The economics of healthy and active ageing series

New evidence for the Western Pacific Region

Viet Nam

How does healthy ageing affect economic growth in Viet Nam?

World Health Organization
Centre for Health Development

European Observatory on Health Systems and Policies
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Acronyms

GDP	gross domestic product
IHME	Institute for Health Metrics and Evaluation
UN	United Nations
WHO	World Health Organization
YLD	years lived with disabilities

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Introduction

"Population ageing presents economic and societal challenges"

Population ageing presents economic and societal challenges for countries around the world. Rising life expectancy coupled with lower fertility rates is shifting age demographics so that, globally by 2050, 1 in 6 people will be over the age of 65, up from 1 in 11 in 2019 (UN, 2019a). As the share of older people in the overall population increases, the workforce composition will also shift from young to relatively older age workers in many countries (Aiyar et al., 2016).

Some researchers have suggested that increases in the share of the population at older ages can have adverse economic implications (Fair & Dominguez, 1991; Acemoglu & Restrepo, 2018). This could occur through a number of pathways. For example, a large population share at older ages may put fiscal pressure on social security systems, pensions and health expenditure (Bloom, Canning & Fink, 2011); a large older population may exit the formal labour force en masse; and, in addition, some researchers suggest that older people who do continue in formal work may have lower productivity rates (Feyrer, 2008; Aiyar et al., 2016; ADB, 2019).

The potential for population ageing to result in economic challenges through these pathways may be exacerbated if people age in poor health (Feyrer, 2008; Aiyar et al., 2016; Cylus, Normand & Figueras, 2018). A critical question therefore is how the health and disability of older people impacts economic growth and whether the potential adverse economic effects described above can be moderated by supporting healthy ageing.

This report presents estimates of macroeconomic effects of population ageing in Viet Nam and considers the role of health and disability. Data and methods used for the analysis in this report are outlined in Box 1.

Box 1: Data and methods for forecasting economic gains of healthy ageing

To estimate the effects of population ageing on economic growth and consider the potential moderating effects of health and disability among the older working-age population, we make use of data from multiple sources. We use data on real per capita gross domestic product (GDP) from the World Bank (World Bank, 2020a), historical and forecasted population by age data from the United Nations (UN) Population Division (UN, 2019b), and data on years lived with disabilities (YLD) by age from the Institute for Health Metrics and Evaluation (IHME, 2020). We aggregate the data into three working-age groups: the young working-age (20–39 years old), the mid working-age (40–54 years old) and the older working-age (55–69 years old). Data are available from 1990 to 2017 for 180 countries.

Country fixed effects models are used to estimate real per capita GDP growth as a function of the shares of the population in each age group and the interaction between YLDs per person and the share of the population 55–69 years old. To illustrate the magnitude of effects of supporting healthy ageing, we compare GDP growth projections holding baseline (2017) YLDs per person for 55–69-year-olds constant to an alternative healthy ageing scenario where disability rates are held constant at 5% lower than at baseline.

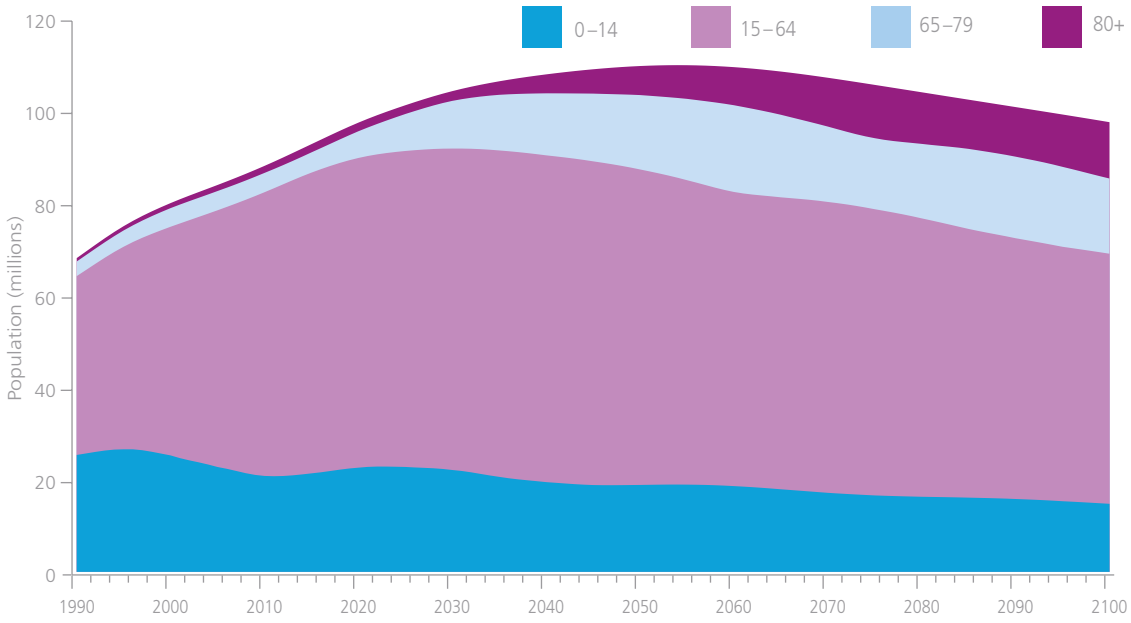
The Vietnamese context: demographics, health and disability, and the economy

Population (2020)	Shares of the population (%) 55–69 years old	2019 GDP per capita (PPP)	2018 Employment share of the population (%) 55–65+ years old	2017 Life Expectancy (years)	Years lived with disability (YLD) per 1000 population 55–69 years old in 2017
97.3 million	2020: 12.9% 2050: 19.8% 2080: 18.8%	$8374	55–64: 68% 65+: 25%	75.2	166.9

Viet Nam's population is mostly young; however, it is predicted to experience rapid ageing in the next decades

With a rapid growth rate since 1990, Viet Nam's total population is expected to reach 109.6 million people in 2050 and decrease to 97.4 million people in 2100 (Figure 1). Viet Nam's population is currently relatively young with a median age of 32.5 in 2020 compared with 21 in 1990 (UN, 2019b); the share of people aged between 55–69 is 12.93% in 2020 compared to the younger working-age population (20–54 years old) of 52.4% (UN, 2019b). However, the median age is predicted to significantly increase in the upcoming decades as the population ages and the share of older people rises. In fact, the share of the older population aged 55–69 is projected to increase to 19.8% by 2050 and slightly decrease to 18.8% by 2080 (UN, 2019b). This age-demographic transition is also shown through the substantial projected increase in the old-age dependency ratio (ratio of population over 65 to population aged 20–64) from 12.6% in 2020 to 47% in 2060 (UN, 2019b).

Figure 1. *Population age-mix in Viet Nam, historical and projections (1990–2100)*



Source: UN, 2019b.

Life expectancy is relatively high, but death rates have been on the rise

Life expectancy at birth in Viet Nam has substantially improved since 1960, with a gradual increase from 60.5 to 75.2 years in 2017. Although life expectancy remains slightly lower than the World Health Organization (WHO) Western Pacific Region's average of 76.6 years and Viet Nam's infant mortality is decreasing, death rates have been increasing. However, for the older population aged 50–69, death rates have decreased from 1661 deaths per 100,000 in 1990 to 1190 deaths per 100,000 in 2017 (IHME, 2020). Although life expectancy is increasing, more deaths can be linked to low access to health services and health information, as well as unhealthy lifestyles (Bang et al., 2017).

Non-communicable diseases are the main cause of disability

The main drivers of disability and morbidity in Viet Nam are non-communicable diseases, cardiovascular diseases, cancer, injuries and communicable diseases. In fact, 77% of the burden of disease in Viet Nam is attributed to a rise in non-communicable diseases, which are mostly related to increasing population risk factors, including high levels of obesity, physical inactivity, smoking and alcohol consumption. The prevalence of obesity among adults in 2016 is 2%, which is remarkably low when compared with the Western Pacific Region's prevalence of obesity among adults of 6.4% in 2016 (WHO, 2017). In addition, 25.4% of adults in Viet Nam led a lifestyle with insufficient physical activity in 2016 (WHO, 2018). Consumption of alcohol is projected to be 10 litres per person in 2020 and to increase to 11 litres in 2025 (WHO, 2016). Moreover, it is projected that in 2020 46.2% of adult males will smoke tobacco compared with 1.1% of females (World Bank, 2015). Optimistically, both are predicted to decrease in 2025 respectively to a prevalence of 45.6% and 1% (WHO, 2015). Further, high disability rates affect the population in Viet Nam. In particular, people aged between 55–69 approximately experienced roughly 166.9 YLDs in total per 1000 population in 2017 (or alternatively, one can consider an equivalent conceptualization that around 16.7% of the population aged 55–69 was fully disabled for the entire year). Disability rates in Viet Nam are similar to Japan with per 1000 population YLDs of 164.6. They are lower than in other countries in the region such as the Republic of Korea and Australia, which respectively report per 1000 population YLDs of 171 and 176.3 (IHME, 2020).

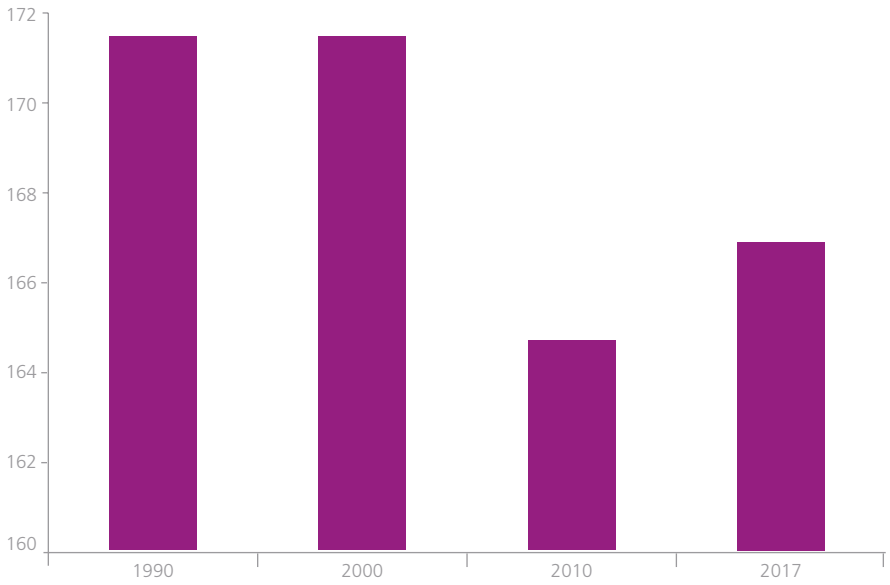
Figure 2 displays how YLDs have been fluctuating in Viet Nam since 1990. They strongly decreased in the first decade of the 2000s, reaching their lowest point of 164.7 per 1000 population in 2010. However, YLDs have started to increase again at a faster rate, reaching 166.9 per 1000 population in 2017 (IHME, 2020).

The economy has improved over the last decade, but the COVID-19 pandemic is causing short-term economic and social disruptions

After establishing and adopting a socialist led-market economy model in parallel with 'Doi Moi' reforms in the 1980s, Viet Nam witnessed remarkable development and economic growth. From 1999, GDP per capita growth rate has increased from 3.65% to 4.2% in 2012, reaching 6.8% in 2018 (World Bank, 2020a). This has positioned Viet Nam as a dynamic lower-middle income country within the Western Pacific Region with an expanding economy. The biggest drivers behind this economic growth are investments, notably foreign direct investments, the manufacturing and services sectors, strong domestic demand and exports (World Bank, 2020b).

Viet Nam's economy was hit hard by the COVID-19 pandemic during the first few months of 2020. The country's economy has suffered from global financial turbulence, a decrease in global demand for manufacturing exports, and the fall in the tourism and transport sectors. The World Bank estimates a GDP growth slowdown to 4.9% in 2020 due to the outbreak (World Bank, 2020b). Increasing inflationary pressures, fiscal deficit and trade disruptions are adding to the adverse economic impact. Having strong backward linkages, Viet Nam is also experiencing supply shocks as it is highly dependent on imports and supply-chain disruptions are occurring within the Western Pacific Region. Poverty rates are projected to increase in the short term, specifically for households relying on the manufacturing sector, who are predicted to lose 50% of their income (World Bank, 2020b).

Figure 2. *Years lived with disabilities per 1000 population, for 55–69-year-olds in Viet Nam, historical (1990–2017)*



Source: Authors' calculations using IHME, 2020 and UN, 2019b.

Despite Viet Nam's deep global integration and high exposure to the pandemic, its economy is still showing resilience. In fact, total exports are decreasing by 1%, the lowest decline in the Western Pacific Region. In the near term, as external demand improves and the global economy starts to recover, economic growth is likely to bounce back to 7.5% in 2021 (World Bank, 2020b). Additionally, to moderate the economic and social impact of the pandemic, Viet Nam has taken extensive social protection measures, including boosting income support to citizens, employment retention subsidies and modifying the social security contribution payments and taxes for enterprises (UNDP, 2020; World Bank 2020b). To achieve an efficient economic recovery and ensure macroeconomic stability in the post-pandemic era, Viet Nam should improve the business environment, encourage sound and efficient public investments, diversify trade flows and implement planned structural reforms allowing the labour market conditions to remain favourable (World Bank, 2020b).

As regards population ageing, the number of older people in the labour force has steadily been decreasing. In 2018, 6,852,000 people aged between 55– 64 were employed compared with 4,102,000 in 2010. The inverse pattern is observed for people over 65 years with 2,239,000 employed in 2018 compared to 1674,000 in 2010 (ILOSTAT, 2018).

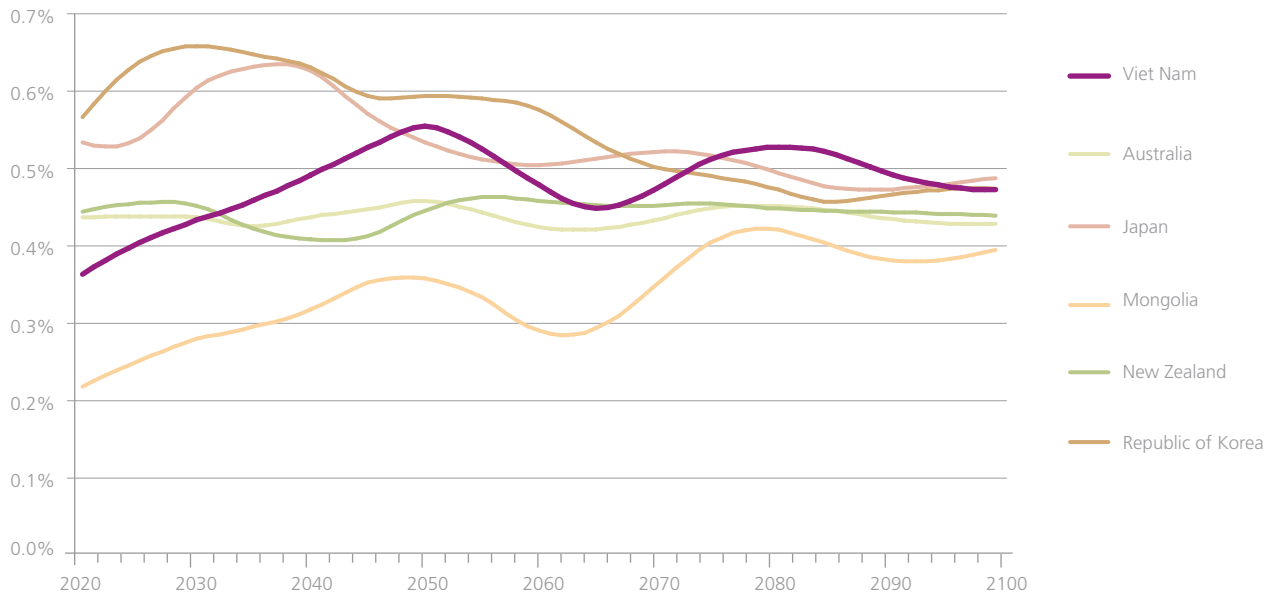
How will population ageing in in Viet Nam affect economic growth according to the models?

Without accounting for the level of disability of the population, the increase in the share of the population aged 55–69 is expected to coincide with a slowdown of per person GDP growth. From 2020 to 2050, the share of the population aged 55–69 is expected to increase from 12.93% to 19.78%, contributing to a slowdown in per person GDP growth of around 4.7% according to model estimates. Additionally, taking a longer projection from 2020 to 2100, the share of the population aged 55–69 is expected to increase from 12.93% to 16.88% which, according to our model estimates, would be expected to decrease per person GDP by around 2.7%.

Accounting for the level of disability among those aged 55–69 years old, however, moderates any adverse effects of population ageing according to model estimates.

To illustrate, projections of per person GDP growth holding 2017 disability rates among the 55–69-year-old population constant in the future are compared to projections where a 5% improvement in disability rates is assumed. Figure 3 shows that reducing disability among the older working-age population is associated with increases in per person GDP growth. The 5% reduction in disability rates among the older population contributes positively to annual per person GDP growth, adding nearly 0.4% in 2020 but rising to just under 0.6% per year around 2050.

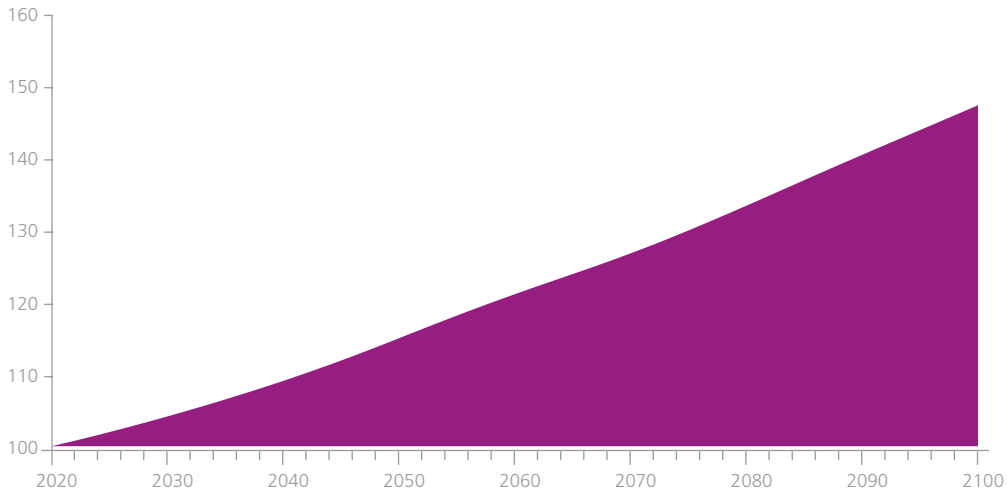
Figure 3. *GDP growth attributable to a 5% improvement in disability rates among older population (55–69 years) compared to 2017 baseline disability rates, projections (2020–2100)*



Source: Authors' calculations.

To get a sense of the full contribution of healthy ageing over the projection period, Figure 4 shows the cumulative effect of this growth due to lower disability. If disability rates among 55–69-year-olds were constant but 5% lower than in 2017, Viet Nam could expect to see an additional 47.2 percentage points of GDP growth per person by the end of the century.

Figure 4. *Cumulative GDP growth attributable to a 5% improvement in disability rates among older population (55–69 years) compared to 2017 baseline disability rates, projections (index 2020 =100)*



Source: Authors' calculations.

Discussion

This report suggests that, although population ageing has historically been associated with slower economic growth, a healthy and active older population can have economic benefits. Model estimates indicate that relatively small improvements in disability rates among older people in Viet Nam can result in sizeable economic impacts by the end of the century.

Policies aiming to promote healthy and active ageing can play an important role in mitigating the adverse economic effects of ageing. Some effective policies that have been proposed in the literature to promote healthy ageing and improve disability rates reflect a life-course approach, including: preventing disease progression, cognitive and frailty declines; workplace initiatives; and other interventions outside the health system (Cylus, Normand & Figueras, 2018). An assessment of possible approaches to support the health needs specific to Viet Nam's ageing population would be useful so that appropriate policy interventions can be considered and the full potential of the older population realized.

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