

## Myth Busting

# The Facts about Women's Retirement Age in Vietnam

By Hoa Thi Mong Pham

The increase of women's retirement age has been on policy makers' agenda for a decade in Vietnam.

Women in Vietnam currently retire at age 55, a full five years earlier than men. With the economic and social context rapidly changing, however, incentives for closing this retirement gender gap grow stronger.

While the current policy cuts women's careers short five years early and thus hurts their professional development, many women are opposed to closing this gender gap. The current system offers an additional transfer of resources to women, in effect giving women a higher pension at retirement than men in relation to their contribution. Moreover, women in Vietnam usually live longer than men, and thereby receive more pension payments over a full life cycle.

On the other hand, Vietnam's social security programs face an important financial strain because of women's earlier retirement, and its sustainability could be jeopardized in the long term without reform. With funding from *Gender Equality as Smart Economics*, the World Bank's East Asia and Pacific region initiated a study to help design a reform that secures the financial viability of the pension system in the long-term while minimizing its negative social effects.

The study, carried out by an international social security specialist and Vietnam's Institute of Labor Science and Social affairs, was finalized in July 2008 with interesting results. Opponents of the reform maintain women suffer more health problems than men and therefore merit an earlier retirement as they would not be able to continue to work. However, many women pensioners continue to participate actively in the labor market after retirement: about 61 percent of retirees aged 51-54 and 55 percent aged 55-59 work, mostly in the informal sector. Opponents also say that increasing women's retirement age effectively limits job opportunities for



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*Young, educated women in Vietnam feel the early retirement age for women reduces their professional opportunities.*


young people who are about to enter the labor market for the first time. Meanwhile, the economy's rapid expansion and transition makes it unlikely that older women working longer would limit job opportunities for young men and women.

There is also evidence showing that many women, especially in younger cohorts who tend to have more education, see the mandatory retirement at 55 as a problem. "Among younger women there is a concern that the lower pension age is reducing their opportunities as the cut-off for promotions and training is also five years lower for women than men," explains Gillian Brown, Senior Gender Specialist in the World Bank East Asia Pacific region.

For example, according to public sector regulation, applicants' age is an important factor for promotion, and, in fact, for most promotions, women officials must be no older than 50, as compared to 55 for men. Unlike men, therefore, women aged 50 to 55 are rarely considered for promotion. In the private sector, meanwhile, incentives are skewed against helping relatively older women in the workforce sharpen their productivity, since they will stop working at 55. The earlier retirement age also contributes to women earning on average 12 percent

less than men in rural areas and 13 percent less in urban areas, and having fewer training opportunities.

The study also finds that the current subsidy for women's early retirement represent 0.4 percent of Vietnam's GDP, and as such places a heavy burden on the social security system. And the burden is set to increase soon for demographic reasons, as large cohorts of workers from the private sector retire.

Pension reform is difficult in any society, and closing the gender gap in Vietnam will be a challenge. Among a number of proposals, the Bank-funded study suggests that women be given the right to work and contribute until the age of 60, if they should so wish, and that the incentives to contribute after age 55 be made gender-neutral by reducing the coefficient in the pension formula for women gradually over a ten year period until it is the same as for men. The Government of Vietnam plans to revise its Labor Code in 2009, and it is likely that the proposed options will be considered in the process of drafting it. They may also be considered for inclusion into the next World Bank Poverty Reduction Support Credit for Vietnam. 

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