



Press Release
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AmCham Mongolia's March Monthly Meeting addresses Labor Law challenges



ULAANBAATAR, Mongolia – The American Chamber of Commerce organized its March Monthly Meeting, Social Welfare and Labor Trends in Mongolia, on March 10, 2022.

The panelists for the event were Ms. A. Ariunzaya, Minister of Labor and Social Protection, and Mr. B. Gantulga, CEO of Ard Life.

The meeting was held in a hybrid format—in-person and virtual—and was attended by over 90 people, including representatives of the AmCham community, foreign and domestic investors, and SMEs.

The 2022 changes to the Labor Law incorporate many progressive ideas and provisions compared to the original law ratified in 1999, but clarification on some provisions is needed for the implementation of the law.

In addition to concerns about the financial burdens of employers and decreased employee income, there is uncertainty about the actual implementation of some provisions of the law and if the regulations that accompany the law reflect the views of employers.

However, it was noted that Mongolia's bold and comprehensive pension reform will be important for creating a competitive pension system, contributing to the development of the stock market, and improving the livelihoods of retirees.



Minister Ariunzaya said that the Labor Law has been revised by five governments and three parliaments since 1995 and has been amended up to 40 times, meeting criticism and praise. While some believe the law puts more pressure on employers, the amendments are also seen as positive changes that protect the interests of workers. Employers always have an advantage, so protecting the interests of workers is a fundamental duty of the law.

The Mongolian Employers' Federation, the Mongolian National Chamber of Commerce and Industry, and trade unions agreed on the final draft of amendments after many discussions and debates. Minister Ariunzaya said, “As a woman, I am very pleased that important gender issues have been raised, especially the notion that women are not the only ones who must care for their children and that there is a provision on paid paternity leave for fathers with newborns. This also implements child protection policies.”

One issue that remains unclear is mining sector rosters. The law did not have a strict 14:14 provision for work schedules, but during discussions, the miners' union said that while they understood that wages would be reduced, spending time with their families was more important. However, miners are now complaining about lower wages, and employers need to hire more workers. There are many examples of such issues being regulated by enterprises rather than legislation. It was noted that while there is no such thing as a perfect policy or law, when challenges arise, they must be addressed and amended.

As for pension reform, proposed changes have been submitted to Parliament. There are two pension systems: the distribution system and the savings system. It was highlighted that the pension system's shortcomings are politically derived. People-friendly policies are in place, but populist promises have

increased the state's pension fund deficit. Some people are unaware of the benefits of the social insurance system and have steered away from it; people talk about social insurance as a tax and believe pensions only yield benefits for seniors.

During the meeting, B. Gantulga gave a presentation on Mongolia's pension system reform and stressed the need for Mongolia to gradually move to a three-pillar pension system based on pension insurance funds and voluntary private pension funds. According to the Ministry of Labor and Social Welfare, one million people are covered by compulsory insurance, more than 160,000 by paid insurance plans, and 52,000 are covered by enterprise pension programs.

In 2021, Social Insurance Fund income was 2.7 trillion MNT, and the fund provided pensions and benefits to 750,000 people, paying out 2.5 trillion MNT. Pension payments have increased by 3.5 percent compared to 2012, and the average pension has risen from 420,000 MNT in 2020 to 540,000 MNT today.

B. Gantulga stated, "The Social Insurance Fund has been operating at a loss for the last 10 years, generating a loss of 1.2 trillion MNT in 2022. Increasing the pension amount increases the fund's expenditures. Attempts to increase revenue, on the other hand, have been met with great public frustration and opposition. Raising the retirement age to reduce spending is risky, difficult, and frustrating for individuals and organizations.



"First of all, we need to create a legal environment that regulates the system of emergency private pension funds and enable citizens to generate pension savings on a voluntary basis. Companies and organizations will no longer have to pay mandatory pension insurance premiums directly to the Social Insurance Fund."

At the end of the meeting, the speakers provided detailed answers to a number of questions, including setting an average wage, private pension funds, regulations, and other issues. Minister Ariunzaya said that comments from AmCham Mongolia members would be taken under consideration and that the ministry would review the regulations and make the necessary changes as soon as possible.

About AmCham Mongolia

The American Chamber of Commerce (AmCham) in Mongolia is an independent membership-driven organization that seeks to build, strengthen, and protect business between the United States and Mongolia, and actively promote Mongolia as a destination for American investment. AmCham Mongolia is accredited by the U.S. Chamber of Commerce as its official affiliate in Mongolia. Based in Washington, D.C., the U.S. Chamber of Commerce is the largest federation in the world, with over 3 million members.