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***A STUDY ON THE FACTORS
AFFECTING THE PARTICIPATION IN
PENSION OF PEOPLE IN VIETNAM***

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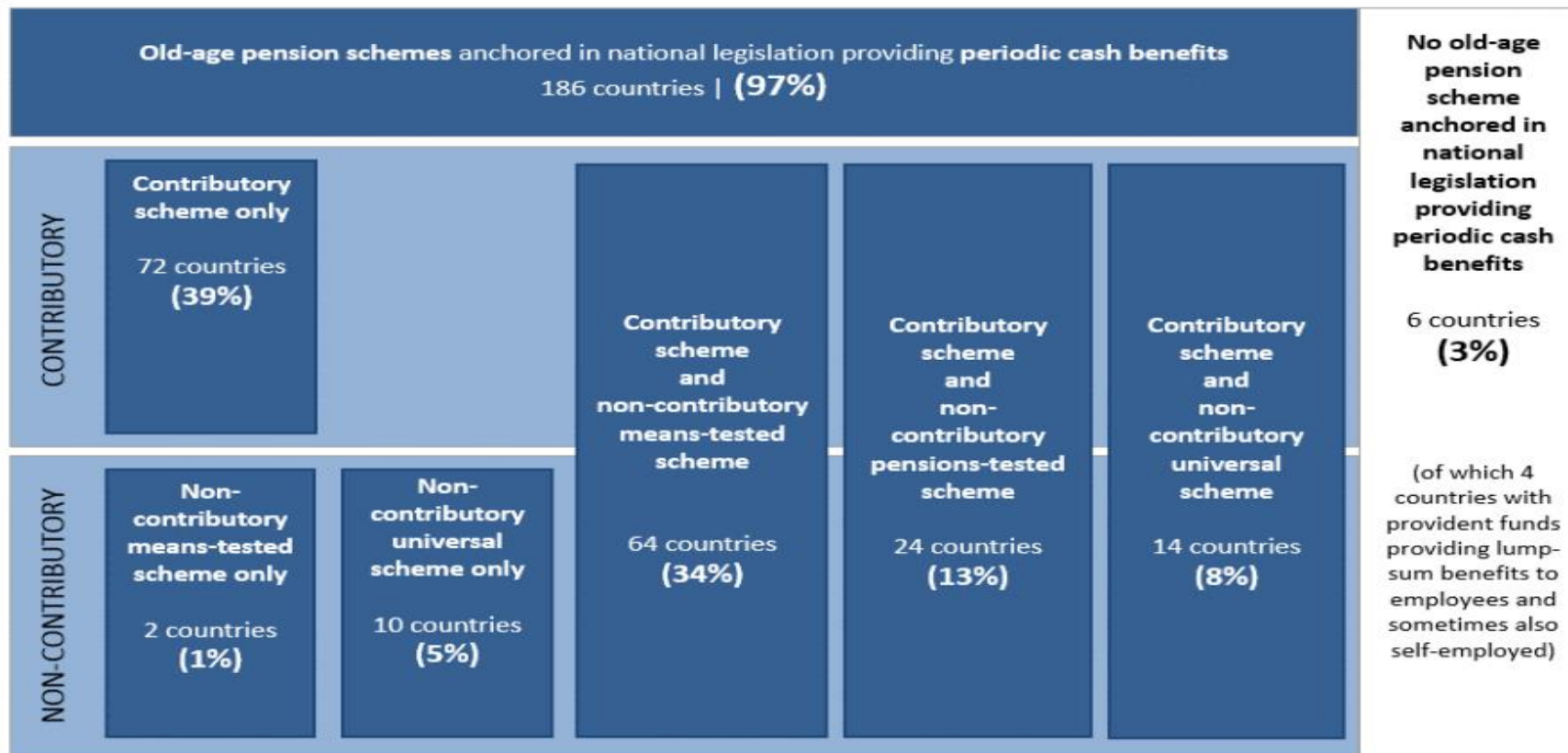
1. Role of Pension system in
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1. Role of pension systems

- Everyone has a right to an adequate standard of living to ensure the health and well-being of themselves and their families, with regard to clothing, accommodation, medical care and necessary social services, and the right to be protected in the case of unemployment, illness, disability, widower, old age or lack livelihood due to objective circumstances beyond their ability to cope (United Nations in 2015, Article 25)

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- **Pension** is known as an economic resource that helps the elderly to pay for their activities, help their families and children, to save and invest
 - Ensuring income conditions for the elderly is considered as an important goal in the welfare goals

Overview of old-age pension schemes, by type of scheme and benefit



Source: ILO, World Social Protection Database; ISSA/SSA, Social Security Programs Throughout the World (2017)

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- ⇒ social protection programs need to be maintained and developed to prevent poverty, reduce inequality and promote social inclusion among the elders
 - ⇒ pension insurance system is known as a key factor in ensuring social security for the elderly as well as in combating poverty and inequality in society

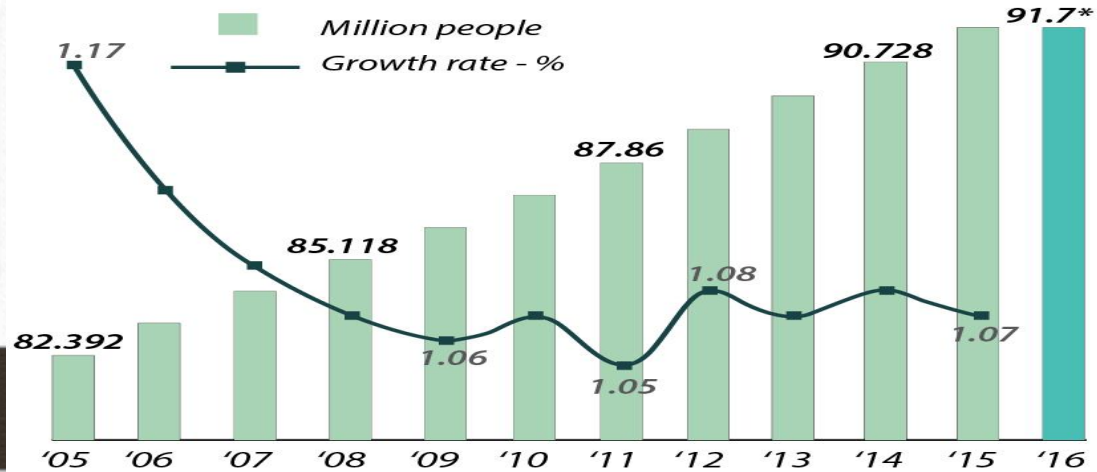
2. Current situation of Vietnam pension system

- Vietnam - low and middle income country - promoting and implementing social security policies that bring justice to elderly
- Article 34 of the Vietnamese Constitutional Law on "citizenship must be guaranteed social security".

Population growth in Vietnam

As of July 1, 2016, Vietnam's population was nearly 92 million, ranking eighth in Asia and third in Southeast Asia.

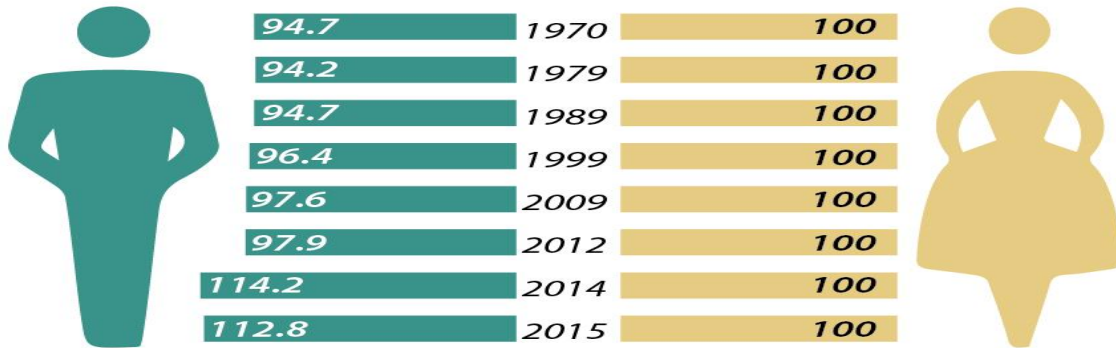
Vietnam's population through years



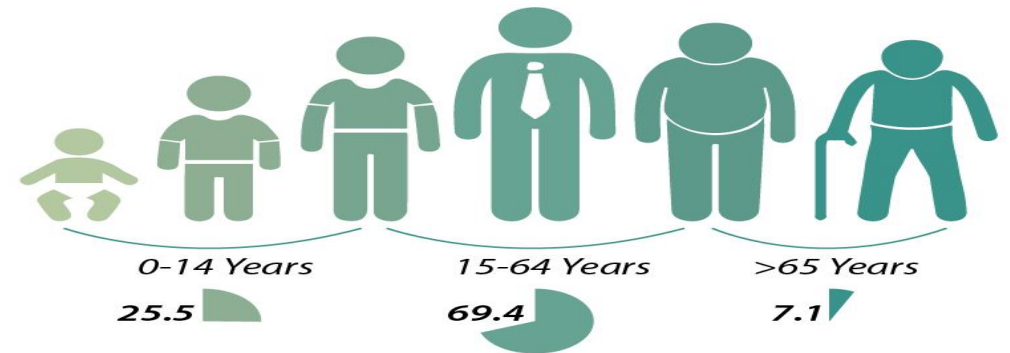
Rapid aging rate of population (%)



Gender imbalance on the rise



Population structure based on age groups (%)



Source: Results of a survey on population changes and family planning in 2013; Committee for Population and Family Planning; General Statistics Office

*As of July 1, 2016

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- Viet Nam is entering a rapid ageing transition that is among the fastest worldwide
 - The number of people aged 60 and above will increase from 9.1 million in 2015 to 33 million in 2105
 - Ageing hits women even stronger than men
 - Facing an increased burden of caring financially for three generations (for parents and children)

Vietnam pension system

- Vietnam has adopted a system of compulsory social insurance for formal sector employees since 1995
- The Social Insurance Law enacted in 2006 has brought about significant changes in the calculation of retirement benefit payments, pension adjustments, and contribution rates
- The law also defines the rules for implementing a voluntary insurance system and an unemployment insurance program

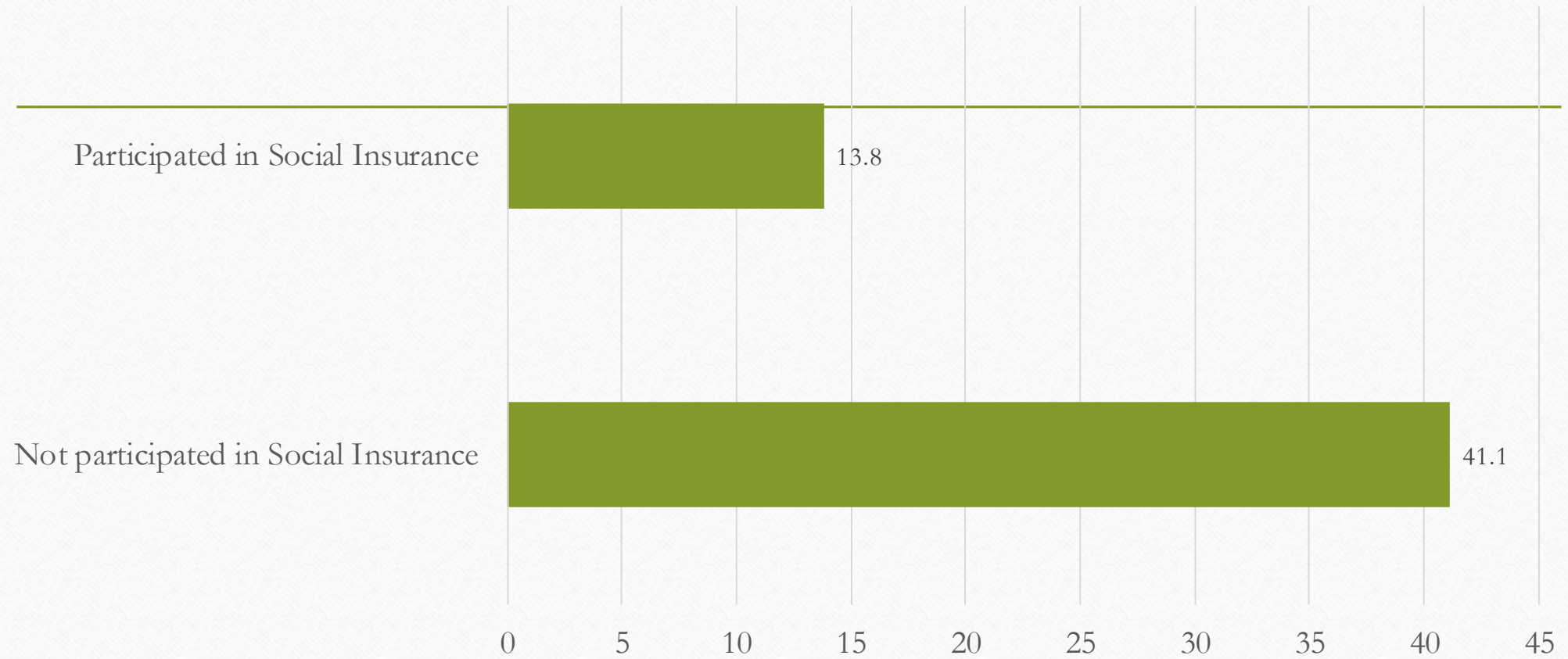
Viet Nam made a significant progress in the extension of social security legal coverage

- The amendment of the law in 2014 brought significant expansion in legal coverage. Starting on 1 January 2018, all employees with at least a one-month contract are subject to registration with the social insurance system, including migrant workers in Viet Nam
 - In addition, all other workers are allowed to join the voluntary scheme.
- ⇒ Therefore, in terms of legal coverage, the combination of compulsory and voluntary social insurance schemes covers the total labour force.

The extension of effective coverage remains challenging

- The number of pensioners is still low
- The ILO estimates that about 8.3 million out of 10.1 million elderly did not receive a pension in 2017, representing about 83 per cent of all elderly above 60

People in Social Insurance



The voluntary contributory pension scheme has been shown not to be effective in closing coverage gaps

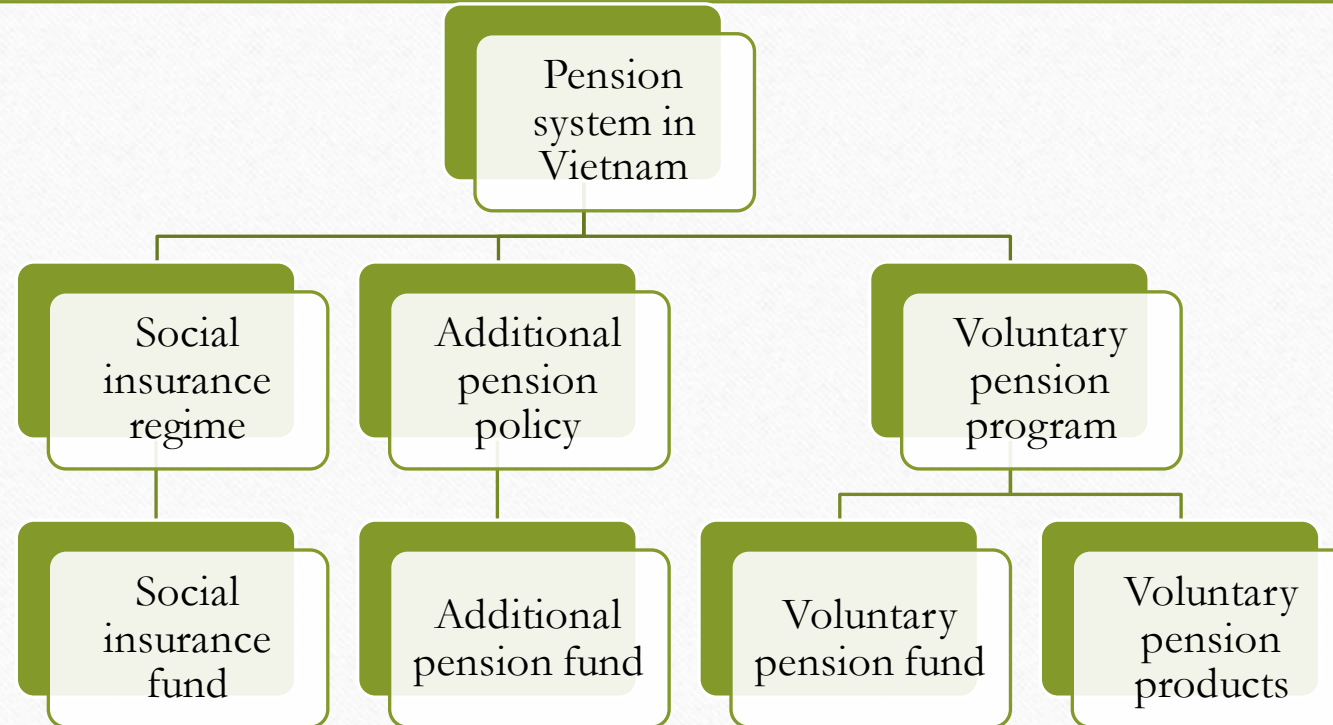
The current tax-funded pension schemes provide a minority of elderly with low benefits

The high number of lump-sum (once a time) withdrawals negatively impacts the extension of social insurance coverage

The pension scheme for the civil servants is exposing the pension fund of private sector workers to financial risks

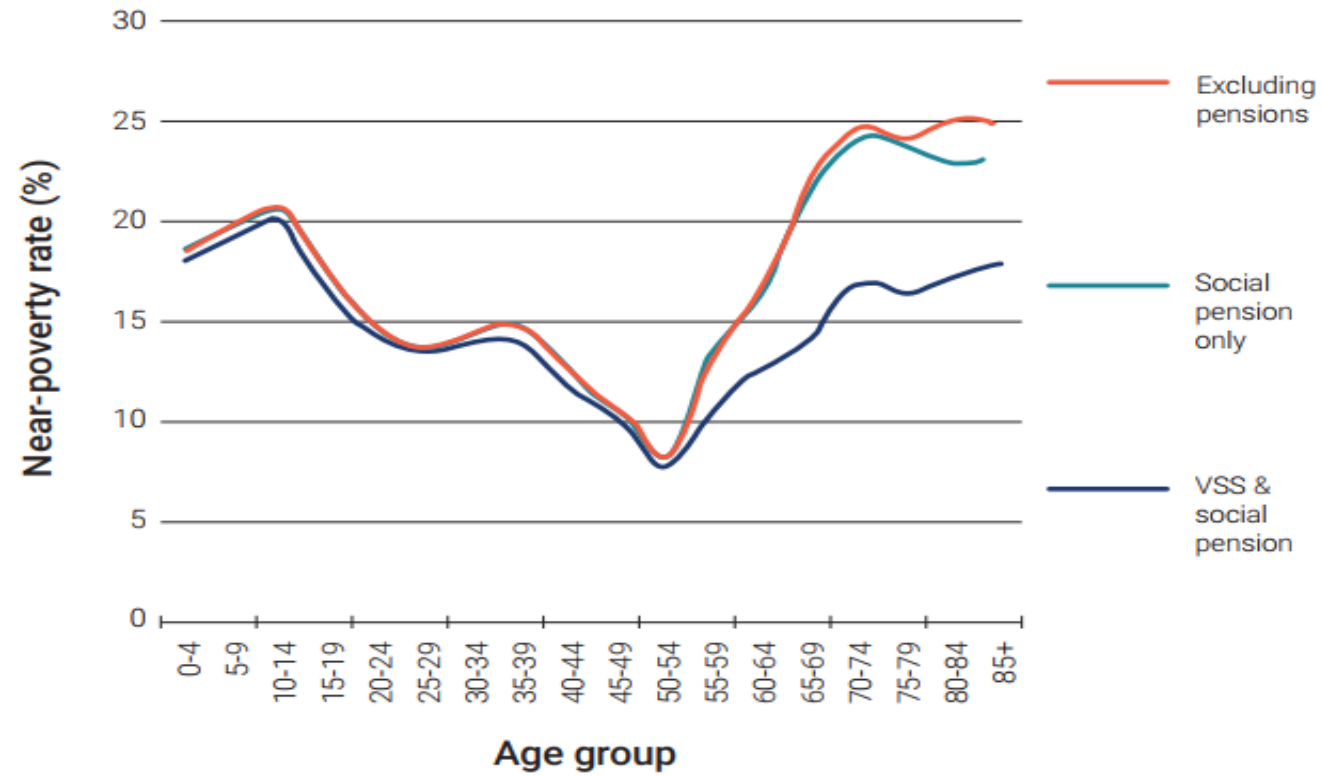
Voluntary pension products not applicable in Vietnam

Vietnam pension system since 2014



Source: (Hải, 2019)

The current design of Viet Nam's old age pension system



Source: (ILO, 2019)

Current social pension system in Vietnam has two tiers:

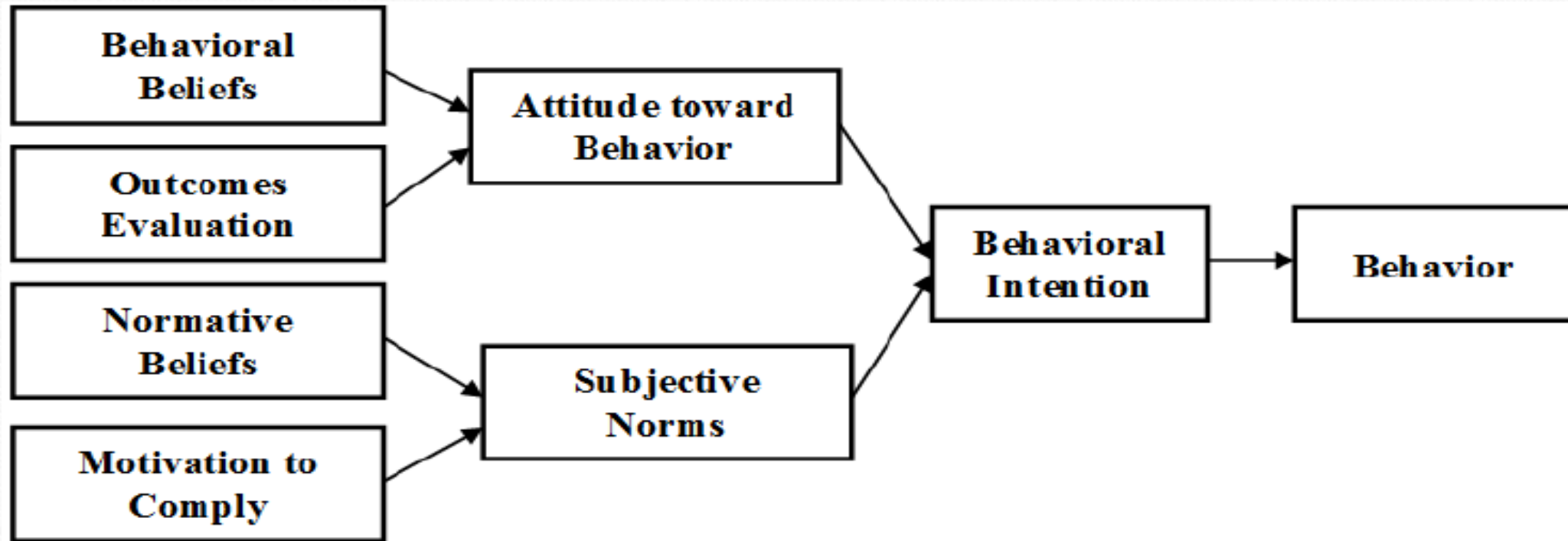
- Tier 1: Social pensions pay from taxes for people > 80 years old and who cannot receive social insurance pension
- Tier 2: those who have contributed to the VSS for at least 20 years receive a higher value social insurance pension

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- The number of participants is still very low, only 7% of the population over 65 years of age can access social insurance pension (ILO, 2017)
 - As the nature of the PAYG system has a predetermined level of benefits, the contributions and benefits of the current pension system in Vietnam are not compatible with each other, so the pension fund may be exhausted in the future.

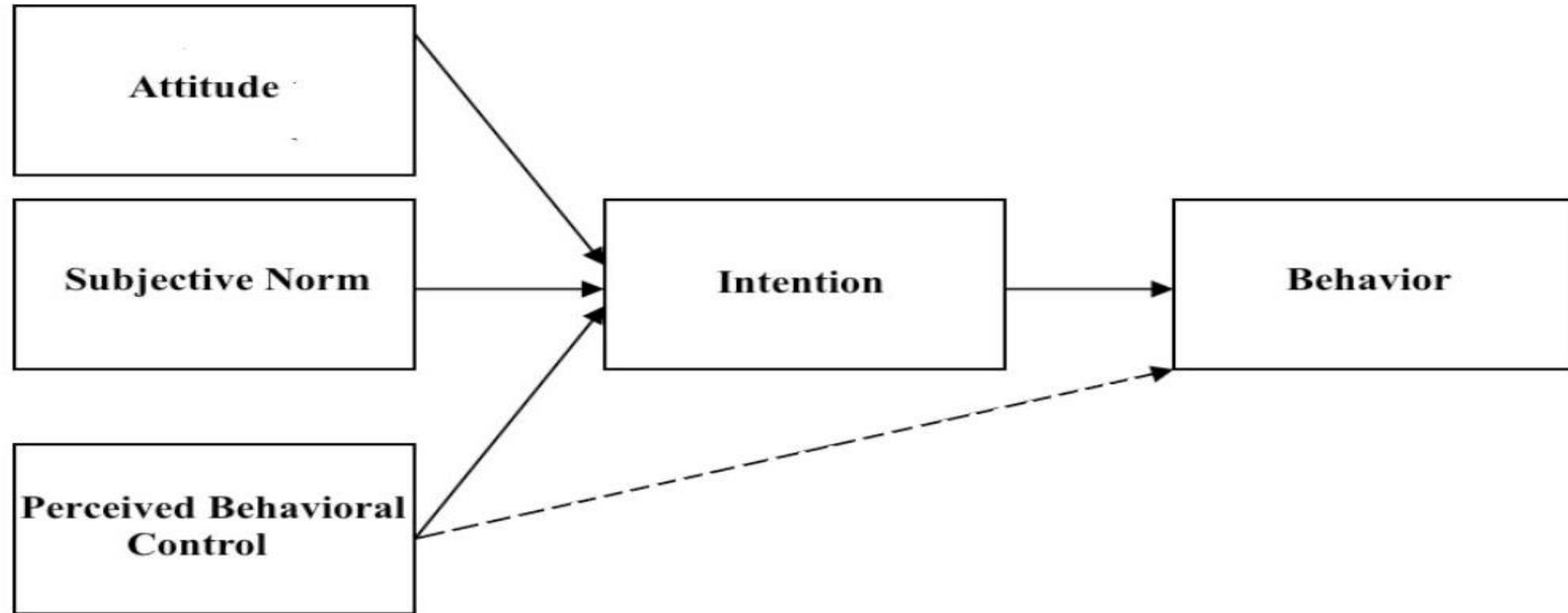
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- Participating in a pension insurance policy will bring practical benefits to people but convincing and encouraging them to participate in this policy is still difficult
 - Citizens are still too new to the habit of participating in pension insurance to enjoy their pensions when they reach old age, income in different regions remains, unstable jobs, age differences, and many other factors that affect behavior on buying and using pension (compulsory pension, additional pension and voluntary pension).

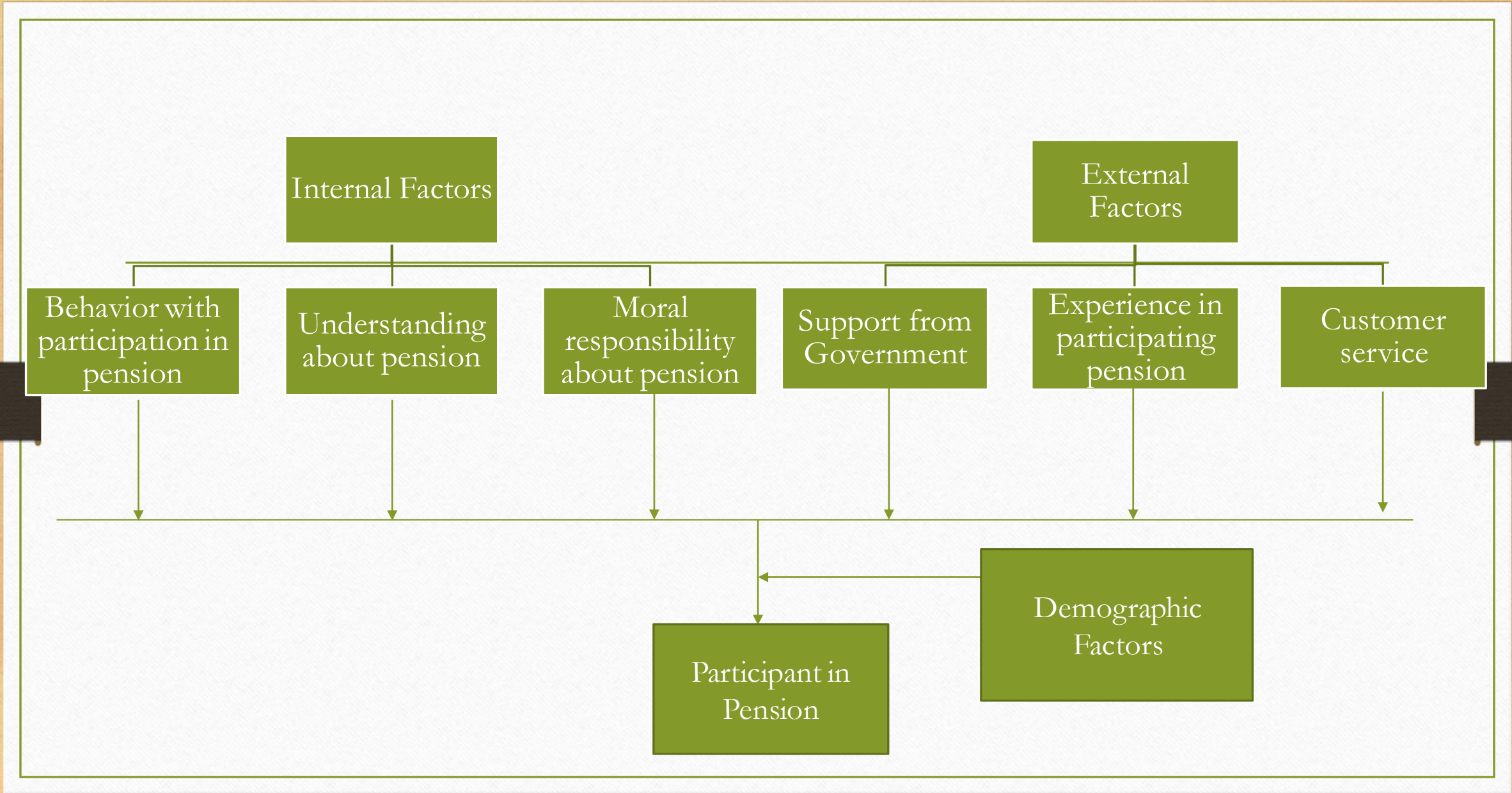
3. Factors affect the participation in Pension

- Theory of Reasoned Action (TRA)



Theory of planned behavior (TPB)





Evaluation of factors that affect participating in Pension

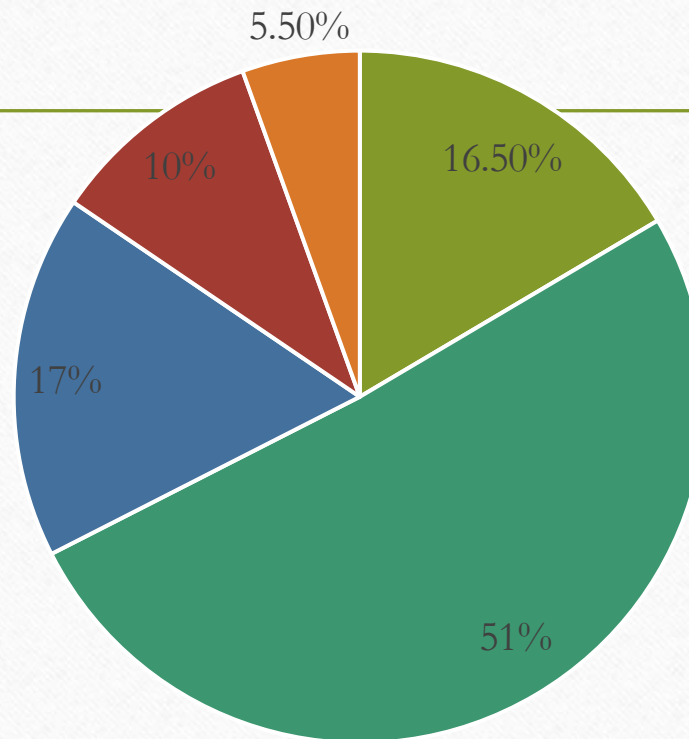
Demographic and Basic Information of Respondents

Characteristic	Respondents	
	Frequency	%
Gender		
Male	140	61
Female	90	39
Age		
Below 35	18	7.8
From 36 to 40	70	30.4
From 41 to 45	83	36.1
From 46 to 50	41	17.8
Above 50	18	7.8

Type of work	Frequency	%
Public sector	131	57
Private sectors	71	30.9
Others	28	12.1

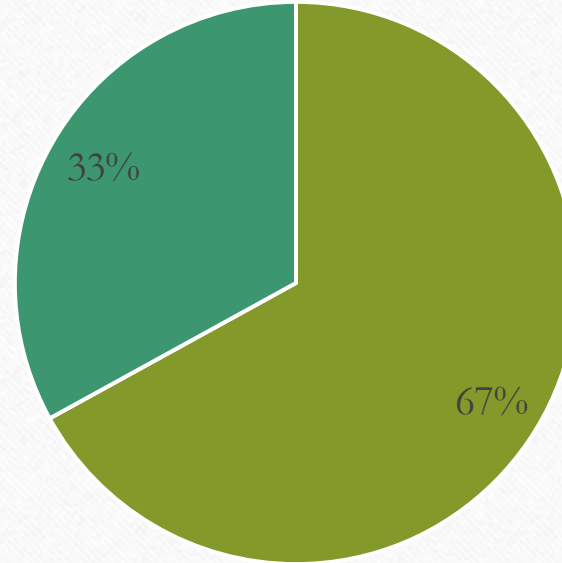
Level of education	Frequency	%
Lower Undergraduate	22	9.6
Undergraduate	95	41.3
Over Undergraduate	109	47.4
Other	4	1.7

Salary per month



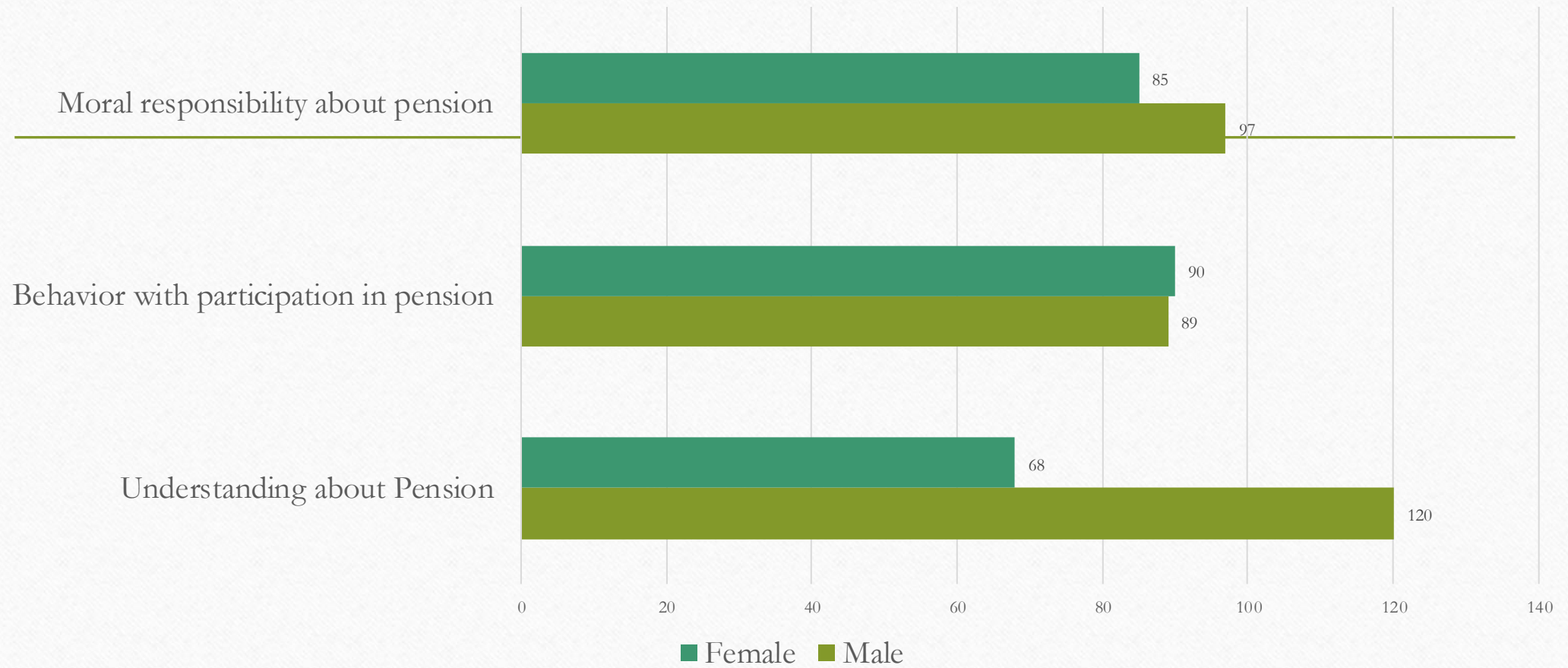
■ Under 100\$ ■ 100\$ - 200\$ ■ 201\$ - 300\$ ■ 301\$ - 500\$ ■ Over 500\$

Percentage of Participation in Pension in Vietnam

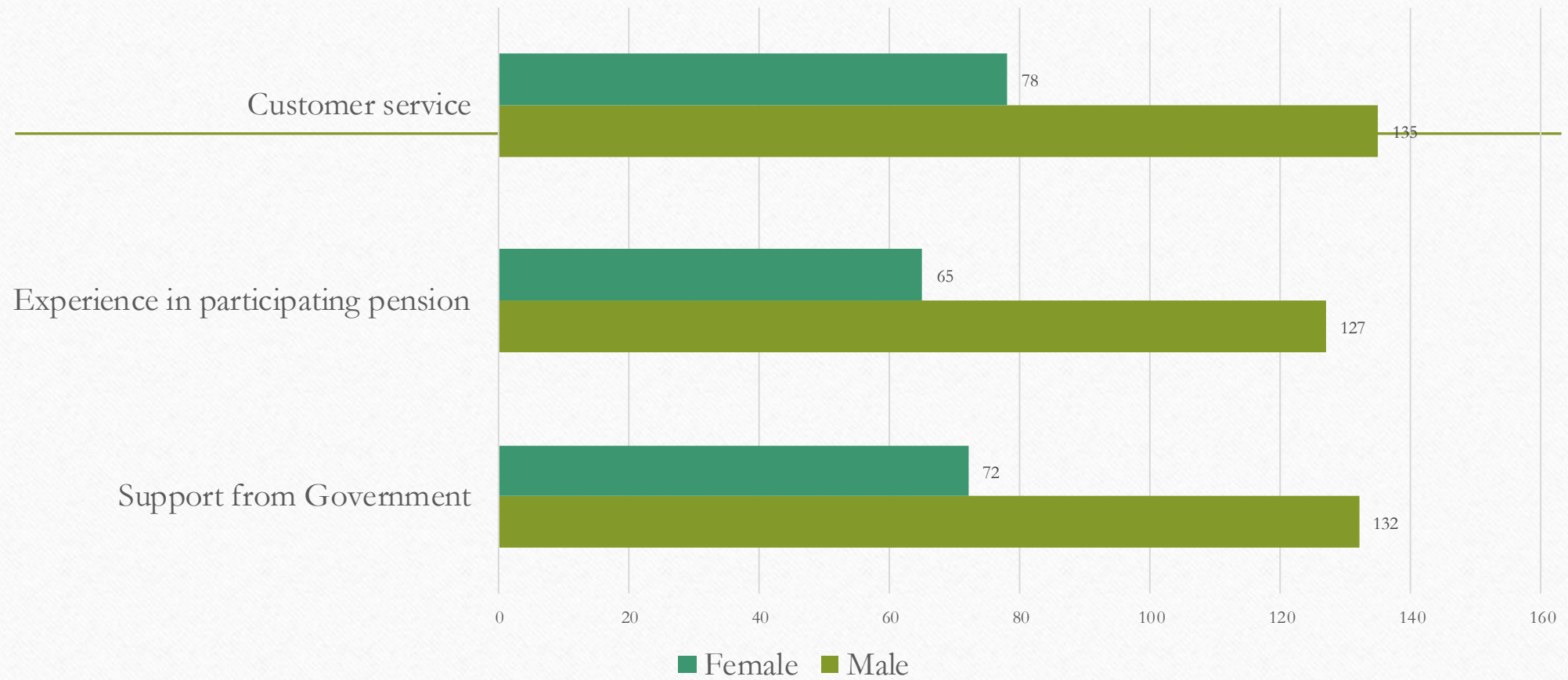


■ Participated in Pension ■ Not Participated in Pension

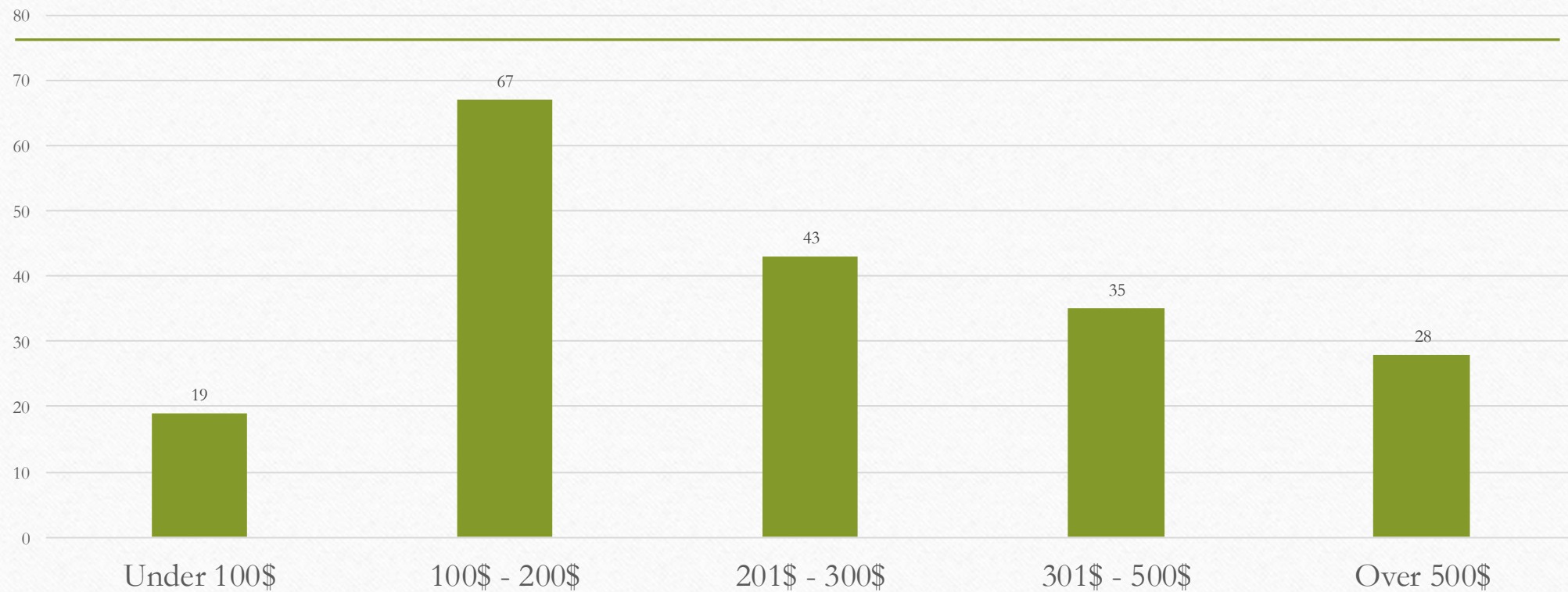
Internal Factors by Gender



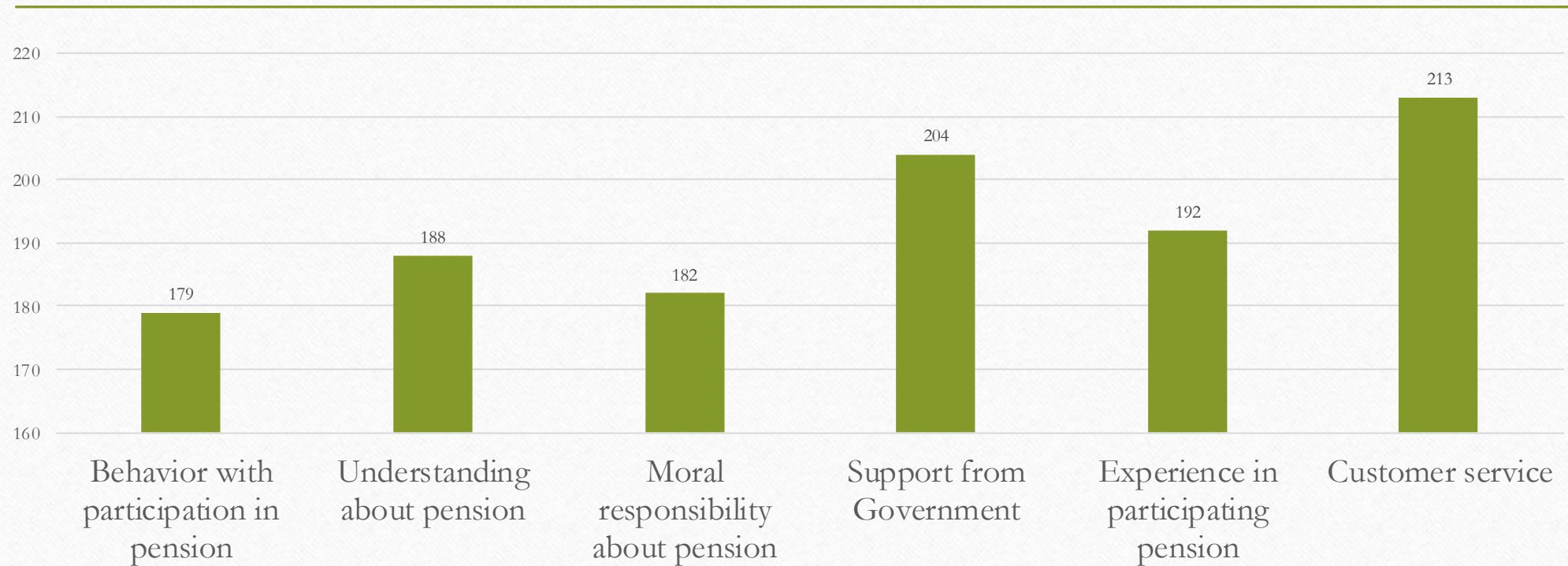
External Factors by Gender



Experience in participating pension by Salary



Total factors affecting in the participation in Pension



4. Solution

- Improve the policy and law related to pension system to encourage people to join
- Marketing and promote for Pension system to everyone
- Increase the amount of money support for poor people with low salary from Government
- Encourage more for female in order to make them understand more about the role of them and make them indirectly suggest to everyone in family
- Training more about pension knowledge for people
- Increase the quality of customer service in pension system: higher technology, train the employees, connection between Government and pension departments
- Increase the salary for labors

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- More support for Insurance company to introduce and implicate their pension products to customers easier
 - Financial Management in Pension system more carefully to reduce lost and risks
 - Explore the different between jobs and demographic in different place, city

Thank you