

Chapter 7

Economic Well-being of Older Persons

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December 2020

This chapter should be cited as

Tran, M.T., L.T. Dang and N.C. Vu (2020), 'Economic Well-being of Older Persons', in Vu, N.C., M.T. Tran, L.T. Dang, C.L. Chei, and Y. Saito (eds.), *Ageing and Health in Viet Nam*, Jakarta: ERIA, pp.86-94.

Economic Well-being of Older Persons

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Generally, when people get older, their health becomes poorer, and their working capacity decreases. Ageing is often associated with a decline in full participation in economically productive activities, which directly affects the economic well-being of older persons (OPs) and is one of three dimensions of their well-being. Measuring OPs' economic well-being is complex and faces many issues, both conceptual and operational (Clark, 1989; Hermalin et al., 2002). To measure OPs' economic well-being, various dimensions can be operationalised and used in analyses. The asset and debt situation of OPs is considered the major determinant of their ability to secure essential resources and is critical for OPs after retirement. Assets may serve as sources of income, whilst portions of income will be funnelled into paying off debts.

The other two dimensions of well-being are activity levels (work, retirement, and leisure) and health (physical, mental, and emotional). The three dimensions of well-being influence each other (Hermalin et al., 2002: 300). Understanding them is essential for policymakers to ensure OPs' well-being. This chapter presents an overview of the economic well-being of OPs by examining their income sources and levels; discusses OPs' asset and debt situation; and assesses economic well-being in terms of reported adequacy of household income now and when the OPs were growing up, until age 16.

Income, Assets, and Liabilities

Table 7.1 shows the sources of income of OPs and spouses (if alive at the time of the interview). The three most common income sources are children in the country (38.5%), earnings from work (37.3%), and pension (23.8%); 15.9% of OPs receive government subsidies, implying that government financial support is important. Only 2.3% of OPs earn income from farms because they cannot work as much.

More men than women reported earnings from their own work, pension, farm, and property and real estate rentals. More women than men received income from their children living in and outside the country, from other relatives outside the household, and from friends. This interesting phenomenon may be because mothers have closer bonds with children than fathers do. Unsurprisingly, income of the oldest group (80+) is mostly from children in the country (47.8%) and government subsidies (46.3%).

Table 7.1. Sources of Income and Median Monthly Income by Sex and Age

Sources of Income	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
Sources of income								
Earnings from work	41.2	34.3	n.s.	48.2	27.1	14.3	*	37.3
Pension	28.3	20.4	n.s.	23.1	29.1	18.3	n.s.	23.8
Government Subsidy	16.7	15.4	n.s.	7.9	14.3	46.3	***	15.9
Interest of time deposits, savings, and earnings from stocks	2.9	2.2	n.s.	2.9	2.2	1.7	n.s.	2.6
From property and real estate rentals	3.8	2.5	n.s.	3.8	2.2	1.8	n.s.	3.1
Income from family business	12.5	9.5	n.s.	13.8	8.0	4.3	*	10.8
Income from farm	2.5	2.3	n.s.	3.2	1.7	0.5	n.s.	2.3
Money from children within the country	34.0	41.8	n.s.	34.1	42.4	47.8	n.s.	38.5
Money from children outside the country	2.8	3.7	n.s.	2.7	4.2	4.3	n.s.	3.3
Money from other relatives outside the household	2.5	3.2	n.s.	2.7	3.0	3.5	n.s.	2.9
Money from friends	0.5	0.5	n.s.	0.4	0.6	0.9	n.s.	0.5
<i>N</i>	2,567	3,476		2,632	2,003	1,408		6,043
Mean number of sources of income	1.46	1.35	***	1.42	1.36	1.42	**	1.40
<i>N</i>	2,567	3,476		2,632	2,003	1,408		6,043
Annual household income in the past 12 months (VND)								
<2,000,000	10.2	12.4		10.0	11.0	16.9		11.4
2,000,000-10,000,000	23.2	26.5		24.0	26.1	27.1		25.1
10,000,000-50,000,000	31.1	26.2		29.3	29.7	22.9		28.3
50,000,000-100,000,000	14.2	10.8	n.s.	14.1	10.1	9.0	n.s.	12.2
100,000,000-300,000,000	5.7	4.2		5.8	4.2	2.6		4.9
>300,000,000	1.3	1.2		1.5	1.2	0.7		1.3
Don't know	14.4	18.8		15.4	17.8	20.8		16.9
<i>N</i>	2,563	3,469		2,626	2,000	1,406		6,032

Sig = Statistical significance, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, n.s. = not significant.

Source: Calculated by PHAD using original LSAHV data.

Earnings from work are the second most common income source. A higher proportion of male than female OPs work (41.2% vs. 34.3%). The youngest reported that 48.2% of them are still working and that their work is their main source of income, raising the question, 'Should the retirement age be increased?' The retirement age is 55 years for women and 60 for men. Because of the ageing population, the National Assembly approved a new retirement age: starting 2021, the retirement age for men will gradually be increased to 62 by 2028, and for women to 60 by 2035.

The third most important source of income is the pension, which may be a retirement allowance. OPs 80+ years old and poor OPs receive a monthly subsidy of VND270,000 (about US\$12) (Decree 136/2013/NĐ-CP, Article 4, Clause 1). Because of the increase in living cost, the assistance is insufficient. The General Statistics Office of Vietnam in 2013 reported that more than 68.2% of OPs (6.15 million) lived in rural areas, only 16%–17% of them received pensions, and 10% received social benefits (Nguyen, 2008). Although a small number of OPs receive social benefits, retirement funds, and old-age pensions, these types of funding are increasing as the population ages. The money is placed in the social security fund, but the pension system has its own problems and a stable financial system is needed to manage it (Tran et al., 2016).

Including all income sources, 28.3% of OPs had an annual household income for the previous 12 months of VND10 million–VND50 million. Male OPs' contribution to annual household income is higher than female OPs' (31.1% vs. 26.2%). OPs' annual household income is slightly lower than other households'. The General Statistics Office of Viet Nam states that the average annual household income is about VND60 million (about US\$2,500). About 37% of OPs have an annual household income of less than VND10 million (about US\$430). Only a small proportion of them (6.2%) have the highest annual household income of more than VND100 million (about US\$4,300). Some OPs (11.4%) have a very low annual household income. More females than males are in the lower-income group (earning less than VND10 million), and more males than females are in the higher-income group (earning more than VND100 million). A large number of OPs (16.9%) said they do not know what their annual household income.

We asked OPs which source of income was the most important to them. Earnings from work (31.5%) are the most mentioned, particularly by the youngest age group (39.6%) (Table 7.2). The second and third most mentioned are pensions (22.5%) and children living in the country (20%). The oldest (80+) receive more income from children living in the country (32.5%) than the youngest (15.7%).

Table 7.2. Most Important Source of Income by Sex and Age

Sources of Income	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
Earnings from work	34.1	29.4		39.6	22.0	11.2		31.5
Pension	24.8	20.6		20.5	28.6	20.4		22.5
Government Subsidies	7.8	7.6		3.7	8.8	24.4		7.7
Interest of time deposits, savings, and earnings from stocks	0.9	1.2		1.3	0.7	0.6		1.0
From property and real estate rentals	2.0	1.7		2.1	1.6	1.0		1.8
Income from family business	9.2	6.6		9.5	5.8	3.3		7.7
Income from farm	1.1	1.1	n.s.	1.4	0.6	0.8	*	1.1
Money from children within the country	15.6	23.5		15.7	24.2	32.5		20.0
Money from children outside the country	1.3	1.5		1.2	1.8	1.9		1.4
Money from other relatives outside the household	0.3	1.9		1.3	1.3	0.6		1.2
Money from friends	0.0	0.2		0.1	0.2	0.0		0.1
Don't know	2.8	4.7		3.8	4.4	3.4		3.9
<i>N</i>	2,353	2,969		2,515	1,823	986		5,324

Sig = Statistical significance, * $p < 0.05$, n.s. = not significant.

Source: Calculated by PHAD using original LSAHV data.

Besides income, LSAHV indicators of economic well-being include possession of economic assets and liabilities. Assets are tangible (physical), and either financial (e.g. cash, savings in bank accounts, business investments) or non-financial (e.g. house, other real estate, farm or fishpond, jewellery, appliances, motor vehicle). We asked OPs if they owned any of the assets in a list. Nearly all have at least one asset, with more men than women reporting at least one asset (Table 7.3). Contrary to the general notion that wealth is accumulated over time, the proportion of OPs with assets declines with advancing age. The most common non-financial asset is the house where the OP resides (85.5%), followed by appliances (55.7%), cash (46.5%), and motor vehicles (40.1%); 15% of OPs own real estate – a house and/or lot other

than their place of residence. More men than women own tangible non-financial assets (the house they reside in, appliances, motor vehicles), but more women than men invest in jewellery and cell phones. The percentages of OPs owning a house, jewellery, appliances, and motor vehicles decline significantly with increasing age.

We explored OPs' liabilities. Only 5.6% of OPs reported having debts, with slightly more men (6.2%) than women (5.2%) in debt. We observed an age gradient, with more OPs in the youngest age group (8%) than in the older age groups reporting liabilities (70–79: 3.3%; 80+: 0.7%). The most common liability is a bank loan (84.1%), followed by a personal loan (11.8%). More men than women reported having a bank loan.

Table 7.3. Assets and liabilities by Sex and Age

Assets and Liabilities	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
% with assets	96.8	93.1	n.s.	97.1	94.7	86.0	*	94.7
<i>N</i>	2,570	3,480		2,638	2,004	1,408		6,050
House currently residing in	89.8	82.4	n.s.	91.6	83.4	67.5	*	85.5
Other real estate	15.0	14.9	n.s.	17.3	13.2	9.6	n.s.	15.0
Cash	47.0	46.0	n.s.	48.3	45.0	42.2	n.s.	46.5
Savings in the bank	8.4	5.7	n.s.	7.9	6.3	4.0	n.s.	6.9
Farm/Fishpond	4.8	2.3	n.s.	3.4	3.9	2.4	n.s.	3.4
Business	4.8	3.8	n.s.	5.7	2.6	1.4	n.s.	4.2
Jewelry	10.7	12.3	n.s.	13.1	11.3	6.9	*	11.6
Appliances	58.6	53.5	n.s.	60.9	55.6	38.0	**	55.7
Motor vehicles	49.2	33.4	n.s.	51.5	29.7	15.8	**	40.1
Others (cellphones, etc.)	1.9	2.0	n.s.	1.8	2.6	1.8	n.s.	2.0
<i>N</i>	2,567	3,476		2,632	2,003	1,408		6,043
% with liabilities	6.2	5.2	n.s.	8.0	3.3	0.7	*	5.6
<i>N</i>	2,570	3,480		2,638	2,004	1,408		6,050
Bank loans	88.3	80.3		84.2	81.7	93.4		84.1
Personal loans	9.1	14.3		12.7	8.6	0.0		11.8
Amortisation for housing	1.1	0.0		0.6	0.0	0.0		0.5
Loans from moneylenders, pawnshops, credit unions, cooperatives	0.7	0.3	n.s.	0.4	0.0	6.6	n.s.	0.5
Loans from government	1.3	3.4		2.4	1.9	6.6		2.4
Others (car loan, home credit, etc.)	2.7	1.5		1.2	7.7	0.0		2.1
<i>N</i>	110	128		165	62	11		238

Sig = Statistical significance, * $p < 0.05$, ** $p < 0.01$, n.s. = not significant.

Source: Calculated by PHAD using original LSAHV data.

Self-rated Adequacy of Household Income

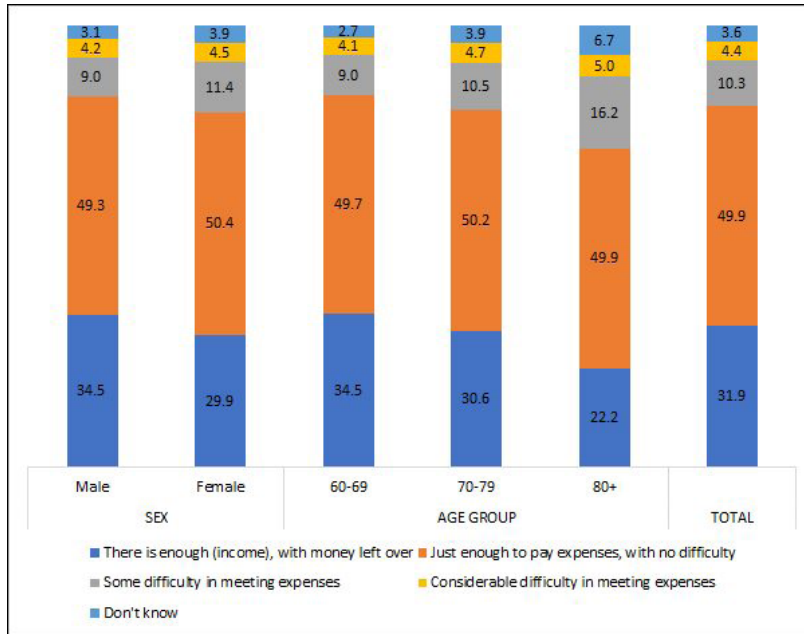
We asked OPs if their household income was sufficient to meet everyday expenses. Household income refers to the pooled income of all earning members of the household, not just the OPs' income. The response categories were (i) enough income with money left over, (ii) just enough to pay expenses with no difficulty, (iii) some problem meeting expenses, and (iv) considerable difficulty meeting expenses.

Figure 7.1 shows that 31.9% say they have enough money with some left over, whilst nearly half (49.9%) report that their household income is just enough to pay expenses with no difficulty. A small proportion (10.3%) report some difficulty meeting household expenses, whilst only 4.4% say they have considerable trouble meeting expenses. A similar pattern of self-assessed economic well-being is observed by sex and age.

An age gradient exists, however, amongst those who reported having enough money with some left over, with the proportion shrinking with increasing age. About 35% of the youngest age group (60–69) and 22% of the oldest age group (80+) report having enough money with some left over.

We asked OPs who reported having some or considerable difficulty meeting household expenses about their main source of funds to meet the shortfall in income: 35.4% have other sources of funds, which are not listed, whilst 22.7% ask for money from their children not living in their household, with no gender difference (Table 7.4). One in every four OPs (26.4%) answered, 'Don't know', which is hard to explain. That might mean they do not know from whom or where they can borrow money or they do not want to borrow money will change their lifestyle accordingly.

Figure 7.1. Self-assessed Economic Well-being by Sex and Age (%)



Source: Calculated by PHAD using original LSAHV data.

Table 7.4. Sufficiency of Household Income by Sex and Age

Sources of funds to meet income shortfall	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
Draw from savings of older person and spouse	1.8	0.4		0.8	1.6	0.7		1.0
Request more money from children	22.7	22.8		20.8	26.1	23.8		22.7
Sell assets	1.3	1.6		1.4	1.7	1.5		1.5
Borrow from relatives/friends	9.3	7.5	n.s.	9.9	6.2	6.1	n.s.	8.2
Borrow from money lenders	1.6	1.8		1.0	3.5	1.4		1.7
Borrow from bank	3.7	2.6		4.4	1.0	1.9		3.1
Others	34.4	36.1		40.6	26.2	32.9		35.4
Don't know	25.3	27.1		21.2	33.8	31.6		26.4
<i>N</i>	272	445		305	263	149		717

Sig = Statistical significance, n.s. = not significant

Source: Calculated by PHAD using original LSAHV data.

To obtain a perspective on the current economic situation of the OPs, we asked them about their early economic status, particularly if their family was financially well-off, about average, or poor when they were growing up (from birth to age 16). More than half the OPs' families were financially average, whilst about 42.1% were poor and only 2.8% well off. No significant disparities were observed across sex and age (Table 7.5).

Table 7.5. Self-assessed Economic Well-being Whilst Growing Up by Sex and Age

Economic Well-being	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
From birth to age 16								
Pretty well-off	3.7	2.2		3.1	2.1	3.2		2.8
Average	54.4	53.6	n.s.	55.3	52.8	49.6	n.s.	54.0
Poor	40.8	43.1		40.6	43.9	45.8		42.1
Don't know	1.1	1.1		1.0	1.2	1.3		1.1
<i>N</i>	2,331	2,954		2,488	1,816	981		5,285

Sig = Statistical significance, n.s. = not significant.

Source: Calculated by PHAD using original LSAHV data.

Summary, Conclusion, and Recommendations

The OPs were of average overall economic well-being by both objective and subjective measures. Although two in five OPs lived in poverty in their early years, most have at least one asset and a very low percentage of liabilities.

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

As they age, the OPs rely more on their children for financial support. Policymakers should implement policies that can improve the economic status of both the OPs and their adult children. Policymakers can consider increasing the minimum wage and creating more jobs for OPs so they can be more financially independent. Young people should be educated to prepare themselves for retirement.

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