



Unemployment Insurance in VietNam

CHALLENGES AND ADJUSTMENTS

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History of UI in Viet Nam: Young, 7 years



**First UI legal provisions:
Social Insurance Law
2006**

**First UI payment:
1/2010**

**Revised SI law
in 2014,
effective from
1/1/2016**



**First collection of UI contribution:
1/2009**

**New legal provisions:
Employment Law endorsed in
2013, effective
from 1/1/2015**

**Revised Criminal Code in 11/2015,
effective from 1 July 2016, but
postponed further**

Unemployment Protection Objectives in VN

Unemployment allowance

Employment retention



Employment services
(vocational training, job research, etc.)

1. Provide security for the laid-off workers (*not yet for their families*)

2. Facilitates the adjustment of the labour market


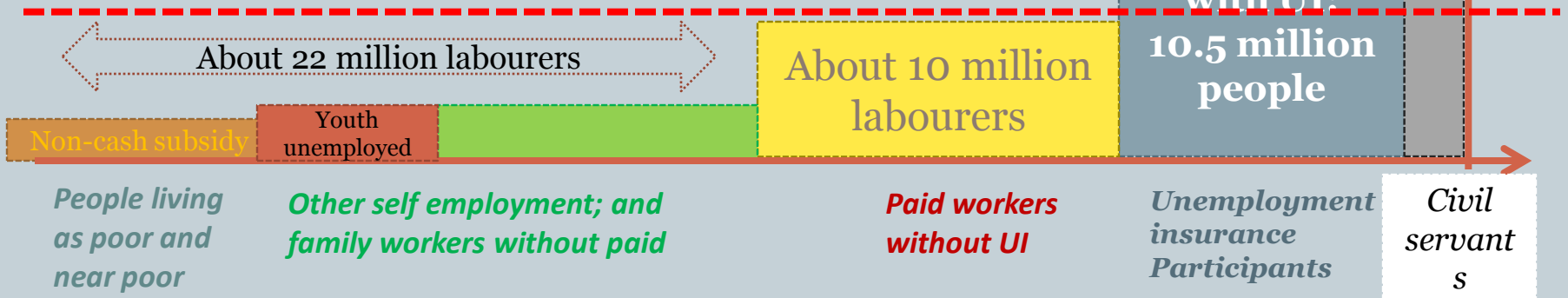
Facts on income protection labour aged population

Income protection policies for those working in informal sector:

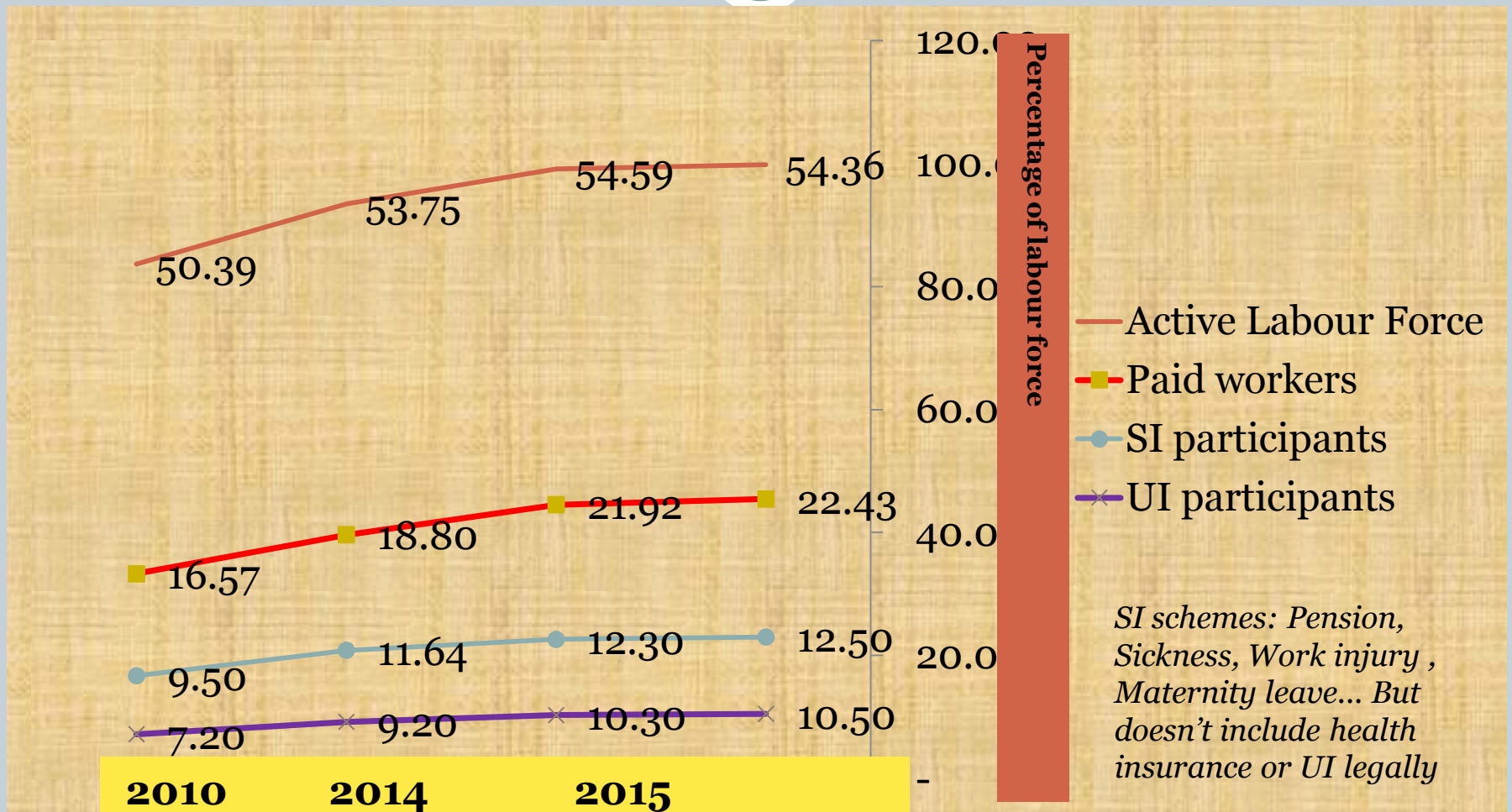
Poverty reduction programmes: poverty rate reduced from 60% in early 1990s to 8.4% in 2014. (43 million people exited from poverty in the 1993-2008 period)

And other targeted programmes such as **New Rural programme helped and continue to trigger job creation and trainings for rural labourers**

Level of income protection

Situation of SI and UI in VN



UI collections and payments

TT	Details	2009	2010	2011	2012	2013	2014	2015	First 7 months of 2016
1	Total UI contributions (in billion VND)	3,510.60	5,400.30	6,747.10	8,664.80	10,094.70	11,812.70	9,939.50	6,325.30
2	#cases received UI allowance (case)		156,765	289,181	421,048	454,839	514,853	526,309	187,166
3	Total UI payments (in billion VND)		145.2	1,120.70	2,428.20	3,553.90	4,528	4,833.30	2,688.50
4	Balance (in billion VND)		5,255.10	10,881.50	17,118.10	23,658.90	30,943.60	36,049.80	39,686.60
5	Size of balance against respective annual payments		36.19	9.71	7.05	6.66	6.83	7.46	

Using exchange rate: USD1=VND22,300: the balance of VND36,049 billion at the end of 2015 is equivalent to about **USD1.62 billion**

Key challenges in the first years of operations

Policy gaps:

1. Coverage: No access of seasonal workers (contract < 1 year) and those work for small enterprises (employers with less than 10 workers)
2. Level of benefit: UI monthly allowance is low as the base salary on which UI contribution is made is low

Procedural constraints

3. Too tight deadline for registration of unemployment: within 7 working days

Performance constraints

4. Delays or evasions in remitting UI contribution
5. Limited efficiency of vocational training component

Addressing Challenges 1 + 3

Adjustment 1- EL2013: Revision of UI provisions and put it under Employment Law

		Started in 2009	Revised in 2013, effective from 1/2015
	Coverage		
Workers	Civil servants	No	No
	Public employees	Yes	Yes
	Informal workers	No	No
	Workers with contract from 3 months to less than 1 year	No	Yes
	Workers with contract from 1 year	Yes	Yes
Employer			
	Employing <10 labourers	No	Yes
	Employing from 10 labourers	Yes	Yes
	UI contribution		
	Gov.	1%	up to 1%
	Employer	1%	1%
	Worker	1%	1%
	UI benefit regimes		
	UI allowance	Yes	Yes
	Job search	Yes	Yes
	Vocational training	Yes	Yes
	Employment retention	No	Yes

Addressing Challenge 2: Low UI allowance

Adjustment 2: Revised SI law in 2014, effective from 1/1/2016 on the base salary for which UI and SI contributions are made

Base salary for UI premiums	Old provisions	New Provisions
Basic salary	Yes	Yes
Hardship allowance or similar	No	Yes, from 2016
Bonuses for innovative ideas; meals between shifts; telephone, transportation, housing, childcare, child raising; ...	No	Yes, from 2018

UI monthly allowance is equivalent to 60% of the average salary of the consecutive 6 months before unemployed

Addressing Challenge 4: Delays or evasions in remitting UI contribution

Facts on late payments of UI contributions

Evasions of SI/UI contributions were considered as violations to administrative procedures, thus was treated by administrative sanctioning measures involving a fine.

	2009	2010	2011	2012	2013	2014	2015
Total collected UI contributions (billion VND)	3,510.60	5,400.30	6,747.10	8,664.80	10,094.70	11,812.70	9,939.50
Total late payments/debts of UI contributions caused by employers (VND billion)	43.20	76.47	96.48	173.74	157.76	184.40	273.84
% debt	1.2%	1.4%	1.4%	2.0%	1.6%	1.6%	2.8%

Addressing Challenge 4: Delays or evasions in remitting UI contribution

**Administrative sanctioning:
based on number
and frequency of
violations**



Combination of :
**-Administrative
measures base of
size and lengths of
debt and**
**-Criminal Act for
evasions**

Revised Criminal Code in 11/2015, effective from 1 July 2016 (but postponed further)

Addressing Challenge 5: limited impact of vocational trainings



TT	Details	2010	2011	2012	2013	2014	2015	First 7 months of 2016
	Number of UI claims	162,711	295,416	432,356	464,573	516,483	527,332	216,544
	<u>Among which</u>							
1	<i>People with new jobs introduced</i>		17,240	70,656	106,600	125,736	115,199	49,767
2	<i>People received vocational trainings</i>	270	1,036	4,763	10,610	19,796	24,363	9,594
	<i>% among UI claimers</i>	0.2%	0.4%	1.1%	2.3%	3.8%	4.6%	4.4%

Addressing Challenge 5: limited impact of vocational trainings

Employment Law 2013 allows cost norms for vocational training component of UI from 1/2015 increased to VND 1 million per month per course. And unemployed can register in any registered vocational training center.

- However, improving quality and access to quality courses of unemployed remain a challenge
 - Limitation of training quality in broad context
 - Training to improve soft skills have not been perceived as “vocational training”
 - Limited availability of national skills standards

Thank you – Cam on – Gracias!



Other sources of information:

- Report on UI implementation up to July 2016, by Bureau of Employment, MoLISA
- Employment Law 2013
- Revised SI laws 2014
- Revised Criminal Code 2015
- Employment and labour surveys: by General Statistics Office of VN: https://www.gso.gov.vn/Default_en.aspx?tabid=491
- Social Insurance updates by Viet Nam Social Security: <http://baohiemxahoi.gov.vn/?u=nws&su=d&cid=384&id=14571>
- Labour market update by MoLISA: <http://www.molisa.gov.vn/en/Pages/Newsletter-Vietname-Labour-Market-Update.aspx>