

Unemployment Insurance Scheme in Viet Nam: *experiences and lessons*

Nguyen Thi Dieu Hong, Vietnam
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1. An overview of Social insurance system in Viet Nam

Legal frame on Social Insurance in Viet Nam

- Social Insurance Law 2014
- Employment Law 2013
- Law on Occupational and Health Safety 2015
- Health Insurance Law 2008 and 2014.

Coverage

➤ Covered all labour force in working age through compulsory and voluntary schemes.

- **For compulsory scheme**



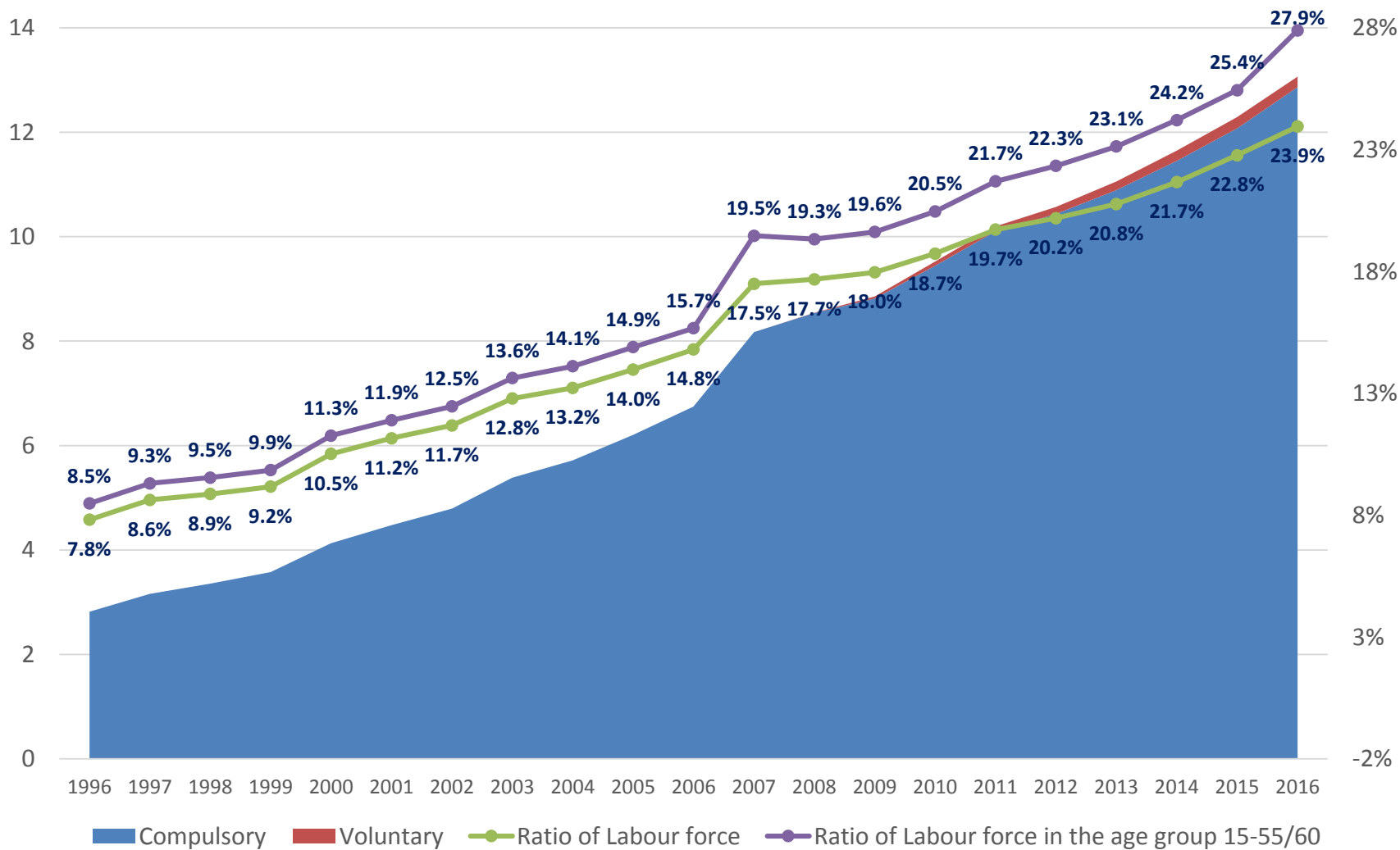
All workers who have industrial relations

- **For voluntary scheme**



Vietnamese citizens aged full 15 years or older and not covered by compulsory scheme

Number of participants of social insurance system in the period 1996-2016



Source: Social Insurance Department

Benefits

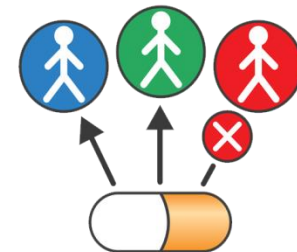
Short-term

- Health insurance;
- Sickness;
- Maternity;
- Employment Injury;
- Unemployment.



Long-term

- Old-age
- Survivors

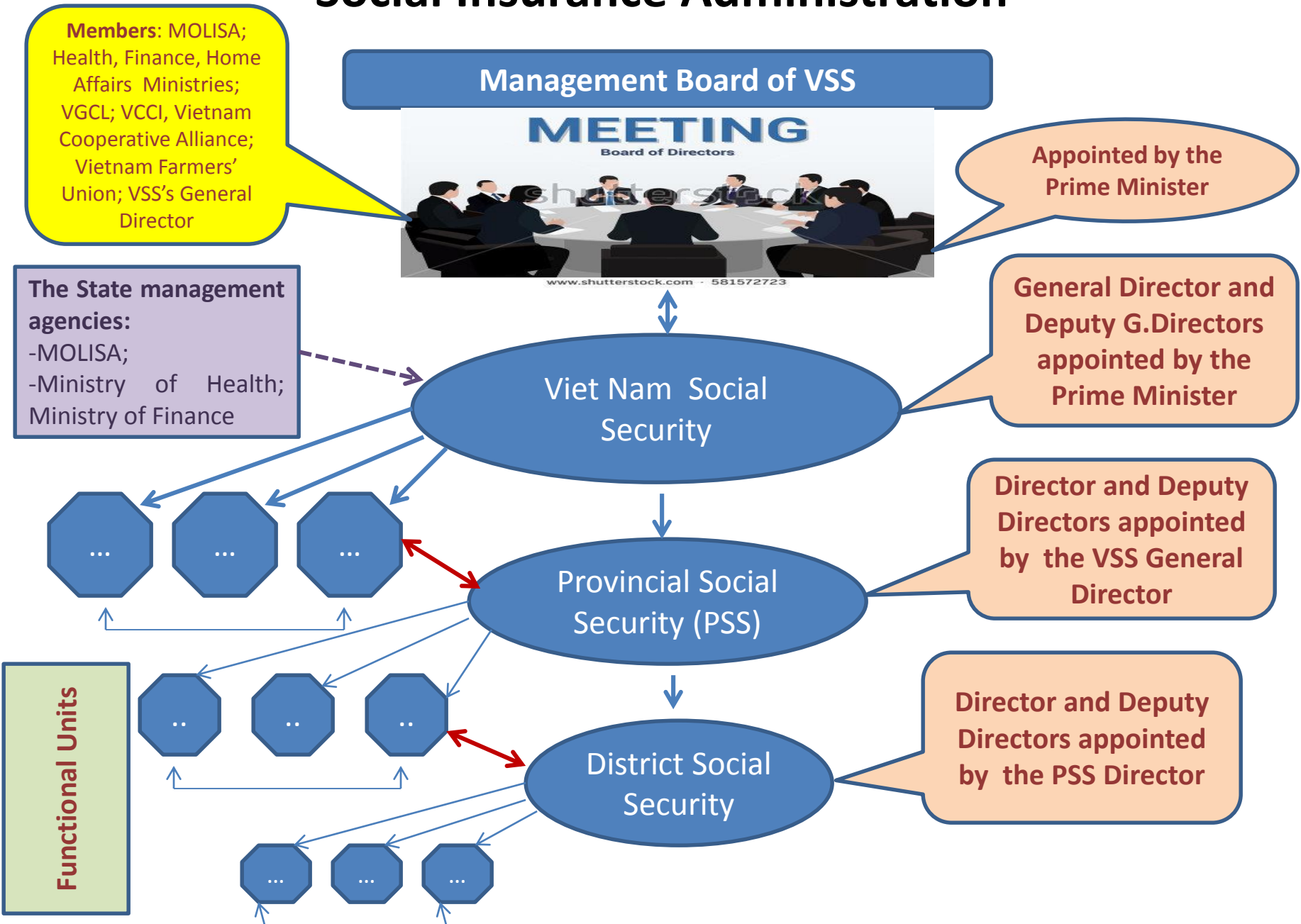


The voluntary scheme covers only old-age and survivors benefits.

Contribution levels

Employer					Employee				
Old-age and Survivorship	Sickness and Maternity	Employment injury	Unemployment insurance	Health insurance	Old-age and Survivorship	Sickness and Maternity	Employment injury	Unemployment insurance	Health insurance
14%	3%	0.5%	1%	3%	8%	—	—	1%	1.5%
21.5%					10.5%				
Total: 32% of gross salary									

Social Insurance Administration





2. The design and evolution of unemployment insurance scheme in Vietnam

THE DEVELOPMENT OF UNEMPLOYMENT INSURANCE SCHEME IN VIETNAM

- The unemployment insurance scheme was firstly introduced in 2009 with the following main features:
 - ***Unemployment insurance is a branch of the VSS*** but closely combined with the efficient employment service system and with active labor market measures.
 - Collecting UI premium, paying cash UI benefit, UI fund's management and use are responsibilities of the VSS
 - The Ministry of Labor – War Invalids and Social Affairs organizes the implementation of receiving claims for and providing decisions of cash UI benefits; and providing employment services and vocational training and implementing active labor market measures ***through local labor authority and its employment service system.***

RATIONABLE OF THE DEVELOPMENT

- Among the various types of policies that may help unemployed workers, unemployment insurance seems ***the best adapted to the needs of the Vietnamese labor force*** in that years
- It will be ***more effective*** to introduce unemployment insurance than to opt for any further ***extension of severance pay***.

RATIONABLE OF THE DEVELOPMENT

- ***Unemployment insurance*** is also a more effective way to protect unemployed workers than any kind of ***forced saving or provident fund***.
- Unemployment insurance has the advantage that, it ensures that benefit goes ***only to workers with a strong attachment to the labor force and to wage employment***.
- It provides meaningful protection for higher paid workers, ***without being excessively generous*** in the case of the lower paid.

The current unemployment insurance scheme in Vietnam



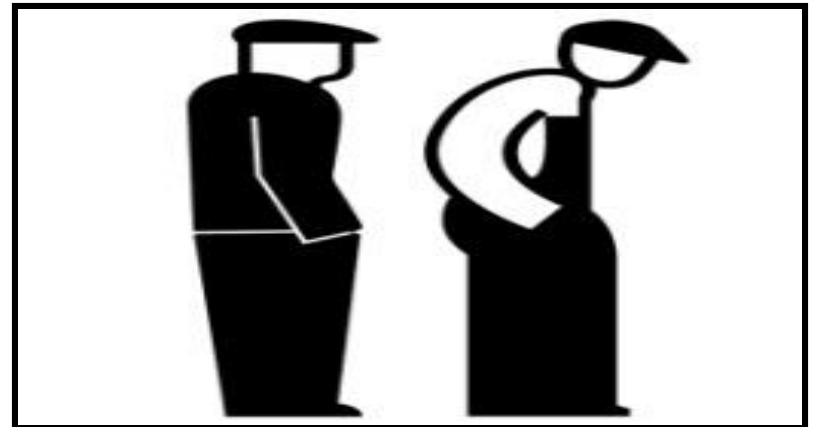
Coverage

**Social
Insurance
law 2006**

**Employment
law 2013**

Persons
working under
labor
contracts with
a term of full
12 months
and above

Persons working under labor
contracts with a term of full 3
months and above





Qualifying conditions

1. Terminating the labor contract



2. Having paid unemployment insurance premiums for at least full 12 months within 24 months before terminating the labor contract

3. Having claimed for unemployment insurance benefit at an employment service center



Unemployment insurance benefits

- **For employees**

- Cash unemployment benefit
- Job counseling support.
- Vocational training support.
- Health insurance benefit.

- **For employers**

- Supporting employers to train and retrain their workers.

Benefit duration

- The benefit duration is based on the number of months of payment of unemployment insurance premiums:
 - 3 months if the period of payment of unemployment insurance premiums is between full 12 months and full 36 months;
 - Such duration is added with 1 month for each additional period of payment of full 12 months, but not exceed 12 months.

Benefit level

- Cash unemployment benefit
 - 60% of the average monthly wage of 6 consecutive months before the employee's jobless, but not exceed 5 times of national minimum wage.
- Job counseling support
 - Job counseling services are free.
- Vocational training support
 - The duration of vocational training support depends on the actual vocational training courses but must not exceed 6 months.
 - The maximum level of vocational training support is VND1,000,000 /person/month.

Conditions for continuing to receive benefit

- During unemployment benefit period, every month employees must directly notify his/her job seeking to the employment service center where he/she currently receives cash unemployment insurance benefit.
- Persons on unemployment benefit period will be suspended from receiving it if they fail to monthly notify their job seeking
- A person on unemployment benefit period will stop receiving it when he/she:
 - has found a job;
 - performs the military obligation;
 - receives monthly pension.

Waiting periods



15 days

- Encourage unemployed people to find jobs instead of waiting for unemployment insurance;
- Agencies responsible for unemployment insurance have time to appraise dossiers and issue decision on entitlement to benefits.



Support employers to train and retrain their workers

- Employers may receive financial support for training and retraining the workers for maintenance their jobs when they fully meet the following conditions:
 - Having fully paid unemployment insurance premiums for their workers at least full 12 consecutive months by the time of request for support;
 - Meeting difficulties due to economic recession, forcing them to undergo restructuring or change production and business technologies;
 - Lacking funds for training and retraining for their workers;
 - Having a plan on training and retraining the workers for their job maintenance, approved by a competent state agency.
- Level and duration of support:
 - The maximum level is VND1,000,000 /person/month but must not exceed 6 months.

Relation with severance pay



The period of unemployment insurance contribution is not counted for receiving severance pay.

- Reducing the financial burden for businesses that have participated in unemployment insurance scheme.
- Encouraging small and medium-sized businesses to actively participate in the scheme to protect their workers through a risk-pooling fund.

Some of Unemployment insurance scheme's results

- After 10 years of implementation
 - 12 million people participated in the scheme, accounting for 24.5% of the labor force in the age group 15-55/60;
 - Over 4 million people received cash unemployment benefits
 - Over 160 thousand people had vocational training support
 - Unemployment Insurance Fund balance is VND79,073 billion (approximately US\$3.4 billion).



3. Current challenges and future reform plans

Current challenges

- Support for vocational training of 6 months and above to change jobs due to the impact of the Fourth Industrial Revolution.
- Capacity of employment service centers in implementing unemployment insurance policies:
 - Connecting and sharing information and database on labor - employment;
 - Capacity of personnel.
- National database of labor market information.

The future reform plans

- Master Plan on Social Insurance Reform:
 - To amend and supplement unemployment insurance policies towards supporting enterprises and workers to maintain jobs, ensuring legitimate interests of enterprises and employees, overcoming fraud and profiteering on unemployment insurance:
 - Project to improve the capacity for forecasting labor supply and demand;
 - Project to improve the capacity and operational efficiency of agencies and units implementing unemployment insurance policies.

Thank you for your attention!

