The Evolution of The Vietnamese Welfare State Since The ‘Đổi Mới’ Reforms (1986 - 2023)

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ABSTRACT

This research explores the evolution of Vietnam's welfare system, focusing on social insurance (SI) and social assistance (SA) since the Đổi Mới reforms of 1986. It examines the development of these programs, their impact on poverty reduction and inequality, and compares Vietnam's welfare policies with those of other Asia countries, including Korea, Malaysia, the Philippines, Thailand, and Indonesia. Using the Expenditure Approach and the Social Protection Index (SPI) from the Asian Development Bank (ADB), the study analyzes social welfare expenditure and coverage.

Vietnam's welfare system has transformed from a centrally planned economy to a socialist-oriented market economy, expanding SI and SA programs. These policies have been crucial for poverty alleviation, especially among vulnerable groups like the elderly, children, and low-income households. However, informal sector workers remain largely excluded from SI, perpetuating inequality between formal and informal workers. Compared to its Asian counterparts, Vietnam's welfare system lags in inclusivity, with countries like Korea and Malaysia offering more comprehensive coverage. The Philippines, Thailand, and Indonesia have also made greater strides in ensuring broader access to social protection, particularly for informal workers.

Despite these challenges, Vietnam's increasing government expenditure on SA programs reflects a commitment to expanding coverage. The study concludes that while progress has been made in reducing poverty, significant gaps remain, particularly in SI for informal workers. Recommendations include expanding coverage to informal workers and implementing a universal unemployment support program. These findings contribute to the broader understanding of welfare state development in transition economies and offer valuable insights for strengthening Vietnam's social protection system.

Key words: welfare regimes, welfare state, Vietnamese welfare system, social insurance, and social assistance, social protection, generosity, social production index, expenditure approach

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DECLARATION

I certify that this thesis:

1. does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university

2. and the research within will not be submitted for any other future degree or diploma without the permission of Flinders University; and

3. to the best of my knowledge and belief, does not contain any material previously published or written by another person except where due reference is made in the text.

Signed..

Thi Tu Trinh Ngo

Date: 31st July 2025

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ABBREVIATIONS

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
COVID-19	Coronavirus Disease
DPW	Dualist Productivist Welfare
GDP	Gross domestic product
GSO	General Statistics Office
HI	Health Insurance
ILO	International Labor Organization
IPW	Inclusive Productivist Welfare
LMPs	Labor market programs
MOF	Ministry of Finance
MOLISA	Ministry OF Labour - Invalids and Social Affairs
MPW	Market Productivist Welfare MPW
NSO	National Statistics Office of Vietnam
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing power parity
PTR	Poverty targeting rate
SA	Social assistance
SI	Social insurance SP – social protection
SPI	Social Protection Index
SP	Social protection
UI	Unemployment insurance

CHAPTER 1: INTRODUCTION

1.1 Background and Context of Vietnam

The Socialist Republic of Vietnam (Vietnam), underwent significant transformations after the Đổi Mới reforms in 1986, shifting from a planned economy to a socialist-oriented market economy. This change introduced privatization, market liberalization, and global integration, which led to changes in its social protection system, evolving from a state-run model to one incorporating market mechanisms.

The Vietnamese social protection system consists of several key pillars, including social assistance (SA), social insurance (SI), labor market programs (LMPs)/Micro and area-based programs. Over time, this system has evolved, especially since the early stages of Đổi Mới. Vietnam's SI system includes mandatory programs such as sickness, maternity, occupational accidents, and retirement, as well as voluntary programs covering retirement and survivorship. Additionally, health insurance (HI) and unemployment insurance (UI) have expanded in recent years. These social protection (SP) systems aim to support vulnerable groups, including children, the elderly, and low-income populations, although the generosity and effectiveness of these programs has varied.

Vietnam's labor market includes both the formal and informal sectors. According to the Labor Code, which was introduced in 1994 and amended in 2002, formal labor includes workers who have signed a written labor contract or have a verbal agreement with their employers. The 2002 amendment further defined various types of contracts, such as indefinite, definite, and seasonal work (ADB, 2008). However, the labor market in Vietnam is still characterized by a low formal employment rate (ILO, 2011). Informal workers include unpaid family workers, self-employed individuals in the informal sector, and wage workers without a labor contract or without compulsory SI contributions from their employers (NSO, 2022). They often face low income, long working hours, and precarious working conditions (Nguyen et al., 2016). The majority of domestic private businesses are small in scale and operate informally (WorldBank, 2016), with nearly 98% of non-agricultural businesses operating in the informal sector (WorldBank, 2022a). According to preliminary data from the National Statistics Office (NSO), the rate of informal labor in Vietnam's total employment in 2023 was 65.1% (NSO, 2023), implying that the rate of formal labor was 34.9%. This figure shows a slight decrease from 70.3% in 2020 and 65.8% in 2022 (NSO, 2022).

Vietnam's welfare system operates in a unique context, shaped by its socialist ideology and historical experiences. This hybrid system differs from the liberal, conservative, and social-democratic models observed in Western countries. As Vietnam continues to grow economically and integrate more into the global economy, its SP system has adapted to meet the needs of its population, though challenges remain in addressing inequality and poverty.

Vietnam's Social Welfare Evolution: Challenges, Achievements, and Inequality in a Market Economy

In the 1980s, Vietnam faced extreme poverty (London, 2018; London & Pincus, 2022; WorldBank, 2016), with about 70% of the population living below the poverty line (WorldBank, 2022a). The country was heavily impacted by decades of war and subsequent economic difficulties, including food shortages, hyperinflation, and a severe budget deficit (WorldBank, 2016). These challenges contributed to the collapse of the socialist welfare system by the late 1980s, further hindering the country's efforts at reconstruction (Kokko & Tingvall, 2007; London, 2009, 2011; London, 2018; London & Pincus, 2022).

Social services deteriorated, access became more difficult, and costs were gradually transferred to households (Kokko & Tingvall, 2007; London, 2009, 2011; London, 2018). Teachers and healthcare workers worked for months without pay, and the quality of services declined (London, 2009; London, 2018). By the end of the 1980s, the socialist state welfare system was described as laying '"in ruins" (London, 2009).

During this period (before the Doi Moi reforms in 1986), the dominant economic model was central planning and collective agriculture, with the socialist state welfare system closely linked to production units (Kokko & Tingvall, 2007; London & Pincus, 2022; Nguyen et al., 2016; WorldBank, 2016). According to the socialist state system, the state was primarily responsible for ensuring basic welfare for the people (Kokko & Tingvall, 2007; Nguyen et al., 2016). Socialist ideology emphasized the goal of ensuring universal access (in principle) and protecting people from extreme poverty (Kokko & Tingvall, 2007; London, 2011; Nguyen et al., 2016). This was mainly achieved through increasing production rather than redistributing income (Nguyen et al., 2016). The state was viewed as a "larger family" (Nguyen & Chen, 2017). However, this economic system weakened and collapsed by the late 1980s due to the financial crisis (London, 2011; London, 2018; WorldBank, 2016).

Unlike Vietnam, many Asia countries (Indonesia, Malaysia, Philippines, Thailand and so on) did not follow central planning and began developing social protection systems only after achieving middle-income status in the 2000s (ADB, 2014; ILO, 2015, 2016; London & Pincus, 2022; WorldBank, 2016). This indicates that the path and model of ensuring welfare in Vietnam (linked to the socialist state) is significantly different from the path of developing market-based social welfare and SI systems in neighboring countries, especially as these countries achieved more sustainable economic growth in the following decades. The state expanded the welfare system to protect vulnerable groups from shocks like illness, unemployment, and natural disasters, addressing new risks created by marketization and urbanization (ADB, 2008; ILO, 2011; London, 2011; London & Pincus, 2022; WorldBank, 2022a).

SI programs and national targeted programs play a crucial role in supporting the poor and vulnerable groups (London, 2011; London & Pincus, 2022; UNDP, 2011; WorldBank, 2017). The safety net helps stabilize income and expenditures for households (WorldBank, 2019), enabling them to participate more effectively in the economy (ADB, 2008; WorldBank, 2019). Labor market policies and employment creation efforts are key factors (UNDP, 2020; WorldBank, 2019). Growth generates jobs, but the state needs policies to support labor migration, improve skills, and ensure decent working conditions (ADB, 2008; WorldBank, 2016, 2019, 2022a). In principle, education and basic healthcare in Vietnam are publicly funded and widely provided (Nguyen et al., 2016). The primary healthcare system, with communal health stations, is a core element (ADB, 2008; London, 2009, 2014; London, 2018). SI programs have been in place for government employees since the early 1960s (Long, 2010), and there are social support funds for specific groups such as war invalids and veterans (Nguyen & Chen, 2017). Land reform in the North (later expanded to the whole country) was also an important redistribution measure (London, 2011). These mechanisms reflect the state's role in attempting to rebuild social cohesion and address widespread deprivation and war-related trauma (ILO, 2011; London, 2018; London & Pincus, 2022; WorldBank, 2016). Commitment to human capital (literacy rates and life expectancy) was relatively high even at the start of reforms (i.e., before Doi Moi), and this formed the foundation for later developments (WorldBank, 2016).

Nevertheless, the welfare provision in the early 1980s was limited, with services being uneven, particularly in rural areas (London, 2011). While the system aimed for universality and fairness, it created and perpetuated inequalities. Economic constraints hindered the development of the socialist welfare model, leading to its collapse before the market-oriented Đổi Mới reforms, which initiated sustainable economic growth and the expansion of new welfare programs from the 1990s onward (London, 2011).

Vietnam's per capita income in the 1980s was much lower than the regional average (London & Pincus, 2022). Other countries in the region, although still developing or emerging market economies, generally had higher income levels, and some, like Thailand, had experienced an "economic miracle" that contributed to poverty reduction in the East Asian region (WorldBank, 2003). Vietnam's economic context in the 1980s was therefore more challenging than many of its neighbors. The child mortality rate in the 1980s showed that Indonesia, the Philippines, and Thailand had better outcomes than Vietnam at the time (ADB, 2008).

1.2 Research Problem and Justification

This thesis will address the following research questions:

Main Research Question

R1: How has Vietnam's welfare state evolved in terms of social insurance and assistance since Đổi Mới?

Sub-Questions

R2: How have these policies impacted poverty and inequality in Vietnam during the Đổi Mới period?

R3: How does the evolution of Vietnam's welfare system since Đổi Mới compare with those of selected Asia countries in terms of social insurance and social assistance?

This research examines the evolution of social welfare policies in Vietnam, focusing on their effectiveness in addressing poverty and inequality. The main objective is to assess the generosity of government expenditure on SA and SI since the Đổi Mới reforms (1986-2023). Additionally, the study compares Vietnam's welfare system with those of selected Asia countries, including Korea, Malaysia, the Philippines, Thailand, and Indonesia, with an emphasis on the impact of these systems on social inequality and poverty reduction.

While significant research has been conducted on welfare state models, there is limited exploration of how Vietnam's welfare system has evolved in the context of Đổi Mới. Specifically, the design, expansion, and adaptation of welfare programs, particularly SI, remain under-researched, especially concerning formal and informal workers. This research seeks to fill this gap by analyzing the evolution of SP policies in Vietnam using the expenditure approach and revised expenditure approach SPI index. By comparing Vietnam's welfare system to those of other Asia countries, this study aims to provide valuable insights into the effectiveness of the country's SP structure.

1.3 Significance of The Study

This study investigates the evolution of Vietnam's welfare state, focusing on the development of SI and SA policies since the Đổi Mới reforms. It assesses the impact of these policies on poverty and inequality, providing valuable insights into the effectiveness of Vietnam's social protection (SP) system. Through a comparative analysis with selected Asia countries, the research highlights both the similarities and differences in welfare models across the region. These findings contribute to a deeper understanding of how welfare policies can be adapted to the unique needs of transitioning economies. The results will offer meaningful input for academic discourse and inform policy-making aimed at enhancing social welfare across Asia.

1.4 Scope and Limitations

This study will explore government spending patterns, coverage, policy outcomes, and their impact on poverty and inequality. The study primarily draws from data on public spending, poverty rates, inequality measures (e.g., the Gini index), and government policies in these countries.

Several limitations should be noted. First, the study relies on available data, which may vary in consistency and quality across the countries under study. Vietnam, Indonesia, and Thailand often employ different methodologies or timeframes for reporting social welfare expenditures and poverty/inequality indicators. Additionally, while the study focuses on comparisons among these five countries, including others could provide broader insights into regional welfare policies. The socio-political landscape in these countries has also shifted over time, influencing government expenditure priorities, meaning that the analysis is constrained by the available data periods. Finally, the thesis focuses on SI and SA programs, with limited attention to other factors such as education, and broader social development programs that also influence poverty and inequality.

In the next sections, the thesis is organized into the following chapters.

Chapter 2 reviews welfare regimes, focusing on Esping-Andersen's typology and its relevance to both Western and East Asian contexts. It also examines the productivist welfare model in East Asia and the evolving roles of the state, market, and family in shaping welfare systems.

Chapter 3 discusses methods for comparing welfare states across countries and over time, outlining Institutional, Regime, and Expenditure Approaches, and discussing the Revised Social Protection Index (SPI) developed by the Asian Development Bank (ADB).

Chapter 4 analyzes Vietnam's welfare state, focusing on its historical development, unique characteristics, and current SP policies and how it evolved over time.

Chapter 5 provides a comparative analysis of welfare regimes in Vietnam, Korea, Malaysia, Philippines, Thailand and Indonesia, examining their approaches to SP, resource allocation, and welfare program effectiveness. This chapter synthesizes data on government spending and welfare outcomes, highlighting similarities and differences in how these countries address the needs of vulnerable populations within the Asia context.

Finally, Chapter 6 concludes by summarizing the findings, discussing implications for future research, and offering policy recommendations.

CHAPTER 2: WELFARE REGIMES

Chapter 2 reviews key literature and theoretical frameworks on welfare states, concentrating on the development of social protection systems across global contexts. It examines Esping-Andersen's typology of welfare regimes and evaluates its applicability to Asia, where welfare policies prioritize economic development over traditional social welfare. The chapter also explores the evolving roles of the state, market, and family in welfare provision and introduces Asia nations 's distinct welfare state models. The structure of chapter 2 includes:

Section 2.1 provides an overview of welfare state research, focusing on definitions, characteristics, and classifications of welfare regimes, discussing Esping-Andersen (1990)'s typology of welfare states, critiques of it, and alternative frameworks such as those by Arts and Gelissen (2010), while emphasizing the dynamic and complex nature of welfare systems and their historical, political, and social contexts.

Section 2.2 discusses the complexity of welfare state systems in Asia countries, emphasizing their productivist welfare approach that prioritizes economic growth and family responsibility over extensive state welfare, with a focus on different models such as the "Confucian" or "Developmental/Productivist" model, and categorizes countries like South Korea and Taiwan using these frameworks while acknowledging the diversity and cultural influences shaping their welfare policies.

2.1 Overview of relevant literature and theoretical frameworks

Welfare states and welfare regimes

According to Barr (1992, 742), the welfare state concept is broad and not easily defined, encompassing a variety of state activities such as cash benefits, healthcare, education, and other welfare services (Barr, 1992). On the other hand, Esping-Andersen (1990, 18-19) appears to prefer a functional definition of the welfare state, that is, what it aims to achieve: "A common textbook definition is that it involves state responsibility for securing some basic modicum of welfare for its citizens" (Esping-Andersen, 1990, pp. 18-19). It refers to an institutional framework wherein the state is accountable for providing minimal welfare to its population (Esping-Andersen, 1990, p. 19; Nguyen et al., 2016).

Esping-Andersen (1990) proposes that welfare states can be categorized into different regimes or "worlds of welfare capitalism," each with unique approaches to social welfare provision (Esping-Andersen, 1990). While some people use the terms "welfare state" and "welfare regimes" interchangeably, they have different meanings. "Regimes" refers to the allocation of welfare production between the state, market and families (Esping-Andersen, 1990). Esping-Andersen (1999) states that a welfare regime is defined according to the interrelated ways in which the state, the market, and the family combine to produce and distribute welfare (Esping-Andersen, 1999).

London (2009) on the other hand, argues that welfare regimes are distinctive institutional frameworks that manage welfare creation and distribution, leading to various social stratification effects.

Kasza (2002) proposes that welfare regimes comprise an essential component of comparative welfare research. Aspalter (2023) indicates two methods for developing welfare state typologies: the real-typical method, which focuses on detailed institutional differences between welfare states based on specific criteria, and the ideal-typical method, which overlooks national-level details in favor of identifying averages, common elements, or functional equivalences to group different welfare states into clusters, or regimes, for broader cross-national comparisons (Aspalter, 2023; Esping-Andersen, 1999).

A nation's welfare system plays a critical role in reducing poverty, enhancing social circumstances, and promoting the general welfare of its citizens (Vrba, 2023). In the West and certain other advanced capitalist nations, social services, labor market regulation, social security benefits, pensions, and other forms of institutional "welfare states" have evolved to satisfy the material security needs of a large number of people. The term "welfare state regime" is used to describe an assemblage of such state acts, which are acknowledged to be entwined with family/household systems, financial markets, and other markets (Wood & Gough, 2006).

Welfare regimes as systems of de-commodification and stratification

Given that welfare states are most developed in rich Western countries, it is perhaps not surprising that most analysis of welfare states and their categorisation into ‘worlds’ to date has focused on these countries. A well-known example is Esping-Andersen’s book the (1990), *Three Worlds of Welfare Capitalism* who suggests (using what Aspalter (2023) describes as an ideal-typical approach) that all welfare regimes in wealthy Western nations can be regarded as both forms of de-commodification (protecting people from reliance on the labor market, for example when they are sick, disabled, or in elderly years, or sheltering them from poverty or if they are unemployed); and as stratification systems (welfare regimes benefit some individuals while disadvantaging others). This functional categorisation facilitates focus on what ideologies inform the regime, how they stratify and how much they de-commodify (Aspalter, 2023; Esping-Andersen, 1990).

While earlier studies predicted a convergence of welfare states due to modernization or industrialization, Arts and Gelissen (2010) state that Esping-Andersen's work focused on explaining persistent divergence in welfare state development across rich countries. Esping-Andersen contends that welfare regimes in wealthy nations may be classified into three categories based on how they decommodify labor and stratify the populations they serve.

(1) ***The Liberal welfare regime*** (which predominates in English-speaking rich nations such as the US, UK, Australia, and Canada) is characterized by means-tested assistance and adopts a minimal residual approach to social welfare provision supported by low levels of taxation, with SA targeted at the poorest, and market systems predominating (Arts & Gelissen, 2010; Esping-Andersen, 1990). Stratification is determined by private market income. Levels of de-commodification and social rights the welfare state offers are low, as individuals are expected to rely on the market for their income and welfare. Work is a prerequisite for receiving numerous perks, for example pensions.

(2) ***The Conservative welfare regime*** (which predominates in continental Europe, for example, Germany, the Netherlands, and France) foregrounds status as the basis for welfare, provided mainly through social insurance-type benefits. This regime type, which developed from conservative social policies instituted by Otto von Bismarck, German Chancellor in the late 19th Century, is sometimes called a Bismarckian welfare regime (Palier & Martin, 2007). SI contributions, usually linked to pay and occupational status, determine payments people can access when they are unemployed, sick or retired. For some groups, these payments can be highly subsidized by the state, necessitating often high levels of general taxation. These payments also preserve status differences in and out of employment, reinforcing stratification but mainly offering de-commodification for privileged workers.

(3) ***The Social Democratic welfare regime*** (predominant in the Scandinavian countries of Sweden, Denmark, etc.) focuses on universal provision as a social right of citizenship. Therefore, social rights and possibilities of decommodification are privileged over the market as critical determinants of redistribution. Universal payments and services are supported by high levels of progressive taxation, which ensure reduced inequality, low levels of stratification and high levels of social cohesion, which are believed to lift people from poverty and grant them equal access to economic and social welfare.

There are clear differences between the three welfare regimes and their characteristics regarding the extent of labor decommodification; the connection between entitlements and citizenship, contributions, or need; and the kind of public-private mix found in social services, especially pensions (Van Voorhis, 2002). For example, the degree of decommodification in conservative regimes is moderate and emphasizes the role of state dominated and occupational related distribution combinations. On the other hand, the degree of decommodification is high in social democratic regimes, enhanced by universal benefits. Nevertheless, it is low in liberal regimes where the market dominates.

Conservative and liberal regimes are associated with higher levels of social stratification. Contributory SI, which maintains differentiation based on occupational status, is a major focus of conservative regimes. Liberal regimes focus on poor relief, which upholds income-based class distinctions. Social democratic regimes on the other hand are associated with social equality. This categorization has significantly influenced the conceptualization of comparative welfare state research since the 1990s (Van Voorhis, 2002).

Critiques and extensions of Esping-Andersen's classification of welfare states

Esping-Andersen's Three Worlds hypothesis has faced critiques, particularly regarding the classification of Mediterranean ('conservative') and Antipodean ('liberal') welfare states and the role of employers in welfare creation (Arts & Gelissen, 2010). Arts and Gelissen (2010) propose an alternative framework for comprehending the relationship between economic systems and the development of welfare states using work by Hall and Soskice (2001) to propose the idea of production regimes, specifically coordinated market economies (CMEs) and liberal market economies (LMEs). Unlike Esping-Andersen (1990), they argue that employers play a significant role in shaping welfare states. In LMEs, where training systems focus on general skills, there is less need for high levels of SP, aligning with liberal welfare states (Arts & Gelissen, 2010; Hall, 2001).

Arts and Gelissen (2010) however acknowledge, (as does Esping-Andersen) that no welfare state fits perfectly into any ‘world’ or category (Esping-Andersen, 1999, p. 88). Similarly, Kasza (2002) emphasizes the importance of considering the unique political histories of individual nations. In some countries, for example, the development of welfare regimes may be best understood because of the state's history of nation-building and the impact of Catholicism and conservatism (Kasza, 2002). Kasza (2002) identifies five reasons nations are unlikely to have coherent welfare regimes: (1) any social policy tends to alter slowly over many years; (2) various welfare programmes in a single nation typically possess distinct histories; (3) specific groups of policy actors take part in different aspects of welfare development; (4) deviations in how policymakers impact regulation matter; and (5) learnings from other countries help shape every nation's social security package; moreover, this incoherence might be expected to increase with the age and scale of each country's system (Kasza, 2002).

Nonetheless, although some countries are hard to classify or experience ongoing mutations due to global pressures, institutional path dependence and variations in popular support the evolving debate suggests that most countries can be broadly clustered around a number of welfare regime classifications; however, more than the three identified by Esping-Andersen (Arts & Gelissen, 2010).

2.2 Welfare State System in Asia Countries

While early welfare regime studies focused on Western countries, recent research has expanded to explore regimes in developing nations, highlighting their complexity beyond de-commodification and stratification (Aspalter, 2023; London, 2009). Aspalter (2023) proposes additional criteria, including family-based welfare, investment in social capital, and economic development.

Western academics, politicians, and international organizations have examined East Asian welfare regimes with a critical eye, asking how very little social investment could lead to good welfare outcomes and rapid economic growth (Choi, 2007; Doling & Finer, 2018, pp. 298-299). The World Bank (1993) referred to this high-growth phenomenon as the "East Asian Miracle," whereas Jacobs (2000) labelled it the "East Asian Secret" (Choi, 2007; Jacobs, 2000;

Worldbank, 1993). This is because, contrary to the "welfare-state crisis" affecting Western countries, numerous researchers have looked with interest at the factors that allowed East Asia to achieve both steady economic expansion and boosting social circumstances, such as a decreasing rate of poverty and inequality along with limited social expenditures (Choi, 2007).

What welfare state models are East Asian countries employing? Scholars such as Arts and Gelissen (2010) point to debate over whether East Asian countries, such as Hong Kong, Japan, Singapore, South Korea, and Taiwan, can be grouped into a distinct "Confucian, East-Asian communitarian" welfare regime (Arts & Gelissen, 2010). According to Jones (1993), Goodman and Peng (1996), Sung (2003), and Rieger and Leifried (2004), Confucian culture, particularly the social role of family and filial piety, plays a crucial role in explaining the delayed development of welfare systems and low social spending in Northeast Asian countries. Families and companies traditionally take responsibility for the care of vulnerable individuals, reducing the need for extensive government welfare programs and large welfare bureaucracies (Choi, 2007; Goodman & Peng, 1996; Jones & Jones, 1993; Rieger & Leifried, 2004; Sung, 2003).

Based on the characteristics of these countries' welfare regimes, Arts and Gelissen (2010) contend that governments in South Korea, particularly from the 1980s, aimed to develop welfare policy to support economic productivity, and encourage economic growth and labor market participation, but not on the principles of social rights or freedom, nor on the ideas of decommodification or stratification (Arts & Gelissen, 2010). As stated by Choi (2007), a unique "fourth" welfare-state model, the "Confucian" or "Developmental/Productivist" model, exists in East Asia alongside the three welfare-state regimes in the West.

The developmental state or productivist welfare regime approach can be used to explain welfare development in certain countries, primarily in East Asia (Choi, 2007; Deyo, 1992; Johnson, 1982; Lee, 1999). Kim (2015) and Holliday (2000) have identified the existence of a unique "developmental" or "productivist" welfare regime in Taiwan and South Korea (Holliday, 2000; Kim, 2015). These states use welfare programs as tools for nation-building and regime legitimation (Choi, 2007; Gough, 2004), with the state's strategic role in driving both economic and social development at the core (Choi, 2007; Kwon, 2005; Tang, 2000). It also gradually expands to include broader social benefits (Choi, 2007).

East Asian regimes prioritize economic growth over social policy; they also have high levels of social investment, low to medium levels of social security spending, gender discrimination in the workplace, medium to high levels of welfare stratification, low rates of pension coverage, high individual welfare loading, and a large family welfare obligation (Lee & Ku, 2007). The resulting unequal distribution of welfare benefits primarily favors government employees. However, while East Asian countries share specific welfare characteristics (Lee & Ku, 2007), according to Kasza (2002), there is a low likelihood of national welfare systems displaying the internal consistency required to support the regime idea (Kasza, 2002). It is therefore misleading to consider them as having a single, homogeneous welfare model (Lee & Ku, 2007).

Kim (2015) argues that productivist welfare capitalism may be divided into three types based on their orientation towards market efficiency (self-help) and redistribution (risk pooling).

(1) Inclusive Productivist Welfare (IPW) – The IPW approach uses risk-pooling programmes and includes SI and public aid to promote economic growth. This is evident in Japan, Taiwan, the Philippines, and Korea. Unlike Western capitalist societies, where political imperatives drive the welfare program to protect vulnerable groups, the IPW model primarily aims to support economic development by protecting economically significant groups, such as the middle and upper classes. As these economies transition to post-industrial stages, there is pressure to expand SI to unskilled labor. Still, the primary focus remains on promoting economic growth rather than shifting to a welfare model focused on social equity, like in Scandinavian countries (Kim, 2015).

(2) Market Productivist Welfare (MPW) – the MPW model emphasizes creating social security systems based on compulsory individual savings to foster economic development with minimal government financial involvement. The MPW focuses on market efficiency and reducing government responsibility, making it attractive in open economies like Singapore and Malaysia. However, a fundamental limitation of this model is its limited protection for low-income households, who may struggle to save enough for financial security (Kim, 2015).

(3) Dualist Productivist Welfare (DPW) – DPW is a type of productivist welfare capitalism that combines inclusive and market-oriented measures within the same system but with a significant divide between different societal sectors. The DPW model employs mandatory and voluntary components, leading to institutional fragmentation where formal sector workers and

urban residents receive comprehensive SI. In contrast, informal sector workers and rural dwellers receive basic or limited protection. This model is prevalent in countries with significant sector disparities, resulting in uneven SP, including countries such as Vietnam, Indonesia, China, Hong Kong, and Thailand (Kim, 2015).

Other scholars, such as Lee & Ku (2007), have also wondered whether there are more types of regimes beyond liberal, conservative, and social democratic in different regions worldwide (Lee & Ku, 2007). In his identification of ten ideal-typical worlds of welfare capitalism globally, Aspalter (2023) discusses what he terms the Pro-welfare Conservative Welfare Regime, which has sometimes been built by communist leaders who are pursuing conservative (or Bismarckian) policies – also conservative in providing generous support and pensions to veterans, which is similar to conservative regimes in Europe providing very generous pensions to civil servants and other public service workers. This regime type invests heavily in education and health care, but its social security systems are primarily employment-based, involving SI models, especially in Singapore, but also in Mainland China and Hong Kong (Aspalter, 2006, 2023; Holliday, 2000). Social rights are therefore based on productive principles, with the family remaining an essential source of welfare for non-employed persons and relatively low levels of de-commodification (Aspalter, 2023).

Generally speaking, in Western countries, Esping-Andersen's point is that understanding the welfare state requires recognizing the interactions between state activities, market forces, and family responsibilities in providing welfare. A country's welfare system reflects a balance of these three pillars, which shape how social welfare is distributed and experienced by individuals. In some societies, markets (private sector) dominate in providing goods and services (e.g., healthcare, pensions, housing). The extent to which individuals rely on the market for welfare varies depending on the welfare regime, and families often serve as informal providers of care and support, such as caring for elderly relatives or children. Family-based care is crucial in many societies, especially when the welfare state or market-based provisions are limited. That is why, according to Esping-Andersen (1990), these three actors – state, market, and family – have different roles and responsibilities in delivering social welfare. The balance between them varies depending on the country's welfare model, as described above. Regarding rights, the rights granted by the welfare state (such as healthcare, education, or unemployment benefits), are important, but understanding the welfare state also means looking beyond just the formal entitlements. We must consider how much the state provides directly (e.g., public healthcare or SI); how much is left to the market (e.g., private healthcare or pension funds); and how much responsibility is placed on families to care for their own members (e.g., caring for children or elderly parents). Therefore, different welfare regimes emphasize these roles differently. For example, in liberal regimes, the market is expected to provide for most needs, with the state intervening only for the most vulnerable. Family support tends to be more limited because the market is seen as the primary provider of welfare. In conservative regimes, the family plays a key role in welfare provision, with state support often tied to family status (e.g., benefits for married couples). In social democratic regimes, the state takes on a larger role in providing extensive state welfare services, reducing the reliance on the market or family for social welfare.

Thus, we can understand that the interaction between these three institutions (state, market, family) might create different welfare outcomes. The state's role may complement or substitute for the market and family. For example, where the state provides universal healthcare, reliance on private insurance (market) or family care is reduced. Conversely, in countries with minimal state welfare, families and the market bear a more significant burden of welfare provision. While Western welfare regimes focus on de-commodification and social rights, Asia countries – driven by economic development – apply productivist welfare policies with lower social spending and higher reliance on family and market mechanisms for social welfare provision. Moreover, the cultural role of family and the low levels of state welfare investment are seen as critical factors in these countries' unique approaches to welfare provision. This highlights the complexity and diversity within East Asian welfare regimes.

2.3 Conclusion

Chapter 2 provided an overview of welfare state theories and typologies, focusing on the divergence between Western and East Asian models, particularly the productivist approach in East Asia. It highlighted the complex interplay between the state, market, and family in welfare provision. As welfare systems continue to evolve, understanding these dynamics is essential for comparative research. Chapter 3 outlines the methodology used to explore these frameworks in detail.

CHAPTER 3: METHODS OF MEASURING WELFARE REGIME PERFORMANCE

This chapter outlines the methodologies used to analyze and compare welfare regimes, focusing on three approaches: the Institutional, Regime, and Expenditure Approaches. It also introduces the Revised Social Protection Index (SPI) developed by the ADB, which enhances the Expenditure Approach by evaluating the depth and breadth of social protection coverage. The study applies these approaches to compare welfare regimes in Asia countries: Malaysia, Korea, Philippines, Vietnam, Thailand, and Indonesia.

The structure of Chapter 3 is as follows: Section 3.1 defines and compares three distinctive approaches to evaluating welfare regimes. Then Section 3.2 explains the Revised Social Protection Index (SPI), developed by the ADB to assess and compare social protection systems across countries.

3.1 Definition and Characteristics of Three Distinctive Approaches to Compare Welfare Regimes

Bergqvist et al. (2013) outline three commonly used methods of categorising welfare regimes: the institutional approach – focusing on specific structures and systems that manage welfare, such as healthcare, education, or unemployment benefits; the regime approach – grouping countries according to their properties of decommodification and stratification based on inter-relationship of family, market and state policy (for example, social democratic, conservative, liberal) (Esping-Andersen, 1990); and welfare expenditure – looking at how much countries spend on social programs and how this impacts outcomes (Bergqvist et al., 2013; Dahl & van der Wel, 2013).

The Institutional Approach

The Institutional Approach examines the organization, design, and funding of social welfare programs, focusing on aspects like public grants, social subsidies, and mandatory savings (Bergqvist et al., 2013; Kim, 2015). It defines generosity based on program design, funding, coverage, and eligibility (Kim, 2015). The approach also considers "functional equivalents," such as active labor market policies (Kim, 2015). Kim (2015) identifies models like risk-sharing

SI (IPW), mandatory savings (MPW), and Dualist Productivist Welfare (DPW) is a combination of the characteristics of the both models. However, this approach may exclude groups outside institutional criteria, such as informal workers, leading to biased assessments of policy impacts (Bergqvist et al., 2013; Korpi & Palme, 2007).This can result in welfare programs, like SI, benefiting formal workers while overlooking vulnerable groups (ILO, 2011; Kim, 2015).

The Regime Approach

The Regime Approach views welfare regimes as institutional arrangements that govern the creation and distribution of welfare, with a focus on their stratifying effects (Esping-Andersen, 1990; London, 2009, 2011, 2014). It explores how welfare institutions interact with other social, political, and economic systems (London, 2009, 2011, 2014). Esping-Andersen's work on welfare capitalism exemplifies this approach, analyzing programs like pensions and unemployment benefits while considering replacement rates and coverage (Aspalter, 2023; Diep, 2014; London, 2011; Nguyen et al., 2016). This approach uses institutional characteristics to classify countries into ideal types and employs standardized performance indexes to measure welfare outcomes (Aspalter, 2023). However, it faces criticism for not fully reflecting complex realities, overlooking factors like gender and health inequalities, and for producing diverse and sometimes contradictory results (Bergqvist et al., 2013; Dahl & van der Wel, 2013). Additionally, policy changes challenge the static nature of ideal types (Aspalter, 2023).

The Expenditure Approach

The expenditure approach focuses on analyzing the amount of money spent by the government or other resources allocated for social welfare programs (Kim, 2015). Accordingly, the level of welfare of a country is assessed based on the amount of money the government spends on social welfare programs (Bergqvist et al., 2013). In other words, the expenditure approach uses data on public spending for social purposes to measure the effort and generosity of the welfare state (Bergqvist et al., 2013; Dahl & van der Wel, 2013).This is because government expenditure data is often effective and useful for clear comparisons between countries (Kim, 2015). Therefore, this approach helps lawmakers assess policy options and compare the costs of social welfare reform (ADB, 2024). Recent studies apply this method to examine total social expenditure, spending on healthcare, spending on specific programs (such as unemployment benefits, pensions), or net expenditure (after tax) versus gross expenditure (before tax) (Bergqvist et al., 2013; Dahl & van der Wel, 2013). By using this method, welfare expenditure can be measured as a percentage of GDP or as a percentage of total government spending (Kim, 2015). Using the percentage of total government spending may be more appropriate when assessing the relative importance of social welfare in the state budget (Kim, 2015). However, the exclusive use of expenditure data as a measure of welfare state development has some drawbacks. Comparing expenditure on particular programs (for example SA) across countries is dependent on the assumption that the actual programs cover the same contingencies, which may not always be the case. The approach implicitly assumes that SP resources come solely from the government budget, and therefore, may fail to capture non-financial "functional equivalents" that also redistribute and allocate resources with the goal of enhancing welfare (Kim, 2015). The expenditure approach has also been criticized for failing to distinguish between effort and need. For example, high spending on unemployment benefits may simply reflect a higher unemployment rate rather than a higher level of generosity in terms of coverage or replacement rates. However, recent studies have attempted to address this issue through weighted procedures (Bergqvist et al., 2013). In practice, some less developed countries often use less costly methods for their social welfare systems, meaning that they tend to compare unfavorably with systems in rich countries. Despite these limitations, expenditure data remains a commonly used indicator in welfare state research. Kim's (2015) study also uses government spending on social welfare and healthcare as a component in his “Inclusive Production Welfare” index and presents comparative data on social welfare spending between countries and regions.

3.2 Revised Social Protection Index (SPI)

To expand the expenditure method, the ADB has described in detail the expenditure approach used in its studies on social welfare. The Social Protection Index (SPI), was developed by ADB (initially during the 2005-2008 period, later revised in 2010 and 2011) to monitor and analyze SP systems at the national and regional levels in Asian member countries (ADB, 2011, 2019). Its purpose is to assess the quality and coverage of SP in the region (ADB, 2019). It is a useful tool for analyzing and evaluating SP programs across countries (ADB, 2011). The ADB's SPI method uses expenditure as a foundation but attempts to overcome the limitations of the basic expenditure method by calculating expenditure per beneficiary (relative to a poverty threshold) and providing a detailed analysis based on coverage (depth/width), as well as poverty and gender aspects (ADB, 2011, 2014, 2019). Instead of merely considering total expenditure as a percentage of GDP, the SPI focuses on the level of resources invested in social protection relative to the overall GDP and per capita GDP for each expected beneficiary (ADB, 2019). This makes it go beyond the basic expenditure approach by incorporating the human factor (beneficiaries) into the calculation (ADB, 2011, 2014). This helps provide a deeper picture of the effectiveness and allocation of social protection efforts.

The revised SPI can be disaggregated into different dimensions for more granular analysis: Depth vs. Breadth: The SPI can be broken down into measures of depth (average expenditure per beneficiary) and breadth (coverage of the population), which helps policymakers understand whether expenditures are reaching a wide population or providing deep benefits to a smaller group; Program Categories: The SPI is disaggregated into SI, SA and LMPs to assess how well each type of program is meeting the needs of its target population; Poverty Focus: The index can also be broken down to show how well SP programs reach the poor relative to the non-poor population. This allows for the identification of programs that may be underfunded or poorly targeted toward the most vulnerable.

This study will use the revised SPI as this allows for meaningful comparisons of SP expenditures across countries in the region in order to identify which countries allocate sufficient resources to SP and which programs are more effective at reducing poverty. By disaggregating the SPI into depth and breadth components, countries can understand whether their SP programs are reaching enough people and providing adequate benefits.

In general, the revised SPI offers a robust framework for assessing and comparing SP systems across countries, especially focusing on expenditures and beneficiary impact. The use of a poverty line for normalization provides a standardized method to compare the relative effectiveness of SP programs, while the ability to disaggregate by program type, depth, and breadth provides valuable insights into how well these programs meet the needs of vulnerable populations. This methodology allows policymakers, researchers, and development practitioners to gauge the effectiveness of SP systems and identify areas where reforms or adjustments may be necessary to ensure better poverty reduction and social security for the population.

3.3 Conclusion

This chapter outlined the methodologies for comparing welfare regimes, focusing on the Expenditure Approach, with supplementary use of the Institutional Approach for coverage analysis. The Chapter also discussed the Revised SPI, which enhances the Expenditure Approach by evaluating the depth and breadth of social protection coverage. By using case studies from Vietnam, Malaysia, the Philippines, Korea, Thailand, and Indonesia, the study applies these methods to analyze welfare funding patterns and resource allocation. This approach provides valuable insights into the effectiveness of social protection systems across Asian countries.

CHAPTER 4: THE EVOLUTION OF VIETNAM'S WELFARE STATE SINCE "ĐỔI MỚI"

Building upon the methodological framework presented in Chapter 3, this chapter aims to address two main questions:

1. How has the welfare state, particularly in the domains of SI and SA, evolved in Vietnam since the Đổi Mới reforms of 1986?
2. What impact have these welfare policies had on poverty reduction and income inequality during the Đổi Mới period?

By systematically addressing these questions, the chapter aims to assess whether Vietnam's welfare state has fulfilled its promise of enhancing social protection, particularly for people in the informal sector. The structure of the chapter is as follows: Section 4.1 highlights trends in government spending on social protection, the structure of Vietnam's multi-pillar welfare system, and its evolution over time. It also discusses various frameworks for categorizing Vietnam's welfare system, emphasizing its unique, hybrid nature. Section 4.2 analyzes the evolution of Vietnam's SI system, focusing on increased coverage, expanding benefits, and rising government expenditure in line with efforts to enhance social protection. Section 4.3 outlines the development and expansion of Vietnam's HI and UI systems, focusing on efforts to ensure greater access to healthcare and income support for the population. Section 4.4 discusses the expansion of Vietnam's SA system, highlighting the growth in regular and emergency assistance programs, increased government spending, and the widening reach of SA support, especially in response to economic and social challenges.

To put the analysis in this chapter in perspective, it is important to note that Vietnam has gone through a period of high economic growth since the 1980s. Figure 4.1 shows that when measured at constant 2017 prices, per capita GDP in Vietnam in 1986 was less than $2,000. By 2024, this had increased to over $12,000, representing a six-fold increase in income per person in Vietnam over this period, after inflation and currency fluctuations are taken into account. Most of the analysis in this chapter concerns developments in welfare state expenditure and outcomes since 2006 (most data are only available after this time). Even in this period, real GDP per capita increased 2.4 times.

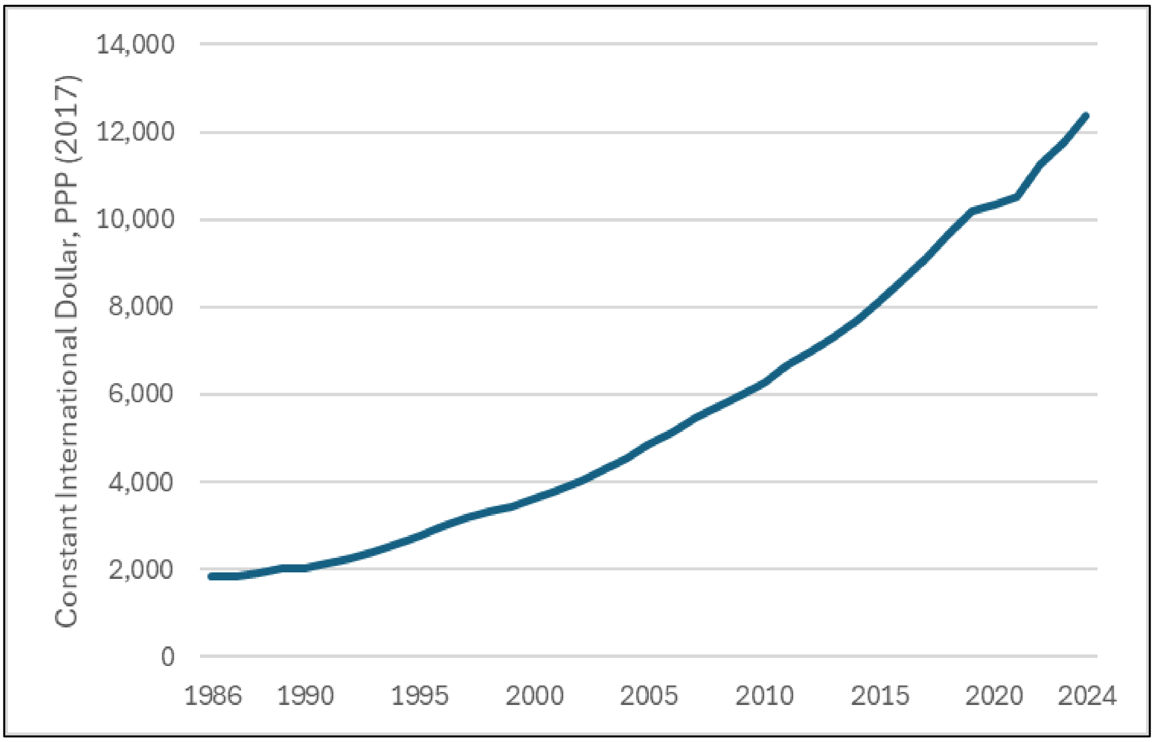

Figure 4.1 GDP per capita,Vietnam, 1986 - 2024 (constant international dollar, purchasing power pariy rates)

(Source: International Monetary Fund, World Economic Outlook Database, April 2024)

4.1 Government Spending on Social Protection: Trends and Structure

This section provides a comprehensive analysis of government expenditure on social protection in Vietnam, focusing on both its overall trends and structural composition.

Trends in Overall Government Expenditure and Social Expenditure

Figure 4.2 shows total government spending as a percentage of GDP from 2000 to 2022. Overall, government spending climbed consistently from 2000 to 2010, from 18% to 24% of GDP. Thereafter, it declined, reaching 19% in 2022. However, the relative decrease in government spending as a share of GDP needs to be considered in the context of overall rapidly increasing GDP.

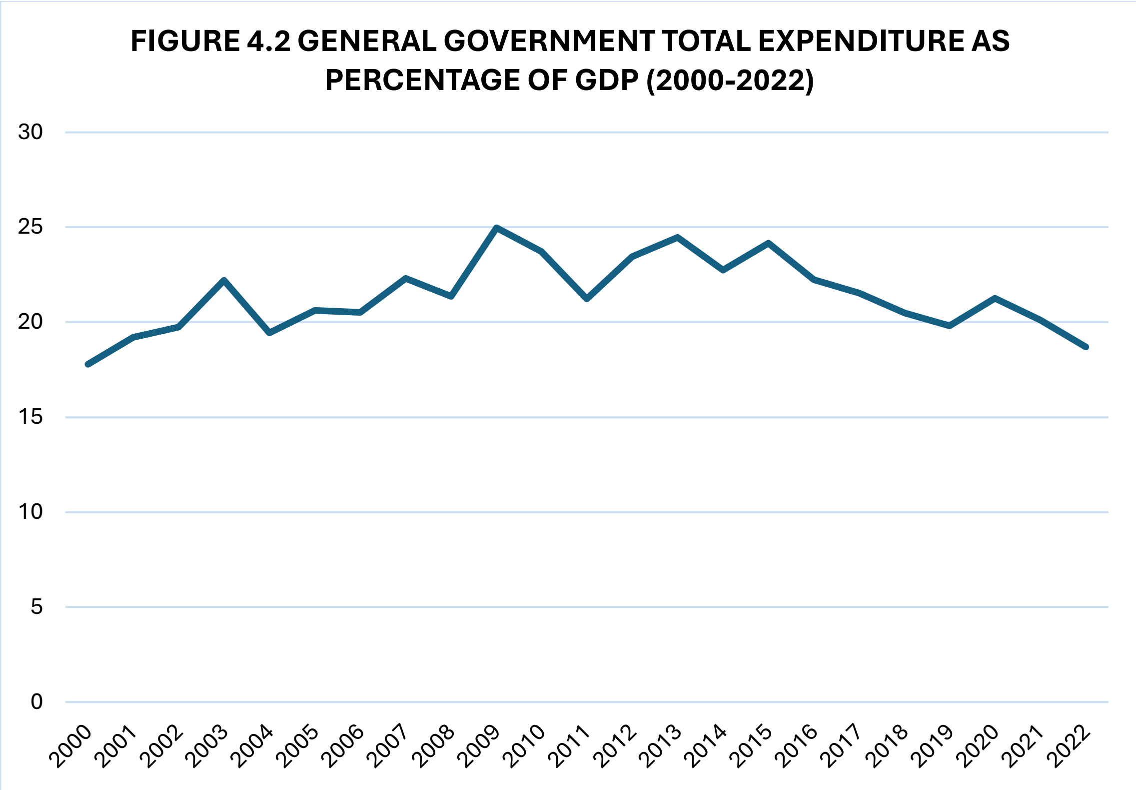

Figure 4.2 General government total expenditure as percent of GDP in Vietnam (2000-2022)
(Source: International Monetary Fund)

Vietnam's current/regular expense is a budgetary task of the State Budget dedicated to guaranteeing the efficient functioning of the state equipment, political groups, socio-political institutions, supporting the activities of other organizations, carrying out the state's regular duties related to socioeconomic development, and ensuring national defense and security. Vietnam's current/regular expenditure covers six broad sectors: (i) Expenditure on social and economic services; (ii) development investment; (iii) Expenditure on education and training; (iv) Expenditure on health care, encompassing preventive healthcare, medical treatment, health insurance support, food safety, hygiene and public health; (v) Expenditure on social relief, supporting vulnerable groups, veterans and initiatives for protection and care of children, and support for pensioners. Additionally, social relief spending encompasses support for the elderly, children, people with disabilities, and those in need of emergency assistance. Furthermore, funding covers investment in care facilities, rehabilitation centers, and functional correction centers; and (vi) Expenditure on economic activities and environment protection.

Figure 4.3 shows shares of government expenditure on these different categories after 2005. While most government expenditure was directed towards social and economic services, of particular interest for this analysis is expenditure on health care and social relief. Healthcare expenditure (light blue line), though relatively modest, has been on a steady rise from about 4% in 2005 to around 7-8% by 2017. This gradual increase highlights growing investments in medical infrastructure and services, aligning with Vietnam's efforts to enhance public health. Social relief expenditure (purple line) has remained at around 10% of government spending in this period. This expenditure does not include social or health insurance, which is kept in separate funds and based on contributions by employers and employees. These are discussed further below.

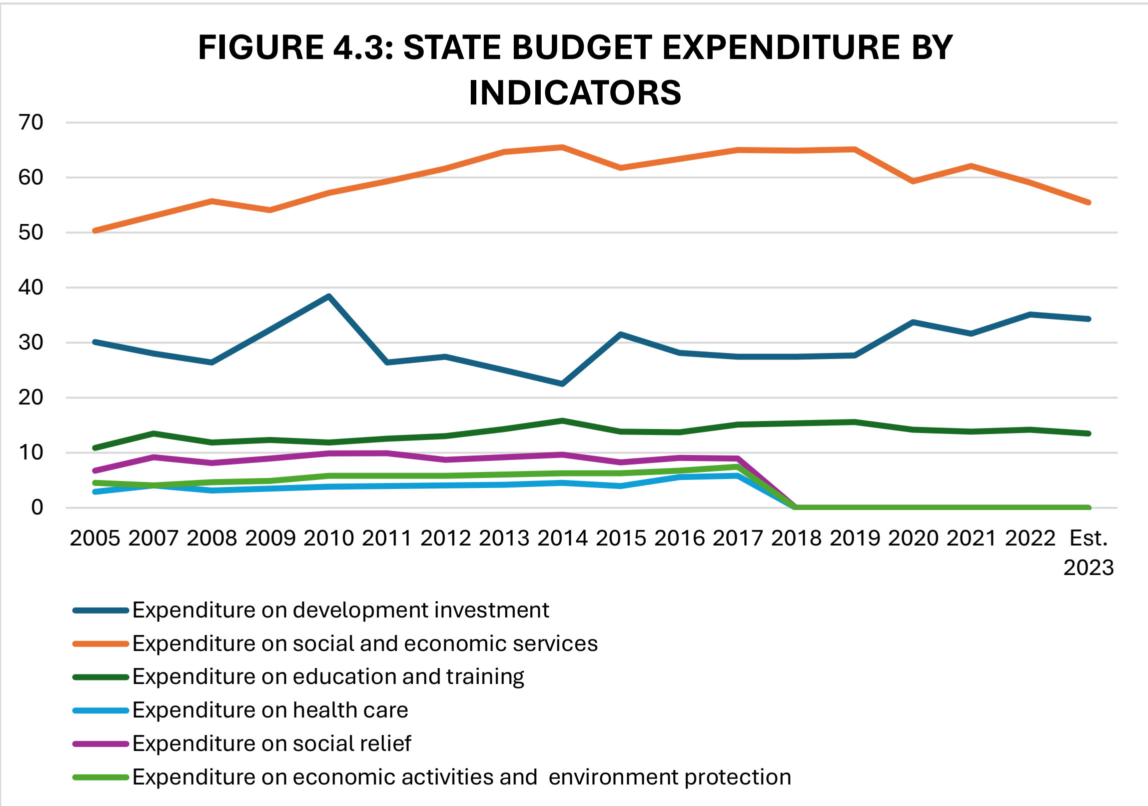

Figure 4.3 Government Expenditure on Different Categories by Indicators as Percentage of State budget (2005-2023)

(Source: National Statistics Office of Vietnam - NSO)
Notes: Data does not include expenditure on social relief, healthcare, and economic activities and environment protection in from 2018 – 2023.

The Structure of Social Welfare Expenditure and Coverage by Program Type

Vietnam's social welfare can be broken down into several key areas, each of which has evolved alongside the country's development. The definition of "social protection" in Vietnam often overlaps with related terms. This term can also be used in conjunction with "social security" or "social safety net," depending on the scope of programs and regulations (ILO, 2011; Long, 2010). Because the phrase "social security" is defined differently, depending on cultures concerned (ILO, 2011), this research defines it to represent the SP system in Vietnam to prevent misunderstandings. Accordingly, the Social Security System in Vietnam today is a multi-pillar system undergoing reform and development to meet the demands of an ageing population and a transitioning economy. Vietnam's social welfare can be divided into several core areas, each of which has evolved alongside the country's development. The system comprises several programs rather than a single "pillar", like in theoretical models. Vietnam's social welfare system is based on four main pillars: (1) offering SA - the first pillar is social aid, which is provided to disadvantaged groups such as older people, those with disabilities, and orphans (Vrba, 2023); (2) offering SI - most employees in the formal sector are required to obtain SI, which is the second pillar (Vrba, 2023); (3) lowering poverty and guaranteeing employment and a minimum wage - this third pillar emphasizes the government's attempts to give citizens work and a minimum monthly income. With a primary focus on job development and other activities, this pillar also seeks to eliminate poverty (Vrba, 2023); and (4) offering fundamental social facilities – the fourth and final pillar of social security in Vietnam consists of basic social amenities for the public. These services include assistance with housing, healthcare (including health insurance), and education. Apart from the aforementioned assistance, the fourth pillar of social security encompasses giving individuals access to knowledge and clean drinking water (Vietnam, 2022; Vrba, 2023) as in Figure 4.4.

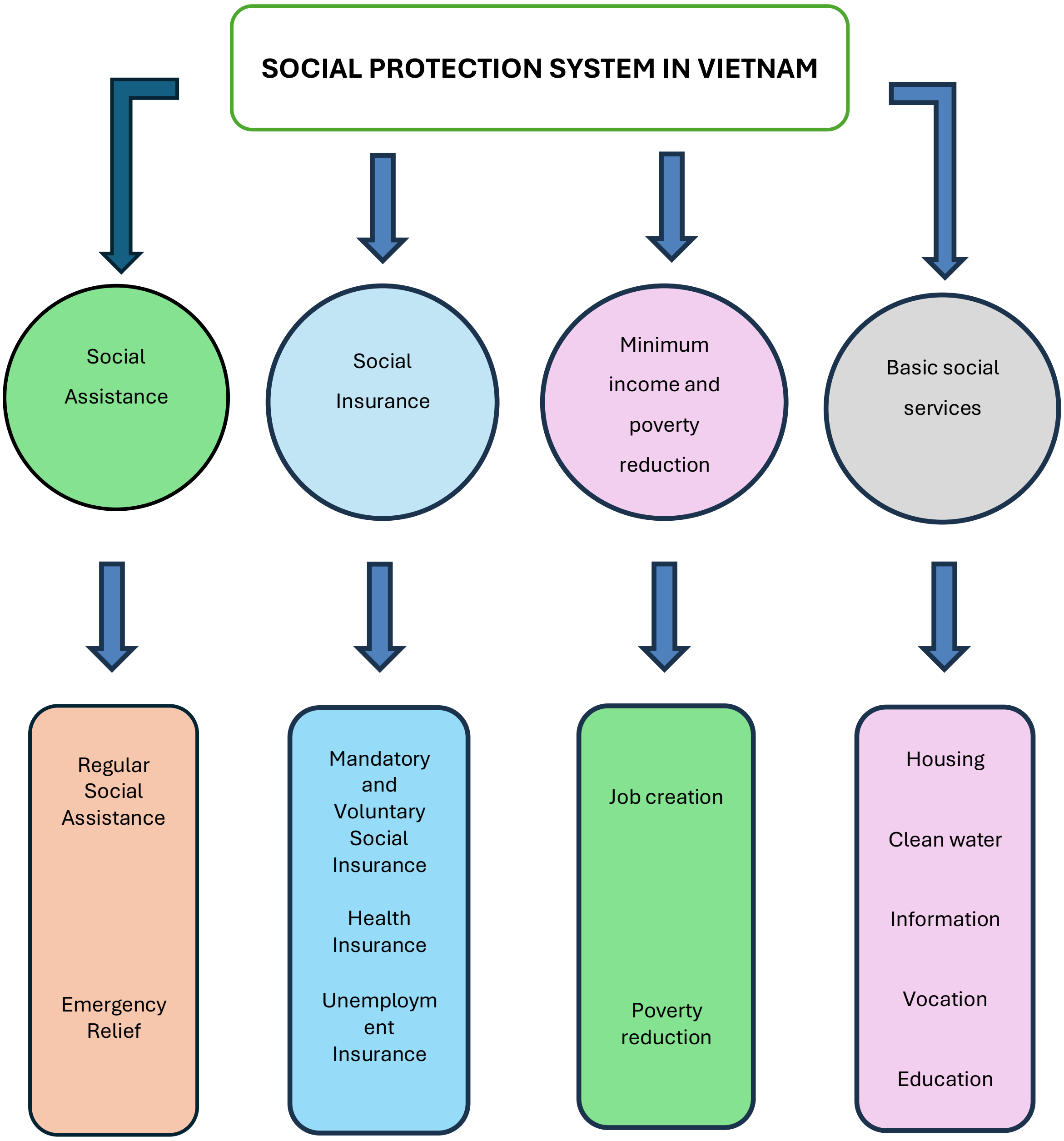

Figure 4.4 Overview of the Social Protection System in Vietnam
(Source: (London, 2018; Vietnam, 2022))

The Government, Party, and social partners in the Vietnam State are committed to enhancing the country's SP system through ongoing, significant policy reforms such as SI Law Revision, Employment Law Revision (Including UI), Developing a new Party Resolution on Social Policies, and Establishment of a SA Law (ILO, 2024a). To assess the generosity of specific pillars, this thesis focuses on two components within the defined scope of the study (covering SI, HI and UI funds) and SA.

The Vietnamese Welfare Regime

Several scholars have analyzed Vietnam's welfare regime using various frameworks, each offering different perspectives on how Vietnam's SP system aligns with broader welfare state typologies. Kasza (2002) argues that any welfare state, including Vietnam's, does not fully conform to a single regime model but rather evolves in response to its unique political, economic, and social characteristics. Kim (2015) categorizes Vietnam as part of the dualist productivist welfare (DPW) model, which combines inclusive and market-oriented measures that prioritize economic growth and developmental goals over expansive social welfare provisions. In this model, social policies focus on boosting worker productivity and promoting industrialization, leading to minimal government intervention in welfare, with families expected to take on a significant role in care provision. London (2009) introduces the term "Market-Leninist welfare state" to describe the blend of state socialism and market reforms in Vietnam, highlighting the country's unique welfare system shaped by its socialist revolution and state socialism. But in spite of the adoption of market reforms, the state remains central to welfare provision, distinguishing Vietnam's system from other East Asian models – hence the "Market-Leninist" name (London, 2009, 2011, 2014; London, 2018). In these regimes, market economic institutions are subordinated to political organizations in the Leninist style (London, 2009, 2011, 2014; London, 2018). This contradictory yet stable combination of redistribution principles, neoliberalism (Nguyen et al., 2016), and communist-corporatism is unique to Vietnam (London, 2011). This differs from welfare regimes in advanced capitalist countries and also from other productivist welfare types in East Asia (Kim, 2015).

Aspalter (2023) categorizes Vietnam within the "Pro-Welfare Conservative Welfare Regime," a model emphasizing a restrained approach to social welfare while focusing on economic productivity. This model incorporates elements of Bismarckian provident funds and insurance schemes, with an increasing role for the market and a shrinking role for the state, focusing on family- and work-centered welfare policies. Other scholars note that Vietnam's welfare system combines both Bismarckian and Beveridgean elements, integrating earnings-related contributory SI and flat-rate, tax-financed SP systems (Goodman et al., 1998; Nguyen & Chen, 2017). This hybrid model results in a welfare-to-work system that includes both general unemployment benefits and insurance-based frameworks (Nguyen et al., 2016). Aspalter (2019) and Hang (2023) also argue however that Vietnam's welfare system increasingly resembles the East Asian welfare model, which focuses on employment-based social security benefits and targeted social services based on income and assets. This model emphasizes providing broad access to key social services, such as healthcare and education, while limiting income redistribution. Meanwhile, Nguyen & Chen (2017) discuss the shift towards "new prudentialism," where the state reduces its role in welfare provision, especially for rural communities, encouraging individuals and families to rely on their own resources. This shift reflects the government's focus on shared responsibility for welfare, emphasizing the role of family and community. The literature therefore reveals that Vietnam's welfare system is a hybrid, shaped by its socialist past, market reforms, and cultural values, making it difficult to categorize within a single welfare regime model. While it shares similarities with other East Asian countries, it is distinctive in its adaptation to Vietnam's specific socio-economic and political context.

In summary, while sharing the common productivist characteristics of the East Asian region, Vietnam's welfare system stands out due to its Market-Leninist nature, marked by the continued dominant role of the state and the Party, the legacy of socialism, its unique combination of welfare principles, and a stronger emphasis on redistribution compared to some other Asian countries, as seen in the provision and access to basic social services.

4.2 Social Insurance Expenditure and Coverage

The SI program in Vietnam is one of the three main pillars of the social security system and is closely related to employment (ILO, 2011). It includes mandatory and voluntary programs alongside HI and UI which are managed by Vietnam Social Security (VSS) (ILO, 2011; London, 2018). These programs primarily ensure economic security for formal sector workers (ILO, 2015), with recent reforms expanding benefits such as maternity and paternity leave (LawLibrary, 2025). The required minimum contribution period for receiving a pension is reduced to 15 years for eligible workers who reach retirement age (LawLibrary, 2025). Workers who have reached retirement age but lack sufficient contributions (less than 15 years) can receive monthly benefits if they do not opt for a lump-sum withdrawal or preserve their insurance (LawLibrary, 2025).

Mandatory Social Insurance

According to the SI Law of Vietnam, this is a compulsory insurance program for employees working under labor contracts with a duration of one month or more in enterprises within the formal sector (Hang, 2023; ILO, 2015; London & Pincus, 2022). Individuals covered by compulsory SI will be entitled to benefits for Sickness, Maternity, Labor Accidents and Occupational Diseases, Retirement, Survivorship Allowances, and Unemployment (ILO, 2011, 2015). Thus, employees in the formal sector are the main group protected from these risks through the mandatory contribution mechanism (Kim, 2015). There are key changes in the 2024 SI Law Effective from July 1, 2025 that expanded coverage for mandatory SI. The most recent law includes seven new groups required to participate in mandatory SI, such as part-time workers with a salary above the minimum threshold, certain business managers, and self-employed individuals with registered businesses (LawLibrary, 2025).

Voluntary Social Insurance

This program is for workers who are not subject to compulsory SI, mainly workers in the informal sector (Hang, 2023; London & Pincus, 2022). Currently, beneficiaries of voluntary SI are limited to two benefits: Retirement and Survivorship Allowances (Hang, 2023; London & Pincus, 2022). However, voluntary participants in SI can now access maternity benefits and workplace accident insurance, expanding their coverage options (LawLibrary, 2025).

Spending on SI in Vietnam is a crucial part of the country's SP system (ILO, 2011). The funding sources for SI in Vietnam include the state budget, and contributions of mostly employed persons to the SI fund, the HI fund and the UI fund (NSO, 2022). SI spending includes payments to SI, HI and UI beneficiaries, administrative costs, and other expenditures (NSO, 2022). Social pension benefits are added for citizens over 75 or those aged 70-75 in poor or near-poor households who do not receive a pension or monthly SI benefits (LawLibrary, 2025). These changes aim to expand SI coverage, enhance benefits for workers, and ensure more effective management of contributions.

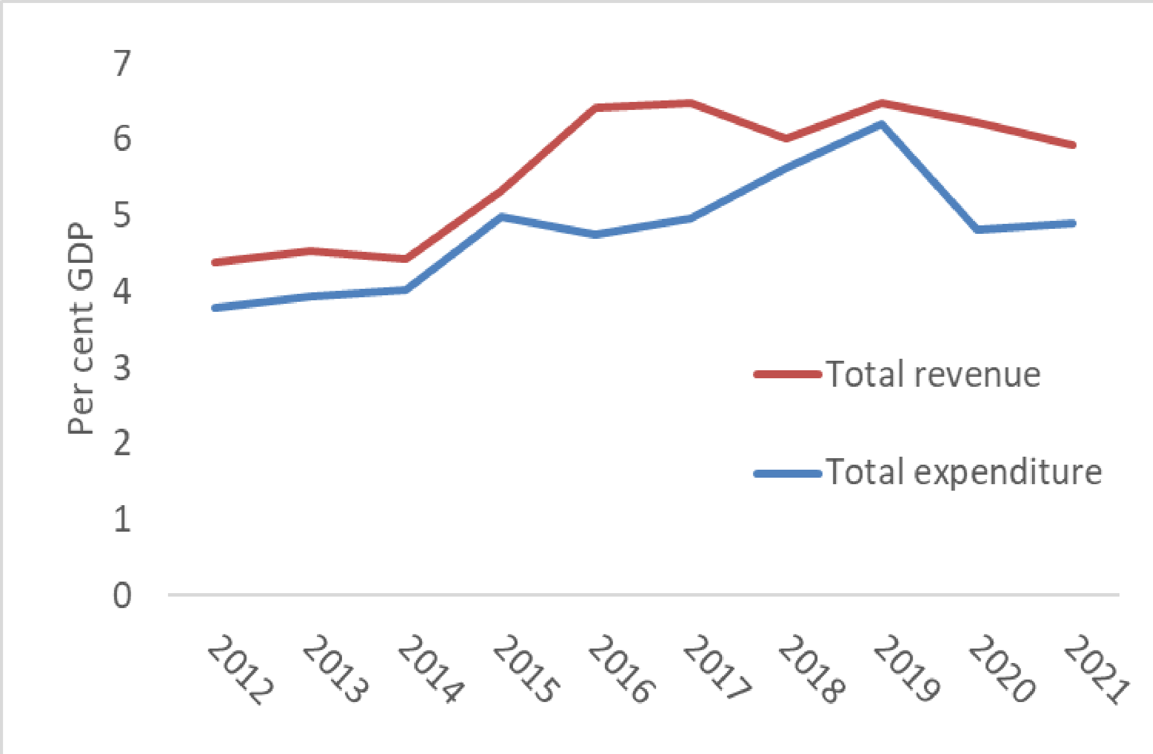

Figure 4.5 Social insurance revenue and expenditure, 2012-2021 (per cent GDP)

(Source: National Statistics Office of Vietnam – NSO and International Monetary Fund - IMF)

Social insurance revenue and expenditure

In monetary terms, revenue from SI grew over this period from 155 to 477 trillion VND, while expenditure grew from 134 to 394 trillion VND, in each case a three-fold increase in nominal money terms. Figure 4.5 shows that the figure illustrates the trend in SI revenue and expenditure as a percentage of GDP from 2012 to 2021. In 2012, the revenue is slightly above 4% of GDP, while expenditure is just under 4%. Both revenue and expenditure gradually increase over the years, with revenue peaking at over 6% in 2019 before remaining just above 5% during 2020 and 2021. SI expenditure gradually rises over the following years, reaching around 5% of GDP by 2015 and peaking at nearly 6% of GDP in 2019. Then, expenditure decreases, reaching just under 5% in 2021.

Coverage of Social Insurance

The 2014 SI Law (effective from January 2018) expanded the scope of mandatory SI coverage to include employees with contracts of one month or more, foreign workers with work permits, and part-time officials at the commune, ward, and town levels (ILO, 2015). Expanding the coverage of SI for the workforce is a current priority, as it has a wide impact across different policy areas and connects the present with the future through the direct link between current employment and future funding for the social welfare system (ILO, 2011).

Figure 4.6 below shows a clear trend of growth in SI coverage from 2012 to 2021. HI coverage grew from 60% to 90% of the entire Vietnam population. SI coverage grows from 19% to 32% of people in employment, and UI also grew, from 15% to 22% of people in employment (numbers in employment remained quite stable through this time, at about 50 million people). During this phase of steady development, the government appears to have prioritized raising enrolment rates in pension schemes, most likely through legislative measures, participation incentives, and awareness efforts. The constant increase in coverage percentage represents a constructive shift toward greater SP, guaranteeing that more workers and residents are enrolled in pension schemes, unemployment benefits, and other kinds of SI. More recently, from 2020 to 2023, the increase rate intensified, with SI coverage reaching 32.7% in 2021, 33.8% in 2022, and a projected 35.2% by 2023 (NSO, 2023). The increase over this time period suggests that post-pandemic recovery policies and government attempts to enhance the social safety net resulted in higher involvement. This rising trend also shows that more people, particularly informal sector workers and independent contractors, are enrolling in SI schemes, maybe due to new legislation or financial incentives. By 2023, the health insurance participation rate was 93.3% (NSO, 2023).

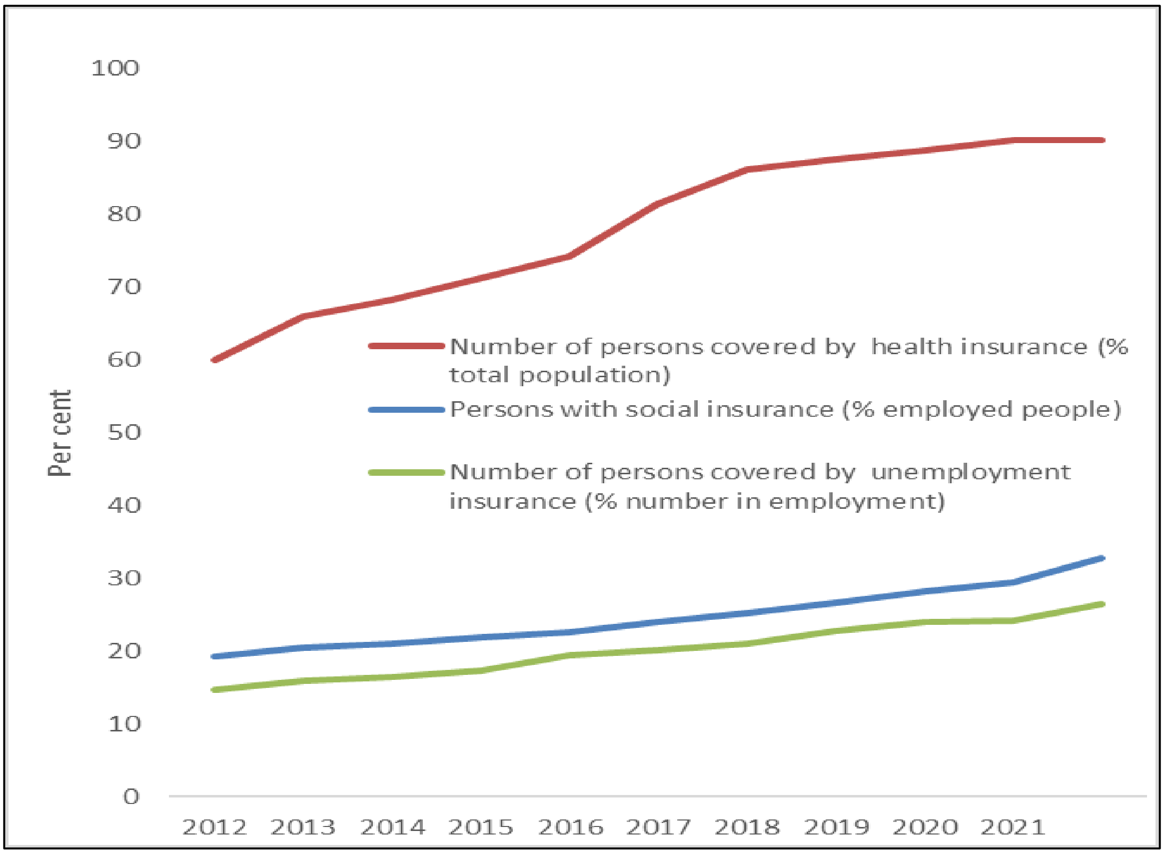

Figure 4.6 Coverage of social insurance schemes, 2012-2021 (per cent relevant population)

(Source: (NSO, 2025))

4.3 Health Insurance and Unemployment Insurance

Health Insurance Policy and Coverage

Increased coverage of HI to 90% of the total population of Vietnam is a particularly impressive achievement (ILO, 2011; Kokko & Tingvall, 2007; London & Pincus, 2022). Initially, HI was established for employees in the public sector to cover additional healthcare costs arising from the implementation of user fees, a concept known as "socialization" in Vietnam (London & Pincus, 2022; Toan, 2022). A voluntary insurance program was introduced to the public in 1998, and in 2002, provincial and sectoral HI funds were consolidated into a single national mechanism under the management of Vietnam Social Security (VSS) (Kokko & Tingvall, 2007; London & Pincus, 2022). The Health Care Support Fund for the Poor was established in 2002 to provide insurance for poor households or directly cover their medical expenses. From 2025, provincial governments in Vietnam are required to cover the compulsory HI for poor households, giving them basic healthcare access, and helping to reduce inequality.

Vietnam's current HI benefits cover a range of treatments, including medications, medical supplies, and services like emergency care and childbirth (Toan, 2022). Most individuals must co-pay 5% or 20% of the costs. Full coverage is only provided at approved facilities; if treatment is sought outside the network, patients bear the full outpatient costs, while insurance covers 60% and 40% of inpatient costs at provincial and central hospitals, respectively (Toan, 2022). The 2024 Health Insurance Law, effective July 1, 2025, will provide 100% coverage for those diagnosed with one of 62 critical illnesses without needing a referral (LawLibrary, 2025).

HI in Vietnam aims for universal coverage and better access to healthcare (London & Pincus, 2022), ensuring quality services without financial hardship for all citizens (WorldBank, 2016). The goal is to reduce out-of-pocket expenditures by increasing government spending and insurance contributions (WorldBank, 2016). The state budget supports preventive care, medical treatment at public facilities, and HI for priority groups (Toan, 2022).

4.3 Unemployment Insurance Policy and Coverage

UI in Vietnam is designed to support workers when they lose their jobs (ILO, 2011; WorldBank, 2019). UI came into effect in 2009 and was initially primarily aimed at workers in formal enterprises with a workforce of ten or more employees (ILO, 2012). This policy is regulated by the SI Law, which was passed by the National Assembly of the Socialist Republic of Vietnam on June 29, 2006 (MOLISA, 2024). UI is mostly funded by contributions of employees and employers (1% of wages in each case), and the state budget (ILO, 2015; Nguyen et al., 2016; WorldBank, 2019). Workers are entitled to unemployment benefits if have contributed to the UI fund for at least 12 of the 24 months prior to losing their job (MOLISA, 2024), with some adjustments for workers on seasonal or fixed-term contracts (ILO, 2015). Unemployment allowances vary according to earnings in employment and length of contributions, with the maximum being 60% of prior salary on which contributions were paid, for 12 months (MOLISA, 2024). The importance of UI as a form of income support was shown during the COVID-19 pandemic, when expenditure on the fund increased 2.5-fold between 2020 and 2021. The pandemic may also have increased awareness of UI as more workers sought financial stability during layoffs.

4.4 Social Assistance Programs

Overview of Social Assistance Programs

SA refers to cash or in-kind transfer programs, funded by the government, that do not require contributions. These programs aim to protect the poor and vulnerable groups from deprivation and poverty, while also promoting opportunities and enhancing their resilience (ADB, 2019; Evans, 2011; ILO, 2024b; WorldBank, 2019). This distinguishes it from SI, where beneficiaries typically contribute to a fund in order to qualify for benefits later (ADB, 2022). SA is an important pillar of the social security system, focusing on the "protection" function against extreme and chronic poverty, including the consequences of natural disasters (WorldBank, 2019). Vietnam's SA programs are designed to support vulnerable populations who do not have access to formal SI (UNDP, 2011). These programs include both regular assistance for low-income individuals and emergency relief during crises (Hang, 2023).

Regular Social Assistance

Regular SA is funded by the state budget and provided as direct cash or in-kind subsidies to low-income or vulnerable individuals and families, often funded through the state budget (Hang, 2023). It serves as a minimum income protection or "safety net" for extremely poor and excluded persons (Hang, 2023) i.e. vulnerable groups such as the elderly living alone, orphans, and people with disabilities. The Country has several SA programs targeting nine vulnerable groups, including orphans, the elderly aged at least 85 years who are not recipients of other benefits, incapacitated adults, elderly, or AIDS/HIV-infected children who live in poor households and do not receive other support, plus single-parent families (ILO, 2015). SA includes both regular cash transfers and emergency aid (Hang, 2023). However these subsidies are low compared to the minimum living standards and have not kept up with price inflation (WorldBank, 2022b). Qualitative interviews show that elderly people feel that subsidies they receive are "symbolic only" and "much lower than the lowest basic salary for workers." (Long, 2019). The World Bank has calculated regular SA to be about 38% of the rural poverty line and 30% of the urban poverty line (WorldBank, 2022b). In 2008, more than one million people received monthly cash benefits through the SA Fund (Nguyen & Chen, 2017). In 2021, the number of people receiving regular SA reached 3.5 million, accounting for 3.5% of the population (Hang, 2023).

Emergency Social Assistance (Emergency Relief)

Vietnam also provides emergency relief in response to natural disasters, economic crises, and other unforeseen events. This is short-term humanitarian support to respond to crises such as floods and pandemics (Hang, 2023; UNDP, 2011). Vietnam has various forms of cash and in-kind emergency support or basic social services, including 15 kg of rice, or cash payments to people who are injured far from home, funeral expenses, and support for beggars (for a maximum of 30 days) (UNDP, 2011). Households with deceased or injured family members, or that are forced to relocate due to natural disasters can also receive temporary support (UNDP, 2011). During the COVID-19 pandemic, the government implemented several emergency cash transfers to workers in the informal economy, providing support to over 2,6 billion USD in 2020 (London & Pincus, 2022; WorldBank, 2020). Some specific support measures during the COVID-19 period included waiving HI contributions for individuals without insurance for a period of 6 months, COVID-19 related sick leave, emergency unemployment benefits for informal sector workers, and cash transfers and food support for vulnerable households (ADB, 2021). However, the distribution of payments showed that many groups affected by the pandemic, including some target groups, were judged ineligible for assistance or faced complex administrative procedures to access support (London & Pincus, 2022).

Trends in Social Assistance Spending

Over the past 15 years, Vietnam's SA system has broadened and become more protective. It has transitioned from a simple last-resort income support system for those unable to work and without family support to a system that provides a safety net for the general population of Vietnam (WorldBank, 2019). Spending on SA in Vietnam has undergone significant changes, reflecting the development of the country's social security system (Anh, 2009). Figure 4.7 shows total expenditure on SA as a percentage of GDP from 2015 to 2020. In 2015, the expenditure was low, at 0.18% of GDP. However, by 2019, it reached 0.68% and increased further to 0.78% of GDP in 2020. This upward trend reflects an expanding commitment to social welfare, suggesting heightened efforts by the government to address social needs in response to economic or social challenges, such as the global COVID-19 pandemic. This commitment is also evident in the growing proportion of the population who accessed some form of SA, more than doubled – increasing from 10% in 2015 to 22% in 2022 (ILO, 2025).

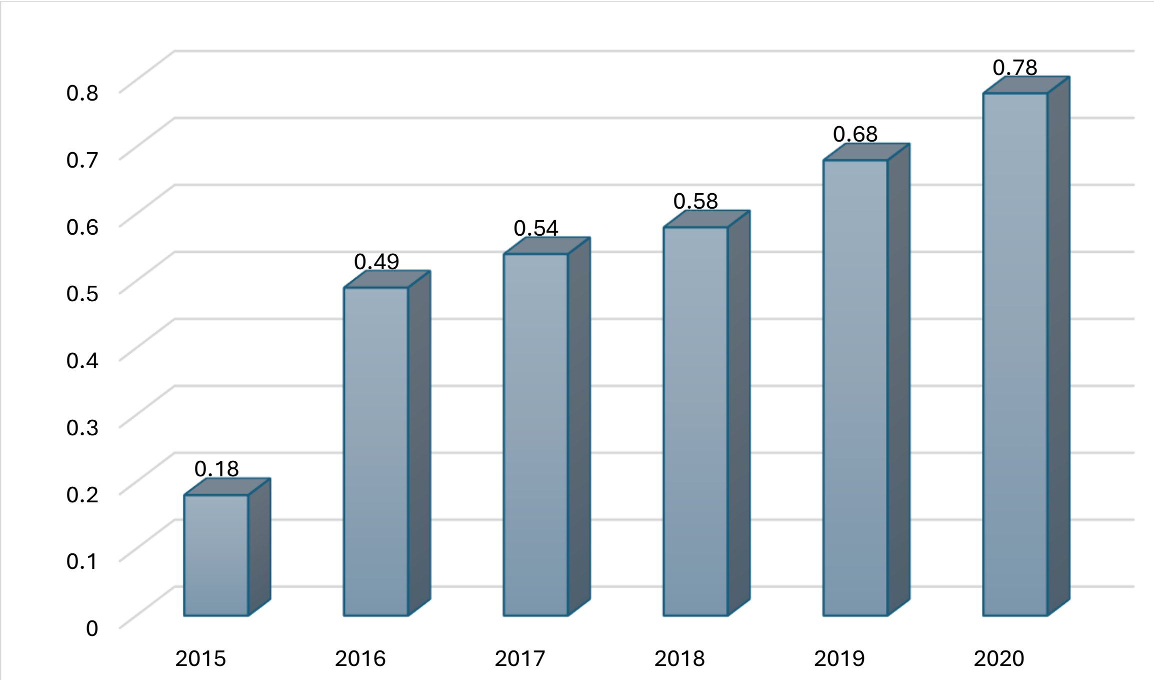

Figure 4.7 Total expenditure on social assistance transfers in Vietnam (% of GDP)

Source: (UNDP, 2016)

4.5 Conclusion

Chapter 4 has provided a detailed overview and analysis of the evolution and effectiveness of Vietnam's welfare state since the Đổi Mới reforms. It has outlined the key elements of Vietnam's welfare state, positioning it within the broader welfare state framework. Vietnam's welfare system, while sharing some characteristics with other Asian welfare states, is unique in its strong emphasis on SI for the working population and its focus on providing healthcare coverage for the poor. These features highlight the government's commitment to SP and equity. Ultimately, Vietnam's welfare system represents a combination of traditional and modern social protection mechanisms aimed at reducing inequality and fostering national development. This evolution reflects Vietnam's shift from a state-centric model to a more hybrid system, balancing market-driven reforms with social welfare goals. In the next chapter, the research will examine the international comparison of Vietnam with Thailand, South Korea, Philippines, Malaysia, and Indonesia to address the third research problem: How does the evolution of Vietnam's welfare system since Đổi Mới compare with those of selected Asia countries in terms of SI and SA?

CHAPTER 5: VIETNAM WELFARE STATE IN A COMPARATIVE STUDY OF SELECTED ASIA COUNTRIES

This Chapter examines the evolution of Vietnam's welfare state in comparison with selected Asia countries – Indonesia, Malaysia, the Philippines, Thailand, and South Korea as a benchmark of advanced SP systems in East Asia. By analyzing key socio-economic indicators – including GDP per capita growth, SP expenditure, poverty reduction, and income inequality trends from 1990 to 2023 – this Chapter provides a comprehensive overview of Vietnam's development trajectory within the regional context. Chapter 5 explores how Vietnam's rapid economic growth has influenced poverty alleviation and income distribution, alongside the country's investment in SP relative to its peers. Through a comparative lens, it identifies both achievements and challenges in Vietnam's welfare evolution, illuminating the broader patterns of social and economic transformation in Asia countries. This analysis offers critical insights into Vietnam's position in regional welfare development and the implications for future social policy design and implementation. It begins by highlighting Vietnam's impressive GDP per capita growth since the 1980s alongside persistent poverty and inequality challenges. The Chapter then reviews the country's rising Social Protection Index (SPI) and compares its performance with other Asia nations, identifying common gaps in spending and SA. Finally, it analyzes trends in poverty reduction and income inequality, noting progress while underscoring ongoing issues in benefit adequacy, coverage, and policy coordination.

5.1 GDP growth

Vietnam has made remarkable progress in improving the living standards of the majority of its population, both in scale, scope, and speed. In the 1980s, it ranked among the poorest countries in the world. In 1982, the average income per capita was estimated at USD 160, significantly below the regional average and among the lowest 20 countries globally (London & Pincus, 2022). However, since the early 1990s, Vietnam has recorded one of the fastest rates of GDP per capita growth (WorldBank, 2016). Over the two decades in the 1990s to 2000s in particular, its economic performance was especially notable, positioning Vietnam as one of the fastest-growing economies in the region by 2010 (ILO, 2012).

The data on Vietnam's GDP per capita over the years, as shown in Figure 5.1, shows that in 1990, Vietnam's GDP per capita was around USD 2,000 PPP, but grew to reach approximately

USD 13,000 PPP in 2023. While this is impressive, it remains lower than that of developed economies like South Korea and Malaysia, but comparable to those of regional neighbors Indonesia, the Philippines, and Thailand, especially since 2010. However, even though Vietnam's relative position suggests that although economic growth is a key factor in expanding welfare services, challenges remain in fully addressing poverty and inequality due to its lower starting point. Vietnam's goal by 2035 is to achieve a GDP per capita of at least USD 18,000 (in 2011 PPP prices) (WorldBank, 2016).

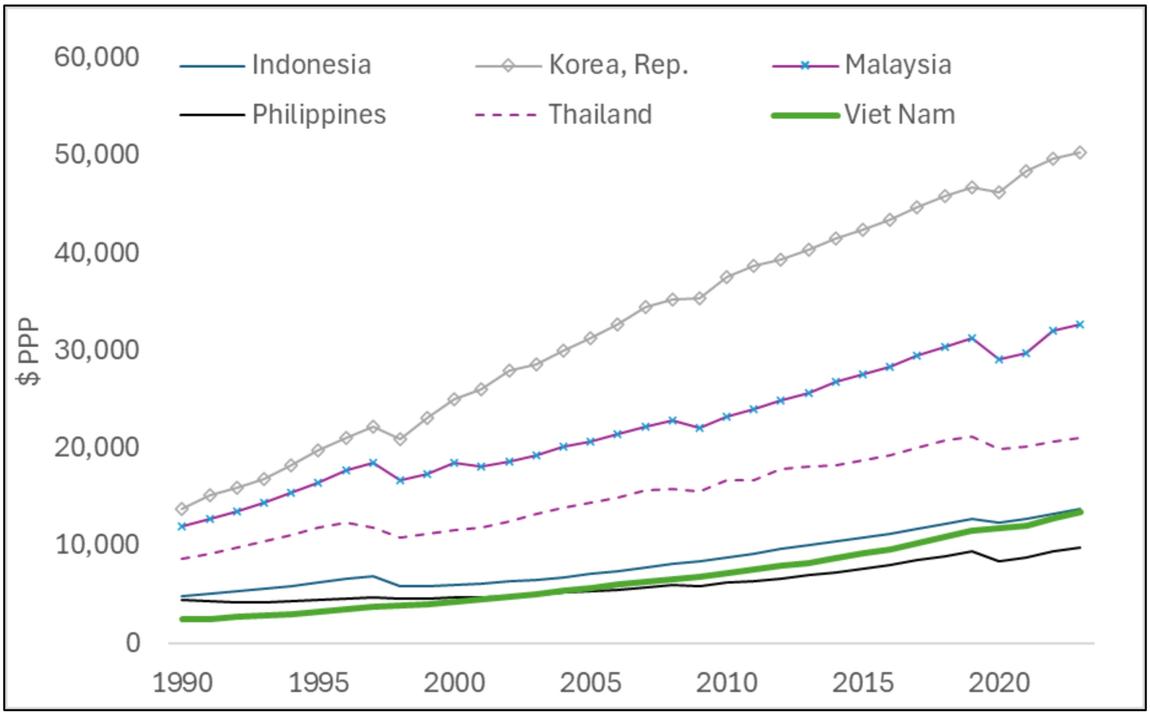

Figure 5.1 GDP per capita in 6 Asian countries, 1990-2023 ($ PPP, 2021 prices)

(Source: World Development Indicators)

Note: "GDP per capita based on purchasing power parity (PPP). PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP at purchaser's prices is the sum of gross value added by all resident producers in the country plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant 2021 international dollars" (WorldBank, 2021).

5.2. Social Protection Index in Vietnam and Asia

Overview of Social Protection Index in Vietnam

The Social Protection Index is a comprehensive quantitative tool for measuring and evaluating social protection systems, as well as tracking the progress of social protection programs (ADB, 2011, 2019, 2022). It is typically expressed as the percentage of average GDP per capita allocated for each intended beneficiary group. Figure 5.2 shows that the SPI for Vietnam increased from 3.9% in 2009 to 4.5% in 2018. This significant increase in coverage is attributed to SI, which grew by 30 percentage points, from 40% of the population covered in 2009 to 70% coverage in 2018 (ADB, 2022). Notably, the main driving force behind the increase in SI coverage is the expansion of health insurance (ADB, 2022). Compared to other countries, Vietnam maintained a middle position, outperforming Malaysia and Indonesia by 2018, but still trailing significantly behind South Korea. The consistent upward trend can be attributed to Vietnam's sustainable development policies (London, 2009; London & Pincus, 2022; Long, 2010; WorldBank, 2016, 2017), improved living standards (London, 2009; London & Pincus, 2022; UNDP, 2020; WorldBank, 2017), and investments in social sectors during this period (ADB, 2019; ILO, 2012, 2015; London, 2014; London, 2018; London & Pincus, 2022; WorldBank, 2016, 2022a), as documented by reports from the World Bank and international social development organizations.

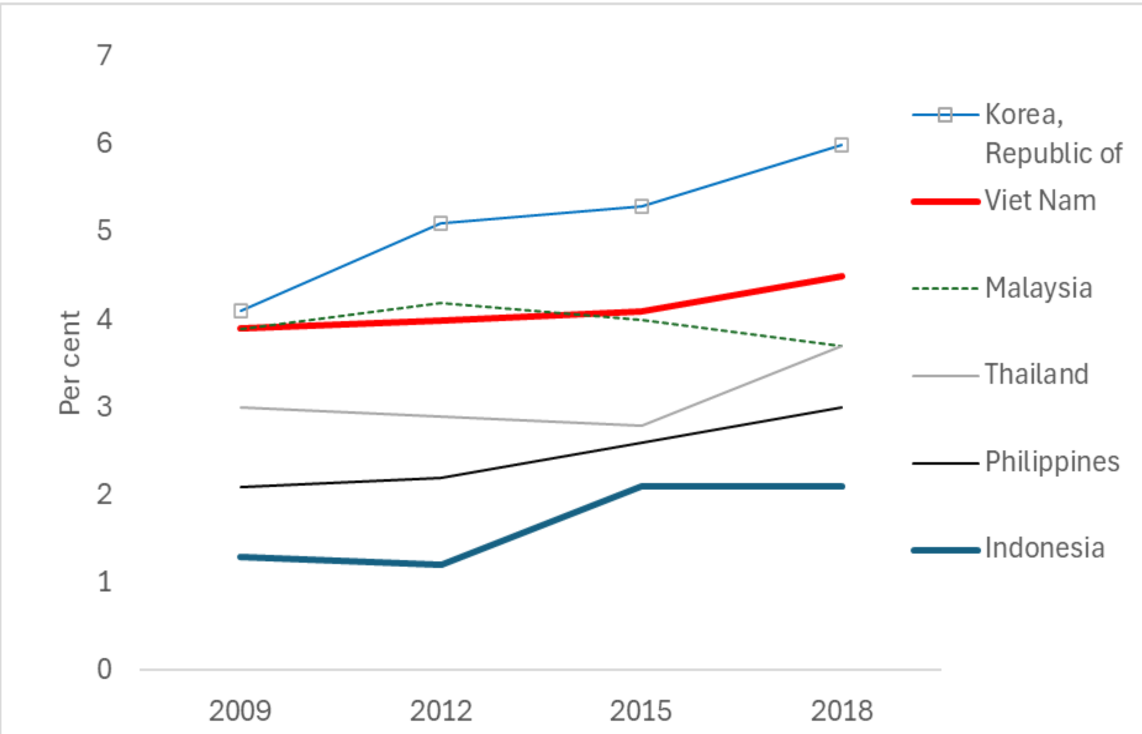

Figure 5.2 Social Protection Indicator, 2009-2018 (% GDP per capita)

(Source: Asian Development Bank)

Figure 5.2 above shows that Korea had the highest social protection percentage by 2018, followed by Malaysia and Vietnam. Thailand's spending decreased, while Indonesia and the Philippines showed steady growth in social protection expenditures.

Common challenges for the Asian region, including Vietnam, remain increasing overall spending and developing SA systems for the poor. Table 5.1 below shows SA data across the six countries, revealing three distinct policy configurations: Generous Benefits but Low Coverage, Low Benefits but Substantial Coverage, and Low Benefits Combined with Limited Coverage. Accordingly, Korea represents the "Generous Benefits but Low Coverage" model, with a Depth of Benefits of 8.1% of GDP per capita, the highest among the six countries, but a relatively low Breadth of Coverage, with only 14.4% of the population benefiting. SA systems in Korea are designed to aid vulnerable individuals who encounter specific social risks. This suggests a focus on providing high levels of support to a small, targeted group of beneficiaries (ADB, 2022). In contrast, Indonesia fits the "Low Benefits but Substantial Coverage" model, offering low benefits (1.3% of GDP per capita) but covering a large portion of the target population (72%). Indonesia's conditional cash transfer program, PKH, expanded its reach from 1.5 million families in 2012 to 10 million families in 2018, covering 15.0% of the population (ADB, 2022). This configuration prioritizes broad coverage, ensuring that a larger number of people receive SA, even if the benefits provided are limited. As a comparison, Vietnam surpassed the regional average for coverage but provided low benefits. Thailand offers a depth of benefits at 2.4% of GDP per capita and covers 29.9% of the target beneficiaries. Based on these figures, both Vietnam and Thailand fall into the Low Benefits but Substantial Coverage model. While the benefits are relatively modest, a significant portion of the target population is covered by the SA program. The "Low Benefits Combined with Limited Coverage" policy configuration is evident in countries like Malaysia and the Philippines, where the benefits are moderate (2.9% and 4.5% of GDP per capita, respectively), but coverage remains low (2.3% and 23.3%, respectively). These countries provide relatively limited assistance to a smaller percentage of the population.

Table 5.1 Depth of Benefits and Breadth of Coverage by Country, 2018

Country	Depth of Benefits (% of GDP per capita)(*)		Breadth of Coverage (% of target beneficiaries)(**)	
	Depth _ Overall	Depth _Social Assistance (SA)	Breadth_ Overall	Breadth _Social Assistance (SA)
Indonesia	1.6	1.3	129.0	72.0
Korea	5.5	8.1	110.3	14.4
Malaysia	43.5	2.9	8.5	2.3
Philippines	2.5	4.5	119.1	23.3
Thailand	2.7	2.4	135.9	29.9
Viet Nam	4.5	1.3	100.2	29.6

(Source: Asian Development Bank)

Note: "… = no available data, GDP = gross domestic product, 0.0% values are less than 0.1" (ADB, 2022).

(*) "The depth indicator evaluates the adequacy of social protection benefits by expressing their value as a percentage of GDP per capita, making cross-country comparisons more meaningful" (ADB, 2022).

(**) "The breadth indicator measures how far social protection reaches the target population, with a weighted value calculated using the total reference population. The unweighted breadth reflects actual coverage for each category, and in some cases, may exceed 100% due to double counting of beneficiaries across multiple programs" (ADB, 2022).

5.3 Developments in poverty levels and income inequality in Vietnam

Analyzing poverty levels and income inequality in the part is crucial because these indicators directly reflect the effectiveness and inclusiveness of a country's welfare state and economic development. By comparing Vietnam's experience with other Asia countries, this section aims to identify the strengths and weaknesses of Vietnam's welfare evolution, offering valuable lessons on how to enhance social protection and reduce disparities in a rapidly changing economic environment.

Poverty Reduction Dynamics in Vietnam and Peer Asia Countries: 2002–2023

Vietnam has achieved impressive poverty reduction in recent decades (London & Pincus, 2022). Vietnam has shifted from a state of widespread poverty in the 1980s to a country where most people have enough money to meet basic needs (London & Pincus, 2022). Vietnam is also one of the pioneering countries in the Asia region to adopt a multidimensional poverty approach (UNDP, 2020). Vietnam's national multidimensional poverty rate was recently 4.2% in 2022 and 3.4% in 2023 (NSO, 2022).

Absolute poverty: Regarding the poverty rate, this study provides a direct comparison of the headcount poverty rate using the international poverty line of 3.65 USD per day (for middle-income countries) in 2017. Indonesia and Vietnam, which began with the highest absolute poverty rates, achieved the most substantial reductions between 2002 and 2022. The Philippines showed moderate improvement, while Thailand, Malaysia, and Korea (Rep.) sustained low absolute poverty rates with slight decreases (Figure 5.3).

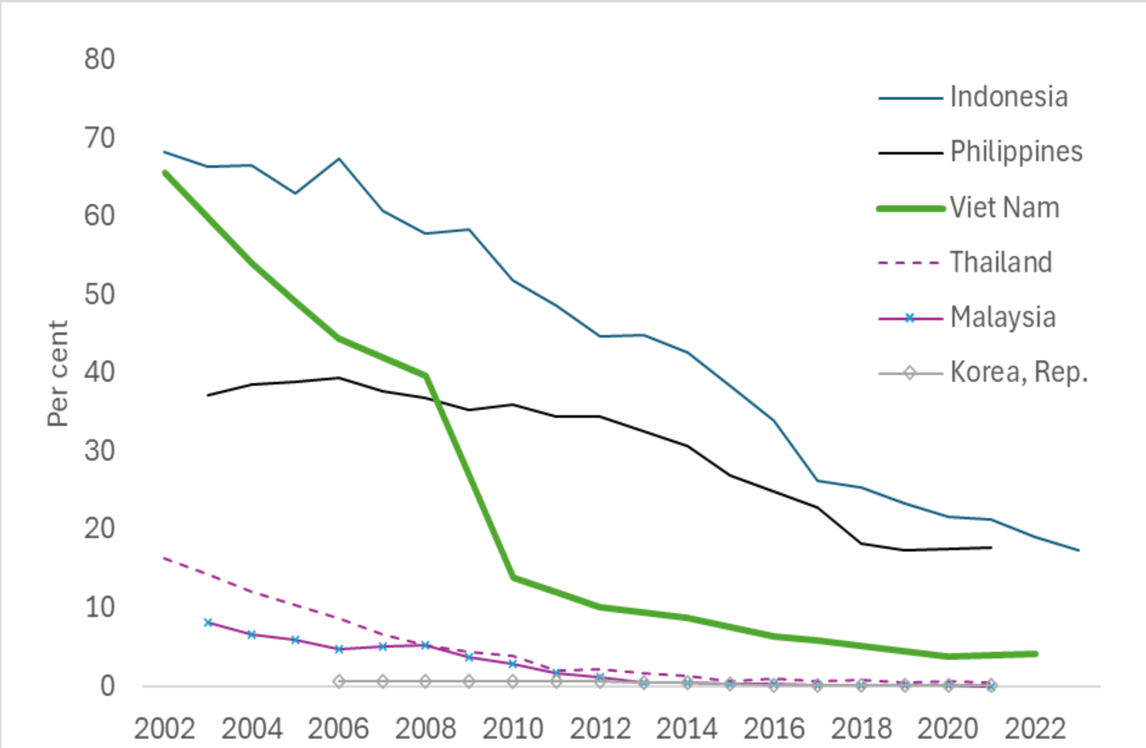

Figure 5.3 Absolute poverty 2002-2023 (% population below $2.15 poverty line)

(Source: World Bank, Poverty and Inequality Platform)
Note:
Data are based on primary household survey data obtained from government statistical agencies and World Bank country departments. Data for high-income economies are mostly from the Luxembourg Income Study database. For more information and methodology, please see http://pip.worldbank.org.
Poverty headcount ratio at $3.65 a day (2017 PPP) (% of population)
Poverty headcount ratio at $3.65 a day is the percentage of the population living on less than $3.65 a day at 2017 international prices.

As indicated above in Figure 5.3, in 2002, Indonesia had the highest absolute poverty rate with approximately 68% of the population living below this threshold, closely followed by Viet Nam at around 65%. The Philippines started significantly lower, at about 37%, while Thailand, Malaysia, and Korea had much lower rates of around 16%, 8%, and 1% respectively. Over the 20-year period, Indonesia's absolute poverty rate steadily declined to about 17% in 2022. In contrast, Viet Nam experienced the most dramatic reduction, dropping sharply from around 65% in 2002 to approximately 4% in 2022. The Philippines also saw a significant but more moderate decline in absolute poverty, decreasing from about 37% in 2002 to roughly 18% in 2022 – nearly halving the rate over two decades. In the timeline in Figure 5.3, Thailand, Malaysia, and Korea started with relatively low absolute poverty rates and maintained this low level over the next two decades. Thailand's rate decreased gradually from around 16% in 2002 to less than 1% by 2022. Malaysia's absolute poverty rate also declined from about 8% to under 1%, while Korea consistently remained near or below 1% across all years.

Overall, Vietnam's substantial reduction in absolute poverty represents the most pronounced decrease among the countries examined. This indicates an improvement in the quality of life in Vietnam that goes beyond just the poverty income index.

Relative poverty: The Societal Poverty Line (SPL) is a poverty threshold used by the World Bank to determine how many people in a country are living in relative poverty. It is dynamic, meaning it is fixed relative to a country's national median income. When the national median income is low (i.e., most people earn very little), the SPL is set at USD 2.15 PPP, which is the extreme poverty line. This means that in countries with very low median income, the poverty threshold is set at this global value, and anyone earning below this amount is considered to be living in extreme poverty. When median income is higher, the poverty line is set as 50% of median income. The SPL is designed to reflect the relative poverty conditions within a country rather than just an absolute threshold.

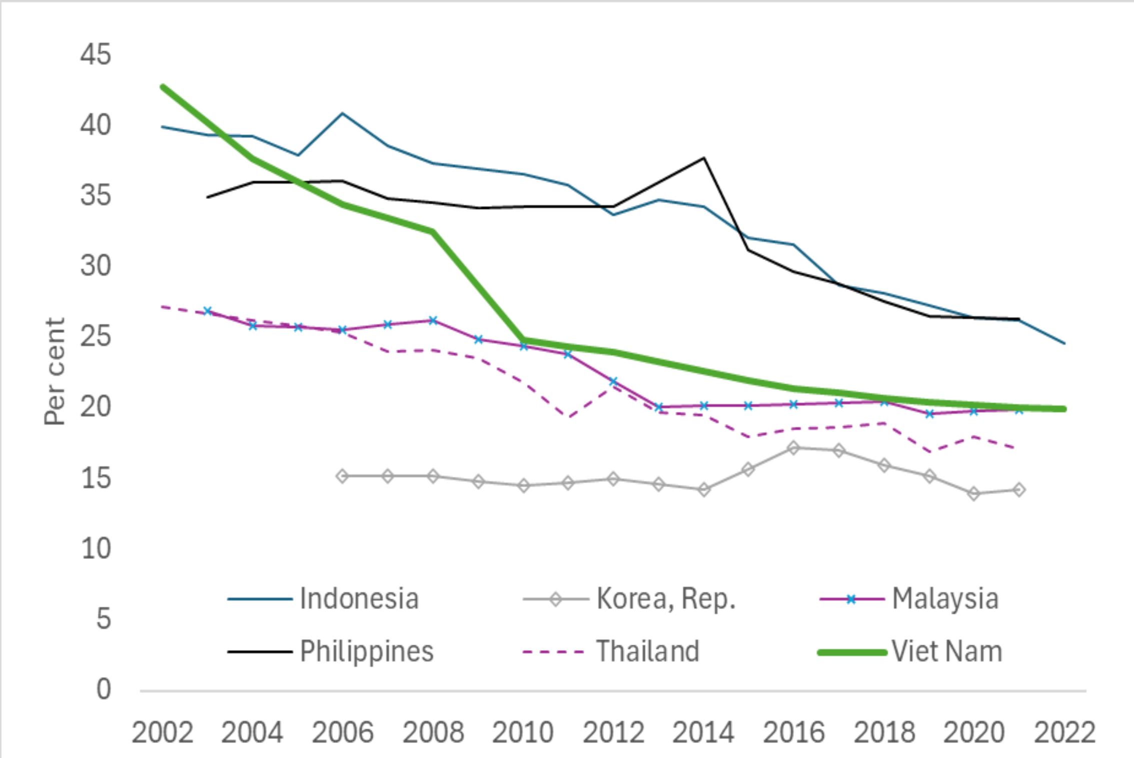

Figure 5.4 Relative poverty 2002-2023 (% population below the Societal Poverty Line)

(Source: World Development Indicators)

Note: "The poverty headcount ratio at societal poverty line is the percentage of a population living in poverty according to the World Bank's Societal Poverty Line. The Societal Poverty Line is expressed in purchasing power adjusted 2017 U.S. dollars and defined as max ($2.15, $1.15 + 0.5*Median). This means that when the national median is sufficiently low, the Societal Poverty line is equivalent to the extreme poverty line, $2.15. For countries with a sufficiently high national median, the Societal Poverty Line grows as countries' median income grows" (WorldBank, 2024b).

Figure 5.4 presents the relative poverty rates (% population below the Societal Poverty Line) across six countries from 2002 to 2023. Starting with Viet Nam, the data shows the highest poverty rate among the six countries in 2002, at approximately 43%. Over the next two decades, Viet Nam experienced a significant and steady decline, with the relative poverty rate falling to around 20% by 2022.

As a comparison, Indonesia and the Philippines displayed somewhat similar trends initially, with Indonesia starting near 40% and the Philippines at about 35% in 2002. Both countries show gradual declines over the years, but Indonesia's decrease is more consistent, ending at about 24% in 2023. The rate in the Philippines fluctuated slightly but poverty fell to approximately 26% by 2021. Malaysia and Thailand had significantly lower poverty rates throughout the period. Malaysia started near 27% in 2002 and declined to roughly 20% by 2021, with some fluctuations in the middle years. Thailand began at about 27% and showed a slower decline, hovering around 18% in recent years. Finally, South Korea consistently maintained the lowest relative poverty rates, starting just under 15% in 2006 and remaining fairly stable with minor fluctuations, ending slightly below 14% in 2022.

Income Inequality Dynamics in Vietnam and Selected Asia Countries

The stability in inequality measures is considered to have contributed to this success (London & Pincus, 2022). An examination of Figure 5.5 below presents the Gini coefficient representing income inequality from 2002 to 2022 across six countries including Vietnam. Vietnam's Gini coefficient remained at about 35-37%, except for a brief increase in 2010. Vietnam's Gini coefficient remained moderately high over the past two decades, starting at 37% in 2002. It peaked at 39.3% in 2010, indicating rising inequality, before decreasing to around 35% by 2013. From 2013 to 2022, it stabilized to between 35% and 36%, reflecting a modest reduction and subsequent stability in income disparities.

Throughout this period, the Philippines consistently exhibited the highest income inequality, with its Gini coefficient starting at approximately 46.5% in 2003 and gradually declining to about 40.5% by 2021. This represents a noticeable reduction but still positions the Philippines as the country with the greatest income disparity among the six in this comparison. Malaysia followed closely behind, starting at around 46.5% in 2003, mirroring the Philippines initially, and showing a decline to roughly 40.5% by 2021, suggesting a similar trend in decreasing income inequality.

Thailand displayed a moderate decrease, starting at approximately 42% in 2002 and reducing to about 35% by 2021. The pattern reveals some fluctuations but an overall downward trend in income inequality. Indonesia's income inequality started at about 30% in 2002, experienced a rising trend peaking near 39% in 2014, then decreased slightly and stabilized around 36% by 2023. This shows a significant increase in income disparity during the early years, followed by some improvement. South Korea consistently reported the lowest Gini coefficients among these countries, starting just above 32% in 2006, dipping slightly below 31% around 2012-2014, and then rising modestly to about 33% by 2021. This suggests relatively lower and more stable income inequality compared to the others.

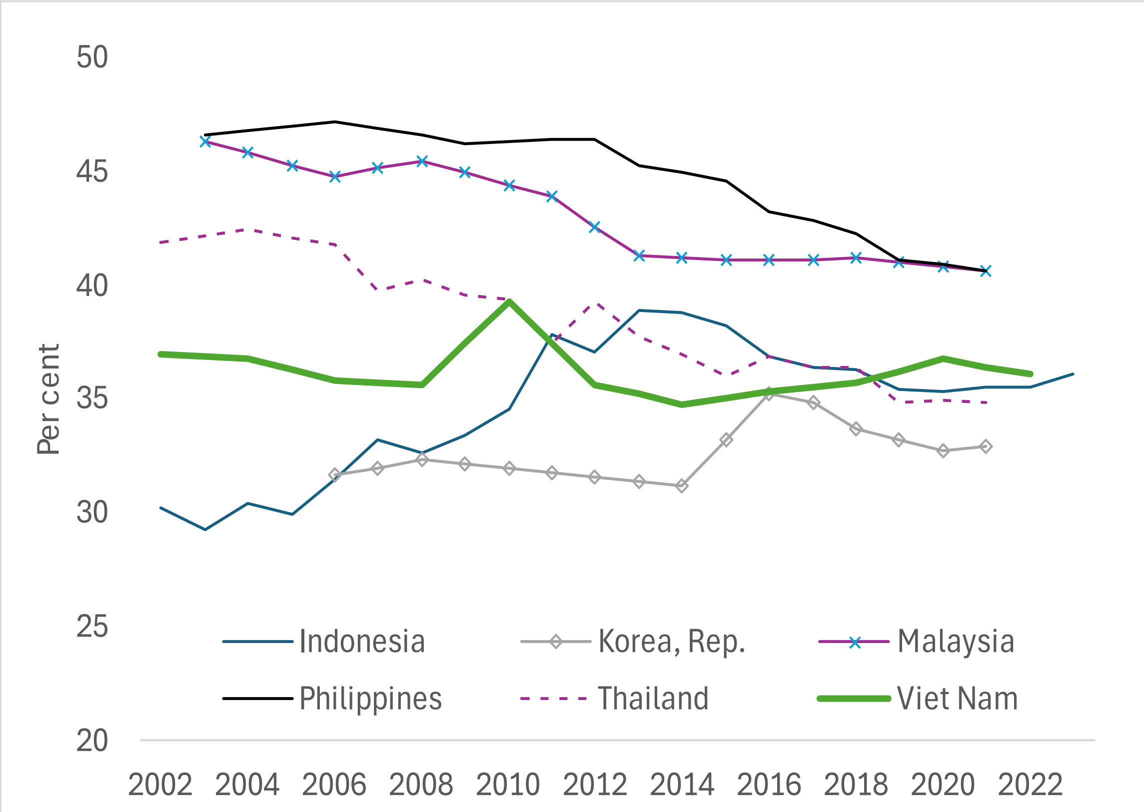

Figure 5.5 Income inequality 2002-2023 (Gini coefficient)

(Source: World Development Indicators)
Note:
"Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality" (WorldBank, 2024a).

The relationship between social welfare and economic growth is bidirectional: (i) Economic growth supports social welfare: Strong economic growth is a key factor for countries to increase their financial resources and expand the coverage of social welfare (ADB, 2021, 2024). As a country becomes wealthier, governments can collect more tax revenue and increase spending on public goods and social services (IMF, 2021). Higher-income countries tend to implement more redistribution compared to developing countries (IMF, 2021); (ii) Social welfare supports growth: Global evidence shows that well-designed social welfare systems can positively contribute to economic growth and make that growth more inclusive (ADB, 2014; ILO, 2024b; WorldBank, 2019). Recent research from the IMF suggests that progressive and reasonable redistribution has a positive impact on growth levels and the duration of growth (WorldBank, 2016, 2019). Investment in social welfare can also strengthen human capital and contribute to economic growth (UNDP, 2022). Social welfare acts as an important automatic stabilizer and empowers governments to manage crises and structural transitions (ADB, 2014; ILO, 2024b).

Many countries in the Asia region, have a "tiered" social welfare system, where civil service pensions and SI serve the formal sector (the better-off group), while small SA programs are targeted at the poorest, creating a "gap" for the low- and middle-income groups (ADB, 2014; UNDP, 2022). Although Vietnam also has aspects of this model (ILO, 2012; Nguyen & Chen, 2017; Nguyen et al., 2016; UNDP, 2022), Vietnam has made significant efforts to build a social welfare system with broad legal coverage (with 8 out of 9 main types of social welfare mandated by law, only missing family allowances) (ILO, 2015). Despite limitations in actual coverage and inequalities in access to services (ADB, 2014; ILO, 2012), Vietnam's spending on social welfare (measured by SPI) is relatively higher than some countries like Thailand and Indonesia in comparison to its per capita GDP (ADB, 2014).

In summary, after transitioning to a market economy, Vietnam achieved rapid economic growth and impressive poverty reduction, similar to many other selected Asia countries. However, Vietnam seems to have managed to keep income inequality growth at a lower level than some regional counterparts, for example Malaysia and the Philippines (as shown in Figure 5.5). This can be explained by the continued emphasis on fairness and the proactive redistributive policies of the Vietnamese state, which is characteristic of the tiered social welfare models seen in many other countries in the region. However, significant internal inequality challenges, particularly between ethnic groups, urban and rural areas, and inequality of opportunity, still persist and need to be addressed.

5.4. Conclusion

This chapter has situated Vietnam's welfare evolution within the broader landscape of selected Asia countries, highlighting both convergence and divergence in policy pathways. Compared to its regional peers, Vietnam’s welfare system reflects a distinctive path—achieving broad coverage with modest benefits—illustrating the strengths of its redistributive approach. However, this study also identifies areas where further improvement is needed, especially in terms of adequacy, equity, and institutional integration. While Vietnam has managed to keep income inequality relatively stable, especially in comparison with countries like South Korea, challenges remain, particularly with regard to ensuring sufficient benefits and expanding coverage, particularly in rural and ethnic minority areas. Thus, continued efforts are required to modernize the welfare system to address these disparities and align more closely with the advanced welfare systems of its regional counterparts.

CHAPTER 6: DISCUSSION AND CONCLUSION

This Chapter presents a brief summary of the key findings, discusses the implications of these findings, and offers actionable recommendations based on the research on Vietnam's welfare system. It begins by summarizing the evolution of Vietnam's social insurance (SI) and social assistance (SA) systems since the Đổi Mới reforms of 1986. It highlights significant progress in poverty reduction, particularly through social assistance programs, while acknowledging persistent challenges in addressing inequality, especially between formal and informal sector workers. The Chapter points out the areas where Vietnam's system lags behind and where it has made strides.

Vietnam has achieved remarkable progress in poverty reduction. However, persistent inequality remains a significant concern. One key reason is the large number of workers in the informal sector who typically do not have formal employment contracts and are therefore excluded from the national social insurance scheme. Moreover, the voluntary insurance program for the informal sector has not significantly attracted participants. This exclusion limits their access to social protection and increases their vulnerability to poverty, insecurity and leaves them more vulnerable to economic shocks. This creates a "missing middle" in the social protection system, where these workers are not poor enough to receive social assistance but are unable to access formal social insurance. Compared to its selected Asia counterparts, Vietnam's welfare system is less inclusive and less effective in addressing inequality. Countries like South Korea, Malaysia, the Philippines, Thailand, and Indonesia offer more comprehensive social protection, successfully providing coverage for both formal and informal sector workers. However, all these countries continue to face challenges in ensuring comprehensive protection for vulnerable populations, particularly those in the informal economy.

6.2 Discussion

The research findings indicate that while Vietnam's welfare policies have made significant strides in reducing poverty, especially through SA programs, the overall effectiveness of these policies remains limited. The evolution of Vietnam's welfare system has been shaped by significant socio-political changes, particularly the Đổi Mới reforms of 1986, which marked a shift from a centrally planned economy to a socialist-oriented market economy. This transformation set the stage for gradual welfare state reforms, beginning with basic social protection measures aimed at addressing poverty and economic inequality.

Initially, the system focused on SA programs, which played a crucial role in alleviating poverty. However, over the years, the focus shifted towards expanding SI, particularly for workers in the formal sector. This transition reflected the broader economic goals of the Đổi Mới reforms, which prioritized economic growth and market liberalization. Despite these efforts, the SI system largely excluded informal sector workers, contributing to a persistent gap in coverage and highlighting a significant weakness in the overall system.

The government's fiscal commitment to social protection has grown over time, especially in the areas of healthcare and social relief, which have seen increased funding and expanded coverage. However, the benefits of these programs remain insufficient, as many vulnerable populations, particularly those in the informal sector, continue to face challenges in accessing comprehensive social protection. Vietnam's hybrid welfare system, which combines Bismarckian (income-related) and Beveridgean (universal) models, has both strengths and limitations. The Bismarckian model offers strong benefits for formal workers, but it leaves a large portion of the population unprotected. This shift towards a more market-oriented welfare system has been effective in stimulating economic growth but has not been as successful in ensuring social protection for all citizens, particularly in a rapidly changing labor market.

Comparing Vietnam's welfare system to those of other Asia countries, such as South Korea, Malaysia, and Thailand, reveals both progress and gaps. While these countries have made strides in integrating informal workers into their welfare systems, Vietnam has faced challenges in extending coverage to this group. The evolution of Vietnam's welfare system is a complex process that reflects the tensions between economic development and social equity, and the ongoing need for reforms to address emerging inequalities.

6.3 Limitations of this study

There are some potential challenges and limitations in the study. The study primarily relies on data from the ADB, World Bank, ILO, UNDP, and IMF which provide reliable and standardized international data. However, even with these sources, there can still be variations in the quality and consistency of data across countries. For instance, while Vietnam, Indonesia, and Thailand use these international databases, there may still be differences in the specific methodologies or timeframes for reporting social welfare expenditures and poverty and inequality indicators. This could limit the comparability of data despite using internationally recognized sources.

Missing data is a significant limitation in this thesis, especially when comparing Vietnam's welfare system with other Asia countries. Gaps in data availability for certain years or countries can affect the robustness of the analysis, particularly if key indicators like government spending, SA, or poverty measures are inconsistent or unavailable. Variations in reporting standards across countries may also introduce discrepancies in comparability. Additionally, the lack of comprehensive data on informal workers, who are a significant part of Vietnam's workforce, limits the understanding of welfare's impact on inequality. Finally, the absence of longitudinal data makes it difficult to fully assess the long-term effects of welfare policies on poverty and inequality.

Focus on Social Insurance and Social Assistance: the research primarily focuses on SI and SA, which may not capture the broader social protection systems in these countries. Other important aspects like healthcare, education, or broader labor market policies that impact poverty and inequality are not as deeply analyzed.

Exclusion of Other Asia Countries: While the study compares Vietnam with Korea, Malaysia, Philippines, Thailand, and Indonesia, the exclusion of other Asia countries such as Singapore or Cambodia may limit the scope of the comparison. Including a wider set of countries could provide a more holistic view of the region's welfare systems.

Exclusion of Non-Government Welfare Programs: The focus on government welfare expenditure might overlook the role of non-governmental actors, such as NGOs, international organizations, and the private sector, which also contribute to social protection efforts in these countries.

6.4 Recommendations

Based on the findings and discussion, the following recommendations are made to improve Vietnam's welfare state and address the identified gaps:

Expand Social Insurance and Social Assistance Coverage

To address the gap in coverage for informal workers and the unemployed, the Government should prioritize expanding SA programs to include informal workers. This could involve creating flexible and affordable insurance options or incentivizing informal workers to join the formal sector through tax breaks or simplified enrollment processes, and subsidies for low-income workers. Integrating informal workers into the SI system is essential to reducing inequality and ensuring that all workers benefit from social protection. This would reduce inequality by ensuring that all workers, regardless of employment status, have access to basic social protection. It would also align with international best practices, such as those seen in countries like Malaysia and Indonesia, which have made strides in integrating informal workers into social protection systems.

Develop a Universal Unemployment Support Program

Vietnam should consider implementing a universal income support program for the unemployed, which could be linked to both UI and SA. This system should provide a basic safety net for individuals during periods of job loss and economic transition. Such a model would ensure that those who are temporarily out of work are provided with adequate financial support while they search for employment, reducing the risk of poverty and inequality during periods of economic transition. This would address a significant gap in Vietnam's welfare system, as UI is currently insufficient. A universal program would better protect vulnerable populations from economic shocks and reduce poverty during periods of unemployment.

6.5 Conclusion

This study has provided an in-depth analysis of the evolution of Vietnam's welfare state, focusing on SI and SA programs since the Đổi Mới reforms. The findings indicate that while these programs have contributed to poverty reduction, they have not sufficiently addressed inequality, particularly between formal and informal workers. The welfare system remains a hybrid model, combining elements of both the Bismarckian and Beveridgean systems, but it lacks comprehensive coverage for all citizens, especially the unemployed and informal workers.

The study highlights the importance of expanding SI coverage, introducing universal safety nets for the unemployed, and strengthening SA programs to achieve greater inclusivity and reduce inequality. As Vietnam continues its economic transition, ensuring that all citizens benefit from social protection will be crucial in achieving sustainable and equitable development. The research contributes to a better understanding of welfare system development in transition economies and provides valuable insights into the unique challenges faced by countries like Vietnam. The findings underscore the need for ongoing reforms and the expansion of social protection to ensure that no one is left behind in the Country's development trajectory.

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APPENDIX: SUPPLEMENTARY ANALYSE OF REVISED SOCIAL PROTECTION INDEX (SPI)

To expand the expenditure method, the ADB has described in detail the expenditure approach used in many studies on social welfare. This method heavily relies on the expenditure approach, but expands and refines it to assess the social protection system in a more comprehensive manner (ADB, 2014, 2019). It is the Social Protection Index (SPI), a tool developed by ADB (initially during the 2005-2008 period, later revised in 2010 and 2011) to monitor and analyze social protection systems at the national and regional levels (ADB, 2011, 2019). Its purpose is to assess the quality and coverage of social protection in the region (ADB, 2019). The revised version of this SPI adopts a more unified approach, highlighting the impact of expenditures on all beneficiaries (ADB, 2011). It is a useful tool for analyzing and evaluating social protection programs in countries, rather than simply ranking countries (ADB, 2011). The traditional expenditure method uses government spending as a "consistent" and "comparable" measure of welfare efforts (Kim, 2015). However, this method has been criticized for not capturing non-financial "functional equivalents" and may only reflect the scale of social issues (such as unemployment) rather than the ambition for coverage or the level of benefits (Bergqvist et al., 2013; Dahl & van der Wel, 2013; Kim, 2015). The ADB's SPI method uses expenditure as a foundation but overcomes the limitations of the basic expenditure method by calculating expenditure per beneficiary (relative to a poverty threshold) and providing a detailed analysis based on coverage (depth/width), as well as poverty and gender aspects (ADB, 2011, 2014, 2019). Instead of merely considering total expenditure as a percentage of GDP, the SPI focuses on the level of resources invested in social protection relative to the overall GDP and per capita GDP for each expected beneficiary (ADB, 2019). This makes it go beyond the basic expenditure approach by incorporating the human factor (beneficiaries) into the calculation (ADB, 2011, 2014). This helps provide a deeper picture of the effectiveness and allocation of social protection efforts. Specifically, the core formula of the revised SPI is the total social protection expenditure divided by the total number of expected beneficiaries, standardized by 25% of per capita GDP (the poverty threshold expenditure level) (ADB, 2011).

The revised SPI formula is based on a straightforward comparison

The term in the numerator, “total social protection expenditures per total reference population,” can be disaggregated into two multiplicative components: (Total expenditures/Total beneficiaries) times (Total beneficiaries/ Total reference population) In turn, the first component, “total expenditures/total beneficiaries," denotes the "depth" of coverage of SP. The second component, "total beneficiaries/ total reference population," denotes the "breadth" of SP.

SPI = (Total social protection expenditure / Total reference population or total potential beneficiaries) / Poverty line expenditure level.

This formula has two key components:

Total expenditures per total beneficiaries: This represents the depth of coverage, showing the average amount of social protection expenditure per beneficiary.

Total beneficiaries per total reference population: This represents the breadth of coverage, illustrating the proportion of the reference population that actually benefits from social protection programs.

The combination of these components provides a comprehensive view of the impact of expenditures on social protection in relation to the vulnerable populations they aim to support.

OR is represented by the symbol:

$$\boxed{\mathbf{SPI = (\Sigma\ E / \Sigma\ PB) / Z}}$$

In which,

Σ E is the Total expenditure on social protection programs (ADB, 2011). This expenditure can be divided into three main categories: social insurance (e.g., pensions, health insurance), social assistance (e.g., cash or in-kind transfers, welfare services), and active labor market programs (ALMPs) (e.g., skills development, public employment) (ADB, 2014, 2019).

Σ PB is the Total number of potential beneficiaries or Total reference population, or total intended beneficiaries (ADB, 2011). This is the total number of people who may be eligible to receive benefits from those social protection programs (ADB, 2019). A person may be an intended beneficiary of multiple social protection measures therefore the total number of intended beneficiaries can be higher than the total population (ADB, 2022). The reference population is selected for each classification of social protection programs (ADB, 2011).

Z is the poverty line expenditure, also known as the regional poverty line (ADB, 2011). For the revised SPI, Z is defined as 25% of the per capita GDP of each country (ADB, 2011). This level is used because it approximately represents the average national poverty line across 27 countries in Asia and the Pacific where social protection data is available (ADB, 2011). This poverty line is represented by the expected per capita expenditure level, which is the threshold that each person needs to surpass in order not to be considered as poor (ADB, 2011, 2014).

The numerator, "total social protection expenditures per total reference population," has two multiplicative components:

(Total expenditures/Total beneficiaries) times (Total beneficiaries/ Total reference population)

Regarding coverage, the SPI distinguishes between potential beneficiaries and actual beneficiaries. The coverage index measures the ratio of actual beneficiaries to the total number of intended beneficiaries (ADB, 2019). The SPI can be analyzed in detail into "depth" and "breadth" (ADB, 2011). Depth is the average expenditure per actual beneficiary compared to the poverty line, while breadth is the ratio of actual beneficiaries to intended beneficiaries (ADB, 2011, 2022).

Regarding poverty and gender aspects, the SPI allows for deeper analysis based on poverty status (SPIp - Social Protection Index for the poor, SPInp - Social Protection Index for the non-poor) and gender (ADB, 2011, 2014, 2019). To estimate expenditure for the poor, the report uses the Poverty Targeting Ratio (PTR) for each program, which is the proportion of the program's expenditure allocated to the poor (ADB, 2011). The PTR is estimated based on available data such as poverty profiles or poverty rates by geographic area (ADB, 2011). The program's expenditure for the poor is calculated by multiplying the total expenditure of the program by the PTR (ADB, 2011). The SPI of ADB provides a comprehensive tool for analyzing and comparing social protection systems in Asia (ADB, 2011), going beyond merely ranking countries by considering expenditure, coverage, benefit size, and distribution across different population characteristics. It provides data for 26 countries in Asia, including Vietnam, Indonesia, and Thailand, allowing for comparisons across various aspects of social protection (ADB, 2022). The SPI methodology has been modified, and the accompanying manual provides detailed guidelines for preparing country assessments and calculating the index, including spreadsheets for basic statistics, expenditure, beneficiaries, poverty focus, gender breakdown, and SPI calculation (ADB, 2011).

Data Collection for SPI Calculation

A significant part of the SPI methodology is based on data collection, which involves gathering data on both the expenditures and the beneficiaries of social protection programs. The following data points are required: (1) Expenditures on social protection programs (excluding administrative costs) for the most recent years; (2) Number of beneficiaries for each social protection program; Poverty levels, including national poverty lines and household income surveys, to understand the distribution of benefits among poor and non-poor populations.

Total expenditure is used to calculate the overall SPI. Expenditure for each program is categorized into three main groups: SI, SA, and ALMPs for analysis. Expenditure is also broken down to analyze the focus on the poor and non-poor. However, this is often challenging due to the lack of detailed data.

The data for SPI analysis is collected from various sources, including government statistics and reports, reports from international financial organizations (such as the IMF, World Bank, ILO, WHO), bilateral agencies, discussions and interviews with agencies responsible for social protection, and household survey data (ADB, 2019; ILO, 2024b; Kim, 2015), may also be used to complete the picture. ADB's data is considered useful and comparable for welfare countries in East Asia (Kim, 2015). However, one of the main challenges is that information about social protection programs is not centralized under a single ministry or agency (ADB, 2014).

Analytical Approach

The revised SPI can be disaggregated into different dimensions for more granular analysis: Depth vs. Breadth: The SPI can be broken down into measures of depth (average expenditure per beneficiary) and breadth (coverage of the population), which helps policymakers understand whether expenditures are reaching a wide population or providing deep benefits to a smaller group; Program Categories: The SPI is disaggregated into SI, SA, and LMPs to assess how well each type of program is meeting the needs of its target population; Poverty Focus: The index can also be broken down to show how well social protection programs reach the poor relative to the non-poor population. This allows for the identification of programs that may be underfunded or poorly targeted toward the most vulnerable.

The study will use the revised SPI allows for meaningful comparisons of social protection expenditures across countries in the region in order to identify which countries allocate sufficient resources to social protection and which programs are more effective at reducing poverty. By disaggregating the SPI into depth and breadth components, countries can understand whether their social protection programs are reaching enough people and providing adequate benefits.

In general, the revised Social Protection Index offers a robust framework for assessing and comparing social protection systems across countries, especially focusing on expenditures and beneficiary impact. The use of a poverty line for normalization provides a standardized method to compare the relative effectiveness of social protection programs, while the ability to disaggregate by program type, depth, and breadth provides valuable insights into how well these programs meet the needs of vulnerable populations. This methodology allows policymakers, researchers, and development practitioners to gauge the effectiveness of social protection systems and identify areas where reforms or adjustments may be necessary to ensure better poverty reduction and social security for the population.

This chapter has outlined the methodologies employed to analyze and compare welfare regimes, with a particular focus on the Expenditure Approach. While three different approaches—Institutional, Regime, and Expenditure—were introduced, the study centers on the Expenditure Approach to evaluate social protection systems across countries. This approach examines government spending on social welfare programs as a measure of welfare effort, highlighting the level of public investment and its effectiveness in addressing societal needs. In addition to the Expenditure Approach, the chapter introduced the Revised Social Protection Index (SPI), developed by the Asian Development Bank (ADB). The SPI enhances the Expenditure Approach by assessing the depth and breadth of social protection coverage, offering a more nuanced understanding of how resources are distributed, particularly to marginalized groups. By focusing on Vietnam, Thailand, and Indonesia as case studies, the study applies the Expenditure Approach and SPI methodology to analyze patterns in welfare funding, outcomes, and resource allocation across these Asia countries. The chapter also highlighted the data collection process necessary for calculating the SPI, detailing the key data points and sources required for a comprehensive analysis. By using the Expenditure Approach and SPI, this study aims to provide a thorough comparison of welfare regimes, shedding light on the strengths and limitations of different systems, and offering valuable insights into the effectiveness of social protection in Vietnam, Thailand, Indonesia, Philippines and other Asia countries.