

UNEMPLOYMENT INSURANCE IN VIETNAM: IMPLEMENTATION AND POLICY ISSUES



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Interim Presentation for the 'Social Resilience Project'
Tokyo, 12 July 2011

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1. BACKGROUND

- Sustainable economic growth should guarantee a good social protection system, in which laborers are protected with a comprehensive social safety net.
- Unemployment, which is presented in various forms, has become an important economic and social issue in Viet Nam. Rural-urban migration and fiercer urban labor market are two, among others, crucial factors determining the shape of labor market as well as unemployment patterns in Viet Nam.
- The UI has been put in place since late 2006 along with the first-ever Social Insurance Law, and started since 1 January 2009, which was about 2.5 years ago.

1. BACKGROUND

PERCENTAGE DISTRIBUTION OF UNEMPLOYED POPULATION BY SEX, REGION AND MAIN CITY, 1/9/2009

	Chung Total	Nam Male	Nữ Female
Toàn quốc – Whole country	100,0	49,8	50,2
<i>Thành thị - Urban</i>	<i>100,0</i>	<i>48,8</i>	<i>51,2</i>
<i>Nông thôn – Rural</i>	<i>100,0</i>	<i>50,8</i>	<i>49,2</i>
Vùng – Region:			
Trung du và miền núi phía Bắc – Northern Midlands and Uplands	100,0	43,9	56,1
Đồng bằng sông Hồng – Red River Delta	100,0	58,9	41,1
Bắc Trung bộ và duyên hải miền Trung – North Central and South Central Coast	100,0	54,4	45,6
Tây Nguyên – Central Highlands	100,0	48,1	51,9
Đông Nam bộ - Southeast	100,0	51,4	48,6
Đồng bằng sông Cửu Long – Mekong River Delta	100,0	39,8	60,2
Thành phố lớn - Main city:			
Hà Nội – Hanoi city	100,0	53,9	46,1
Hồ Chí Minh – Hochiminh city	100,0	52,2	47,8

Source: GSO (2010), *Report on Labor Force Survey 2009*.

1. BACKGROUND

PERCENTAGE DISTRIBUTION OF UNEMPLOYED POPULATION BY AGE GROUP AND SEX, 1/9/2009

Nhóm tuổi Age group	Tỷ trọng – Proportion			% Nữ % Female
	Chung Total	Nam Male	Nữ Female	
Tổng số - Total	100,0	100,0	100,0	50,2
15-19	17,4	17,6	17,2	49,5
20-24	26,6	29,2	24,1	45,4
25-29	20,9	20,0	21,8	52,3
30-34	8,7	7,5	9,9	57,1
35-39	9,2	7,2	11,3	61,4
40-44	6,5	7,4	5,6	43,5
45-49	4,1	4,4	3,8	46,7
50+	6,5	6,8	6,3	48,0

Source: GSO (2010), *Report on Labor Force Survey 2009*.

1. BACKGROUND

PERCENTAGE DISTRIBUTION OF UNEMPLOYED POPULATION BY QUALIFICATION AND SEX
THROUGH THE SURVEYS 2007 AND 2009

	1/8/2007			1/9/2009		
	Chung	Nam	Nữ	Chung	Nam	Nữ
	Total	Male	Female	Total	Male	Female
Tổng số - Total	100,0	100,0	100,0	100,0	100,0	100,0
1. Không có trình độ CMKT Not any	65,9	65,7	66,0	70,5	67,1	73,9
2. CNKT không có bằng Technical worker without certificate	4,1	4,1	4,0	4,3	3,8	4,8
3. Sơ cấp nghề Short-term vocational training	4,8	6,3	3,2	4,0	7,1	0,9
4. Trung cấp nghề Long-term vocational training	2,4	3,9	0,7	3,4	6,6	0,2
5. Trung học chuyên nghiệp Secondary vocational school	10,7	9,9	11,7	7,7	5,0	10,3
6. Cao đẳng nghề Vocational college	} 4,8	} 4,1	} 5,7	0,4	0,5	0,3
7. Cao đẳng - College				2,6	1,9	3,4
8. Đại học trở lên Graduate and above	7,3	6,0	8,7	7,1	8,0	6,2

Source: GSO (2010), *Report on Labor Force Survey 2009*.

1. BACKGROUND

UNEMPLOYMENT RATE AND UNDEREMPLOYMENT RATE OF LABOURERS IN WORKING AGE BY URBAN/RURAL, 1/9/2009

	Tỷ lệ thiếu việc làm			Tỷ lệ thất nghiệp		
	Underemployment rate (%)			Unemployment rate (%)		
	Chung	Thành thị	Nông thôn	Chung	Thành thị	Nông thôn
	Total	Urban	Rural	Total	Urban	Rural
Toàn quốc – Whole country	5,4	3,2	6,3	2,8	4,6	2,1
<i>Nam - Male</i>	<i>5,7</i>	<i>3,7</i>	<i>6,6</i>	<i>2,7</i>	<i>4,3</i>	<i>2,0</i>
<i>Nữ - Female</i>	<i>5,1</i>	<i>2,7</i>	<i>6,0</i>	<i>2,9</i>	<i>4,9</i>	<i>2,1</i>
Các vùng – Region:						
Trung du và miền núi phía Bắc – Northern Midlands and Uplands	3,1	2,7	3,1	1,4	3,2	1,0
Đồng bằng sông Hồng – Red River Delta	5,3	2,5	6,4	2,5	4,3	1,8
Bắc Trung bộ và duyên hải miền Trung – North Central and South Central Coast	5,4	5,1	5,4	2,8	5,0	2,1
Tây Nguyên – Central Highlands	5,4	4,8	5,7	1,4	3,0	0,8
Đông Nam bộ - Southeast	3,3	1,5	5,5	3,7	5,1	2,1
Đồng bằng sông Cửu Long – Mekong River Delta	9,0	5,1	10,1	3,7	4,6	3,5
Hai thành phố lớn - City:						
T/phố Hà Nội – Hà Nội city	1,5	0,7	2,0	3,1	4,6	2,1
T/phố Hồ Chí Minh - Ho Chi Minh city	1,1	1,2	0,8	5,2	5,7	2,4

Source: GSO (2010), *Report on Labor Force Survey 2009*.

2. OVERVIEW OF UI IN VIETNAM

Coverage:

- **Employees** entitled to participate in compulsory social insurance are Vietnamese citizens, including:
 - (i) Employees working under contracts of indefinite term or contracts of a term of three months and/or over;
 - (ii) Cadres, public servants;
 - (iii) Defence workers, police workers;
 - (iv) Professional officers and soldiers of the Army force; professional officers and non-commissioned officers, technical officers and non-commissioned officers of the police force; persons engaged in cipher work and enjoying salaries like army or police men;
 - (v) Non-commissioned officers and soldiers of the Army force, non-commissioned officers and combatants of the police force on term services; and
 - (vi) Persons working overseas for a definite term who previously paid compulsory social insurance premiums.

2. OVERVIEW OF UI IN VIETNAM

Coverage:

- **Employers** entitled to participate in compulsory social insurance include:
 - (i) state bodies, state units, security services;
 - (ii) political organizations, social-political organizations, social-political-professional organizations, social-professional organizations, other social organizations;
 - (iii) foreign agencies and organizations, international organizations operating in the Vietnamese land;
 - (iv) entrepreneurs, cooperatives, business individuals, cooperative groups, other organizations and individuals hiring, employing and paying wages to employees.

2. OVERVIEW OF UI IN VIETNAM

Conditions for UI Benefits:

- (i) Having the unemployment insurance contribution for at least 12 months within 24 months before becoming unemployed;
- (ii) Having registered the unemployment with social insurance organizations;
- (iii) Having not yet found a job within 15 days after the date of making unemployment registration as indicated in (ii).

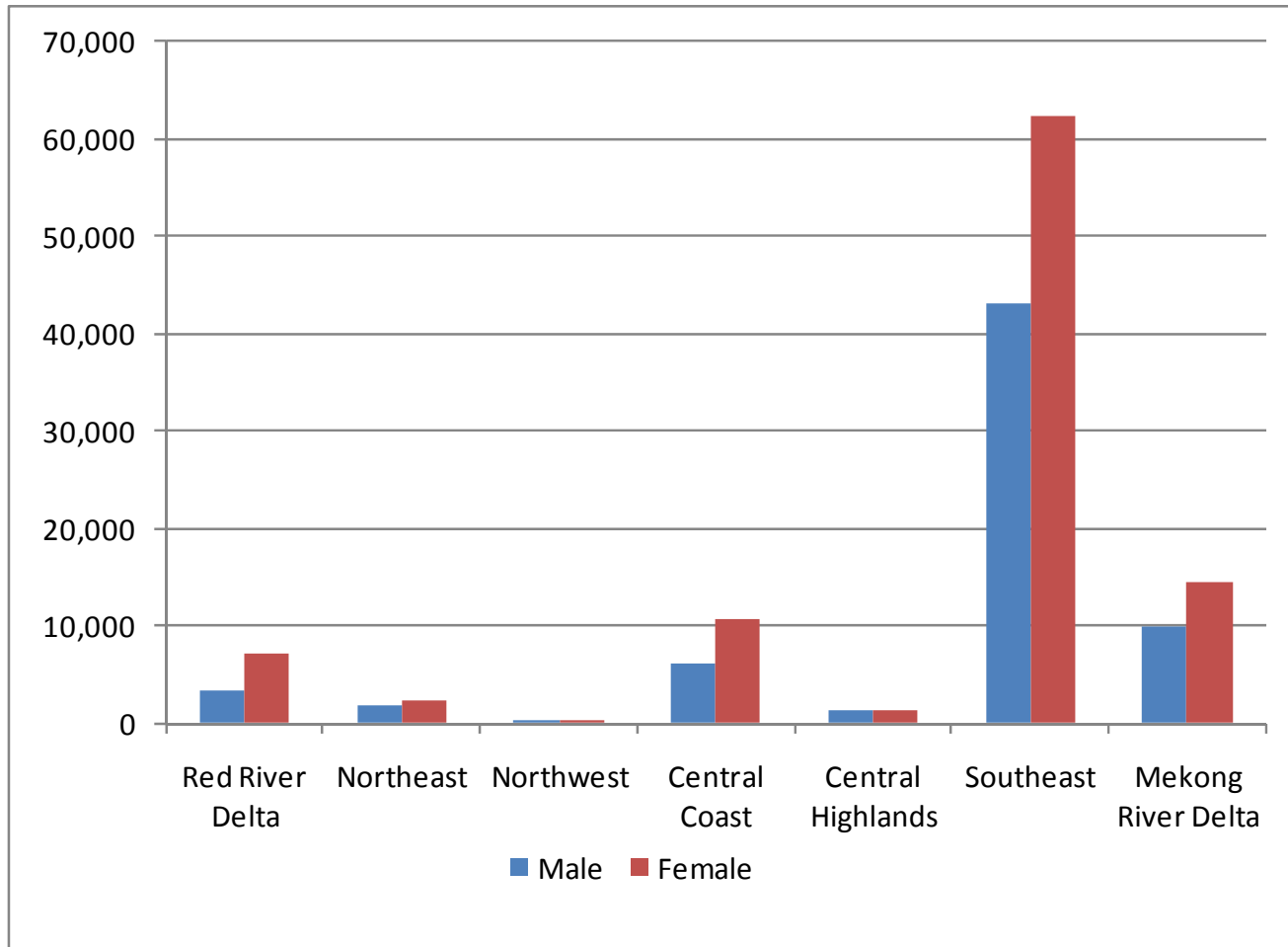
2. OVERVIEW OF UI IN VIETNAM

UI Benefits:

1. The monthly UI allowance is equivalent to 60% of the average 6 consecutive months contribution prior to unemployment.
2. The period of receiving UI allowance:
 - 3 months (for 12-less 36 months of UI contribution);
 - 6 months (for 36-less 72 months of UI contribution);
 - 9 months (for 72-less 144 months of UI contribution);
 - 12 months (for more than 144 months of UI contribution);
3. Allowances for vocational training and job-seeking.
4. Allowance for social health insurance

3. IMPLEMENTATION AND POLICY ISSUES

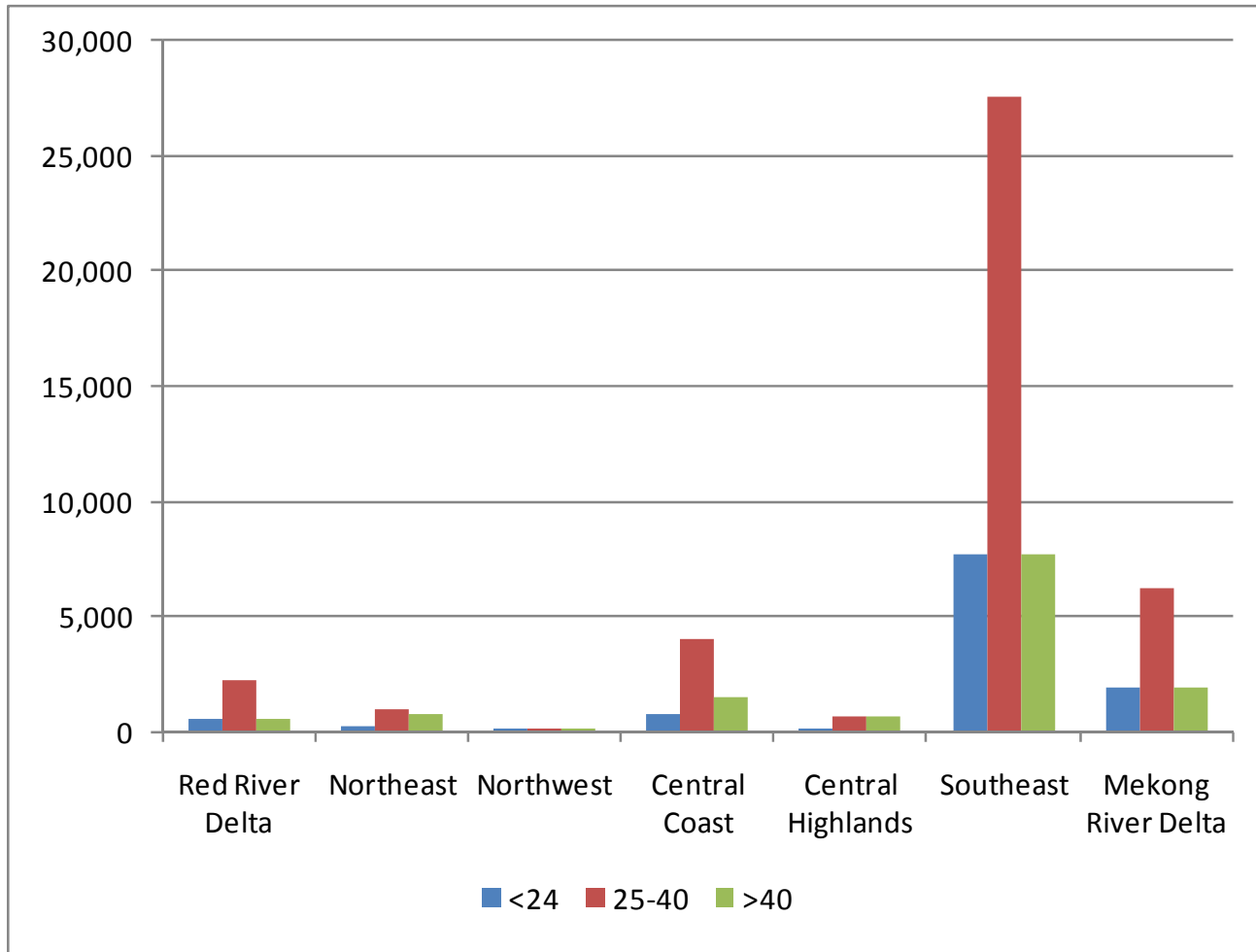
Fig. 1 – Number of beneficiaries by region and gender



Source: VSS (2011), *UI Annual Report 2010*

3. IMPLEMENTATION AND POLICY ISSUES

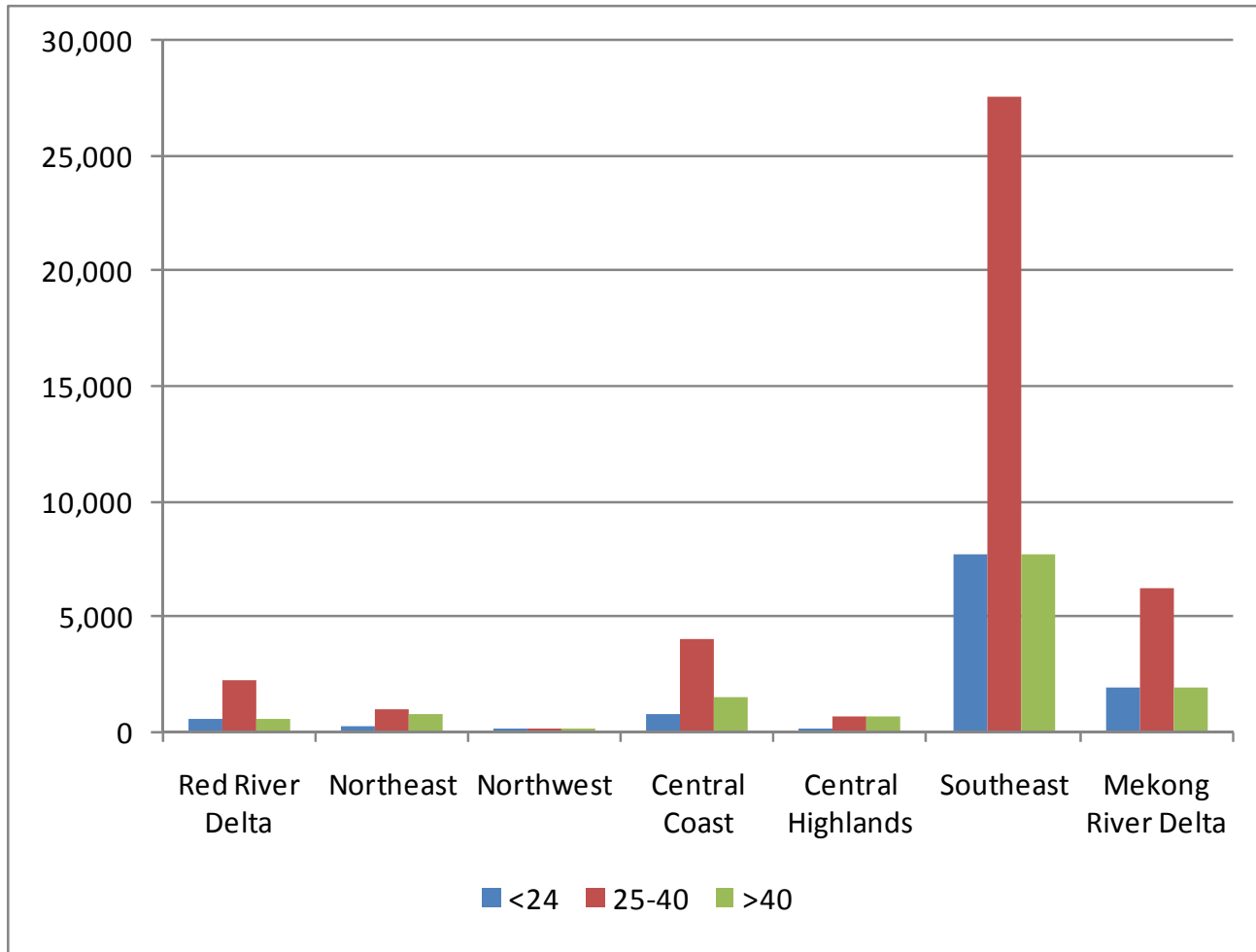
Fig. 2 – Number of beneficiaries by region and age



Source: VSS (2011), *UI Annual Report 2010*

3. IMPLEMENTATION AND POLICY ISSUES

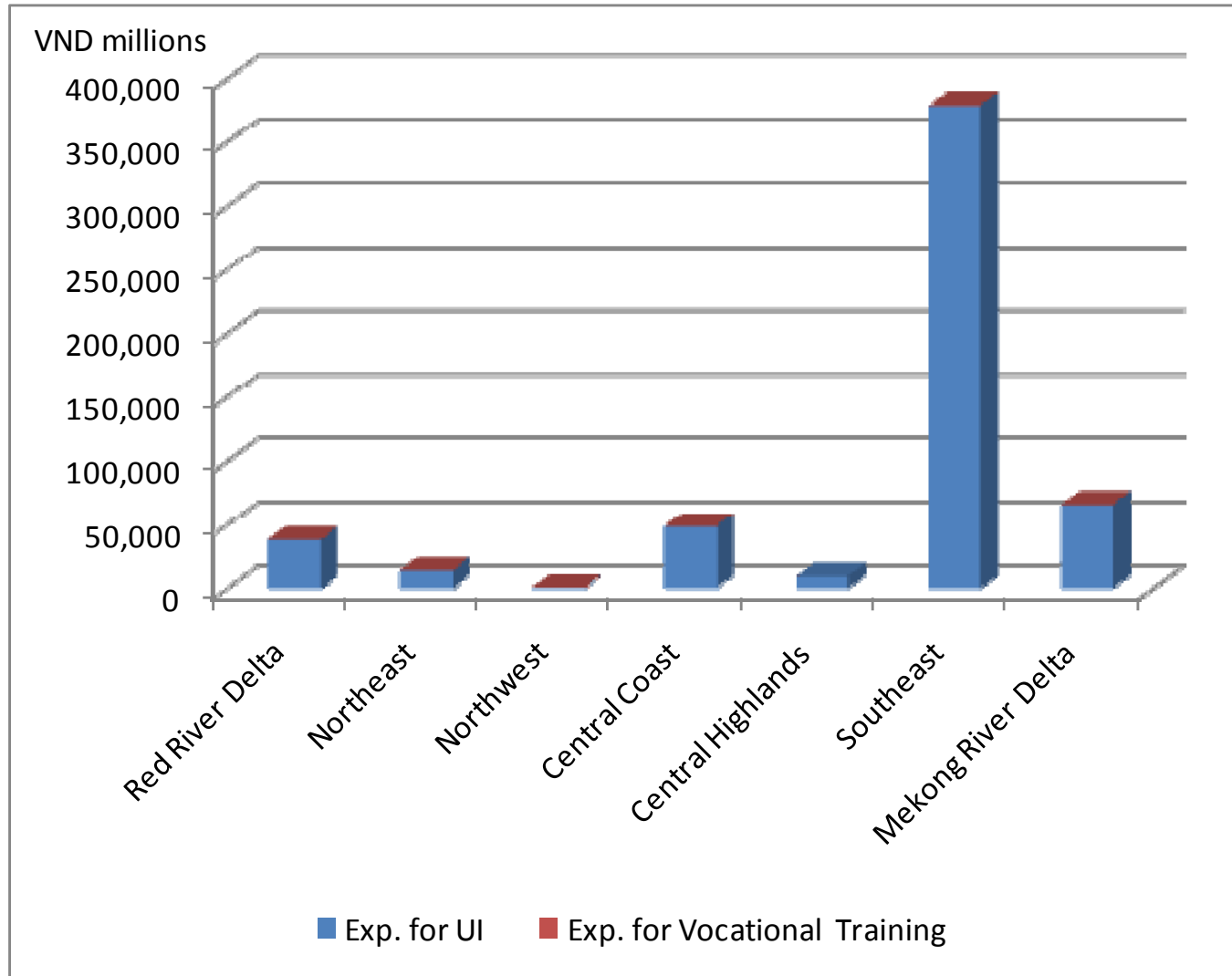
Fig. 3 – Number of beneficiaries by region and age



Source: VSS (2011), *UI Annual Report 2010*

3. IMPLEMENTATION AND POLICY ISSUES

Fig. 4 – Expenditures for UI and Vocational Training



Source: VSS (2011), *UI Annual Report 2010*

3. IMPLEMENTATION AND POLICY ISSUES

1. UI and HI are not going along with each other due to regulation on issuance date. The latter is usually issued later than is the former → the unemployed have difficulties in accessing HI services.
2. Time interval between UI registration and UI benefit delivery is too short → moral hazard from employers and UI organizations.
3. Expected UI benefit is higher than expected contribution for those who have short contribution time → moral hazard from employees: want to be unemployed for a short period!
4. The number of unemployed persons who have vocational training is too low → persistent unemployment for those with low skills in competitive labor market.
5. Weak labor registration → increase 'fake' unemployment.

3. IMPLEMENTATION AND POLICY ISSUES

6. Great challenge from economic fluctuation, especially in labor-intensive industries.

	G_{1Y} (GDP growth rate in first half of 2009)	Elasticity	Jobs in 2009 without slowdown (L0 - 2009) (thousand people)	Jobs in 2010 without slowdown (L0 - 2010) (thousand people)	Jobs in 2009 with slowdown (L1 - 2009) (thousand people)	Jobs in 2010 with slowdown (L1 - 2010) (thousand people)	Impact for 2009: L1 - L0 (thousan d people)	Impact for 2010: L1 - L0 (thousan d people)
Agriculture, Forestry, Fishery			23,440	23,262	23,592	23,550	152	288
Agriculture, Forestry	0.86	-0.412	21677	21417	21873	21796	196	379
Fishery	3.71	0.551	1763	1845	1719	1754	-44	-91
Industry and Construction			10,026	10,711	9,603	9,873	-423	-838
Mining	7.30	2.854	463	497	521	630	58	132
Manufacturing	1.09	0.572	6741	7205	6346	6385	-395	-820
Electricity, gas & water supply	5.25	1.091	254	287	238	251	-17	-36
Construction	8.74	0.500	2568	2721	2499	2608	-69	-114
Services			12,680	13,398	12,432	12,983	-248	-415
Trade	6.53	0.372	5535	5703	5502	5636	-33	-67
Hotel & restaurant	-0.90	0.203	851	872	829	828	-22	-44
Transport, warehouse & communication	8.28	0.038	1227	1232	1226	1229	-1	-2
Finance, credit	6.37	1.793	254	293	245	273	-9	-20
Scientific & technical activities	6.28	0.256	27	28	27	28	0	0
Activities related to property business & consultancy service	2.86	5.896	297	350	294	344	-3	-7
Education & training	6.10	0.515	1462	1525	1445	1491	-16	-34
Health & social aid service	6.13	0.484	415	431	412	424	-3	-7
Culture & sport	6.17	0.140	136	138	136	137	0	-1
Other services	6.06	1.988	2476	2828	2315	2594	-161	-234

Source: Pham, T.H;
Phung, D.T; Nguyen, V.C.
2009. "Evaluating the
Impacts of the Current
Economic Slowdown on
Unemployment in
Vietnam", UNDP Policy
Discussion Paper.

4. POLICY SUGGESTIONS

- UI is a risk-coping tool for the laborers and an important scheme in social protection.
- Design and implementation are extremely important to guarantee 3-A objectives, including adequacy, acceptability, and affordability.
- Vietnam's labor market is fragile to economic slowdown, especially labor-intensive industries. Special attention to the laborers of these industries should be in place.
- Demand-based vocational training and structural changes with particular investments in rural areas will be a key to dealing with unemployment.

THANK YOU FOR YOUR ATTENTION

**QUESTIONS & COMMENTS
ARE WELCOME**