

**CHƯƠNG TRÌNH NGHIÊN CỨU  
KINH TẾ TRUNG QUỐC (VCES)**  
VIỆN NGHIÊN CỨU KINH TẾ  
VÀ CHÍNH SÁCH



**TRUNG TÂM NGHIÊN CỨU AN NINH  
VÀ CHIẾN LƯỢC QUỐC TẾ (CISS)**  
VIỆN KINH TẾ VÀ CHÍNH TRỊ  
THẾ GIỚI



**TÀI LIỆU**

**SEMINAR NGHIÊN CỨU KINH TẾ**

**VÀ CHIẾN LƯỢC TRUNG QUỐC SỐ 12**

**“CHƯƠNG TRÌNH HƯU TRÍ  
TRONG KHU VỰC PHI CHÍNH THỨC Ở TRUNG QUỐC:  
NHỮNG BÀI HỌC KINH NGHIỆM CHO VIỆT NAM”**

**Hà Nội, 6/2016**

## CHƯƠNG TRÌNH DỰ KIẾN

Seminar Nghiên cứu Kinh tế và Chiến lược Trung Quốc số 12  
“CHƯƠNG TRÌNH HƯU TRÍ TRONG KHU VỰC PHI CHÍNH THỨC  
Ở TRUNG QUỐC: NHỮNG BÀI HỌC KINH NGHIỆM CHO VIỆT NAM”

Ngày 13/6/2016

Hội trường tầng 2, Số 176 Thái Hà, Đống Đa, Hà Nội

13:30 – 14:00	Đăng ký đại biểu
14:00 – 14:05	Tuyên bố lý do và giới thiệu đại biểu
14:05 – 14:15	Phát biểu khai mạc:  - TS. Phạm Sỹ Thành - Chương trình Nghiên cứu Kinh tế Trung Quốc thuộc VEPR (VCES) - TS. Nguyễn Bình Giang - Viện Kinh tế và Chính trị Thế giới (IWEPR), Viện Hàn lâm Khoa học xã hội Việt Nam
14:15 – 15:00	<i>“Chương trình hưu trí trong khu vực phi chính thức ở Trung Quốc: Những bài học kinh nghiệm cho Việt Nam”</i> PGS. TS. Giang Thanh Long – Viện Chính sách Công và Quản lý, Đại học Kinh tế Quốc dân
15:00 – 15:45	Hỏi - đáp và thảo luận
15:45 – 16:00	Kết luận và bế mạc

BAN TỔ CHỨC

# **PENSION PROGRAM FOR INFORMAL SECTOR IN CHINA: EXPERIENCES AND CONSIDERATION FOR VIETNAM**

**GIANG THANH LONG**

National Economics University (NEU)

## **Presentation Contents**

- Overview of Chinese pension system
- Pension scheme for informal sector in China:  
Advantages vs Disadvantages
- Considerations for Vietnam
- Concluding remarks

## I. Overview of the Chinese pension system

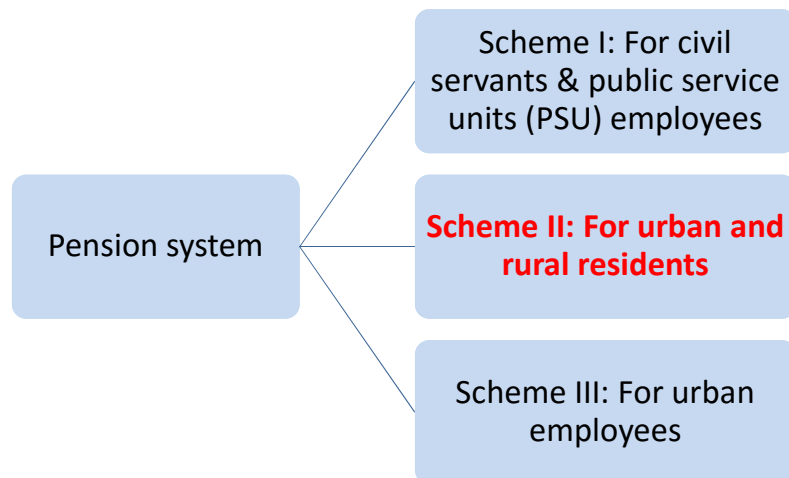
### Key factors - Fast aging population

- Total population: 1.375 billion
- 222 million over 60 years old (16.1% of the total pop.)
- 144 million over 65 years old (10.5% of the total pop.)
- Old age dependency ratio 14.5%

Source: National Bureau of Statistics of China (NBS), as quoted by Peng Guo (2016)

## I. Overview of the Chinese pension system

### Components of the current pension system



## I. Overview of the Chinese pension system

### Scheme I

- Covers civil servants and public service units (PSU, cultural, education and scientific institutions) employees
- Government funded
- Retirement age: 60 (men), 55(women)

## I. Overview of the Chinese pension system

### Scheme II

- Covers rural residents (2009) and non-salaried residents (2011), already integrated in most areas
- Consists of noncontributory universal schemes (may be different according to different local regulations) plus individual accounts (have different scales in different areas)
- Benefit:
  - (non-contributory) at least 55 yuan a month per person
  - (Individual accounts) according to contribution scale plus local government subsidy (at least 30 yuan a year) plus interest, divided by 139.
- Age 60 with 15+ years contribution and not covered by Scheme III

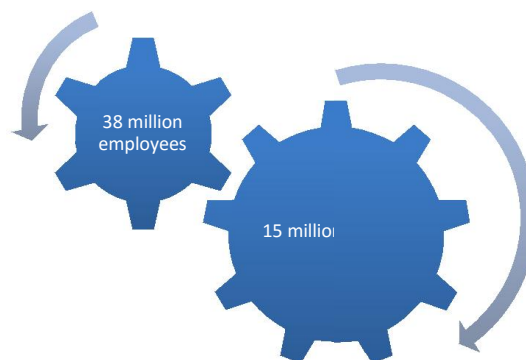
## I. Overview of the Chinese pension system

### Scheme III

- Covers employees in urban enterprises and institutions operates as enterprises; flexible employees (voluntary)
- Consists of Basic pension insurance and mandatory individual account
- Source of funds: around 20 percent of payroll (employers), depending on local government regulations; 8% of insured earnings (employees)
- Vesting: At least 15 years of contribution
- Retirement age: 60 (men), 50 (women, 55 for professional women)

## I. Overview of the Chinese pension system

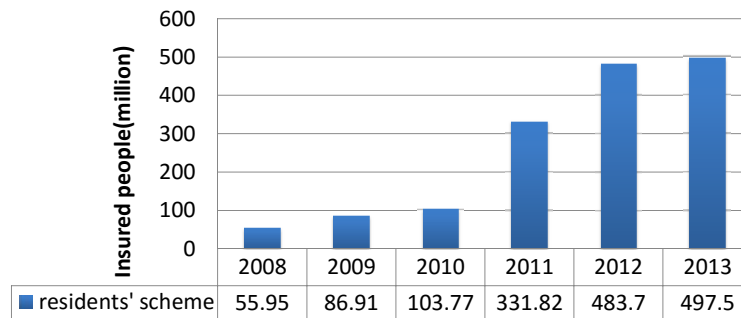
### Coverage (Scheme I) - PSUs



Source: MOHRSS (2013), as quoted by Peng Guo (2015)

## I. Overview of the Chinese pension system

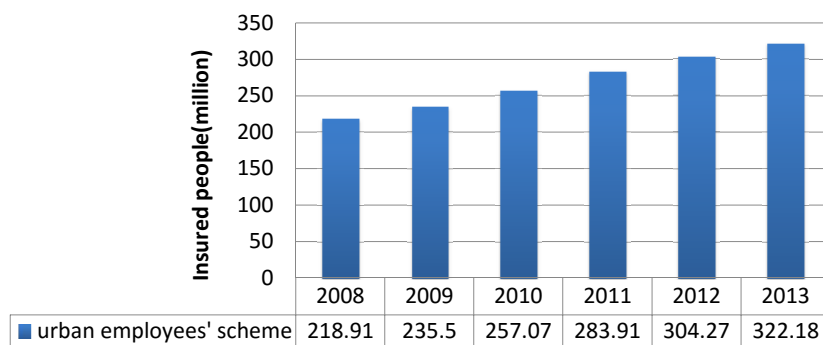
### Coverage (Scheme II) : non-employed urban residents & rural residents



Source: MOHRSS (2013), as quoted by Peng Guo (2015)

## I. Overview of the Chinese pension system

### Coverage (Scheme III): for urban employees



Source: MOHRSS (2013), as quoted by Peng Guo (2015)

## I. Overview of the Chinese pension system

### Coverage gaps



## 2. Pension scheme for informal sector (Scheme II)

### Key features and issues

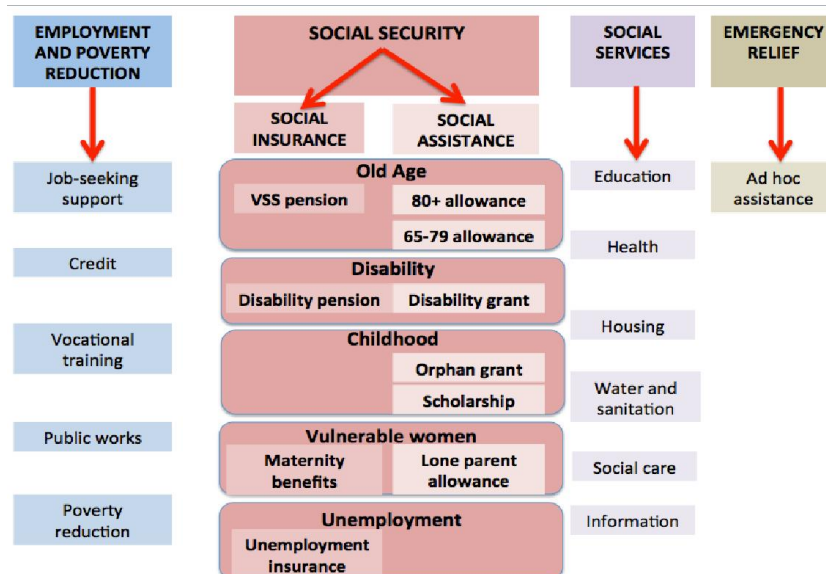
Feature	NRPS (for rural)	URPS (for urban)
Principles	Basic protection, broad coverage, flexibility, and sustainability	Same as NRPS
Coverage	Rural residents aged 16 and over, except students	Urban residents aged 16 and over, except students
Financing	Individual contribution + gov't subsidies and/or rural collectives	Individual contribution + gov't subsidy
Individual contribution	5 levels, Y 100-Y 500 a month; family binding (parents collect benefits only if all adult children are contributing to pension scheme)	10 levels, Y 100-Y 1,000 a month
Government subsidy	Y30 matching to individual account annually; Y55 a month for basic pension benefits	Same as NRPS
Qualifying conditions	Pensionable age at 60; vesting period: 15 years	Same as NRPS
Benefits	Accumulation divided by 139 plus Y55 for basic pension	Same as NRPS
Fund management	Specific account at county level	Specific account at city level
Portability	In theory, portable within NRPS and b/w NRPS and URPS; little portability to and from urban workers pension scheme	Same as NRPS



## Considerations for Vietnam

- For income security in old-age, the SP system in Vietnam has two components: social insurance (SI) and social assistance (SA)
- SI has mandatory scheme with 6 benefits (now covering 11 million people), and voluntary scheme with 2 benefits (now covering 133,000 people). Total coverage rate is about 20% of labor force
- SA has regular, one-off, and emergency relief benefits, and now covering 2.5 million people. In which regular elderly beneficiaries are 1.3 million aged 80+ and 96,000 aged 60-79.
- About half of older people do not have any SI or SA benefits
- Resolution 15-NQ/TW dated 1 June 2012 aims to expand both SI and SA, but the 'bottle neck' is to reach informal sector people.

## Social protection system in Vietnam



Source: Kidd (2014)

## Considerations for Vietnam

### Sketch on informal sector - Vietnam

- GSO (2014): LF - 53.2 million in 2013, in which the informal sector (including own-account employers, own-account workers/self-employed, contributing or unpaid family workers) accounted for 65.2 percent.
- Nguyen and Pham (2013): informal sector contributed 30-60 percent of national income, 20 percent of gross domestic product (GDP), and 73 percent of national jobs (if agricultural employment was included).
- Nguyen Thi Lan Huong (2013): the majority of the informal sector people do not participate in SI, compared to 87.4 percent of public sector workers, and about 46 percent of workers in domestic and foreign-invested enterprises in 2012

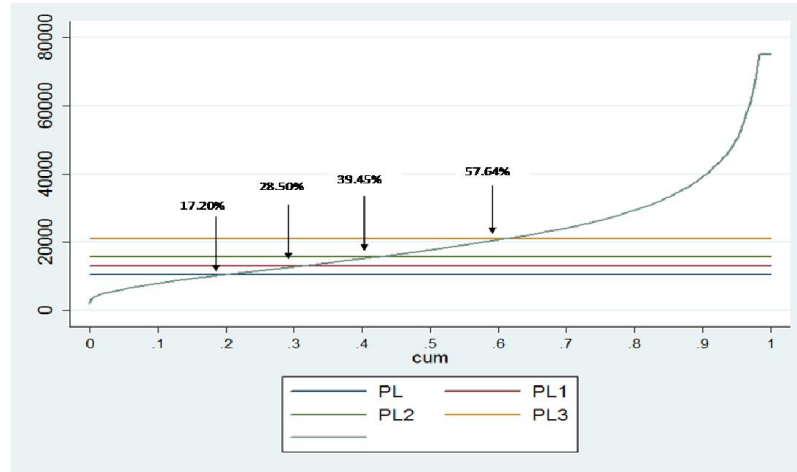
## Considerations for Vietnam

### Factors requiring pension reforms in Vietnam

- Urbanization and migration
- Employment and unemployment patterns
- Ageing population and old-age income security
- Vulnerability and poverty

## Considerations for Vietnam

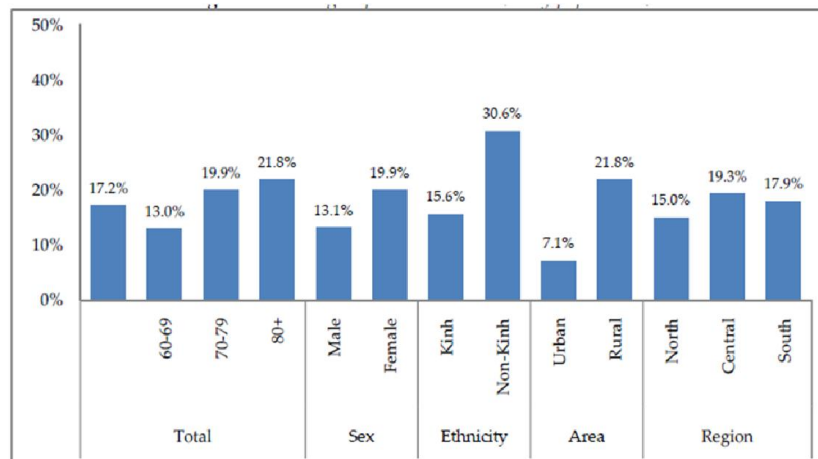
### Factors requiring pension reforms in Vietnam



Note: PL - official poverty line; PL1 - 125% PL; PL2 = 150% PL; PL3 = 200% PL  
 PL 2012 (real per-capita expenditure) = 10455,7 thousand/person/year  
 Source: Own calculations from VHLSS 2012

## Considerations for Vietnam

### Factors requiring pension reforms in Vietnam

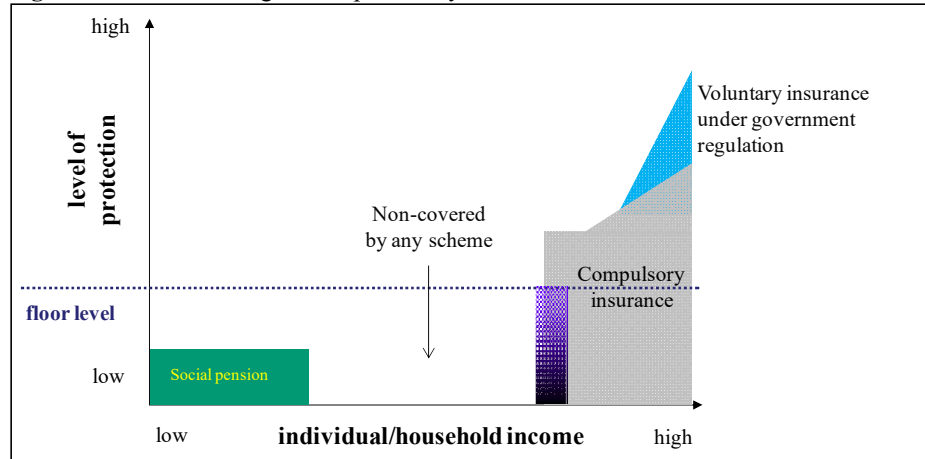


Source: VWU (2012)

## Considerations for Vietnam

### Opting pension schemes for Vietnam

Figure 1. Current coverage of the pension system in Vietnam



Source: Galian (2014)

## Considerations for Vietnam

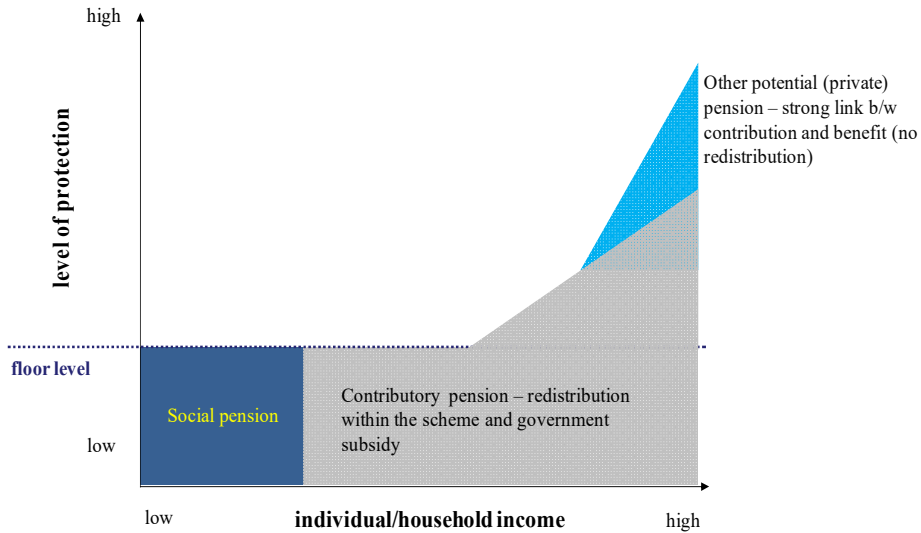
### Opting pension schemes for Vietnam

- **Design options:**

- Barr and Diamond (2008): Any design of the pension scheme should pursue four objectives, including (i) consumption smoothing, which enables older people to enjoy higher incomes; (ii) redistribution, which aims to avert or reduce poverty among older people; (iii) insurance against longevity risk; and (iv) gender equity.
- For the current pension system in Vietnam, extending coverage to informal sector should have two clear strategies: (i) a strategy aiming to provide future pensions for the current non-covered people, and (ii) a strategy aiming to provide income security (or poverty reduction) to current older people

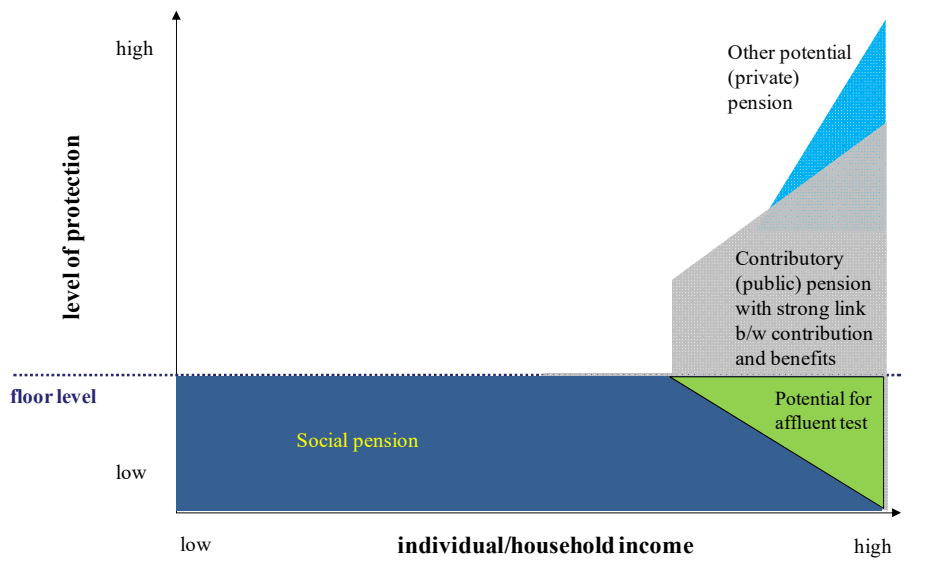
## Considerations for Vietnam

### • Design option 1:



## Considerations for Vietnam

### • Design option 2:



## Considerations for Vietnam

- **Design issues for contributory pensions:**
  - Participation - mandatory or voluntary?
  - Minimum retirement age
  - Contribution
  - Vesting period, withdrawal, and benefits
  - Administration
- **Design issues for non-contributory pensions:**
  - Targeting vs. universal
    - Targeting problems: inclusion and exclusion errors; create division of communities and loss of social cohesion; make perverse incentives (to work; to hold assets)
    - Universal problems: costly; covering middle- and high-income people.
  - It is recommended that Vietnam relax the condition for social pension. For instance, 'age' - rather than a combination 'age' and 'other conditions' such as living arrangements or familial support - can be only condition to identify potential beneficiaries for social pension.

## Concluding remarks

- Vietnam should have a multi-layered pension system which includes three tiers, i.e., the non-contributory (social) pension scheme, the contributory pension scheme, and the voluntary pension scheme.
- Any design the pension system should achieve three core objectives: coverage expansion, reducing informality, and ensuring fiscal efficiency.
- The author personally prefers Option 2, given socio-economic context of Vietnam.
- Costing exercises need to be conducted in further details

**Thank you for your attention!**