

TAKING ADVANTAGE OF THE DEMOGRAPHIC BONUS IN VIET NAM

Opportunities, Challenges, and Policy Options





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



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Open debates between participants of meetings and conferences held by the General Office for Population and Family Planning, UNFPA Ha Noi, the National Assembly Committee for Social Affairs, the Central Party Committee for Popularization and Education, the Ha Noi's Party Committee for Popularization and Education, the Viet Nam Fatherland Front and the United Nations Development Programme complemented the research and made it a product of, and for all.

DR. GIANG THANH LONG

FOREWORD

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

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

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

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

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

National Economics University for the development of this report. We also wish to thank numerous colleagues at the Ministry of Health, Ministry of Labour, Invalids, and Social Affairs, Ministry of Finance, General Office for Population and Family Planning, General Statistics Office, United Nations agencies and other experts from international and national organizations who contributed to this document.

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

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

CONTENTS

List of Tables	1
List of Figures	1
Glossaries	2
Executive Summary	6
I. INTRODUCTION	11
II. THE DEMOGRAPHIC BONUS: EAST ASIAN AND ASEAN EXPERIENCES	15
1. East Asian Experience	19
2. ASEAN Experience	23
III. THE DEMOGRAPHIC BONUS PERIOD IN VIET NAM	25
1. Characteristics of the Age Structure of the Vietnamese Population in the Past	26
2. Population Projections and the Demographic Bonus Period in Viet Nam	29
IV. TAKING ADVANTAGE OF THE DEMOGRAPHIC BONUS IN VIET NAM	33
1. Education and Training Policies	35
2. Labour, Employment, and Human Resource Policies	41
3. Population, Family, and Health Policies	48
4. Social Protection Policies	53
V. CONCLUDING REMARKS	57
References	62

LIST OF TABLES

Table 1. Growth of the Population and Labour Forces, 1960-1990	20
Table 2. Significant improvements of Labour productivity, 1960-1990	21
Table 3. Age structure of the Vietnamese population, 1979-2009 (%)	27
Table 4. Development Coefficient for the Vietnamese population by age, 1979-2009 (Times)	27
Table 5. Projected age structure of the Vietnamese population, 2010-2050	29
Table 6. Composition of education costs in Viet Nam, 2008	38
Table 7. Employment by occupation, 1996 and 2009 (%)	42
Table 8. Employment and wage from by main occupation	43

LIST OF FIGURES

Figure 1. Per capita income in East Asia and ASEAN countries, 1950-2005	17
Figure 2. Growth rate of per capita income, 1960-1990	18
Figure 3. Population policy to promote economic growth: the Japanese experience	19
Figure 4. Growth rate of per labour capital, 1960-1990	21
Figure 5. South Korea and Ghana: Roots of per capita income differences	22
Figure 6. Demographic Bonus periods for ASEAN countries	23
Figure 7. Projected Dependency Ratios in Viet Nam	30
Figure 8. Labour Force Participation rate by age and gender, 1999 and 2009	43

DEMOGRAPHIC BONUS

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

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

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

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

**ECONOMICALLY
ACTIVE POPULATION**

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

**MIDDLE
INCOME COUNTRY**

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

'GLASS CEILING'

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

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

**TOTAL
FERTILITY RATE (TFR)**

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

**REPLACEMENT
LEVEL FERTILITY RATE**

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

**CHILD/YOUTH
DEPENDENCY RATIO**

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

**OLD AGE
DEPENDENCY RATIO**

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

**TOTAL
DEPENDENCY RATIO**

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

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

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

POLICIES WITH REGARD TO EDUCATION AND TRAINING:

Opportunities:

- The population of children will decrease in both absolute and relative numbers, allowing Viet Nam

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

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

Challenges:

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

Policy options:

- Adjust the number of teachers and schools for pre-primary and primary education (as fewer children are entering the education system), and utilise savings to improve the overall quality of primary and secondary education.
- Improve accessibility to vocational training for the most vulnerable

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

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

POLICIES WITH REGARD TO LABOUR, EMPLOYMENT AND HUMAN RESOURCES:

Opportunities:

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

Challenges:

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

to contribute to a value added economy.

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

Policy options:

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

as well as equal working conditions for women.

- Create a comprehensive development plan for human resources, in which vocational training plays a crucial role.
- Ensure financial resources for investment and growth.
- Adapt regional development policies to include and meet the socio-economic demand for migration patterns.
- Strengthen labour export policies to promote employment and income.
- Strengthen employment information systems.

POLICIES WITH REGARD TO POPULATION, FAMILY AND HEALTH:

Opportunities:

- As the proportion of Viet Nam's population which are children continues to decrease, resources can be allocated for the provision of better health care services, and for efforts to reduce the Infant and Child Mortality rates, as well as child malnutrition.
- Better education and understanding of policies addressing Family Planning and Reproductive Health will help to keep the Total Fertility Rate approximately at the Replacement Level, and to improve Human Resource Development for the decades to come.

Challenges:

- Growth causing environmental pollution will have serious economic

and social consequences, and climate change in particular will have unexpected impacts.

- Reproductive Health has been improved, but a number of serious issues remain, in particular with in relation to increased vulnerability of young migrants to HIV/AIDS, unsafe sex, unwanted pregnancy, and abortion.
- Child malnutrition is still prevalent, particularly in the mountainous, poor areas of the ethnic minorities. Conversely, overweight children have increased in both urban and rural areas.
- Trends and causes of death have significantly changed.
- Accessibility to Health Care services is greatly different between population groups, with the least access in the mountainous poor areas and areas of ethnic minorities especially, as well as among migrants.
- Gender Based Violence and child labour will have a negative impact on the young population and create a variety of costs for Viet Nam's society.
- Health Care services have not been able to meet the increasing demand by young migrants. Female migrants are extremely vulnerable with regard to Reproductive Health.

Policy options:

- Policies regarding Population and Family Planning as well as a strategy for economic growth should be appropriately applied, taking into consideration the socio-economic conditions of each area and region.

- Policies and programmes with a focus on Maternal and Child Health Care should be strengthened, and adopted to the changing demographic conditions of each province.
- Behavioral Change education programmes should be promoted, as well as Reproductive Health Services provided, especially for youth and adolescents.
- Policy with regard to migration should encourage more appropriate labour mobility for the growth and development of certain areas and regions, and ensure that all migrants can easily register for social services, and have access to social protection.
- Communities and organizations need to be contracted in fighting violence and maltreatment of women and children.
- Health Care and Reproductive Health services as well as programmes for the prevention of HIV and sexual transmission diseases need to be promoted for young migrants.

POLICIES WITH REGARD TO SOCIAL PROTECTION:

Opportunities:

- A large working population together with a high rate of employment and high incomes will provide a great contribution to the social protection system, especially in terms of financing.
- Social insurance and health insurance policies can be covered by various groups of the population. Access to

social protection services for different groups has been improved.

- Social assistance policies can help to reduce the economic, social and health risks of vulnerable sections of the population.

Challenges:

- The participation of vulnerable groups in the existing scheme for social insurance is limited. The scheme is biased toward more affluent groups of people, such as those living in urban areas or higher income regions.
- Coverage of the health insurance scheme for vulnerable groups has been improved, but they still have limited access and high financial burdens.
- Also, the access rate of migrant labourers - the most vulnerable group - with regard to social services is extremely low.
- The percentage of elderly people having pensions and social allowances is also low, especially if they are part of vulnerable groups.
- The Leakage Rate for targeting programmes is relatively high.

Policy options:

- Diversify insurance schemes in order to create a flexible and transferable system, which allows different groups of people to access both mandatory and voluntary schemes.
- Strengthen the access to and utilization of Health Care services, particularly for vulnerable groups and in less developed regions.
- Ensure that the social assistance

scheme is designed as a universal system, particularly for such vulnerable groups as the elderly and ethnic minority people.

In view of the above, it is essential that a greater awareness and understanding of demographic changes and of the crucial role of the population with regard to economic growth and development will facilitate the setting of policies appropriate for a stage of Demographic Bonus as well as make population studies a priority for researchers and policy makers.

"A failure to act on these issues could have a damaging effect on future prospects, as unemployment rises, the social fabric crumbles, and rising numbers

of old people begin to overwhelm available resources. The demographic transition changes society profoundly and fundamentally influences family structure, the status of women and children, and the way people work... Policy makers must comprehend the nuances of demographic changes and help develop policies that take advantage of the positive impact of such factors on economic growth... Embracing and understanding demographic challenges must therefore be a priority for all governments..."

Bloom, D. E., D. Canning, and J. Sevilla. (2003): *The Demographic Dividend. A New Perspective on the Economic Consequence of Population Change*: page 82. Santa Monica, CA: RAND.

I. INTRODUCTION



I. INTRODUCTION



There are many examples of countries that, during periods of fast economic growth and development experience high fertility and low mortality rates at the same time, thus causing a “population boom”. To maintain a balance in the age group constitution of their population, governments in such countries generally make a lot of effort to control population growth by encouraging or ensuring a lower overall fertility. As a result, swift demographic changes occur in terms of age structure, which in turn have a number of implications for growth and development. Such changes are characterized by bringing the onset of a stage of Demographic Bonus – a demographic opportunity that occurs only once in a limited amount of time – accompanied by a number of advantages and challenges for economic growth and development. To this end, it is of prime importance that governments, particularly in less developed and developing countries, find ways to make the best use of such a demographic opportunity for development. Many studies (e.g. Bloom *et al.*, 2003; Ross, 2004; Mason *et al.*, 2008) show that a “Bonus” will not automatically occur without the active commitment of a government to design and implement appropriate policies.

Concomitant with historical changes, Viet Nam has experienced a variety of changes in the Fertility and Mortality rates of its population over time. As a result of the introduction of new Family Planning policies in the early 1960’s, the Total Fertility Rate

¹ In the Population and Housing Censuses, the Total Dependency Ratio is calculated as the sum of children (aged 0-14) and elderly (aged 60 and over) per 100 persons aged 15-59.

(TFR) substantially decreased from 4.81 in 1979 to 2.33 in 1999, and finally to 2.03 in 2009. Equally, the Total Dependency Ratio¹ decreased from 98 in 1979 to 86 in 1989; to 71 in 1999; and to only 51 in 2009. During the same period of time, the *Doi moi* policies transformed Viet Nam from a centrally planned economy to an open market economy with a number of notable achievements (Haughton *et al.* 1999, 2001; Glewwe *et al.*, 2004). However, in order to promote the next stage of socio-economic development, a clear population strategy is essential for the period 2011-2020 during which the aim will be to basically become an industrial, middle income economy.

A number of policy and strategy questions need to be explored, including how the age structure of the Vietnamese population will change; when the Demographic Bonus will start and end; and what policies and strategies Viet Nam will need to maximally benefit from such a Demographic Bonus period. For example, given the known fact that, due to the Demographic Bonus, Viet Nam will after 25 years first have an “Aging”, and then an “Aged” population for a period of time, the government can now anticipate and prepare for such circumstances during the coming decades; Thus a number of large scale problems that would need to be solved when the Demographic Bonus ends, can be avoided.

The current report aims at providing an evidence-based analysis of the policies

on population and economic growth for the period 2011-2020 and afterwards, as well as of theoretical and practical studies regarding the impact of Demographic Bonus on economic growth and development by:

- i) summarizing the experiences from several countries in the region which have taken advantage of the Demographic Bonus for their economic growth;*
- ii) analyzing population data for Viet Nam to underline the Demographic Bonus period; and*
- iii) presenting the opportunities and challenges as well as policy options to make use of such an important demographic chance for growth and development in Viet Nam during the coming decades.*

The report is organized as follows: In Section II, experiences will be presented of East Asian and Southeast Asian countries which have incorporated demographic factors into their plan for economic growth. Section III will summarize the main characteristics of the Vietnamese population during the past decades in terms of age structure, and present the Demographic Bonus period. Opportunities, challenges, and some policy options will be discussed in Section IV. In the last Section of the report, the concluding remarks will emphasize the importance of promoting awareness about the important role which demographic factors play in economic development.

II. THE DEMOGRAPHIC BONUS: EAST ASIAN AND ASEAN EXPERIENCES



II. THE DEMOGRAPHIC BONUS: EAST ASIAN AND ASEAN EXPERIENCES

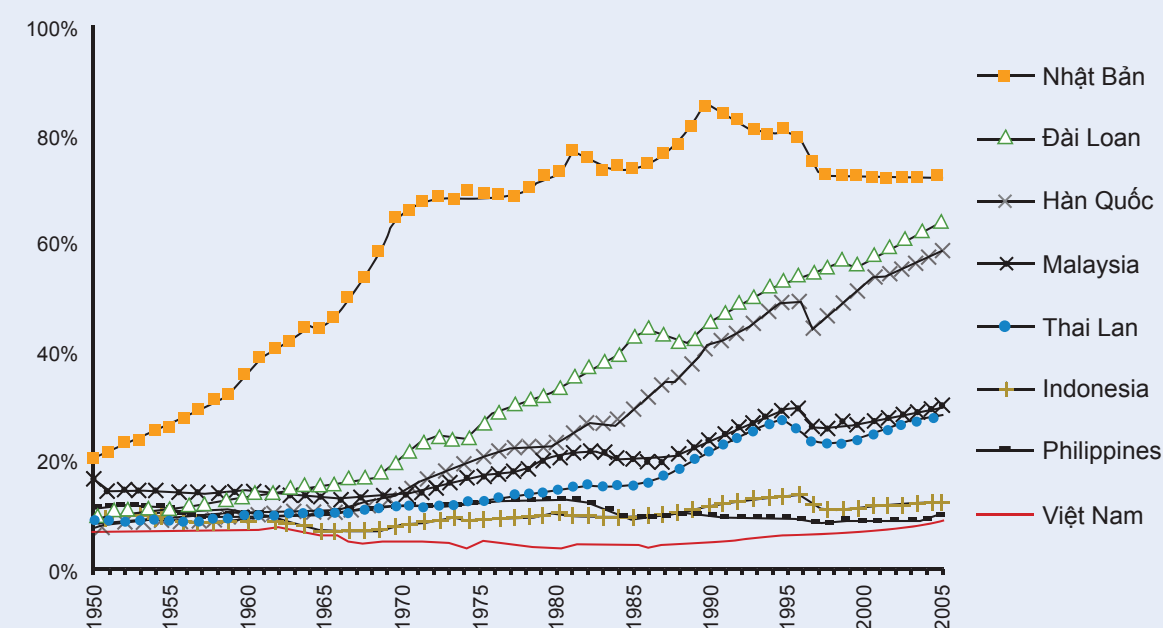


Age structure presents the distribution of a population by age or age group. The fact that each age and age group has different characteristics with regard to labour and consumption, has distinct consequences for the economy of a country. The young, for example, require an intensive investment in health and education in order to produce a healthy and skillful labour force later, while the elderly require good health care and sustainable retirement schemes. When the relative size of each of these groups in a population changes, so does the intensity of the related economic opportunities and pressures because of their impact on economic growth and per capita income. It is therefore of the essence that policy makers pay special attention to any changes in population size and growth as well as consider the changes in the age distribution of the population when planning a development strategy.

For the purpose of this report, and in order to make comparisons with other countries as well as provide policy implications for Viet Nam, a Total Dependency Ratio is used as defined by the United Nations (2008), i.e. the ratio of the sum of children (aged 0-14) and the sum of elderly (65 and over) per 100 persons aged 15-64. Demographic Bonus occurs when the Total Dependency Ratio is less than 50, meaning that a person of non-working age will be supported by more than two working-age persons. As mentioned before, demographic changes, particularly changes in Fertility and Mortality Rates, result in the changes of age structure, which then produces a Demographic Bonus in a certain period. In each country, the

Figure 1: Per capita income in East Asia and ASEAN countries, 1950-2005

(By 1990 prices and as percentage of US per capita real income)



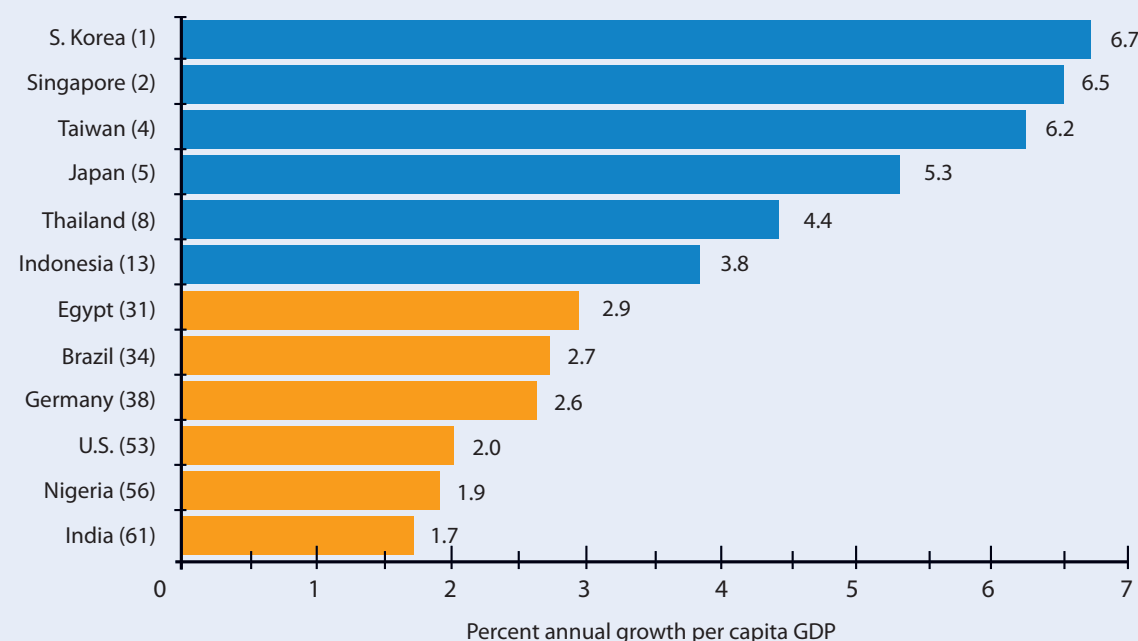
Source: Angus Maddison (2001); the Central Bank of the Republic of China; and IMF International Financial Statistics (for updating 1998-2006), as quoted by Ohno (2010).

Demographic Bonus period will start and end at a different point in time and will also be different in duration. Whether a country can make maximum use of its Demographic Bonus depends on whether social, economic, and political institutions can realize their potential. In reality, a number of countries have not been able to prepare for such a great demographic opportunity.

Figure 1 describes the per capita income in some East Asian and ASEAN countries. In order to compare countries, their income levels are estimated in relation to prices in the 1990's and as a percentage of the US real per capita income. The results show

that, until the mid 1960s, all East Asian economies (with Japan as an exception) had a similar per capita income. Since the late 1960's however, Taiwan and South Korea began to soar with fast and substantial improvements in their per capita income. Malaysia and Thailand also started to have higher incomes at the time, but remained middle income nations after three decades of growth, and may in fact by now be facing a "glass ceiling". The per capita income in Indonesia and the Philippines at first slowly improved but in recent decades has been negatively affected by a number of difficulties due to political instability.

Figure 2: Growth rate of per capita income, 1960-1990
(By 1995 prices)



Source: Summer and Preston (2001), as quoted by East-West Center (2009)

Figure 2 compares the growth rate of the per capita income of some East Asian and ASEAN countries with other countries during the period 1960-1990 (by 1995 prices). In Japan, South Korea, Taiwan, and Singapore continuous growth became apparent at more than 5% annually, while Thailand and Indonesia had lower growth rates. Although all East Asian and ASEAN countries in the sample

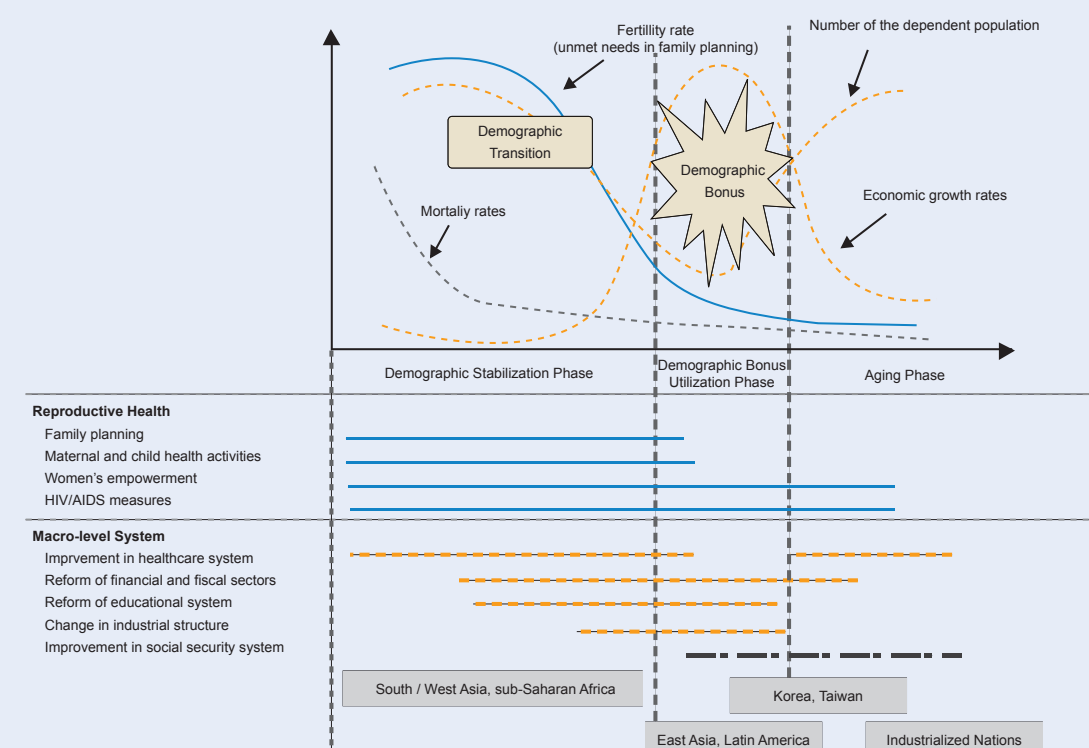
had higher growth rates of their per capita real income than other countries, ASEAN-4 countries (Malaysia, Indonesia, Thailand and the Philippines) did need several decades more to reach the same development levels which Taiwan, South Korea, and Singapore were able to reach in two decades. What were the underlying causes? What lessons can we learn from such differences?

1. EAST ASIAN EXPERIENCES

Several studies indicate that changes in age structure significantly contributed to the impressive growth in East Asia. Bloom and Williamson (1998) estimate that such changes contributed to about 30% of East Asian growth in total in what is therefore referred to as the “miracle

era”. Other studies also list a number of factors which have positively influenced growth in East Asia, including (i) a large and high quality base of human resources, (ii) a stable population, and strong growth of employment, and (iii) high saving and investment rates.

Figure 3. Population policy to promote economic growth: the Japanese experience



Source: JICA (2003)

JICA(2003)summarizesthelessonslearned from the Japanese experience with regard to utilizing the Demographic Bonus for its miracle economic growth (Figure 3): above all it involved the development and implementation of a set of comprehensive policies for Reproductive Health and macroeconomy.

The growth rate of per capita real income at more than 6% annually during 1960-1990 could be attributed to the high labour force participation rate of the “baby booming” generation (in the late 1940's). This resulted in an annual growth rate of the labour force of 2.4%, and a concomitant reduction of the

Economic Dependency Ratio. A large increase of the labour force along with a high employment rate helped East Asian countries to become strong, economically active populations (Table 1). At the same time, the growth rates of employment and productivity in all, but particularly in the service and manufacturing sectors, improved substantially. Furthermore, a reduction in the number of agricultural labourers was triggered by the growth of high productivity, while food supplies were ample enough to meet the increasing demand: During 1960-1990, the rural labour force in Japan was reduced by 3.9% annually while the growth of agricultural productivity

reached 4.5% annually, which was higher than that of the non-agricultural sectors (Table 2).

While population growth slowed down and per capital income growth accelerated, both private and public expenditures on education and health were improved significantly. Gender equality in labour, employment, health, and other sectors officially became part of policy as well. Hence, the female labour force participation rate became high, which in its turn helped women to improve their social and familial position as well as their Reproductive Health status.

Table 1. Growth of population and labour forces, 1960-1990

Region	Annual growth rate (%)		
	Population (1)	Labour force (2)	Difference (3)=(2)-(1)
Asia: High-performing economies*	1.9	2.7	0.8
Europe and North America	0.8	1.1	0.3
Latin America	2.3	2.7	0.4
South Asia	2.6	2.5	-0.1
Africa	2.6	2.3	-0.3

Note:* includes Japan, South Korea, Taiwan, Singapore, Thailand and Indonesia

Source: Mason (2001)

Table 2. Significant improvements of labour productivity, 1960-1990

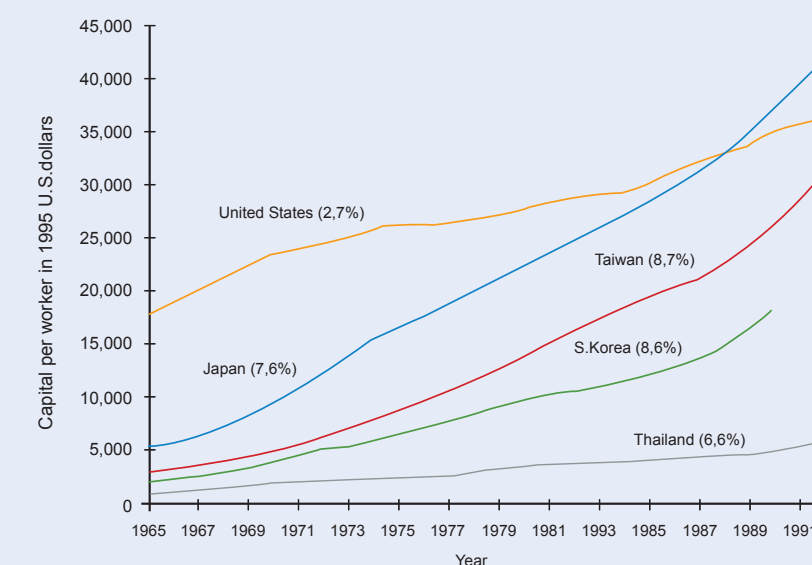
Statistics	Japan	South Korea	Taiwan	Singapore	Thailand	Indonesia
<i>Growth rate of the labour force, 1960-90 (%)</i>						
Agriculture	-3.9	-1.2	-1.9	-6.5	2.0	1.5
Non-agriculture	2.3	5.4	5.4	3.7	5.5	4.5
<i>Labour in manufacturing and service sector as percentage of the total labour force</i>						
1960	66.9	38.7	43.9	92.6	16.3	25.2
1990	92.7	81.9	87.4	99.6	35.9	44.8
<i>Labour productivity: Annual GDP growth/number in labour sector, 1960-90 (%)</i>						
Agriculture	4.5	4.4	4.1	5.9	1.8	1.2
Non-agriculture	4.2	3.7	4.4	4.6	2.9	3.2

Source: Mason (2001)

Saving and investment through the efficient mobilization of internal resources played a crucial role with regard to the persistent growth during the miracle era of this region as well: Figure 4 shows that,

during 1960-1990, the average annual growth rate of per labour capital in Japan was 7.6%, as compared to that of South Korea and Taiwan which was more than 8.5%.

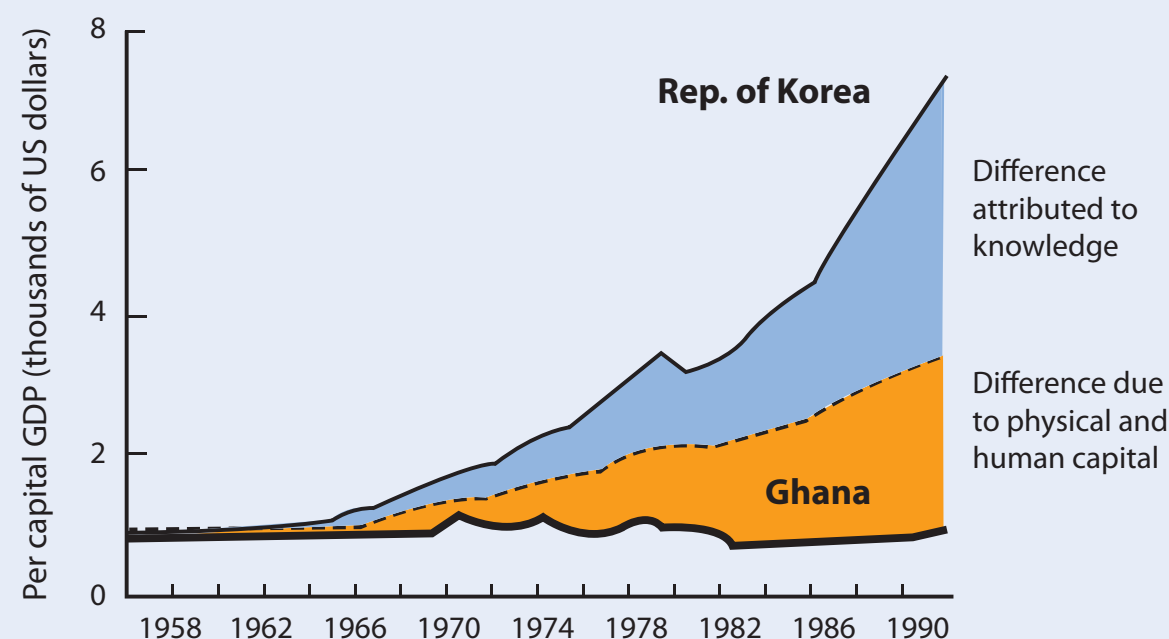
Figure 4. Growth rate of per labour capital, 1960-1990



Source: Summers and Heston (1991).
Note: Average annual growth rates are in parentheses.

Source: Summer and Preston (2001), as quoted by East-West Center (2009)

Figure 5. South Korea and Ghana: Roots of per capita income differences



Note: GDP per capita is estimated in 1990 prices

Source: World Bank (1997)

In addition to the important factors mentioned above, a number of studies indicate that favorable economic and political conditions also largely contributed to East Asia's ability to make the utmost use of the Demographic Bonus. Along with the steep growth of capital stocks and quality human resources, active strategies and policies of East Asian governments further helped to explore the potential of a solid base of knowledge and technological know-how for the internalization of economic growth. Figure 5 shows the difference

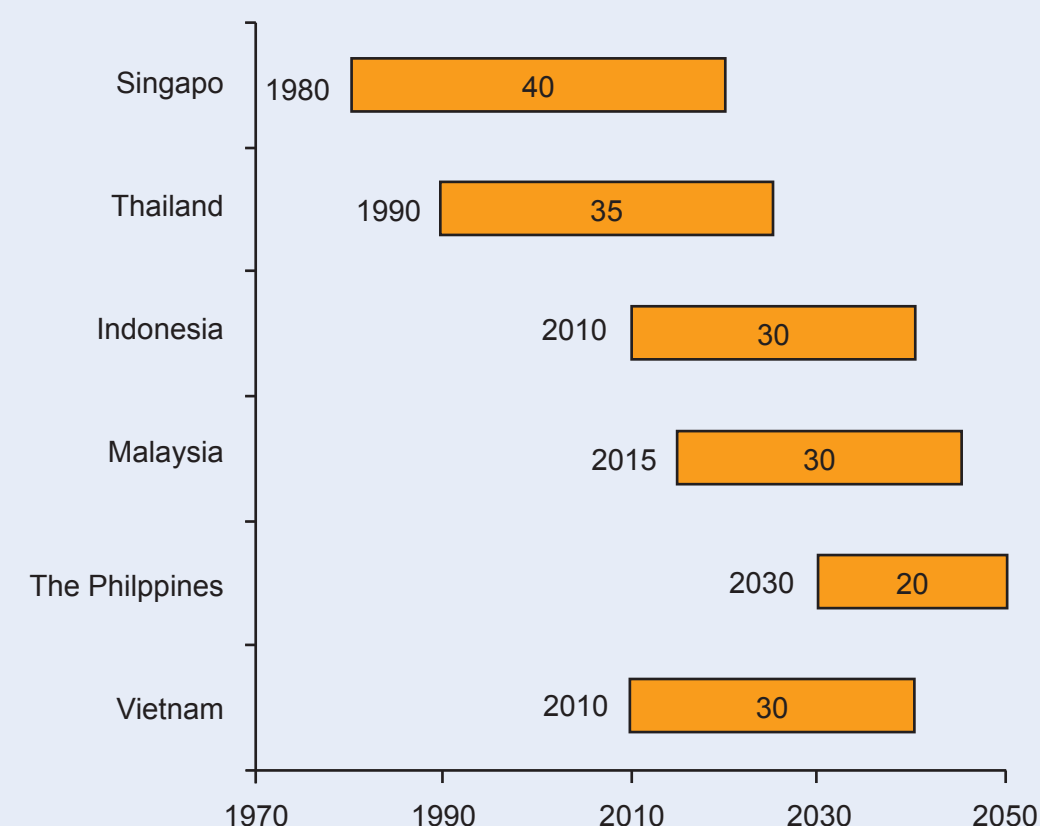
between South Korea and Ghana in terms of per capita income. In this figure, for the sake of comparison, per capita income is estimated by the 1990 prices. It is obvious that after three decades of growth, the gap between the two countries was still widening despite having a same starting point in the early 1950's; South Korea became a high income country, while Ghana remained poor. In this case the difference was largely attributed to differences in knowledge and know-how (World Bank, 1997).

2. ASEAN EXPERIENCE

The Demographic Transition in ASEAN countries has occurred more slowly than in East Asia. Population data from the United Nations (2008) show that ASEAN countries have only just started their stage of Demographic Bonus, with Singapore taking the lead as the first country (since 1980),

followed by Thailand (from 1990 onward), and Indonesia (since 2010). The Philippines is predicted to enter its Demographic Bonus period in 2030. The average length of Demographic Bonus in ASEAN countries will be 30 years (Figure 6).

Figure 6. Demographic Bonus periods for ASEAN countries



Source: Own compilation from the United Nations (2008).

During 1980-1995 the average growth rate of the GDP per capita in ASEAN countries was 7%, but estimates by the ADB (1997) show that the Demographic Bonus only contributed 0.7 percentage point, while those by Bloom and Williamson (1998) indicate a contribution of 1.0 percentage point (meaning that the Demographic Bonus only caused 10-14% of the growth of the GDP per capita). It is obvious that the Demographic Bonus had less of an influence on the economic growth in ASEAN countries between 1980 and 1995 than in East Asia between 1960 and 1990. One of the main reasons for this was that the difference between the economically active and the economically inactive population in ASEAN countries was not as great as this discrepancy was in East Asia (Bloom et al., 2003).

One of the ways in which ASEAN countries can be characterized with regard to their efforts to promote economic growth is by their significantly different educational and health strategies and policies as well as diverse political environments. The study by Navaneetham (2002) shows that the Philippines and Singapore had a similar base of human resources, yet mainly due to a high Fertility Rate and a weak institutional framework, economic progress in the Philippines always lagged behind when compared to Singapore. Malaysia and Thailand have invested in building a base of high quality human resources to meet the demand from industrial development, especially for the manufacturing sector. As Ohno (2010) argues, these countries are experiencing a number of difficulties

with regard to breaking their 'glass ceiling' however and are therefore "trapped" at a middle income level of development. The root cause of this situation is that in these two countries human resources are heavily dependent on foreign guidance, particularly with regard to managerial and productive skills. The growth rates of employment and labour productivity have therefore not significantly increased, and as such it has become difficult to 'take off' like South Korea, Taiwan or Singapore have been able to do.

In summary, the above analysis shows that a stage of Demographic Bonus has occurred or will occur in East Asian and ASEAN countries, but that the actual benefit obtained from this important demographic opportunity is dependent on the different approaches which have been or will be employed to prepare and make use of it. Some countries, e.g. Japan and South Korea, have been successful in this regard due to the efficient use of their human resources, while other countries are struggling to gain from their Demographic Bonus period while they are already in the midst of it (e.g. Thailand) or are still preparing to take advantage of the Demographic Bonus (Indonesia, Malaysia, and the Philippines). As it thus appears, a Demographic Bonus period is only an opportunity; it will not bring any 'Bonus' to countries who do not have appropriate and well planned strategies and policies to make use of it. This is an important message for Viet Nam as it is on the verge of welcoming its own stage of demographic opportunity.

III. THE DEMOGRAPHIC BONUS PERIOD IN VIET NAM



III. THE DEMOGRAPHIC BONUS PERIOD IN VIET NAM



1. CHARACTERISTICS OF THE AGE STRUCTURE OF THE VIETNAMESE POPULATION IN THE PAST

Demographic changes in Viet Nam in the 20th century have been complicated due to the severe impact of two prolonged and devastating wars. Since 1975 - the year in which the country was reunited - population policies, which until then had only been implemented in the North, were implemented nationwide. During the three decades thereafter, the age structure of the Vietnamese population was subject to some remarkable transformations: a reduction of the percentage of children (aged 0-14); an increase of the percentage of people of working age (aged 15-64); and a gradual increase of the percentage of elderly (65+).

Table 3 shows that the percentage of children in the population decreased substantially (from 42.55% in 1979 (equivalent to 23.4 million) to 24.55% (equivalent to 20.99 million) in 2009, while the percentage of people aged 15-64 increased quickly from 52.77% in 1979 (equivalent to 28.35 million) to 69.12% (equivalent to 59.34 million) in 2009 (59.34 million). At the same time, the percentage of the elderly (65 and over) continuously increased from 4.7% in 1979 (equivalent to 2.52 million) to 6.5% (equivalent to 5.51 million) in 2009.

If the year 1979 is taken as the base year for calculation, the child population aged 0-4 and 5-9 decreased by half during the period 1979-2009. The population aged 15-64 generally increased, with subsections of people aged 15-29 and 55-64 only slightly

increasing in numbers, while the number of people aged 30-54 grew significantly. Of the population aged 65 and over, the number of people aged 65-69 increased

only slightly, but the number of people of a more advanced age, particularly those of 80 years and over, grew significantly.

Table 3. Age structure of the Vietnamese population, 1979-2009 (%)

Age group	1979	1989	1999	2009
0 - 4	14.62	14.00	9.52	8.19
5 - 9	14.58	13.30	12.00	7.82
10 - 14	13.35	11.70	11.96	8.44
15 - 19	11.40	10.50	10.77	10.44
20 - 24	9.26	9.50	8.86	9.82
25 - 29	7.05	8.80	8.48	9.07
30 - 34	4.72	7.30	7.86	8.00
35 - 39	4.04	5.10	7.27	7.61
40 - 44	3.80	3.40	5.91	6.95
45 - 49	4.00	3.10	4.07	6.35
50 - 54	3.27	2.90	2.80	5.14
55 - 59	2.95	3.00	2.36	3.48
60 - 64	2.28	2.40	2.31	2.26
65 - 69	1.90	1.90	2.20	1.81
70 - 74	1.34	1.40	1.58	1.65
75 - 79	0.90	0.91	1.09	1.40
80 - 84	0.38	0.45	0.55	0.85
85+	0.16	0.34	0.41	0.73
Total	100.00	100.00	100.00	100.00

Source: Population and Housing Census 1979, 1989, 1999 and 2009.

Table 4. Development coefficient for the Vietnamese population by age, 1979-2009 (times)

Age group	1979	1989	1999	2009	Trend
0 - 4	1.00	0.96	0.65	0.56	Large reduction
5 - 9	1.00	0.91	0.82	0.54	
10 - 14	1.00	0.88	0.90	0.63	
15 - 19	1.00	0.92	0.94	0.92	Small change
20 - 24	1.00	1.03	0.96	1.06	
25 - 29	1.00	1.25	1.20	1.29	
30 - 34	1.00	1.55	1.67	1.70	Rapid increase
35 - 39	1.00	1.26	1.80	1.88	
40 - 44	1.00	0.89	1.56	1.83	
45 - 49	1.00	0.78	1.02	1.59	
50 - 54	1.00	0.89	0.86	1.57	
55 - 59	1.00	1.02	0.80	1.18	
60 - 64	1.00	1.05	1.01	0.99	Small change
65 - 69	1.00	1.00	1.16	0.95	
70 - 74	1.00	1.04	1.18	1.23	Rapid increase
75 - 79	1.00	1.01	1.21	1.55	
80 - 84	1.00	1.18	1.45	2.23	
85+	1.00	2.13	2.56	4.53	

Source: Own calculation based on the above Table 2

2. POPULATION PROJECTIONS AND THE DEMOGRAPHIC BONUS PERIOD IN VIET NAM

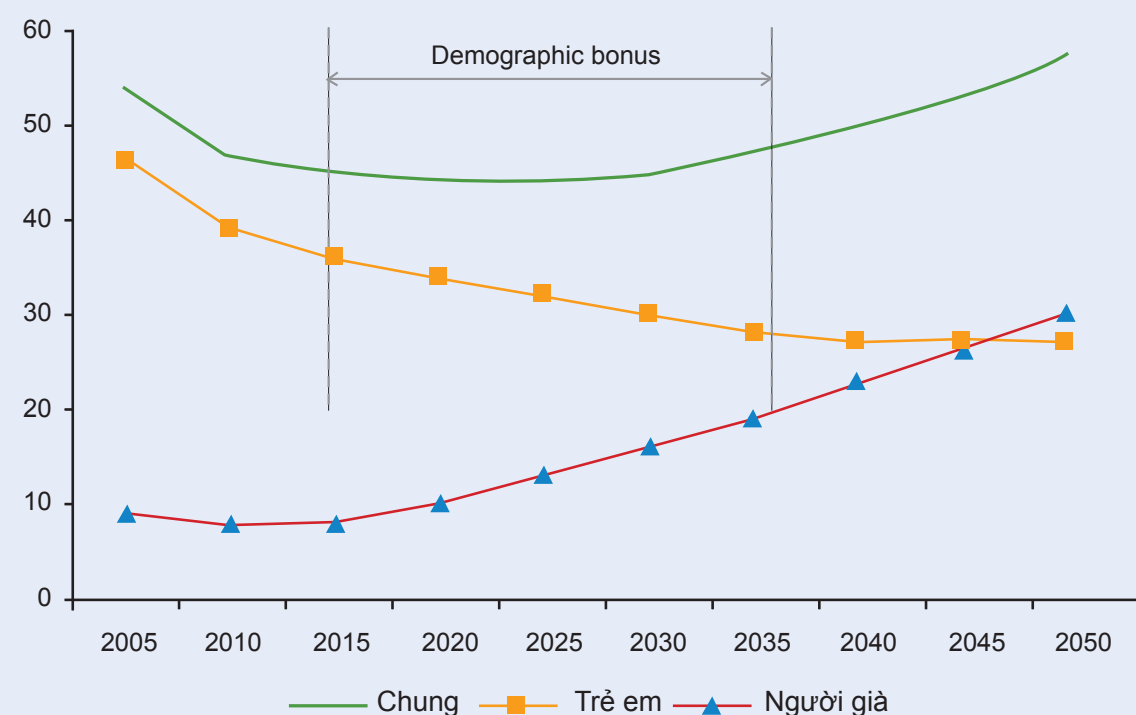
Table 5 presents the age structure of the Vietnamese population based on projections by the United Nations (2008).

Table 5. Projected age structure of the Vietnamese population, 2010-2050

Age group	2010	2015	2020	2025	2030	2035	2040	2045	2050
0 - 4	8.07	7.66	7.26	6.90	6.39	5.99	5.75	5.63	5.54
5 - 9	8.27	7.64	7.30	6.95	6.66	6.22	5.87	5.68	5.59
10 - 14	8.73	7.84	7.28	6.98	6.71	6.48	6.10	5.79	5.64
15 - 19	10.16	8.25	7.45	6.95	6.73	6.52	6.34	6.01	5.74
20 - 24	9.27	9.59	7.83	7.10	6.68	6.52	6.36	6.24	5.95
25 - 29	7.81	8.74	9.09	7.46	6.82	6.47	6.37	6.26	6.17
30 - 34	7.79	7.35	8.28	8.66	7.16	6.61	6.32	6.26	6.19
35 - 39	7.84	7.33	6.96	7.88	8.32	6.94	6.45	6.21	6.19
40 - 44	7.48	7.37	6.93	6.62	7.56	8.05	6.76	6.33	6.13
45 - 49	6.73	7.02	6.95	6.58	6.33	7.30	7.83	6.63	6.25
50 - 54	5.34	6.27	6.58	6.56	6.26	6.08	7.07	7.65	6.51
55 - 59	3.77	4.93	5.82	6.16	6.20	5.97	5.85	6.86	7.47
60 - 64	2.39	3.43	4.52	5.38	5.74	5.84	5.67	5.60	6.62
65 - 69	2.02	2.11	3.06	4.06	4.89	5.28	5.42	5.32	5.30
70 - 74	1.65	1.70	1.80	2.63	3.54	4.32	4.71	4.89	4.85
75 - 79	1.39	1.27	1.34	1.43	2.14	2.92	3.60	3.99	4.19
80+	1.29	1.51	1.58	1.68	1.85	2.50	3.51	4.67	5.69
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Own calculation, by the United Nations (2008)

Figure 7. Projected Dependency Ratios in Viet Nam

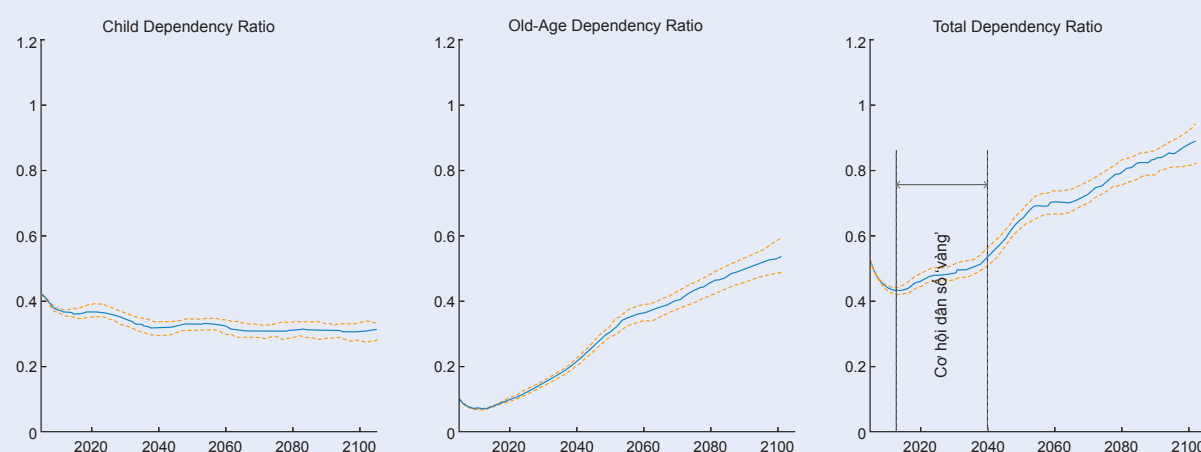


As becomes clear, the child population, especially the number of children aged 5 and below as well as of primary school age, will decrease significantly in the coming decades. At the same time, the population aged 65 and over, particularly the number of people of a most advanced age (80 and over), will increase rapidly. As a result, the Total Dependency ratio will reach 45.8 in 2010 and increase to 50.8 in 2040, indicating that Viet Nam will have a 30 year period of Demographic Bonus (Figure 7, upper panel). The onset and end of this period is delineated by the start of a substantial decrease of the Child Dependency Ratio on one hand, and a significant increase of the old age dependency ratio on the other hand.

The above mentioned projections are in line with the theoretical population projections by Giang and Pfau (2009a)

(Figure 7, lower panel) which state that: The Demographic Bonus period will occur during 2010-2040 with a 90% confidence interval of 1 year for the starting year (i.e., the period may start any time between 2009 and 2011) and of 2 years for the ending year (i.e., the period may end any time between 2038 and 2042). (2010a). Based on the assumption that the TFR will converge to 1.8 in 2059, UNFPA population projections similarly indicate that the period for Demographic Bonus in Viet Nam will occur during the time span 2009-2039.

Given the unequivocal consensus that Viet Nam has thus entered a stage of Demographic Bonus which will last for about 30 years, the essential question which arises is: How can this demographic opportunity be fully grasped?



Source: Own compilation by the United Nations (2008) and Giang and Pfau (2009a)

IV. TAKING ADVANTAGE OF THE DEMOGRAPHIC BONUS IN VIET NAM



IV. TAKING ADVANTAGE OF THE DEMOGRAPHIC BONUS IN VIET NAM



Estimates by Nguyen Thi Minh (2009) for Viet Nam show that the changes in the age structure of the population contributed 14.5% to the economic growth in the past decade. The main cause for this substantial contribution was that both the working age and the employed populations grew very rapidly, which resulted in a lower ratio between the non-labour force group and the labour force group. This finding suggests that Viet Nam has, to some extent, realized the potential opportunity of its Demographic Bonus for economic growth. In comparison with other East Asian countries, however, such a contribution can only be considered small. What should Viet Nam do to further fully utilize its demographic factors to boost economic growth, especially during its stage of Demographic Bonus? Again it must be emphasized here that demographic opportunity by itself will not bring any benefits; and that it's potential can only be realized by designing appropriate strategies and policies which take into consideration the unique circumstances of each country.

Naturally, in some countries there may be a number of factors, e.g. war or political instability which make any attempts to use a stage of Demographic Bonus prohibitive. From a national perspective, however, the *domestic policy environment* still plays the most important role: Without a suitable and stable policy environment, a country risks losing its chances for long term growth, even when demographic opportunity arises and the best conditions prevail. Considering the current context of Viet Nam and its demographic opportunity, the following 4 policy areas should be examined closely and

where needed adapted in order to realize optimal economic growth: (i) education and training; (ii) labour, employment, and human resources; (iii) population, family, and health; and (iv) social protection.

1. EDUCATION AND TRAINING POLICIES

According to a number of assessments (e.g. by UNESCAP, 2006; MPI, 2010), Viet Nam has achieved the Millennium Development Goal with regard to education earlier than planned; In comparison to other developing countries with the same per capita income the educational achievements that have been made in Viet Nam are impressive and can even be compared to those of countries with higher income levels. To assess the importance of education for the implementation of socio-economic development strategies, efforts have been made by the government to organize education as a comprehensive system offering diversified training programmes for all levels: from pre-school and primary school to college and university, as well as to vocational and professional programmes.

In 2008, the total expenditure for education was about 6.5% of GDP, of which government expenditure accounted for 86% (compared to a former 5.6% of GDP, and 20% of total government expenditure). In 2009, the percentage of literacy among the population aged 10 and over was 94%; the schooling rate for the population aged

5 and over was 94.9%, which increased 4.7 percentage points in comparison to the rate in 1999 (GSO, 2010a). The average enrollment rates for primary and secondary education levels increased during the period 2001-2009. In 2009, the enrollment rate at the correct age for the primary and secondary education levels were 95.5% and 82.6%, respectively. From the above it thus becomes clear that, along with other socio-economic indicators, the education sector has played a remarkable role with regard to the improvement of Viet Nam's Human Development Index (HDI) ranking throughout the years.

Opportunities:

On account of the advancements that have already been made and the population prospects mentioned above, Viet Nam has a strong foundation from which to continue improving the quality of its education system. In particular, the following circumstances may be considered opportunities:

- 1) As indicated above, the decreasing Total Fertility Rate will result in fewer children of primary and secondary school age (0-4 and 5-9) in the coming decades. Based on the assumption that the TFR will decline to 1.8 in 2059, the population projections by Nguyen Dinh Cu and Ha Tuan Anh (2010) show that the child population as a percentage of the total population will decrease from 25% in 2009 to 23.5% in 2019, and, even further, to 16.7% in 2049. Such

a demographic trend will greatly facilitate improvements in the quality of education at both the primary and secondary education levels, since the ratio between pupils and teachers, as well as the average number of pupils per class will diminish. In terms of government expenditures, it is worth noting here that even when resources are saved by having to spend less on these two education levels, the total expenditure for education will not necessarily be reduced, as costs for high schools and university education will increase.

At the household level, having fewer children while having a higher income will help a further investment in education. At the regional and provincial levels however, the distribution of resources, including the allocation of teachers for all educational levels should be considered carefully, especially when the demographic and economic changes cause internal migration.

- 2) The increasing number of people of working age together with the economic restructuring towards industrial and service sectors will create a high demand for vocational training, especially since these sectors are currently facing a serious shortage of trained and skillful labourers. In other words, there will be a great opportunity to provide vocational training to an abundant work force during the coming years.
- 3) The percentage of elderly people who have completed higher educational and professional levels has increased (Giang and Pfau, 2007),

Taking advantage of the experience and skills of this older age group for the training of younger generations would create positive socio-economic effects, particularly in industries where the 'learning-by-doing' process is important.

Challenges:

Viet Nam's education system on the other hand still has some weaknesses and has thus not yet been able to meet the requirements of the new development period of rapid and demanding regional and global economic integration:

- 1) The education system has been expanded in terms of scope and curriculum, but there still is a large gap in accessibility for different groups of people. Recent data show that, during 2006-2009, the enrollment rates at the right age as well as the completion rates for primary education in some provinces were less than 70%. One of the reasons may be that children in these provinces had to stop going to school (MPI, 2010); Nationwide standardization of educational programmes, including the use of Vietnamese as the official language, has created difficulties for ethnic minority groups to access these programmes (Young Lives, 2005).

Another main reason for the limited accessibility of vulnerable groups is their financial burden with regard to education. Table 6 reveals a substantial difference between the composition of costs between the urban and the rural areas. In the rural areas, the major household expenditure for education consisted of textbook and

school supplies, accounting for 37.5% of total education costs at the primary level and 32.3% at the lower secondary level. In contrast, in the urban areas, households tended to spend more on private tutoring: as much as 22.4% of total education costs were spent for such tutoring at the primary level, 33.2% at the lower secondary level, and 36.7% at the upper secondary level.

A comparison between the poorest and the richest quintile strongly indicates that having to purchase textbook and school supplies creates a financial burden for the families of the poorest children. The poor also allocated a larger proportion of their educational spendings for school contributions and uniforms than the more affluent. In contrast, richer people spent more on extra costs such as transportation, food and lodging, besides on private tutoring. These differences reflect

and emphasize the fact that poorer people have fewer chances to access high quality education programmes.

A study by Vu Hoang Linh *et al.*, (2010) shows that access to college or university education—decided by the result of entrance exams – seems 'luxury' for the poor: in 2008, less than 2% of people aged 18-22 of the poorest quintile attended a college or a university, while more than 45% of the richest quintile did attend higher education. Table 6 furthermore indicates that as most colleges and universities are concentrated in the urban areas, students from the rural areas who do attend university must spend a significant part of their total expenditure for lodging, transportation, food, etc. as compared to urban students: on average, a tertiary student from the rural areas spent 42.4% on this part of his/her education, while his/her urban counterpart spent 28.9%.

Table 6: Composition of education costs in Viet Nam, 2008

	Tuition & fees*	School contribution	Uniform	Textbook & school supplies	Private tutoring	Other spending**
Primary level						
Viet Nam	16.3	16.0	11.3	24.3	20.6	11.5
Rural	2.1	18.3	15.2	37.5	18.4	8.6
Urban	28.1	14.1	8.2	13.4	22.4	13.8
Majority	17.0	15.5	11.2	23.1	21.5	11.7
Minority	1.1	25.1	13.6	47.4	5.0	7.8
Poorest quintile	1.3	22.5	13.9	43.1	12.2	7.0
Richest quintile	32.7	10.7	7.3	11.0	23.7	14.7
Lower secondary level						
Viet Nam	17.5	13.7	11.3	25.2	24.9	7.4
Rural	13.1	15.0	13.1	32.3	17.8	8.7
Urban	22.8	12.1	9.3	16.8	33.2	5.9
Majority	18.1	13.2	11.2	24.2	26.0	7.4
Minority	6.7	22.9	13.2	44.0	5.0	8.3
Poorest quintile	11.2	19.7	12.5	39.6	11.7	5.4
Richest quintile	22.9	11.0	8.7	14.7	34.3	8.4
Upper secondary level						
Viet Nam	23.7	9.9	8.6	18.9	27.3	11.6
Rural	20.8	11.2	9.8	22.9	19.8	15.4
Urban	27.4	8.3	7.2	13.8	36.7	6.7
Majority	24.2	9.7	8.5	18.3	28.1	11.3
Minority	12.6	15.9	11.5	31.7	9.6	18.7
Poorest quintile	22.3	15.6	10.6	30.2	12.3	9.1
Richest quintile	24.9	6.9	6.5	12.6	38.9	10.2
Tertiary level						
Viet Nam	42.5	4.7	0.9	10.7	5.0	36.2
Rural	37.2	4.4	1.0	11.2	3.8	42.4
Urban	48.7	5.0	0.9	10.2	6.3	28.9
Majority	43.0	4.6	0.9	10.7	5.1	35.6
Minority	29.2	6.8	1.0	10.6	1.0	51.3
Poorest quintile	27.5	8.2	3.1	19.4	2.2	39.6
Richest quintile	44.4	4.7	0.9	10.5	6.1	33.4

Note: * By law, primary education is tuition free at all public schools. However, parents may still have to pay certain required school fees.

** Including lodging, transportation, food, etc.

Source: VHLSS 2008, as quoted by Vu Hoang Linh (2010)

2) Educational outcomes are still low and have not met the current requirements. Large gaps still exist between regions, ethnicities, and income quintiles. For instance, data from 4 Viet Nam Household Living Standard Surveys during 2002-2008 show that the percentage literacy among people belonging to ethnic minority groups aged 10 and over was much lower than that of the Kinh.

Similarly, results from the Population and Housing Census 2009 indicate that regions with the most favorable socio-economic conditions had

significantly higher rates of secondary school completion than did those disadvantaged by the least favorable socio-economic conditions (43% versus only 3.9%), while the rates for non-completion of primary school were, respectively, 15.7% and 52.4%. The same trends could be observed for other educational levels, such as vocational training, college and university education. If such differences will persist and widen, it will be very difficult for provinces and regions with less favorable conditions to catch up with the others.

The following two quotations partly reflect the current mismatch between education and labour demand:

Education in school does not match the labour market requirements

The employment opportunities for many high school graduates are limited to fields which require unskilled and seasonal /periodic labour, sometimes even in harmful environments. An eighteen year old girl in Da Nang complained: "I am now working for a local food processing company. I work two weeks a month on average. My job is to shell shrimps. During idle times I stay at home and assist my parents with doing housework. My income is, at an average, only about 300,000 dong (\$19) per month". Vocational training offered in schools is monotonous and offers little variety. "I wanted to learn agricultural techniques to prepare for farming work later in case I will not be able to get further training later, but only basic skills training for electricians and foresters is offered", a girl in Lao Cai complained.

Source: Young Lives (2005)

3) Government investment in education has increased, but thus far has not been effective enough to improve its quality. A report by the Ministry of Finance (2009) shows that, in 2008, as a percentage of the total public expenditure on education, the concurrent expenditures (such

as salary, wages, construction and management costs) accounted for more than 75%, while those for investments and research accounted for only 18.2% and 0.5% respectively. School facilities have been improved in a number of places, but are still often insufficient in number and outdated.

As of 2007, 11% of all classrooms were in a bad condition, especially those in remote areas. Libraries, laboratories and classrooms as well as teaching equipment for specific subjects are still inadequate and out of date, especially in universities (MPI, 2010). In addition, investments in both basic and applied studies are insufficient and scattered, leading to a situation in which the number of research products is ample, but their applicability is low.

Policy options:

Experiences from other countries imply that Viet Nam's Demographic Bonus can only materialize if the country takes this golden opportunity and actively boosts its population in terms of physical and mental health. The increasingly important role of the education and training sectors is in this respect undeniable. Taking the current situation and the most desirable orientation for the next decade into consideration, the following policy options can be made:

- 1) At the national level there is a need to reduce the number of teachers at the primary and lower secondary education levels, as the demand for such education will decrease in the coming years due to the declining number of children aged 0-4 and 5-9. A policy outlining this adjustment needs to be complemented by guidelines for a reduction of investments in new construction for primary and lower secondary schools in general while taking into account the fact that, due to their large numbers of immigrants, certain specific regions and provinces may on the contrary, need more

resources for these two educational levels. Overall, investments should focus on quality improvements of the existing facilities in primary and secondary education, especially in regions with a poor infrastructure.

- 2) It is vital to develop education strategies and priorities based on the market demand, especially with regard to vocational training for labourers in the rural areas and for the manufacturing sectors. The fact that a large percentage of the unemployed is comprised of graduates, and that thus there is a mismatch between labour supply and demand, is a big concern that needs to be addressed by educational practitioners and managers. Surveys which have in recent years been conducted by the Japan External Trade Organization (JETRO) indicate that 50% of the Japanese firms have difficulties with the recruitment of skilled Vietnamese workers, while 70% of the firms object to employing people who have sound managerial skills as they can not be recruited for manufacturing. It becomes obvious that vocational and professional training need to be transformed in order to meet the high demand for quality labourers. One urgent policy action would be to eliminate the quantity based evaluation of the education and training system, as it may contribute to a problem of "lack retains, excess remains". While there is an abundance of manual workers, skillful workers are in shortage, especially in the manufacturing sector. Hence, in view of the current development strategies and plans, priority should be given to

the creation of a direct association between labour market policies and educational and training policies.

- 3) At all educational levels, training regarding social skills and behaviour should be improved. In particular, Gender and Reproductive Health education should receive more attention, as it will enhance gender equality and, at the same time, minimize social issues related to Reproductive Health. Both international and internal studies reveal that fertility, education, and poverty are closely related. A good education system which emphasizes gender equality will foster and reinforce the participation of female labourers in the labour market, the lowering of fertility rates, and the overall reduction of poverty (UNFPA, 2002).
- 4) Investments in education and training should focus on improving the curriculums, creating an open learning environment, as well as on promoting creativity in all teaching and research activities.

2. Labour, employment, and human resource policies

Studies on the impact of human resources on economic growth confirm that a fast growing population of working age will provide a crucial engine for economic growth, if a government is able to increase employment opportunities and improve labour productivity. On the contrary, an increase of the number of people of working age will become a

burden for a country which is faced with high unemployment and low productivity rates.

Opportunities:

- 1) During the period 2000-2009, the labour force grew at an average rate of 1.1% (equivalent to 900,000 new labourers) per year. Recent projections by the Institute of Labour and Social Affairs ILSSA (2009) show that the labour force will keep increasing at 1% per annum between 2011 and 2020 reaching 47.82 million; 50.4 million; and 53.15 million in 2010, 2015, and 2020, respectively. Prime opportunities will thus occur to allocate labour to different economic sectors.
- 2) If the potential for a skilled labour force is realized, Viet Nam will be able to join the regional and global production network as a partner. Ohno (2010) suggests, for example, that Viet Nam and Japan can become strategic partners in industrial production, if young Vietnamese labourers who are unskilled but have potential will be appropriately trained while working alongside older, but skilled Japanese labourers. In other words, a sizable and skilled labour force will help Viet Nam to integrate faster and more thoroughly into the regional and global economies. Export of trained and skilled labourers will in this context be an important channel for the implementation of labour policies during the next decades.
- 3) As indicated above, the most conducive circumstances for

exploitation of the Demographic Bonus opportunity arise when the population of working age grows faster than the population of non-working age, and if, at the same time, the labour force participation rates are high and stable. Forecasts by ILO (2008) for the period 2010-2020 show that in 2020 Viet Nam, in comparison with other ASEAN countries, will have the highest rates of labour force participation for both males and females, at 82.3% and 75.3%, respectively; other countries will only reach 60%. If this trend remains, again a great opportunity is presented to Viet Nam in view of utilizing its Demographic Bonus for economic growth.

Challenges:

- 1) Viet Nam has an abundant labour force, yet is lacking experienced and highly skilled workers. Table 7 shows that people working in sectors which require advanced skills accounted for only a small part of the total number of labourers, while those working in production sectors which only need low level skills accounted for a large part. Even when the percentage of simple labourers has diminished, it still, with 19.5 million, comprises the majority. Furthermore, in a fluctuating economy, these labourers are most vulnerable in terms of stable employment and income.

Table 7. Employment by occupation, 1996 and 2009 (%)

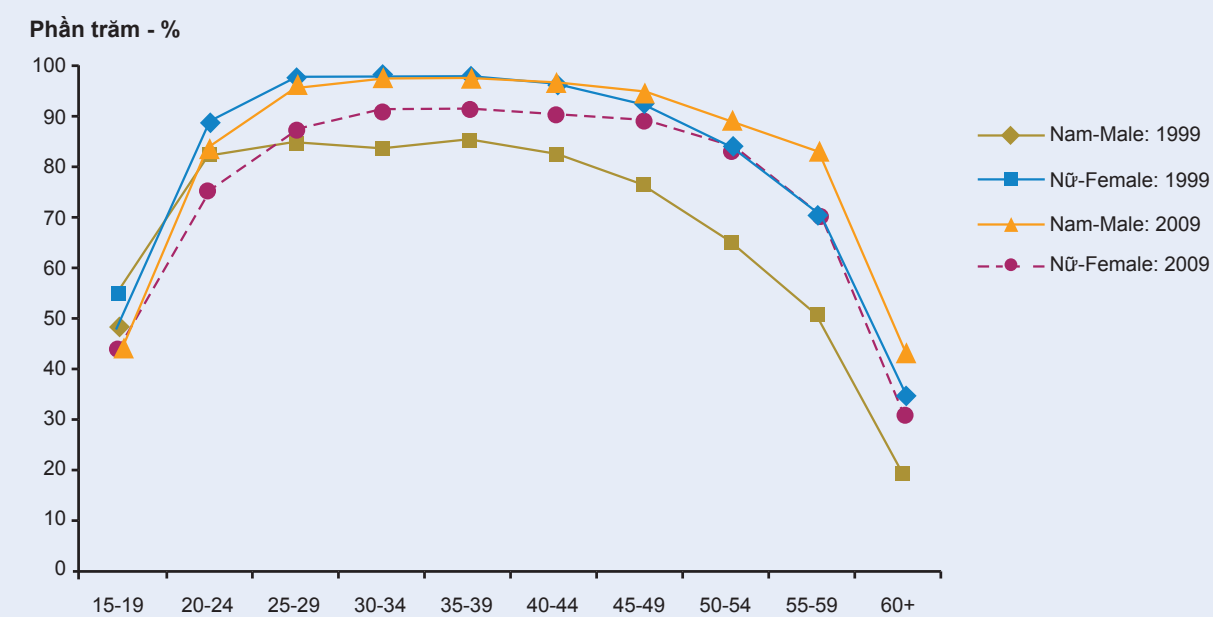
Occupation	1999		2009	
	Total (1,000 persons)	As a percentage of the total	Total (1,000 persons)	As a percentage of the total
Total	35,848	100.0	(1,000 persons)	100
1. Managerial	203	0.6	493	1,0
2. Higher level technical experts	679	1.9	2,268	4,6
3. Middle level technical experts	1,259	3.5	1,873	3,8
4. Staff members in all fields	287	0.8	789	1,6
5. Security staff	2,397	6.7	7,691	15.6
6. Skilled workers in agriculture, forestry and fishery	1,768	4.9	7,297	14.8
7. Skilled craftsman	3,250	9.1	6,163	12.5
8. Skilled workers in installation, and operation of machines and equipment	1,131	3.2	3,303	6.7
9. Simple labour	24,874	69.4	19,425	39.4

Source: GSO (2008, 2010b)

Moreover, data by the GSO by highest level of educational attainment (2010b) indicate that, 75.3% of currently employed workers do not have any qualifications; 10.6% has vocational certificates, and only 5.2% has received qualifications at university level

and above. If broken down by specific areas of the country, the poorest regions consistently have the highest rates of workers who have never attended school and thus do not have any technical and/or professional skills.

Figure 8. Labour Force Participation rate by age and gender, 1999 and 2009



Source: GSO (2010b)

Table 8. Employment and wage from main occupation
(Male-M: 15-60, Female-F: 15-55)

Category	2002		2004		2006		2008	
	M	F	M	F	M	F	M	F
Participation rate (%)	83.2	82.3	82.4	80.9	81.0	79.3	81.5	78.2
Total working hours per year	1570	1519	1533	1493	1557	1496	1565	1453
Average wage (VND 1,000)	2988	1559	3647	2063	4966	2892	7626	4507
Average wage per hour (VND 1,000)	2.3	1.3	2.3	1.4	3.1	1.9	4.7	3.1

Source: VHLSS 2002, 2004, 2006 và 2008, as quoted by the MPI (2010)

2) Mainly due to unequal opportunities foremploymentandgenderinequality in the labour market, the labour force participation and employment rates for males and females differ (ADB, 2005). When graphed, statistical data of the labour force participation rates by age group have a U-invert shape, indicating that the participation rates of persons aged 15-19 and 60 and over remain lowest (Figure 8). Although the female participation rates have improved over time, they still always remain 5-10 percentage points lower than the rates for males. Furthermore, data from the VHLSS show that, despite the fact that they are employed for a similar number of workinghoursasmen,womenreceive, at an average, only 85% of the wage of their male counterparts (Table 8). One important reason for this is that women tend to do more agricultural and manual work than men, while men do more technical work than women. When economic restructuring takes place, more attention should be given to the working conditions of female labourers, as they will still account for a large part of the labour force. Additionally, women are usually more vulnerable to economic change and hardship.

3) Like employment, unemployment is characterized by specific differences in terms of age and gender as well. The average unemployment rate in the period 1999-2009 was 4.5%, but the rates for women were higher than those for men. Data collected by the GSO (2010b) also show that, in 2009, among nearly 1.3 million unemployed persons in total, young

people (aged 15-29) accounted for 64.9% (26.6% persons aged 20-24 and 20.9% people aged 25-29). Of the youngest labourers (aged 15-19), one of the most vulnerable working groups in the labour market, 17.4% were unemployed.

The data for 2009 further indicate that, in terms of educational attainment, most of the unemployed did not have any professional qualifications (65.9%), but those with university degrees and above encompassed 7.3% of the unemployed. Special concern is needed with regard to the unemployment of women; Among the unemployed aged 25-29, 30-34, and 35-49 in total, women comprised the majority (respectively 52.3%; 57.1%; and 53.9%). Besides other factors, this situation likely reflects the fact that women in these age groups most often have to balance the need to earn a living with their role as a wife and mother at home; they are therefore in lower demand by employers and are less likely to obtain a job in the first place.

In addition to unemployment, underemployment is, of concern as well, particularly in the rural areas. According to the GSO (2010b) in 2009 the underemployment rate for the rural areas was higher than that for the urban areas (6.3% vs. 3.2%) and the underemployment rates for men were higher than those for women (5.7% vs. 5.1%).

4) Specific labour, employment and vocational training policies need to be introduced to protect

vulnerable groups, especially those who lose agricultural land due to urbanization and industrialization, as well as migrants. A recent study by Le Du Phong et al., (2007) sheds light on the fact that 70% of those who lost agricultural land did not have any technical or professional qualifications, while nearly 50% were peasants for whom agriculture constituted the main source of income. Most of these households were left to their own devices in terms of re-orienting themselves after their land loss, since public institutions and the new land users did not play a role in providing any appropriate training. Such a situation can result in severe long-term unemployment or underemployment, if the people in this group do not know how to obtain new skills that meet the labour market demand.

Migrants between rural and urban areas similarly have the potential to bring economic benefit and poverty reduction to less favorable regions, yet most of them do not possess the skills or technical/professional qualifications to do so, and instead are forced to accept hazardous work for a low income. Migrants are often also the most capable labourers in the rural areas. As such, the 'burden' on the economy will be heavy if appropriate policies do not exist for them: the rural areas will not be able to develop due to labour shortages and low productivity, while the urban areas will face difficulties in creating enough jobs for the huge inflow of migrants.

Policy options:

1) Diversify the jobs available in the rural areas and improve the quality of labour for the labour intensive industries:

At present, Viet Nam's labour force is abundant, but productivity remains limited. Nguyen and Giang (2008) estimated that, during the period 1985-2006, most production activities in Viet Nam were labour intensive, yet labour contributed only 34.5% to economic growth. Given the present labour structure, rural occupation diversification and promotion of labour intensive industries (such as textile manufacturing, shoe making, and seafood) remain important for the coming years. Some reports suggest that investments in agriculture will produce the most efficient economic outcomes. The estimates by IPSARD (2009), for instance, illustrate that investments in the agricultural sector will increase GDP by 1.2 percentage points, while the same investments in the industrial and service sectors will increase GDP by only 0.6 percentage points and 0.94 percentage points, respectively. Fiscal stimulus valued at 1% of GDP in agriculture will create about 1 million new jobs, while it will only create 200,000 to 370,000 new jobs in the industry and service sectors. Similarly, using the input-output table method, a simulation study by VERP (2009) implies that a fiscal stimulus programme focusing on the rural areas would result in the largest spill over effects, as an increase of VND 1,000 for expenditure in the rural areas would generate VND

1,622, while the same package for the urban areas would produce only VND 1,400; for investments VND 1,435; and for exports VND 1,505. It appears that agriculture and the food processing industry in particular would produce the largest spill-over effects. In this context it must be emphasized however, that national and industrial competitiveness is determined by quality of goods and services rather than quantity. Quality should be thus be the ultimate goal for any production process in Viet Nam.

- 2) Evidence from East Asian and ASEAN countries indicates that Demographic Bonus will be negligible if the ratio between the economically active, and the economically inactive population is not high. Creating job opportunities and high earning jobs must thus become a first priority, particularly for young people. The present unemployment or under employment situation may become disastrous for the youth of Viet Nam, entailing a vicious cycle of poverty, violence, and drug addiction, which may even force young women into prostitution (Nguyen and Le, 2007). Vu (2008) suggests that promoting non-agricultural work in the rural areas by boosting the manufacturing activities of industrial clusters would create jobs, improve income, and enhance technological transfers and training with regard to methods of enterprise management for rural labourers. Gaiha and Thappa (2007) put forward that investments in the infrastructure of the mountainous areas should create jobs, alleviate poverty, and avoid conflicts of interest.

Such a development direction would furthermore help to reduce the population and employment pressures in the urban areas, once economic opportunities in mountainous and rural areas are more explicit.

- 3) In conjunction with the job creation strategies mentioned above, gender inequality needs to be seriously addressed. Creating appropriate work conditions and ensuring female participation in the labour market will contribute to improving the social positions of women within their families and communities. Such improved status will, in its turn, help women improve their Reproductive Health status, and provide them with a sound base to make better reproductive decisions.
- 4) In order to achieve strong growth and sustainable development, an appropriate human resource development strategy is essential. The Viet Nam Development Forum (2007) shows that many foreign enterprises in Viet Nam believe they need skillful workers more than they do need modern machinery, because skilled workers can produce better results while using less modern machinery than unskilled labourers can with most modern machines. Professor Michael Porter furthermore warns about the possibility of ending up in the "cheap labour trap", and recommends that, in order to improve the quality of human resources, Viet Nam should proceed from merely industrious to more creative productivity. If the current labour force is not strengthened in

terms of technical knowledge and management capacity, Viet Nam will not be able to have standards which are competitive in a regional or global market. It will also prove difficult to identify industries which have comparative advantages. In other words, like Thailand, Viet Nam may not be able to make efficient use of its Demographic Bonus in order to break "the glass ceiling".

- 5) Even with an abundant and skilled labour force, the economy cannot grow without financial resources. Many studies attribute Viet Nam's impressive economic growth during the past decades to capital, in which direct foreign investment played an important role (see, for example, Nguyen Phi Lan, 2006; Pham Xuan Kien, 2008). Estimates by Nguyen and Giang (2008), show that capital stock contributed 45.8% to Viet Nam's growth in the period 1985-2006. Likewise, Nguyen Ngoc Son (2009) indicates that saving has become an important source for domestic investments. In order to boost and create better financial conditions for economic growth, domestic and foreign resource mobilization thus becomes critically important. In this regard it is necessary to clearly define sources of capital to enhance the productivity and labour skills for specific industries.
- 6) Migration is an important factor for labour mobility, but it equally creates various pressures on the labour markets in both urban and rural areas. On the one hand, while bringing about a high concentration of

labourers, the economically attractive labour market in the urban areas is getting fiercely competitive, and as such under employment may create a waste of labour as trained labourers may not find appropriate jobs. On the other hand, migrant labourers who are considered the most capable employees in their rural areas, are moving to urban areas, leaving a serious gap for labour productivity in those areas. In order to balance this situation and to accommodate the growing number of migrants, the main urban areas need to be expanded, and satellite cities need to be built to connect rural areas and thus distribute labour and human resources for specific development strategies in each region.

International migration must not be under estimated as well, since it may result in a "brain drain" problem, when losing valuable human resources for economic growth. To this end, appropriate policies need to be considered to ensure the right match and mobilization of high quality human resources for different sectors of the economy.

- 7) The export of labour concerns a policy aiming to create employment and income for an abundant labour force, particularly in the rural areas. It is worth noting however, that the intended labour export should be demand based, and that exporting manual labour will not be a good long term policy plan. As an essential part of this policy, relevant guidelines for vocational training, social insurance, etc., need to be developed as well.

- 8) Building an employment information system will help to create job opportunities. Data from the GSO (2010b) show that only 10% of people seek jobs by means of mass media (newspapers, radio, TV, and internet); and only 5.3% use job centers. About 50.9% of people seeking employment use “word-of-mouth” information from friends and relatives. In fact, the majority of unskilled workers find this the most useful channel to find jobs. A new policy in accordance between ministries and sectors is needed to break through this impasse and ensure employment opportunity information is shared by all.

3. POPULATION, FAMILY AND HEALTH POLICIES

Despite being a low middle-income country, many reports confirm that Viet Nam’s health indicators are better than any country of the same developmental level, and even comparable to those countries having a 3-4 times higher per capita income (see, for instance, Adams, 2005; UNESCAP, 2006; World Bank, 2007). Results from the Population and Housing Censuses substantiates that the life expectancy at birth of the Vietnamese people has improved significantly over time: from 69.1 years in 1999 to 72.8 years in 2009. Other health indicators, such as the Child Mortality and Child Malnutrition rates have ameliorated as well. Viet Nam has furthermore achieved remarkable results in controlling a number of diseases such as Measles, Diphtheria, and Tetanus. Public expenditures on health have increased significantly, and reached 7.3 percent of GDP with a per capita income of

\$46 in 2008 (MoH and Health Partnership Group, 2008).

Opportunities:

- 1) Since the trend of a declining child population will continue, more resources need to be allocated for the advancement of child health care, and specifically for the reduction of child malnutrition, Infant Mortality, and Child Mortality.
- 2) It is known that the number of women of reproductive age (15-49) will continue to increase during the period 2010-2020, but at a slower rate. Thus, population programmes and policies which help to promote the concept of a smaller size household and which cater better to child care, in turn help to maintain the replacement rate and to slow down population growth.
- 3) If a population of working age is physically and intellectually healthy there will be large savings for the country in terms of health care costs, even when it is growing. Similarly, if the elderly are healthy, the financial burden for health care related to old age problems will be less heavy. It is thus crucial that Viet Nam will observe and take advantage of all favourable conditions arising to improve the quality of its population and its health care services.

Challenges:

Viet Nam is facing various challenges within the present health care system, including serious problems left unresolved by previous policies.

The first problem area concerns Reproductive Health:

- 1) Data gathered by the Second Survey Assessment of Vietnamese Youth (SAVY II) indicate that the awareness of young people with regard to Reproductive Health has improved, but only slowly.
- 2) The Reproductive Health access rates of urban and Kinh youth are higher than those of rural and ethnic minority youth.
- 3) The incidence rate of people who contract sexually transmitted diseases (such as HIV, syphilis, and gonorrhoea) has increased rapidly, particularly among working groups in the rural areas (MoH, 2009).
- 4) UNFPA (2008, 2009a) once more confirms a close correlation between regional development, female education levels and fertility rates: approximately 45% of women without schooling, while only 5% of those with high educational levels, have more than 3 children. Furthermore, those who do have a third child, are usually women living in less favorable conditions and less advanced regions.
- 5) Another serious concern in view of ensuring the quality of human resources and Reproductive Health is the incidence of HIV/AIDS infections: HIV/AIDS in Viet Nam has expanded in all regions and provinces, as well as among all groups of people. A recent report (MoH, 2009) shows that, by December 31 2009, HIV

positive cases had been discovered in 70.51% of all communes/wards, in 97.53% of districts, and in 100% of all provinces. The total number of people living with AIDS was 35,603 and the number of deaths caused by HIV/AIDS was 44,540. The distribution of HIV infected cases remains mainly among persons aged 20-39, which group accounted for 85.1% of the total population in 2009. Within this age category, the number of people aged 20-29 contracting HIV decreased from 52.7% in 2006 to 45.4% in 2009, while those aged 30-39 increased from 30% to 39.7%. HIV in Viet Nam tends to be transmitted via cases of having unsafe sex rather than cases of drug addiction. However, debilitating conditions such as unemployment, underemployment, and lack of community activities, which may result in drug addiction and unsafe sex, cannot be underestimated as important factors influencing the current HIV situation in Viet Nam (Nguyen Thi Minh Tam and Le Thi Ha, 2007).

- 6) A recently emerging issue related to Reproductive Health is the rapidly increasing number of abortion cases among youth. According to the Association for Family Planning (2008), Viet Nam is one of a few countries with very high incidence rates for abortion, 20% of which cases concern adolescents. It must be kept in mind here that this number even excludes the unreported cases occurring in private health care centers.

From the above it becomes clear that as the population of young people

will increase during the Demographic Bonus period, many additional Reproductive Health issues will arise if no appropriate policies have been put in place to deal with the currently existing problems.

A second major challenge for the quality of human resource development is Child Malnutrition:

According to the Ministry of Health (2008), about 21.2% of children under 5 years of age are diagnosed with malnutrition by weight/age; 33.9% by height/age; and 7.1% by both weight/height. Regional differences are known to exist: the highest rates of child malnutrition occur in the two poorest regions (the Northwest and the Central Highlands) and among people in the two lowest income groups. A study by UNICEF (2008) points out that the malnutrition rate for under 5 year old children is increasing and that improvements in this regard are more difficult to obtain among the lower income groups of the population. Furthermore, the gap between the poorest and the richest groups has widened: from a 2 times higher incidence rate in 1992/1993 (40.2% compared to 20.1%) to over 3.5 times in 2006 (28.6% compared to 6.8%). Especially during a time in which Viet Nam is trying to narrow the developmental gaps between regions, this situation presents an extra challenge.

On the other hand, the overweight and obesity rate for children under 5 years of age has increasingly become an issue of concern. The current rate is 6.2 times higher than in 2000 and has increased in both rural and urban areas. Despite having emerged quite recently, child overweight and obesity in the rural areas has seen a

much faster increase than in urban areas.

A third main area of concern for the health sector is the following trend:

The main causes of death have switched quickly from communicable to non-communicable diseases. UNFPA (2009b) has pointed out that death due to non-communicable diseases account for 60% of the total number of deaths in Viet Nam, while those due to communicable diseases comprise only 20%. A rapid increase of deaths caused by road accidents and other reasons than illness is an alarming social issue related to lifestyle in Viet Nam. A recent report by the World Bank (2007) attests that the probability to be injured or die due to a traffic accident is about 20-25%. It is also worth noting that among children under 5 years of age contagious diseases do account for 40% of the cases of death; and that, due to less access to health care services, 20% of all deaths occur among the poorest people – a percentage twice as high as for other population groups.

The fourth major health challenge area consists of the fact that:

Health care services are not distributed adequately and fairly among different income groups when considering the proportion between health care expenditures and utilization rates. Rama (2008) demonstrates that a large proportion of public health expenditure is reserved for the richer groups. Also, people in the high income groups usually use public health care services, while people with a low income usually attend communal health care centers with a poor infrastructure and low quality services. Evans et al., (2007a) furthermore point

out that the percentage of poor people experiencing illness is lower than that of the rich, but that, once an illness is contracted, it is usually of a more severe nature than when experienced by people who are more wealthy. In addition, Fritzen (2007) argues that, due to a weak infrastructure and low quality human resources, more than ten thousands of communal health care centers are not operating efficiently.

Another important group of people that seems to be 'forgotten' with regard to social services, and particularly health care services, are those people who migrate between rural and urban settings. Reports by Le Bach Duong and Khuat Thu Hong (2008) as well as by UNFPA (2010b) imply that migrants are not only isolated socially, but also in terms of living conditions, as it is difficult for them to access purified water and good hygiene. This situation is partly created by attempts of the migrants themselves to not unnecessarily spend but rather save; however, it is mostly due to the fact that the current urban management policies are preventing migrants from accessing the social services provided in urban areas (Pham Quynh Huong, 2007). A recent study by Ngo Van Hoai (2008) furthermore reveals that, due to low incomes and poor living conditions, female migrants are not only facing a lot of challenges with regard to Reproductive Health but are also experiencing other health threats, including sexual abuse and sexual harassment.

A fifth important area of concern comprises the urgent social issues: Gender Based Violence, child labour, street children, and increasing child sexual abuse.

Research by Duong Kim Hong and Kenichi Ohno (2007) points out that most children

have to work at early ages or are forced to live on the streets because of economic hardship or problematic family relations (e.g. separated/divorced parents). A study by Dang Nguyen Anh (2007) also shows that youngsters with early age labour experiences and exposure to social evils often come from poor and problematic families (e.g. with bad relations between parents and siblings). Recent cases of child sex abuse by youth without education or employment reflect dire social problems. The Viet Nam Family Survey 2006 demonstrates that Domestic Violence usually has a severely negative impact on women and children. Women who have experienced Domestic Violence commonly suffer from depression, while abused children usually experience strong feelings of anxiety (in 85.4% of such cases) and threat (in 20% of such cases). Although no specific studies have been done on the impact of Domestic Violence, a number of international studies point out that economic loss (due to lack of employment or low productivity) and social loss (due to depressive mindsets and behavior) are the two main negative consequences for victims of Domestic Violence.

Policy options:

Besides the labour and human resource policies, as well as education policies as analysed above, population strategies also play an important and supporting role and should, for the next period, focus on the following directions:

- 1) Economic growth policies should be developed in harmony with Family Planning policies, while taking into consideration provincial and regional contexts. The first priority should be

to develop policies which focus on promoting growth, education, and the health care system in regions with high TFR rates and low living standards. For the more advanced regions with better infrastructures and financial capacity, population policies can be implemented: propaganda methods and materials for Family Planning should be enhanced to create awareness regarding the benefits of having fewer children, e.g. the minimizing of the opportunity costs of child care and an increased female participation in various economic and social activities. Many studies (for example, UNFPA 2002) show that a larger family size can exhaust the resources to be invested for children, leading to poor health, a high Infant Mortality Rate, and inadequate education. Furthermore, the probability of being poor is higher for families with a large number of children than it is for families with fewer children. Economic hardship usually affects large-sized families in a stronger way and poverty is thus often 'transmitted' from generation to generation. Besides emphasizing a region specific policy direction population programmes should therefore target poor and vulnerable groups who have limited access to economic, social and health care services.

- 2) More investments should be channelled into health care programmes for mothers and infants, in order to reduce malnutrition. Although no quantitative study has been done about the effects of malnutrition on the economic growth of Viet Nam, international

experiences demonstrate that childhood malnutrition has long term adverse impacts on the health status of adults which in turn negatively influence productivity and quality of life (Elo and Preston, 1992). A recent report by the ADB (2005) describes the correlation between childhood malnutrition rates in terms of weight and education levels of the mother. The link between policy for a variety of health initiatives - such as vaccination programmes against infectious diseases, better care extended to women in pregnancy at high quality health care centers, and hygiene and nutrition programmes - on one hand, and policy for creating educational opportunities for women, - especially young women on the other hand, thus becomes obvious and must be the focus of future population and health care strategies. Equally important is the provision of Reproductive Health and Family Planning services to vulnerable groups living in remote regions and less favorable conditions.

- 3) Policies addressing migration issues should become an important part of the population strategy. Socio-economic policies specifically adapted to migration flows will help to properly allocate and distribute various resources. Health care, particularly Reproductive Health care services, should be widespread and provided to migrants through social protection policies and programmes.
- 4) Policies promoting Reproductive Health education and services need to be developed, especially for youth. Information regarding Reproductive Health should be provided to non-

married youth, young workers in industrial zones, migrants in urban areas, and particularly to female youth. Programmes should focus on the prevention of HIV/AIDS and unsafe sex. Provision of health care services and contraceptive methods to people living in remote, mountainous, and less favorable regions and provinces should become an essential part of policy to break the vicious cycle of high fertility and poverty.

- 5) The participation of organizations and communities in propaganda activities against Domestic Violence and abuse, especially of women and children, needs to be boosted within a larger framework of population and family campaigns. Preventive action in this regard will help reduce unexpected costs related to the Reproductive Health status of women as well as to the physical and mental health of children.

4. SOCIAL PROTECTION POLICIES

Although the above policy options specifically focus on a variety of ways to take advantage of the Demographic Bonus in the coming years, equally important policies, i.e. social protection policies, should not be ignored either. Through experience it is known that such policies play a role as a "buffer" or "safety net" to help people deal with a number of risks, including economic risks (loss of employment), health risks (illness, disability, or aging) and natural risks (natural disasters). Building a comprehensive social protection system in terms of wide coverage and financial sustainability should be considered an extremely important element of both economic and

demographic transformation. A study by UN-DESA (2007) attests the fact that living in a country with a comprehensive social protection scheme helps reduce the probability to be poor, even for the most vulnerable groups.

Opportunities:

- 1) A population of working age with a high rate of employment will significantly contribute to and maintain a social protection fund. In addition, a healthy labour force, in both physical and mental terms, will also reduce the unexpected costs for social protection services.
- 2) Social insurance and social health insurance programmes should extend their coverage to various groups of people. Continuous expansion of these programmes to achieve universal coverage will help the most vulnerable people to access social protection services, which in turn will reduce the unexpected costs resulting from exposure to a variety of risks.
- 3) More than 60% of the elderly in Viet Nam are not receiving any retirement and social allowances. Among receivers, retirement and social allowances account for only a small part of the total elderly household income or expenditure (Evans et al., 2007a; Giang and Pfau, 2009b). Most of the elderly people are living on, or receiving support from their children or relatives (NACSA, 2006). Mobilizing the elderly to participate in economic and social activities is one way which will help to maintain and promote social and familial norms. 'Familial protection', in which the elderly and

their descendants provide physical and mental support to each other, will be most sustainable however. 'Familial protection' also helps to reduce costs for improving the currently underdeveloped social protection system in Viet Nam.

Challenges:

- 1) The current social protection scheme in Viet Nam is facing numerous difficulties, which result from its financial and operational mechanisms. Although the social insurance scheme was expanded and covered more than 9 million persons by 2009, the coverage has thus far not reached the most needed groups. In particular, the mandatory social insurance scheme mainly covers persons who are working for the state sector, living in urban areas, and who are affluent, while the voluntary social insurance scheme is still limited. Even though pensions are an important source of income for the elderly households, such payments only reach the two top income quintiles, and only 2% of all pension plans is shared with the poorest quintile (World Bank, 2007). An analysis by Evans et al., (2007b) indicates that, on average, the richer regions receive more benefits than the poorer regions (The Red River Delta, for instance, has an average income equal to 102% of the country average, and the average social protection benefit per capita in this region is VND 460,000, while the income and benefits for the Northern, mountainous areas are 52% and VND 160,000, respectively). The voluntary social insurance scheme has expanded but its coverage is

still extremely limited due to tight and unattractive conditions for participation (Mai Ngoc Cuong et al., 2009).

- 2) Moreover, the current regulations are often resulting in unequal benefits for men versus women, and for persons working for the state versus the private sector. The World Bank (2007) confirmed that both men and women working for a state sector will, at an average, have higher benefits than those working for the private sector, given the same contribution to the scheme. It may be argued here that both women and men working for the private sector should contribute to the scheme for the duration of only 22 years and 28 years, respectively, in order to receive the highest possible benefits, since for contributions beyond these years the additional benefits will decrease according to the current formula. A number of financial projections for the social insurance scheme in Viet Nam indicate that the scheme's fund will be depleted after a few decades, if the current operational mechanism is maintained. Increasing the contribution rates would only provide a temporary solution for such depletion (Nguyen Thi Tue Anh, 2006; Giang and Pfau, 2009c). The current pension scheme will produce a huge amount of implicit pension debt – a factor that will strongly influence the government budget - and put heavy burdens on future generations. To bring the fund back to balance once again, the contribution rate should increase to 30% in about 20 years, implying that the current scheme may incur an implicit pension debt equal to GDP (Giang Thanh Long, 2008). This

presents an urgent policy challenge, requiring immediate action with regard to reforms of the scheme.

- 3) The social health insurance scheme has expanded, covering about 48% of the total population in 2008, the majority of which are poor and vulnerable people. Studies by Lieberman and Wagstaff (2008) and Nguyen Viet Cuong (2010) show that between urban and rural, rich and poor, Kinh and ethnic minority people. A large gap exists with regard to access to health care services paid by social health insurance: The rural poor usually have lower access and utilization rates than the urban rich due to the fact that health insurance can only cover a small part of the total health care costs, and out-of-pocket money is still their main source for payments. Also, as is pointed out by Nguyen Trong Ha (2008), people usually do not use health insurance because the procedures to obtain it are too complicated and because lower quality services are rendered once health insurance is used for payments.
- 4) Another vulnerable group of people which, as mentioned above, seems to be 'forgotten' with regard to most of the social protection services, are the rural-urban migrants. A number of studies (e.g. Dang Nguyen Anh, 2008; Le Bach Duong and Khuat Thu Hong, 2008; UNFPA, 2010b) show that in addition to a low level educational background and limited income as factors preventing migrants from reaching social protection services - the current policies and regulations are also contributing to such a

situation. Urban management based on resident registration and labour contracts have made social protection services inaccessible for most migrants as it is difficult for them to obtain those documents, partly because of their short-term labour contracts. Moreover, the current regulations for entrance to social and health insurance schemes are also very prohibitive for migrants. For example, in order to get benefits through the voluntary social insurance scheme, participants must contribute for at least 20 years with the minimum contribution being equivalent to minimum wage.

- 5) Various programmes of the social assistance scheme have been implemented, but their impacts are still limited. For instance, the World Bank (2003) shows that about 27.4% of households owning "poor household certificates" are not poor. O'Donnell et al., (2007) (as quoted in Lieberman and Wagstaff, 2008) show that only 15% of government health expenditure is allocated to the poor.

Policy options:

Based on the above-mentioned observations, the following policy reforms are proposed with the aim of diversifying the current insurance and assistance patterns, while specifically paying attention to retirement and social assistance schemes:

- 1) In view of the current and expected changes of demographic and economic conditions, Viet Nam should systematically transform its current social insurance scheme towards a more financially sustainable system

which addresses important factors such as normal retirement age and contribution as well as benefit rates. In addition, the voluntary social insurance scheme should become an important part of the social insurance scheme as a whole in order to make participation more attractive to people. In other words, the social insurance scheme should be designed as a universal scheme for workers in both formal and informal sectors, so that even the most vulnerable groups will be able to access social insurance services.

In order to increase the participation and compliance rates, it will be necessary to encourage the business sector to create new jobs, to stimulate workers to save, as well as to improve the quality of the social insurance services.

At the same time, unemployment insurance needs to be prepared, in order to protect workers while the conditions of economic growth fluctuate, due to the unstable regional and global economies. Such a scheme should be designed to link with other labour market activities, such as the setting up of job centers

and vocational training.

- 2) In order to improve accessibility for all it is necessary to map health care services and financing mechanisms for a new health insurance scheme. Policies to guide improvements of the human resource quality and to instruct the required participation of all private health care institutions in the social health insurance scheme, need to be implemented as soon as possible.
- 3) The current social assistance scheme, particularly for the elderly, should be expanded to become a universal scheme as well. Previous studies by Weeks et al. (2004), Justino (2005), and Giang and Pfau (2009d,) indicate that, even with limited budgeting, providing a universal scheme for old people living in the rural areas, and for women, will have a significant impact on poverty reduction and improvements in welfare. The scheme should be designed to provide fewer benefits to a large number of beneficiaries rather than provide large benefits to a small proportion of the population.

V. CONCLUDING REMARKS



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As Viet Nam will be integrating more fully into the regional and global economies, it is necessary to focus on quality of growth, in which human capital plays an increasingly important role. This is a key message in the Social and Economic Development Strategy (SEDS) for the period 2011-2020 as well. Given the limitations of financial and administrative capacity however, Viet Nam should consider the following tasks as priorities during the coming decade:

- 1) Maternal, Neonatal, Child Health and Nutrition programmes should be promoted. In addition, policies aiming to improve the quality, rather than focusing on the expansion of primary and secondary education, should also be carried out effectively.
- 2) A variety of job opportunities in different economic sectors, areas, and regions need to be created for the population of working age; Public investments should be diverted to people in the rural areas in order to diversify agricultural production; Demand-based vocational training needs to be provided.
- 3) New opportunities through demographic and economic transformation processes will be accompanied by a number of social, economic and health risks. In view of this, Viet Nam needs to build a comprehensive social protection system. Social insurance and social assistance should be designed as universal schemes, in order to attract

people to participate, and to share risks.

In order to take full advantage of the Demographic Bonus, the formulation and implementation of population policies and strategies will require 3 core pillars: (i) improving the awareness of the 'Bonus' opportunity, (ii) integrating demographic factors into the socio-economic policies to promote economic growth, and (iii) strengthening and encouraging relevant in-depth and empirical studies regarding the link between population and economic growth within the context of Viet Nam.

- 1) Since the Demographic Bonus opportunity has already started, it needs to be embedded into all elements of the socio-economic strategy. Realizing the importance of the expected demographic trend, Viet Nam's economic strategy for the coming decades should prioritize the creation of high income jobs for a skilled working force; The combination of large quantity and low quality does not bring added value to economic activities, while harmonized quantity and quality should facilitate and improve economic growth.
- 2) Whether demographic opportunity will be fully utilized for the promotion of economic growth or not depends on the policy environment. A large number of labourers can only participate in the production processes of a country if the labour market is flexible enough to employ

everyone, conditions which result from appropriate government policies to promote investment and improve the quality of labour. For Viet Nam, there is a need for, besides a number of direct and indirect policies which facilitate economic growth, 4 important policy sets to make maximum use of the Demographic Bonus. Furthermore, synchronizing policy and strategy formulation processes is a must to ensure consistent policy settings for Viet Nam's long-term social and economic development.

- 3) Thus far, Vietnamese economists and policy makers generally have not paid much attention to demographic factors in economic planning, while demographers and population policy makers mainly focus on controlling population growth via fertility rate reduction and migration control. Other relevant policies, e.g. with regard to Reproductive Health, gender, migration and youth, have been a concern in recent years, but not as comprehensively and completely as they should. As a result, there have been large gaps in both academic research and policy formulation efforts, while the relationship between population growth and economic growth has not been well studied. In this respect, there has been a serious shortage of multi-sectoral and inter-sectoral studies which leaves Viet Nam lagging behind other countries in the region in terms of pursuing

evidence based policy formulation. More comprehensive studies are thus needed on the impact of age structure changes on economic growth in Viet Nam, especially quantitative analyses on the mutual impact of age structure and economic growth. Besides formulating policies which guide the design of good mechanisms to attract youth and the participation of

vulnerable groups, long term policies are needed to address the concerns of an aging population. Many important questions, regarding age structure changes and their influence on savings, investment, economic growth, and socio-economic and inter-generational relations, are still left unanswered in Viet Nam.

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