS, 2022). Those who retire before January 1, 1995, but after adjusting according to the general level, if their monthly pension or social

insurance allowance is less than 2,500,000 VND/month, they will continue to be further adjusted. This shows that the State's social insurance policy is very interested in the income of pensioners, especially pensioners with low pensions.

The government has repeatedly adjusted the pension increase over time, showing that the life of retirees is gradually improving. Therefore, Vietnam Social Insurance recommends that employees can completely rest assured and trust to participate in social insurance policies of the Party and State, participating in social insurance is the optimal choice. It is best to have a pension and a health insurance card as a solid support for employees when they are old.

5.2. Reasons for Low Pension Coverage

Although there have been many improvements in pension coverage and social insurance in Vietnam during the past years, people still have doubts in participating in the social insurance program. There are still many issues that need attention. In fact, in many places, it can be seen that a common feature is quite common: people are interested but lack confidence to decide to spend money to participate in social insurance. There are still many concerns about the registration procedure to participate in the social insurance, which is still difficult to implement. People do not know how much they can earn from the program or which is more beneficial. These problems lead to people's lack of trust in the social insurance policy.

There have been many opinions that the majority of self-employed workers are not interested in accessing voluntary social insurance because they are low-income, hard-working people, and working hours are not fixed. The monthly income is only enough for living expenses and for migrant workers, they still have to save to send back to their families, so they have no intention of buying voluntary social insurance.

According to Light Community Health Institute, there are a number of reasons why only a small number of informal sector workers participate in voluntary social insurance. That is because employees do not fully understand the value of voluntary social insurance. Along with that, communication on voluntary social insurance is not effective to reach this very large group of workers. But another important reason is that the policies of voluntary social insurance have not really attracted workers to participate. For example, they are not entitled to benefits such as sickness, maternity, labor accidents, and occupational diseases. For them, especially female workers, these are the policies they want to enjoy. Hence, workers without labor contracts will not participate in social insurance program, meaning that they will not get any pension in the old-age. This is a very large number, in order to achieve the goal of voluntary social insurance coverage as soon as possible, it is necessary to have a specific survey and assessment of why we have deployed these insurance packages for many years without noticing. This survey must give very specific arguments about the situation, causes and survey subjects who are informal workers to see how they perceive and understand insurance policies and barriers. What are the obstacles they face? Only then can a suitable policy be developed, attracting them to participate.

According to Institute of Workers and Trade Unions, the reason for the low number of people participating in voluntary social insurance is that there are still barriers that make employees hesitate. For example, the 2014 Law on Social Insurance stipulates that from 2022, the number of years of payment will be increased by 5 years compared to the previous regulations before the employee will receive the maximum pension. Besides, participating in voluntary social insurance, employees are only entitled to retirement and survivorship benefits, while other policies are not.

In order to attract workers to participate in this type of insurance, the government needs to change in the direction of flexibility such as reducing or recalculating the number of years employees participate. Policy-making agencies can calculate, research and deploy flexible short-term social insurance packages (such as sickness, maternity, family allowance). There needs to be a change in the regulations on payment, enjoyment and payment support regimes for different groups of workers to suit the characteristics of the work and family of employees, etc.

Moreover, for enterprises operating in trade and services, most of which employ few employees, the labor relationship has not been established in accordance with the provisions of the Labor Code. There are cases where enterprises sign labor contracts in contravention of regulations, or even fail to sign labor contracts with employees as prescribed. In addition, some businesses are directly employed by family members, so they are not fully aware of long-term benefits; many enterprises registered for business but did not operate, did not carry out dissolution procedures, and the licensing agency also did not regularly control closely whether the enterprise really operated or not.

Usually, businesses that owe or evade social insurance contributions often give the reason that the business is not favorable, many types of expenses are high, making it difficult for businesses to pay social insurance. On the other hand, some enterprises deliberately let long debts, appropriate social insurance money, delay payment of social insurance while employees' awareness of social insurance is not high. Because of fear of losing jobs and for immediate benefits, employees do not dare to fight, even compromise and agree with enterprises that do not pay social insurance as prescribed. There is also a situation when employees of the social insurance industry come to propagate and mobilize units to participate in social insurance,

businesses protest and oppose in many ways such as: avoiding contact, reporting that they do not use workers, sometimes even there are offensive actions, uncultured controversy.

When participating in social insurance, employees will be paid by a specialized agency according to the provisions of the Law on Insurance. When employees do not participate in social insurance, they lose a lot of immediate and long-term benefits. At the same time, it will negatively affect the social security policy in general, especially the retirement regime when the working age expires. Therefore, for any reason, the employer is still responsible for registering to participate in social insurance for employees, because this is mandatory provisions.

The violation of regulations on payment of social insurance not only damages the interests of employees but also affects the objectives and policies of the Party and State on social insurance, creating inequality between enterprises that well implement social security policies and enterprises that do not comply with regulations, leading to unfair and unfair competition. According to the provisions of the Law on Social Insurance, the act of avoiding payment of social insurance can be criminally handled.

5.3. Expanding the Pension Coverage

A radical solution is considered is to expand coverage through expanding the subjects participating in compulsory and voluntary social insurance; reducing the minimum period of social insurance payment to enjoy the retirement regime; adjust the conditions for enjoying one-time social insurance to limit the number of people leaving the "safety net"; reduce the age for enjoying social pension benefits (monthly social allowance for the elderly) in line with the state budget's ability in each period. Resolution No. 28-NQ/TW (May 23, 2018) of the 12th Party Central Committee on reforming social insurance policies sets the goal of "Step by step firmly

expanding social insurance coverage, towards the goal of spending social insurance for the whole people". It can be said that pension plays an important role in the life of workers and people when they are old. A stable monthly income and a high-paying pension can help employees and residents to be more independent in life and old-age care, and reduce their dependence on family and society.

An ILO study in Vietnam also shows that 60% of female workers aged 25-26 participate in social insurance; however after a while they leave the system again (Lieu, 2018). Currently, many workers choose to receive one-time social insurance, which is also a big challenge for the policy. Therefore, according to the ILO, Vietnam needs to design a more synchronous and flexible social insurance policy (mandatory and voluntary), and compulsory social insurance needs changes to increase its attractiveness such as the contributors can reduce the minimum contribution year to enjoy the pension; adding regimes for families and children and enhancing benefits. Moreover, the government should have a certain level of subsidy for participants; it is necessary to improve the entitlement regime so that employees see that participating in social insurance is worth it.

In order for the majority of elderly people to have pensions, first of all, each employee should actively register his/her name on the social security system by participating in social insurance. Policies on labor, employment, and social insurance should be designed more synchronously and flexibly. Along with that, functional agencies and localities should arrange and prioritize resources to provide additional support for disadvantaged cases participating in social insurance.

Regarding this content, with the role of policy formulation, the Ministry of Labor - Invalids and Social Affairs is coordinating with functional agencies to study and amend the Law

on Employment and the Law on Social Insurance. In the draft Employment Law (amended), the Ministry of Labor, War Invalids and Social Affairs proposed to add a group of policies to promote sustainable job creation for workers working in both the formal and non-formal economic sectors. Officially, helping employees have a source of income to participate in long-term social insurance. Regulations aimed at creating conditions for people who have reached the end of working age but still have working capacity and have a need to work are also studied and formulated. The draft Law on Social Insurance (amended) adds many groups of policies, creating maximum convenience for people to participate in social insurance.

From the perspective of policy implementation, the Social Insurance industry is increasing the application of information technology in management and administration activities to improve the quality of service to people and employees participating in social insurance. . Along with that, the sector advises and recommends the Party committees and local authorities to have policies and solutions to support and attract people to participate in social insurance, especially voluntary social insurance. All together towards the goal of contributing to ensuring the security of people and workers, helping the elderly to have pensions.

In order for the social insurance and pension policy to really go into the hearts of the people, the immediate problem is to change people's awareness, so that they see participating in the insurance program as their own benefit, not an obligation. The functional sectors need to strengthen propaganda and extensive mobilization among the people, helping them understand the purpose and meaning of participating in social insurance; promote public and transparent inspection and examination in order to best ensure the interests of the insurance participants, promptly detect and strictly handle cases of abusing insurance policies for personal benefits in order to gradually build trust among the people.

According to the general assessment, the above measures are quite comprehensive, feasible and suitable for practice; better ensure social security for employees in their old age. However, there are still some opinions that the above solutions are not fundamental, but the most important thing is to reduce the retirement age, because of the fact that many workers can only work until about 45 to 50 years old. First, the retirement age is not within the scope of the Law on Social Insurance, but rather in the Labor Code. In the most recent revision of the Labor Code (in 2019), this is an issue that has been carefully considered and discussed by the National Assembly. The plan to adjust the retirement age according to the roadmap has been decided to build a sustainable pension insurance system, solve the demographic challenge due to the rapidly aging population, and ensure gender equality. This is not a choice only of Vietnam, but many countries around the world have also been adjusting to increase the retirement age; Some countries set the retirement age up to 67 years old to solve these problems.

Although a part of workers wants to retire early, this can't help but note a fact that has been announced by the General Statistics Office that there are about 35% of the elderly (60 years or older) in the country is still working. Most of them are people without pensions and social benefits. This not only confirms the important role of pensions in ensuring the well-being of the elderly, but also shows what is the right solution to this problem.

Along with propagating and improving people's understanding of the rights and benefits of participating in voluntary social insurance, social insurance policy needs to constantly focuses on expanding the system of service organizations collecting social insurance, helping people easily access policies and actively participate. They need to disseminate, guide and support people to install the Digital Social Insurance application -VssID on personal mobile devices to replace paper insurance cards, monitoring the process of participating in social insurance and

health insurance. Thereby, helping people self-monitor the benefits, protect their welfare interests and make it more convenient. In addition, the social insurance agency also closely cooperates with provincial sectors to improve the quality of service and promptly solve difficulties and problems in order to create favorable conditions and ensure the interests of old-age people in receiving their pension and benefits.

Communication always plays an important role because it is only by changing awareness that attitudes and behaviors can be changed. People, workers and businesses who are fully aware of the new social insurance policy will voluntarily and actively participate. The problem is that it is necessary to make specific and understandable propaganda to increase the number of participants, increase the coverage of social insurance, and make the road to universal social insurance.

Thus, in addition to improving the quality of social insurance activities, it is necessary for the efforts of the authorities to communicate about insurance and pension policies. The social insurance industry has identified communication on social insurance as a task throughout and comprehensively of the whole political system. And the role of Party committees and authorities at all levels in propaganda and implementation is an important factor, creating premise and ideological motivation to help cadres, party members and people to be deeply aware of the viewpoints and principles. On the other hand, in order to help all levels, branches and socio-political organizations clearly see the roles and responsibilities for the good implementation of the Politburo's Resolution No. 21-NQ/TW on strengthening the leadership of the Party for the work of social insurance.

In the past time, through the media and the press, the communication about social insurance has been carried out strongly with wide coverage and increasing frequency.

Propaganda forms are richly presented, propaganda content ensures the right focus and focus on new points of the Law on Social Insurance that forecast impacts on the interests and psychology of employees and employers. Through the media's information channels, difficulties, obstacles, good practices as well as people's thoughts and aspirations on health insurance-related issues have been discovered.

In order to well implement the goal of rapidly increasing social insurance coverage, in the coming time and in the following years, the task of communicating social insurance policies will play an important role, contributing to raising awareness and mobilizing participation in insurance. That is a breakthrough solution that has a positive impact and contributes to encouraging and motivating employees and all classes of people for the implementation of the insurance policy in the locality.

The contents of leadership in the implementation of the social insurance policy should be concretized by promoting communication with practical content, in various forms suitable to each subject that needs impact; promptly issue documents, resolutions, decisions, regulations, etc. specifically on social insurance and pension policies, to create a legal corridor for the organization of implementation; enhance the responsibility of party committees, authorities, socio-political organizations and exemplary pioneering of cadres and party members, demonstrating the strong political commitment of the whole political system to implement social insurance on a larger scale.

Practice has proven that, in the process of implementing the social insurance policy, local authorities and committees play a very important and decisive role in bringing the policy to life. One of the important solutions for each locality is to take the results of the implementation of legal policies on social insurance and health insurance, in which the target is to increase the

proportion of people participating in social insurance and health insurance; the target of limiting the arrears of insurance to the minimum level; targets on strengthening, investing in material and technical facilities, improving professional capacity, training, promoting and especially constantly improving the quality of insurance and pension services.

Currently, the state budget supports part of the funding for voluntary social insurance participants. However, international experience has shown the ineffectiveness of voluntary social insurance programs in rapidly expanding coverage. Therefore, policies should focus on creating conditions and supporting groups that are eligible to participate in voluntary social insurance, such as informal workers, to participate in compulsory social insurance. For example, with health insurance policy, when Vietnam focused on a compulsory policy that applies to the whole population, the insurance coverage rate has increased rapidly.

Last but not least, overcoming the problem of debt, evasion of payment of social insurance, health insurance and unemployment insurance in order to ensure the interests of employees is not only the task of the social insurance industry but also of the entire political system. This policy needs attention, direction, and strengthening of State management in coordination and implementation in order to strongly influence the perceptions and actions of the parties in order to realize the stated objectives. In the immediate future, local authorities and functional sectors need to strengthen the propaganda, dissemination and education of labor laws and social insurance for employees and employers; promote inspection and inspection activities, thereby finding solutions to reduce the number of units that are slow to pay social insurance contributions to ensure benefits for employees. In particular, the functional sector will sanction administrative violations for the violating units, only to hope to overcome the shortcomings in the near future.

CONCLUSION

In the world, about 77.5% of people above the retirement age receive some form of old-age pension, and this proportion has a large disparity between sex and regions such as men and women, urban and rural (Bon, 2019). The situation is even worse in Vietnam, a developing country. Therefore, the trend of population aging is considered as one of the biggest challenges for the world's social security system. For freelance workers, not everyone has a stable economy, so they face many uncertainties and risks around, and obviously they do not contribute to social security to have pension when they retire. Recently, when the COVID-19 epidemic hit, the need for social security, especially social pension became clearer.

The report of the Vietnam Elderly Association shows that, currently, there are about 12 million elderly people in the country, but only more than 3.3 million elderly people are enjoying social insurance benefits, more than 900,000 elderly people are currently receiving social insurance benefits and enjoy the elderly regime; nearly 1.9 million elderly people receive monthly social protection allowance, of which more than 10,000 elderly people are cared for in social assistance facilities (Nguyen, H., 2018) It can be seen, with the attention of the Party and State, the elderly's life has been gradually improved. However, most of the elderly in Vietnam today still do not have savings, low income, no pension, a part of their lives must depend on their descendants; many cases live alone without any support. Among the elderly in Vietnam, 73% do not have a pension or monthly social insurance allowance, are facing many difficulties in life and are dependent on their children (Nguyen, H., 2018). The number of elderly people receiving pensions and social benefits is very low, so many elderly people with poor health still have to work and earn their own daily living. Therefore, the life of the elderly, especially in rural areas, is still very difficult.

This thesis proves the same conclusion that pension plays a critical role in an elderly's life. Especially, when the pension coverage gets higher, meaning that more people get access to the social security system, the old-age poverty rate will get lower. In short, more old people get their pension, which is a source of income, they can be more secure and being less poor. This can lead to a more equal situation for the country and the elderly do not have to depend too much on their children as they are doing now.

Expanding compulsory social insurance coverage is the most practical policy to improve the pension coverage. Expanding social security coverage in Vietnam needs to focus on compulsory social insurance policies. Given that, the policy makers should take into consideration that Vietnam needs to design a more synchronous and flexible social insurance policy (mandatory and voluntary), and compulsory social insurance needs changes to increase its attractiveness such as the contributors can reduce the minimum contribution year to enjoy the pension; adding regimes for families and children and enhancing benefits. Moreover, the government should have a certain level of subsidy for participants; it is necessary to improve the entitlement regime so that employees see that participating in social insurance is worth it. Along with this, clear communication to both employees and employers should be taken into consideration.

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