

DISCUSSION NOTES
THE SITUATION OF PAYMENT of UNEMPLOYEMET INSURANCE (UI)
DIFFICULITES AND CHALLENGES IN UI IMPLEMENTATION,
RECOMMENDATIONS

Vietnam Social Security

1. The implementation of guiding the payment of UI allowance

In 2012, VSS have created various measures to guarantee safe, quick and full payment of UI benefits to UI recipients; cooperating with commercial banks to pay UI allowance through ATM, piloting the UI payment via post office in some cities ad provinces and signing contracts to authorize the Peoples' Committees at ward and communal level to pay UI allowance, retirement pension.

To continue accomplishing the documents guiding the implementation of social insurance policy, VSS has issued the Decision No 1111/QQDD-BHXH dated 25/10/2011 about management of collection and payment of Social Insurance and Health Insurance, management of social insurance books, Health Insurance cards and Decision no 488/QD- BHXH dated 23/5/2112 guiding the management of payment social insurance with a particular part guiding the collection and payment of UI. This aims to replace the Official letter NO 1615/BHXH-CSXH dated 2/6/2009 guiding the collection and payment of UI.

The above mentioned decisions give clearer guidance on identifying who are covered under UI coverage, shortening the period of processing the payment UI and unifying templates or forms for UI management.

Apart from that, VSS has instructed provincial VSS to continue cooperation with provincial DOLISAs and relevant agencies at local level in strengthening inspections and spreading legal information and involving police to investigation of agencies and individuals who violate the UI policies by making fraud UI documents or fraud labor contracts to receive UI allowance, and timely preventing and seriously punishing the misusing cases of UI.

2. Results of the payment of UI

In economic downturn of early months of 2012, many enterprises and business units go bankrupt. They have to cease their business, lay off laborers; many laborers become jobless or have to move to other jobs. This situation makes the number of

unemployed people increase quickly, thus the number of UI recipients increases, too. This situation has badly influenced on UI coverage, UI collection, and increased the late payment and/or lengthy debt of UI contribution of many business units.

According to the statistics provided by Employment Bureau, MOLISA, in the first 8 months of 2012, provincial DOLISAs have issued decisions of UI allowance for 282,214 persons, an increase of 42% compared to the same period of last year, with a slight decrease of UI cases in the third quarter of the year.

Provincial VSS has paid UI allowance for 298,200 persons, 1,406 persons have been supported for vocational training. The total expenditure for UI payment in the first 8 months is at around 1,412 billion VND, accounting for 136% of allocated budget of UI payment for the period, and estimated budget of UI for the whole year of 2012 is 2,303 billion VND, an increase of 1,271 billion VND in comparison with original budget that was allocated by the Prime Minister.

The current average payment of UI allowance is 4.2 million VND/ person and is estimated to be 5.4 million VND/ person/year, an increase of 2.2 million VND. Therefore, the contribution for health insurance for unemployed workers will increase accordingly. The average allowance for vocational training is 1.03 million VND for training period from 3 to 4 or 5 months

The number of people who are deemed eligible for receiving UI allowance, vocational training allowance is still high and will continuously increase in the last months of the year and early months of 2013 as a consequence of economic difficulties and the longer period of enjoying UI benefit (maximum 6 months). The situation of UI debt is worse, particularly the debt of UI contribution from state budget which is nearly 300 billion VND.

3 General review and recommendations

The results of UI implementation of our country from 1/1/2009 up to now is rather good with UI coverage expanding from 5.4 million people in 2009 to 8 million people as of August 2012. The UI collection target is achieved or even better achieved than the target as designated by the state plan with UI **Fund Balance** of 15000 billion VND

The accessing and approving of UI applications done by DOLISA (via Employment Centre) and the paying of UI benefits by provincial VSS have insured

the benefits for the unemployed workers. Difficulties and challenges in processing UI payment have been gradually addressed and improved by relevant agencies.

However, there are still many inappropriate points in current UI scheme. This creates the situation where people may deliberately violate UI policies and misuse UI. For example, employers and employees may agree on an increase of UI contribution level for the last 6 months before leaving jobs or being unemployed; or employers may endorse UI documents for employees claiming UI benefits before employees retire or have maternity leave ; or employees voluntarily resign, voluntarily terminate labour contracts to claim UI allowance but in fact they are still working in that organisation or in another organisation. Particularly, there is the situation where labour contracts are bought in order to report that they have jobs and then become unemployed to claim UI; or breaking labour contracts into short term contracts of 12 months each.

Laborers are only concerned about UI allowance; very few laborers are supported with vocational training or job introduction or placement. Number of unemployed laborers registering and claiming for UI has increased very fast. For instance in 2010, there were 189,611 laborers registering as unemployed while in 2011, there were 335,901 people, an increase of 77% compared with 2010 and 345,500 people in the first 8 months of 2012, equivalent to 103% of the whole year of 2011. The number of laborers who are supported with vocational training is very low, accounting for 0.2% of UI recipients.

The unemployment rate has significantly increased year by year. In 2010, the rate of people registering for unemployment/ people covered by UI is 2.6%, and 4.2% for 2011 and 3.2% for the first half of 2012 which is projected to be 5% by the end of 2012 due to continuing economic difficulties which badly influence the labor market. Thus, such a quick increase of unemployment rate is a worrying issue for UI FUND. The above mentioned issues (limited UI coverage, more UI claims, misusing UI Fund) may badly affect towards UI Fund leading to unbalanced status of UI Fund if no efficient management measures are in place.

Recommendations.

MOLISA and VSS should work together with relevant agencies to strengthen the inspections, and conduct the detailed review of the results of UI implementation in every single step of processing UI in order to make efficient measures to prevent misusing UI FUND.

It is necessary to improve the process of claiming UI, paying UI benefits to make sure quick, accurate and convenient payment of UI benefits for laborers.

Provincial and Municipal Peoples' Committees should instruct and guide functional agencies in the locality to better cooperate in conducting state management on labor, SI issues and digging out and punishing timely every activities of violation of SI and UI policies.