

Social Welfare in Vietnam: 30 Years in Reform on and Outlook until 2030

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Abstract: After 30 years of reform and development, social welfare in Vietnam has achieved certain progress in ensuring the livelihood and safety of its citizens. However, beside these significant accomplishments, the country's social welfare policies continue to reveal limitations, putting them considerably behind those of many other countries in the world. This article analyzes the characteristics and status of Vietnam's social welfare system and makes an assessment and projection that hopefully can help strengthen social welfare policies in Vietnam until 2030.

Keywords: Vietnam, social welfare, social policies.

1. Introduction

In its broadest sense, social welfare is the protection of people's rights to live in peace, to freely make a living, to reside, to move, to express their opinions within the limits of the law; to be protected and treated equally and fairly by the law; to study, to have employment, shelter; to be ensured an income level that can meet the basic living needs when faced with risks, unemployment, diseases, accidents, old age, etc.

According to the World Bank, social welfare is developed based on the social risk management model. A social welfare system is known as the set of national policies that are meant to support individuals, households and social groups to manage risks and provide assistance to the poorest. Accordingly, there are three distinct strategies: risk prevention, risk mitigation and risk coping.

The Asian Development Bank (ADB) considers social welfare as a public policy system that aims to mitigate the negative

impact of changes on households and individuals. This definition places an emphasis on the role of the state in ensuring social welfare.

In the article "Ensuring better social welfare and social security is a main part of the Socio - Economic development strategy for 2011- 2020", Prime Minister Nguyen Tan Dung provided a clear definition: "Social welfare is the system of policies and measures that aim to ensure the minimum living standards for the people against the risks and abnormal economic, social and environmental impacts, while simultaneously contributing to a continuously better material and spiritual life for the people" [3].

In essence, social welfare helps to ensure the livelihood and safety for all members of society. The social welfare system is one of the crucial components of social development programs. It is a state management tool that aims to ensure

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social stability, reduce inequality and social division between the rich and the poor, contributing to cohesion between the social classes and groups during the development process. Therefore, social welfare has all economic, social and humanitarian aspects.

Despite the varying definitions and viewpoints, all of these still characterize social welfare with the following common features:

- Social welfare is a common policy in a country's set of social policies. It is implemented by the State to serve the interests of all members of society and particularly of the disadvantaged groups.

- Social welfare is the economic assurance that society provides to its citizens through the implementation of interventionist mechanisms and policies against the risks that may result in reduced or loss of incomes for members of society.

- Social welfare is a fundamental right of the people and a tool for establishing an inclusive society where no individual or group is marginalized. Social welfare helps to reduce inequality, to redistribute income, to ensure political stability and generate social cohesion for development.

Regardless of approach, social welfare policies are usually focused on three main components: (1) social insurance; (2) basic social services for the citizens; and (3) social assistance. In Vietnam, besides these three basic components, the system also includes social privileges for meritorious people – a special feature in the country's social welfare policy that aims to acknowledge and honour the contributions

of the people who have dedicated and sacrificed themselves for the country and the people.

2. Social welfare in Vietnam: Thirty years after reform

2.1. Characteristics and status

Vietnam's social welfare is regarded as the superior feature of socialism, as constitutionalized in the country's first Constitution of 1946. The Constitution acknowledged the right to social insurance of state officials and workers, and of the care provided to meritorious people, the elderly, the disabled and orphans. The tradition of compassion and sharing, of "the whole leaves protect the torn leaves" has been emphasized through diverse community activities. Social welfare protection was given prominence ever since the centralized, planned economy regime. It has become one of the crucial pillars in the country's social policy system that the Party and the State have been very keen on establishing. The social welfare model is aimed to help redistribute social assets and release resources in the population.

During 30 years of reform, the development and implementation of social welfare policies have brought about significant results: creating jobs, ensuring minimum income levels for the people, eliminating hunger and poverty at a remarkable progress acknowledged by the world, providing efficiently regular assistance to the poor and those in especially difficult circumstances, and delivering emergency aid to those encountering specific risks, and creating necessary conditions for them to access

basic social services. As a result, poverty rates have declined rapidly; the number of participants and beneficiaries of social insurance policies have increased in breadth; while people's capacity in preventing, mitigating and coping with risks, to stabilize their lives and integrate into communities, has been well improved.

Nevertheless, Vietnam's social welfare system is still revealing numerous shortcomings: the coverage and value of allowance remain limited and are not adjusted timely, especially during periods of price fluctuations and high inflation. The creation of jobs and ensuring adequate, sustainable employment for specific groups, especially the rural youth and labourers remain a big challenge. Social insurance participation rate is low, mainly derived from the official labour groups. The majority of the elderly are living off their savings, other members in the family and the State's monthly allowance. The goal for achieving universal healthcare insurance remains out of reach since the quality of healthcare services is still weak. The rate of regular social assistance beneficiaries only account for 2% of the population, much lower than in other countries in the region. Emergency aids can only compensate for around 10% of the losses incurred by households. The social services system is still inadequate in volume and quality and tends to exclude the disadvantaged groups.

Social insurance, one of the three core pillars of the social welfare system, although has expanded the eligible participants, its coverage remains very restricted compared to the size of the

population. The types of social insurance also lack diversity; reimbursement procedures are paved with obstacles; conditions for participation are not appealing enough to the citizens, while the insured amount cannot reduce or compensate for losses in case of disasters. The low participation rate is due to shortcomings in the quality of service and the actual wage levels of the workers being too low. Meanwhile, instances where businesses and employers avoid, owe or delay social insurance payments are widespread and prolonged for years, which has limited severely the effectiveness of social insurance policies. The operation of the Social Insurance Fund also lacks sustainability, transparency and is expected to go broke in the foreseeable future.

Health insurance coverage in Vietnam is increasing at a sluggish pace. The use of insurance in health examination and treatment remains low due to limitations in service quality. The citizens are not keen on health insurance schemes as the quality of covered examination and treatment is poor and yet able to meet the needs of the insured. Patients are put to wait, to face annoyance or are left untreated due to the poor quality of drugs covered by insurance. The limited quality of health facilities has been a barrier to the timely treatment of patients. The increasing burden of diseases and financial constraints in the population remain a big challenge for Vietnam's social security today.

The social welfare system of Vietnam is still unable to provide coverage to the unofficial economic sector, meanwhile this

sector attracts a large population of unskilled labour and is the livelihood for the low-income and vulnerable groups. Uninsured, non-contracted employment is common in this economic sector. Employees work under risky, toxic working environments while being subjected to low wages and uncertainties. Businesses and employers have little regard for the rights of their employees, which has severely affected social welfare needs.

2.2. Challenges

It can be seen from the above that Vietnam is significantly lagging behind other countries in the region and the world in terms of social welfare, which has become a big challenge to sustainable development and integration. Compared to the mindset reform achieved in economic restructuring, mindset reform in social welfare system and addressing social issues is still shifting at a sluggish pace. Social welfare is still perceived as the responsibility of the State and the system is yet able to attract the involvement of other economic agents and resources in the country. Meanwhile, the State's resources for social welfare are also limited, mainly derived from the State budget, with little coverage and modest allowance levels.

The characteristics of Vietnam's social welfare model after 30 years of reforms are the activities funded and implemented by the State. The State fulfills two simultaneous functions: it is the policy-enforcer and, through its apparatus, also the policy-implementer. In many localities, there is no distinct separation between state management and service provision

(government officials review and approve the beneficiaries and also disburse the allowances). The system of social welfare policies has also remained scattered, inconsistent and with limited coverage. The financial resources available for social welfare activities are mainly channeled from the State budget. People continue to lack awareness on what they can gain from contributing to the social insurance system.

Vietnam's social welfare system in general and social assistance in particular continued to be crippled with shortcomings, failing to meet the growing need for social welfare. The limited types of insurance cannot fulfill the diverse needs of the people or keep pace with the development of the market economy. Social workers are limited in number and capacity; the quality of social services is generally poor, and there are significant barriers and impediments against the people in terms of access to public services.

The coverage of social welfare policies remains limited, with a portion of the population, especially the ethnic minority groups, failing to access basic social services such as education, healthcare, and nutrition. State-funded allowances are modest and the results achieved so far lack sustainability. There is a high ratio of people falling back into poverty as those at marginal poverty and those faced with high risks can easily fall back into poverty. Apart from the poor, the meritorious groups and other social groups are yet participatory or beneficiary to the social welfare system.

Awareness raising activities on social welfare policies and regulations have not

proven effective enough. The resources dedicated to social welfare and social benefits of localities mainly rely on the State budget and are yet able to mobilize the contribution of the entire society. There is a lack of social cohesion when implementing social welfare policies.

3. Outlook for social welfare until 2030

Ensure adequate social welfare to the people is a big, complex issue that can have an impact on the majority of the population. An increasingly diverse society in the year 2030 will come in parallel with a correspondingly more diverse set of demands from and interests of different social classes and regions of the country. This requires for suitable institutions that can tackle the complex, unprecedented issues and help release the development potential of the country as well as to maintain social stability and cohesion. The big question is how to settle effectively the interactive relationship between the rule-of-law state, the market economy and the civil society as the three pillars of sustainable development.

3.1. Social development projection

In the coming decades, Vietnam will face with new economic, social and environmental risks at an increasing scale and frequency, including the risks of natural disasters, floods, climate change, or the ageing population. All of these will severely affect the lives and welfares of the people. Risks of diseases, accidents, poor harvests, epidemics will also remain inherent shocks for the poor and the disadvantaged groups, threatening social life and security.

The structure of the society will change, becoming much more diverse than the current “two classes, one group”. Social stratification will become more intense, generating a growing middle class as well as a widening gap between social classes, regions and areas. Public services will no longer be subsidized in the market economy and international integration context. Many resident groups will no longer be able to cope with the risks of natural disasters or socio-economic turbulences, and who lack the support of social welfare programs. This will require for a social welfare system that focuses on risk management rather than poverty eradication support.

Apart from that, policy risks during the transitional period of economic restructuring and integration will continue to intensify. Therefore, risk management in a developed society will become an important task. The country should ensure basic social welfare protection for all citizens, especially the vulnerable groups, under the market conditions. Developing a universal, comprehensive social welfare system, supporting the people to cope efficiently with risks, ensuring adequate benefits for employees, their families and the entire community are essential to meet the development goals, maintain political stability and social order and safety in accordance with the aim of a prosperous population, a powerful, democratic, equitable and civilized nation.

There is a need to improve social relations and aim for a safe society where each and every member can make the best use of his personal capabilities. That will

also be a society in which the citizens will enjoy various choices. A prosperous and diverse society will generate new demands for the State in terms of public service management and provision, as well as require the State to react with flexibility against the increasingly diverse needs of the citizens. In this context, social welfare will need to adjust itself accordingly: the social welfare system will need to be modernized and enhanced with important functions in order to meet the new social development needs. For a sustainable development, risk management should be given priority rather than risk coping and repair.

3.2. Completing social welfare policies

+ Policies for assisting citizens to join the labour market, become employed and have adequate income

The overriding principle is that, through the social insurance system, basic services and social assistance are provided to the people in order to support and enhance the capacity of individuals, households and communities in managing risks, reducing poverty, hunger, vulnerability caused by decreased income and livelihood. Ensuring employment and income is the best social welfare solution, therefore, the government should establish and enforce policies that can attract investment and boost production, generating jobs and sustainable, skilled, income-generating employment opportunities for the people.

As people can create their own jobs and start up businesses when being assisted with capital, the State should enact credit support policies in order to help people get access to credit and create jobs for

themselves. Credit support can also help provide vocational training to people, diversify their livelihood and shift the economic structure. Attracting businesses, expanding trade and production as means to generate more non-agricultural jobs for the people is the right way forward. At the same time, the State should also support the middle class in pursuing opportunities in the market economy and joining the global middle class.

+ Policies supporting the people to join insurance schemes

- Social insurance is ensuring the replacement or compensation of a part of workers' income when this is reduced or lost as a result of workers' sickness, maternity leave, work-related accidents, occupational diseases, unemployment, retirement or mortality, on the basis of contribution to the social insurance fund (Law on Vietnam Social Insurance). Social insurance is an inter-generation contribution (the young generation contributes and pays for the older generation), and risks are spread out on the principle that "many pay for the losses of a few" to help create stability in the lives of the participants.

Social insurance is the main component of social welfare. Social insurance operates on a voluntary basis: everybody has the right to join insurance and to benefit from social insurance when they need to be insured. Operating this component requires for proactive policies and intervention measures before the risks actually take place, reducing the risks of reduced or loss of livelihood. Risk prevention should be emphasized

and risk management should aim to protect the people in each development stage. Looking forward to 2030 when the absolute poverty rate will fall to a lower level, the ability to pay for social insurance will definitely improve.

Health insurance is the form of insurance applicable in the healthcare sector. It is not-for-profit, run by the State and people are required to join by law (Law on Vietnam Health Insurance). The aim to have universal health insurance need to be accompanied by improved quality of insurance-covered health examination and treatment. The contribution methodology, insurance premium and insurance payment should be convenient, ensuring the protection of the rights of the insured. During this process, the focus should be on health hazards caused by new diseases, health risks of the elderly groups and of the unofficial labour groups, as well as on the role of the private sector in the provision of healthcare services.

Unemployment insurance is a component of social insurance that is designed to provide income support, ensure a normal living standard for those who have lost their jobs (or have yet to find employment) as well as to support them to join the labour market. This type of insurance needs to be enhanced and developed further in the upcoming 15-20 years in order to ensure the livelihood of out-of-job workers.

To sum up, social insurance, including both health insurance and unemployment insurance, represents an important component in the social welfare system,

operating on the principle of contribution - beneficiary. As of now, Vietnam's social insurance is yet to cover universally despite the voluntary social insurance policy being enforced since 2008. There is a need for a recalculation of the contribution – beneficiary amounts so as to ensure the financial sustainability of the social welfare system, as well as to protect the rights of contributors. Eligible social insurance contributors should also be expanded and the quality of insurance needs to be improved in order to be able to attract the citizens to join insurance schemes and ensure proper social welfare at the later stage in life through the pension system.

+ Social assistance policies

Social assistance is the support given by the State, the people and the international community to the income and living conditions of those confronting with risks, misfortune, hunger, poverty, disadvantage when they have lost the ability to secure the minimum living standards for themselves and their families. This assistance may be in cash or in kind, and are granted in urgent situations. Depending on the nature and severity of the emergency, social assistance can be classified into regular social assistance and emergency social assistance. The assistance fund is generated by the State budget and contributions from social organizations and communities.

Social allowance is the main component of social assistance, and it is adjusted in line with socio-economic conditions as well as State budget mobilization capacity. The main instances for allocation include

disaster relief and humanitarian aid for the disadvantage groups and social policy groups. Looking forward, the aim should be to ensure minimum living standards for the people and to reduce the State's subsidy in this area. The key issue is to ensure transparency, equality and correct applicability of social assistance efforts.

With a rapidly ageing population, social assistance activities should be expanded to cover community-based healthcare services for the elderly. Change is needed in social assistance policy for broader coverage and improved quality.

4. Conclusion

Vietnam is making huge efforts in establishing and perfecting the institutional and policy framework that can enhance social cohesion and promote the rights to development of all social classes, which can address effectively arising social conflicts. There is a need for a management system that can ensure the quality and which can address the different needs arising during the process of developing and establishing market institutions from now until 2030.

In order to realize the social orientation in the development of the market economy in Vietnam, the focus should be placed on improving people's income levels and the State's revenues in order to generate the necessary conditions for meeting social welfare objectives. Taxes should be used adequately in order to encourage economic development and income allocation, and to ensure social equity. Growth achievements should be shared among social classes. Property tax, real estate transaction tax, inheritance tax,

etc. need to be considered for enactment and strict, transparent enforcement in order to generate a source of revenue for the State budget and to help narrow the income gap in society, ensuring sustainable financing for social welfare.

The resource redistribution mechanism should be revised, in which both public and private resources should be involved in the implementation of social welfare policies, and where the subjects of social welfare are also diversified. Decentralization of state-funded activities should also be taken into account, the State should focus on managing the deliverables, ensuring the quality and efficiency of social welfare. There is also the need to improve accountability in the delivery of social assistance policies, and to set up a database of socially-sponsored individuals in order to help manage better the social welfare system.

The relationship between the State and the market should be carefully reviewed. The State should put forward orientations, policies and measures that can encourage the people to join the social welfare system, enhance the people's responsibility towards themselves and their exercise of their own social welfare rights. People should be ensured a minimum living standard and an adequate income level to distance them from the risks and difficulties. Each and every citizen should be given an equal chance to access the development opportunities, and any kind of unreasonable discriminatory treatment should be eliminated (for instance, the management mechanism of family registers and related social services).

In a full market economy, the prices of goods and services should follow the

market rules, however, social assistance methods should be clear in their objectives and should be made transparent, public, and should be delivered to the right beneficiaries. The demand for public services will experience significant changes with the ageing Vietnamese population and the accompanying higher healthcare costs. Even from now, Vietnam should get ready for the challenges of an ageing population, especially with the intensifying pressure on the social welfare system. There is a need to establish a complementary pension scheme in order to improve the income levels of pensioners and provide them with better living standards after retirement.

In order to achieve higher participation rate and improved access to social welfare by 2030, the best way forward is to improve the quality of social welfare services through enhanced competition and participation from various subjects, ensure accountability throughout the process, and non-discrimination between the public and private sector. The citizens will have more faith in the social security system as well as on the fairness of the policies. The State should hold the role of coordinating, monitoring and enforcing policies, instead of carrying out directly or indirectly social welfare activities as nowadays. State management in social welfare should be reformed on the principle of unifying and simplifying the program management contact points, raising the efficiency of service provision, simultaneously modernizing, computerizing social welfare management, providing training to professional social workers and ensuring adequate benefit packages for these staffs.

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