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Significant changes in Unemployment Insurance and Health Insurance from 1 January 2015

28 November 2014



Law No. 38/2013/QH13 on Employment

Significant changes in Unemployment Insurance

From 1 January 2015, Law 38/2013/QH13 on Employment shall take effect and replace earlier regulations on Unemployment Insurance (“UI”) of Law No. 71/2006/QH11 on Social Insurance (“SI”).

Some notable changes include:

1. For the Employers:

- Employers subject to UI contribution include:
 - government agencies, public service units; armed forces
 - political organisations, political-social organisations, political social-professional organisations, social organisations, and social-professional organisations
 - foreign agencies, organisations, international organisations operating in Vietnam
 - enterprises, co-operatives, families, business households, associate units, other organisations and individuals hiring, employing labour pursuant to work contracts or labour contracts.
- Employers must register for their Employees’s UI at social insurance agencies within 30 days, from the effective date of the relevant work contracts or labour contracts.
- On a monthly basis, the Employers make UI contributions calculated on their part, and the Employees’ part, which are deducted from the Employees’ salaries, to the UI Fund.

- The Employers’ contribution rate is 1% of the monthly salary fund of the employees currently subject to UI contribution.

2. For the Employees:

- Employees are subject to UI where they are working under work contracts or labour contracts of the following types:
 - work contracts or labour contracts with indefinite terms
 - work contracts or labour contracts with definite terms
 - seasonal labour contracts or labour contracts for a specific task with terms ranging from full 3 months to less than 12 months.

Where the employees engage in and perform multiple labour contracts at the same time, then the employees and the employers of the first labour contracts would be subject to UI contribution.

- The Employees’ contribution rate is **1% of the monthly salary**.



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Salary base for UI calculation:

- Employers making UI contribution pursuant to the salary scale announced by the Employers shall use the salary base for compulsory social insurance, which is determined pursuant to the Law on Social Insurance, as the salary base for UI calculation.
- Where the monthly salary subject to UI is more than 20 times of the minimum regional salary, then the monthly salary base for UI calculation is equal to 20 times of the minimum regional salary as per the Labour Code's regulations effective at the time of making UI contribution.

Unemployment allowance entitlement rate:

For Employees making UI contribution pursuant to the salary scale announced by the employers, **the UI monthly entitlement rate is equal to 60% of the average monthly salary base for UI of the most recent 6 months** prior to unemployment, but **not exceeding 05 times** of the regional minimum salary as per the Labour Code regulations effective at the time of terminating the labour contract or work contracts.

Period of unemployment allowance entitlement:

The period of unemployment allowance entitlement is based on the number of months contributing to UI. More specifically: Employees having contributed UI for 12-36 months would be entitled to 03 months of unemployment allowance. For any additional 12 months of

contribution, there would be an additional 01 month of unemployment allowance, but the total aggregated amount must not exceed 12 months of entitlement.

The period of unemployment allowance entitlement would commence from the 16th day, following the day on which the complete unemployment allowance application dossier is submitted.

Note: Employees unilaterally and illegally terminating labour contracts, work contracts shall not be entitled to unemployment allowance.

Report on the status of job seeking of Employees subject to unemployment allowance entitlement:

- On a monthly basis, the Employees must report the job seeking progress directly to the career service center where the unemployment allowance is paid, except for the following cases:
 - The Employees are subject to sickness, maternity, accidents as certificated in writing by the authorised medical centers.
 - Force majeure situations.
- The entitlement to unemployment allowance would be suspended where the monthly job seeking progress is not reported.

In the coming period, the Government would issue detailed guidance for the implementation of the Law on Employment. We would keep you updated when such regulations are released.

Amendments to the Law on Health Insurance

Changes in Health Insurance contribution

From **01 January 2015**, **Law No. 46/2014/QH13 amending, supplementing a number of Articles of the Law on Health Insurance** (“Law 46”) shall take effect.

15 November 2014, the Government issued **Decree No. 105/2014/ND-CP** providing detailed guidance for a number of the Law on Health Insurance (“Decree 105”). Decree 105 shall take effect from **01 January 2015**.

A number of notable changes in Law 46 are as follows:

For Employees working under labour contracts with indefinite terms, labour contracts with terms from 3 months or more; employees being management with salaries; State officers, the **maximum** Health Insurance contribution rate is 6% of the monthly salary, in which:

- Employees: 2%
- Employers: 4%

However, **Decree 105** still maintains the contribution rates of the above employees at the rate of 4.5% of the monthly salary, in which **1.5% is borne by the Employees** and **3% is borne by the Employers**.

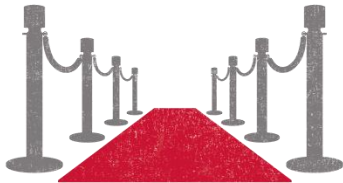


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