

# Vietnam: Human Capital As a Public Good

Chi Hong Nguyen

## Abstract

Since the 1990s, Vietnam has used and encouraged contributions from various sources of human capital as key factors to create a national competitive advantage for sustainable development. Human capital has become an indispensable component in the state's development processes. While human capital is widely considered an individual good, it is now a social property used by the Vietnamese government to enhance its political image as a democratic and progressive socialist country.

Vietnam is facing shortages of skilled labor. Despite its large population of 90.7 million in 2014, only 6.9 percent and 0.2 percent had obtained university and postgraduate degrees, respectively. In 2011, the Vietnamese government issued Decision 579/QĐ-TTg, which ratified several strategies to develop human capital from 2011 to 2020. This decision considered human capital as the most important asset for sustainable development and national competitive advantage.

## Ambitions to Improve the Skilled Workforce

To achieve this target, the Vietnamese government increased education expenditures from 3.57 percent in 2000 to 5.7 percent in 2013, with education remaining the largest item on the state's budget. A large share of the funding has been invested in improving the quality of 10 domestic higher education institutions to reach an international level, and another four to reach world-class level in 2020. Doors to higher education were opened wide, with an increase in the number of higher education institutions from 103 in 1993 to 322 in 2007 and 419 in 2014. The number of students enrolled in colleges and universities grew from 133,000 in 1987 to 2.12 million in 2015. This was achieved through academic relations with foreign universities, calls for investment from the private sector, providing English-taught academic programs, and collaborating with world-class universities. The government also encouraged lecturers and students to study abroad by applying for domestic and international scholarships, or through private funding.

The number of university lecturers obtaining doctoral degrees is expected to increase to 35 percent by 2020. Project 911 (the continuation of Project 322) sponsors full scholarships for 10,000 lecturers to pursue doctoral programs at world-class universities, 3,000 lecturers to study "sandwich" doctoral programs (a sandwich program usually includes a research period in the home country), and another 10,000 to follow doctoral programs at domestic universities from 2010 to 2020. Project 165, which was initiated in 2008, provides study abroad scholarships for leaders (or individuals planning to become leaders) in education. Through their study abroad programs, they aim to increase their foreign language and leadership skills, as well as explore international cooperation opportunities. If candidates in this program are admitted to a postgraduate program at a foreign university, they are given a full scholarship.

In October 2005, the ministry of education and training signed Decision 6143/QĐ-BG-D&DT, sponsoring 1,015 students from the Mekong Delta region for study abroad (81.3 percent to study master programs and the rest for doctorates). From its start in 2005 until April 2015, this project sent 502 students to study master programs and another 50 to study doctoral programs at 160 higher education institutions in 23 countries (51 percent in Europe, 24 percent in Asia, 19 percent in Australia, and 6 percent in North America).

Another strategy of the Vietnamese government is to send skilled labor to other countries. Skilled workers are encouraged to work overseas for a period in order to help the country deepen its multilateral relations with international friends and increase national revenue. In 2011, remittances earned by Vietnamese skilled and semiskilled labor force working overseas reached US\$2 billion. Remittances from Vietnamese expatriates reached US\$9 billion, accounting for 8 percent of Vietnam's GDP. While crossing national borders was a highly selective privilege before the 1986 economic reform, studying or working abroad is currently leveraged to improve the quality of the domestic workforce and change the political image of Vietnam in the global arena, as a democratic and progressive Communist country.

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### A Two-Pronged Approach

To facilitate and control the return of these human resources, the government practices a two-pronged approach. On the one hand, individuals are encouraged to and supported in study or work abroad. On the other hand, to minimize possible nonreturns of students and workers, the government has issued several decrees (e.g. Decrees 81/2003/ND-CP and 144/2007/ND-CP) introducing a financial penalty to their families in Vietnam, confiscating their savings, and, if they return late, prohibiting them from going overseas in the following five years. The ministry of education and training requires students who have successfully secured international and/or domestic scholarships to sign work contracts in Vietnam. Upon completion of their studies, they are required to work in Vietnam for a period three times longer than the time spent studying overseas, although this duration is negotiable according to local demands for labor. Any violation of these contracts leads to prosecution and confiscation of relatives' assets.

The government has also called for Vietnamese expatriates' economic and knowledge contributions through strategies targeting the diaspora. Decision 40/2004/QH11 in 2004 proposed generous schemes for foreigners of Vietnamese descent to seek temporary or permanent residency. They can, for example, rent houses in Vietnam on a long-term basis, establish branches of their companies, as well as receive tax reduction and legal support. This decision also announced the establishment of advanced research centers at two national universities in Ho Chi Minh City and Ha Noi, aiming to attract prominent researchers from Vietnam and abroad to teach and conduct scientific research.

Since July 2009, Vietnamese expatriates have been able to retain their Vietnamese citizenship if the countries where they are residing allow dual citizenship. They are entitled to full rights as Vietnamese citizens. Since 2014, Decree 87/2014/ND-CP allows provinces to hire highly skilled members of the Vietnamese diaspora if these individuals have obtained patents in agriculture and technology, publish internationally, or hold a doctoral degree. In return, these individuals are awarded financial benefits, accommodation, and promising working conditions.

### Human Capital as a Multifunctional Social Asset

In Vietnam, human capital is developed, used, and retained as a commodity to increase the national competitive advantage. In other words, this commodity is not solely individually owned—it is a shared social good. It is measurable, and represents the government's efforts to participate in the global race for talent and change the political image of Vietnam into that of a democratic country. This commodity is produced by a joint effort of the state, the governments of countries that sustain bilateral relations with Vietnam, domestic and foreign universities, as well as the students and workers themselves, who are guided by the state's political ideology. In the state's view, a highly skilled labor force needs to possess foreign language proficiency, professional expertise, and relations abroad that can bring benefits to national development. In that sense, investment in, and use of, human capital is politically oriented. Human capital, as such, is not solely the property of individuals, it is a multifunctional asset that is socially representative. It allows the country to extend its image as a friendly socialist nation in political and diplomatic affairs. ▲

*Chi Hong Nguyen is head of the English Department at FPT University, Can Tho Campus, Vietnam. E-mail: [chinh6@fe.edu.vn](mailto:chinh6@fe.edu.vn).*