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## **Solution to Complete Unemployment Insurance Policy in Vietnam Currently**

**<sup>1</sup>Pham Hai Hung, <sup>2</sup>Ngo Anh Cuong, <sup>3</sup>Pham Duc Trong**  
<sup>1, 2, 3</sup> University of Labour and Social Affairs, Vietnam

Corresponding Author: **Ngo Anh Cuong**

### **Abstract**

This study aims to clarify the concept of unemployment, evaluate the role of unemployment insurance in the market economy and the implementation of unemployment insurance in Vietnam. The study analyzed and assessed the values that unemployment insurance brings to workers in the market economy, and the current status of participation and enjoyment of unemployment insurance policies by

workers in Vietnam. The research results serve as a basis for proposing a number of solutions for amending unemployment insurance policies accordingly and perfecting the organization and implementation of unemployment insurance policies. These solutions will motivate more workers to participate in unemployment insurance.

**Keywords:** Unemployment, Unemployment Insurance, Social Insurance, Social Benefits, Workers

### **1. Introduction**

Unemployment is an inevitable objective phenomenon stemming from different causes. Unemployment not only has direct consequences for individuals who lose their jobs, it affects the lives of their families and causes many consequences for society. To solve this problem, unemployment insurance policy was born and plays an increasingly important role in solving difficulties for workers, providing job training for workers to help them find jobs to return to the labor market. In Vietnam, unemployment insurance policy has been implemented since 2009, participants are employees who sign labor contracts of 3 months or more. The content of unemployment insurance includes unemployment benefits, vocational training for employees and job placement.

### **2. Theoretical Basis**

#### ***Unemployment Concept***

Unemployment is a socio-economic phenomenon that always exists in the market economy in most countries with different political regimes and levels of socio-economic development. Unemployment will prevent that country from mobilizing its labor force to participate in socio-economic activities, leading to a decline in that country's total product. Increased unemployment is also the reason that pushes the economy towards inflation. In addition, high unemployment leads to less consumer demand compared to when there are many jobs, so investment opportunities are also fewer.

In France, workers are considered unemployed when they have working conditions but do not have a job and are looking for work. In Thailand, the unemployed are people who are out of work, want to work and have the capacity to work. According to the Unemployment Insurance Law in Germany (1969), an unemployed person is a temporary worker who has no employment relationship or is only allowed to perform short-term work. Thus, depending on the economic and social characteristics of each country, the view on unemployment is also different. The International Labour Organization (ILO) has taken a holistic stance on unemployment as a human rights issue. According to the organization, unemployment is an existential situation when some people in the labor force want a job but are unable to find work at prevailing wages. In Vietnam, according to Article 3 of the 2006 Law on Social Insurance, there are provisions on the unemployed: "An unemployed person is a person who is paying unemployment insurance but loses his/her job or terminates his/her labor contract or work contract but has not yet found a job."

Workers who are unemployed, lost their job, will lose their source of income. Therefore, workers and their families will not be able to afford, purchase necessary items and consumer goods. Those affect the ability to retrain yourself to switch careers, return to the labor market. Unemployment has an effect on social order: increased unemployment associated with rising crime

rate, suicide rate and deteriorated healthy quality.

### ***Unemployment Insurance Policy***

Vietnam is in the process of economic development, building market – based economy so that an over – all rule cannot be avoided. To solve the unemployment problem, Vietnam has come up with overall solutions to create jobs for workers, in which: unemployment insurance policy.

Unemployment insurance is a regime to compensate for a part of an employee's income when losing a job, supporting employees to learn a job, maintaining their job and finding job on the basis of contributions to the Unemployment Insurance Fund (Employment Law 2013) [6]. Hence, unemployment insurance is a synchronous application of measures to bring the unemployed back to the labor market such as: training, retraining, job brokerage, career counseling, adopting policies to support enterprises receiving unemployed people, supporting unemployed people to set up a business.

Consequently, the good implementation of the unemployment insurance policy has the following role:

#### *Compensate for a part of Unemployment Insurance Policy When Losing a job*

In labour relations, employee can lose their job. Therefore, labour relations need to have a mutual interaction between the three parties: employers, social insurance agencies and employees to ensure income compensation for employees when losing their jobs. Besides, unemployment insurance has the effect of motivating employees to work enthusiastically, when employees are working, they will have income. In case of job loss because of objective causes, the employee will be entitled to unemployment benefits. It is a positive two-way relationship of unemployment insurance for workers.

#### *Redistribute the Revenue*

In reality, only a fraction of workers who lose their jobs become unemployed due to objective factual causes, and no one wants to lose their job to get benefits from the unemployment insurance fund. Therefore, the number of people receiving unemployment benefits is inevitably lower than the number of those contributing to the obligatory Unemployment Insurance Fund. From that, the principle of unemployment insurance is “take the majority off the few”. This principle represents the redistribution of the income of workers with different incomes; those with high incomes and those with low incomes, and those who contribute regularly and irregularly to the unemployment insurance fund. It also shows that the ability, the role of unemployment insurance not only redistributes income, but also contributes to social justice.

#### *Source of Funds for the Development of Production and Business for the State*

Currently, Vietnam's unemployment insurance fund is formed from the contributions of workers, employers and the support of the state budget. The fund is partly used to pay the unemployment benefits to the workers and the rest can be invested in economic activities to make a profit, increasing income to the Unemployment Insurance Fund. This investment will contribute to the development of production and business, ensuring the safety of the unemployment insurance fund.

Hence, unemployment insurance is a synchronous applied with measures to bring the unemployed workers back into the labour market such as: training, retraining, employment brokering, career counselling, having policies to support enterprises to receive the unemployee, supporting the unemployee, strict regulation on the conditions of dismissal of workers, union participation in the decision to dismiss the worker.

### **3. Research method**

The article uses qualitative research methods with the following specific methods:

Descriptive Statistics method, used to analyze the implementation of unemployment insurance policies in Vietnam based on Vietnam Social Insurance data.

Meta-analysis method, used to synthesize and analyze data on the process of implementation of unemployment insurance policy from 2016 to 2022.

### **4. Current Status of Implementing Unemployment Insurance Policy in Vietnam**

In Vietnam, since the transition to a socialist-oriented market economy, the economy has grown at a high rate, inflation is reversed and positively controlled. However, unemployment has become a social problem that needs to be solved. Therefore, constructing an unemployment insurance policy that is in accordance with the market economy is an urgent issue to address. In 2006, the social insurance law was passed by Congress, which consists of unemployment insurance provisions in force since 2009. After a period of implementation, the provisions on unemployment insurance were amended and supplemented in the Employment Law No. 38/2013/QH13. After more than 10 years of implementation, the unemployment insurance policy in Vietnam is gradually being completed, meeting the requirements of deployment, benefiting employers, workers and the community. There is a growing number of people seeking for unemployment insurance.

#### *Status of Unemployment Insurance Participation*

According to the below table, the number of participating unemployment insurance increased by about 10 per cent each year. In 2016, more than 11 million people joined in unemployment insurance. In 2022, there are 15.1 million people participating on unemployment insurance. In 2020 and 2021, the number of participating unemployment insurance decreased due to the impact of the Covid-19 epidemic.

According to statistics, total income from unemployment insurance tends to rise over the years. In 2016, the total income received from the unemployment insurance fund was approximately 11728 billions dong. In 2022, the total income received from unemployment insurance was 19868 billions dong, an increase of 8140 billions dong compared to 2016. Thus, unemployment insurance has been implemented step by step in order to solve the difficulties for workers when losing the job and to promote the role of unemployed insurance policy in Vietnam. However, currently, unemployment insurance applies only to employees who have an indefinite – term labour contract with a duration of 3 months or more. Other subjects such as one-month to less than three-month contracts, freelancers, agricultural workers have not yet joined. Thus, unemployment insurance coverage is only 27.7% of the workforce.

**Table 1:** Number of people participating in unemployment insurance from 2016 to 2022

| Content  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  |
|--|-------|-------|-------|-------|-------|-------|-------|
| Number of people participating in unemployment insurance (millions dong) | 11061 | 11772 | 12680 | 13429 | 13324 | 13394 | 15120 |
| Total unemployment insurance receipts (billions dong)                    | 11728 | 13517 | 15562 | 17405 | 18056 | 17063 | 19868 |

Source: Social Insurance Report

*The Situation of Unemployment Insurance Regime for Employees*

After implementation of unemployment insurance in Vietnam, millions of workers are entitled to these benefits from the unemployment insurance regime: allowance for finding a new job, support for vocational training to improve their skills or transition to suit the labour market, recommendation for working free of charge at state employment services centres. In addition, employers are also provided with funding to support vocational training for employees in their companies when facing financial difficulties.

**Table 2:** The situation of solving unemployment insurance regime from 2016 to 2022

| Target   | 2016   | 2017   | 2018   | 2019   | 2020    | 2021   | 2022    |
|--|--------|--------|--------|--------|---------|--------|---------|
| The number of people getting unemployment benefits | 586254 | 671789 | 763573 | 790809 | 1002839 | 839220 | 1250523 |
| The number of people receiving vocational support  | 28537  | 34723  | 37977  | 22651  | 16282   | 17866  | 31807   |

Unit: person

Source: Social Insurance Report

During the period 2016-2022, the number of people receiving unemployment insurance regime increased over the years, the next year was greater than the previous year. In 2022, the number of people getting unemployment benefits exceeds one million. This has partially reduced the hardship for workers when they lost their jobs as a result of the Covid-19 pandemic.

In the period 2020-2022, unemployment insurance has helped millions of workers when they have financial difficulties in finding a job and also helped workers in their training, retraining and job recommendations to get them back to the labour market. However, the vocational education support policy has not been successful. The number of people who support vocational studies compared to those who receive unemployment benefits is very small. Employees who are unemployed mostly receive unemployment benefits, have little interest in vocational education even though the unemployment rate is very high for those who do simple jobs.

For activities that support training, nurturing, upgrading professional skills to maintain employment for workers, it is very difficult for enterprises to get benefit from this policy

because the conditions for the policy are not appropriate with reality. Information about unemployment insurance benefits is still limited to workers.

**5. Some Solutions to Improve Unemployment Insurance Policy in Vietnam**

**Complete the Legal System**

*Expand the Number of Participants*

As analysed above, at present, unemployment insurance coverage in 2022 is only 27.7% of the workforce. The reason is that the subject of participating unemployment insurance is a worker who has signed a contract of employment from three months or more (Law on employment 2013) [6] so restricted many groups of people who are very willing to participate in the employment insurance. Meanwhile, compulsory social insurance is now extended to employment contracts for one month or more. Consequently, we need to expand gradually the number of participant to ensure the rights of every worker.

*Modify, Supplement, Complete the Legal Texts*

Continue to modify, supplement and complete the guidelines on unemployment insurance in order to make timely adjustments; expand the conditions of support so that workers are more accessible to the training support regime, improve the level of vocational skills to maintain employment for workers; supplement additional supports beside the support of the vocational education; simplify the conditions for enterprises to access the policy of support training, nurturing, upgrading the professional skills level to maintain the employment of workers.

In 2020, Vietnam has issued Decree No. 20/2020/ND-CP to punish administrative offense in the labour sector, social insurance, to send Vietnamese workers to work abroad under contracts. However, the basic penalty remains at the same maximum level as Decree No. 95/2013/ND-CP on August 22th 2013. Therefore, in the next time, it is necessary to continue to amend and supplement the texts relating to the treatment of offences in the aspect of unemployment insurance in order to raise the level of penalties, supplement remedial measures and add additional offences to increase deterrence, compliance with legal regulations.

**Improve the Organization and Implementation of Policies**

*Continue to strengthen information and publicity on unemployment insurance*

Through the mass media, publications and regularly organizing propaganda - direct dialogue with enterprises and workers about the role, meaning of unemployment insurance. Practical experience shows that information, propaganda, dissemination, awareness-raising, education to the people about unemployment insurance are important measures in the organization of law enforcement, legal regulatory texts and the regimes, policies of the Party, the State.

*Strengthen Interdisciplinary Inspection and Testing*

Coordinate and review these enterprises, especially small and medium-sized that are currently operating. Check the job declaration situation to get accurate information about the company and employees. Promptly rectify and strictly handle violations of the law on unemployment insurance in

order to remedy the situation of escape, delayed closure, unemployee insurance debt. The organization performs well the activities of monitoring, governing, inspecting the implementation of conclusions, recommendations, decisions processed after the inspector.

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