

## INTRODUCTION

### 1. Reasons for choosing the topic

Unemployment is a social and economic phenomenon with which most countries in the world face. In the market economy, unemployment is shown most dramatically as an inevitable result of industrial development. To prevent unemployment and protect employees in unemployment are not only a particular task of each country but also a common goal of international organizations, economic integration organizations and regions, etc. Unemployment is the situation in which a part of social labor fails to get access to jobs suitable to their own abilities, although they manage to seek and accept prevalent incomes. Some economists said that the problem of unemployment is normal and it will force the employed workers to work better and more efficiently which promotes the economic development more rapidly, more effectively.

In another aspect, however, some economists thought that unemployment is not a good situation. For unemployed people, this situation means the loss of income and an uncertain life which can lead to alienation. For the society, it is the failure to create full employment and thus the failure to generate economic growth as expected .

In a nutshell, unemployment is a two-sided issue including the outstanding negative side with adverse impact on the economic growth, social stability and human development. Therefore, governments are particularly interested in unemployment. The governments take responsibility for managing unemployment, preventing unemployment from occurring too commonly and negatively impacting on the labor resources and the lives of employees. However, unemployment management is not easy at all because it depends on the interests and behavior of all the employers on employment, employees' incomes in their business operations. To manage unemployment, governments are required to impact on both employers and employees towards ensuring long-term interests of both sides in order to minimize dismissal and loss of jobs of employees.

Vietnam is developing its socialist-oriented market economy. In recent years, the market economy in Vietnam is more and more developed and the development of economic sectors have become stronger and stronger than ever before. However, the strong, diverse and complicated growth of the market economy has posed many challenges such as The labor selection and rejection of the market lead to loss of jobs and unemployment of employees, the complicated volatility of the market, business and production to the unemployed.

According to data from the Vietnam General Statistics Office, the total number of unemployed people in Vietnam was 1,344 thousand in 2010, this figure dropped to 926 thousand people in 2012, but then rose to 1,038 thousand and 1045 thousand people in

2013 and in 2014 respectively. The unemployment rate of population in working age in Vietnam is above 2% in the 2010 - 2014 period, the unemployment rate in the youth in particular is at 5.5 to 7.0%. In addition, there are over 3.5 million young people in precarious and unstable employment situation.

Thank to the implementation of the Social Insurance Law (from January 1, 2009) and the unemployment insurance policies of the State, from 2009 to present, the number of people participating in unemployment insurance has increase rapidly from 5.6 million in 2009 to over 9.2 million people and over 10 million in and in 2015 respectively; the total proceeds from unemployment insurance rose from 3.5 trillion Vietnam dongs in 2009 to 14.8 trillion Vietnam dongs in 2014. However, the growth rate of the number of people participating in unemployment insurance (UI) is not high (only 4-5%/year); the number of UI participants only accounts for 81% of the total number of participants of compulsory social insurance and only 16.9% of the total number of employees in the whole country (2014); unemployment insurance debts are huge and tend to increase from 172 billion Vietnam dongs in 2011 to 336.3 billion Vietnam dongs in 2014. On the other hand, despite many important progresses, the State management on unemployment insurance still shows many problems and shortcomings and fails to meet the practical requirements of UI in the deeper development of the market economy and international integration. Some policies regarding unemployment insurance are issued slowly, inconsistency and overlapped. The problems arising from the practical implementation of policies, many of guidelines are issued slowly leading to the failure to promptly solve practical problems. Some components of the contents in UI policies have not been effectively implemented. There is an overlap and inconsistency in the implementation of UI policies. Organizational structure of the state management system for unemployment insurance has not been complete. The above-mentioned situation requires the promotion of employees' participation in UI and finishing the State management on unemployment insurance to protect the interests of employees and enhance the role of the state in unemployment insurance.

Based on the above - mentioned practical problems, the researcher chosen the topic "*The current State management on unemployment insurance in Vietnam*" for his thesis for doctoral degree in Economic Management at the Central Institute for Economic Management (CIEM).

## **2. Purposes and significance of the thesis**

The research aims to provide scientific foundation for agencies in charge of

planning and enforcement of laws and policies on unemployment insurance for the adjustment, supplement and perfection of the state management on unemployment insurance in Vietnam.

The significance of the research is shown through its contribution to the clarification of the theoretical framework of state management on unemployment insurance in the modern market economy and international integration, particularly in terms of contents, methods, instruments and measures to strengthen the state management on unemployment insurance.

Practical significance of the research is raising awareness, promoting the participation of employees, strengthening and improvement the state management on unemployment insurance to insure social security, social justice, democracy and civilization in Vietnam.

### **3.The structure of the thesis**

Besides the introduction, the conclusion, list of references and appendices, the thesis is divided into four chapters.

Chapter 1: Overview of research related to the state management on unemployment insurance

Chapter 2: Rationale of the state management on unemployment insurance

Chapter 3: State management situation on unemployment insurance in Vietnam

Chapter 4: Directions and solution to improve the state management on unemployment insurance in Vietnam

## **Chapter 1**

### **OVERVIEW OF RESEARCH RELATED TO THE STATE MANAGEMENT ON UNEMPLOYMENT INSURANCE**

**1.1 Overview of domestic and foreign published works related to the state management on unemployment insurance**

#### **1.1.1 Overview of foreign published works**

The foreign published works related to the state management on unemployment insurance are often approached in two aspects including Academic and operational aspects. Academically oriented research mainly studies on unemployment insurance and the state management on unemployment insurance meanwhile operationally oriented research typically works on the management and management methods and the most efficient use of UI funds..

## **1.1.2 Overview of the domestic published works related to the state management on unemployment insurance**

There are two main approaches in the domestic published works: Research on unemployment insurance focuses on the contents, characteristics and roles, etc. and research on the state management on unemployment insurance.

The research works mentioned various aspects of UI. The topic of this thesis is based on the results of previous research works.

### **1.1.3 *The issues will be researched and settled in thesis***

*The first issue.* Clarify the objective necessity and inevitability of the state management on unemployment insurance.

*The second issue.* Analyze and clarify the nature of the state management on unemployment in the market economy.

*The third issue.* Fully identify and analyze the contents in the state management on unemployment insurance in the market economy in Vietnam in both theoretical and practical aspects.

*The fourth issue.* Fully identify and analyze the effects of the objective and subjective factors on the effectiveness of the state management on unemployment insurance in Vietnam in both theoretical and practical aspects.

*The fifth issue.* Properly assess the state management situation on unemployment insurance in Vietnam from 2009 to the present.

*The sixth issue.* Recommend viewpoints, orientations and measures to improve the effectiveness of the state management on unemployment insurance in Vietnam in the coming years and implement the Employment law regarding unemployment insurance.

### **1.1.4 *The issues will be researched and settled in thesis***

*Firstly,* theoretically, which principles of regularity should be followed by the state management on unemployment insurance?

*Secondly,* which helpful lessons can be drawn from the experience of foreign countries in the state management on unemployment insurance?

*Thirdly,* which particular problems are posed due to the state management on unemployment insurance situation?

*Fourth,* solutions to improve the quality of the state management on unemployment insurance in Vietnam?

## **1.2 Orientations to address research issues of the thesis**

### **1.2.1 Research objectives of the topic**

The overall research objective of the topic is to systematize and clarify the rationale and practice of the state management on unemployment insurance, and then

propose orientations and solutions to complete the state management on unemployment insurance, to meet the innovation requirements in state management in the context of the international economic integration.

To achieve the overall objective, the researcher focuses on implementing the following specific objectives:

- Clarify the rationale of the state management on unemployment in the socialist-oriented market economy in Vietnam.
- Synthesize and analyze the state management on unemployment of some countries and draw lessons for Vietnam.
- Assess objectively the state management situation on unemployment insurance in the last 5 years, point out the achievements, limitations of the state management on unemployment insurance and the causes.
- Propose orientations and solutions to complete the state management on unemployment insurance.

## **1.2.2 Subjects and scope of the research topic**

### ***1.2.2.1 Subjects of research topic***

Subjects of research topic include the theoretical and practical issues of the state management on unemployment insurance in Vietnam in the current period

### ***1.2.2.2 Limit of the research scope***

The thesis is limited to issues related to the state management on unemployment insurance such as the construction of the legal system, policies and enforcement organization. The thesis does not mention specific operational issues. The state management situation on unemployment insurance in Vietnam from 2009 to the present. Innovation solutions proposed for the state management on unemployment insurance for the period until 2020 and vision to 2025.

## **1.2.3 Approach and methodology**

The thesis used general research methods, mostly analysis, provenance, synthesis, statistics, comparison, model-based materials and secondary reports. In some specific assessment issues, the researcher used collection and processing of survey data, interviews with individuals directly involved in the management on unemployment insurance, professionals, managers. The thesis used general research methods combined with analytical techniques in various dimensions of the state management on unemployment insurance for authentic comments and assessment.

## Chapter 2

# RATIONALE OF THE STATE MANAGEMENT ON UNEMPLOYMENT INSURANCE

### 2.1 Definition of the state management on unemployment insurance

#### 2.1.1 Unemployment and Unemployment Insurance

##### 2.1.1.1 Perspectives on unemployment

Unemployment is the situation in which people within the working age who are able to work and actively looking for jobs but still fail to find a job on demand as registered at the social labor management agencies.

The connotation of this concept suggests that the basic identification characteristics and signs of unemployment are working age, ability to work, actively looking for jobs.

##### 2.1.1.2 Classification of unemployment

Based on its nature, unemployment is divided into different types: (1) Natural unemployment, (2) Structural unemployment, (3) Temporary unemployment, (4) Cyclical unemployment, (5) Seasonal unemployment, (6) Technological unemployment.

Based on the willingness of employees, there are 2 types of unemployment: (1) Voluntary unemployment, (2) Involuntary unemployment.

Based on the level of unemployment, there are two types of unemployment: (1) Full unemployment, (2) partial unemployment.

##### 2.1.1.3 The causes of unemployment

*First*, the business cycle

*Secondly*, the application of scientific and technical progress in the economy

*Thirdly*, the increase in population, labor supply with the internationalization and integration processes

*Fourthly*, the employees themselves

##### 2.1.1.4 Effects of unemployment

- *Effects of unemployment on employees and their families*

Unemployment results in not only financial consequences but also career possibilities, etc.

- *Effects of unemployment on the economy*

Unemployment is a waste of social resources and one of the underlying causes leading to economic stagnation.

- *For politics and society*

Unemployment results in an uncertain and chaotic political situation if there is no timely intervention and solution. Unemployment causes demonstrations, strikes, reduction in confidence in the regime, reduction in belief in the leadership of the ruling government.

#### *2.1.1.5 Unemployment insurance*

Unemployment insurance is a form of social insurance based on the contribution of the State, employees and employers in order to offset a portion of income for employees losing jobs, create favorable conditions for them to find jobs through counseling and job placement or retraining.

#### *2.1.1.6 Significance of unemployment insurance*

##### *- Significance of unemployment insurance on the employees*

The first aim of the UI policy is to offset income to the employees when losing their jobs. Therefore during the entitlement period to unemployment assistance, the employees shall be provided with both financial assistance and health insurance cards and counseling, job placement, vocational training in line with the employees and the market so that they can find a suitable job as soon as possible.

##### *- For employers*

The unemployment insurance fund will pay unemployment assistance for employees when they lose their jobs on behalf of their employers, rather than letting the employees pay resignation and unemployment assistances to employees under the Labor Law. Therefore, enterprises shall be less responsible in the difficult period causing dismissal or temporary resignation.

##### *- Significance of unemployment insurance to the State.*

Thanks to the unemployment insurance, the state budget will decrease in case of unemployment (usually in economic recession, the state budget is tightened for other social issues).

##### *- For society*

Unemployment insurance is a social welfare policy to ensure the interests of the parties during the policy implementation with assistance nature, compensation for the minority by majority contributions. Thanks to unemployment insurance, the society can guarantee income for employees losing their jobs. Effective implementation of unemployment insurance policies will contribute to social stability, development and effective use of human resources for socio-economic development of Vietnam.

### 2.1.2.7. Characteristics of unemployment insurance

#### - *Regarding the subjects:*

The subjects of unemployment assistance are mainly employees in the working age with working ability who lose their jobs and need to go to work. The employees who lose their jobs due to objective factors leads to involuntary unemployment. Therefore, the beneficiaries of unemployment assistance are often narrower than the actual subjects of unemployment. In other words, not all the unemployed are entitled to unemployment assistance.

#### - *Regarding the purposes:*

In addition to these operational purposes of unemployment mode, unemployment insurance also aims to help employees return to the labor market with measures to provide labor market information, job placement, vocational training and temporary job creation.

#### - *Characteristics of the management on unemployment:*

Characteristics of the management on unemployment insurance are shown through collection and spending mechanism.

*Characteristics of UI collection:* UI collection is based on wages and allowances of the employees, and assistances from the state budget and enterprises. However, different from collecting for pension fund formation, unemployment insurance collection does not have a voluntary form. Therefore, some people want to participate in UI but if they do not work in economic bases unqualified to conditions for UI participation or they do not have employment contracts, they shall not be entitled to unemployment benefits.

*Characteristics of unemployment insurance spending:* Unemployment insurance spending appears only when the employees participating in UI are unemployed. The procedures of UI spending are usually more complicated and tighter, etc.

Another characteristics is that UI policies aim to establish an independent financial fund with self-collection and self-spending and for long-term purpose, to reduce the burden on the state budget.

Although unemployment insurance and other insurance benefits come from labor relations, during the implementation, unemployment assistance is attached to the issues of employment, job security, etc. Therefore, unemployment insurance has a special relationship with policies on employment, etc.



## ***2.1.2 The unemployment insurance and state management of unemployment insurance***

### *2.1.2.1 The concept of unemployment insurance*

The state management on unemployment insurance is the entire construction, coordination, implementation, testing and control activities of UI policies from the relevant parties, to ensure the proper implementation of the UI regime targets. In addition, UI management also implies the management of UI formation resources and development funds for the capacity to implement the long-term and sustainable objectives.

There are many relevant parties in the state management on unemployment insurance. The unemployment insurance fund will be jointly raised by the State, enterprises and workers. In addition to providing a proportion of income to the employees in the unemployment period, the unemployment insurance fund is used for job placement and retraining services to the unemployed so that they can find new jobs in line with the continuous development of science and technology and the requirements of the labor market.

### *2.1.2.2 The significance of unemployment insurance*

*Firstly*, the state gives full management power to a competence ministry or agency.

*Second*, many ministries and agencies are involved in the management.

*Thirdly*, establish a management committee for social insurance, including unemployment insurance

### *2.1.2.3 The features of unemployment insurance*

*- For social insurance agencies:*

The goal of social insurance agencies on the management on unemployment insurance is to ensure successful and proper implementation of the set out objectives and policies and promote the positive impacts of the policies on the social life.

*- Social objective in unemployment insurance management:*

The most important objective of the state management on unemployment insurance is to contribute to social stability in the period of economic difficulty, the number of jobs does not meet the number of some employees in the working age.

### *2.1.2.4 State management of unemployment insurance*

The state management on unemployment insurance has the following basic characteristics: (1) *Interdepartmental characteristics*, (2) *Complexity*, (3) *Close relation to job creation*, (4) *Multi-purpose*, (5) *Sociability*

### *2.1.2.5 The necessity to strengthen the state management on unemployment insurance*

*\* Some models of the state management of unemployment insurance*

Firstly, derived from the demands of the development of the market economy

Second, derived from the building of a socialist State of Laws of the people, by the people and for the people.

Thirdly, derived from the requirements of the international economic integration.

### ***2.1.3 The need to strengthen state management of unemployment insurance***

Firstly, derived from the harmful effects of unemployment

Secondly, derived from the demands of the development of market economy

Thirdly, derived from the requests of developing of a socialist rule of law established by the people, for the people.

Fourthly, derived from requirements of international economic integration.

## **2.2 The contents and the factors affecting the state management on unemployment insurance**

### ***2.2.1 The contents of the state management on unemployment insurance***

#### *2.2.1.1 Strategic planning and unemployment insurance policies*

Strategic planning and unemployment insurance policies and regime are the first and the most important step of the state management on unemployment insurance. It is one of the basic functions of the state management on the economy in general and unemployment insurance in particular and includes: (1) Planning of general unemployment insurance policies, (2) Planning of unemployment insurance collection policies, (3) Planning of unemployment insurance spending policies, (4) Unemployment insurance management policies.

#### *2.2.1.2 Developing legal system of unemployment insurance*

The legal system for unemployment insurance is the legal basis for the operation of unemployment insurance of a country and includes: Law and bylaws on unemployment insurance. The construction of the legal system on unemployment insurance varies depending on the political and socio-economic development situation of each country.

#### *2.2.1.3 Organize to implement unemployment insurance policies*

*Firstly*, management of unemployment insurance collection

The management of unemployment insurance collection includes: Management of contribution rates, other legal charges and UI participants.

*Secondly, management of unemployment insurance spending*

The management of unemployment insurance spending aims to ensure the proper implementation of spending for the right persons and time and regime. The management of unemployment insurance spending includes: (1) Development of processes and procedures for UI spending, (2) Development of a data system for unemployment registration information, (3) Inspection and supervision of the spending process, (4) Handling of unemployment insurance breach

*2.2.1.4 Inspection and supervision of unemployment insurance activities*

This shall includes the inspecting and reviewing the whole process of UI policy implementation, drawing the achieved results and existing limitations and then proposing overcoming orientation in the coming period.

*2.2.1.5 Construction and organization of unemployment insurance system*

The organization of the UI system shall be determined by the State in consistence with each stage of development and the management level of the state apparatus in general and the UI apparatus in particular.

*2.2.1.6 Propaganda Organization*

This is an important content for the implementation of policies, laws and legal documents on the regimes and policies of the Party and the State. Through information, communication, dissemination, awareness and discipline education to the employees and employers about the UI regime, the state management on unemployment insurance shall be more efficient.

***2.2.2 The conception of state management efficiency of unemployment insurance and effectiveness assessment criteria of state management of unemployment insurance***

*2.2.2.1 The conception of state management efficiency of unemployment insurance*

The evaluation of the effectiveness of state management of unemployment insurance must be expressed through many facets, angles, evaluated on the comprehensive basis.

*2.2.2.2 The criteria for evaluating the effectiveness of state management of unemployment insurance*

- The number of participants in unemployment insurance are increasing

The evaluation of the effectiveness of state management of unemployment insurance must be shown by the annually increased number of participants in unemployment insurance.

- Ensuring proper expenses of the unemployment insurance regimes

The unemployment insurance expenses must ensure three right matters - "right audience, right mode and on time", not only facilitating the process of policy beneficiaries, but also ensuring the safety of the unemployment insurance fund.

- Ensuring the safety and development of the unemployment insurance fund

State management of unemployment insurance is considered as effective when unemployment insurance fund is secured and developed. Fund management should ensure the following principles: (1) Ensure the safety of funds, (2) Must be profitable, (3) Must have liquidity, (4) Ensure social benefits

- State management of unemployment insurance must contribute to solve jobs, reduce unemployment rate

The combination of Personal income by cash and support policies on finding jobs are the most effective mechanism to protect the unemployed and their families from poverty, and help them find work quickly.

- Systems of organization and implementation must operate efficiently

System of organization and implementation of unemployment insurance policy should be improved suitably with the actual conditions and must create conditions for workers, employers in the UI contribution and the employee during the policy beneficiary.

- The satisfaction of the employees for the current unemployment insurance policy

The satisfaction of employees with the policy of unemployment insurance is embodied in the aspects such as right expenses, sufficient expenses, timely expenses, expenses procedures must be simple... from state management agencies on unemployment insurance.

### ***2.2.3 The factors affecting to state management of unemployment insurance***

The influencing factors include: (1) The level of economic development, (2) Coverage (3) Business cycle, (4) The development of labor market, (5) Usages of the population, (6) The sense of law and policy observance of employee and employer, (7) Management model of unemployment insurance

## **2.3 Experience of some countries in management of UI**

### ***2.3.2 The lessons for Vietnam***

By studying the experiences of some countries in UI state management, we can draw some lessons as following:

- *About participants:* All countries desire to expand unemployment insurance participants as much as possible.

- *About paying and enjoying unemployment insurance:* The unemployment insurance fund follows towards two directions; they are unemployment insurance development fund or unemployment insurance balance fund.

- *About conditions for enjoying unemployment insurance:* The determination of cause of employees is necessary for the implementation of policies of UI, not only to ensure fairness, but also to save the fees of UI.

- *About regimes of unemployment insurance:* Policies of UI are needed to develop comprehensively.

- *About orders and procedures for enjoying unemployment insurance*

Experiences of some countries regulating employees who wish to enjoy a new UI then must register unemployment and apply profile for unemployment insurance; some countries have regulations that the employees are not necessary to register directly unemployment and inform on finding jobs with labor agencies,... to create conditions for employees in the policy beneficiary.

- *About apparatus organization of the implementation of unemployment insurance*

Implementing agencies should be held vertically from the central to local levels. It needs to tie interdisciplinary information technology in management of UI implementation, improving quality of the staffs working in UI, implementing well labor management at the units, etc.

- *About management of the unemployment insurance fund*

Employment insurance fund must be accounted independently, fund management issues are managed by the Council of fund management, including: Representatives of the employees - employers - the State.

## **Chapter 3**

### **STATE MANAGEMENT SITUATION ON UNEMPLOYMENT INSURANCE IN VIETNAM**

#### **3.1 Situation of Unemployment and Unemployment Insurance**

##### ***3.1.1 Unemployment situation in Vietnam***

###### ***3.1.1.1 Scale and dynamics of unemployment***

The economy has not yet used fully laborers, unemployment, under-employment rates tend to increase. The unemployment rate in 2011 was 2.18%, 2.17% in 2012,

2.28% in 2013, 2.08% in 2014; in 2015, unemployment rate of employees in working age in our country continued to remain lowly at 2.35% in Quarter 3/2015, reduced in comparison with Quarter 1 and Quarter 2/2015 (this rate is 2.43% and 2.42%, respectively).

Especially in recent years, the unemployment rate of those who are at high levels of education and youth has been raised sharply. The unemployment rate in urban area is always higher than in rural area.

### *3.1.1.2 Cause of unemployment in Vietnam*

Unemployment in Vietnam has many causes; we can refer to a number of reasons: (1) Unemployment by restructuring economy, (2) Unemployment by landless farmers, (3) Unemployment by weakening total demand, (4) Low labor qualifications.

### **3.1.2 Generalization of unemployment insurance situation in Vietnam**

#### *3.1.2.1 Regarding the number of participants and payer of unemployment insurance*

Collecting UI from 2009 to present has been in a strong increase, the number of participants in unemployment insurance in the next years is always higher than the previous year. UI participants is currently accounting for nearly 81% of total mandatory social insurance participants (11,451,531 people).

UI debt situation is still large, by the end of 2014, the debt of paying UI was 336.3 billion, of which the state budget debt was over 151 billion and employers owned 184.4 billion.

#### *3.1.2.2 Regarding reception and settlement of enjoying unemployment insurance*

Since 2010 - 2014, the Center for Employment Services of the provinces and cities directly under the Central had received 2,010,642 turns of registrants of unemployment, including 1,836,686 beneficiaries of unemployment allowance.

#### *3.1.2.3 Regarding counseling, job recommendation*

From 2010 to the end of 2014, the Centers had counseled and recommended jobs for 1,537,816 turns of people, corresponding to 83.8% compared to the number of people who have decided to enjoy monthly unemployment allowance.

#### *3.1.2.4 Regarding vocational training support*

Number of people who has been entitled to unemployment allowance participates in vocational training sharply increasing over the years. Total number of people are supported to be in vocational training is 36.475 people. However, compared to the total number of unemployment registrants and the number of beneficiaries, the number of vocational trainee are still low.

#### *3.1.2.5 Regarding Health Insurance*

Social insurance has been in collaboration with the local labor agencies and the relevant agencies to create the most favorable conditions for people enjoying unemployment allowance to be able to benefit health insurance, especially issuing health insurance card, the transferring and enjoying of unemployment allowance leads to be entitled to the transferring and enjoying of health insurance. However, the issuance of health insurance card for the unemployed is still limited, especially in the early stages, affecting to the interests of employees when they are in illness, accident, maternity, etc.

Overall, as of the implementation of UI, this policy has brought many positive effects: UI participants tend to increase; therefore, the proceeds of UI also increase. UI policy has promoted the role in income support for employees who have loosen their jobs, more and more concerned by social and employee. However, UI still has many shortcomings, namely: Procedures of enjoying unemployment allowance are still cumbersome, regulations on conditions for the employees joining in insurance, place of enjoying UI is unreasonable, there are many businesses hidden to pay social insurance in general and UI in particular, awareness of the employer is limited, awareness of employees about the benefits of unemployment allowance is also limited, etc.

### **3.2 Current status of unemployment insurance and state management of unemployment insurance**

#### ***3.2.1 Organizational structure of management apparatus of unemployment insurance***

*- About organizational apparatus:*

In Vietnam, the state management agencies for UI are divided into three levels, namely: Central level, provincial and district level. The organizational structure of the UI state management apparatus in Vietnam is quite uniform, clear; there is a clear distinction on functions, duties and powers of all levels and branches in the state management of unemployment insurance.

However, the implementation of UI apparatus has not been organized in a vertical system, leading to difficulties in implementing policies of UI.

*- About human resources for management and implementation of UI*

According to reports from local authorities, total number of officials working in UI (from 2010 to present) are 1,531 people, including 236 people who have been transferred or retired, accounting for 15% of people who used to work and evenly to 18% employee.

#### ***3.2.2 The reality of policymaking***

It can be said that despite newly being implemented, the works of UI state management under construction aspects of law and policy-making are interested and

they have relatively high uniformity, uniformity with a positive impact to the effectiveness of policies of UI. However, the policy system of UI also reveals the limitations and shortcomings that limit the efficiency and effectiveness of state management in UI.

### ***3.2.2.2 Situation of policy implementation***

#### *3.2.2.1 Collection management situation*

##### *- Collection management from organizations of employers*

In the management of collection, social insurance at all levels has collected correctly, fully with strict management to every business, every employees, and as a basis for settlement of later unemployment allowance mode. SI of the provinces, cities has applied software for managing processes involved to unemployment insurance, management of premium rate of each employee.

##### *- Collection management situation of state budget*

Collection is collect and full on the basis of the already collected levels; the state budget will donate annually to transfer a part of budget being contributed. Therefore, UI revenues had been increased continuously since 2009-2014. However, the management of collection also reveals many limitations and shortcomings, namely: UI debt situation is still quite high. The high unemployment insurance debt is due to many reasons, including subjective reasons from the perspective of state management.

#### *3.2.2.2 Situation of managing expenses of unemployment insurance*

##### *- Situation of constructing processes, procedures for UI expenses*

Expenses of monthly unemployment allowance and one-time allowance expenses rapidly both in beneficiaries and the amount of allowance expenses, while allowance expenses in support of vocational education is low because few people have the vocational training needs.

The payment of unemployment allowance is made in accordance to processes. In the process of implementing SI and UI, the locals have tried to implement under the motto of three rights: right subject, right mode and on time" in payment of unemployment allowance.

##### *- Situation of constructing data information system of registering unemployment*

Although the construction of information registration data system in unemployment has been interested and invested by the levels and industries. However, there is currently no system of unemployment registration information for the whole country.

#### *3.2.2.3 Situation management of funds*



In recent years, UI Fund is independently accounted, managed investment and grown in accordance with the law, annual revenues are higher several times than expenditures. As reported by the Vietnam Social Insurance, the balance of unemployment insurance fund is estimated to the end of 2014 was 41.558 billion, ensuring the balance between revenue and expenditure for several next years.

Therefore, after six years of implementation of policy, the unemployment insurance fund has a quite high balance; with this balance it is able to implement the unemployment insurance regime, its forecasts the fund still ensures safety until 2020.

#### *3.2.2.4 Current status of the work of propaganda*

In recent time, propaganda has been effective; this is reflected in the number of enterprises, employees participating in unemployment insurance more and more increasingly; the number of people registering unemployment is slowly declining... However, policy propaganda of UI also reveals the limitations; this has not referred to propaganda programs, consistent with the subjects of employees, especially propaganda to raise awareness, responsibility for unemployment insurance policy, changing the perception of employees.

#### *3.2.2.5 Current status of test and supervision of unemployment insurance*

The inspection and control activities of UI have been focused by authorities and contributed to give unemployment insurance activities gradually into order. However, the inspection and control of public affairs, policy and legislation in the field of unemployment insurance are not consistent, incoherent and unified. Fraud, profiteering states in UI also affect to the effectiveness, policy objectives.

### **3.3 General review**

#### **3.3.1 Achievements**

Firstly, the work of policy-making of law is increasingly perfecting.

Secondly, the organization of policy implementation is more and more effective.

Thirdly, the policy of unemployment insurance is implemented deeply and broadly.

Fourthly, the extent and rate of unemployment insurance collection are growing.

Fifthly, the management of payments is made well, the payment has been gone into order, stability.

The cause of the achievements:

Firstly, the propagation and dissemination of the UI policy are properly concerned and implemented in various, suitable forms, contributing to raising the awareness of the employees, the employers.

Secondly, the organization and implementation of UI are in synchronization with better coordination between sectors and levels.

Thirdly, effectively implementing international projects in unemployment insurance

### ***3.3.2 Limitations and causes in unemployment insurance management***

Firstly, a number of policies are issued slowly, failed to meet the actual requirements.

Secondly, a number of policy components of UI have not been done well.

Thirdly, debt status of UI contribution is quite large.

Fourthly, there is an overlap, inconsistency in organizations of implementing UI

Fifthly, the organizational system, management apparatus are not really complete

### ***3.3.3 The cause of limitations in UI management***

\* *The causes of policy mechanism of the state:* Some provisions are not reasonable

\* *The causes of macroeconomic situation:* Crisis in some major economies in 2008 has pushed the world economy into recession, negatively impacting to economic - social areas, including sector of labor - employment.

\* *The cause of Vietnam Social Insurance:* The guidelines are issued but they have not covered all the requirements set by the management, the processes have not been implemented uniformly, when difficulties arise, difficulties in implementation of Vietnam Social Insurance have not timely guidance documents.

\* *The cause of the Social Insurance at the local levels:* Coordination between the parties: SI of provinces and cities, the Department of Labor - Invalids and Social Affairs, Job Center is not rhythmic, synchronized leading to confusion in profession execution.

\* *The cause of the unemployed:*

The awareness of some employees, employers is limited.

\* *The cause from the enterprises:* Due to financial difficulties, the bank loans must bear high interest rates; many enterprises deduct salary of employees for social insurance, unemployment insurance, but not submitted to the social insurance agency that used for business capital.

\* *Other causes:* Payroll of staff in the field of unemployment insurance is less, ability and qualifications are not met the needs and policies of UI's new policy, etc.

## **Chapter 4**

### **DIRECTIONS AND SOLUTION**

## **TO IMPROVE THE STATE MANAGEMENT ON UNEMPLOYMENT INSURANCE IN VIETNAM**

### **4.1 Context and comprehensive direction to perfect state management of unemployment insurance**

#### ***4.1.1 Background and forecast in the changing factors affecting to the state management of unemployment insurance until 2025***

##### *\* Macroeconomic situation*

In the current period, Vietnam is a growth model transformation from main development in line with the width to reasonably combination between width developments in depth direction. The state will implement the policy synchronization on labor, employment, wages and income. The economic development policy, policy of developing new industries, newly rural development policy of government will create favorable conditions for businesses to reorganize production to development, solve the lack of labor.

##### *\* Unemployment trends*

Unemployment in the coming years not only happens to the professional labor but also for trained and skilled employees. In the next year, along with the difficulties of the economy of our country, imbalance between supply and demand for labor can continue to take place.

##### *\* Insurance finance*

In context of economic difficulties, the number of people entitled unemployment allowance should rise in the coming years, making total spending needs of unemployment allowance higher than total revenues; the number of employee entitled to unemployment allowance compared to the number of employees participating in UI contribution also raises slowly. Employment Law took effect from 01/1/2015 along with the increase in the official economy sector will increase the number of participants in UI. This will increase the unemployment insurance revenues, increasing unemployment insurance fund, as well as also a challenge to the management of UI.

##### *\* Trends of administrative reforms*

The general trend in the coming years will be targeted to administrative procedures to be in simplicity and convenience for citizens with transparency. At the same time, the State also focuses on remediation, strict measures to negative, irresponsible, troubling... phenomena for people...

##### *\* The free movement of labor within Asean Economic Community*

ASEAN economic community would open up many employment opportunities for Vietnamese employee. ASEAN Economic Community (AEC) will create tens of millions of jobs in ASEAN region, in which, Vietnam accounts for one sixth of total labor force in the region.

#### **4.1.2 Development objectives of unemployment insurance**

Resolution 21-NQ / TW dated 22/11/2012 of the Politburo on Strengthening the leadership of the Party on the work of Social Insurance, Health Insurance as set a goal: Strive until 2020, approximately 50% of the workforce participating in social insurance, 35% of the workforce participating in unemployment insurance; over 80% of the population participating in health insurance.

#### ***4.1.3 Orientations of perfecting state management of unemployment insurance in our country in 2025***

Firstly, ensuring that all employees are involved in unemployment insurance.

Secondly, enhancing the role of state management of unemployment insurance in all phases and all levels

Thirdly, strengthening state management for unemployment insurance is to benefit for employees, for employers and for society as a whole.

#### ***4.2.2 Group of solution to improve state management for UI***

##### ***4.2.2.1 Completing the unemployment insurance policy***

- Review, detection, modification and timely addition of documents guiding the implementation of the unemployment insurance policy.

- Extending unemployment insurance participants towards unemployment insurance participants who have concluded in labor contract.

- Improving further regulations on the responsibilities of employers and employees participating in unemployment insurance

- Improving regulations on the responsibility of the authorities in implementing the policy.

- Finalization of provisions on inspection, test and review of the participation of UI.

- Addition of detailed guidance on consultancy support for job center.

- Additional provisions on age enjoying unemployment allowance

- Extending unemployment insurance participants.

- *About level of enjoying:* It needs to change the calculation of unemployment allowance to limit profiteering UI.

- *About eligibility:* It is important to distinguish the unemployed because of subjective or objective reasons.

- *About the time of enjoying unemployment allowance*

To facilitate the payment and management in consistent with other enjoying regimes of the social security system, it needs to take time of enjoying unemployment allowance as the 01st date of the following month adjacently to the month of losing jobs.

- *About construction of settlement procedures*

It should develop procedures to ensure reasonable settlement for the enjoyment of employees to avoid troubles.

*4.2.2.2 Completing the collection management of unemployment insurance*

Accordingly, it should focus on the following issues: (1) Good management of labor, (2) Should establish appropriate forms of collection, (3) Develop a database of unemployment insurance participants, (4) *Push the combination of related industries in detecting UI revenues.*

*4.2.2.3 Completing the expense management of unemployment insurance*

Firstly, to strengthen the coordination between sectors to develop standard procedures for the expense implementation of UI regime.

Secondly, construction and connection between the software between expense of unemployment allowance and collection of UI.

Thirdly, diversifying forms of expense to create favorable conditions for employees.

Fourthly, strengthening inspection and control of operating expenses, ensuring the safety of cash ...

Fifthly, enhancing the responsibility of organizations and individuals in the implementation of expenses of UI.

*4.2.2.4 Completing the apparatus and improving the quality of management staff of unemployment insurance*

Firstly, clearly defining the functions and tasks of managing the state's unemployment insurance for the concerned ministries, sectors.

Secondly, continuing to improve organization of social insurance to meet the performance requirements of UI, organization of UI enforcement apparatus must suit with each locality.

Thirdly, control and assessment of receipt and settlement network, on this basis to adjust and restructure accordingly.

Fourthly, improving the quality of human resource management work for state unemployment insurance.

*4.2.2.5 Develop systems to ensure information on UI management*

*Firstly*, completing database system on labor and labor market

*Secondly*, improving of software system of expense of unemployment allowance and collection of UI.

*Thirdly*, strengthening cooperation in general exploitation of database of employees participating in UI.

*Fourthly*, investment in infrastructure in information technology for the job centers.

#### *4.2.2.6 Strengthening State management in management activities and developing unemployment fund*

In management of fund activities, it is necessary to ensure UI fund to be centrally managed, unified and must increasingly develop and create conducive conditions to ensure full and timely payment of unemployment allowance. To UI fund to be stable and develop, it needs to complete the collection from collection management to expense management in order to manage effectively the balance of collection - expense and fund development in the next time.

#### *4.2.2.7 Promoting education on unemployment insurance*

Continue to strengthen the information and communication on unemployment insurance: with a rich and appropriate variety of forms for each subject as employers and employees, through the mass media, publications and regularly holding forums - direct dialog with businesses and employees.

#### *4.2.2.8 Strengthening checks and inspections*

Strengthening control and inspection: implementation of the unemployment insurance policy in order to detect any problems, irregularities or unemployment insurance fraud for timely treatment to create favorable conditions for employees as participating and benefiting from mode of unemployment insurance. Strengthening settlement of complaints and denunciations about UI. It should have sanctions for violating UI to punish severely the cases of slow payment, evasion, lack of UI contribution.

### **4.2.3 Group of advanced measures to enhance the effectiveness and efficiency of State management of UI**

- Improving the legal system of unemployment insurance
- Strengthening administration reforms
- Strengthening coordination among relevant agencies in the formulation and implementation of policies of UI.
- Promoting the role of political, social organizations in enforcement of UI policy.

#### **4.2.4 Other solutions**

##### *4.2.4.1 Building support policies to promote the development of enterprises*

To implement well UI policy objectives, then besides direct solutions it should include solutions to support enterprises such as the policies of capital, technology, production premises, market information, trading promotion, training to improve management skills and systems of infrastructure ...

##### *4.2.4.2 Support on training human resources*

It needs to implement training both enterprise managers and employees so that the employees are qualified, skilled and have opportunities to find good and consistent jobs, high-, stable- income and expand the right to choose the units to fully implement the rights of employees to work.

The State and enterprises need to strengthen the training and retraining of qualification, professional for employees. Besides, it needs to educate the sense of observing labor discipline, formal and modern working style. The forms of training are needed to be various and appropriate.

### **CONCLUSION**

In market economy, the economic relations in general and UI relations in particular are in complexity and require diversity for administration of the state. To manage it, the state must use to system of tools such as: Laws, law documents, enforcement tools ... The conduct rules are binding jointly are as the most effective and indispensable tool in the management of economic - social activities of the State as well as in the operation of UI.

UI is a profoundly humanitarian policy and in combination with unemployment conditions remaining in the market economy. In our country, UI is newly implemented, but the UI policy has been implemented actively and obtained the initial achievements in supporting the unemployed and social stability in recent years. UI policy enforcement in our country's economic conditions has many difficulties and challenges and it has achieved initial results; it is a major effort of the Party and State. State management of unemployment insurance over time has made a positive change from the management apparatus, system of management policy, policy enforcement and inspection, monitoring implementation UI policy achieved much achievements. Despite many successes, the management of the State on UI also exists many limitations and weaknesses, not only limiting to the positive impact of the policies of UI, but also creating more loopholes for some subjects abusing unemployment allowance, causing an imbalance in the

unemployment insurance fund, collection debt of unemployment insurance is quite large, the number of participants are not much, satisfaction of employee is limited ...

This thesis has risen a mission is to research systematically from theoretical basis, international experience, from the practice of state management of unemployment insurance, which proposes scientific, feasible solutions and directions.

***Achievements of the topic:***

1. The thesis has focused on systematizing theoretical basis and practice related to State management in UI. The thesis has clarified the involved concepts, characteristics, necessities, criteria, contents and factors affecting to the state management in UI. This is an important scientific basis to contribute as a basis for further research of State management improvement solutions in UI in the near future.

2. On the basis of research experience in the construction and management of UI policy of the typical nations in the world. The thesis has drawn a number of lessons for Vietnam.

3. Analyze, evaluate the status of the State management in UI based on the content of management of state to unemployment insurance and based on the criteria for evaluating the effectiveness of state management of unemployment insurance; Generalize UI policy deployment process of Vietnam over time, assess the advantages, limitations and the cause of limitations in the state management of unemployment insurance over time.

4. Provide directions and solution systems to improve the effectiveness and efficiency of State management of UI in the near future. Proposed solution system in near future for better State management of UI includes the below solutions:

- Raise awareness about UI.

- Solution groups for completing management of UI State management including: Perfecting the system of policies and laws; Completing the State management apparatus of unemployment insurance; Improving the efficiency of the management of collection, expense management, management of employees, improving responsibilities of managers, UI policy implementers; Accelerating the construction of the database of management on employment, labor, business; Accelerating the propaganda information; Enhancing inspection and control.

- Solution groups for raising the effectiveness and efficiency of UI state management include: Perfecting the legal system, reforming administrative procedures, applying information technology, strengthening the role of political, social organizations in construction, enforcement of UI policy.

To the UI state management to achieve a high efficiency, then solution system given by the thesis needs to perform in a synchronized way.