

## State Management of Unemployment Insurance: The Case of Vietnam

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**Abstract:** After over 9 years of implementation (2009-2018), the unemployment insurance (UI) policy in Vietnam has increasingly confirmed the role of a social policy contributing to preventing and overcoming the consequences of unemployment, with more than 11.9 million participants. However, the coverage of UI in the labor force in Vietnam is still very low (only 21.82%), the status of UI cheating, UI debts remain frequent, which requires state management of UI to be strengthened. This paper evaluates the results of UI, analyzes the inadequacies in state management of UI over the past time and proposes some solutions to resolve those inadequacies, contributing to improve the efficiency of UI policy in Vietnam.

### 1. Introduction

Governments have always set a reasonable unemployment rate and have selected some solutions to prevent, reduce and overcome the consequences of unemployment. Among these measures, UI is an inevitable objective solution that implemented in many countries around the world.

### 2. Results of Implementation of Unemployment Insurance (2009-2017)

#### (1) UI participants

On 31 December 2017, the total number of employees participating in the UI is 11, 954, 740, accounting for 21.82% of the labor force. The number of employees participating in the UI has increased every year.

#### (2) UI collection and expenditures

##### 1. UI collection

The total amount of collecting UI for the period 2009-2017 is VND 81,488.902 billion. In the period 2009-2014, the total UI contribution consists of three sources: Employees, employers and state budget, the amount of total UI collecting in the year is higher than that of the previous year. In the period 2015 - 2017, the total UI contribution consists of two sources: employees and the employer, without the state budget support due to the large surplus UI fund.

The total amount paid for UIs in the period 2010-2017 is nearly VND 30,157 billion, accounting for 37.01% of total UI collection of the whole period. In terms of UI expenditures, unemployment allowance still accounts for the bulk of the annual expenditure structure and the whole period.

#### (3) Resolving requests of beneficiaries

##### -Receiving unemployment allowance claims:

For the period 2010-2017, the total number of people claim unemployment allowance is 3,671,621, accounting for 30.71% of the total number of UI participants and accounting for 38.68% of the total number of the unemployed. In enterprises, although the economic situation is somewhat stabilized, the situation of enterprises is facing difficulties and the production scale is narrowed down. followed by the reduction of labor, so the number of the unemployed also increased.

##### - Approved to receive unemployment allowance:

For the period 2010 – 2017, the total number of people who is approved to receive unemployment allowance is 3,621,038, accounting for 98.62% of the total number of claimants of unemployment allowance, accounting for 30.29% of the total number of participants and accounting for 38.15% of total unemployed.

In 2016 and 2017, the number of people receiving consultation and job introduction increased significantly compared to the previous years. The reason is that the new regulation in the Employment Law allows employees who are participating in UI to be received consultation and job introduction in all cases of termination of the labor contract and having the need to seek employment, instead of old regulation in the Social Insurance Law, it is eligible for people who are receiving unemployment allowance.

### **3. State Management of Unemployment Insurance in Vietnam**

#### **(1) The system of legal documents on UI**

Firstly, the system of legal documents on UI is adequate and timely and synchronously issued at the central and local levels and is reviewed and adjusted to suit the practical situation.

Objects of UI participants are expanded:

At present, UI participants have been extended to all employers employing one or more employees under contracts of indefinite term or contracts of a term of three months or over (except for pensioners, monthly labor disability benefits, domestic servants).

The responsibilities of the employer are regulated more and more closely, clearly and more specifically:

In 2015, the Government's Decree No. 28/2015 / ND-CP amending the regulations on places to announce labor changes: The employer informs the Employment Service Center at the provincial level instead of the labor office where the employer is located.

The level of support for vocational training is better:

At present, the level of vocational training has increased with the maximum support level is VND 1 million/person/month but not exceeding 6 months (the specific support levels are calculated per month, depending on each profession, the tuition and the actual vocational training time as stipulated by the vocational training institution).

UI benefits are more diversified and expanded:

At present, there is a new benefit added is that benefit of training, retraining and upgrading skills to maintain employment for employees. In addition, benefit of consultation, job introduction and vocational training benefit are expanded, for the employees who have paid UI for full 09 months or more in the 24 months prior to termination of the contract (for vocational training) and employees who are unemployed are not eligible for receiving the unemployment allowance (for consultation, vocational training).

Procedures, dossiers and procedures are increasingly streamlined, creating favorable conditions for employees:

New regulations on UI have dropped the procedure on unemployment registration, allow employees to apply for UI benefits at any center of province or city where the employee is in need; It is allowed to reserve the time for UI contribution of beneficiaries in the following cases: have submitted the application file but no need for receiving unemployment benefits; are enjoying unemployment benefits but find a new job, perform military service or public security duties, study for a term of full 12 months or more, abide by decisions on the application the measure of sending to reformatory schools, compulsory education institutions, compulsory detoxification facilities; the court declared missing or detained, imprisonment penalty.

Secondly, the contents of the UI policy in Vietnam are fully in line with the provisions of international law and other countries in the world

ILO conventions provide general provisions on the form of contribution. The Governments can choose one of two ways: (1) Employers and employees share the same method of equal contribution or (2) Employers pay more than a certain percentage of the employee's contribution. The State budget can support or not. Under the ILO Convention C102 (1952) on Social Security, the unemployment allowance is set from 45% of previous income.

Thirdly, the number of places to receive and process UI claims in localities take into account the suitability of the number of unemployed to apply for UI benefit in each locality.

At present, Vietnam has 238 points for UI benefits, including 205 reception points and 33

entrusted points. This shows the flexibility of The State Management Agencies on UI in order to create good conditions for employees to lose their jobs in the process of carrying out the procedures for UI benefits.

(2) Inadequacies

In addition to these successes, the state management of UI in Vietnam has the following inadequacies:

Firstly, Policy making of MoLISA to obey the development targets of UI set by the Communist Party of Vietnam and the Government is not good.

According to current regulations, MoLISA is responsible to the Government for performing the state management of UI in Vietnam. However, MoLISA has not built appropriate roadmap in each year and each period to implement the policy of the Party and State on UI development.

Secondly, some regulations on UI are not appropriate.

On the one hand, the name "Unemployment Insurance" does not reflect the contents of the UI policy. Under the current regulation at Law on Employment, UI applies only to employees who have a contract of full 3 months or more with agencies, organizations and individuals employing one or more people.

On the another hand, the active and flexible movement of localities in the implementation of UI has not been promoted. each locality has different labor market characteristics; the factors of population, labor force, employment, unemployment, finance, budget ... are not the same. This does not create good conditions for localities to promote initiative, creativity and flexibility in UI implementation.

Thirdly, the financial management of UI fund is not reasonable.

- On UI premiums: The UI premiums has not shown the fairness among the employees and among the employers, specifically: (1) Under the current regulations, the employees who have reached the working age under the Labor Code continue to work in the employers must continue to pay UI premium. While they have a certain contribution to the UI fund, at the same time, if there lose their job, they is not the unemployed. (2) Also according to current regulations, the employers of different sizes also contribute the same premium to UI fund.

- On UI expenditure: On average during the period 2009-2017, the total of UI spending only account for 36.49% of the total of UI revenue per year. Meanwhile, many other neccessary expenses are not paid attention.

(3) Improving The State Management of Unemployment Insurance in Vietnam

To address the inadequacies of state management of UI above, some of the following solutions need to be considered:

Firstly, MoLISA must develop a better strategy for the development of UI in Vietnam

Set the roadmap to develop UI for the whole period with the clearly objectives and specific solutions: What is the long-term goal? What is the annual goal? What is the specific target of each locality? What time must be completed? What to do? Which agencies and organizations do? How to allocate resources? How about form, frequency of reporting? Who will take responsibility? How does sanctions?... It should be noted that the assignment of UI for each locality must be closely linked with the characteristics of localities in terms of labor, employment and level of development of the labor market.

#### **4. Rename the Policy and Promote the Autonomy and Self-responsibility of the Localities in the Whole Country**

The goal of this solution is to ensure the appropriateness of state management of UI.

The content of this solution:

Change the name of the policy from "Unemployment Insurance" to "Employment Insurance":

The real objects of UI policy are employees and the ultimate objective of this policy is to create conditions for the employee to be guaranteed employment. Therefore, the name "Employment Insurance" reflects the nature of the UI policy currently implemented in Viet Nam, also in line with ILO recommendations on UI beneficiaries in Conventions: C044, C102 and C168.

Promote the autonomy and self-responsibility of localities in implementing UI:

(1) Defining responsibilities of local leaders in ensuring social security, ensuring employment, including UI; (2) The regulations on UI benefits, duration of enjoyment ... should only be controlled at the floor, at the same time, allowing the localities can provide additional support for UI fund, beneficiaries and the unemployed, depending on the local budget conditions; (3) The central management agencies should focus on promoting inspection activities; Detecting and dealing with violations of UI law; To detect and promptly take measures to resolve and assist localities in solving problems related to the implementation UI; detect and replicate good practices and lessons learned on implementing of UI to other localities throughout the country.

Amending the regulations on premiums paid by employees and employers to UI fund: (1) Do not collect UI for employees who have reached retirement age in accordance with the provisions of the Labor Code; (2) Reduce the premium for some employers. The new contribution scale should be between 0.5-0.8% instead of the current 1%.

Improving the use of UI spending: (1) Continue to improve and effectively exploit the existing UI management software, especially the labor management software of The Employment Department to control the labor situation in agencies, units, organizations and individuals employing laborers. Provide funding to local authorities to develop management software between DoLISAs, Employment Service Centers and Social Insurance Agencies to complete the provincial employment management information system at all localities. (2) Increase the stability of reception points, entrusted points: increase investment in facilities, working facilities and communication equipment to ensure smooth communication between these points and the State management agencies on UI; (3) Additional funding for propaganda activities. Propaganda activities are extremely important for raising the awareness of employees and employers about UI policy, which is a prerequisite for achieving the goal of rapidly increasing the coverage of UI but at present the propaganda activities are less regular and its efficiency is not high. (4) Increase benefits for the unemployed attending vocational training courses: support for part of expenses for accommodation and travel.

## 5. Conclusion

With what has been achieved over the past nine years, UI policy has been increasingly asserting the role of an important social policy, with profound human values. In order to further promote the effectiveness of this policy, the Government of Vietnam should pay more attention to some above solutions to improve the state management of UI.

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