



ECONOMIC GROWTH WITH SOCIAL SECURITY IN THAILAND: LESSONS LEARNED FOR VIETNAM

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Abstract:

After more than 30 years of renovation, Vietnam has achieved practical achievements in the implementation of economic growth with social security, contributing to improving the material and spiritual life for the people. However, besides the achievements, the implementation of economic growth with social security in Vietnam still has certain limitations. The article contributes to clarifying the process of economic growth with social security in Thailand; thereby drawing lessons for Vietnam to complete the current social security.

Keywords: economic growth, social security, Thailand, Vietnam

1. Introduction

Along with other issues of social development such as politics, culture, morality, law, etc., the implementation of economic growth and social security plays an important role in the prosperity of each nation as it aims to ensure the distribution of economic growth achievements in the direction of fairness, social progress and the harmony of interests among social entities and groups as well as create social consensus, thereby improve and enhance the quality of people's lives and the subjects of the development process.

Thailand is a country in Southeast Asia, which is a poor country but has quickly become a dynamically developing country in the region. What has made Thailand gain great strides in the process of socio-economic development? The paper contributes to understanding the situation of economic growth and social security in Thailand, from which some lessons can be learned in implementing economic growth and social security in Vietnam today.

2. Relationship between economic growth and social security

Economic growth is an increase in gross national product or an increase in gross national product per capita over a given period (usually a year). The connotation of

economic growth is expressed in scale and speed. The scale of growth reflects the increase more or less, while the growth rate is used with relatively comparative meaning and reflects the rapid or slow increase of the periods. From an economy-wide perspective, income is often shown as values measured by value criteria such as: Gross domestic product (GDP); Gross national income (GNP); Per capita income (GDP / person / year) ... If the scale and growth of the indicators reflect a high total income and per capita income, they are a positive sign in terms of economic growth.

Until now, the concept of social security has been a controversial issue. Skipping the differences in many diverse conceptions today, it can be understood that social safety is a *"system of State policies and social resources aims at preventing, limiting and overcoming risks caused by abnormal socio-economic and environmental impacts, thus the stability, development and social equality can be ensured"* (Nguyen Minh Tri, 2018, p.35). In Vietnam, the content structure of social security includes employment, social insurance, poverty reduction, social assistance and approach of basic social services.

In Thailand, the concept of social security has been known since the 1950s; however, it was not until 10 years later, with the support from laborers and unions, the social security issue was focused on by expanding and raising awareness for workers, politicians, scholars and the public. The social security system in Thailand guarantees 7 cases of compulsory health insurance including illness, maternity, disability, death, children, the elders and unemployed people (Nguyen Duy Dung, 2015, p.28).

Economic growth and social security in a Marxist viewpoint are for human development and the subject of development process, in which economic growth is a condition for implementing social security and improving material and spiritual life for the people as well as making social progress and being the measure of social progress; performance of social security is a motivating factor for high and sustainable economic growth. Appropriate social security will become the goal and motivation for sustainable economic growth.

3. Implementation of economic growth and social security in Thailand over time

In 1960, Thailand undertook a market economy with the opening and reception of foreign investment. The high economic growth in Thailand was reflected in the relatively stable and high GDP growth rate during the period 1986 before the Asian financial crisis. In the period of 1987-1995, the average GDP growth reached 9% per year. However, since the economic crisis in 1997- 1998, Thailand economy developed in a worse trend, which was caused by the poor quality of economic growth. In 1997 and 1998, the growth rate decreased to -1.4 and -10.5%. Those two years Thailand economy was impacted most exceedingly by the crisis. However, since 2000, the economy has shown signs of recovery. After the crisis, Thailand economy rose quite rapidly which was shown relatively through the GDP in 2000 reaching 4.6%, in 2001 reaching 5.2%, in 2003 reaching 6.7% and in 2005 reaching 4% (Vu Thi Vinh, 2014, p.74) and by 2017, Thailand gross domestic product was growing at 4.3%, but it was not as good as 7.5% in Vietnam, 6.9% in the Philippines and 5.06% in Indonesia (Trung Truc, 2018). The

relatively high GDP growth rate has led to a remarkable improvement in Thailand GDP per capita, which increased from US\$ 2,043 in 2002 to US\$ 2,580 in 2005. Compared to Vietnam in the same period, Thailand GDP per capita is higher 4 times, which indicates that Thailand economy has made great strides compared to Vietnam, although both countries in the 70s of the twentieth century did not have much difference in development level. The global financial crisis of 2008 – 2009, the political impacts in 2010 and the period of 2013-2015 caused the recent economic growth to slow down, which only reached 0.7% in 2014. (Nguyen Duy Dung, 2015, p.59).

The achievement of Thailand economic growth has been associated with the rapid development of the industrial sector based on commercial loans and foreign direct investment (FDI). Thailand government has constantly improved the legal framework and management apparatus to facilitate private investment and mobilize resources for industrialization. With those attempts, "*Thailand is the most attractive investment market*" (Tran Van Tho, 1998, p.131). In 1988, FDI inflows started pouring into Thailand, especially from the US, Japan, China, and Singapore. Initially, FDI in Thailand were focused on manufacturing industries such as electrical machinery, electronic assembly, transport equipment, chemicals, steel industry; but in the early 1990s, FDI were poured into real estates, construction, commerce - banking and financial services. Along with attracting foreign investment, Thailand government encouraged investors to invest in remote areas far from the capital city to reduce inequality between urban and rural areas, but so far this policy has not achieved the first target. Thailand high economic growth in nearly four decades has stimulated speculation and inflated the economy.

The policy of financial liberalization in 1993 helped Thailand integrate quite successfully into the international financial market, which removed obstacles for the development of domestic capital markets. Financial services - banking, insurance and real estate business increased at a dramatically rapid rate from about 5% in the 1970s to 12.6% in 1994. To maintain the attractiveness of Thailand in terms of investment and trade, the government maintained a fixed exchange rate policy as well as implemented an open capital account.

However, Thailand government lacked experience in management, especially in managing an open capital account as well as not being fully aware of the different impacts of dissimilar types of capital such as FDI, commercial loans, short and long term loans towards economic stability and the weakness of finance - monetary policies and exchange rate, all of which were the main agents of the severe financial crisis in 1997, which was originated from Thailand and transmitted to other economies in the region.

Although Thailand economic growth slowed down, with high political determination, Thailand government made progressive social policies to ensure social security for all people of "Golden Pagodas" as well as assure equality and social progress, such as:

First, implementation of hunger eradication and poverty reduction. Thailand is a successful country in the implementation of economic growth and social security,

especially hunger eradication and poverty reduction. Before the financial and monetary crisis, the poverty situation in Thailand was strongly reduced along with the process of high and continuous economic growth during several decades. The achievement of poverty reduction in Thailand was impressive, with the poverty rate falling from 20.15% in 1990 to 6.1% in 1998, especially in rural areas, mainly due to the workforces moving from rural to urban areas to work. (Vu Thi Vinh, 2014, p.74).

However, while hunger eradication and poverty alleviation reduced fairly rapidly, the inequality tended to increase more and more. After the financial crisis, the income inequality widened, the income gap between 20% of the poorest and 20% of the richest 20% tended to expand mainly because of disparities between urban and rural areas, which resulted from protection policies and measures for manufacturing areas in urban areas while the agriculture in poor and remote rural areas like the East North was almost ignored. Regional disparities were aggravated by the fact that the government had not carried out the policy of equal income redistribution. On the other hand, along with high growth rates, it was also the leading country in terms of speed of resource exploitation and environmental pollution. Rapid growth along with the full commercial exploitation of natural resources was the main cause of exhausted natural resources and heavily polluted environment.

Second, implementing social insurance. Social insurance includes seven modes such as sickness, maternity, disability, death, children allowance, pension, unemployment. The participants of the Social Security Fund are divided into three groups including compulsory group, voluntary group and unofficial labor group, in which the compulsory group is workers in enterprises (with one or more employees); voluntary group is the employee whose employment is terminated is subject to insurance and does not receive unemployment benefits; unofficial group participates social security fund by their voluntary basis with government subsidies (in 2011, in the amended Law, they were self-employed laborers aged 15-60 years old). The contribution to the employee's social security fund varies according to income with the minimum wage of not less than 1,650 bahts per month and the maximum not exceeding 15,000 bahts per month. Those earning less than 1,650 baht will not be charged for employee's social security fund. For employees participating in compulsory insurance, the Social Security Office (SSO) provides 7 modes for these participants. According to the regulations that employers and insurance participants pay the same 5% of the salary, the government contributes the amount with 2.75% of the wages, 1.5% for the first four modes and 0.25% for unemployment benefits. Self-employed workers contribute 3,360 bahts annually. In addition, employers contribute 3% and the government supports 1%. For unofficial workers and disabled people, they contribute 70 baht a month while the elders and disabled people contribute 100 baht a month (Nguyen Duy Dung, 2015, pp. 60 - 61).

Thailand is considered as the country with the most comprehensive social insurance system. The insurance system established in 1992 covers 10 million workers in the private sector and the community. The number of people participating in social insurance has steadily increased over the years, from 8.03 million in 2006 to 10.65

million in 2013 (Nguyen Duy Dung, 2015, p.81). However, the number of people involved and insured is still low, so it is necessary to have solutions to ensure comprehensive social security in the coming years.

Third, the issue of people's health care. By the twenty-first century, Thailand government has launched programs to help the poor reduce life difficulties and create conditions for them to escape from poverty and settle down their lives. Over the years, Thailand government has carried out a series of humanitarian activities which have ensured the fairness with several progressive policies such as:

Policy of 30-bath health care in Thailand is a subsidized universal policy with the goal that all Thailand people have access to health care. With this policy, people have been covered by this policy will receive health care at the registered buildings both resident and ambulatory treatment. In serious cases, patients will be transferred to better health facilities. Each time of doctor's visit only costs 30 bath fees while children under 12 years old, elders over 60 years old and the poor are free of charge. The majority of the funding for this program comes from general income taxes. This program contributes to the redistribution of people's income to ensure social progress and justice. With this program, Thailand is the only country among the low-income countries to implement universal health insurance coverage and get strong support from the people. By the early years of the new century, Thailand people's health care in the early years of the 21st century is evaluated most strongly in the health care affair. Currently, Thailand is actively modernizing its medical system and medical research to keep pace with regional and international levels, which makes Thailand gradually become the regional medical center.

The 1 million-bath village fund was a program launched in 2001 with the goal of promoting economic growth with increasing income and reducing expenses for the poor in rural areas. The program allows localities and people to make their own decisions and to set up their own projects. This fund has achieved a lot of success in distributing capital to villages all over the country and helped poor households to access financial resources to become rich. From 2001 to 2006, nearly 18 million of the 78,000 villages participated in this program. The average loan amount per borrower is 16,183 bath (518 USD), and the interest rate is 6% per year (Nguyen Duy Dung, 2015, p.95). The success of the program created a cohesion between the community and the village and supported each other in the economic development process as well as created initial financial sources to increase production.

The policy of *One product per village (OTOP)*. The program encourages each local area to produce different types of products with specific local materials sold to domestic and international markets. Besides, Thailand government provides capital, technology and helps find distribution channels and product circulation to support farmers to consume their products. This program has created jobs and income as well as encourages people to come up with ideas to promote products from where they live. This program made contribution to active poverty reduction, especially for the poor living in rural areas.

4. Experience in implementing economic growth and social security for Vietnam

First, high economic growth must be ensured to bring good conditions for equal social security. Material production is the most important condition but it does not mean that social security is a completely passive aspect towards economic development.

Economic growth enables the possibility of increasing state budget revenues and people's income as well. Thanks to economic growth, the State and people can save money to increasingly invest on development of some key issues such as job vacancies, poverty reduction, education, health...etc., all of which aim at expanding their selection of choices and helping the people more and more improve themselves comprehensively.

There is no social security in the economy at a low level of development (recession, shortage, crisis ...) and many people still have to worry about basic needs of their daily life (such as food, clothes, accommodation, travel, health care, basic education and other necessary services). Without economic growth, long-term social justice cannot be achieved and therefore it cannot be sustained.

However, the goal of economic growth should not be set at all costs, but it must be addressed in a dialectical relationship. A policy of active social development must be based on the awareness of the important role of social factors and the mutual impact between the "economy" and the "society". Respecting the society and knowing how to exploit the positive effects of this issue on economic growth to create two-way resonance will create the motivation for social development like the Korean experience carried out in the industrialization process.

Second, in making macro-economic policies, it is necessary to harmonize economic growth and social security, which can be dealt with step by step, firmly and synchronously both objectives which are economic growth and social security. Enhancing the effectiveness of macro-economic policies is to accelerate economic growth, and the Government must select the appropriate model of social security implementation in order to avoid the execution of distorted investments in which there are many priorities in several regions and sectors but other regions and sectors are disregarded, especially rural and agricultural sectors, all of which will make the imbalanced economic development and pose a potential danger towards long-term development. Therefore, the state must have policies to gradually narrow the gap between rural and urban areas in order to reduce the social inequality through a mechanism of redistribution of wealth share to ensure social harmony.

Third, implementation of social security is both an objective and an important motivation to ensure sustainable economic growth. It can be said that the goal of all sustainable development policies is to build a fair and prosperous society. Social security aiming at ensuring social justice is one of the motivation of socio-economic development since it is a factor that directly affects the interests of operating entities; it stimulates dynamism and creativity and the enthusiasm of every member in the society. Therefore, the enactment of laws and regulations has created the necessary legal basis for social security activities to achieve the goals and mobilize resources and suitable

institutions for those who benefit from those policies. This is an experience that Vietnam needs to learn, especially when we are completing the laws and institutions for the field of social security in the process of international integration.

Moreover, the implementation of social security must create a motivation for economic growth rather than a cause for slowing down economic growth. Social security is one of the indispensable conditions for high and sustainable economic growth. Obviously, social security is not opposed to economic growth; on the contrary, social security is an important motivation to ensure economic growth and sustainable development. Economic growth and social security are the dual goals of every country and a long-term development process towards the goal of sustainable development.

Fourth, investing in education and developing human resources can create a highly qualified and productive labor force, which is a sustainable factor in ensuring the quality of economic growth. That the main focus on education and human resource development is the most important premise for the implementation of social justice. It is not merely human rights but more importantly provides an important input to the production process and reduces inequality because it creates opportunities for the strata of the population, which contributes to improving the quality of economic growth. High quality human resources make a part to create "antibiotics" which is strong enough for people to overcome risks in life.

Fifth, promoting the dynamic, creative and brave role of the State in formulating policies to implement economic growth and social security as well as training and employing qualified managers who are well-paid and empowered to implement initiatives but unaffected by political pressure groups. At the same time, the State needs to further the administrative reform and improve the capacity of the policy-making team in the medium- and long-term socio-economic development strategies.

Sixth, taking advantages of international support plays a very crucial role. It is material and spiritual assistance, sharing of knowledge and experience to help some countries having difficulties in dealing with the relationship between economic growth and social security. In order to enlist the help of friends of international organizations, Vietnam needs to enhance the propaganda and promotion of foreign aid-seeking programs, commit to use the aid as its purposes as well as publicize and be transparent in the use of international aid.

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