

Study on Some Factors Affecting Unemployment Insurance Fund Management in Vietnam

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ABSTRACT

In Vietnam, workers' rights as well as unemployment have always been paid great attention by the Party and State in each different stage of socio-economic development. The current unemployment insurance fund mainly aims to pay unemployment benefits with absolute expenditures many times larger than other regimes, support regimes for training, fostering and improving vocational skills to maintain jobs for unpaid workers, proactive unemployment insurance policies to limit layoffs, support unemployment insurance contributions or enhance the role of the labor market have not been paid enough attention. As a result, the resulting amount of the current insurance fund is quite large. In the long run, it is necessary to point out a number of factors affecting the management of the unemployment insurance fund in order to have appropriate solutions in administration and management so that the unemployment insurance fund operates safely, effectively and for the right purpose.

Keywords: Unemployment Insurance, Funds, Social insurance, Management, Vietnam

INTRODUCTION

Unemployment insurance fund management is one of the important activities affecting the effectiveness of the unemployment insurance policy. The management of this fund has an impact on the life of social security and employees. In Vietnam, the unemployment insurance policy was born to support unemployed workers. The goal is to get them back into the labor market soon instead of providing long-term financial

support. The unemployment insurance fund is strictly regulated and overseen by many parties, ensures open, transparent, accurate, timely and appropriate operations.

Today, The CPS presents a global measure of unemployment. Based on a sample survey of households, it identifies all persons out of work who are seeking jobs during a particular week of the month. All jobseekers, regardless of whether they lost or left previous jobs, whether they were re-entering the labor force or entering it for the first time, whether their labor force attachment could be described as strong or tenuous, and whether their period of unemployment was one week or several years, are included in the CPS definition (Wandner, S. A., & Stengle, T. (1997) ^[1]. The results of an econometric analysis of the conditional probability of leaving unemployment for two cohorts of male flows into unemployment at very different times: 1978 and 1987. The effect of income while unemployed was found to be much poorer on employment in 1987. Demand constraints, as measured by local unemployment rates, were found to have a stronger negative impact on the probability of exit for the 1987 generation than in 1978. ^[2]

In Vietnam, the unemployment insurance fund must not only be strictly managed from the beginning, including activities to identify participants, collect fees fully and promptly; strictly manage the payment of unemployment insurance regimes and subsidies to the right subjects and benefits,

but also to periodically balance unemployment insurance revenues and expenditures, forecast and make appropriate adjustments in the medium and long term to manage and use the unemployment insurance fund effectively with the highest goal of ensuring employees when fully enjoying all benefits before and after unemployment, reintegrating into the labor market and contributing to ensuring national social security.

LITERATURE REVIEW

The possibility of becoming unemployed represents an important source of income uncertainty for workers. All advanced economies and even many developing economies have responded to the existence of this uncertainty by providing a program of unemployment insurance (UI). There are a number of provisions designed to eliminate what is considered a possible abuse of the policy. For example, recipients are required to register with the employment service and actively search work (Martin Neil Bailly, 1978)^[3]

This study presents new evidence on why unemployment insurance (UI) benefits influence search behavior and develops a simple method for calculating UI benefit benefits using this evidence. Research indicates that 60 percent of the increase in unemployment periods caused by UI benefits is due to the "liquidity effect" rather than a distortion of marginal incentives to seek ("moral hazard") by combining two empirical strategies. The formula implies that the optimal level of UI benefits exceeds 50% of salary. The "accurate identification" approach to wellbeing analysis proposed here yields robust optimal policy outcomes because it does not require an initial structural estimate (R Chetty, (2014)^[4]

This paper provides a review of the recent literature on how incentives in unemployment insurance can be improved. We are particularly concerned with three instruments, i.e. the duration of benefit payments (or more generally the time sequencing of benefits), monitoring in

conjunction with sanctions, and workfare. Our reading of the theoretical literature is that the case for imposing a penalty on less active job search is fairly solid. A growing number of empirical studies, including randomized experiments, are in line with this conclusion. (P Fredriksson, B Holmlund. (2006)^[5]

After an economic recession, the domestic labor market is directly affected by the worsening trend. The problem of employment with the unemployed is very difficult, vacancies need very little help. A fact-keeping model is suitable for explaining labor market qualitative responses to adverse shocks, but requires unbelievably large shocks to take into account the observed volatility. The combination of engaged wages significantly increases the sensitivity of the model to dynamics. The attachment arises in economic equilibrium and satisfies the condition that it is not between two subjects who are workers - employers. It is necessary to have a general fund on unemployment to regulate this relationship. (R Hall. (2005)^[6]

Many empirical studies have confirmed the theoretical prediction that longer-term Unemployment Insurance (UI) entitlement leads to longer unemployment duration. Most of those studies have examined special programs that provide extra weeks of unemployment benefits when unemployment rates in the region are higher. The longer the period of unemployment benefits, the greater the impact on the unemployment insurance fund. It is necessary to limit the duration of entitlement and increase the search for jobs or support for short-term vocational training funded by the unemployment insurance fund. (Anil, D., 2010)^[7]

The study investigated how economic assistance and the duration of unemployment insurance benefits affected the risk ratio when unemployment was insured. The policy takes into account that unemployment is covered not always ending in employment, but also in restrictions, training programs or measures to make workers responsible for finding work during the period of receiving

unemployment from the fund. (K Røed , T Zhang., 2005)^[8]

Since the probability of finding a job is influenced not only by individual effort but also by the aggregate state of the economy, designing business-cycle conditional unemployment insurance programs may be valuable. This study answers a fundamental question related to this: How should payments change with the aggregate state of the economy? (J Sanchez., 2008)^[9]

A push that changes average labor productivity primarily changes the present value of wages, creating only a small movement along the downward sloping Beveridge curve (unemployment-vacancies). A push towards the segregation rate creates an unrealistic positive correlation between unemployment and

vacancies. In both cases, the pattern exhibited almost no spread (R Shimer., 2005)^[10]

MATERIALS & METHODS

After listing out many factors affecting the management of unemployment insurance funds in Vietnam, the author has consulted experts, managers, and business organizations participating in unemployment insurance, and has obtained three main factors: Quality of human resources; Socio-economic conditions; Policy - management. These are factors that directly affect and affect the unemployment insurance fund in Vietnam. Specifically, the independent variables of the model are described as follows:

Table 1. Group of variables belong to Quality of human resources

Variable	Measure	Data type
Gender	Categorized into two gender groups: male and female, where male is the reference variable.	Categorical variables
Age group	Age of the interviewee	Quantitative variables
Household Size	Number of people in the interviewee's family.	Quantitative variables
Education	The highest level of education achieved at the present time is classified into 4 groups: general, intermediate, college, university and postgraduate. In particular, the intermediate, college variable is the reference variable.	Categorical variables
Work area	The working sector is classified into 3 groups: foreign-invested sector (FDI) and state-owned, private, self-employed/self-employed. In particular, the self-employed/freelance sector variable is the reference variable.	Categorical variables
Geographical area	The living area of the interviewees was divided into 2 groups: urban and rural. Where the rural variable is the reference variable.	Categorical variables

Table 2. Group of variables belong to socio-economic factors

Variable	Measure	Data type
Family income	Measure the total salary/salary of the interviewee's family.	Quantitative variables
Other sources of income	Measure non-salary/wage income from sources such as relatives, policy support and other sources.	Quantitative variables
Thrifty/asset	Assess whether the interviewee has an account or accumulated assets.	Categorical variables

Table 3. Group of variables belonging to policy – management

Variable	Measure	Data type
Ease of access to unemployment insurance	Assess ease of access to unemployment insurance based on interviews with 5 levels on the Likert 5 scale.	Ranking variables
Access information about unemployment insurance from the state/government.	Assess ease of access to unemployment insurance based on interviews with 5 levels on the Likert 5 scale.	Ranking variables

RESULT

The authors perform an EFA multiplication analysis to derive factor score variables to represent the independent variables of the model such as Human Resource Quality, Legal Policies, Socio-Economic Conditions (Field, 2009)^[11] and the result will be a

continuous variable. Next, the author uses the factor point variable obtained to perform logistic regression. The questionnaire used to collect analytical data for this research model consists of 12 questions distributed to experts, managers, and businesses. The

result was 868 valid votes used for logistic regression analysis.

Before analyzing EFA, it is necessary to ensure that the data set is suitable for this type of analysis by means of a KMO test. The results of this inspection are as follows:

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.860
Bartlett's Sphericity Test of	Approx. Chi-Square	854.330
	Df	68
	Sig.	.000

For EFA analysis we need this KMO value to be at least 0.5. With our data, a KMO Test of 0.86 indicates that EFA analysis can be used for the dataset. To perform EFA factor analysis for the dataset, we also need to evaluate the Total Variance Explained (Total Variance Explained) of the three factors proposed by the study (Sarstedt, M., Hair, J.F., Ringle, C.M., Thiele, K.O., Gudergan, S.P., 2016).^[12]

Component	Initial Eigenvalues			Extraction of Squared Loadings			Sums
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
1	3.954	32.952	32.952	3.954	32.952	32.952	
2	2.542	22.849	55.801	1.542	12.849	45.801	
3	1.049	8.746	88.753	1.049	8.746	54.547	
4	.847	7.062	61.609				
5	.755	6.291	67.900				
6	.702	5.852	73.752				
7	.637	5.304	79.056				
8	.609	5.072	84.129				
9	.552	4.603	88.732				
10	.521	4.342	93.074				
11	.458	3.813	96.887				
12	.374	3.113	100.000				

This result shows that three independent variables of the model explain 88.75% variance. This is quite a high result. Therefore, taking three independent variables of the selected model is

appropriate. Using factor points obtained from EFA analysis for the Logistic model, the estimated results of this model are as follows:

Coefficients	Estimate	Std. Error	z value	Pr(> z)
(Intercept)	4.224	0.656	3.453	0.071***
Quality of human resources	0.277	0.376	1.568	0.009*
Unemployment insurance policies and laws	0.455	0.006	0.272	0.046**
Socio-economic conditions	0.155	0.311	0.982	0.249

(Note: *, **, *** are statistically significant at 1%, 5%, 10%, respectively).

All 3 factors have a positive impact on unemployment insurance management in Vietnam. Among the above 3 factors, the legal policy factor is the main reason affecting the organization of unemployment insurance management, followed by the quality of human resources and socio-economic factors. This shows the importance of policies and laws for the management of unemployment insurance.

DISCUSSION

Improve management capacity for senior and middle leadership teams. This is the

force that ensures the vision of the management agency, ensuring the operation of the social insurance agency in the implementation of the unemployment insurance policy in general and the management of the unemployment insurance fund in particular. The knowledge needs to be improved related to executive management skills, management skills to react to change, vision and labor motivation factors. Full training can be diverse in many forms: practical training, intensive course training, domestic and foreign training.

Continue to review and amend the coordination regulations between the Labor, War Invalids and Social Affairs agencies, the Social Insurance Agency, the Labor Federation and agencies and organizations related to unemployment insurance to suit the actual situation and clearly define the responsibilities of units in propaganda, guide, inspect and handle violations according to a uniform process in the implementation of unemployment insurance policies.

Establish a vertical system from central to local level of employment services to well implement the unemployment insurance regime, policies, employment counseling and support, as this is the most sustainable way to address the unemployed. Research and consider building a standard operating model of the Employment Service Center to perform well the tasks of consultancy, labor market information, job introduction, labor supply and vocational training.

Currently, state management agencies have not completed management tools, detecting unemployed people who do not declare when they have jobs, unemployed people often have the mentality of not wanting to declare or go to work in other provinces, avoiding detection to continue receiving unemployment benefits. The employment service center will monitor workers' employment status declarations, which will minimize unemployment insurance profiteering.

Apply information technology to create conditions for employees and employers to go to the social insurance agency to declare fluctuations in increase, decrease, enjoy unemployment insurance or declare job search at the Employment Service Center, contributing to reducing travel between the two agencies managing unemployment insurance policies to improve the quality of service for participants, beneficiaries of unemployment insurance policies; reduce time and save costs for carrying out administrative procedures on unemployment insurance.

On the other hand, the unemployment insurance fund guarantees contingency when a possible economic crisis leads to mass layoffs. Propose new policies in using large surplus sources to ensure jobs or reduce contributions for unemployment insurance beneficiaries, aiming to complete unemployment insurance policies in a proactive way, in accordance with national economic conditions.

CONCLUSION

It can be affirmed that the management of unemployment insurance in general and the unemployment insurance fund in particular is very important. Because unemployment insurance policies have a direct impact on workers' lives when unemployed and on the national social security system. In the period of economic integration, there will be fierce competition, bankruptcy and no jobs are increasingly common. Therefore, identifying factors affecting the management of the fund on unemployment insurance will significantly reduce the burden on the system and workers. Helping the unemployed return to work quickly is the main purpose of unemployment insurance policy in Vietnam. At the same time, finding solutions in line with unemployment insurance practices in Vietnam will help the unemployment insurance system operate effectively. Save costs for the state and support the right beneficiaries. Finding effective investment solutions for the unemployment insurance fund is also of great interest. However, with the view of ensuring timely support for unemployed workers, this issue needs to be seriously studied in the next time. The proposed solutions will help the unemployment insurance fund perform the functions and tasks set out by the policy. Ensure fairness and efficiency for workers and long-term national social protection in Vietnam.

Declaration by Authors

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