

DEMOGRAPHIC BONUS IN VIETNAM: OPPORTUNITIES, CHALLENGES, AND POLICY SUGGESTIONS

Presenter:

GIANG THANH LONG
National Economics University (NEU) &
Vietnam Development Forum (VDF)

*Presentation at the Brown Bag Lunch (BBL) Seminar
UNDP Hanoi, 30 October 2009*

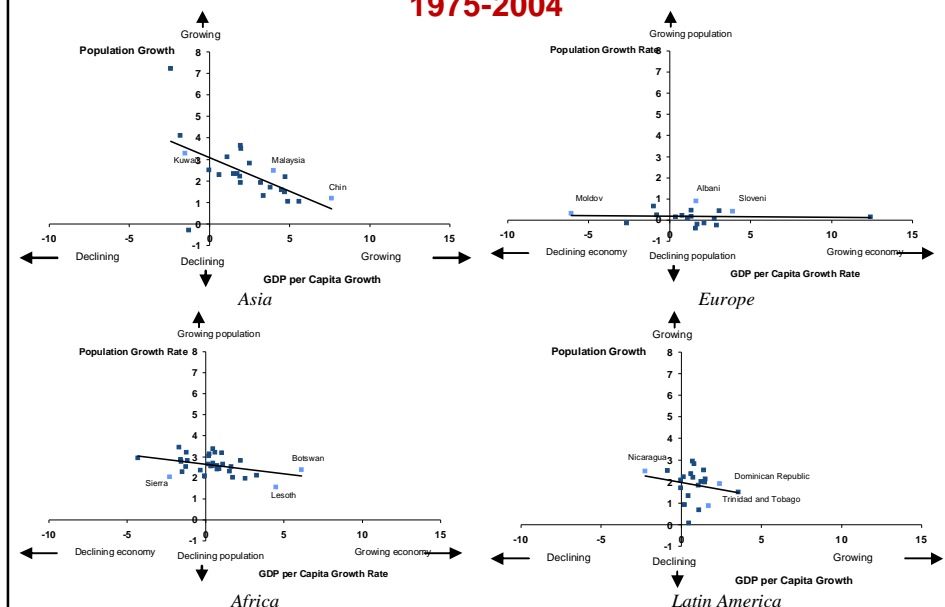
PRESENTATION OUTLINES

1. Introduction
2. Demographic bonus and economic growth: International experiences.
3. Demographic bonus in Vietnam: Opportunities, challenges, and policy suggestions.
4. Concluding remarks.

INTRODUCTION

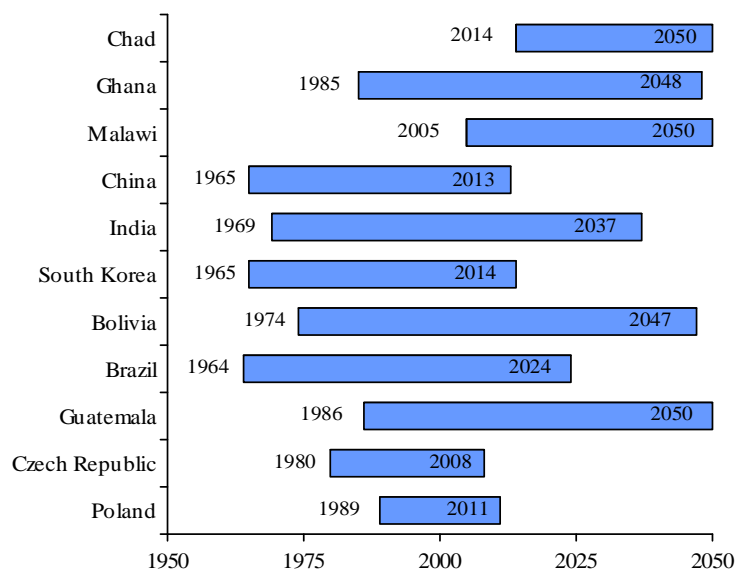
- Population growth–economic growth nexus has been specially discussed in many developing countries. In general, high population growth will limit economic growth. The magnitude depends on country's specific characteristics. **(Figure 1)**
- Though, the *age structure* of the population has been ignored in research and policy formulation. This factor shapes the population pyramid and implies various social and economic impacts on growth and development.
- **Demographic bonus** occurs when the total dependency ratio – measured by the ratio between total children and older persons and total working-age persons – is smaller than 50.
- For different countries, demographic bonus occurs differently. **(Figure 2)**

Figure 1: Population growth–economic growth nexus, 1975-2004



Source: Population Reference Bureau (2007)

Figure 2: Projected 'Demographic Bonus' in the world



Source: Population Reference Bureau (2007)

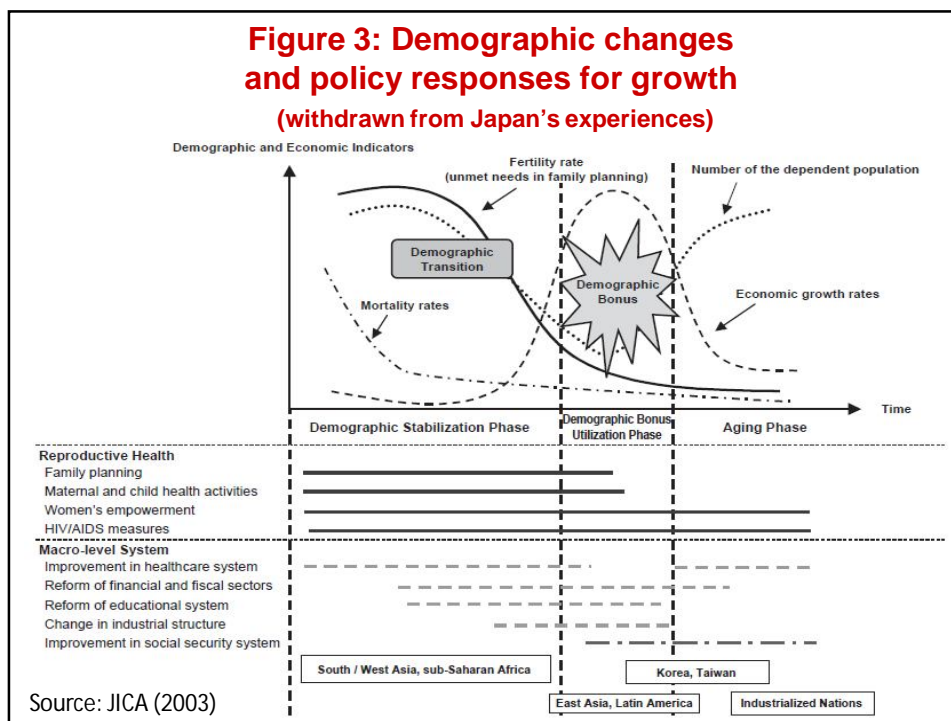
INTERNATIONAL EXPERIENCES

• East Asia, esp. Japan and RoK

Miracle economic growth due to:

- **Good human resources:** resulted from vast investments in education and healthcare;
 - **High employment growth:** moved from labor-intensive to capital-intensive along with substantial improvements in labor productivity of key industries;
 - **High saving and investment rates:** resulted from a favorable economic and political environment.
- **Figure 3** shows demographic changes and policy responses for growth, withdrawn from Japan's experiences.

Figure 3: Demographic changes and policy responses for growth
(withdrawn from Japan's experiences)



INTERNATIONAL EXPERIENCES

Southeast Asia

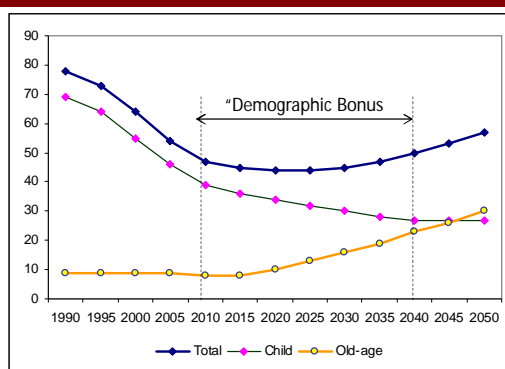
- Some estimates: ADB (1997) indicates that demographic dividend contributed 0.7 percentage points to the growth of per capita income; Bloom and Williamson (1998) show a contribution of 1.0 percentage points to the economic growth.
- These are lower than those of East Asia: Since percentage of economically-active population was not significantly higher than the percentage of economically-inactive one – Bloom et al., 2003)
- Special cases:
 - Singapore vs. the Philippines (in terms of institutional quality);
 - Malaysia and Thailand (middle-income trap) (Ohno, 2008)

DEMOGRAPHIC CHANGES IN VIETNAM

Age structure in Vietnam has greatly changed over the past decades...

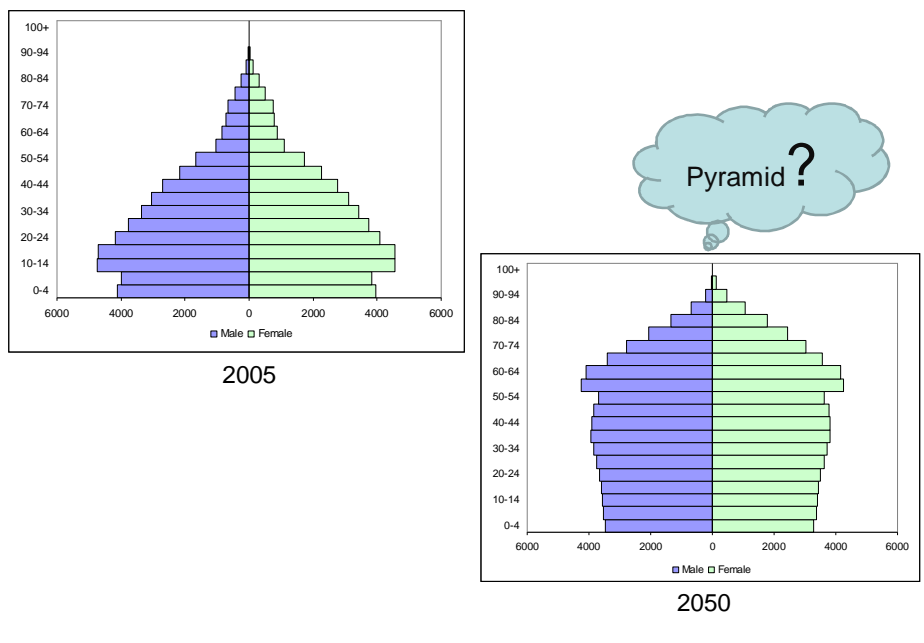
- The percentage of children aged 0-4 and 5-9 has significantly decreased overtime, while that of the children aged 10-14 has decreased a bit more slowly.
- The working-age population (15-59) has significantly increased over time.
- The older-age population (60 and over) increased significantly in recent years.

DEMOGRAPHIC BONUS IN VIETNAM



- These trends will continue. The age structure of the population will be changed significantly.
- **Demographic bonus** will occur during 2010-2040.
- No more pyramid in fifty years! (Figure 5)

Figure 4: Population Projections for Vietnam



Why should Vietnam pay attention to 'demographic bonus'?

- Promote economic growth and development with an increasing working-age population
- Avoid 'middle-income trap', especially in terms of human resources.
- Prepare for a declining and aging population, mitigate 'getting old before getting rich'

OPPORTUNITIES, CHALLENGES, AND POLICY RESPONSES

- Demographic bonus *will not* naturally and definitely bring positive impacts. It can only be strived through specific policies and strategies, given specific conditions of each country.
- Vietnam has been gained from age-structure change: it contributed 14.5 percent to economic growth (Nguyen, 2009).
- In any case, *domestic policy environment* still plays the most important role in exploiting such a demographic opportunity.
- Four policy arenas:
 - education and training policies.
 - labor, employment and human resource policies.
 - population/family planning and health policies.
 - comprehensive social security policies toward an aging and aged population.

EDUCATION & TRAINING POLICIES

Opportunities

- Improve *quality* for elementary and primary education.
- A great demand for *vocational training*.
- Actively working and experienced old-age persons.

Challenges

- Substantial differences in accessibility to education services among different population groups, with burdens toward the poorer; (Table 1)
- Education outcomes have been low, and do not meet the (market) demand; (Figure 5)
- Quality of education is greatly different between population groups (e.g. ethnic majority vs. ethnic minority);
- Investments in education have not been highly efficient and focused.

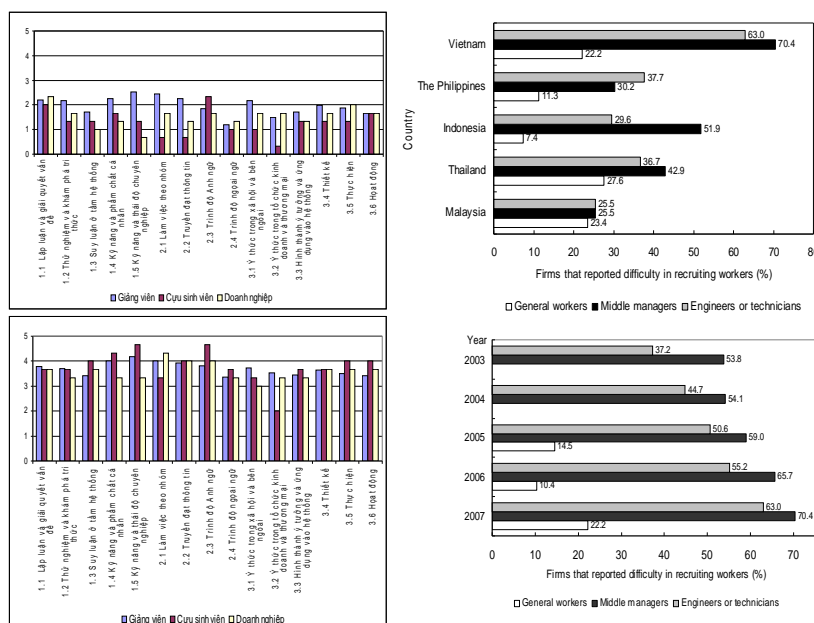
Table 1: More burdens of education expenditure on the poorer

Unit: 1000 VND

	Total	By expenditure item							As % of total household expenditure
		School fees	Contribution to school fund	Uniform	Textbook	Study tools	Extra class	Other expenses	
Whole country	1.211	347	75	68	105	85	180	230	6.4
Urban-Rural									
Urban	2.096	672	102	99	139	105	381	400	6.8
Rural	894	230	65	57	93	78	107	169	6.1
Expenditure quintile									
Quintile 1 (Poorest)	344	59	53	29	57	51	35	38	4.8
Quintile 2	617	140	66	54	85	71	75	88	5.8
Quintile 3	958	269	72	68	101	86	127	161	6.6
Quintile 4	1.480	449	82	86	126	96	189	297	7.0
Quintile 5 (Richest)	2.754	850	103	107	162	126	490	588	6.5

Source: VHLSS 2006

Figure 5: Mismatch in labor demand-supply



EDUCATION & TRAINING POLICIES

Policy Suggestions

- Reduce the number of teachers and schools for elementary and primary education; **strengthen human resources** for these education levels to improve quality.
- Expand and improve quality of **demand-based** vocational training, especially for the rural youth.
- Promote education programs on communication skills, behaviors, and social knowledge, especially for youth.
- Improve the education and training curriculums based on demand.
- Encourage skilful and professional old-age persons to participate in education and training programs, particularly for technical and manufacturing sectors.

LABOR, EMPLOYMENT, AND HUMAN RESOURCE POLICIES

Opportunities

- Plentiful and young labor force.
- If laborers are skilful, Vietnam will be able to become excellent production partners of developed countries (say, for instance, consider Japan-Vietnam integral production partnership...)
- Demographic dividend will be high, if employment rate is high (lesson from E.A countries)
- Old-age persons, particularly those with professional skills, provide a good human resource.

Challenges

- Plentiful, but low-skill labor force. **(Table 2)**
- Gender bias in the labor market. **(Table 3)**
- High percentage of agricultural labor, but little agricultural land.
- High unemployment rate (temporary, though) for youth. **(Figure 6)**

Table 2: Plentiful, but unskilled workforce

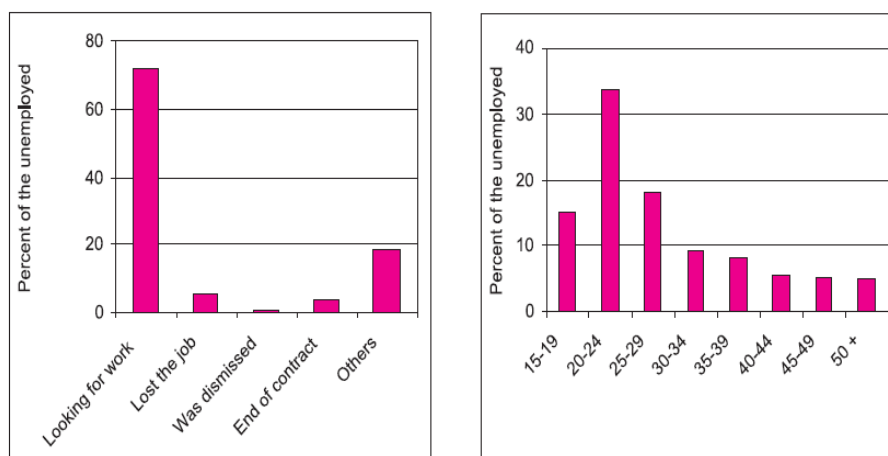
<i>Occupation</i>	<i>1999</i>		<i>2007</i>	
	<i>Total (1,000 persons)</i>	<i>%</i>	<i>Total (1,000 persons)</i>	<i>%</i>
Total	35,848	100	46,114	100
1. Managers	203	0.6	480	1.0
2. High technical & professional	679	1.9	1,905	4.1
3. Medium technical & professional	1,259	3.5	1,806	3.9
4. Staff in all fields	287	0.8	615	1.3
5. Bodyguard, sellers	2,397	6.7	3,082	6.7
6. Agri., forestry and fishery	1,768	4.9	1,727	3.7
7. Skilled craftsmen	3,250	9.1	6,174	13.4
8. Assemblers	1,131	3.2	1,574	3.4
9. Simple work	24,874	69.4	28,751	62.3

Source: GSO (2008b)

Table 3: Work and salary of working persons by gender

	<i>2002</i>			<i>2004</i>			<i>2006</i>		
	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
LF participation rate (%)	83.2	82.3	82.8	82.4	80.9	81.6	81.0	79.3	80.2
Avg. salary (1,000 VND)	2,988	1,559	2,277	3,647	2,063	2,867	4,966	2,892	3,950
Avg. working hours	6.5	6.3	6.4	6.4	6.4	6.3	6.5	6.2	6.4
Avg. salary per hour (1,000 VND)	2.3	1.3	1.8	2.3	1.4	1.9	3.1	1.9	2.5
Total working hours per year	1,570	1,519	1,544	1,533	1,493	1,513	1,557	1,496	1,527

Source: Nguyen Viet Cuong (2009)

Figure 6: High youth unemployment

Source: World Bank (2007)

LABOR, EMPLOYMENT, AND HUMAN RESOURCE POLICIES

Policy Suggestions

- Diversify occupations and industries in *rural areas*, as well as promote *quality* of labor-intensive industries.
- Increase employment opportunities, especially for youth.
- *Gender equality* in labor market (to increase participation rate of woman in the labor market)
- Create comprehensive development plan for human resources, in which *vocational training* plays a crucial role.
- Ensure financial resources for investment and growth.
- *Migration policy* ensures appropriate population and labor allocation for areas and regions.
- Strengthen *labor exports* as a channel to promote employment and income.

POPULATION & HEALTH POLICIES

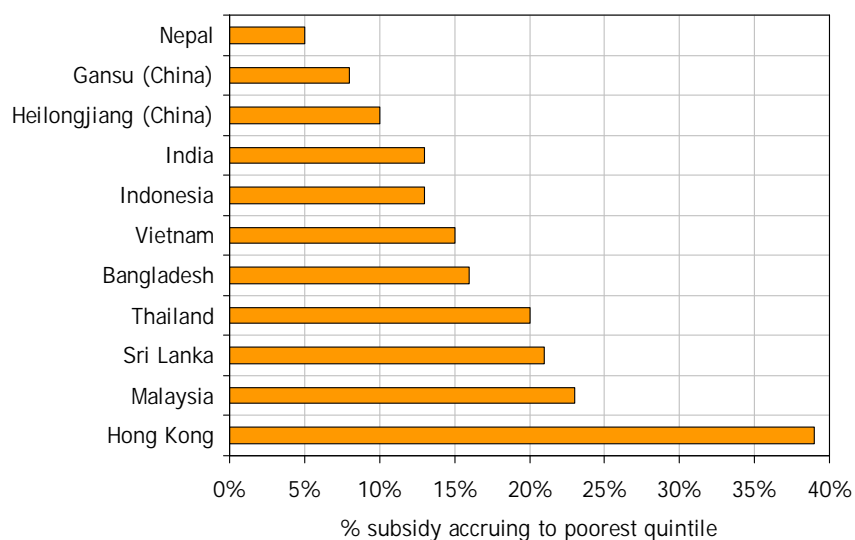
Opportunities

- Decreasing child population → more resources for providing better healthcare services, reducing infant and child mortality rates, and reducing child malnutrition...
- Family planning policies to maintain TFR at replacement rate and improve human development.
- Healthy and active old-age population will reduce healthcare costs.

Challenges

- Growth causing **environmental pollution** will have serious impacts on health and innate malformation.
- **Reproductive health** has been improved, but various challenges are existing, such as HIV, abortion.
- **Child malnutrition** is still prevalent, particularly in mountainous areas.
- **Trends and causes of death** have significantly changed.
- **Accessibility to healthcare services** are greatly different between population groups. Poor people receive a small proportion of gov't spending on health. (**Figure 6**)
- **Domestic violence, child labor...** will reduce quality of young population.
- **Adolescent and youth health** is facing a number of alarming challenges.
- Unhealthy aged population will produce large burdens on the whole society.

Figure 6: Who benefits from gov't spending on health?



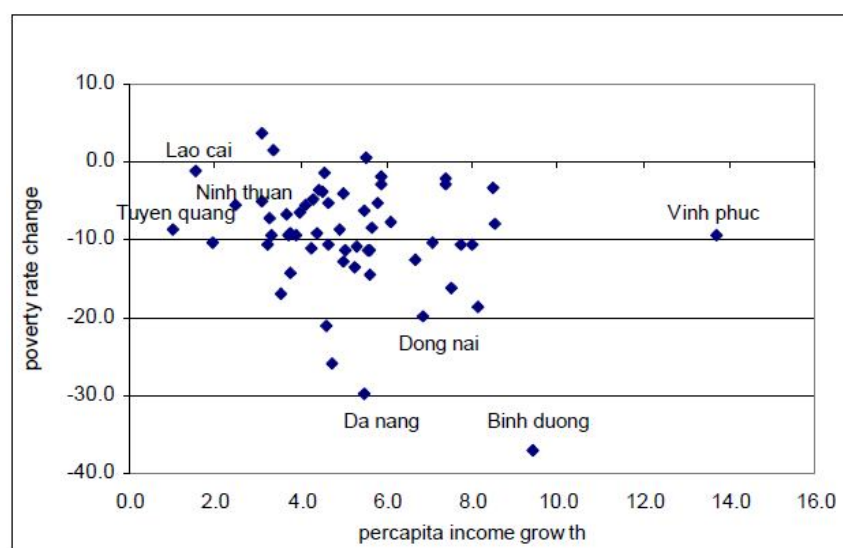
Source: O'Donnell et al. (2005), as quoted by Lieberman and Wagstaff (2008)

POPULATION & HEALTH POLICIES

Policy Suggestions

- Family planning policy and economic growth strategy should be appropriately applied, depending on socio-economic conditions of each area and region (NO one-menu-for-all policies). **(Figure 7)**
- Promote and encourage small-size family regardless of the children's gender.
- Migration policy should encourage more appropriate labor mobility for growth and development of certain areas and regions.
- Strengthen investments in care services for mothers and children.
- Promoting education and services on reproductive health.
- Attract communities, organizations in fighting violence and maltreatments to females and children.

Figure 7: Growth and Poverty Reduction across Provinces

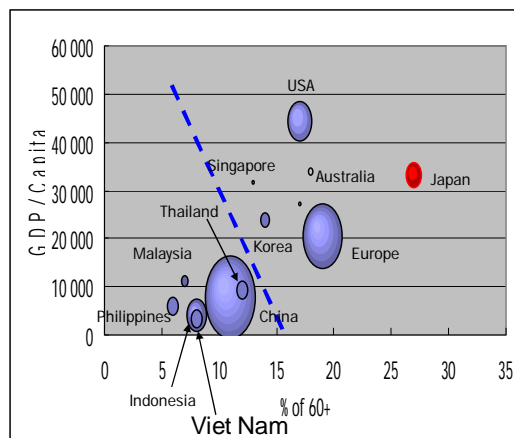


Source: World Bank (2003)

SOCIAL PROTECTION POLICIES TOWARD AN AGING/AGED POPULATION



Getting old before
getting rich?



Source: World Health Statistics 2008

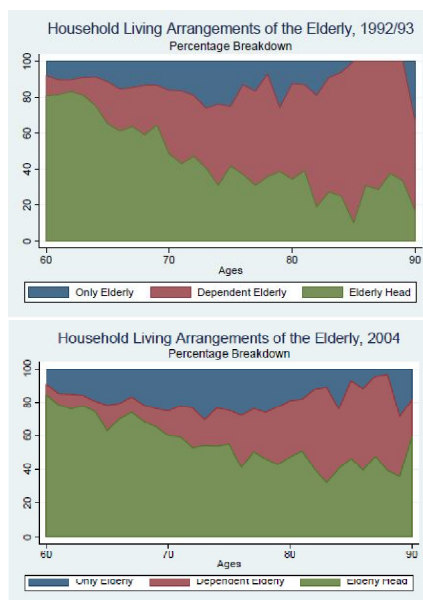
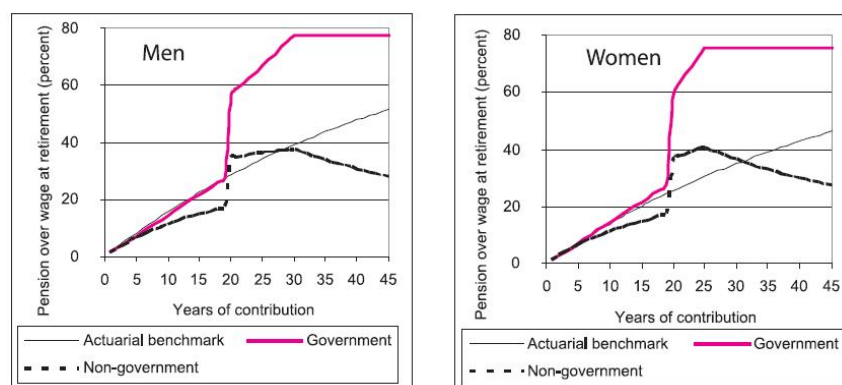
SOCIAL PROTECTION POLICIES TOWARD AN AGING/AGED POPULATION

Opportunities

- Huge working population will significantly contribute to the social security fund and ensure financial sustainability of the system.
- High rates of old-age employment with better health will help to reduce healthcare costs.
- Old-age laborers play an important role in promoting traditional and familial values – important 'security' factors in the current context.

Challenges

- **Family arrangements** – currently the main 'security' source for the old-age persons – may be eroded under substantial economic and demographic changes (due to smaller number of children or migrating children...). (Figure 8)
- **The current pension scheme** will face serious problems in terms of financing and fairness, partly due to aged population in the near future. (Figure 9)
- **Targeting programs** for vulnerable groups have been implemented, but are not really efficient and effective. (Table 4)

Figure 8: Elderly Living Arrangements, 1993 vs. 2004**Figure 9: Biased pension system**

Source: World Bank (2007)

Table 4: Accessibility to the social assistance programs

	Percent of households with/who	Percent of beneficiaries who are			Percent of the poor who are beneficiaries		Distribution of beneficiaries by quintile				
		Non-poor	Poor	Food poor	Among all the poor	Among the food poor	Poorest	Near poorest	Middle	Near richest	Richest
Poor-household certificate	3.8	27.4	72.6	36.9	9.5	12.8	58.5	24.7	9.1	6.5	1.1
Health care card	4.0	28.6	71.4	42.0	9.9	15.5	57.8	20.8	13.6	4.6	3.3
Access to subsidized credit	2.2	25.1	74.9	37.9	5.8	7.1	60.2	20.4	13.7	4.4	1.3
Exemption of education fees	5.5	30.2	69.8	39.8	13.2	20.0	56.9	23.3	11.6	6.5	1.9
Live in Program 135 commune	14.8	44.8	55.2	30.1	28.2	41.0	43.5	22.6	15.1	13.6	5.3

Source: Nguyen Viet Cuong (2003)

SOCIAL PROTECTION POLICIES TOWARD AN AGING/AGED POPULATION

Policy Suggestions

- **The pension scheme should be reformed** towards a scheme of individual accounts with notional defined-contribution (NDC) scheme as a transitional step.
- **Diversify insurance schemes** in order to provide better accessibility to different groups of population.
- The social assistance scheme should be designed towards a **universal scheme** (targeting rural people will have high impacts).
- Protect old-age people from numerous risks using different insurance schemes, in which voluntary and supplementary insurance for the old-age should be promoted immediately.
- Strengthen social assistance programs for **reducing child and youth poverty**.

CONCLUDING REMARKS

- Viet Nam will experience demographic bonus in 2010 – 2040. Demographic opportunity, in which *demographic bonus* is the best situation, *should be well positioned in any socio-economic strategy*. At the same time, *aging population* will also make various challenges for social protection system.
- *For the coming decade, what should be prioritized?*
 - promote maternal care services and child nutrition programs. Improve quality, rather than expand the size, of primary and secondary education.
 - create various job opportunities in different economic sectors, areas, and regions, particularly for rural areas. Promote demand-based vocational training. policies and programs for reproductive health education and services should be further promoted.
 - policies and programs aiming to support the old-age persons, especially healthcare and basic income support via social assistance scheme, need to be considered and universally provided.

CONCLUDING REMARKS

- Demographic opportunity is only necessary condition, while *domestic policy environment* is sufficient condition for taking advantages of population in economic growth and development.
- *A large gap (and disconnection)* between economists, demographers, and policy makers in the vision on demographic changes – economic growth nexus → needs multi-sector and inter-sector studies.
- Also, *quantitative analyses* of the mutual impacts of age structure changes and economic growth are a demand. In particular, estimates contribution of 'demographic bonus' and challenges of 'aging' are required.

BONUS

or

ONUS...

... depends on how individuals, policy makers, and the whole society comprehend the nuances of demographic changes, so as to take advantages of positive impacts from such changes on economic growth and development.

THANK YOU FOR YOUR ATTENTION!
COMMENTS ARE WELCOME!