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Unemployment Insurance Policy in Vietnam

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Abstract

Unemployment is an inevitable phenomenon in a market economy, especially when the economy faces significant risks such as financial crisis, pandemics, etc. According to the International Labor Organization (ILO), the world witnessed about 25 million unemployed people due to Covid-19 pandemic. On the workers side, unemployment may lead to reduced income or wages, affecting both their own lives and their families. On the society side, unemployment may waste social resources and cause social instability. In Vietnam, unemployment insurance has been

implemented since January 2009, and over 14 years, this policy has brought great benefits to many stakeholders, especially during and after the Covid-19 pandemic. However, there are still several issues that require further research and improvement, such as: low coverage of policy, ineffective support for employers to provide vocational training for employees, etc. The article focuses on studying policies and applying implementation framework of unemployment insurance policy in Vietnam.

Keywords: Unemployment Insurance, Employees, Employers, Vietnam

1. Introduction

In order to protect workers from the risk of losing their jobs or being out of work, countries issue and organize the implementation of unemployment insurance policies. Unemployment insurance plays an important role in ensuring financial resources for workers when unemployed. Moreover, it is also a tool for the State to implement labor market policies, because in addition to the function of paying/compensating workers after risks, unemployment insurance also performs the function of maintaining and creating jobs for workers through counseling, job introduction and vocational training for the unemployed, and in special cases, unemployment insurance policies also help realize other social security goals of the government. As in Vietnam, during the Covid-19 pandemic, under the direction of the Government, unemployment insurance also provided support to workers and employers participating in unemployment insurance as they were facing difficulties due to the impact of the Pandemic.

Unemployment insurance is a "product" of the market economy, so it has been present in the world for centuries. Although Vietnam has transformed into a market economy since the early 1990s, not until the 2006 Law on Social Insurance has unemployment insurance been implemented, since January 01, 2009. Since then, the unemployment insurance policy has been repeatedly supplemented and amended to be suitable for socio-economic conditions; the implementation has also become more and more professional; the number of people participating in unemployment insurance has increased from 6 million in 2009 to 14.33 million in 2022; annually, millions of people are covered with unemployment insurance (the number of people entitled to unemployment insurance in 2020 is 1.09 million and nearly 1 million in 2022). However, there are still many issues that need to be studied to improve the policy and organize the implementation of the unemployment insurance policy.

2. Literature Review and Research Methodology

2.1 Literature Review

Europe was the birthplace of industries, and in the earlier days, many countries operated their economies in the direction of a market economy. Therefore, since the end of the 19th century, unemployment insurance has been implemented in European industrialized countries, such as Switzerland, Germany, Belgium, France, etc. After its establishment in 1019, with the mission of protecting workers' rights at work, the International Labor Organization (ILO) has issued many Conventions on labor, employment, social security, etc. Some conventions protecting workers against unemployment risks that have also been ratified include: Convention 44 in 1934 on ensuring benefits for the unemployed, Convention 102 in 1952 on social security, Convention 168 in 1991 on promotion, support and protection against unemployment. These Conventions are the guidelines for countries to develop their unemployment insurance policies, as countries that are parties to the Convention must comply

with the provisions of the Convention, while non-member countries can implement part of the regulations, or based on that basis to develop policies.

Unemployment insurance is a matter of the market and plays an important role in the labor market, so there have been many studies both at home and abroad on this matter.

Carter, J., Beesdard, M., & Bista, C. P. (2013) ^[1] studied and compared the unemployment insurance program, which is a program that supports a part of income for unemployment insurance participants and is implemented in 14 countries, of which selected countries for comparison are from many regions of the world and in many stages of development. The purpose of the study is to highlight the features and practices of applying unemployment insurance policies in countries, thereby building a theoretical basis for unemployment insurance and making recommendations to promote unemployment insurance and employment services in ASEAN.

Quang Truong Nguyen (2016) ^[7] researched State management on unemployment insurance in Vietnam. The thesis systematizes the theoretical basis of state management of unemployment insurance, including the content of state management and factors affecting state management on unemployment insurance, assessment of unemployment and state management of unemployment insurance in Vietnam, thereby proposing recommendations for improvement.

Minh Thang Tran (2018) ^[4] researched fund management and factors affecting the management of unemployment insurance fund. The thesis studies the current situation of management of unemployment insurance fund, evaluates the impact of 3 factors (i) legal policies, (ii) socio-economic conditions (iii) the quality of human resources of the fund management agency to fund management; and proposed solutions for better management on unemployment insurance funds.

2.2 Research Methodology

The article uses qualitative research method, particularly the following specific methods:

- Logical-historical method, used to summarize theoretical documents related to unemployment insurance and its role within the market economy.
- Descriptive statistics method, used to analyze the actual implementation of unemployment insurance policy in Vietnam based on data from Vietnam Social Security and Ministry of Labor, Invalids and Social Affairs.
- Analysis-synthesis method and normative research, used to synthesize, analyze the evaluation of unemployment insurance policy and organize its implementation framework in Vietnam.

3. Unemployment Insurance Policy in Vietnam

3.1 Scope of Average

Considering the criteria of labor relations, it is possible to divide employees into two groups: those with labor relations (wage earner) and those without labor relations (self-employed worker), each of which has characteristics affecting the application of unemployment insurance policies, such as: how to determine unemployment, wage or income stability, the contribution of employers, etc. Therefore, in the beginning, countries often implement unemployment insurance in the form of compulsory for some groups of wage earners, and afterwards, gradually expand; the group of self-employed workers is often

considered for Unemployment Insurance after it has been implemented for all groups of wage earners. Vietnam also implements a roadmap to expand the scope of application, currently stipulated in the Employment Law No. 38/2013/QH13 and guiding documents.

Participants include: (i) employees working under labor contracts or working contracts with a term of 3 months or more; (ii) employers including agencies, units, enterprises, organizations and individuals who hire and employ employees. Employees and employers are responsible for contributing to the unemployment insurance fund, the monthly contribution of each is 1% of the employee's salary. Because of such regulations, the percentage of workers protected by this regime is low, which can be seen from the following data table:

Table 1: Participation in unemployment insurance in the period 2018- 2022

S.No	Criteria	Year	Unit	2018	2019	2020	2021	2022
1	Number of employees participating in unemployment insurance ¹		Million people	12.68	13.43	13.27	14.1	14.33
2	Number of wage earners ²		Million people	24.62	26.87	25.67	26.24	26.88
	Unemployment Insurance Participation Rate		%	51.5	50.0	51.7	53.7	53.3
3	Working age labor force		Million people	48.7	49.1	48.3	49.2	46.0
	Participation rate ³		%	26.0	27.4	27.5	28.7	31.2

Source: ^{1,3} Vietnam Social Security,

² Labor Market Newsletter, Ministry of Labour, Invalids and Social Affairs

The number of people participating in the unemployment insurance regime tends to increase every year, except for 2020, which is the first year under the impact of the Covid-19 pandemic; however, the increase is slow, with an average increase of only 412 thousand people per year. The proportion of employees participating in unemployment insurance, compared to the number of wage earners (of which only employees with less than 3-month labor contracts are not eligible for participation) accounts for about 50%, while the labor force in the age group accounts for about 17%.

The number of workers protected by unemployment insurance is low, or in other words, when unemployed, many workers do not have an alternative source of income, greatly affecting their lives and their families, especially in the event of pandemics or prolonged risks. The low percentage of wage earners participating in unemployment insurance is due to: (i) employees with labor contracts of less than 3 months are not subject to unemployment insurance, (ii) employers' compliance with the unemployment insurance law is not serious; (iii) there is no strict control from the management agency. The proportion of employees participating in unemployment insurance compared to the labor force is low, covering only about 1/4, because unemployment insurance is only compulsory in its form and many people are not included in the target participants.

3.2 Unemployment Insurance Benefits

The content of unemployment insurance under the 2013 Employment Law, compared to the past, has been amended to meet the needs of employees and ensure sustainability, from mainly subsidies for unemployed workers, to concentration on measures to prevent unemployment and measures to help employees return to the labor market soon. When contributing to unemployment insurance in full, employees and employers both benefit from the unemployment insurance policy, specifically:

- For employees;
 - + To be entitled to unemployment allowance from 3 months to 12 months according to the number of months paid for unemployment insurance, provided that the full 12 months has been paid within 24 months (or within 36 months for employees working under seasonal contracts) before the termination of the contract. The benefit is equal to 60% of the average monthly salary.
 - + To get free advice and employment referral, if needed.
 - + To be provided with vocational training based on the actual vocational training period but not exceeding 6 months; the support amount is as prescribed by the Government, if unemployment insurance for 9 months has been paid within 24 months before unemployment.
- For employers: to be supported with funds for training, fostering and improving vocational skills to maintain jobs for employees when they meet the following conditions: (i) paying unemployment insurance premiums for employees for 12 months or more, (ii) having difficulties due to force majeure, forcing changes in production and business structure/technology and having to lay off many employees, (iii) having an approved training and fostering plan.

As a result, each year, there are millions of people entitled to the contents of unemployment insurance, as described in the following table:

Table 2: Number of people entitled to unemployment insurance in the period of 2018-2022

Unit: thousand people

S. No	Criteria	Year				
		2018	2019	2020	2021	2022
1	Number of applicants	773.4	849.7	1,123.5	801.9	983.8
2	Number of unemployment allowances beneficiaries	763.6	835.9	1,087.5	764.6	975.3
3	Number of people referred for employment	179.1	187.8	229.6	174.1	225.4
4	Number of people supported with vocational training	38.0	41.9	26.5	18.4	21.8
5	Number of people receiving vocational training through employers	0	0	0	1.44	7.46

Source: Employment Department, Ministry of Labour, Invalids and Social Affairs

In terms of the contents of unemployment insurance, the number of beneficiaries tends to increase, but when divided into two periods 2018-2020 and 2021-2022, it can be seen that only in 2020, the number of beneficiaries of vocational training support decreased by even about 45% compared to 2019. Logically, if there is no factor of abnormal impact, the number of people unemployment insurance beneficiaries should increase every year due to the increase in the number of participants; however, because 2020 is the first year under the impact of the pandemic, the number of beneficiaries increased sharply while the number of people

supported with vocational training plummeted due to many vocational training institutions and employees having to practice social distancing at the request of local authorities.

The comparison between the number of people entitled to unemployment insurance benefits and the number of applicants shows that the benefit rate is high, reaching about 98% of the beneficiaries, and the low number of people not entitled is due to the fact that they have found a job during the waiting period (16 days), or because they are not eligible for the benefit. The number of people referred for employment accounts for about 25% of the beneficiaries; the low number of people referred for employment is due to the fact that employees find jobs on their own, or that many employees in industrial parks, after being unemployed, choose to return to their hometowns and work in informal jobs. The number of people supported with vocational training only accounts for a small proportion - only 2.4% compared to the number of people receiving unemployment benefits in the period 2020-2022; the reason is that employees do not have many career options as apprentices for training only include some basic ones such as cooking, flower arranging, pastry making, driving, office informatics, motorbike repair. According to learners' feedback (there is no official survey), these apprentices are not suitable for market needs, and employees find it difficult to find a job after completing their studies; moreover, the time and cost of vocational training are low.

For the content of funding support for employers to train, foster and improve vocational skills to maintain jobs for employees, from 2021, only 1.46 thousand employees were entitled in 2021 and 7.46 thousand people in 2022, with the support amount, according to data sources of Vietnam Social Security, of 5,099 and 35,339 billion VND, respectively; on average, each employee is supported with 3.4 million and 4.7 million VND.

3.3 Discussion

The unemployment insurance policy implemented in Vietnam has brought benefits to all parties, including employees, employers and the state, ensuring life safety for millions of families when the breadwinner falls into unemployment. Unemployment insurance also supports vocational training, job introduction for the unemployed, in order to help them get a job soon. Moreover, during the Covid-19 period, the Unemployment Insurance Fund also spent additional expenditures, at the request of the Government, to realize social security goals, such as supporting employees who have participated in Unemployment Insurance because their jobs are suspended or they quit their jobs (but not yet counted as unemployed), and reducing unemployment insurance premiums for employers. However, the policy and implementation of the unemployment insurance policy still have limitations such as:

- Low coverage,
- There are many employers and employees who are involved but have not participated,
- The number of people referred for employment is low,
- The number of people supported for vocational training and apprentices for training are not diverse and not suitable for market needs, with low time and level of training support,
- The support for training, fostering and improving professional skills to maintain jobs for employees is not

effective; not until 2021 were there people entitled, but the number of beneficiaries and the level of benefits are not high;

- Providing emergency support for both employees and employers, despite being humane, could have long-term implications for fund balance.
- The reasons for these limitations are:
- Many employees are not eligible to participate in unemployment insurance if they are not wage-based workers, or if they are sign labor contracts with a term of less than 3 months.
- Compliance with unemployment insurance law by some employers and employees is lacking. Many employers intentionally evade unemployment insurance contributions to reduce expenses related to laborers. This is because employees who want to enroll in unemployment insurance must go through the employers. Furthermore, they are reluctant to have their wages deducted to pay unemployment insurance.
- The awareness of employers and employees regarding their rights and responsibilities when participating in unemployment insurance is incomplete, and their social responsibilities have not been well implemented.
- Conditions for enterprises to receive financial support for training, fostering and improving vocational skills in order to sustain employment for laborers are strict.

4. Solution to Improve Unemployment Insurance Policy

The unemployment insurance policy and its development objectives in our country are aligned with ILO Conventions and in correlation with other countries in the region and the world. In order for unemployment insurance to effectively fulfill its role as a social security policy, and a tool to regulate the labor market, state management agencies being in charge of unemployment insurance and unemployment insurance agencies need to implement various measures:

- Finalizing legal framework for unemployment insurance

The Employment Law regulating unemployment insurance was enacted in 2013 and has been in effect from January 1, 2015. During the period of 8 years applying, several shortcomings have been identified, such as regulations on participants and conditions for businesses to receive financial support for training and skills development of workers. Accomplishing the Law and guiding documents will provide a sufficient basis for unemployment insurance agencies in order to ensure the rights and benefits of both employees and employers. To expand the coverage of unemployment insurance, it is necessary to broaden the scope of participants, such as employees working under labor contracts with a term of less than 3 months or under service provision contracts (e.g., shippers), agents, consultants, etc. In addition, study on participants who are foreigners working in Vietnam should be carried on, due to the increasing globalization trend, which leads to the growing number of foreign workers coming to Vietnam to for employment. According to statistics from the Ministry of Labor, Invalids and Social Affairs, there are about 100,000 foreign workers, who are working in Vietnam, holding work permits.

- Strengthening information and propaganda about unemployment insurance

Information and propaganda play an essential role in marketing activities. Although unemployment insurance is a

state policy and not for commercial purposes, unemployment insurance operates on the principle of contribution and benefits, which means unemployment insurance agencies are considered as public service providers, so it is necessary to increase the number of customers. Propaganda will help all parties involved to understand unemployment insurance policy, thereby changing their perceptions. When employees understand their rights and responsibilities, they will ask employers to let them participate in unemployment insurance. On the other hand, employers, realizing their rights and responsibilities, will change their attitudes, from compulsory participation to voluntary participation.

- Strengthening the application of information technology in the implementation of unemployment insurance policy

In the era of digital technology, the application of modern technology will facilitate for both employees and employers in carrying out procedures to enroll in and gain benefits from unemployment insurance. Easy access to information about the process of contribution and benefits will enable all parties to verify the performance of each other's responsibilities. Moreover, applying technology in establishing an online job exchange platform could be beneficial. Currently, if employees want to consult or seek job opportunities, they have to go directly to employment service centers designated by the unemployment insurance agency. However, the scope of these centers' activities of these centers is still limited, and there is a lack of widespread connectivity on a national scale. Creating an online job exchange platform will help connect job information, not only within a country but also outside a country's border. In addition to providing information about current vacant positions, the platform could also forecast future employment needs to orient workers and employers to choose relevant training and development fields, thus avoiding wasting resources.

- Innovating vocational training activities

Vocational training is a proactive measure for the unemployed to find jobs soon. However, the vocational training for participants in unemployment insurance currently has many limitations as analyzed earlier... Therefore, to ensure that workers can find suitable jobs after being tutored, vocational training programs need to be more practical and associated with actual needs. Conducting surveys to understand the needs of enterprises and the job market will enhance the effectiveness of vocational training activities. Sending workers to vocational training at enterprises is another approach, because enterprises have modern machinery systems and require recruitment, eliminating the need to pay training costs.

Additionally, it is necessary to change support conditions and simplify administrative procedures so that employers can easily access the training support scheme for their employees. Strengthening vocational training at enterprises will help vocational training be associated with practical demands, increasing job opportunities for workers. This will enable businesses to easily hire suitable workers who are ready for immediate work.

- Strengthening inspection of the implementation of unemployment insurance policy, aiming to detect and remind all parties involved at the first signs of violations. Furthermore, the strict handling of violation cases also serves as a deterrent to others.

5. Conclusion

Unemployment insurance policy in Vietnam has affirmed its role, not only for employees, but also for the whole society. Unemployment insurance contributes to reducing unemployment rate, with funds provided by employees and employers. As a result, the state budget will reduce subsidized expenditures for people in difficult circumstances, reduce vocational training costs, and domestic human resources can be effectively utilized.

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