

REFORMING LABOR LAW FOR THE CHANGING NATURE OF WORK: EVIDENCE FROM MONGOLIA

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MONGOLIA JOBS DIAGNOSTIC:
More Vibrant and Inclusive Labor Markets for Economic Recovery and Diversification

*Background paper: Reforming labor law for the changing nature of
work: Evidence from Mongolia*

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Abstract

This paper examines labor market regulations in Mongolia, particularly focusing on the new Labor Law enacted in January 2022. Our review of the labor and minimum wage regulations suggests that the Mongolian Labor Law is largely in line with international standards and practices in other comparator countries. The new Labor Law added more protections for workers, which increased its alignment with international standards. These include some limits on the use of fixed-term contracts, protections for non-standard forms of employment, limits on working hours, the provision of paternity leave, additional rules governing mass dismissals, and increased severance benefits.

The analysis reveals that while the new law aligns more closely with global practices, challenges remain in unemployment income protection and law enforcement and compliance. First, some of the parameters of the unemployment insurance scheme including eligibility requirements could be updated based on rigorous actuarial projections that can assess the impact on costs as well as the adequacy of benefits. Second, compliance with the legal requirements is limited. Strengthening the labor inspection system needs to be prioritized by allowing more frequent inspections and increasing administrative capacities and financial allocations for enforcement.

Keywords: labor regulations, labor reforms, unemployment protection

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The analysis of this paper was conducted in 2022 and therefore does not reflect reforms in the Law on Pensions, Benefits, and Payments from the Social Insurance Fund in July 2023.

1. Introduction

Over the past ten years, Mongolia has experienced strong economic growth, but this has not resulted in the creation of productive employment. For example, in 2020, the unemployment rate was 7.2 percent, and the youth unemployment rate (for those aged 15 to 24) was particularly high at 19 percent in 2019.¹ Uneven economic growth across regions has also led to internal migration away from rural areas to urban cities (Gassmann et al., 2015 and Alzua et al., 2021).

Mongolia first adopted a Labor Law in 1999 to regulate labor relations. Since then, the Labor Law has been amended several times. A new Labor Law was passed in July 2021, which became effective in January 2022. The new law was initially drafted following the General Direction on “Improving the Legislation of Mongolia until 2020” in March 2018, which was approved by Resolution No. 11 of the Parliament of Mongolia in 2017.

Labor market regulations can influence labor market outcomes both positively and negatively. They can protect workers’ rights, enhance their job security, and improve their working conditions. Labor regulations also set the boundaries for employment contracts, benefits, and working conditions while providing social protection for workers. The new Labor Law introduced several changes in legal provisions that may have affected Mongolia’s labor market outcomes. In order to understand how the current regulatory framework is affecting labor market outcomes, it is important to examine what that framework consists of.

With this in mind, this paper assesses Mongolia’s labor market regulations and compares them with international benchmarks. Our main objective has been to identify any gaps in the country’s labor market regulations and to suggest feasible policy options for enhancing employment creation and ensuring adequate protection for workers. We pay particular attention to the new Labor Law and compare it with the old law wherever comparison is possible.

Our review of the labor and minimum wage regulations suggests that the Mongolian Labor Law is largely in line with international standards and practices in other comparator countries. The new Labor Law added more protections for workers, which increased its alignment with international standards. These include some limits on the use of fixed-term contracts, protections for non-standard forms of employment, limits on working hours, the provision of paternity leave, additional rules governing mass dismissals, and increased severance benefits.

For example, Mongolia added some restrictions on the use of fixed-term contracts (FTC). An employment contract should be without term limits except in the case of certain types of work.² When the total term becomes more than two years, the contract should be considered as an indefinite employment agreement.³ The new law also introduced provisions regulating employment contracts for part-time, remote, and home-based work, as well as work on the basis of an employment agreement between an individual person (employer) and an assistant herder, home service worker, or similar employees.

The new law introduced a maximum number of weekly work hours (56 hours) and a maximum number of overtime hours per day (four hours). A new term, “roster work,” was introduced in the new law. Employers in the mining and quarrying sector who assign employees to remote locations far from their permanent residence

¹ World Bank staff estimates based on 2020 Labor Force Survey data. Unemployment refers to the share of the labor force that is without work but available for and seeking employment.

² These include working as an apprentice, during a probationary period, seasonal work, working in place of the employee whose jobs is preserved, a temporary job and works or activities with limited duration, scope, and financing (Article 50.1, the Labor Law).

³ Article 50.4 of the Labor Law.

may use “roster work.” The law stipulates that employees doing this kind of work should have 14 days of work and 14 days of rest during each rotation.⁴

The new Labor Law adds requirements for employers who issue mass dismissals and specifies the criteria that they must meet. In the event of mass dismissals, employers are obligated to notify the local labor authority in writing about their decision at least 30 days in advance of the dismissal. Globally, such requirements are also common.

Even though some of these new changes could increase employers’ costs, the new Labor Law in general follows the international standards and practices used in comparator countries. The ratio of the minimum wage to the value-added per worker in Mongolia is not high relative to comparator countries.⁵ The National Tripartite Committee on Labor and Social Consensus has adjusted minimum wage rates periodically after negotiations with other national organizations based on economic factors such as the cost of living.⁶ Regulations concerning termination are not restrictive, with the value of severance payments and the length of notice periods are comparable with those of other countries.

Mongolia also has legal protections for women and pregnant women that meet international standards. The new Labor Law prohibits gender-based discrimination in workplaces, including gender-based violence and sexual harassment.⁷ The principle of equal pay for work of equal value is clearly stated in the Labor Law.⁸ Women are entitled to 120 days of maternity leave, which follows the ILO standard (a minimum of 90 days).⁹ The new law also introduced paid leave for fathers (of at least 10 working days).

Moreover, employers need to grant parental leave if a mother or father with a child under 3 years of age submits such a request.¹⁰ The law’s three-year parental leave is longer than the global average (around 399 days). Employers are prohibited from terminating the employment of a pregnant woman or of a single mother or father with a child under the age of 3.¹¹

The two key areas of Mongolia’s labor regulations that still need to be improved are: (i) income protection for unemployed workers and (ii) enforcement, compliance, and labor inspection systems.

⁴ Article 92.4 of the Labor Law. The law also suggests that the duration of the working day for an employee working in a roster shift should not exceed 12 hours (Article 92.3), and the work of employees working in roster shifts, the hours of rest, and the allowance for working roster shifts should be determined by collective agreements and collective bargaining agreements (Article 92. 8).

⁵ The minimum wage was recalculated as a share of GNI per worker as a proxy for average earnings because of a lack of consistent cross-country data on average earnings.

⁶ The National Tripartite Committee on Labor and Social Consensus is comprised of representatives of the government and of national organizations that protect employers’ and workers’ rights and legitimate interests. The national organizations for employees’ rights include the Confederation of Mongolian Trade Unions (CMTU) and sectoral trade unions (the Trade Union of Mongolian Education and Science; the Trade Union of Mongolian Health Employees; the Trade Union of Mongolian Transport, Communication, and Oil; the Trade Union of Mongolia Employees and Civil Servants; the Trade Union of Energy, Geology, and Mining; the Trade Union of Construction; and the Trade Union of Capital City Ulaanbaatar). Organizations for employers’ rights include the Mongolian Employers’ Federation (MONEF), the Mongolian National Chamber of Commerce and Industry, and sectoral associations (the Mongolian Food Association; the Mongolia Energy Association; the Mongolian Leather Production Association; and the Mongolia Road Association). For sector-specific wage setting, sector-level unions and employers’ organizations participate in negotiations.

⁷ Article 5 and 6 of the new Labor Law.

⁸ Article 102 of the Labor Law.

⁹ Article 137 of the Labor Law.

¹⁰ Article 139 of the Labor Law.

¹¹ Articles 60 and 135 of the Labor Law.

First, there is a clear need to improve income support systems for unemployed workers.¹² The country's current unemployment insurance scheme does not meet international standards. The qualification rules and the eligibility conditions are rather strict. The benefits for workers with less than five years of employment are below the ILO's minimum standard of 50 percent, and they are paid out for only 76 days compared to the minimum of 26 weeks set in the ILO convention. The share of the unemployed who receive benefits is relatively low, and the unemployment insurance system excludes herders and self-employed workers. The new Labor Law increased severance pay depending on a worker's the length of tenure. However, severance pay often does not provide adequate income protection to workers, partly because some employers fail to pay it.

To provide comprehensive income protection for unemployed workers, the nine-month requirement for continuous contributions could ideally be reduced, as it is a lengthy time frame for eligibility given the seasonal nature and volatility of Mongolia's economy. If affordable, the authorities could consider increasing the contribution rates and benefit duration, based on rigorous actuarial projections that can assess the impact on costs as well as the adequacy of benefits.

Even if the new Labor Law provides legal rights and protections, compliance with the legal requirements is somewhat limited. For example, workers tend to work more than the legal working hours and there is a large incidence of non-compliance by employers in the provision of overtime benefits and compensation. The General Agency for Specialized Inspection (GASI) found that, in 2020, 25 percent of inspected entities did not comply with the hiring and firing regulations.

The current inspection system needs to be improved in several areas. First, there are contradictory rules regarding unannounced inspections. The Law on State Inspection prohibits inspections without prior notification to employers. However, the new Labor Law gives labor inspectors the right to access a business entity and organization without prior notice. Second, labor inspections are conducted in response to applications, requests, or complaints received from individuals and legal entities.¹³ The individuals who file complaints must disclose their names to the employer, which discourages them from making such requests.

The labor inspection system needs to be strengthened with legislative reforms. This should be done by removing the Law on State Inspection's requirement of advance notice to employers before inspection, making it consistent with the new Labor Law, and introducing confidentiality of the source of any complaints concerning labor regulation violations.

In addition, inspections could be carried out more frequently, not waiting for requests or complaints from individuals and legal entities. Allocating more resources should be considered to increase the number of registered labor inspectors and train them to ensure they have sufficient knowledge and capacity for enforcing the legal provisions. The Ministry of Labor and Social Protection (MLSP) can also continue cooperating with other ministries, the Confederation of Mongolian Trade Unions, and the Mongolian Employers Federation to provide training to enhance awareness of legal obligations among workers and employers.

The rest of this paper is structured as follows. The next section explains the methodology and data used in the analysis. Sections 3 to 13 assess the main features of Mongolia's labor regulations and benchmark them against

¹² The analysis of this paper was conducted in 2022 and therefore this recommendation does not reflect reforms in the Law on Pensions, Benefits, and Payments from the Social Insurance Fund in 2023.

¹³ Article 5 of the Law on State Inspection.

international practices. The final section provides policy recommendations based on the paper's findings. Details of the main findings and policy recommendations are summarized in Annex 3.

2. Methodology and Data

Within the broader scope of labor regulation, this paper focuses on the Labor Law and the regulations concerning employment contracts, probationary periods, working hours (including overtime arrangements and leave policies), the minimum wage, the rules and costs concerning the termination of employment, unemployment insurance, legal frameworks affecting the work of women and vulnerable groups, and labor inspection.

The main data sources about labor regulations are the World Bank's Employing Workers survey data from 2020, The World Bank's Women, Business and Law (WBL) survey data from 2022, the International Social Security Association (ISSA) and International Labor Organization (ILO) databases, and Mongolian laws. The Employing Workers and Women, Business, and Law databases draw their data from laws and regulations as well as surveys of local lawyers and public officials. The data from Employing Workers 2020 were gathered in May 2019, and the data in WBL 2022 were gathered in October 2021. To make the data comparable across countries, the surveys made several assumptions about workers and employers.¹⁴ Therefore, some analysis only applies to a sub-population of the sample and needs to be interpreted in light of such assumptions.¹⁵ This paper focuses on Mongolia's new Labor Law, which became effective on January 1, 2022. Our cross-country benchmarking exercise using the Employing Workers database 2020 updates the information for Mongolia to take account of the new law. Annex 1 describes the data sources in more detail.

This paper assesses labor regulations in Mongolia and compares them with those in other countries. Relevant indicators are compared across Mongolia's "comparator" countries and against the global average and those for East Asia and Pacific (EAP) and for lower-middle-income countries to understand the performance of Mongolia. The paper also references the ILO's international standards, recommendations, and conventions wherever relevant.

Table 1 lists the comparator countries, which were selected based on their economic and geographic characteristics.¹⁶ "Standard" comparators include countries similar to Mongolia in terms of their level of development (up to 1.5 times the per capita GDP of Mongolia). "Aspirational" comparators share some similarities to Mongolia but are at a higher level of development (between 1.5 and 2.5 times the per capita

¹⁴ For the Employing Workers study (World Bank, 2020a), assumptions were made about the workers, including: "The worker (1) is a cashier in a supermarket or grocery store, aged 19, with one year of work experience; (2) is a full-time employee; and (3) is not a member of a labor union, unless membership is mandatory. Assumptions made about the businesses included: "The business (1) is a limited liability company (or the equivalent in the local economy); (2) operates a supermarket or grocery store in the economy's largest business city; (3) has 60 employees; (4) is subject to collective bargaining agreements if such agreements cover more than 50 percent of the food retail sector and apply even to firms that are not party to them; and (5) abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements." (World Bank, 2020a).

For the Women, Business, and the Law study (World Bank, 2021), "It is assumed that the woman in question resides in the economy's main business city; has reached the legal age of majority and is capable of making decisions as an adult, is in good health and has no criminal record; is a lawful citizen of the economy being examined; is a cashier in the food retail sector in a supermarket or grocery store that has 60 employees; is a cisgender, heterosexual woman in a monogamous first marriage registered with the appropriate authorities (de facto marriages and customary unions are not measured); is of the same religion as her husband, is in a marriage under the rules of the default marital property regime, or the most common regime for that jurisdiction, which will not change during the course of the marriage; is not a member of a union, unless membership is mandatory."

¹⁵ For example, the Employing Worker study (World Bank, 2020a) focuses on the regulations and laws that apply to workers in the formal private sector in the retail sector but does not cover informal or casual workers or workers in other sectors.

¹⁶ See Betcherman and Jaill, 2022.

GDP of Mongolia). “High aspirational” comparators include high-income countries (over 2.5 times the per capita GDP of Mongolia).

Table 1: Comparator Countries for Mongolia

Standard	Aspirational	High Aspirational
Armenia	Chile	Australia
Azerbaijan	Kazakhstan	Canada
Colombia	Malaysia	Estonia
Thailand	Russian Federation	Korea, Rep.
Vietnam		

Source: Betcherman and Jalil (2022).

The analysis is also based on findings from interviews with representatives of relevant institutions (listed in Table 2). The interviews were conducted between February 2022 and March 2022 in Ulaanbaatar, Mongolia.

Table 2: Lists of Institutions Interviewed

Organization	Meeting date
Mongolian Employers’ Federation	February 21, 2022
General Agency for Specialized Inspection	February 23, 2022
International Labour Organization	February 23, 2022
Ministry of Labor and Social Protection	February 24, 2022
General Office for Labor and Welfare Services	March 3, 2022
Confederation of Mongolian Trade Unions	March 30, 2022

Source: Authors’ compilation.

Finally, it is important to note the scope of the legal frameworks studied in this report. This paper is mainly based on the Labor Law, the Law on Minimum Wage, the Law on Social Insurance, and the Law on State Inspection.

The new Labor Law applies to the labor relationships listed in Article 3. According to Article 3.1, this law “shall regulate the labor relations arising in connection with the work performed or services provided in the territory of Mongolia or when the parties have agreed to regulate by this law.”¹⁷

The Law on Social Insurance applies to those workers who are covered by compulsory or voluntary social insurance. Employees and government servants are subject to compulsory insurance.¹⁸ Foreigners residing in Mongolia and employed by any Mongolian organization as well as all Mongolian citizens employed by foreign organizations or business entities carrying out their activities in the country must register with the social insurance system. The self-employed, employees of foreign projects, drivers, small-scale miners, herdsman, farmers, students, Mongolian citizens living in foreign countries, and the unemployed can choose to be covered by the voluntary social insurance system.¹⁹

The Law on State Inspection set up the institutional structure of the state inspection system and the legal basis of the states’ administrative inspections and coordinates the implementation of the states’ inspections.

¹⁷ The new law has no specific descriptions to workers in agriculture.

¹⁸ Employees are defined as people employed on a contract basis by business entities, organizations, or individuals.

¹⁹ The General Authority for Social Insurance, <https://app.ndaatgal.mn/sdforeign/#/>

Inspections by the government, ministries, agencies, and governor's offices at all administrative levels and professional inspections authorized by legislation are governed by the present law.

3. Fixed-Term Contracts

Fixed-term contracts relate to employment for a limited period of time, as opposed to regular or permanent employment (Aleksynska and Muller, 2015). Such contractual arrangements provide employers with the flexibility to adjust their personnel levels when they face operational changes or changes in market demand and avoid them having to incur excessive costs to terminate the employment of permanent workers. Firms can also employ staff on fixed-term contracts to work on new or short-term projects and/or to substitute for permanent staff who are on holiday or maternity leave (ILO, 2016a). These contract types can help young or inexperienced workers to gain work experience and skills (Bart and Matteo, 2008; Eichhorst, 2014; and ILO, 2016a). The flexibility involved in using such contracts may encourage firms to hire such workers as formal employees (Kuddo, 2018), which is especially relevant in countries with strict employment protection and rigid firing rules (Eichhorst, 2014).

On the other hand, fixed-term or temporary contracts represent a risk of insecurity for workers (ILO, 2013). Temporary workers, especially the young and unskilled, tend to have limited access to social security benefits such as pensions, health insurance, and unemployment insurance. They earn lower wages, receive less training, and have limited collective bargaining power (ILO, 2016a). The use of fixed-term contracts should be accompanied by social protection measures to ensure that they are not misused and to support workers in transition.

Fixed-term or temporary employment contracts are not directly regulated by international labor standards. However, the Termination of Employment Convention, 1982 (No. 158) suggests that governments should put adequate safeguards in place to ensure that employers using fixed-term contracts provide the necessary protections for workers.

In Mongolia, a fixed-term contract is allowed for certain types of work. According to Article 50 of the new law, an employment agreement must be concluded for an indefinite period of time except in certain cases. These include working as an apprentice, working during a probationary period, seasonal work, working in place of the employee whose job is retained, and working in a temporary job and in works or activities with limited duration, scope, and financing. Under the old law, there were no restrictions on the use of fixed-term contracts for permanent tasks. Article 23.2.2. of the old law stated that "the term of a contract of employment shall be determined by the parties based on the nature of the work and the duties to be performed."

Table 3: Change in the Rule for the Use of a Fixed-term Contract

	New law	Old law
A fixed-term contract is prohibited for permanent tasks?	Yes	No
The maximum length of a fixed-term contract	2 years	No provision

Source: Mongolian Labor Laws.

By international comparison, most countries allow employers to use fixed-term contracts for permanent tasks. Globally, fixed-term contracts are prohibited for permanent tasks in 66 countries out of 191 countries. In the EAP region, only four countries (Indonesia, Taiwan, Thailand, and Timor-Leste) have such restrictions (Table 4). Countries that prohibit the use of fixed-term contracts are mainly low- and middle-income economies where legislation tends to be outdated (World Bank, 2020a). Among Mongolia’s comparator countries, only Armenia, Thailand, the Russian Federation, and Estonia prohibit the use of fixed-term contracts for permanent tasks.

Table 4: Countries that Prohibit Fixed-term Contracts for Permanent Tasks

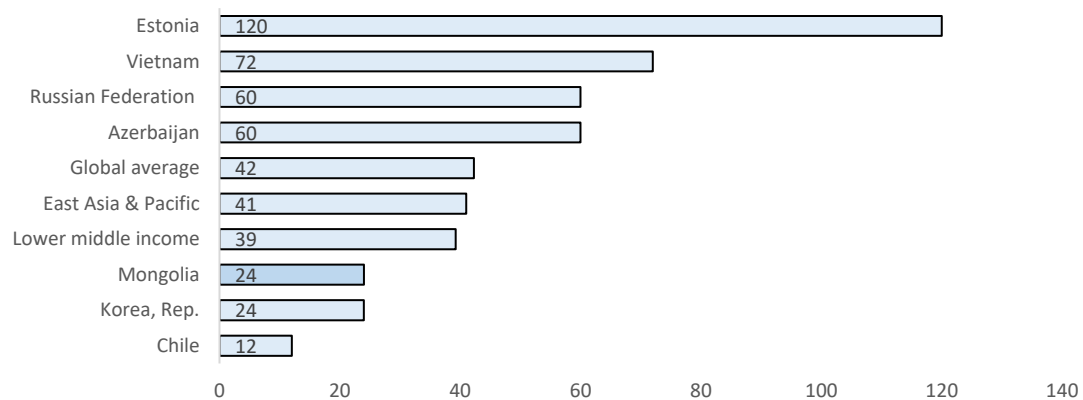
	EAP	Standard	Aspirational	High aspirational
Prohibit fixed-term contracts for permanent tasks?	Indonesia, Taiwan, Thailand, and Timor-Leste	Armenia, Thailand	Russian Federation	Estonia

Source: World Bank (2020a).

The maximum cumulative duration of fixed-term contracts is also an important requirement for employers seeking to adjust their staff as their operational needs change. The new law recommends two years as the maximum length of fixed-term contracts. According to Article 50.4. of the new law, "a contract concluded for a fixed term shall be considered as an employment agreement without term limits if the sum of the originally concluded and extended-term is more than two years." Under the old law, there was no provision regarding the length of fixed-term contracts.

Figure 1 compares the maximum length of fixed-term contracts in Mongolia’s comparator countries. Mongolia has a shorter maximum contract length than most of the comparator countries, meaning that employers have less flexibility to manage their human resources. In contrast, Armenia, Australia, Canada, Colombia, Kazakhstan, Malaysia, and Thailand have no limits on the maximum length of their fixed-term contracts, including renewals. Globally, 103 out of 191 countries have no limits on the duration of contracts, and 24 countries have set a maximum length of fixed-term contracts at 60 months or longer. High-income countries are more generous in terms of the maximum length of fixed-term contracts for permanent tasks and allow fixed-term contracts with no time limits.

Figure 1: Maximum length of fixed-term contracts (months)



Source: World Bank (2020a) and Mongolian Labor Law.

Note: The figure excludes Armenia, Australia, Canada, Colombia, Kazakhstan, Malaysia, and Thailand who have no limits on the length of their fixed-term contracts. Globally, 103 out of 191 countries have no limits on the duration of contracts.

In summary, Mongolia has added some restrictions on the use of fixed-term contracts. The new law adopted some of the recommendations of ILO Convention No. 158 (Termination of Employment Convention), which states that governments should provide adequate safeguards for workers in fixed-term employment contracts to protect workers against unjustified dismissal. The new provision is also in line with the ILO's Termination of Employment Recommendation, 1982 (No. 166), which specifies that the duration of contracts should be of indeterminate duration when their cumulative duration exceeds a specified duration.

These new provisions were more rigid than other countries. Most countries allow employers to use fixed-term contracts for permanent tasks and allow a longer maximum contract length than the two years set in Mongolia. Some allow between five and ten years, and many countries have no limits at all. The Government of Mongolia should monitor the potential impacts of this change introduced in the new law on employers and workers, as such restrictions could affect the flexibility of labor markets.

4. Non-Standard Employment

The new law has introduced provisions concerning non-standard types of employment or work arrangements. These provisions were not included in the old law. Non-standard types of employment refers to as diverse employment arrangements that deviate from standard employment including part-time work, home-based or remote work.

Part-time work

Part-time workers are employed for fewer hours than full-time workers. Many countries specify the working hours that define part-time versus full-time work. Part-time work is usually considered as working fewer than 30 to 35 hours per week (ILO, 2016a).

In the case of Mongolia, the new law defines a part-time employee as one who works less than a full-time employee (Article 66.1). Article 86 states that “an employee working part-time shall not work more than 32

hours per week.” It also suggests that “a part-time employee shall have the same rights and responsibilities as a full-time employee, except as otherwise provided in this law, and the labor legislation, collective agreement, collective bargaining agreement, and internal labor norms shall apply.” Part-time employees are provided with basic and additional annual leave based on their total hours worked during the given year (Article 99.7 of the new Labor Law).

The new law further states that “the total number of working hours per day, week, or month, and the start and end time of work shall be specially agreed in the employment contract to be concluded with a part-time employee (Article 66.2).” When employers hire employees to work less than full time, they sometimes provide them with no contract at all in which case the employee is unable to exercise his or her rights under the Labor Law. Therefore, this regulation plays a vital role in protecting part-time workers.

Home-based or remote work

Telework or remote work is defined by the ILO as work performed using information communication technology outside the employer’s premises (ILO, 2020). Telework can potentially increase productivity and competitiveness, while achieving the necessary balance between business flexibility and workers’ protection. The physical distancing required by the COVID-19 pandemic led to substantial increases in telework arrangements around the world.

Box 1: The ILO’s Home Work Convention of 1996 (No. 177)

Home work is defined in this Convention as work carried out by a person (homeworker) for remuneration in his or her home or in other premises of his or her choice other than the workplace of the employer that results in a product or service requested by the employer, irrespective of who provides the equipment, materials, or other inputs used (Article 1).

This Convention does not apply to independent workers or to subordinated workers who only occasionally perform their work at home rather than at their usual workplaces (Article 1).

According to Articles 3 and 4, each member state that ratifies this Convention is required to adopt, implement, and periodically review a national policy on home work aimed at promoting the equality of treatment between home workers and other workers, in particular with regard to:

- The right to establish or join organizations of their own choosing and to participate in the activities of such organizations
- Protection against discrimination in employment and occupation
- Protection in the field of occupational safety and health
- Remuneration
- Statutory social security protection
- Access to training
- Minimum age for admission to employment or work
- Maternity protection.

Moreover, the Convention also foresees that national laws and regulations on occupational safety and health will apply to home work, taking account of its special characteristics, and will establish conditions under which

certain types of work and the use of certain substances may be prohibited in home work for safety and health reasons (Article 7).

In addition, the Convention also foresees that compliance with the laws and regulations applicable to home work should be ensured by a system of labor inspection, and adequate remedies, including penalties, must be provided for and effectively applied in cases of the violation of these laws and regulations (Article 9).

Source: ILO (2020).

In Mongolia, the new law allows employees to enter into an employment contract specifically for working from home. Employees can work from their home or in a chosen location using their equipment or raw materials under the management and supervision of the employer (Article 67 of the new law). An employee working from home shall have the same rights and responsibilities as a full-time employee working at the employer's workplace (Article 67.4).

For remote work, Article 68 of the new law suggests that an employer may allow employees to perform their duties remotely either permanently or in part through an electronic network and may enter into an employment contract with them to work remotely. A teleworker also must have the same rights and responsibilities as other employees performing similar duties, except as otherwise provided in the law, and all of the labor legislation, collective agreement, collective bargaining agreement, and internal labor norms must apply to them (Article 68.3).

Employment agreements for domestic workers, assistant herders, and similar employees

The new Labor Law (Article 4.1.1) states that “employer” means a domestic or foreign business entity or organization that employs a person on the basis of an employment relationship.” The old law did not specify whether an individual person was an employer. Because of this provision, domestic workers, assistant herders,²⁰ and similar employees are able to enter into employment agreements with an individual employer (Article 71) and resolve issues in accordance with the Labor Law. If an assistant herder or a domestic service worker or similar employee lives in and works at the employer's home or property and premises, the employer is obliged to provide normal living conditions for those employees (Article 71.3), as well as working conditions free from any discrimination, harassment, violence, or sexual harassment (Article 71.4).

In summary, in passing the new Labor Law, Mongolia has enhanced its protections for workers in non-standard employment. The new law introduced provisions concerning non-standard employment types or work arrangements that were not included in the old law. The new law lays out clear terms and regulations related to part-time, remote work, and to the employment of domestic workers, assistant herders, and similar employees while ensuring their rights and compensation. This is especially important given that the COVID-19 pandemic increased the extent of non-standard work or telework arrangements around the world. The classification of workers’ employment relationship and conditions determines their access to the labor rights

²⁰ “Assistant herder” means a person living next to the main herder and working under his or her supervision herding livestock and doing other work related to animal husbandry while receiving a salary. Regulations related to workers who herd other people's livestock for a fee are part of the Civil Code (Article 71.2 of the new Labor Law).

and social security systems associated with “standard employment,” and this classification remains an essential gateway to employment and social protection in most legal systems.

Given that the law has expanded legal coverage to workers in non-standard employment, actions should be taken to fully protect their labor rights and working conditions. Workers in non-standard employment often face employment insecurities (ILO, 2016a). These workers tend to earn less than standard workers, have limited control over their working hours, and face significant occupational safety and health risks. Mongolia should strengthen, and where necessary adapt, their social protection systems to ensure that all workers benefit from social protection coverage. This may include eliminating or lowering thresholds on the duration of employment or making systems more flexible with regard to the contributions required to qualify for benefits, allowing for interruptions in contributions, and enhancing the portability of benefits between different social security systems and kinds of employment status.

5. Probationary Period

The probationary period is a minimum employment period during which an employee is not fully covered by employment protection legislation. Probationary periods allow employers to assess the performance and job skills of their newly hired employees (Kuddo, 2018). In situations where the performance of the employee does not meet the employers’ requirements, the employer can terminate the contract during the probationary period. Probationary periods serve as a risk mitigation mechanism as they give employers the flexibility to hire and terminate workers at a low cost (Marinescu, 2009). Employees, on the other hand, can use the probationary period as a means to secure a permanent position, making the transition of young workers into the labor market easier while providing them with an opportunity to acquire organizational and professional knowledge and skills.

Mongolia’s probationary periods are of a similar length as those in its comparator countries. According to Article 64 of the new law, employers are allowed to use probationary employment contracts to verify that new employees meet the requirements for the job. Article 64.2 stipulates that the term of a probationary employment contract should not exceed three months and may be extended once by mutual agreement for a period not exceeding three months. However, a probationary agreement should not be made in the case of seasonal work that is performed only once, in place of an employee whose job is retained, or for a temporary job (Article 64.4). The new law also specifies the salary to be paid to workers during probationary periods. According to Article 64.3, the basic salary of a probationary employee must be set not less than the basic salary of the job, and the employee should be paid an additional salary amount as well as bonuses, and allowances in accordance with the Labor Law.

The old law (Article 23) also allowed employers to set up probationary periods up to three months, but the new law provides more details on salaries and on special cases and allows for the extension of the probationary period, as summarized in Table 5.

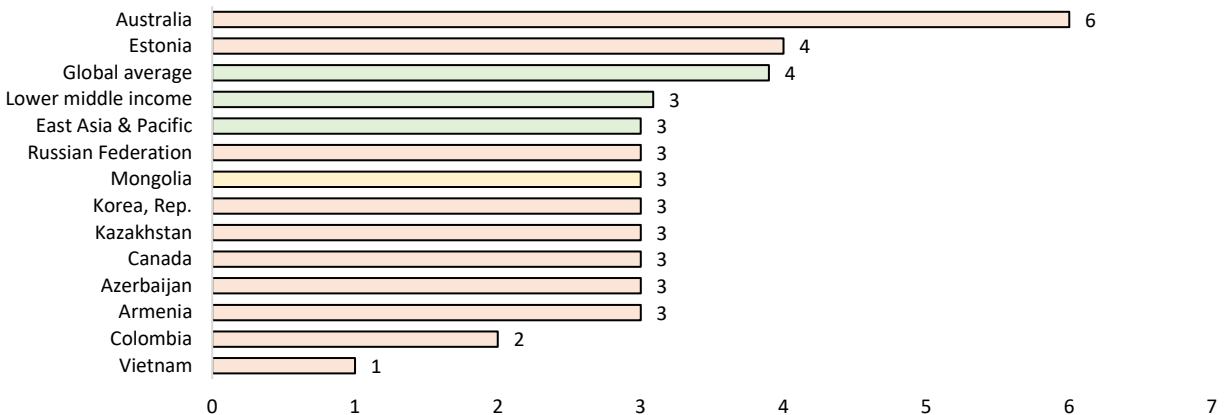
Table 5: Change in the Rule for Probationary Periods

	New law	Old law
The maximum probationary period allowed by law (in months)	3 months	3 months
The basic salary of a probationary employee	No less than the basic salary of the same position	No provision
Extension of a probationary period	Can be extended once by mutual agreement for a period not exceeding three months.	No provision
Probationary period for temporary workers	In the case of seasonal work to be performed once, in place of an employee whose job is retained, or in a temporary job, a probationary agreement shall not be concluded with the employee	No provision

Source: World Bank (2020a) and Mongolian Labor Law.

By international comparison, all the comparator countries except for Chile, Thailand, and Malaysia set a maximum probationary period. Mongolia’s probationary period of three months is similar to the global average period of 3.8 months. Vietnam has the shortest period at one month, while Australia has set six months as the maximum probationary period. Twelve EAP countries do not stipulate a maximum length for probationary periods, and the average length used in practice is three months. The international average also ranges between three and six months.

Figure 2: Maximum Length of Probationary Period (months)



Source: World Bank (2020a) and Mongolian Labor Law.

Note: The figure excludes Chile, Malaysia, and Thailand who do not have a maximum probationary period.

In summary, the length of Mongolia’s maximum probationary period is in line with international practices. During a worker’s probationary period, employment provisions such as protection against unfair dismissal or severance pay rules do not apply. Therefore, it is important to set a maximum number of probationary periods to prevent employers from misusing them (Kuddo et al., 2015). The new law in Mongolia has set the maximum number of renewals of probationary periods. In addition, the new law has defined the salaries of probationary

employees, which the old law did not do. Some countries also have exemptions for specific groups (for example, persons with disabilities and pregnant women) to mitigate the abuse of the probationary period. In the case of Mongolia, the probationary contract is prohibited for seasonal work and temporary jobs. Overall, with the new Labor Law, Mongolia has increased the protection of workers' rights and improved their employment conditions during probationary periods.

6. Working Hours

The regulation of working times and rest can have an important influence on both employers and workers. Working hours and the organization of work can directly affect workers' mental and physical health, their safety at work and earnings, and their productivity (ILO, 2018). These regulations can also play an important role in determining the profitability and productivity of employers. While labor regulations should ensure appropriate working hours, rest days, and overtime work arrangements, they should also give firms enough flexibility to organize and adjust their employees' working hours to enhance their productivity and business competitiveness.

On the other hand, irregular work schedules can have a negative impact on workers' safety, health, and productivity. Employers can sometimes abuse flexible work or overtime and put unreasonable demands on workers in times of high workloads. The ILO Hours of Work Conventions of 1919 (No. 1) and 1930 (No. 30) set the standard at 48 regular hours of work per week, with a maximum of eight hours per day. In 1935, the ILO's Forty-Hour Week Convention (No. 47) established the principle of the 40-hour work week (see Box 2 below). While international standards do not specify any limits on overtime, the ILO's Committee of Experts on the Application of Conventions and Recommendations suggests that such limits need to be reasonable to ensure workers' health and workplace safety (ILO, 2007). The ILO's Night Work Convention No. 171 of 1990 states that the level of compensation for night work should recognize the nature of the work being done and suggests that measures should be taken to ensure that an alternative to night work is available to women during pregnancy and after childbirth.

Mongolia has not ratified the Hours of Work (Industry) Convention, 1919 (No. 1), Hours of Work (Commerce and Offices) Convention, 1930 (No. 30) or Night Work Convention, 1990 (No. 171) on hours of work. Nor has it ratified the ILO's Weekly Rest (Industry) Convention of 1921 (No. 14) or the Weekly Rest (Commerce and Offices) Convention of 1957 (No. 106).

Box 2: International Labor Standards for Work Time

The Hours of Work (Industry) Convention of 1919 (No. 1)

The Convention recommends that normal number of hours of work per day should be eight (48 per week). A number of exceptions may be made under strict conditions, for instance, in the case of an accident or *force majeure* or for processes which can only be carried on continuously by successive shifts of workers. Employers may also require workers to work overtime in exceptional cases of heavy pressure of work. Regulations providing for such temporary exceptions must be adopted only after consultation with the organizations representing the employers and workers concerned. They must set a maximum number of additional hours allowed in each instance, and the rate of pay for overtime must not be less than 1.25 times the regular rate.

The Hours of Work (Commerce and Offices) Convention of 1930 (No. 30)

The Convention contains similar provisions to those of Convention No. 1. The provisions apply to "commercial or trading establishments," "establishments and administrative services in which the persons employed are mainly

engaged in office work,” and “mixed commercial and industrial establishments unless they are deemed to be industrial establishments.”

The Forty-Hour Week Convention of 1935 (No. 47)

The Convention calls on its member states to make continuous efforts to reduce working hours, both as a response to widespread unemployment and to enable workers to share in the benefits of technical progress. In ratifying the Convention, ILO member states declares their approval of the principle of a 40-hour week applied in such a manner that the worker’s standard of living is not reduced in consequence, and commit themselves to taking or facilitating appropriate measures to secure this end.

The Reduction of Hours of Work Recommendation of 1962 (No. 116)

The ILO’s recommendation promotes the progressive reduction of the normal number of hours of work and establishes the 40-hour week as the social standard, to be reached by stages if necessary. It specifies that the measures to be adopted to reach this objective should be implemented in a manner suited to the particular national circumstances and the conditions in each sector of economic activity. Furthermore, in places where the duration of the normal working week exceeds 48 hours, governments should take immediate steps to bring it down to this level.

Source: ILO (2016a), p.333.

In Mongolia, the number of legal working hours follows international practices. There have been no changes in the new Labor Law regarding the number of regular working hours per week. Articles 84.1 and 84.2 of the new law suggest that working hours should not exceed 40 hours per week. The standard number of working hours per day is eight hours and the maximum number of working days per week is five. For part-time workers, the number of working hours should be no more than 32 hours per week (according to Article 86 of the new law). Globally, 90 percent of countries allow between five and a half and six working days per week. Table 6 shows the number of legal working hours in comparator countries. The majority of Mongolia’s comparator economies set the standard number of working hours per day at eight hours.

Table 6: Weekly Working Days Set by Law

Group	Countries	Standard workday (number of hours)	Maximum number of working days per week
Standard	Armenia	8	6
	Azerbaijan	8	6
	Colombia	8	6
	Thailand	8	6
	Vietnam	8	6
Aspirational	Chile	9	6
	Kazakhstan	8	6
	Malaysia	8	6
	Russian Federation Moscow	8	6
High aspirational	Australia	7.6	6
	Canada	8	6
	Estonia	8	5
	Korea, Rep.	8	6
Mongolia	Mongolia	8	5
Other	EAP average	8.0	6.0
	Global average	8.0	5.9
	Lower middle-income average	8.1	5.9

Source: World Bank (2020a) and Mongolian Labor Law.

Overtime work

In terms of overtime work arrangements, the new law introduced a limit on maximum working hours (Table 7). According to Article 84 of the new law, the maximum number of working hours per week should not exceed 56 hours, and the maximum number of overtime hours per day is set at four hours. The new law also recommends that employers notify employees of a shift work schedule at least 48 hours prior to the first shift (Article 87 of the new law). The length of normal working hours within one shift should not exceed eight hours, and the employer may extend the shift working hours by up to but not more than four hours. Employers are also prohibited from making an employee work for two consecutive shifts. Moreover, employers are prohibited under Article 91 of the new law from asking their employees to work overtime except in certain special cases such as when the employee is required to perform unforeseen and urgent work (see Box 3).²¹

The old law also contained restrictions on overtime work arrangements but set no legal maximum number of working hours. Article 74 of the old law stated that overtime work was prohibited except in the same cases as specified in the new law. Employees were also not allowed to work two consecutive shifts.

²¹ Article 91.3 of the new law states that overtime work specified in the employment contract for part-time work shall be considered to be overtime work at the initiative of the employer. Article 91.4 prohibits employers from requiring pregnant woman or an employee with a child under three years of age to work overtime without their consent. Article 91.5 prohibits employers from requiring a minor employee (under the age of 18) to work overtime.

Box 3: Article 91 of the New Labor Law

Article 91 of the new law specifies that an employee may work overtime in the following situations:

- They are performing work necessary for the defense and protection of the country, or to preserve human life or health.
- They are performing work to prevent natural disasters, public disturbances, or industrial accidents or to take remedial action with respect to the consequences of such occurrences.
- They are performing work to prevent disruption of water, electricity, heating supply, transportation or communication facilities.
- Urgent and unforeseen circumstances require that the work be completed without delay in order to prevent the disruption of the normal functions of a business entity or organization, or its branches or units.

Table 7: Change in the Rule for Non-regular Working Time

	New law	Old law
How many hours are there in a standard workday (excluding overtime)?	8	8
The normal number of working hours per week	40	40
The maximum number of working hours per week	56	No provision
The maximum overtime number of working hours per day	4	No provision
The maximum number of working hours for part-time workers	32 hours	No provision
The number of working hours for a person under the age of 18	No more than 30 hours	14 to 15 years-old: no more than 30 hours 16 to 17 years-old: no more than 36 hours.
Any restrictions on overtime work? (Yes/No)	Yes	Yes
Premium on overtime work	1.5 times the average salary	1.5 times the average salary
Any restrictions on night work? (Yes/No)	No	No
Premium on night work	No less than 1.2 times the average salary	In accordance with the provisions of the applicable collective and contract of employment
Any restrictions on work during day of weekly rest in the food retail industry? (Yes/No)	Yes	Yes
Premium on work during day of weekly rest	1.5 times the average salary	1.5 times the average salary
Premium on work on public holidays	2 times the average salary	2 times the average salary

Source: World Bank (2020a) and Mongolian Labor Law.

Night work

On the other hand, the new law puts no restrictions on working night shifts except in the case of women and young workers. Night work is defined as work taking place between 10 pm and 6 am (Article 88.1 of the new

law). The law specifies that employees younger than 18 should not work more than 30 hours a week and should not perform any overtime work or night shifts (Article 88 of the new law). Nor should pregnant women be expected to work overtime or night shifts without their consent (Article 88.5 of the new law). Article 88.3 of the new Labor Law also suggests that an employee who works regularly at night should be given a preventive health examination at the employer's expense within the period specified in the labor safety and hygiene legislation.

While similar provisions were in the old Labor Law, the new Labor Law added more protection for young workers. For example, the old Labor Law stated that an employee aged 14 or 15 years old should not work more than 30 hours a week, and an employee aged 16 or 17 years old should not work more than 36 hours (Article 71.1 of the old law). In contrast, the new law requires that no worker under 18 years old should work more than 30 hours a week. The new law also simplified some restrictions on women's working hours. In the old law, pregnant women, those with a child under 8 years old, or a single parent with a child under 16 years old should not work overtime or work at night without their consent (Article 102.1 of the old law). In contrast, the new law states that a pregnant woman or any employee with a child under 3 years of age should not work overtime or work at night without their consent.

These restrictions are also common among Mongolia's comparator countries. In Azerbaijan, according to the country's Labor Code (Section 98), pregnant women, women with children under the age of 3, and individuals under the age of 18 should not work at night. In Thailand,²² it is forbidden for employers to require pregnant women to work at night. In Estonia, pregnant women and minors should not be required to work at night.²³ In the Russian Federation, it is not permitted for employers to require pregnant women and employees under the age of 18 to work at night.²⁴

Work on weekly rest days

The international norm for weekly rest is a minimum break of one day within each seven-day period (ILO, 2016a). The ILO's Weekly Rest Convention of 1921 (No. 14) suggests that a weekly rest period should consist of 24 consecutive hours. One day of weekly rest is the minimum standard in the EU and in national legislation in many countries (ILO, 2016a).

Box 4: Weekly Rest Convention

Under **the Weekly Rest (Industry) Convention of 1921 (No. 14)**, all staff employed in any industrial undertaking, public or private, must benefit from a weekly rest consisting of at least 24 consecutive hours. This rest must, wherever possible, be granted simultaneously to the whole staff of each undertaking and coincide with the days already established by the traditions or customs of the country or district. Total or partial exceptions may be authorized with special regard being given to all proper humanitarian and economic considerations and after consultation with employers' and workers' organizations.

The Weekly Rest (Commerce and Offices) Convention of 1957 (No. 106) has a similar scope of application as Convention No. 30. It establishes the same basic requirements as Convention No. 14 as regards the right to a weekly rest of at least 24 consecutive hours. Special weekly rest schemes may be introduced where the nature of

²² Labor protection Act (B.E.2541), section 39.

²³ Working and Rest Time Act §11.

²⁴ Labor code, Article 96.

the work, the nature of the service performed by the establishment, the size of the population to be served, or the number of people employed is such that the normal rules cannot be applied. In addition, temporary exemptions may be granted in a number of cases, including *force majeure*, to prevent the loss of perishable goods or in the event of abnormal pressure of work due to special circumstances, in so far as the employer cannot ordinarily be expected to resort to other measures.

Source: ILO (2016a), p. 333.

Mongolia has some restrictions on working on public holidays and weekends. The new law specifies that every Saturday and Sunday should be a public holiday (Article 96.1). Article 98 of the new law makes it illegal for employers to require their employees to work on public holidays and weekends except in those cases that allow for overtime work.²⁵ An employee who is a pregnant woman, has a child under the age of 3, or a child with a disability under the age of 16 who requires permanent care should not be required to work on public holidays or on weekly days off except with their consent (Article 98.2). If it is not possible for certain employees to take a day off on Saturday or Sunday due to the specific details of their work or production, the employer needs to provide them with two alternative continuous days off in accordance with their employment contract and internal labor regulations (Article 96, 2 of the new law). These same provisions were also in the old law (Article 78).

By international comparison, 21 percent of countries restrict work on night shifts, and 22 percent of countries restrict work on designated weekly rest days. Among comparator countries, only Azerbaijan and Estonia have some restrictions on night shifts and Russian Federation has restrictions on weekly rest days (Table 8). For example, in the Russian Federation, working on holidays is banned except with the employee's consent.²⁶

Table 8: Restrictions on Non-regular Working Hours

Non-regular working hours	Comparator countries	Number of countries with restrictions (out of 191 countries)
Overtime	Azerbaijan, Canada, Mongolia	26 countries
Night shifts	Azerbaijan, Estonia	39 countries
Weekly holiday work	Russian Federation, Mongolia	41 countries

Source: World Bank (2020a).

Notes: Overtime work refers to 8 additional hours during the work week performed up to 8 pm (not night work) up to a maximum weekly total of 48 hours, including overtime. Work on a weekly rest day refers to work performed during the employee's weekly day of rest, such as the weekend. Night work refers to work performed between 6 pm and midnight.

On-call work

In some instances, working arrangements may involve very short hours or no predictable fixed hours. This is known as "on-call work." Its main characteristic is that the number and scheduling of working hours are very variable. In Mongolia, the new law has added legal rules governing on-call work. When employees are on call outside of their regular working hours, the time that the employee spends being on call counts as working time and must be compensated for accordingly (Article 89.1 of the new law). When the employee is called to work

²⁵ Article 91 of the new Labor Law.

²⁶ Labor code, Article 112.

but has to wait at the location specified by the employer, the employer has to pay the employee at least 50 percent of their basic salary for the given period and, in other cases, at least 30 percent. The employer must also notify the employee of the date and time of the call at least 24 hours in advance and must not require the employee to be on call more than eight times a month (Article 89.3).

Roster shifts

The new law introduced a new term, “roster work.” Employers in the mining and quarrying sector that require employees to work in remote locations far from their permanent residence may use “roster work.” The law stipulates that employees doing this kind of work must be given 14 days of work and 14 days of rest per rotation (Article 92.4). According to Article 92.3 of the new Labor Law, the length of the working day for employees doing roster work must not exceed 12 hours. Furthermore, the travel time of an employee on roster shifts must be counted as working hours (Article 92.6). The working and vacation hours and additional compensation for roster work must be determined by collective agreements and collective bargaining agreements (Article 92.8).

Additional payment for non-regular working hours

Mongolia has provisions regarding extra pay for working overtime, working on a weekend, and working at night. According to Article 109 of the new law, if employees work overtime on a weekend, or at night, their payment must be increased by one and a half times (or more) of their average hourly salary for the respective period. When employees have to work on a public holiday, their average salary should be doubled or more. If they have to work overtime or during weekends and public holidays at night, they must be given night pay on top of their additional pay. This provision on additional payment also applies to part-time employees. Under the old law, the additional payment for night work was determined by applicable collective and contract of employment. The new law introduced the requirement that the compensation for night work should be 1.2 times the worker’s average salary. According to Article 109.3 of the new Labor Law, if an employee who worked at night is not given a rest day, the employee should receive compensation equal to an increased average salary by 1.2 percent or more.

The Average Salary Regulation defines the formula for calculating a worker’s average salary and a reference period for calculating additional pay including overtime pay, nightshift pay, and some statutory allowances. On March 17, 2022, the Minister of Labor and Social Protection amended the Regulation, which went into effect on April 1, 2022. Additional pay under the new Labor Law (Article 101) should be calculated on the basis of the employee’s average three-month salary, which consists of their base salary, extra pay, additional pay, annual vacation pay, and bonuses. The Average Salary Regulation provides an option that employers may exclude additional pay and one-off bonuses from the salary component used to calculate the average salary of employees. In this case, the salary component used for the average salary calculation may consist of the worker’s base salary, extra pay, and annual vacation pay. By agreement between the employer and the employee, the average wage may include additional wages and non-permanent, one-time bonuses.

Compliance

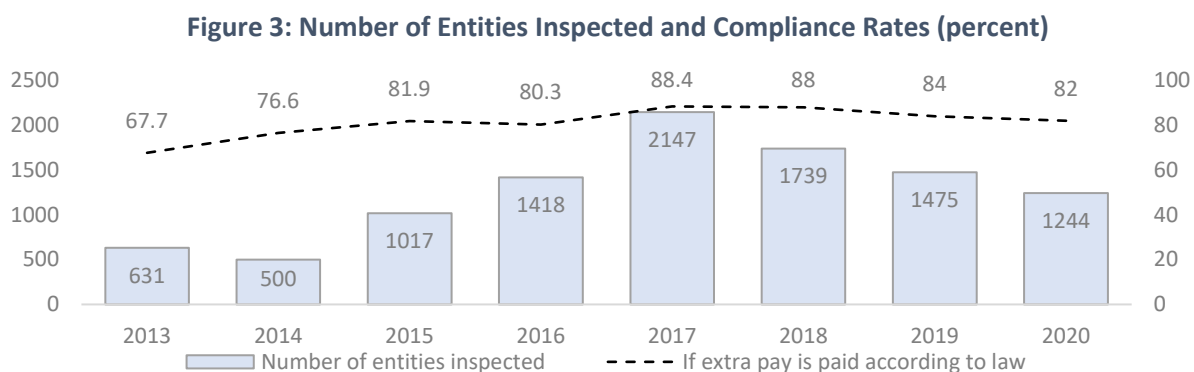
Although the new law sets a maximum limit for working hours and specifies the additional amount to be paid to those employees who work night shifts, there is limited compliance with the legal requirement by employers. Workers in Mongolia tend to work more than the legal number of working hours. According to the Labor Force Survey Report 2019, the average number of weekly working hours was 51 hours, which is 22.5 percent higher

than the 40 hours regulated by law.²⁷ Male employees in Mongolia worked 54 hours per week, and female employees worked 48 hours per week. Moreover, 22.8 percent of all employees (28.9 percent of male employees) worked more than 60 hours per week. There was some variation between workers with different employment status. For example, permanent employees worked for 47 hours per week, while dependent contractors worked for 57 hours per week.²⁸

Moreover, studies have shown that there is a large incidence of non-compliance in the provision of overtime benefits and compensation. The Research Institute of Labor and Social Protection (RILSP) conducts a wage structure survey (WSS) biannually. According to WSS 2019, 58.6 percent of employees who worked during rest days or public holidays were not paid any extra compensation. Also, 29.6 percent of employees who worked overtime were not paid any extra compensation. This overtime can be a particular burden on working women who have family and childcare responsibilities at home. This finding aligns with findings from other studies. The National Human Rights Commission of Mongolia (NHRCM) has conducted a couple of studies on labor rights in Mongolia. NHRCM (2001) examined the state of labor rights and working conditions using quantitative and qualitative methods and found a lack of extra compensation for night shifts, overtime, and work on weekends and holidays.

In Mongolia, professional inspection agencies and labor inspectors are responsible for ensuring the implementation of labor regulations including working hours and compensations (see Section 13 for more details). According to Article 10.16 of the Law on Infringement, an entity that violates the maximum limit on overtime should receive a fine of MNT 1,500,000 (approximately US\$500). Moreover, an entity that violates wage regulations should receive a fine of MNT 5,000,000 (approximately US\$1,755, Article 10.16.9.2).

Figure 3 shows the number of entities inspected and the percentage of the entities who complied with the legal requirement of extra pay for overtime between 2013 and 2020. The compliance rate increased from 68 to 88 percent between 2013 and 2017. In 2020, 82 percent of the entities followed the regulation on overtime compensation. Labor inspectors also carried out inspections on employers' compliance with the regulations on work and rest hours in 2020. Out of the 1,244 inspected entities, 1,097 entities (88.2 percent) were in compliance with the law.



Source: Data obtained during the interview with Mr. Erdenetugs at GASI.

Note: The left axis is for the number of entities inspected, and the right axis is for the compliance rate. The compliance rate is the percentage of inspected entities that comply with the law.

²⁷ This figure includes both formal and informal workers. It is important to note that workers may not always record or report the number of hours worked very accurately. Nevertheless, the statistics still show that Mongolians tend to work more than 40 hours per week.

²⁸ Note that dependent contractors are categorized as self-employed and not covered by the labor law.

In summary, the new law adds more protections for employees who work during non-regular working hours. First, the new law set maximum daily working hours in line with international standards. This is crucial for maintaining the health and well-being of workers while providing greater clarity and consistency to the remainder of the articles in the Labor Law. In addition, the new law requires that the compensation for night work should be 1.2 times the worker's average salary, while also expanding provisions concerning on-call work and roster shifts. However, in reality, Mongolian employees tend to work overtime, and there is limited compliance with and enforcement of the provision of overtime compensation. The government needs to disseminate information about regulations on working hours and improve the labor inspection quality to increase compliance.

7. Leave Policies

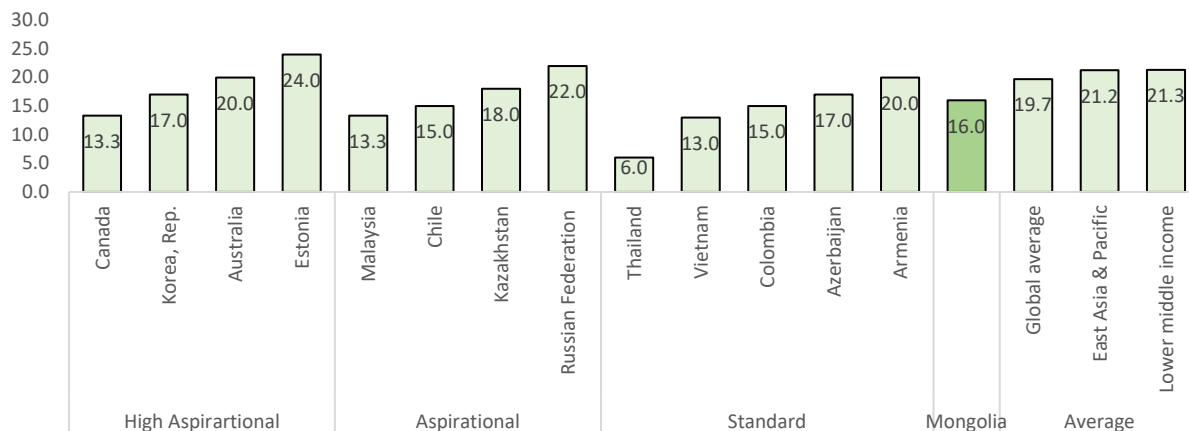
Paid leave is the period during which workers stop working for a certain period while continuing to receive income and social protection entitlements. Leave days aim to give workers an opportunity to rest or to meet their family obligations (ILO, 2004). Rest days can increase workers' motivation and health, which reduces absenteeism and increases productivity. According to ILO Convention 132 on holidays with pay, employees have the right to take at least three weeks of paid annual leave each year.

Box 5: Holidays with Pay Convention (Revised) of 1970 (No. 132)

- Every person is entitled to an annual paid holiday of a specified minimum length. The holiday shall in no case be less than three working weeks for one year of service. (Article 3)
- A person whose length of service in any year is less than that required for the full entitlement prescribed in the preceding Article shall be entitled in respect of that year to a holiday with pay proportionate to his length of service during that year. (Article 4)
- A minimum period of service may be required for entitlement to any annual holiday with pay. The length of any such qualifying period shall be determined by the competent authority or through the appropriate machinery in the country concerned but shall not exceed six months. (Article 5)
- Public and customary holidays, whether or not they fall during the annual holiday, should not be counted as part of the minimum annual holiday with pay. Periods of incapacity resulting from sickness or injury should not be counted as part of the worker's minimum annual holiday with pay. (Article 6)
- Every person taking the holiday envisaged in this Convention shall receive in respect of the full period of that holiday at least his normal or average remuneration. (Article 7)

The annual leave arrangements in Mongolia are similar to international benchmarks. While the length of a worker's paid leave depends on the length of their tenure (Table 9), the mandatory length is 15 working days (Article 99). Article 99.2. further stipulates that "If an employee has worked for six months after concluding an employment contract, he/she shall be entitled to annual leave." (This is a new provision not included in the old law.) For workers with one, five, and ten years of tenure, the average amount of paid annual leave is 16 days, which is similar to that in most comparator countries (Figure 4). The average of EAP countries is 12.7 days, which is shorter than the global average of 19.7 days. With respect to comparator countries, mandatory paid annual leave varies from 13.3 working days in Canada and Malaysia to 24 working days in Estonia.

Figure 4: Paid Annual Leave (average for workers with 1, 5 and 10 years of tenure, in working days)



Source: World Bank (2020a) and Mongolian Labor Law.

The new law also recommends that “the amount of monetary bonus to be paid to an employee who is unable to take his/her annual leave due to the necessity of work” should be 1.5 times of the employee’s average salary (Article 110.2). By contrast, the old law (Article 79.1) stated that “An employee is entitled annual leave to enjoy in person. An employee who is unable to take annual leave due to work necessities may be given a bonus in cash. The procedure for giving monetary bonuses shall be regulated under a collective agreement, or in the absence of a collective agreement, on the basis of an agreement of the employee with the decision of the employer.”

Table 9: Changes in the Rule for Annual Paid Leave

	New law	Old law
The basic period of an annual vacation	15 working days	15 working days
The mandatory additional paid annual leave	After 6-10 years of work, 3 working days. After 11-15 years of work, 5 working days. After 16-20 years of work, 7 working days. After 21-25 years of work, 9 working days. After 26-31 years of work, 11 working days. After 32 or more years of work, 14 working days.	After 6-10 years of work, 3 working days. After 11-15 years of work, 5 working days. After 16-20 years of work, 7 working days. After 21-25 years of work, 9 working days. After 26-31 years of work, 11 working days. After 32 or more years of work, 14 working days.
The length of employment eligible for annual leave	If an employee has worked for six months after concluding an employment contract, he / she shall be entitled to annual leave	No provision

Source: World Bank (2020a) and Mongolian Labor Law.

Employees can take annual leaves in parts and the new Labor Law stipulates that the duration of any of onepartial leave should be not less than 10 continuous working days (Article 99.8). By contrast, Article 79.4 of the old law did not impose any restrictions on the number of days of partial leave.

For female workers, maternity leave is crucial both to maintain their health and to take care of their children. According to the ILO’s Maternity Protection Convention No. 183 of 2000 and Maternity Protection Recommendation No. 191, women should be entitled to no less than 14 weeks (96 days) of maternity leave, with at least six weeks’ compulsory leave after delivery. Employers must not discriminate against female employees, particularly women of childbearing age, because of the direct and indirect costs of maternity leave.

Box 6: The Maternity Protection Convention, 2000 (No. 183)

Convention No. 183 applies to all employed women “including those in atypical forms of dependent work.” It contains provisions on health protection for pregnant and breastfeeding mothers, on maternity leave and cash benefits, on employment protection and non-discrimination, and on breastfeeding breaks. Article 4 states that, “On production of a medical certificate or other appropriate certification, as determined by national law and practice, stating the presumed date of childbirth, a woman to whom this Convention applies shall be entitled to a period of maternity leave of not less than 14 weeks.”

Mongolia has established paid leave for mothers that meets international standards. According to Article 137.1. of the new Labor Law, women are entitled to 120 days of maternity leave (equivalent to about 17 weeks). In addition, mothers who have given birth to twins can receive 140 days of maternity leave (equivalent to 20 weeks) (Article 137.2). All female workers who have paid benefit insurance contributions for no less than 12 months, of which six continuous months, before their maternity leave starts are eligible for maternity benefits (Article 19 (1), Law on pensions and benefits, 1994).

Globally, 118 out of 190 economies legally allow mothers to have at least 14 weeks (or 98 days) of paid leave (maternity leave, parental leave, or a combination of both) for childbirth.²⁹ In the EAP region, only 10 out of 25 countries provide more than 14 weeks of paid leave (Figure 5). Among comparator countries, only Malaysia and Thailand do not have at least 14 weeks of paid leave for mothers.

Table 10: Changes in the Rules Governing Maternity and Paternity Leave

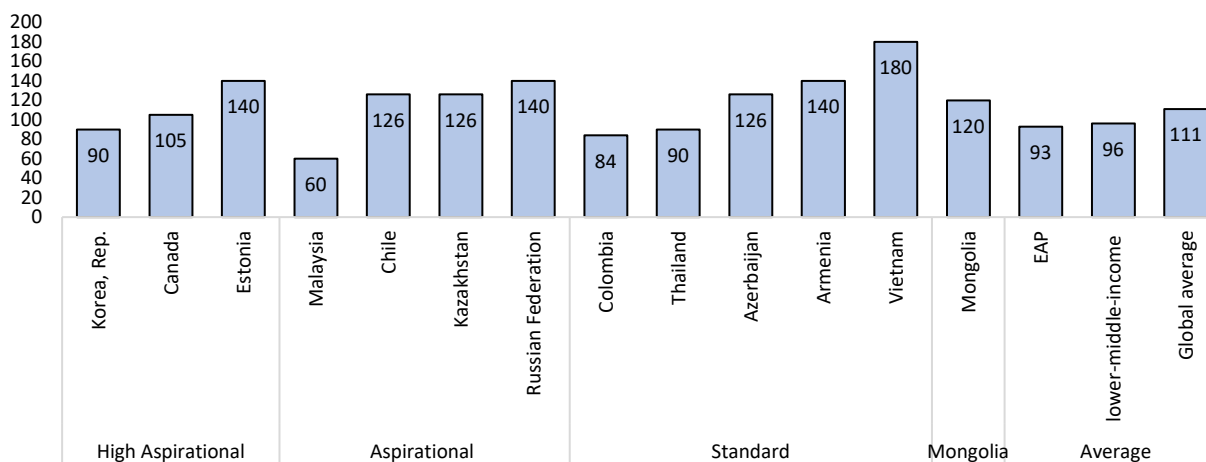
	New law	Old law
Availability of paid maternity leave of at least 14 weeks (98 days)	Yes	Yes
Length of paid maternity leave	120 days	120 days
Whether the government administers 100% of maternity leave benefits	Yes	Yes
Availability of paid paternity leave	Yes	No
Length of paid paternity leave	10 days	NA
Availability of paid parental leave	Yes	Yes

Source: World Bank (2022) and Mongolian Labor Law.

²⁹ For the questions on maternity, paternity, and parental leave, the questionnaire’s case assumption is that the woman gave birth to her first child without complications on October 1, 2021 and that her child is in good health.

The length of maternity leave in Mongolia is similar to the global average as well as those for EAP and for low-middle-income countries. Among comparator countries, Vietnam provides the longest maternity leave (180 days), while Malaysia grants only 60 days, which is less than the ILO recommendation (of 14 weeks or 96 days).

Figure 5: Length of Maternity Leave by Country, number of days



Source: World Bank (2022).

Note: Excludes countries without paid maternity leave and Australia which has paid parental leave (126 days).

Mongolia has made positive progress in terms of providing paternity leave. While there were no provisions for paternity leave in the old Labor Law, the new law has introduced paid leave for fathers. According to Article 137.5, employers should provide a father with at least 10 working days off to take care of his newborn child and should pay him an amount equal to his average salary during that period. Among comparator countries, Australia, Canada, Estonia, Korea, Rep. (high aspirational), Chile (aspirational), Armenia, Colombia, and Vietnam (standard) all provide paternity leave, the length of which varies from 7 days in Chile to 14 days in Korea, Rep. Globally, 60 percent of countries provide paternity leave and 48 percent of EAP countries do. The average length of paternity leave is 12.5 days globally, while EAP's average is 8.3 days.³⁰ Therefore, the length of Mongolia's paternity leave is in line with international practices.

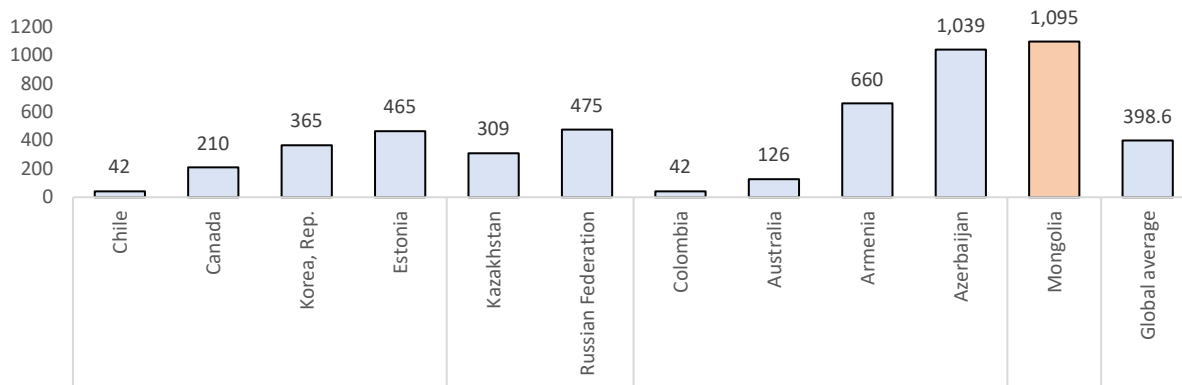
In some countries that provide parental leave, mothers and fathers can share paid leave. In Mongolia, Article 139 of the new Labor Law specifies, "If a mother or father with a child under 3 years of age submits a request, the employer shall grant her or him parental leave, and the issue of providing benefits during this period shall be regulated by applicable legislation, collective contracts, collective agreements, employment contracts and internal labour regulations." Article 139.2 also states that, "Employer shall have a duty to reinstate the employee back to his or her previous job at the end of child-care leave or before that if the employee so requests, and, if the employee's work position was eliminated or the number of workers reduced, the employee shall be given a job of a similar nature.." During childcare leave, their jobs are retained. Article 135

³⁰ Excluding those countries that combine paternity leave with parental leave.

prohibits employers from terminating the employment relationship of a pregnant women or of a mother (or single father) with a child under 3 years of age at the initiative of the employer.

The same provisions existed in the old Labor Law. According to 106.1, “At the request of an employee who is a mother with a child under 3 years of age, an employer shall grant her childcare leave.” Article 106.2 suggested that, “On the expiration of the period of childcare leave, or prior to such expiration if requested by the employee, the employer shall allow the mother to resume her previous work or position and, if her work or position has been eliminated or the staff has been reduced, the employer shall assign her to another job or position.” Mongolia provides more leave days for childcare than its comparator countries. Malaysia, Thailand, and Vietnam do not offer any parental leave, while Azerbaijan offers 1,039 days of parental leave.³¹

Figure 6: Length of Parental Leave by Country, number of days



Source: World Bank (2022).

Note: The global average excludes countries with no shared days of parental leave. For Korea, Rep., parents are entitled to paid parental leave as an individual entitlement that each can take regardless of the other.

Mongolia’s long childcare leave can result in women finding it difficult to return to their previous jobs or in their skills and knowledge becoming outdated during their long leave. Moreover, it may increase costs to employers of hiring and firing women, thus making them more reluctant to promote women into highly paid jobs.

Table 11: Maternity and Paternity Leave Policies

	EAP	Standard	Aspirational	High aspirational
Maternity leave is less than 14 weeks*	Brunei Darussalam, Cambodia, Indonesia, Kiribati, Malaysia, Marshall Islands, Micronesia, Fed. Sts., Palau Papua New Guinea, Samoa, Solomon Islands, Thailand, Timor-Leste, Tonga, Vanuatu	Thailand	Malaysia	-

³¹ Labor Code, Article 127.

	EAP	Standard	Aspirational	High aspirational
The government administers 100 percent of maternity leave benefits**	China, Lao PDR, Mongolia , Myanmar, Timor-Leste Vietnam	Armenia, Azerbaijan, Colombia, Vietnam	Chile, Kazakhstan, Russian Federation	Australia, Canada, Estonia
Paternity leave available	China, Fiji, Hong Kong SAR, Indonesia, Lao PDR, Myanmar, Philippines, Samoa, Singapore, Taiwan, Timor-Leste, Vietnam	Vietnam, Colombia, Armenia	Chile	Australia, Canada, Estonia, Korea, Rep.
Parental leave available***	Singapore, Taiwan	Azerbaijan, Armenia, Colombia	Chile, Russian Federation, Kazakhstan	Australia, Canada, Estonia, Korea, Rep.

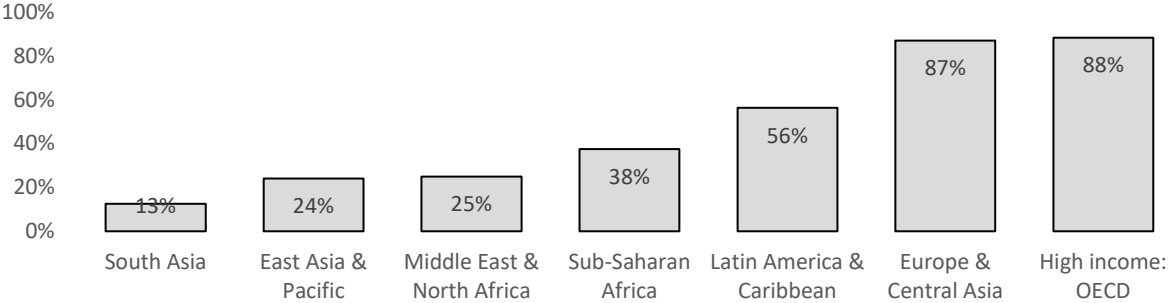
Source: World Bank (2022) and Mongolian Labor Law.

Notes: * If mothers are legally entitled to at least 14 weeks (98 calendar days) of paid leave for the birth of a child through maternity leave, parental leave, or a combination of both. ** The World Bank's Women, Business, and Law assigns a score of 1 if leave benefits are fully administered by a government entity, including compulsory social insurance schemes (such as social security), public funds, government-mandated private insurance, or employer reimbursement of any maternity leave benefits paid directly to an employee. A score of 0 is assigned if any of the cost is shared by the employer. A score of 0 is also assigned if contributions or taxes are mandated only for female employees, if the social insurance scheme that provides maternity leave benefits is optional, or if no paid leave is available to expectant and new mothers (World Bank, 2021). *** The question in the Women, Business, and Law survey asks whether there is paid parental leave. A score of 1 is assigned if parents are legally entitled to some form of full-time paid parental leave, either shared between mother and father or as an individual entitlement that each can take regardless of the other. A score of 0 is assigned if the law does not mandate any form of paid parental leave.

In Mongolia, maternity leave is covered by the social insurance fund. According to Article 19.2 of the Law on Pensions and Benefits Payable from the Social Insurance Fund, four months of maternity benefit will be paid to mothers in contracted employment or working for the civil service. The benefit level will be equal to 70 percent of their last twelve-month insurable wages or earnings. For mothers insured by voluntary benefits insurance, three months of maternity benefit will be paid at the rate of 70 percent of their last twelve-month insurable wages or earnings.

Among comparator countries, employers bear the cost of maternity leave only in Malaysia, Korea, Rep., and Vietnam. This can lead employers to discriminate against female employees, particularly women of child-bearing age, because they do not wish to incur the direct and indirect costs of maternity leave (Kuddo, 2018). In contrast, maternity leave benefits are covered by the government in nearly 90 percent of countries in the OECD and the EAP region (Figure 7). Mongolia not only provides a similar amount of maternity and paternity leaves but also the government covers the cost.

Figure 7: Percentage of Countries Where the Government Administers 100 percent of Maternity Leave Benefits, by region



Source: World Bank (2022).

In summary, Mongolia allows workers to take a length of annual leave that is in line with international standards. The new Labor Law clarifies the eligibility rules for annual leave by adding the statement that an employee who has worked for an employer for six months can benefit from annual leave. Moreover, Mongolia has legal protections for women and pregnant women that meet the international standards. Women are entitled to 120 days of maternity leave, which follows the ILO standard. The new Labor Law has also introduced paid paternity leave for fathers, and the government covers the cost.

8. Minimum Wages

Governments set minimum wages with the twin aims of providing adequate income for workers, especially low-paid workers, and reducing wage inequality (ILO, 1971; Kuddo et al., 2015). Minimum wages can also be important when certain firms monopolize local markets, leaving workers with little bargaining power. However, when the minimum wage is higher than the marginal product of labor, it becomes a constraint on firms by increasing their cost of labor. A high minimum wage can reduce formal labor demand and increase unemployment and informality, particularly in low-wage and low-skilled sectors (Neumark and Shirley, 2021; Betcherman, 2014). Setting the minimum wage at a modest level that is effectively enforced is a better approach than setting it at a high level with weak enforcement.

Box 7: Minimum Wages

The Protection of Wages Convention of 1949 (No. 95)

The Convention applies to all people to whom wages are paid or payable, although certain exclusions are allowed. It requires that wages be paid only in legal tender. The partial payment of wages in kind may be authorized under certain conditions. Wages must normally be paid directly to the worker concerned, and employers must be prohibited from limiting in any manner the freedom of the worker to dispose of his or her wages. Deductions from wages may be permitted only under conditions and to the extent prescribed by national laws or regulations or fixed by collective agreement or arbitration award. Any deduction from wages as an implicit direct or indirect payment made by a worker to an employer or his/her representative for the purpose of obtaining or retaining employment (or to any intermediary such as a labor contractor or recruiter) must be prohibited. Wages must be paid regularly and, upon the termination of a contract of employment, the employer must pay all remaining wages due within a reasonable period of time. In the event of the bankruptcy or judicial liquidation of the undertaking, workers must be treated as privileged creditors with regard to any wages due to them within certain prescribed limits.

The Minimum Wage Fixing Convention of 1970 (No. 131)

The convention requires ratifying states to establish a minimum wage system that covers “all groups of wage earners whose terms of employment are such that coverage would be appropriate.” In connection with such a system, provision must be made for the government to fully consult representative organizations of the employers and workers concerned. According to Convention No. 131, a minimum wage must have the force of law and cannot be contingent on this requirement, freedom of collective bargaining must be fully respected. Convention No. 131 also specifies that the elements to be considered when determining minimum wage levels must include the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups as well as economic factors, including the requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment.

Source: ILO (2016a), p 332.

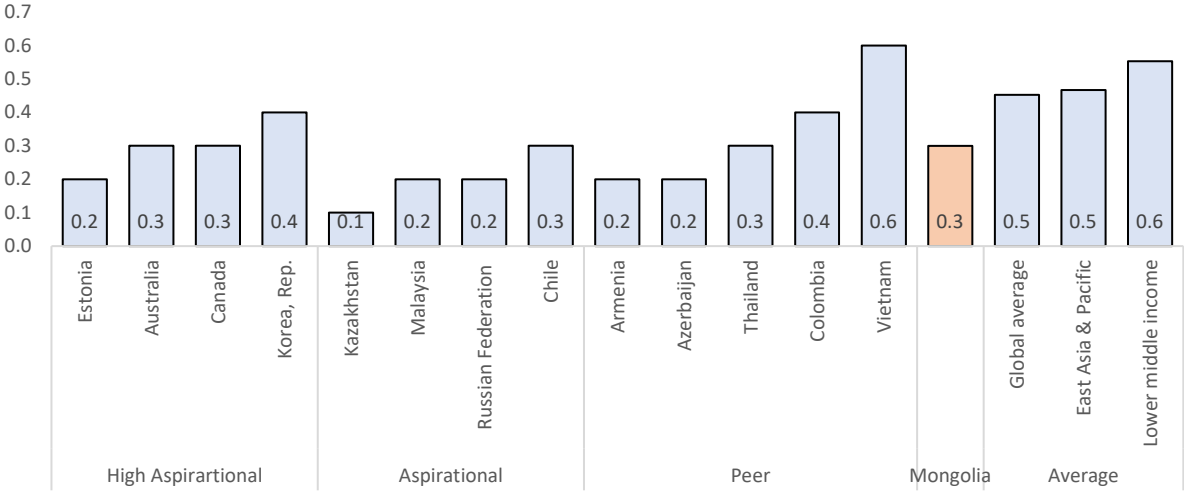
Article 104.1 of the new Labor Law stipulates that wages should be paid at least twice a month, and the payday shall be reflected in internal labor regulations or employment agreements. The law further stipulates that, if wages and benefits are not paid on time without a valid reason or if employees are paid less than the salary established by the law or set in an employment agreement, the employer will be liable in accordance with the Labor Law, the Law on Infringement, and other relevant laws.

The level of the minimum wage

The minimum wage is regulated according to the Law on the Minimum Wage, which became effective in 2011. The law regulates the minimum level of basic hourly wage to be used in employment contracts, casual contracts, and other employment agreements. The national minimum wage covers all workers who have employment contracts. According to Article 7, “An employer or an individual employing a citizen on the basis of an employment contract or other types of contract similar to an employment contract must pay basic wages not less than the minimum wage.” According to Articles 4 and 5.4 of the law, the minimum wage should not be lower than the country’s minimum living standards and should be fixed or adjusted biennially.

Since January 2020, the minimum wage in Mongolia has been MNT 420,000 per month. This is equivalent to around US\$149.³² In Mongolia, the ratio of the minimum wage to the value-added per worker is lower than the global average (Figure 8). In our comparisons, we recalculated the minimum wage as a share of gross national income (GNI) per worker as a proxy for average earnings because of a lack of consistent cross-country data on average earnings. On this basis, Mongolia has a modest ratio of 0.3 compared with a range from 0.1 in Kazakhstan to 0.6 in Vietnam. In general, lower-income countries have higher minimum wage levels compared to value-added per worker.

Figure 8: Ratio of the Minimum Wage to Value-added per Worker by Country



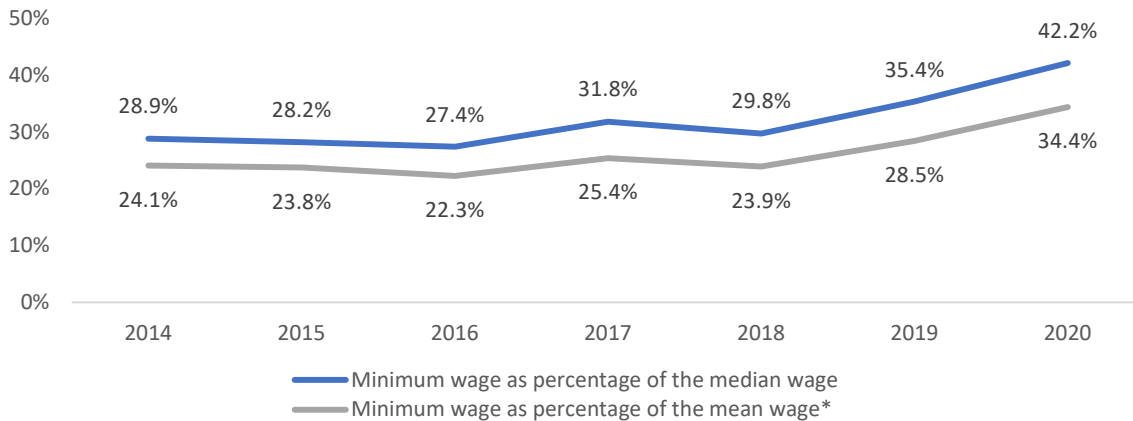
Source: World Bank (2020a) and Mongolian Labor Law.

Note: Average rates are estimated only for those countries that have minimum wages. Except for Mongolia, this ratio is calculated based on the minimum wage in May 2019.

With regard to the minimum wage as the percentage of the median or mean wage in Mongolia, it is clear that this share has increased since 2014, especially in recent years.

³² The minimum wage is converted from local currency to US dollars using the DEC alternative conversion factor (2,813.29 LCU per US\$). The DEC alternative conversion factor is the underlying annual exchange rate used in the World Bank Atlas method. It is expressed in local currency units per US dollar.

Figure 9: The Minimum Wage as a Percentage of the Median or Mean Wage



Source: Mean Wage data are from the Mongolian Statistical Information System, NSO, www.1212.mn* For 2013, the mean wage in the first quarter is used because there are no data for the mean wage for the other quarters of 2013.

The adjustment of the minimum wage

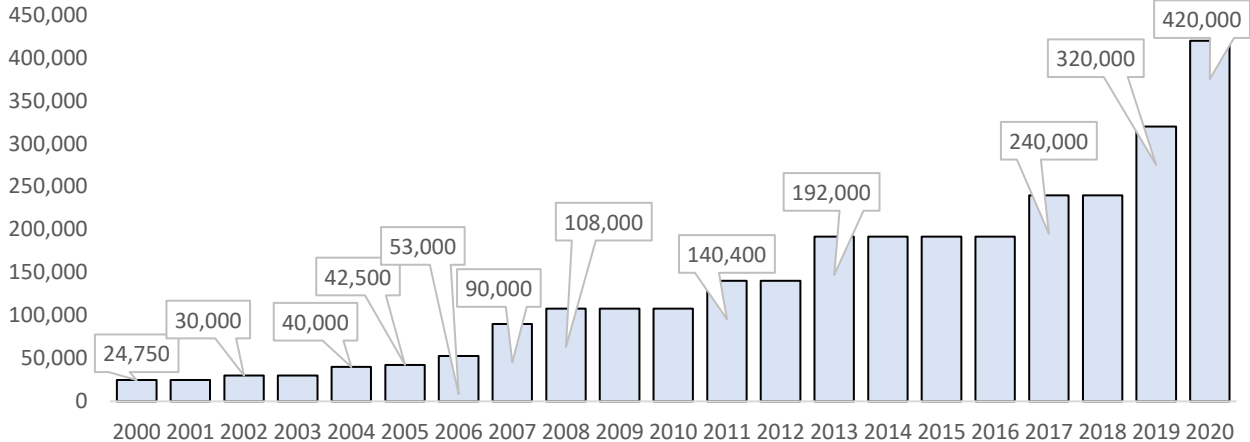
The ILO recommends making annual adjustments in periods of low or moderate inflation, which provides workers and employers with predictability and time to adjust. By contrast, making only occasional revisions to minimum wage levels means that it can fail to reflect changes in the cost of living and economic conditions, which may have negative effects on workers’ purchasing power and a fair wage structure (ILO, 2016b and 1971).

In Mongolia, under the Law on Minimum Wage of 2011, the National Tripartite Committee on Labor and Social Consensus has the power to set and adjust the minimum wage based on surveys and analyses of living costs, labor productivity relative to average wages, levels of social security benefits, and economic growth and employment rates.³³ This committee comprises representatives of the government and of national organizations that protect employers’ and workers’ rights and legitimate interests. The national organizations for employees’ rights include the Confederation of Mongolian Trade Unions (CMTU) and sectoral trade unions (the Trade Union of Mongolian Education and Science; the Trade Union of Mongolian Health Employees; the Trade Union of Mongolian Transport, Communication, and Oil; the Trade Union of Mongolian Employees and Civil Servants; the Trade Union of Energy, Geology, and Mining; the Trade Union of Construction; and the Trade Union of Capital City Ulaanbaatar). Organizations for employers’ rights include the Mongolian Employers Federation (MONEF), the Mongolian National Chamber of Commerce and Industry, and sectoral associations such as the Mongolian Food Association, the Mongolian Renewables Industries Association, the Mongolian Leather Production Association, and the Mongolian Road Association. Sector-level unions and employers’ organizations participate in the negotiations over setting sector-specific minimum wages. Article 5.3 of the new Labor Law states that the minimum wage may be set higher than the amount set by the National Tripartite Committee on Labor and Social Consensus if there is a sectoral or inter-sectoral agreement among the organizations representing the rights and legitimate interests of employers and employees. The law recommends that the committee reexamine the level of the minimum wage biennially and adjust it, if necessary, based on economic circumstances.

³³ Article 4.2 of the Law on Minimum Wage.

In the past 20 years, the Mongolian minimum wage has been adjusted periodically (Figure 10). Between 2013 and 2017, the amount of the minimum wage (MNT 192,000) remained unchanged. However, in January 2017, the National Tripartite Committee on Labor and Social Consensus increased the monthly minimum wage by 25 percent to MNT 240,000 (around US\$121). In August 2018, the tripartite committee convened to increase the minimum monthly wage to MNT 320,000 starting from January 1st, 2019, and to MNT 420,000 starting from January 1st, 2020. In February 2022, the committee established a working group to prepare a proposal to revise the minimum wage to MNT 550,000 effective from January 2023.

Figure 10: Changes in the Statutory Minimum Monthly Wage since 2000 (MNT)

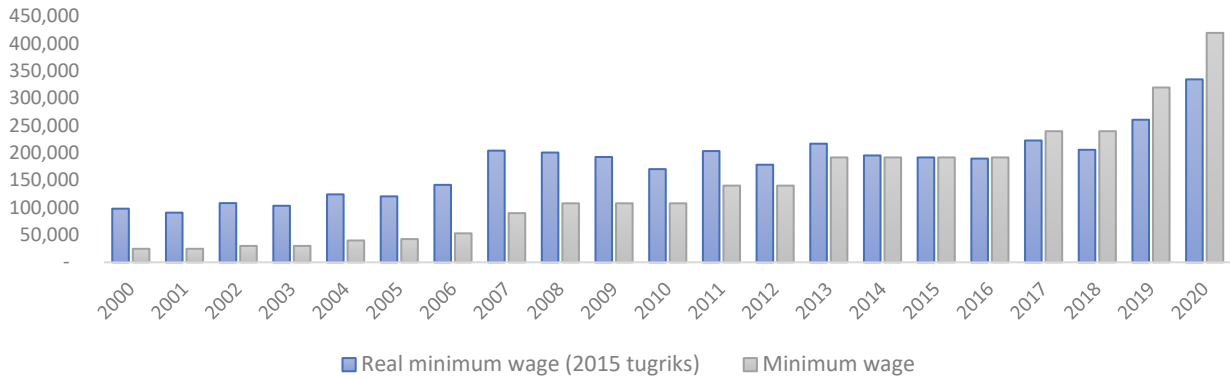


Source: Mongolia National Statistics Office (NSO).

Figure 11 shows the real minimum wage in relation to the minimum wage. According to this figure, if the real minimum wage fell, the minimum wage was then revised in the following year.³⁴ These revisions have largely kept up with economic conditions.

³⁴ However, this was not the case in 2009 and 2015, which were the years of economic downturn. Moreover, in the 2000s, the minimum wage was only revised in years of high economic growth (2005 and 2007).

Figure 11: Minimum Wage and Real Minimum Wage (2015 MNT)

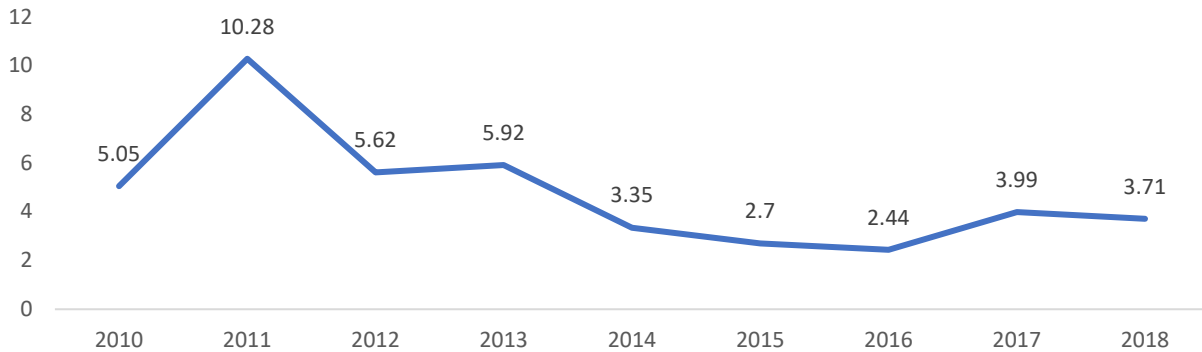


Note: The real minimum wage was obtained by deflating the nominal minimum wage by the consumer price index (CPI) from NSO’s Statistical Information System website at www.1212.mn. The real minimum wages are measured in terms of 2015 tugriks.

Compliance

In countries with high informality, even if the law stipulates a minimum wage, many workers tend to earn lower wages because of limited compliance by employers (Angel-Urdinola and Kuddo, 2010). In Mongolia, some workers earn less than the minimum wage. Byambatsogt (2019) examined the average minimum wage using Labor Force Survey data for 2011-2018 and found that the share of employees with wages lower than the minimum wage averaged 7 percent in those years. Between 2012 and 2018, the share of those earning less than the minimum wage decreased from 5.6 to 3.7 percent (Figure 12).

Figure 12: Share of Employees with Wages Lower than the Minimum Wage, percent



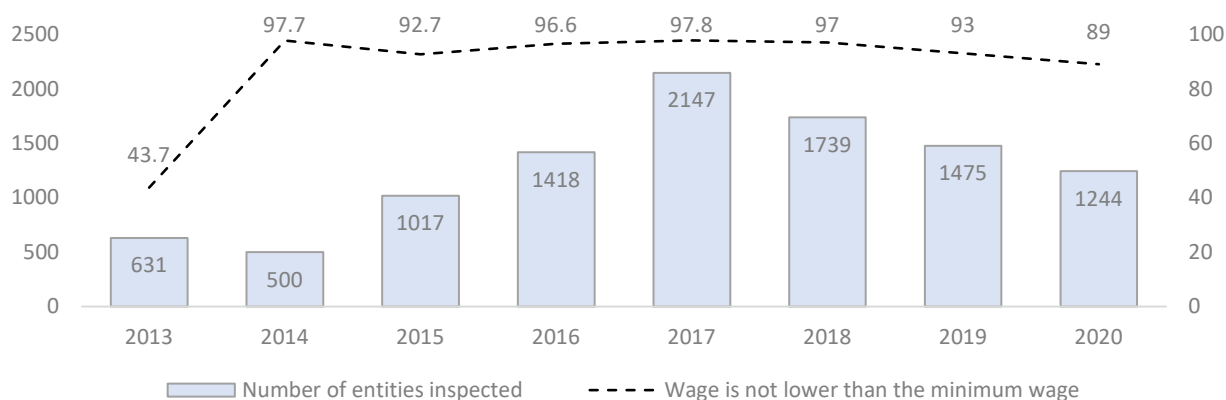
Source: Computed from the NSO’s Labor Force Survey data.

The rate of compliance by employers depends on type of organization concerned. The compliance rate is defined by a share of employees with wages lower than the minimum wage. The rate as of 2018 is 99 percent for government organizations, 98 to 99 percent for state and private companies, and 95 percent for NGOs. In the case of paid employees who work for individuals, 86 percent earned equal to or more than the minimum wage (Byambatsogt, 2019).

As mentioned above, in Mongolia, professional inspection agencies and labor inspectors are responsible for supervising the implementation of the Labor Law (Article, 161). An employer who pays their workers less than

the minimum wage needs to pay a fine of MNT 5,000,000 (approximately US\$1,755 according to Article 10.16.9.1 of the Law on Infringement). According to inspection data obtained from GASI, the minimum wage compliance rate was at or above 93 percent for the 2014-2019 period.

Figure 13: Number of Inspections and the Compliance Rate with the Minimum Wage Law



Source: Data obtained during the interview with Mr. Erdenetugs at GASI.

Note: The left axis is the number of entities inspected, and the right axis is the compliance rate. The compliance rate is the percentage of inspected employers that were complying with the minimum wage.

In summary, the level of minimum wage (relative to per value added) is not very high compared to international practices. The National Tripartite Committee on Labor and Social Consensus follows the ILO’s recommendation and reexamines wages every two years and has made efforts to regularly adjust the minimum wage based on national economic conditions.

While some fraction of workers still earns less than the minimum wage, the majority of the employers inspected by labor inspectors tend to comply with the legal minimum wage. However, it is important to note that inspections are conducted only at the request of employees. As the names of the requesters are disclosed to employers, they have little incentive to report their employers for non-compliance. Therefore, the full extent of any violations of the minimum wage will not be clear until complaints can be made by third parties as well as employees.

To increase compliance rates, the government could increase public awareness of minimum wage regulations and levels so that workers can insist upon their rights. Also, frequent inspections coupled with sanctions for non-compliance with the rules should be carried out to enforce all provisions on the minimum wage. Given that the government is introducing a new minimum wage in January 2023, it is essential to ensure that the impact of minimum wage adjustments is adequately monitored and studied.

9. Regulations Concerning Termination of Employment

There are several different types of provisions to protect workers whose employment is terminated. In middle- and low-income countries, severance pay (in other words, financial compensation) is commonly used to protect the workers when they get laid off and become unemployed. ILO international conventions No. 158 and No. 166 both recommend measures to minimize the extent to which employers should terminate employees with

valid reasons.³⁵ Nonetheless, it is important for employers to have a reasonable amount of flexibility to adjust their human resources to meet their operational needs without excessive government intervention.

Box 8: Termination of Employment

The Termination of Employment Convention of 1982 (No. 158) The convention provides that the employment of a worker must not be terminated unless there is a valid reason for such termination related to the capacity or conduct of the worker or based on the operational requirements of the undertaking, establishment, or service. It enumerates grounds that cannot constitute valid reasons for termination, including union membership; the filing of a complaint or the participation in proceedings against an employer involving alleged violation of laws or regulations; race, color, sex, marital status, family responsibilities, pregnancy, religion, political opinion, national extraction, or social origin; and absence from work during maternity leave or because of illness or injury. Particular requirements apply in cases of termination of employment for economic, technological, structural, or similar reasons. Member states may exclude certain categories of employees from all or some of the provisions of the Convention: (a) workers engaged under a contract of employment for a specified period of time or a specified task; (b) workers serving a period of probation or a qualifying period of employment, determined in advance and of reasonable duration; and (c) workers engaged on a casual basis for a short period. Nonetheless, adequate safeguards must be provided against recourse to contracts of employment for a specified period of time the aim of which is to avoid the protection resulting from the Convention.

The Termination of Employment Recommendation of 1982 (No. 166)

The recommendation enumerates the different types of safeguard measures that may be adopted: (a) limiting recourse to contracts for a specified period of time to cases in which, owing either to the nature of the work to be done or to the circumstances under which it is to be done or to the interests of the worker, the employment relationship cannot be of indeterminate duration; (b) deeming contracts for a specified period of time, other than in the above cases, to be contracts of employment of indeterminate duration; and (c) deeming contracts for a specified period of time, when renewed on one or more occasions, other than in the above cases, to be contracts of employment of indeterminate duration.

Source: ILO (2016a), p 327.

General rule for terminating an employment contract

Mongolian labor law allows an employer to terminate the contract of an employee on the basis of redundancy (in other words, on economic grounds). According to Article 80 of the new law, an employment relationship can be terminated at the initiative of the employer for the following reasons.

- 80.1.1. A business entity, organization, or its branch or unit has been liquidated, a job has been lost, or a number of staff has been reduced.
- 80.1.2. It has been determined that the employee is not fit for the job in terms of profession, qualification level, skills, or performance. Employees should be notified in advance and given ample time to improve their qualifications, skills, or performance.
- 80.1.3. If the employee is medically unable to perform his/her duties due to the decision of the medical labor inspection commission and there are no other workplaces to which to transfer him/her, the employer has taken the measures specified in 144.1 of this law, but the employee is unable to work.

³⁵ Currently, only 35 out of 187 ILO member states have ratified Convention 158. Mongolia has also not ratified Convention 158. The low level of ratification may be because there have been controversial debates over the role played by employment protection rules in labor market outcomes. (Aleksynska and Muller, 2020).

- 80.1.4. The employee has repeatedly (two or more times) committed a labor disciplinary violation or has committed a serious violation specified in the employment agreement as leading to immediate termination of the employment relationship.
- 80.1.5. It has been established that the employee responsible for the integrity of the employer's money and property or authorized to dispose of it has committed a wrongful act or omission that has lost the employer's trust.
- 80.1.6. It has been established that the employee forged documents that were used to prove his/her education, profession, or qualification level at the time of hiring.

The old law also allowed employers to terminate a contract of employment on similar grounds but the new law superseded the case for an employee who has reached 60 years of age and is eligible to receive a pension (Article 40. 1. 3 of the old law) as well as for an employee who is elected and assigned to perform other salaried work within the employer's organization (Article 40.1.6 of the old law).

Third-party notification and approval requirements

In some countries, employers are required to notify and seek the approval of a third party such as the Ministry of Labor or a works council before they can make workers redundant (ILO, 2015). The aim of this precaution is to reduce the negative impact of employment termination on workers, especially when an employer is firing a large group of workers, and to protect workers from unfair or discriminatory termination by ensuring there is a valid reason for the employer's action (Kuddo et al., 2015).

In Mongolia, the new law added a third-party notification requirement for mass dismissals. The new law defines a mass dismissal as the termination of employment of the following number of employees or following percent of employees on the grounds of liquidation, reduction of staff, or loss of a job over the period of 90 days:³⁶

- Five or more employees of a business entity or organization with 10 to 50 employees.
- Ten percent or more of the total number of employees of business entities and organizations with 51 to 499 employees.
- Fifty or more employees of a business entity or organization with 500 or more employees.

Article 81.6 of the new law requires an employer to notify the local labor authority in writing within 30 days from the date of deciding to make a mass dismissal on economic grounds but does not require the employer to secure the authority's approval. The new law does not contain the approval requirements for mass dismissal or any notification and approval requirements when only one worker is dismissed.

Mongolia's introduction of notification requirements follows the ILO's international standard. According to ILO Convention No. 158, employers who are contemplating making terminations for economic, technological, structural, or similar reasons should notify the competent authorities of such intentions (Article 14.1). Recommendation 166 states that "where appropriate, the competent authority should assist the parties in seeking solutions to the problems raised by the terminations contemplated" (Para. 19.2).

The notification requirement for collective dismissal is also common among Mongolia's international comparators (Table 12). Globally, in the case of collective dismissals for economic reasons, in 114 countries, the employer has to notify or consult a third party, of which 36 countries also require third-party approval

³⁶ Even though the old Labor Law regulates collective dismissals at a certain level, there is no provision specifying which conditions constitute a collective dismissal. The law also requires employers to notify employees 45 days in advance of a collective dismissal and to determine the amount of severance pay in consultation with employees' representatives (Articles 40.5 and 42.2).

(Table 13). In EAP countries, third-party notification requirements are also common, but only Indonesia requires both notification and approval from third parties for dismissing workers.

Table 12: Notification and Approval Requirements by Country

	Third-party notification if one worker is dismissed?	Third-party approval if one worker is dismissed?	Third-party notification if nine workers are dismissed?	Third-party approval if nine workers are dismissed?
Mongolia	No	No	Yes	No
EAP	China; Fiji; Indonesia; Kiribati; Lao PDR; Philippines; Solomon Islands; Taiwan, China; Timor-Leste	Indonesia	Cambodia; China; Fiji; Indonesia; Kiribati; Lao PDR; Malaysia; Philippines; Singapore; Solomon Islands; Taiwan, China; Timor-Leste; Vietnam	Indonesia; Vietnam
Comparator	Azerbaijan; Chile; Kazakhstan; Korea, Rep.; Russian Federation	None	Azerbaijan; Chile; Kazakhstan; Korea, Rep.; Malaysia; Russian Federation; Vietnam	Vietnam

Source: World Bank (2020a).

Table 13: Notification and Approval Requirements by Country Income Groups (number of countries)

Income group	Dismissal of one worker		Collective dismissal	
	Notify	Approval	Notify	Approval
High income	19	4	26	5
Upper middle	26	10	29	10
Lower middle	29	11	35	12
Low income	20	6	24	9
Total	94	31	114	36

Source: World Bank (2020a).

Table 14: Changes in the Rules for Terminating Employment Contracts

		New law	Old law
Dismissal due to redundancy allowed by law?	Is it legal for an employer to terminate the contract of an employee on the basis of redundancy only? (Yes/No)	YES	Yes
Third-party notification and approval requirements	Must the employer notify or consult a third party before dismissing one redundant employee? (Yes/No)	No	No
	Must the employer notify or consult a third party before dismissing a group of nine redundant employees? (Yes/No)	Yes	No
	Must the employer obtain the approval of a third party in order to dismiss one redundant employee? (Yes/No)	No	No
	Must the employer obtain the approval of a third party in order to dismiss a group of nine redundant employees? (Yes/No)	No	No

Source: World Bank (2020a) and Mongolian Labor Law.

Priority rules for dismissal and reemployment/ Retraining and reassignment requirements

Priority rules for redundancy dismissals govern which workers must be laid off first based on attributes such as seniority, marital status, and number of dependents. Priority rules for reemployment require that employers allocate any available positions to workers who had previously been dismissed for redundancy before advertising the positions to external candidates. Some countries also require employers to provide workers with retraining or to reassign workers before laying them off (Kuddo et al., 2015).

In Mongolia, the new law stipulates that such issues should be discussed between employers and employees in the case of mass dismissals. According to Articles 81.2 and 81.3, in case of mass dismissals, the employee's representative and the employee must negotiate whether “to transfer employees to vacant positions in the business entity or organization; to create new jobs and hire them when there are more vacancies; or to train them in other professions.”³⁷ Article 81.5. also states that within one year after a mass dismissal, when a new job is created or added, the employer should hire any dismissed employee who meets the requirement of the new job at his or her request. In cases where mass dismissals occur because of the liquidation of a business entity, organization, branch, or unit, the employees’ salaries must be prioritized for payment from the firm’s assets (Article 81.7).

Under the old law, these requirements existed only for certain cases. An employer was required to reinstate an employee to his or her previous job or position: (1) within one month after an employee had recovered from an industrial accident, poisoning, or professional disease as a result of which their employment had been terminated; (2) if a court decided that an employee had been unreasonably fired and was entitled to be reinstated to the same or similar job as agreed between the employer and employee; and (3) if the job or position of an employee was abolished but within three months thereafter has been re-established, and a determination was made that the abolition of the position was unreasonable.

³⁷ “Employee's representative” means a trade union, its representative who is responsible for representing and protecting the rights and legitimate interests of an employee, or an employee elected by the general meeting of employees if such an organization does not exist (Article 4 of the new law).

Table 15: Retraining, Reassignment, and Reemployment Requirements for Redundancy Dismissals in Mongolia

	New law	Old law
Are employers obliged to retrain or reassign an employee before making the employee redundant? (Yes/No)	No, but negotiation with trade unions is required before making a mass dismissal (Article 81.3).	No
Are there priority rules that apply in case of redundancy dismissals or lay-offs? (Yes/No)	No	No
Are there priority rules that apply to reemployment? (Yes/No)	Yes, in the case of mass dismissals (Article 81.5).	Yes, in certain cases (Article 36.3)

Source: World Bank (2020a) and Mongolian Labor Law.

In EAP and other comparator countries, only a few countries have such retraining and reassignment requirements or priority rules for redundancy dismissals or reemployment. Only China has all of these requirements. Globally, around 50 percent of economies (95 countries) have no priority rules for redundancies or reemployment. When comparing countries at different income levels, priority rules are most prevalent in low-income economies, accounting for 53 percent of the low-income countries compared to only 15 percent of the high-income country groups.³⁸

In summary, the new Labor Law increased Mongolia’s alignment with international standards with respect to termination of employment. In the case of mass dismissals, the new law added a requirement to notify the local labor authority, a requirement that is common in Mongolia’s comparator countries for mass dismissals. According to ILO Convention 158 (Article 13) and Recommendation 166 (Para 20), in case of collective dismissals, employers should provide the workers' representatives with the necessary information and consult them in order to minimize the terminations and to agree on the necessary measures to mitigate the adverse effects on the workers. This is also included in Mongolia’s new Labor Law.³⁹

The requirement to reassign or reemploy terminated workers in Mongolia is in line with international standards. Under the new Labor Law, employers need to allocate any available new positions to workers who were collectively dismissed for redundancy if these posts are created within one year after the collective dismissal. The ILO’s Recommendation 166 provides a set of measures for minimizing terminations of employment for reasons of an economic, technological, structural, or similar nature (Para 21). These measures include “restriction of hiring, spreading the workforce reduction over a certain period of time to permit natural reduction of the workforce, internal transfers, training and retraining, voluntary early retirement with appropriate income protection, restriction of overtime and reduction of normal hours of work.” It is also suggested that “workers whose employment has been terminated for reasons of an economic, technological, structural or similar nature, should be given a certain priority of rehiring if the employer again hires workers with comparable qualifications, subject to their having, within a given period from the time of their leaving, expressed a desire to be rehired.” (Para 24).

³⁸ The countries with priority rules for both redundancies and reemployment.

³⁹ The term “workers' representatives” refer to “the workers' representatives recognized as such by national law or practice, in conformity with the Workers' Representatives Convention, 1971 (No. 135)” [C158, Art. 13 (3)]. The content of the information should be “relevant” [C158, Art. 13 (1a)] and include, at a minimum, “the reasons for the terminations contemplated, the number and categories of workers likely to be affected, and the period over which the terminations are intended to be carried out” (ibid). Recommendation 166 also provides that it is the “relevant information on the major changes contemplated and the effects they are likely to have” (Para. 20 (2)) that must be supplied.

Table 16: Retraining, Reassignment, and Reemployment Requirements for Redundancy Dismissals by Country

	Retraining or reassignment obligation before redundancy?	Priority rules for redundancies?	Priority rules for reemployment?
EAP	China; Indonesia; Kiribati; Taiwan, China; Vietnam	Cambodia; China; Philippines	Cambodia; China; Taiwan, China
Comparators	Armenia; Australia; Estonia; Russian Federation; Vietnam	Azerbaijan; Estonia; Russian Federation	Korea, Rep.

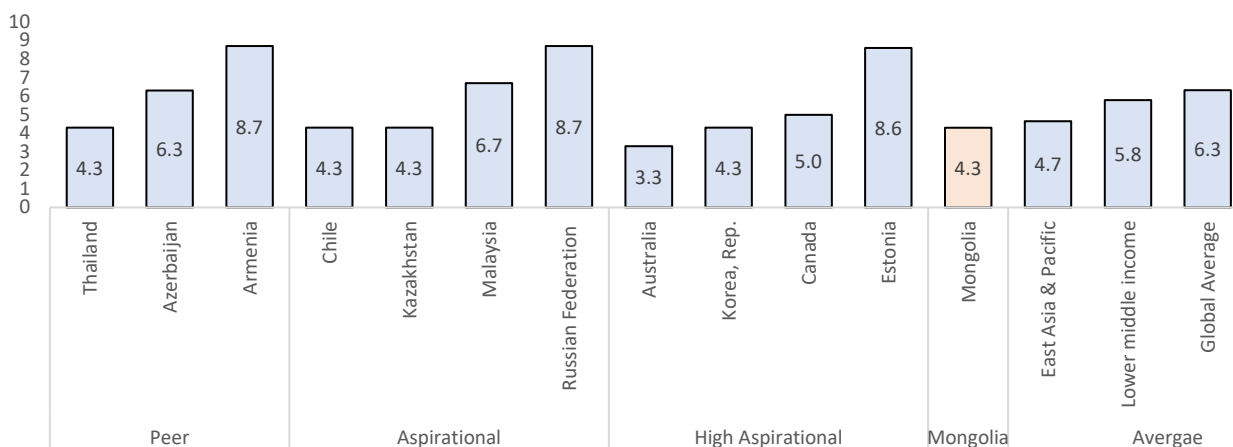
Source: World Bank (2020a).

10. Notice Period

Giving workers advance notice of employment termination means that they have a certain period of time to plan to smooth their consumption and look for another job (Article 11 of ILO Convention No. 158). All workers should be entitled to an appropriate length of notice as well as to paid leave of absence before their termination to facilitate their job search (Kuddo et al., 2015). On the other hand, if the period of notice is too long, it raises the employer’s business costs and may reduce firms’ productivity (OECD, 1999). There are no specific international standards for the length of the advance notice period. In consultation with employers and employees, governments need to find appropriate lengths of notice periods for each country (Kuddo et al., 2015).

The length of the notice period for redundancy dismissal in Mongolia is similar to that in most comparator countries (Figure 14). According to Article 81.4 of the new law, each dismissed employee should be notified of the termination of the employment relationship at least 30 days (4.3 weeks) before the termination goes into effect. This is the same provision as in the old Labor Law. This is a shorter period than the global average of 6.3 weeks of salaried notice. The average length in the EAP region is 4.7 weeks of salaried notice. Among the comparator countries, some countries like Armenia, the Russian Federation, and Estonia have even longer notice periods.

Figure 14: Number of Weeks of Notice for Redundancy Dismissals (average for workers with 1, 5, and 10 years of tenure)



Source: World Bank (2020a) and Mongolian Labor Law.

Notes: The length of the notice period often varies by length of tenure, and the specific rules depend on countries. This figure shows the average length for workers with 1, 5, and 10 years of tenure. The cost of advance notice requirements is expressed in weeks of salary. One month is recorded as 4 and 1/3 weeks. Colombia and Vietnam do not have the advance notice period.

11. Severance Pay and Unemployment Benefits

Severance payments for redundancy dismissals are designed to protect the income of redundant workers and to help these workers to transition between jobs (Holzmann et al., 2011). They can also create incentives for employers to retain workers by increasing the cost of redundancies, thus reducing turnover and facilitating long-term employment relationships (Kuddo et al., 2015). While severance pay provides some degree of income protection for workers, it can fail to protect workers when firms have liquidity constraints or do not comply with the requirement to make these payments (Kuddo et al., 2015). In the empirical literature, some studies have found that high firing costs can reduce aggregate employment and promote inequality across workers (Bassanini et al., 2009; Harasty, 2004; and Kugler and Saint-Paul, 2004).

The aim of unemployment protection schemes such as unemployment insurance or benefits is to provide unemployed and underemployed workers with income security over a certain period of time (ILO, 2017). While severance payments depend on employer liability, unemployment benefits are financed collectively and are not dependent on the employer's situation. Well-designed unemployment insurance schemes can provide adequate protection to enable workers to transition between jobs.

In Mongolia, the new Labor Law increased protection for unemployed workers. It decreed that, when employees are terminated for various specified reasons, they are entitled to receive severance pay in the amount of their "base salary" according to the length of their service in the business entity. The specified reasons are: (i) if an employee with an employment agreement with special conditions is terminated because

of the permanent transfer of ownership of the business by the employer to some other person;⁴⁰ (ii) if the employer’s business entity or organization, or a branch or unit thereof, has been dissolved, or the job or position within it has been abolished, or the number of employees has been reduced; (iii) if it has been determined that the employee cannot meet the requirements of the job or position because of a lack of professional qualifications or skills; and (iv) if an employee is terminated on the grounds that they are medically incapable of performing their duties and there are no other jobs to which they can be transferred. In addition, the new Labor Law requires that severance pay be paid in accordance with the above provisions if an employee reaches 60 years of age and is eligible to receive a pension (Article 82.5). Also, employers are obliged to retain the job of any who has been called to active duty in the army (Article 60.1.7.).

The level of severance pay depends on the length of the worker’s continuous employment with the same employer. For example, if a person worked for the same employer for between six months and two years, the amount of their severance pay will be equal to one month of their basic salary. If they have worked for the same employer for 10 years or more, their severance pay will be equal to four or more months of their basic salary. Employees can receive severance payments regardless of whether or not they are entitled to unemployment benefits from the social insurance fund. The old Labor Law (Article 42) granted employees severance pay of only one month of their average salary regardless of the length of their tenure. Table 17 compares the amount of severance payment under the new law and the old law.

Table 17: Change in the Rule Governing the Amount of Severance Payments

The length of employment	New law	Old law
Six months to two years	At least one month’s base salary	At least one month’s average salary
Two to five years	At least two months’ base salary	At least one month’s average salary
Five to ten years	At least three months’ base salary	At least one month’s average salary
Ten years or more	At least four months’ base salary	At least one month’s average salary

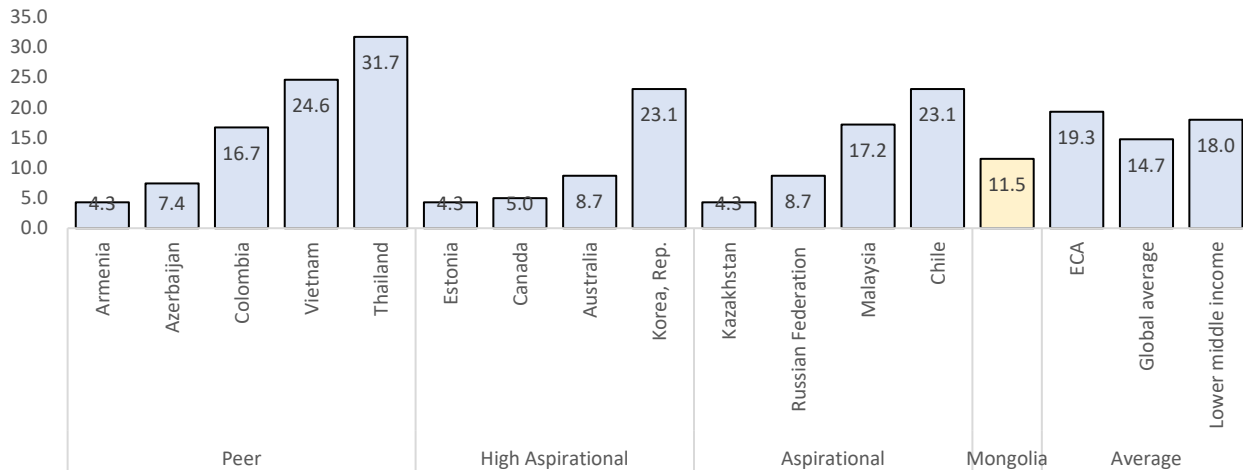
Source: Mongolian Labor Law.

Although the generosity of severance pay in Mongolia rose in terms of international comparisons, the amount of the severance payment is not very generous. The average amount of severance payment for workers with one, five, and ten years of tenure in Mongolia is 11.5 weeks of salary, which is lower than the global average of 14.7 weeks of salary (Figure 15).⁴¹ Among comparator countries, the amount of severance payment ranges from 4.3 weeks in Armenia and Estonia up to 23.1 weeks in Korea, Rep. and 31.7 weeks in Thailand.

⁴⁰ The new Labor Law of Article 65.1 stated that “an employer may conclude a special conditions employment contract with an employee if the employer plans to exercise some of its ownership rights through the employee, or if the employee will perform work and duties at the executive management level of the enterprise or organization.”

⁴¹ The amount of severance pay often varies by length of tenure, and the specific rules vary by country.

Figure 15: Amount of Severance Payments by Country (average for workers with 1, 5 and 10 years of tenure), number of weeks of salary



Source: World Bank (2020a) and Mongolian Labor Law.

However, there are several reasons why severance pay may not provide adequate income protection to workers. One issue is employers' non-compliance. As of 2020, 8 percent of inspected employers did not pay any severance pay to workers in Mongolia. These liabilities often arise when a firm is in need of restructuring but may be cash strapped and thus be unable to afford severance payments. In addition, workers who are made redundant do not qualify for the severance pay if they have worked for the business entity or organization for less than six months.

The government needs to consider adopting regulations to reduce the risk of nonpayment. Although severance pay is financed directly by employers, in the case of large-scale redundancies as a result of an economic slowdown, the government could provide firms with financial support. Another option might be to mandate employers to create external reserves to fund potential severance payments. Similarly, employers could make contributions into a public contingency fund, which would make severance payments only in cases where the firm goes into insolvency.

In addition, the provision of severance pay should be conditional on redundant workers registering with public employment services. This would help redundant workers to explore available employment opportunities, access job counseling and job search assistance, and/or participate in active labor market programs such as training.

Unemployment insurance or assistance benefits are another way to protect laid-off workers. Several ILO conventions advocate the provision of unemployment protection. The Social Security (Minimum Standards) Convention of 1952 (No. 102) stipulates minimum standards for unemployment benefits such as the percentage of the population to be protected by social security schemes, the level of minimum benefit, and the conditions governing entitlement. The Employment Promotion and Protection Against Unemployment Convention of 1988 (No. 168) set higher standards for unemployment benefits while also adding the principles of equality of treatment and of non-discrimination. Recommendation No. 176, which followed Convention No.

168, and more recently, the Social Protection Floors Recommendation (No. 202) stressed the importance of integrating income security measures and employment support programs.

Box 9: Employment Protection

The ILO's Employment Promotion and Protection Against Unemployment Convention of 1988 (No. 168) specified the workers to be protected (Article 11) as follows:

- The persons protected shall comprise prescribed classes of employees, constituting not less than 85 percent of all employees, including public employees and apprentices.
- Public employees whose employment up to normal retiring age is guaranteed by national laws or regulations may be excluded from protection.

Article 15 specified that, in cases of full unemployment or the suspension of earnings due to a temporary suspension of work without any break in the employment relationship, benefits should be provided in the form of periodical payments, calculated as follows:

- Where these benefits are based on the contributions of or on behalf of the person protected or on previous earnings, they should be fixed at not less than 50 percent of previous earnings, it being permitted to fix a maximum for the amount of the benefit or for the earnings to be taken into account, which may be related, for example, to the wage of a skilled manual employee or to the average wage of workers in the region concerned.
- Where such benefits are not based on contributions or previous earnings, they should be fixed at not less than 50 percent of the statutory minimum wage or of the wage of an ordinary laborer, or at a level that provides the minimum essential for basic living expenses, whichever is the highest.

Article 19 specified the duration of benefits as follows:

- The benefits provided in cases of full unemployment or the suspension of earnings due to a temporary suspension of work without any break in the employment relationship should be paid throughout these contingencies.
- Nevertheless, in the case of full unemployment:
 - The initial duration of payment of the benefit may be limited to 26 weeks in each spell of unemployment, or to 39 weeks over any period of 24 months.
 - In the event of unemployment continuing beyond this initial period of benefit, the duration of the payment of benefit may be limited to a prescribed period.

Mongolia has a national unemployment protection scheme. In 1994, the government passed the Law on Social Insurance to regulate the provision of unemployment insurance.⁴² The law on Payment of Unemployment Benefits from the Social Insurance Fund regulates the eligibility requirements, the size and duration of unemployment benefit, and the requirement for recipients to register with public employment services. The unemployment insurance scheme is financed by the Social Insurance Fund. The Law on the Payment of Unemployment Benefits from the Social Insurance Fund was adopted in 1995, and the government started issuing unemployment benefits in January 1997 (Carte et al., 2013).⁴³

⁴² In 1993 and 1994, several social insurance laws were enacted, including: (i) the social insurance law; (ii) the law of pensions and benefits provided by the social insurance fund; (iii) the citizen's health insurance law; (iv) the law establishing an employment injury and occupational disease pension with benefits and payments provided by the social insurance fund; (v) the law establishing an unemployment benefit provided by the social insurance fund; and (vi) the law regulating military service pensions and benefits.

⁴³ Note that this assessment was conducted in 2022. While the Law on Pensions, Benefits, and Payments from the Social Insurance Fund was amended in July 2023, and became effective in January 2024, this section does not reflect provisions in the revised law. See provisions [in the revised law](#).

Legal coverage

International standards, the ILO's Convention No. 168 of 1988 (Article 11) recommends that national unemployment schemes should cover 85 percent of all employees, including public sector employees unless they are otherwise protected by national laws. Coverage is not required for self-employed individuals under Convention 168, because of the practical difficulties involved in assessing their work situation. The width of the coverage means that a large group of contributors can share the cost of insurance, thus ensuring the sustainability of the insurance scheme.

In Mongolia, there are two forms of social insurance: compulsory coverage and voluntary coverage. The unemployment insurance scheme is compulsory for all persons employed on a contract basis, whether nationals or non-nationals, irrespective of the size of the enterprise, and for public servants. Unemployment insurance scheme is available only for those registered with the compulsory social insurance. Herders and the self-employed can register for voluntary social insurance (under Article 4 of the Law on Social Insurance).⁴⁴ This voluntary scheme does not include unemployment benefits but does provide pensions (old age, disability, and survivors), work injury benefits, and family allowances.

In terms of international comparison, most of Mongolia's comparator countries also extend coverage to all salaried workers (Table 18). However, certain types of workers are excluded from insurance schemes in some countries. Government employees are excluded in Chile, Malaysia, Korea, Rep., and Thailand.⁴⁵ In many countries, self-employed workers are not covered by the national unemployment insurance scheme, and, in most cases where they are covered, their unemployment insurance schemes are voluntary. Among Mongolia's comparator countries, only Kazakhstan provides insurance coverage to self-employed workers. Korea, Rep. provides coverage only to certain categories of the self-employed, and Canada covers only self-employed fishermen. On the other hand, Colombia has introduced voluntary coverage for all self-employed workers. The remaining comparator countries have no unemployment insurance for self-employed workers.

Table 18: Legal Coverage Rules of Unemployment Insurance Schemes

	Persons covered	Law	Type of program
Mongolia	All employees are covered including public servants. Self-employed can register on a voluntary basis.	The Law on Payment of Unemployment Benefit from Social Insurance Fund.	Social insurance system
Standard comparators			
Armenia	No statutory benefits are provided.		
Azerbaijan	Residents of Azerbaijan. Exclusion: Self-employed persons.	1999 (Labor Law No. 618-IQ), 2001 (Employment Law No. 170-IIQ), and 2017 (Law No. 765-VQ, on employment insurance).	Social insurance system
Colombia	Employed persons. Voluntary coverage for self-employed persons and for certain employed persons with monthly earnings above 10,765,508 pesos.	2013 (Law No. 1636 of 18 June, on protection against unemployment).	Social insurance, and mandatory and voluntary individual account system

⁴⁴ The voluntary insurance is also available to employees of foreign project units, drivers, small-scale miners, herdsmen, farmers, students, Mongolian citizens residing in a foreign country, and the unemployed.

⁴⁵ Asenjo and Pignatti (2019) surveyed unemployment insurance schemes in 15 advanced and 17 emerging economies. They found that public sector workers were included in unemployment insurance schemes in 10 out of the 15 advanced economies (66.7 percent) and in 12 out of the 17 emerging economies (70.6 percent).

	Persons covered	Law	Type of program
Thailand	Employed persons. Exclusions: Self-employed persons; judges; employees of foreign governments or international organizations; employees of state enterprises; certain agricultural, forestry, and fishery employees; and temporary and seasonal workers.	1990 (Social Security Act No. 1 -B.E. 2533- of 11 August), implemented in 1991 and 1998, with 1994 (Social Security Act No. 2 -B.E. 2537- of 23 December), 1999 (Social Security Act No. 3 -B.E. 2542- of 22 March) and 2015 (Social Security Act No. 4 -B.E. 2558- of 22 June) amendments.	Social insurance system
Vietnam	Citizens of Vietnam who are public- and private-sector employees with seasonal, job-specific, fixed-term, or permanent contracts; certain military personnel; employees of cooperatives; and household businesses. Exclusions: Self-employed persons.	2013 (employment), implemented in 2015; and 2014 (social insurance).	Social insurance system
Aspirational comparators			
Chile	All salaried paid workers are covered if employed since October 2002, voluntarily if employed before then. 1981 (unemployment); and 2001 (severance account system), implemented in 2002. Exclusions: Household workers, apprentices, pensioners (unless partially disabled), self-employed persons, civil servants, and military personnel.	1981 (unemployment); and 2001 (severance account system), implemented in 2002	Employment-related and mandatory individual account system
Kazakhstan	Employed and self-employed persons, including foreign citizens and persons without citizenship who work and reside permanently in Kazakhstan. Exclusions: Employed pensioners	2003 (compulsory social insurance)	Social insurance system
Malaysia	Private-sector employees aged 18 to 60. Exclusions: Self-employed persons, casual workers, household workers, foreign workers, civil servants, farmers, spouses of business owners, and private-sector employees aged 57 or older on January 1, 2018 without previous social insurance coverage.	2017 (Employment Insurance).	Social insurance system
Russian Federation	Citizens of Russia	1991 (employment), 2001 (Labor Law), and 2004 (cash compensation).	Social insurance and social assistance system
High aspirational comparators			
Australia	Residents of Australia.	1991 (Social Security Act No. 46), with 2018 amendments (latest).	Social assistance system
Canada	Employed persons and self-employed fishermen. Exclusions: Self-employed persons other than fishermen.	1996 (Employment Insurance Act, S.C. chapter 23), with amendments.	Social insurance system
Estonia	Permanent residents of Estonia, noncitizens residing in Estonia with a temporary residence permit, and legal refugees. Exclusions: Self-employed persons; judges; employees of foreign governments or international organizations; employees of state enterprises; certain agricultural, forestry, and fishery employees; and temporary and seasonal workers.	2001 (Unemployment Insurance Act of 13 June), with last amendment on 26 March 2013; and 2005 (Labor Market Services and Benefits Act of 28 September), with last amendment on 25 December 2015.	Social insurance and social assistance system

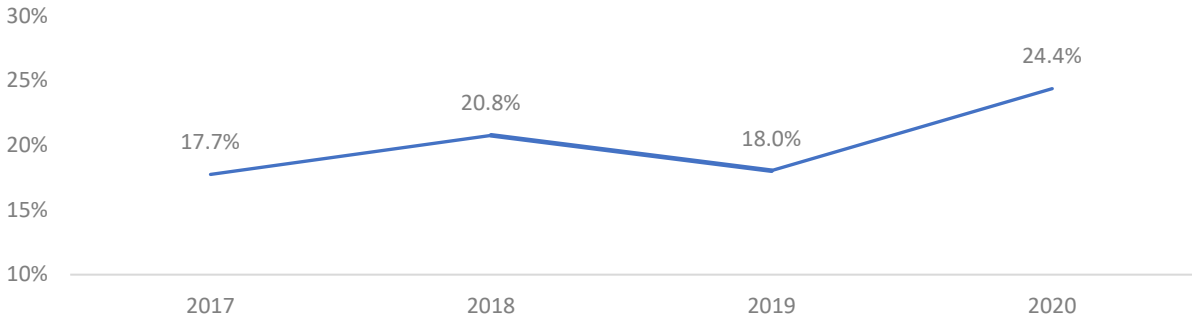
	Persons covered	Law	Type of program
Korea, Rep.	Employed persons. Voluntary coverage for certain small businesses in agriculture, forestry, fishery, and construction; electricians; telecommunications workers; fire service workers; certain self-employed persons; and persons working less than 60 hours a month or less than 15 working hours a week. Exclusions: Household workers and family labor. Special systems for civil servants, private-school employees, military personnel, and employees of the special post office.	1993 (employment insurance), implemented in 1995; and 2003 (collection of premiums), implemented in 2005.	Social insurance system

Source: ISSA 2018-19.

Effective coverage

Although unemployment insurance is compulsory for all employed workers, the actual number of beneficiaries is very low. Effective coverage can be measured by the share of people who received unemployment benefits in the total number of unemployed. Figure 16 shows approximately 18 to 20 percent of unemployed people received unemployment benefits between 2017 and 2020 with the figure varying by year. In 2020, 21,400 people received unemployment benefits, which was equal to 24.4 percent of the unemployed, the highest percentage in that period.

Figure 16: Coverage of Unemployment Insurance (percent)



Source: Unemployment benefit recipients and unemployed figures are from the Mongolian Statistical Information System of the National Statistical Office, www.1212.mn. Authors computed coverage rates as a share of recipients in total number of unemployed.

Contribution rates

Unemployment benefits in most countries are financed by employer and employee contributions. In Mongolia, the contribution rates are defined by the Law on Social Insurance and the Law on the Implementation Rules of the Social Insurance Law. Article 15 of the Law on Social Insurance regulates the social insurance contributions and payment period. In Mongolia, the contribution rate for unemployment insurance is 0.2 percent of wages, which is contributed in equal shares by workers and their employers. The contribution rate used to be 0.5 percent of wages contributed equally by workers and employers, but this was decreased to 0.2 by an amendment on October 25, 2012.

The social insurance contributions from employers and employees are paid to a unified Social Insurance Fund, which also receives budgetary subsidies. The fund is administered by the State Social Insurance General Office

(SSIGO), one of the key agencies of the Ministry of Social Welfare and Labor. The unemployment insurance fund also supports the costs of skills training and retraining for those receiving unemployment benefit.

While the contribution rates for unemployment insurance are not very high relative to those in the comparator countries, Mongolia has slightly higher total statutory social security contribution rates (26 to 28 percent) than the global average (20.4 percent). The International Social Security Association (ISSA) in partnership with the U.S. Social Security Administration (SSA) provides information on five different types of social security programs: (i) old age, disability, and survivors; (ii) sickness and maternity; (iii) work injury; (iv) unemployment; and (v) family allowances. Table 19 lists employee and employer contribution rates by country and program type.

Table 19: Social Security Contribution Rates by Type of Social Insurance, percent

Country / Contributor	Old age, disability, and survivors	Sickness and maternity	Accidents at work and occupational diseases	Unemployment	Family and household benefits	Total, all branches
Mongolia (compulsory insurance)						
Insured person	8.5	2	0	0.2	0.8	11.5
Employer	8.5*	2	0.8-2.8	0.2	1	12.5-14.5
Total	17	4	0.8-2.8	0.4	1.8	24-27
Standard comparators						
Armenia						
Insured person	c 2.5	a	A	...	0	c 2.5
Employer	0	0	0	...	0	0
Total	c 2.5	a 0	a 0	...	0	c 2.5
Azerbaijan						
Insured person	3	a	0	0.5	a	3.5
Employer	22	a	b	0.5	a	b 22.5
Total	25	a	b 0	1	a	b 26.0
Colombia						
Insured person	4	4	0	0	0	8
Employer	12	8.5	0.348	a, c	4	c 24.848
Total	16	12.5	0.348	a, c	4	c 32.848
Thailand						
Insured person	a 3	1.5	0	0.5	a	5
Employer	a 3	1.5	0.2	0.5	a	5.2
Total	a 6	3	0.2	1	a	10.2
Vietnam						
Insured person	8	0	0	1	0	9
Employer	14	3	0.5	1	0	18.5
Total	22	3	0.5	2	0	27.5
Aspirational comparators						
Kazakhstan						

Country / Contributor	Old age, disability, and survivors	Sickness and maternity	Accidents at work and occupational diseases	Unemployment	Family and household benefits	Total, all branches
Insured person	10	0	0	0	0	10
Employer	3.5	a, b	b	a	0	b 3.5
Total	13.5	a, b 0	b 0	a 0	0	b 13.5
Malaysia						
Insured person	11.5	0	0	0.2	...	11.7
Employer	13.5	b	1.25	0.2	...	b 14.95
Total	25	b 0	1.25	0.4	...	b 26.65
Russian Federation						
Insured person	0	0	0	0	0	0
Employer	22	2.9	0.2	0	a	25.1
Total	22	2.9	0.2	0	a 0	25.1
High aspirational comparators						
Australia						
Insured person	0	0	0	0	0	0
Employer	9.5	0	b	0	0	b 9.5
Total	9.5	0	b 0	0	0	b 9.5
Canada						
Insured person	5.1	a	0	1.62	0	6.72
Employer	5.1	a	c	2.268	0	c 7.368
Total	10.2	a	c	3.888	0	c 14.088
Estonia						
Insured person	2	0	0	1.6	0	3.6
Employer	20	13	a	0.8	0	33.8
Total	22	13	a 0	2.4	0	37.4
Korea, Rep.						
Insured person	4.5	a	0	0.65	...	5.15
Employer	4.5	a	0.7	0.9	...	6.1
Total	9	a	0.7	1.55	...	11.25

Source: ISSA 2018-2019.

Notes: This table provides an overview. Contribution rates are not directly comparable across programs and countries. The definition of earnings used to calculate contributions can vary and some rates are subject to contribution floors and ceilings. Contribution rates for self-employed persons and government funding are not represented. In some countries, only certain groups of employed persons, such as wage earners, are represented. When the contribution rate varies, either the average or the lowest rate in the range is used. In most cases, contribution rates for individual accounts do not include administrative fees. In most cases, contributions for medical benefits have been excluded. They are only included in Sickness and Maternity in countries where cash benefits and medical benefits are financed from the same contributions. Where two programs are financed in different ways or with different rates, either the aggregate rate is used or one rate for one program and a footnote for the other, if relevant. If an individual can choose whether to participate in two (or more) programs, the social insurance rate is shown. ... = not applicable a. All or certain benefits are financed under another program. b. Employers pay the total cost or provide benefits directly to the insured. c. Nonstandard financing. See country profile for specific information. d. The statutory program has not yet been implemented. * The social insurance premium rate was amended by the Mongolian Parliament effective from July 1, 2021.

In response to the COVID 19 pandemic, the government issued the Law on Exemption from Social Insurance Contributions and Support from the Unemployment Insurance Fund, which became effective on April 1, 2020. The amendment provided Mongolian citizens with certain discounts on their social security contribution rates. As a result, the contribution rates were lower between April 1, 2020 to July 1, 2021. However, on July 1, 2021, the normal rates were resumed, though the pension insurance premium was reduced from 9.5 to 8.5 percent.

Table 20: Changes in the Contribution Rates for Unemployment Insurance during COVID 19, percent

	Normal rate	Before April 2020	Reduced rates under COVID exemption	From April 2020 to June 2021	Normal rate as per the Amendment	From July 1, 2021
	Employer	Employee	Employer	Employee	Employer	Employee
Pension	9.5	9.5	8.5	8.5	8.5	8.5
Benefit	1	0.8	0	0	1	0.8
Health	2	2	2	2	2	2
Unemployment	0.2	0.2	0	0	0.2	0.2
Industrial accidents and occupational diseases	0.8 - 2.8	0	0	0	0.8 - 2.8	0
Total	13.5 - 15.5	12.5	10.5	10.5	12.5 - 14.5	11.5

Source: The Law on Exemption from Social Insurance Contributions and Support from the Unemployment Insurance Fund dated April 9, 2020 (effective from April 1, 2020).

All employees are required to contribute 11.5 percent of their gross monthly salary to the social security system. Employers are responsible for withholding employees' social security contributions and paying them to the Social Insurance Department on a monthly basis. Additionally, employers must pay their own SI contributions monthly, at a rate of between 12.5 to 14.5 percent depending on the sector in which the company operates.

Benefit duration

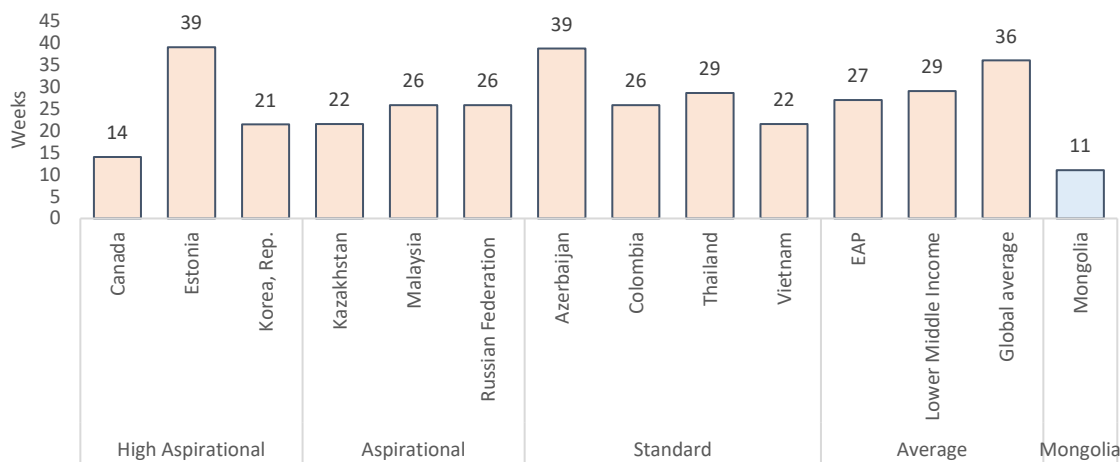
Under Article 19 of Convention No. 168, unemployment benefits should cover at least 26 weeks during each unemployment spell or 39 weeks over any two-year period. While the maximum duration tends to vary by country, it is often linked to the qualification requirements. Countries with "easy" conditions for qualification tend to provide benefits for only limited periods of time for those who qualify with minimum work effort (Carter et al., 2013). Conventions No.102 and No.168 recommend that unemployment benefits should be provided based on periodic payments (rather than as lump sums) as these have been proven to be more effective in protecting the unemployed.

Mongolia provides unemployment benefits for the shortest period of time compared to its comparator countries (Figure 17). Under Article 4 of the Law on Unemployment Benefit from the Social Insurance Fund enacted on July 5, 1994, the duration of the benefit, once the qualifying period requirement is met, is 76 days (around 11 weeks) irrespective of how long the worker had been employed.⁴⁶ This is less than the international standard of 26 weeks. During the financial crisis between August 1, 2009 and January 1, 2011, the government temporarily increased the duration of benefits from 76 to 126 days. However, before July 1, 2015, the benefit duration was only 40 days for workers who resigned voluntarily and for those who were laid off because of serious labor contract violations.

⁴⁶ The duration of benefits is the same for lay-offs and for voluntary resignations. Before July 1, 2015, the duration of benefits was shorter (40 days) than the current duration for voluntary resignations and for lay-offs due to serious labor contract violations.

In terms of international comparison, Vietnam provides extended benefits for workers who had longer tenure in their jobs, starting with three months of benefits after one year of employment, six months after three years, nine months after six years, and 12 months after 12 years.

Figure 17: The Duration of Unemployment Benefits after Five Years of Weekly Contributions by Country, number of weeks



Source: World Bank (2020a).

Note: Armenia has no unemployment benefit scheme. Australia's scheme has indefinite duration.

Level of benefit and qualification rules⁴⁷

To be eligible for unemployment benefit for the first time, an individual must have paid unemployment insurance contributions for at least 24 months and have continuously paid unemployment insurance contributions for the last nine months. An individual who has previously received the unemployment benefit is eligible if he or she has paid contributions for 12 months.

In Mongolia, the minimum unemployment benefit should not be less than 75 percent of the minimum wage as set by the National Tripartite Committee on Labor and Social Consensus.⁴⁸ The actual benefit rates, expressed as a percentage of the insured worker's average salary, depend on the worker's number of years of continuous employment and are set as a percentage of the worker's last three months' average salary or equivalent as follows:⁴⁹

- Up to 5 years of insured employment: 45 percent
- 5 to 10 years: 50 percent
- 10 to 15 years: 60 percent
- 15 and above: 70 percent.

⁴⁷ Note that this assessment was conducted in 2022. [The Law on Pensions and Benefits from the Social Insurance Fund](#) was amended in July 2023 and went into effect in January 2024. According to Article 9 of the revised law, a person who has paid unemployment insurance premiums for a total of 24 months or more, including the last 9 months before becoming unemployed, has the right to receive unemployment benefits. Article 10 also provides a reference on the amount of unemployment benefits, taking into account the period of contributions paid by the insured person. The unemployment benefit is provided for a period of 76 days for 50 percent of salary if the insurance premium is paid for 24-59 months, 55 percent if the insurance premium is paid for 60-119 months, 60 percent if the insurance premium is paid for 120-179 months, and 70 percent if the insurance premium is paid for 180 or more months.

⁴⁸ There is a ceiling on the maximum monthly wage, which is set equal to 10 times the minimum wage.

⁴⁹ Unemployed workers who qualify for UI benefits can receive vocational training or a retraining allowance.

If a worker terminates their employment contract voluntarily or if they have been relieved of their duties by their employer because of serious and repeated breaches of the labor code, 36 days of benefits will be deducted from their benefits and unemployment benefits are provided for only 40 working days.

In Mongolia’s comparator countries, the benefit rates also depend on the number of years of continuous employment, the number of years of contributions, or the length of unemployment spell (Table 21).⁵⁰ All of the countries provide benefits of at least 50 percent of the insured worker’s average salary. The income replacement rate, according to Article 15 of ILO Convention No. 168, should be at least 50 percent of the worker’s previous earnings. Some countries such as Kazakhstan set income replacement rates. Given that Mongolia provides workers with only 45 percent of their previous earnings for those with less than five years of employment, this is modest compared to the value of benefits provided by its comparator countries.

Table 21: Level of Benefits in Comparator Countries with Unemployment Insurance Systems

Country	Unemployment Benefits
Standard comparators	
Azerbaijan	50 percent of the insured’s average monthly earnings in the previous 12 months is paid with three to five years of contributions for up to nine months (up to six months if the insured receives the unemployment benefit for the first time); 55 percent with six to 10 years of contributions; and 60 percent with more than 10 years of contributions.
Thailand	If involuntarily unemployed, 50 percent of the insured’s average daily earnings in the highest paid three months in the 15 months before unemployment is paid for up to 180 days in any calendar year; if voluntarily unemployed, 30 percent of the insured’s average daily earnings in the highest paid three months in the 15 months before unemployment is paid for up to 90 days in any calendar year. The unemployment benefit is paid after a seven-day waiting period.
Vietnam	60 percent of the insured’s average monthly earnings in the six months before unemployment is paid for three months with 12 to 36 months of contributions, plus one month for each additional 12 months of contributions, up to 12 months. The benefit is paid after a 15-day waiting period.
Aspirational comparators	
Kazakhstan	A monthly benefit is paid based on the insured’s average monthly covered earnings in the last 24 months multiplied by the income replacement rate and the covered period rate. The income replacement rate is 0.3. The covered period rate is 0.7 with at least six but less than 12 months of coverage; 0.75 with at least 12 but less than 24 months; 0.85 with at least 24 but less than 36 months; 0.9 with at least 36 but less than 48 months; 0.95 with at least 48 but less than 60 months; or 1.0 with 60 or more months of coverage.
Malaysia	The benefit is paid for three to six months, depending on the number of contributions before unemployment. 80 percent of the insured’s average monthly earnings is paid for the first month of unemployment, 50 percent for the second month, 40 percent for the third month, and 30 percent for the fifth and sixth months (if applicable). The benefit is paid after a waiting period of seven calendar days. Average monthly earnings are the insured’s covered earnings in the last six consecutive months before unemployment began divided by the total number of months of contributions.
Russian Federation	75 percent of the insured’s average monthly wage is paid for the first three months, 60 percent for the next four months, 45 percent for the next five months, and thereafter (up to an additional 12 months) the local minimum subsistence level increased by a factor that varies depending on region.

⁵⁰ It is also important to note that many countries have other forms of unemployment protection such as non-contributory unemployment assistance to complement their unemployment insurance schemes (Asenjo and Pignatti, 2019).

Country	Unemployment Benefits
High aspirational comparators	
Canada	55 percent of the insured’s average weekly covered earnings is paid after a one-week waiting period for up to 14 to 45 weeks, depending on the number of hours worked in the qualifying period and the regional unemployment rate where the insured resides. For fishermen, the maximum duration of benefits is 26 weeks and fishermen can accumulate up to two claims per year.
Estonia	50 percent of reference earnings is paid for the first 100 calendar days; thereafter, 40 percent of reference earnings. The benefit is paid for 180 calendar days with up to 56 months of coverage; for 270 calendar days with 56 to 110 months of coverage; or for 360 calendar days with at least 111 months of coverage. The benefit is paid after a waiting period of seven calendar days.
Korea, Rep. of	50 percent of the insured’s average daily earnings in the three months immediately before unemployment is paid after a seven-day waiting period for up to 90 days to those with six to 12 months of coverage; for up to 240 days with more than 10 years of coverage and aged 50 or older or disabled.

Source: ISSA data, 2018-2019.

In summary, in Mongolia, there is a clear need to improve income support systems for unemployed workers. First, the current unemployment insurance scheme does not meet international standards. The eligibility criteria are rather strict in that they require workers to contribute for at least two years and to have been continuously employed for at least nine months before becoming unemployed. This requirement would limit access to unemployment insurance benefits for workers affected by seasonal unemployment or in other types of short-term employment (Carter et al., 2013).

Second, the benefits for workers with less than five years of employment are below the ILO minimum standard of 50 percent replacement rate, and the duration of the benefit payments is only 76 days compared to the minimum of 26 weeks recommended in the ILO convention. Third, the share of the unemployed who receive benefits is relatively low, with only 24 percent having received unemployment benefits in 2020. Moreover, the unemployment insurance system excludes herders and the self-employed.

12. Legal Protections for Female Workers and Vulnerable Groups

Several laws and regulations affect women's participation in the labor market and result in wage gaps between men and women (World Bank, 2015; Batchuluun, 2021). These laws include those affecting women’s decisions to enter the labor market, those that protect against discrimination and sexual harassment in the workplace, and those affecting occupational segregation, wage gaps, or pensions (World Bank, 2021). The ILO has eight Conventions that lay out the fundamental principles governing equal rights, equal remuneration, and non-discrimination at work (see Box 10 below). Globally, 173 countries have ratified ILO Convention 100 on Equal Remuneration, while 175 have ratified ILO Convention 111 on Discrimination (Employment and Occupation) (Kuddo, 2018). Both conventions require ratifying states to ensure that men and women workers receive equal remuneration for work of equal value.

Box 10: Legal Protections for Female and Vulnerable Workers

Equal Remuneration Convention of 1951 (No. 100)

- “Each Member shall, by means appropriate to the methods in operation for determining rates of remuneration, promote and, in so far as is consistent with such methods, ensure the application to all workers of the principle of equal remuneration for men and women workers for work of equal value... For the purpose of this Convention (a) the term remuneration includes the ordinary, basic or minimum wage or

salary and any additional emoluments whatsoever payable directly or indirectly, whether in cash or in kind, by the employer to the worker and arising out of the worker's employment; (b) the term equal remuneration for men and women workers for work of equal value refers to rates of remuneration established without discrimination based on sex." (Article 1).

Discrimination (Employment and Occupation) Convention of 1958 (No. 111)

- "Discrimination consists of any distinction, exclusion, or preference made on the basis of race, color, sex, religion, political opinion, national extraction, or social origin that has the effect of nullifying or impairing equality of opportunity or treatment in a worker's employment or occupation."
- "Each Member for which this Convention is in force undertakes to declare and pursue a national policy designed to promote, by methods appropriate to national conditions and practice, equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination in respect thereof."

Gender

In Mongolia, the Labor Law prohibits discrimination in employment based on gender. Article 6.1 of the new Labor Law states that "Any direct or indirect discrimination, restriction of rights, granting of privileges based on nationality, ethnicity, language, race, age, sex, social origin, social and marital status, wealth, religion, opinion, political opinion, membership in a trade union, health status, pregnancy or childbirth, sexual and sexual orientation, expression, disability, appearance, is prohibited." In addition, "an employer shall be obliged to create conditions to be free from discrimination in employment and labor relations" (Article 6.3). The same provision existed in the old law (Article 7). Across the globe, more than 80 percent of economies have laws prohibiting gender discrimination in hiring.

The new Labor Law also prohibits employers from firing women workers who are pregnant or absent for maternity leave. According to Article 135.1, termination by the employer of the employment relationship of a mother (or single father) with a child under 3 years of age and pregnant woman is generally prohibited except for certain cases as follows:

- If the employee has repeatedly committed a labor disciplinary violation or has committed a serious violation specified in the employment agreement as grounds for immediate termination of the employment relationship (Article 81.1.4).
- If it has been established that the employee responsible for the integrity of the employer's money and property or authorized to dispose of it has committed a wrongful act or omission that has lost the employer's trust (Article 81.1.5).
- If it has been established that the employee forged documents proving his or her education, profession, or qualification level at the time of hiring (Article 81.1.6).
- In situations where the business entity or organization is being liquidated.

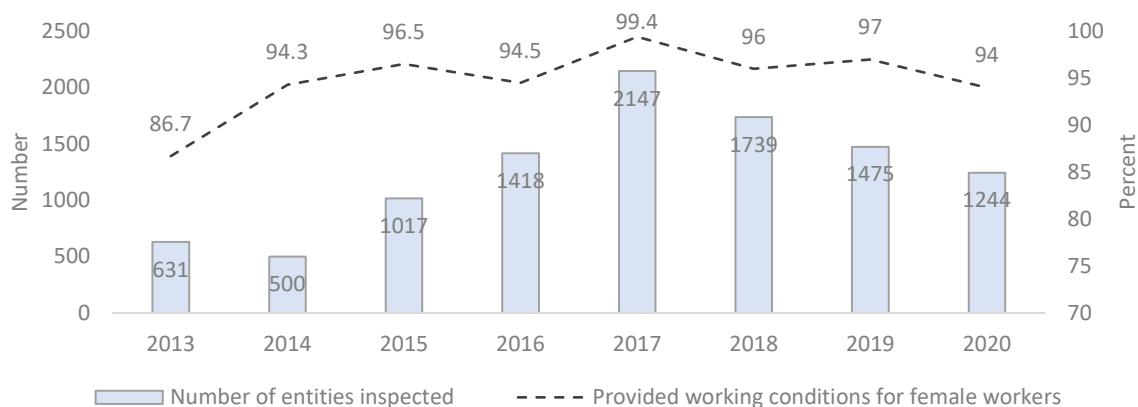
Mongolia also has legislation prohibiting sexual harassment in employment. The Law on the Promotion of Gender Equality, Article 11.4 stipulates that "In order to prevent and keep the workplace free of sexual harassment and to maintain zero tolerance of such harassment, an employer shall take the following measures: (1) incorporate in organization's internal procedures specific norms for prevention of sexual harassment in a workplace and the redress of such complaints; (2) design and conduct a program on training and retraining geared toward creating a working environment free from sexual harassment, and report on its impact in a

transparent manner.” Article 7 of the new Labor Law also prohibits “harassment, violence, and sexual harassment in employment and labor relations”.

The legislation also mandates equal remuneration for work of equal value. Article 102 of the new Labor Law describes “principles for determining wages” that include “not to discriminate on the basis of sex or other grounds (102.1.4).” Among Mongolia’s comparator countries, Armenia, Azerbaijan, Chile, Colombia, Malaysia, the Russian Federation, Kazakhstan, and Korea, Rep. have no legal provisions that mandate equal remuneration for work of equal value. Out of 190 countries, 95 have no such laws⁵¹ despite the ILO’s international convention on equal remuneration.

In practice, despite Mongolia’s clear legal requirements, some employers still do not ensure favorable working environments for women. According to GASI data, just under 10 percent of the inspected entities did not provide appropriate working conditions for women (Figure 18).

Figure 18: Compliance with the Requirement to Provide Favorable Working Conditions for Female Employees



Source: Data obtained during the interview with Mr. Erdenetugs at GASI. The compliance rate is the percentage of inspected entities that provide appropriate working conditions for female workers set out by the law.

Regarding laws affecting the size of women’s pensions, the legal ages at which men and women can retire with full pension benefits are different but the ages will gradually become equal for men and women. According to the Law on Pensions and Benefits from the Social Insurance Fund, dated July 2023 and enacted in 2024, the full retirement age is 60 for men born in 1957 and earlier, and 55 for women born in 1962 and earlier. For men and women born henceforth, the retirement age gradually increases by 3 months until it reaches 65. For men born in 1977 and later and women born in 2002 and later, the retirement age is 65 (Article 5.3).⁵²

⁵¹ The Women, Business, and the Law survey indicator “Whether the law mandates equal remuneration for work of equal value” assigns a score of 1 to a country if employers are legally obliged to pay equal remuneration to male and female employees who perform work of equal value in accordance with these definitions. A score of 0 is assigned if the law limits the principle of equal remuneration to equal work, the same work, similar work, or work of a similar nature. A score of 0 is also assigned if the law limits the broad concept of “remuneration” to only basic wages or salary or if the law limits the principle of equal remuneration for work of equal value to the same place of business or the same employer.

⁵² For example, for a male born in 1958, the age will be 60 years and 3 months, and for a female born in 1963, it will be 55 years and 3 months.

Requiring women to retire earlier than men can increase the gender gap in pension levels and decrease women’s incomes in old age (Chłoń-Domińczak, 2017). Hence, the current provision made positive progress toward improving the size of women’s pension.

To sum up, Mongolian law contains strong protections for women workers, including pregnant women. However, 10 percent of inspected employers are still not adhering to these provisions in terms of providing a favorable working environment for women.

Table 22: Gender Protection Laws in Mongolia and Comparator Countries

Gender protection laws	Mongolia	Comparator countries without this provision
Does the law prohibit discrimination in employment based on gender?	Yes	Malaysia
Are there any criminal penalties or civil remedies for sexual harassment in employment?	Yes	Armenia, Chile, Kazakhstan, Malaysia, the Russian Federation
Is there any legislation on sexual harassment in employment?	Yes	Armenia, Kazakhstan, the Russian Federation
Does the law mandate equal remuneration for work of equal value?	Yes	Armenia, Chile, Malaysia, Russian Federation, Kazakhstan, Azerbaijan, Colombia, Korea, Rep.
Is dismissal of pregnant workers prohibited?	Yes	Malaysia

Source: World Bank (2022).

Employing persons with disabilities

Mongolia has legal protections for employees with disabilities. Article 144 of the new law states that a business with 25 or more employees should have at least 4 percent of its total number of employees be persons with disabilities. If the entity does not employ any persons with disabilities, they need to pay a penalty equal to the minimum wage monthly to the Employment Support Sub-Fund monthly until they meet the requirement. However, employers can get an exemption from these penalties if they support the activities of persons with disabilities and their family members who provide them with ongoing care by regularly purchasing goods, products, and services from them. The old law had similar provisions. Article 111 specified that an employer had to ensure that at least 3 percent of their workforce consisted of disabled persons or dwarfs unless it was impossible to do so because of the nature of the employer’s business.

Box 11: Employing Persons with Disabilities

Article 144 of the new law deals with the employment of persons with disabilities as follows:

- 144.1. An employer shall be obliged to provide a person with a disability with an employment opportunity by providing him/her with appropriate materials specified in the Law on the Rights of Persons with Disabilities.
- 144.2. A business entity or organization with 25 or more employees, regardless of the type and form of ownership, shall employ a person with disabilities in at least 4 percent of its total number of jobs.

- 144.3. If a business entity or organization does not employ a person with disabilities as specified in 144.2 of this Law, the amount of payment for each position to be employed shall be equal to the minimum wage and this payment shall be paid monthly to the Employment Support Sub-Fund.
- 144.4. An employer who has provided support to a person with a disability or a family member with a disability by regularly purchasing goods, products and services produced by a person caring for him/her at home may be exempted or reduced from the payment specified in 144.3 of this Law.
- 144.5. The Government shall approve the procedure for reduction and exemption of payments specified in 144.3 of this Law. These fees will be used only to support the employment of persons with disabilities, and the collection, spending and benefits will be reported annually to the public through the media.
- 144.6. It is prohibited for an employer to terminate the employment relationship of a person with disabilities without providing him/her with the appropriate tools specified in 144.1 of this Law.
- 144.7. Receipt of a pension or allowance by a person with disabilities shall not serve as grounds for reducing his/her salary or restricting other rights specified in this law.
- 144.8. If an employee caring for a person with disabilities requests, the employer shall take possible measures to create conditions for him/her to work from home, remotely, or part-time.

Employing elderly workers

Mongolia also provides legal protection for older workers. According to Article 145 of the new law, “if an employee is receiving an old age pension, this should not be grounds for reducing his/her salary or restricting other rights specified in this law.” The article also recommends that employers should consider allowing elderly employees to adjust their working hours or work part-time if they request this and, if necessary, transferring them to another job that does not adversely affect their health. The same provisions were in the old law (Article 112).

Employing minors

Article 4.1.6 of the new law defines a “minor employee” as a person under the age of 18 who is participating in an employment relationship, and Article 142 prohibits employers from hiring workers under the age of 15.⁵³ If an employer hires a person between the ages of 15 and 18, this must be agreed between the employer, the minor, and the minor’s legal representative (parents, guardians, or custodians) (Article 142.7 of the new law). These provisions are similar to those contained in the old law (Article 109, Employment of minors).

In summary, the new law introduced more protections for the elderly, disabled persons, and young workers. Regarding the hiring rules for the disabled, the law gives employers an option to support the disabled in other ways instead of paying the penalty if they cannot hire them.⁵⁴ The government can also make efforts to remove other barriers for persons with disabilities such as providing them with skills training and education and changing social perceptions that persons with disabilities are incapable of working. These efforts would enhance employers’ compliance with the quota system.

⁵³ In some cases that are specified in Articles 142.3 and 142.5 of the new law, a person aged 13 to 15 can work. Article 142.3 states that: “A person aged 13-15 with a permit from a legal representative (parents, guardians, custodians) shall be allowed to work in a workplace that meets labor safety and hygiene requirements, provided that it does not adversely affect the health and development of the child or impede learning. Article 142.4 states that: “The member of the Government in charge of labor matters shall determine the types of light work and employment conditions that a person over 13 years of age may engage in.”

⁵⁴ Article 144.4 specifies that “an employer who has provided support to a person with a disability or a family member with a disability by regularly purchasing goods, products, and services produced by a person caring for him/her at home may be exempted or reduced from the payment specified in 144.3 of this Law.”

Table 23: Changes in the Provisions Regarding Elderly Workers, Minors, and Persons with Disabilities

	New law	Old law
Number of employees with disability that should be hired by employers	At least 4 percent of its total number of employees	At least 3 percent of its total number of employees
The amount of penalty for not hiring employees with disabilities	The minimum wage for each position	Determined by the government
Minimum age of employment	16 years old	16 years old
Employment of the elderly	If an employee is receiving an old age pension, this should not be grounds for reducing their salary or for restricting their other rights as specified in this law.	If an employee is receiving an old age pension, this should not be grounds for reducing their salary or for restricting their other rights as specified in this law.

Source: Mongolian Labor Law.

13. Labor Inspection and Compliance

In Mongolia, MLSP is the central authority responsible for all labor issues including supervising inspectors and issuing rules for labor inspection, while the General Agency for Specialized Inspection (GASI) is responsible for the implementation and enforcement of the Labor Laws. GASI’s labor inspectors are under the administrative supervision of local governors and are structurally independent of the MLSP. As a result, the MLSP has limited authority over the enforcement of the Labor Law.

Under Article 161 of the new Labor Law, labor inspectors are responsible for supervising the implementation of the Labor Law. They have an obligation to inspect employers to ensure their compliance with labor regulations governing working conditions, workers’ rights, working hours, wages, occupational safety and hygiene, social protection and child labor. Moreover, they are required to monitor the work environment to ensure that it is free from discrimination, harassment, violence, and sexual harassment.

The inspections can be either planned as a result of a risk assessment by GASI (planned inspections are carried out on an annual schedule) or unplanned in response to complaints and requests received by employees or third parties such as a trade union (ILO, 2020). In both cases, inspectors must notify the businesses to be inspected before they carry out the inspection. For unplanned inspections, all employees who file complaints must disclose their names to the public and identify themselves, and the inspectors must notify the business two to five days in advance. Article 5.6 of the Law on State Inspection states that “before the inspection starts, the inspector should introduce the purpose of the inspection and the inspection team give a copy of the inspection guidelines and the inspection sheet to the authorized officials of the entity.” The inspectors provide the business with guidelines about inspection procedures, and if the inspection is based on a complaint received from employees, the complaint should be attached to the guidelines sent to the business. The labor inspector has a right to access all documents and data in the inspected businesses (Article 4, the Law on State Inspection).

Inspectors can impose fines on employers for failure to comply with the country’s labor laws. If the inspected employers do not follow the inspector’s order, the next step is to file a case in the competent district court under the Infringement Law. Labor inspectors conduct their inspections using a “labor relations” checklist (ILO, 2020). The types of questions included in the checklist include whether the employer has issued employment contracts for its employees, paid the appropriate remuneration, provided adequate working conditions and wages not lower than the statutory minimum wage, paid for annual leave, and paid benefits to their fired employee.

According to GASl, before the COVID-19 pandemic, between 2,000 and 3,000 entities were inspected annually. However, in 2020 and 2021, the number of inspections fell to 1,000 to 2,000 annually.⁵⁵ Currently, GASl has 155 inspectors, of whom 85 are registered as inspectors for labor laws. Relative to its comparator countries, Mongolia has a similar ratio of labor inspectors to employees.

Table 24: Ratio of Labor Inspectors to Employees by Country

Country	Number of inspectors (2020)	Number of employees (thousands) (2020)	Number of paid employees for each labor inspector (thousands)
Azerbaijan	182	1,502.5*	8.3
Mongolia	83	693.0	8.3
Korea, Rep.	2,290	19,589.0	8.6
Thailand	1,889	18,606.8	9.9
Colombia	845	9,702.5	11.5
Chile	467	5,983.7	12.8
Armenia	28	530.2	18.9

Source: Child Labor & Forced Labor Reports, US Bureau of International Labor Affairs, ILO STAT: For Korea, Rep, National Statistical Office; Ministry of Employment and Labor.

Note: * The data on the number of employees in Azerbaijan are from 2015. Employees are all workers who hold paid employment jobs. Table 24 shows only countries that have the data on labor inspectors.

In the case of planned inspections, which cover only occupational health and safety issues, GASl classifies businesses according to their risk of accident and hazard and schedules an inspection only of those classified as high risk. These high-risk businesses totaled about 25,000 in 2021. Both the central and local professional inspection organizations draw up annual inspection plans based on GASl’s risk assessment and these plans are submitted to the state central inspection for approval (Article 5.1, the Law on State Inspection). Each inspection organization must inform businesses about an inspection at least five days prior to the inspection via post, phone, or in person.

Not all violations of the labor law can be fully detected by these planned inspections, which is why the law allows for unplanned inspections in response to complaints from employees or third parties.⁵⁶ As planned inspections cover only occupational health and safety issues, violations of the Labor Law cannot be fully detected unless there are complaints from employees or third parties. However, because the law requires employees who file complaints to identify themselves, employees are often reluctant to make a complaint.

At the time when the research for this paper was being carried out, the inspectors still used checklists developed under the old Labor Law, but this is now being revised to reflect the new Labor Law. According to the GASl labor inspection sheet, labor inspectors were supposed to determine if fired employees were being paid benefits, if the business’ hiring and firing decisions followed the Labor Law (Article 5.1, 38, 39, 40, 41 of

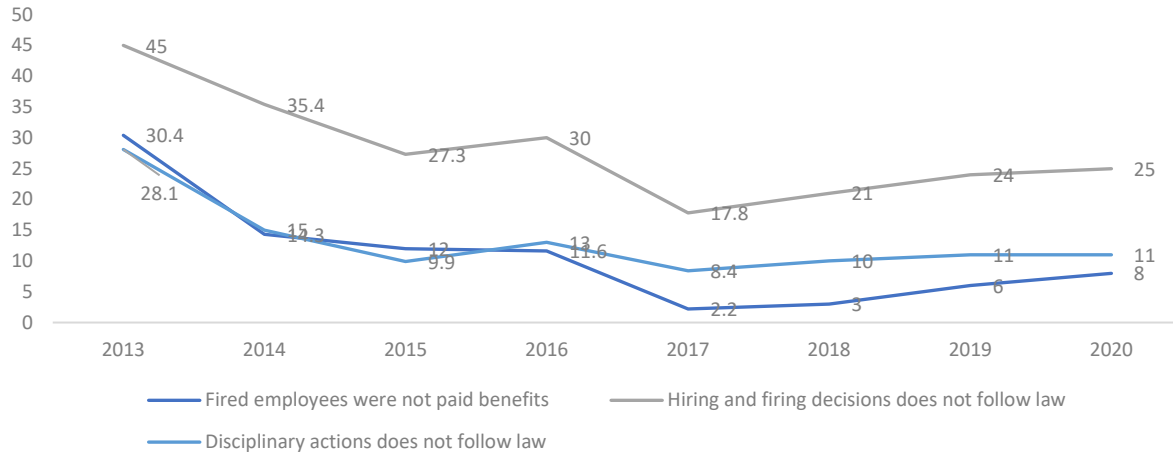
⁵⁵ According to Article 161.2 of the new law, unless otherwise provided by law, trade unions and non-governmental organizations specialized in labor relations can monitor the implementation of the law in accordance with their authority. The Confederation of Mongolian Trade Unions (CMTU) received about 3,000 complaints in 2021 and provided consultations.

⁵⁶ From 2001 to 2006, 60 to 70 percent of total inspections were planned inspections, 4 percent were inspections following accidents, and 8.5 percent are inspections made on tracking complaints (Nyam, 2006).

old Labor Law), and if any disciplinary actions taken by the business followed the law (Article 131 of old Labor Law).

Figure 19 shows the results of inspections for the period between 2013 and 2020. The compliance rates for hiring and firing decisions were low, with 25 percent of the inspected businesses violating the law in 2020.

Figure 19: Rate of Non Compliance with the Labor Law, percent



Source: Data obtained during the interview Mr. Erdenetugs at GASI.

Note: The compliance rate is the percentage of inspected businesses that did not comply with the regulations of the Labor Law.

Box 12: International Conventions on Labor Inspections

ILO's Labor Inspection Convention of 1947 (No.81)

Countries need to maintain a system of labor inspection in industry and trade. Article 3 states that the functions of the system of labor inspection should be:

“(a) to secure the enforcement of the legal provisions relating to conditions of work and the protection of workers while engaged in their work, such as provisions relating to hours, wages, safety, health and welfare, the employment of children and young persons, and other connected matters, in so far as such provisions are enforceable by labor inspectors; (b) to supply technical information and advice to employers and workers concerning the most effective means of complying with the legal provisions; (c) to bring to the notice of the competent authority defects or abuses not specifically covered by existing legal provisions.”

Article 18 states that adequate penalties for violations of the legal provisions enforceable by labor inspectors and for obstructing labor inspectors in the performance of their duties shall be provided for by national laws or regulations and effectively enforced.

Labor Inspection (Agriculture) Convention of 1969 (No. 129)

Countries are required to establish and maintain a system of labor inspection in agriculture. The functions of the system are to enforce the relevant legal provisions relating to conditions of work and protection of workers, inform and advise employers and workers on how to comply with the laws, and to advise competent authorities on defects and violence not specifically provided for in existing law.

Box 13: Mongolia's Dispute Resolution System

There are two types of labor disputes covered by the new Labor Law. Article 4.1.16 defines a "labor rights dispute" as a difference of opinion between the parties related to the implementation of labor legislation, all types of collective agreements, collective bargaining agreements, employment contracts and internal labor norms, or interpretation of these norms. Article 4.1.1 defines a "labor interest dispute" as a difference of opinion between the parties arising in connection with the conclusion of a collective bargaining agreement, conclusion or amendment of all types of collective agreement or collective bargaining agreement, or amendment of an employment agreement.

The new law introduced changes in the mechanisms and procedures for resolving labor rights disputes. According to the law, every entity and organization with 20 or more workers should establish a permanent commission to resolve labor rights disputes (Article 156, 1). For companies with less than 20 employees, the establishment of such a commission is optional (Article 156, 2). The Labor Rights Dispute Settlement Commission must consist of an employer and a trade union of a business entity or organization, or, in the absence of such an organization, an equal number of employees elected by the general meeting of employees (Article 156.3).

The Labor Rights Disputes Settlement Commission is responsible for managing the conciliation process in individual labor rights disputes. The disputing party has the right to appeal to the commission at the business entity or organization. For those companies that have not established a Commission or have disputes between "individuals," the parties can apply to the Soum and District Labor Rights Dispute Settlement Committee (Article 154.2), within the period specified below starting from the date on which the disputing party knew or should have known about the violation of his/her labor rights.

154.2.1. Within 30 days from the date of receiving the employer's decision to terminate or terminate the employment relationship, transfer to another job, or switch to another job;

154.2.2. For labor rights disputes that are not covered by 154.2.1, within 90 days.

In the event that the disputing parties do not agree with the decision of the Tripartite Settlement Committee, they may file a lawsuit in Civil Court within 10 working days of receiving the decision. Labor Rights Dispute Settlement Committee is a committee with a function of pre-settlement of labor rights disputes, stipulated in Article 4.1.16 of the Labor Law. According to the Rule of Labor Rights Dispute Settlement Committee (approved by Government Resolution No.153, 2022), entities with more than 20 employees shall establish a permanent labor rights dispute settlement committee with representations from employers and trade unions.

Previously, under the old Labor Law, it was not mandatory for employers to establish a Labor Rights Disputes Settlement Commission (under the Rule Establishing the Labor Dispute Settlement Commission, attachment No. 2 to Government Resolution No. 122 of 1999). As a result, employers rarely established such a commission, meaning that labor disputes could not be resolved within the workplace.

In some labor rights disputes, the court directly reviews and resolves cases that have not been through a preliminary conciliation settlement process. According to Article 158, these cases include the case of a worker disagreeing with the decision by the Commission, an employer's claim for compensation for property damage caused by the employees, an employee's complaint that the collective agreement, collective bargaining agreement, terms of the employment agreement, or internal labor norms violate the labor law, a complaint about parties failing to comply with the decision, and other disputes specified in the legislation.

While workplace-based commissions are responsible for the preliminary resolution of labor rights disputes, in the case of labor interest disputes, the new Labor Law requires the parties to first negotiate toward an agreement and make every effort to resolve the dispute (Article 147). If the parties fail to reach an agreement, the dispute must go to a labor mediator.

If a labor rights dispute cannot be resolved with the participation of a labor mediator, the disputing party can apply to the Tripartite Labor and Social Partnership Committee to resolve the dispute through formal labor arbitration (Article 151.1). The relevant Tripartite Labor and Social Partnership Committee then establishes a labor

arbitration panel consisting of three arbitrators to consider the dispute within three working days after receiving the request. The decision of the labor arbitration panel is final with no opportunity to appeal (Article 151.1). The disputing party should not appeal to the court unless there is cause for concern that the labor arbitration procedure has been violated.

The current inspection system needs to be improved in several areas. First, the lack of authorization to conduct unannounced inspections limits the enforcement of the Labor Law. The Law on State Inspection prohibits inspections without prior notification to employers, but the new Labor Law gives labor inspectors the right to access businesses without prior notice. This is contradictory, and these legal provisions are not aligned with ILO Conventions No. 81 and No.129, which do not require prior notification to employers of an inspection.

Second, labor inspections for compliance with the Labor Law (except for occupational health and safety) are conducted in response to requests or complaints received from individuals and legal entities.⁵⁷ The individuals who file complaints must disclose their names to the employer, which discourages employees or third parties from making such inspection requests.

The inspections are further limited by a lack of administrative capacity. There has been limited coordination and institutional arrangements between the MLSP and GASl to implement labor inspections. MLSP is the central authority responsible for all the labor issues, while GASl has professional control over the implementation and enforcement of the labor legislation. GASl's labor inspectors are under the administrative supervision of local governors and are structurally independent of MLSP. As a result, the MLSP has limited authority over the enforcement of the Labor Law.

The labor inspection system needs further legislative strengthening. First, the Law on State Inspection needs to be changed to remove the requirement to give employers advance notice before inspections in order to make it consistent with the new Labor Law.⁵⁸ Second, the identity of any complainants concerning the violation of labor regulations must be kept confidential so as not to discourage employees to come forward and to make inspections more effective. The ILO's Conventions No. 81 and No. 129 recommend that labor inspectors should keep the source of any complaint confidential and should not notify the employer that an inspection was made as a result of such a complaint. While amending the legislation will take time, the government should step up its efforts to ratify these ILO conventions (No. 81 and No. 129).

Enforcement could be improved by increasing both administrative capacity of GASl and its financial allocations. Inspections should be carried out more frequently, not only in response to requests or complaints from individuals and legal entities.⁵⁹ Allocating more resources should be considered to increase the number of registered labor inspectors and train them to ensure they have sufficient knowledge and capacity for enforcing the legal provisions.⁶⁰

⁵⁷ Article 5 of the Law on State Inspection.

⁵⁸ A draft law on the "Temporary Suspension of Certain Types of State Inspection Activities" was introduced in parliament on March 25, 2022. Currently, the draft law has been referred to the Standing Committee on State Structure. The draft law proposes a temporary suspension of scheduled inspections for three years. Unscheduled inspections without advance notice to the entity will be conducted if there are complaints, requests, or petitions from citizens, entities, and organizations. Moreover, if a violation occurs during the unscheduled inspection, the draft law advises sending a formal request of an advisory and warning nature at first.

⁵⁹ Article 16 of ILO Convention No. 81.

⁶⁰ The number of inspectors can be determined by country-specific criteria (ILO, 2020). In Mongolia, there were 85 registered labor inspectors in 2020. This means there was one inspector for every 14,000 employed people or for every 8,300 waged worker.

The information collected during inspection visits should be stored and updated in an information system shared by the MSLP and GASI.⁶¹ The frequent exchange of information would allow for the monitoring and analysis of labor inspection data and for any necessary readjustments of labor policies and inspection systems.

While the new Labor Law greatly has expanded legal coverage and provisions, more clarity about particular legal requirements is needed to ensure enforcement in areas such as roster shifts. The MLSP could either continue updating the relevant regulations in line with the new Labor Law or create secondary legislation. Finally, the MLSP can continue cooperating with other relevant ministries and with the Confederation of Mongolian Trade Unions (CMTU) and the Mongolian Employers Federation (MONEF) to provide training for both workers and employers to enhance their awareness of their legal obligations.⁶²

14. Policy Recommendations

Our review of the labor regulations suggests that the Mongolian Labor Law is largely in line with international standards and practices in other comparator countries. The new Labor Law added more protections for workers, which increased its alignment with international standards. However, there is room to make labor market regulations more effective through better enforcement and improve protection for workers by reforming unemployment insurance. Table 25 summarizes overall findings and policy recommendations for each area of the regulations.

Table 25: Overall Findings and Policy Recommendations

Areas	Overall findings and recommendations
Fixed-term contract	<p>The Mongolian labor law adds some limits on the use of fixed-term contracts (FTCs). An employment contract should now be indefinite except for certain types of work. When the total term becomes more than two years, the contract should be considered as an indefinite employment agreement. Most countries allow employers to use fixed-term contracts for permanent tasks and allow a longer maximum contract length of up to 5-10 years.</p> <p>The new law incorporates some of the recommendations under ILO Convention No. 158 (Termination of Employment Convention), including the provision of adequate safeguards against unjustified dismissals for workers with employment contracts for a specified task or period of time. This new provision also respects Recommendation No. 166, under which FTCs should be deemed as having contracts of employment of indeterminate duration when they are employed to perform permanent tasks or when the cumulative duration of employment exceeds a specified amount of time.</p> <p>While the reform increased workers' protection by more closely approximating the international standards, the change in fixed-term contracts could affect the flexibility of labor markets. In some cases, fixed-term jobs can be beneficial for young or inexperienced workers as they can be an alternative to unemployment or can be a stepping stone from a temporary to a permanent job.</p> <p>The government should monitor the potential labor market impacts of these changes and adjust the rules when needed. If the contracts are combined with training (either formal</p>

⁶¹ Effective cooperation between the labor inspection services and other government services is a key principle under the ILO Convention No. 81 and No. 129.

⁶² According to the new Labor Law (Article 161.2), trade unions and non-governmental organizations can monitor the implementation of the law and the application of laws. Trade unions or other workers' representative organizations can be involved in the application of labor regulations by helping workers to understand their rights or to submit complaints if their rights are violated.

Areas	Overall findings and recommendations
	<p>apprenticeships or systematic firm-related training), this measure could help workers to transition from temporary to permanent contracts.</p>
<p>Non-standard employment</p>	<p>The new Labor Law has enhanced protections for workers in non-standard employment. The new law defines terms and regulations for part-time, remote, and home-based work, and employment agreements between an individual employer and assistant herders, home service workers, or similar employees. These provisions were not included in the old law.</p> <p>This reform is important given the rise in non-standard work or telework arrangements since the COVID-19 pandemic. The classification of employment relationships determines workers' access to labor rights and social security systems associated with "standard employment" and remains an essential gateway to social protection in most legal systems.</p> <p>While the new law expanded legal coverage, the rights and working conditions of workers in non-standard employment cannot be fully protected unless compliance with the law can be monitored. Workers in non-standard employment are often in insecure employment situations (ILO, 2016a). They tend to earn less than standard workers and have limited control over their working hours. They also face significant occupational safety and health risks. Workers in non-standard employment often are outside the official registration system and have little knowledge of labor rights (RILSP, 2021). Therefore, the government should strengthen the monitoring and enforcement of the labor law (see Section 13 on labor inspections and compliance).</p>
<p>Probationary period</p>	<p>Mongolia's statutory probationary period is similar to the global average. During the probationary period, employment provisions such as protection against unfair dismissal or severance pay rules are not applied to workers. Therefore, setting a maximum number of probationary periods could be important to mitigate the risks of misusing them (Kuddo et al., 2015). Mongolia has introduced a maximum number of renewals of trial periods (one). In addition, the new law has defined a salary for a probationary employee, which the old law did not do.</p> <p>Some other countries also have exemptions for specific groups (for example, persons with disabilities and pregnant women) to mitigate the abuse of the probationary period. In Mongolia, the probationary contract is prohibited for seasonal work or temporary jobs. Overall, Mongolia increased protections for workers' rights and employment conditions during probationary periods.</p>
<p>Working hours</p>	<p>The Labor Law follows international standards. The new law adds more protections and benefits for employees who work during non-regular working hours. It set a maximum number of daily working hours in line with international standards. This is positive progress since this is crucial for maintaining the health and well-being of workers while providing greater clarity and consistency in the remaining articles under the Labor Law. In addition, the new law states that the compensation for night work should be 1.2 times the average salary.</p> <p>A new term, "roster work," was introduced in the new law. Employers in the mining and quarrying sector that place employees in remote locations outside their permanent residence may use "roster work." The law stipulates that employees doing this work should have 14 days of work per rotation and 14 days of rest.⁶³</p> <p>However, even if the Labor Law determines the limits of working hours or provides for overtime pay, in reality, Mongolian employees tend to work overtime, and there are some</p>

⁶³ Article 92.4 of the Labor Law. The law also suggests that the duration of the working day for an employee working in a roster shift should not exceed 12 hours (Article 92.3), and the work of employees working in roster shifts, their hours of rest, and the allowance paid for working roster shifts should be determined by collective agreements and collective bargaining agreements (Article 92. 8).

Areas	Overall findings and recommendations
	<p>limitations to compliance with and the enforcement of overtime compensation. For example, 58.6 percent of employees who worked during rest days or public holidays were not paid extra compensation in 2019 (See Section 6 on working hours). The government needs a combination of measures to increase compliance.</p>
Leave	<p>Mongolia allows workers to take an appropriate length of annual leave in line with international standards. The new Labor Law gives more clarity to workers' eligibility for annual leave. It added a statement that any employee who has worked for at least six months can benefit from annual leave.</p> <p>Moreover, paid paternity leave for fathers has been introduced in the new law. Mongolia has a reasonable length of maternity and paternity leave compared to practices by other countries.</p> <p>Employers need to grant parental leave if a mother or father with a child under 3 years of age submits such a request.⁶⁴ The length of permitted leave for parents with children under the age of 3 is longer than the global average (around 399 days). Employers are prohibited from terminating the employment of a pregnant woman or of a mother or single father with a child under the age of 3.⁶⁵ This extended leave may encourage women to remain outside the labor market and may mean that they face barriers to returning to their jobs later or that they earn lower wages because their skills have become outdated. Moreover, it may increase the costs of hiring and firing women, making employers more reluctant to employ women for highly paid jobs. It is important for the government to examine the impacts of longer leaves on women's economic outcomes and make adjustments when needed.</p>
Minimum wages	<p>The ratio of the minimum wage to the value-added per worker is not too high compared to international practices. Regarding the adjustment of the minimum wage, the National Tripartite Committee on Labor and Social Consensus follows the ILO's recommendation to reexamine them every two years. The committee has made efforts to regularly adjust the minimum wage through negotiations with other national organizations based on economic factors such as the cost of living.</p> <p>While the majority of the inspected businesses tend to comply with the legal minimum wage, a fraction of workers still earns less than the minimum wage. However, it is important to note that inspections are conducted only when employees make requests. Violations of the minimum wage cannot be fully detected unless there are complaints from employees or third parties, but as the name of requesters must be disclosed to employers, there is little incentive for employees to make such requests.</p> <p>The government needs to introduce a system of regular inspections instead of inspections based on requests. The government should make efforts to increase public awareness of minimum wage regulations and levels so that workers can claim their rights.</p>
Dismissal procedures	<p>The new Labor Law adds requirements for how employers should handle mass dismissals and specifies criteria that must be met. In the event of mass dismissals, the new law requires employers to notify the local labor authority in writing about their decision at least 30 days in advance. The employer also needs to negotiate with employee representatives to reduce the number of layoffs, to transfer some employees to vacant positions, to create new jobs, to re-hire them when new positions open, and to provide them with termination benefits. Under the new Labor Law, employers need to reemploy the affected workers within one year after the dismissal if they meet the requirements for new jobs or positions. In addition, in the case</p>

⁶⁴ Article 139 of the Labor Law.

⁶⁵ Articles 60 and 135 of the Labor Law.

Areas	Overall findings and recommendations
	<p>of the liquidation of a business, organization, branch, or unit, the law stipulates that employees’ salaries should be the first priority to be paid from the organization’s assets.</p> <p>These new provisions increased Mongolia’s alignment with international standards (Convention 158 and Recommendation 166). They can mitigate unfair dismissals and protect workers’ rights. In addition, third-party notification in the event of collective dismissals is also common in other countries.</p> <p>At the same time, such provisions can increase employers’ business costs, potentially limiting their flexibility to meet their operational needs and reducing their productivity. It may be difficult to anticipate possible short-term and long-term effects of these new provisions, but the government needs to monitor and study their impacts on labor market dynamics while assessing the adequacy of protections for unemployed workers.</p>
<p>Severance pay and unemployment insurance⁶⁶</p>	<p>There is a clear need to improve income support systems for unemployed workers. First, the eligibility criteria are rather strict in that they require workers to have paid contributions for at least two years and to have been continuously employed for at least nine months before becoming unemployed. This requirement makes it difficult to extend unemployment insurance benefits to workers affected by seasonal unemployment or other types of short-term employment.</p> <p>Second, the benefits provided to workers with less than five years of employment are below the ILO minimum standard of 50 percent, and the duration of the benefit payments is only 76 days, which is shorter than the minimum of 26 weeks as recommended by the ILO. The relatively short duration may not be long enough for some unemployed workers to find new jobs.</p> <p>Third, the share of the unemployed who receive benefits is relatively low, with only 24 percent having received unemployment benefits in 2020. Moreover, the unemployment insurance system excludes herders and the self-employed. The full inclusion of self-employed workers in unemployment insurance schemes is needed because a large share of the population works under self-employment status.</p> <p>Countries differ widely in the ways in which they provide income support for the unemployed. Three systems are most prevalent: (i) severance pay; (ii) unemployment insurance; and (iii) unemployment savings accounts. In general, low- and middle-income countries tend to use severance payments as substitutes for unemployment insurance schemes. When countries develop more administrative and enforcement capacity, they tend to replace them with more structured unemployment insurance schemes.</p> <p>In Mongolia, the new Labor Law increased severance pay in accordance with the length of tenure. However, severance pay often fails to provide workers with adequate income protection. Some employers may not comply with the requirement to provide severance pay. For example, 8 percent of inspected businesses did not pay severance benefits for their affected workers in 2020. These liabilities often arise when a firm is in need of restructuring but may be cash strapped and thus be unable to afford to make the severance payments. Workers who were made redundant do not qualify for severance pay if they worked for the business entity or organization for less than six months.</p>

⁶⁶ Note that this assessment was conducted in 2022. While the “Law on Pensions, Benefits, and Payments from the Social Insurance Fund” was amended in July 2023, which became effective in January 2024, the recommendations do not reflect provisions in the revised law.

Areas	Overall findings and recommendations
	<p>To provide comprehensive income protection for unemployed workers, the nine-month requirement for continuous contributions could ideally be reduced, as it is a lengthy time frame for eligibility given the seasonal nature and volatility of Mongolia’s economy. If affordable, the authorities could consider increasing the contribution rates and benefit duration, based on rigorous actuarial projections that can assess the impact on costs as well as the adequacy of benefits.</p> <p>In the case of severance payments, governments need to consider adopting regulations to manage and mitigate this risk of non-payment, as severance pay is directly financed by employers. For example, in the case of large-scale redundancies as a result of an economic slowdown, governments might provide firms with financial support. Another option might be to mandate employers to create external reserves to fund these payments. Similarly, employers could make contributions into a public contingency fund which would make severance payments if the firm were to go into insolvency.</p>
Legal protections for female workers	Mongolia’s legal protections for women and pregnant women are in line with international standards. These include non-discrimination based on pregnancy, non-discrimination in employment, and the retention of jobs for pregnant women and women on maternity or childcare leave.
Legal protections for vulnerable groups	The new law introduced more protection for persons with disabilities. The new law provides the option for employers to be exempted or discounted from paying the penalty fees for not reaching the legal quota of employees with disabilities if they support the activities of persons with disabilities and those of their family members.
Labor inspection and compliance	<p>The current inspection system needs improvement in several areas. First, the lack of authorization to conduct unannounced inspections limits enforcement of the Labor Law. The Law on State Inspection prohibits inspections without prior notification to employers, but the new Labor Law grants labor inspectors the right to access the business entity and organization without prior notice.</p> <p>Second, labor inspections to ensure compliance with the Labor Law (except for occupational health and safety) are only conducted in response to requests or complaints received from individuals and legal entities. The law requires that the individuals who file these complaints must disclose their names to their employer, which discourages employees or third parties from making such a request.</p> <p>The inspections are further limited by a lack of administrative capacity. There has been limited coordination between the MLSP and GASI in implementing labor inspections. The MLSP is the central authority responsible for all the labor issues, while GASI is responsible for the implementation and enforcement of the labor legislation. GASI’s labor inspectors are under the administrative supervision of local governors and are structurally independent of the MLSP. As a result, the MLSP has limited authority over the enforcement of the Labor Law.</p> <p>The labor inspection system needs further legislative strengthening. First, the Law on State Inspection needs to be amended to remove the requirement of advance notice to employers before inspections to make it consistent with the new Labor Law.⁶⁷ Moreover, the identities of those who make complaints concerning violation of labor regulations must be kept</p>

⁶⁷ A draft law on the “Temporary Suspension of Certain Types of State Inspection Activities” was introduced to the parliament on March 25, 2022. Currently, the draft law has been referred to the Standing Committee on State Structure. The draft law proposes a temporary suspension of scheduled inspections for three years. Unscheduled inspections without advance notice to the entity will be conducted if there are complaints, requests, or petitions from citizens, entities, and organizations. Moreover, if a violation occurs during the unscheduled inspection, the draft law advises sending a formal request of an advisory and warning nature at first.

Areas	Overall findings and recommendations
	<p>confidential as this is essential to make inspections more effective. ILO Conventions No. 81 and No. 129 recommend that labor inspectors must keep the source of any complaint confidential and should not notify the employer that such a complaint triggered the inspection. While efforts to amend legislation will take time, the government should step up its efforts to ratify the ILO’s labor inspection conventions (No. 81 and No. 129).</p> <p>The enforcement mechanism can be improved by increasing both administrative capacity and financial allocations. Inspections should be carried out more frequently, instead of only in response to requests or complaints from individuals or legal entities.⁶⁸ Allocating more resources should be considered to increase the number of registered labor inspectors and train them to ensure they have sufficient knowledge and capacity for enforcing the legal provisions.⁶⁹</p> <p>The information collected during inspection visits should be stored and updated in an information system shared between the MSLP and GASI.⁷⁰ The frequent exchange of information facilitates the monitoring and analysis of labor inspection data and the readjustment of labor policies and inspection systems.</p> <p>While the new Labor Law has greatly expanded legal coverage and provisions, more clarity about particular legal requirements is needed to ensure enforcement in areas such as roster shifts. The MLSP should continue updating the relevant regulations in line with the new Labor Law or create secondary legislation.</p> <p>Finally, the MLSP can continue cooperating with other ministries, the Confederation of Mongolian Trade Unions (CMTU) and the Mongolian Employers Federation (MONEF) to provide training to both workers and employers to enhance their awareness of their legal rights and obligations.⁷¹</p>

Source: Authors’ compilation.

⁶⁸ Article 16 of Convention No.81.

⁶⁹ The number of inspectors can be determined by criteria specific to the national context (ILO, 2020). In Mongolia, there were 85 registered labor inspectors as of 2020. This means there was only one inspector for every 14,000 employed people or one inspector for every 8,300 waged workers.

⁷⁰ The effective cooperation between the labor inspection services and other government services is a key principle under the ILO Conventions No. 81 and No. 129.

⁷¹ According to the new Labor Law (Article 161.2), trade unions and non-governmental organizations can monitor the implementation of the law and the application of laws. Trade unions or other workers’ representative organizations can be involved in the application of labor regulations by helping workers to understand their rights and to submit complaints if their rights were violated.

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Annex 1: Data Sources

Source	Available year
Employing Workers 2020 survey	May 2019
Women, Business and Laws 2022 surveys	October 2021
International social security association - social security around the world country profiles	2018 and 2019
National legal framework The Constitution of Mongolia (1992) The Labor Law (1999) The new Labor Law (2022) The Unemployment Insurance Law (1994/ revised 2002) The Law on Pensions from the Social Insurance Fund (2024) The Law on Pensions and Benefits from the Social Insurance Fund (1994) The Law on Pensions Benefits from the Social Insurance Fund (2024) The Law on State Inspection (2003) The Law on Infringement (2017)	Various years
ILO data sources ILO NORMLEX (International labor standards) ILO Social Security database ILO EPLex (Employment protection legislation) ILO NATLEX (National labor, social security, and human rights legislation)	Various years

Annex 2: Interviews with Stakeholders

Organization	Interviewee	Meeting date	Interview guidelines
Mongolian Employers' Federation	Kh.Ganbaatar CEO	February 21, 2022	<ul style="list-style-type: none"> Views on the new Labor Law: advances, challenges for employers (small, medium, and large firms) Views on the minimum wage: current level, impact on employers (small, medium, and large), future increase and its implication for employers Enforcement of labor regulations: minimum wage, work hours, salary, dismissal benefit Current regulations and employment creation: main challenges, possible solutions The available research, data, information

Organization	Interviewee	Meeting date	Interview guidelines
GASI (General Agency for Specialized Inspection)	G.Erdenetugs, Head of the Labor Inspection Division	February 23, 2022	<ul style="list-style-type: none"> Organizational structure, areas of responsibility, human resources Inspection guidelines: inspection sheets (labor relations, social protection, labor safety, and hygiene) Enforcement capacity, feasibility Labor disputes: role of inspectors, resolution practice, data (number of disputes by reason, location) Enforcement of the minimum wage Inspection procedure: planned inspections (selection criteria), unplanned inspections in response to requests/complaints Historical data on complaints and inspections: (if available) by location, economic sector, inspection area, whether planned or complaint based
ILO	P. Bolormaa National Coordinator	February 23, 2022	<ul style="list-style-type: none"> Employment-related programs (assistance): labor regulation, employment promotion, social protection Views on enforcement of labor-related laws Views on new Labor Law: advances, challenges Views on social protection in Mongolia The available research, data, information
Ministry of Labor and Social Protection	B. Alimaa Head of the Labor relation and wage division	February 24, 2022	<ul style="list-style-type: none"> Labor policy and regulation: government goals and objectives for the labor market and social protection, current state, feasibility, main challenges Enforcement mechanisms of labor regulation: progress, challenges If there is any change in enforcement capacity due to new Labor Law: area, a possible solution Administrative data on social insurance: number of insured, unemployment benefit recipients, retirement pension recipients (location, if available, individual characteristics, sector, entities' ownership type). The available research, data, information
General Office for Labor and Welfare Services	E. Ganbat Vice-chairman responsible for employment-	March 3, 2022	<ul style="list-style-type: none"> Organizational structure, human resources, labor market information system Programs of employment promotion measures: target groups, activities, organization Historical data on beneficiaries, spending of each program (if available: by beneficiary characteristics, location, outcome variables)

Organization	Interviewee	Meeting date	Interview guidelines
	related issues and M. Batmagnai Head of the Employment Promotion Department		<ul style="list-style-type: none"> Monitoring and evaluation of the programs: current practice, main parameters, outcome variables Comments and suggestions
Confederation of Mongolian Trade Unions	S. Erdenebat, President	March 30, 2022	<ul style="list-style-type: none"> Views on new Labor Law: advances, challenges for employees Views on the minimum wage: current level, impact on employment, future increase and its implication for employees Enforcement of labor regulation: minimum wage, work hours, salaries, dismissal benefits Informal employment and labor regulation Trade unions, collective agreement, collective bargaining agreements Labor disputes: resolution practice, data (number of disputes by reason, location) Available research, data, information

Annex 3: Key Features of and Changes in the Labor Law

Areas of regulations	New law	Old law	Key features, including major changes in the Labor Law
Fixed-term contract	<ul style="list-style-type: none"> A fixed-term contract is allowed only for certain types of tasks. The maximum duration of a fixed-term contract is two years. 	<ul style="list-style-type: none"> A fixed-term contract for permanent tasks was allowed. No maximum length of a fixed-term contract was set. 	The new law has added some limits on the use of fixed-term contracts for permanent tasks. Compared to international practice, Mongolia has a shorter maximum contract length, meaning that employers have less flexibility in hiring workers.
Non-standard employment	<ul style="list-style-type: none"> Part-time work: The new law defines a part-time employee as an employee who works fewer hours than a full-time employee. A part-time employee should have the same rights and responsibilities as a full-time employee. 	<ul style="list-style-type: none"> No provisions were included for part-time, remote/home-based work, or employment as domestic workers. 	The new law has introduced protections for workers in non-standard employment. It includes clear terms and regulations related to part-time, remote, and home-based work, ensuring workers' rights and compensation. The new law allows domestic workers, assistant herders, and similar employees to enter into

Areas of regulations	New law	Old law	Key features, including major changes in the Labor Law
	<ul style="list-style-type: none"> • Remote / home-based work: An employee can work remotely or from home if agreed upon by both parties. Remote or home-based workers must have the same rights and responsibilities as other employees performing similar duties. • Employment with individual employers: The new Labor Law states that domestic workers, assistant herders, and similar employees will be able to enter into employment agreements with individual employers. • If an assistant herder or a domestic service worker or similar employee lives and works at the employer's home or employer's property and premises, the employer is obliged to ensure that those employees are provided with normal living conditions (Article 71.3) and should provide them with working conditions free from any discrimination, harassment, violence, and sexual harassment (Article 71.4). 		<p>employment agreements with an individual employer and resolve issues in accordance with the Labor Law.</p>
Probationary period	<ul style="list-style-type: none"> • The length of a probationary period is three months. • An extension of the probationary period is allowed once for a period not exceeding three months. • The salary during the probationary period should be the same as the salary for the job. • A probationary agreement is prohibited for seasonal or temporary jobs. 	<ul style="list-style-type: none"> • The length of a probationary period was three months. • No provisions were included on <ul style="list-style-type: none"> ○ The basic salary of a probationary employee ○ Extension of a probationary period ○ Probationary period for temporary workers 	<p>The length of a probationary period is similar to the global average. The new law allows a one-time extension of a probationary period and stipulates the salary for a probationary employee, while prohibiting a probationary agreement for seasonal or temporary jobs.</p>

Areas of regulations	New law	Old law	Key features, including major changes in the Labor Law
Working hours	<ul style="list-style-type: none"> • The number of regular working hours per week should be no more than 40 hours. • The length of a normal working day should be no more than eight hours. • The maximum number of working hours per week must be less than 56 hours. • Overtime is limited to four hours per day. 	<ul style="list-style-type: none"> • The number of regular working hours per week was no more than 40 hours. • The length of a normal working day was no more than eight hours. • There was no provision regarding the maximum number of working hours. 	<p>The new law introduced a specific number of maximum weekly work hours (56 hours) and maximum overtime hours per day (4 hours). The limit on overtime is reasonable by international standards. The numbers of legal working hours follow international practices (8 hours per day; 40 hours per week).</p>
Overtime/ Non-regular working hours	<ul style="list-style-type: none"> • Additional payments for working overtime or on weekend days (Saturday and Sunday) should equal 1.5 times the employee's average salary. • Additional payments for working on public holidays should equal 2 times the employee's average salary. • Additional payments for night work should equal 1.2 times the employee's average salary. • On-call work: On-call working hours must be compensated by payments of at least 30 or 50 percent of the employee's basic salary (additional compensation). • Roster shifts:⁷² The new Labor Law defines working conditions and requirements for roster shifts. 	<ul style="list-style-type: none"> • Additional payment for working overtime or on weekend days (Saturday and Sunday) was equal to 1.5 times of the employee's average salary. • Additional payment for working on public holidays was equal to 2 times of the employee's average salary. • Additional payments for night work were defined by contract agreements. 	<p>The new law specifies that additional payments for night work should be no less than 1.2 times the employee's average salary.</p>
Paid annual leave	<ul style="list-style-type: none"> • The mandatory minimum amount of annual paid leave is 15 days. • Employees should be granted the following additional leave in addition to their regular leave. <ul style="list-style-type: none"> ○ For 6-10 years of work – 3 working days 	<ul style="list-style-type: none"> • The mandatory minimum amount of annual paid leave was 15 days. • Employees should have been granted the following additional leave in addition to their regular leave. <ul style="list-style-type: none"> ○ For 6-10 years of work – 3 working days 	<p>The law follows the ILO's recommendation of three weeks annual leave. For workers with 1, 5, and 10 years of tenure, the average paid annual leave is 16 days, which is slightly shorter than the global average (19.7 days). The old Labor Law did not specify when an employee is entitled to annual leave, whereas</p>

⁷² An employer in the mining and quarrying sector that assigns employees to remote locations other than their place of permanent residence may use roster work.

Areas of regulations	New law	Old law	Key features, including major changes in the Labor Law
	<ul style="list-style-type: none"> ○ For 11-15 years of work – 5 working days ○ For 16-20 years of work – 7 working days ○ For 21-25 years of work – 9 working days ○ For 26-31 years of work – 11 working days ○ For 32 or more years of work – 14 working days ● If an employee has worked for six months after concluding an employment agreement, he/she should be entitled to annual leave. 	<ul style="list-style-type: none"> ○ For 11-15 years of work – 5 working days ○ For 16-20 years of work – 7 working days ○ For 21-25 years of work – 9 working days ○ For 26-31 years of work – 11 working days ○ For 32 or more years of work – 14 working days 	the new Labor Law states that an employee who has worked for six months after concluding an employment agreement can receive annual leave.
Maternity leave	<ul style="list-style-type: none"> ● Women are entitled to 120 days of maternity leave. ● Women who give birth to twins are entitled to 140 days of maternity leave. ● The government administers 100 percent of maternity leave benefits in Mongolia.⁷³ 	<ul style="list-style-type: none"> ● Women were entitled to 120 days of maternity leave. ● The government administered 100 percent of maternity leave benefits in Mongolia. 	The length of maternity leave meets the ILO's international standards (96 days). Mongolia's length of leave (120 days) is similar to the global average (126 days) and above the regional average (108 days). The new law provides additional maternity leave for a mother who gives birth to twins (140 days).
Paternity leave	<ul style="list-style-type: none"> ● The length of paternity leave is at least 10 working days. 	No provisions	The new law introduced paid leave for fathers (at least 10 working days). This is similar to the global average length of paternity leave (12.5 days) and is longer than the regional average (8.3 days).
Parental leave	Employers must grant childcare leave to a mother or father with a child under 3 years of age if the employee requests it.	Employers had to grant childcare leave to a mother or father with a child under 3 years of age if the employee requested it.	Mongolia provides more parental leave days than its comparator countries and the global average (399 days).

⁷³ Leave benefits are fully administered by a government entity when maternity leave is provided under compulsory social insurance schemes (such as social security), public funds, government-mandated private insurance, or employer reimbursement of any maternity leave benefits paid directly to an employee. If any of the cost is shared by the employer, the benefits are not fully administered by a government entity.

Areas of regulations	New law	Old law	Key features, including major changes in the Labor Law
Minimum wage	<ul style="list-style-type: none"> The current minimum wage, which became effective on January 1st, 2020, is MNT 420,000 per month, equivalent to US\$149.30. Mongolia's minimum wage is applicable to all workers with employment contracts. The minimum wage can be set higher than the national minimum wage that is set by the National Tripartite Committee on Labor and Social Consensus by a sectoral or inter-sectoral agreement among organizations. 		<p>By international comparison, the level of the minimum wage is not high. For example, the ratio of the minimum wage to the value-added per worker is 0.3, which is lower than the global average at 0.5.</p> <p>In the past decade, the minimum wage has been revised four times (in September 2013, January 2017, January 2019, and January 2020), increasing from MNT 140,400 to MNT 420,000.</p> <p>The legal minimum wage is not fully enforced. About 7 percent of workers earn less than the minimum wage.</p>
Dismissal due to redundancy allowed by law	<ul style="list-style-type: none"> It is legal for an employer to terminate the contract of an employee only on the basis of redundancy (i.e. on economic grounds). 	<ul style="list-style-type: none"> It was legal for an employer to terminate the contract of an employee only on the basis of redundancy (i.e. on economic grounds). 	There are no changes in the new law. All the comparator countries also allow employers to terminate employment contracts on the basis of redundancy.
Third-party notification and approval requirements before dismissing worker(s)	<ul style="list-style-type: none"> In case of mass dismissals,⁷⁴ employers are obligated to notify the local labor authority in writing within 30 days of the date of deciding on the mass dismissal. There is no approval requirement for mass dismissals. There is no notification or approval requirement for dismissing one employee. 	<ul style="list-style-type: none"> There was no requirement for the notification or approval of a third party in the case of either an individual or a collective dismissal. 	<p>The new law introduced a notification requirement for employers in the case of mass dismissal.</p> <p>Globally, this requirement is also common. In 114 countries, the employer has to notify or consult a third party when deciding on a mass dismissal, of which 36 also require third-party approval.</p>
Training and reassignment requirements before making the employee redundant	<ul style="list-style-type: none"> During the mass dismissal negotiation, employer and employee representatives should discuss the possibility of transferring employees to vacant 	No provisions	In the event of a mass dismissal, the new law requires employers to negotiate with trade union or employee representatives and to reemploy the affected workers within one year

⁷⁴ See the definitions of mass dismissal in the section on regulations governing the termination of employment.

Areas of regulations	New law	Old law	Key features, including major changes in the Labor Law
	<p>positions, creating new jobs, or training them in other professions.</p> <ul style="list-style-type: none"> Employers are obliged to reemploy the affected workers within one year after the dismissal if they meet the requirements for new jobs or positions. 		after the dismissal if they meet the requirements for new jobs or positions.
Notice period	<ul style="list-style-type: none"> The length of the notice period for redundancy dismissal (including mass dismissal) is one month (or 4.3 weeks). 	<ul style="list-style-type: none"> The length of the notice period for redundancy dismissal was one month (or 4.3 weeks) except if a business is being dissolved (45 days). 	There are no major changes in the new law. The length of the notice period (4.3 weeks) is shorter than the global average (6.3 weeks) and the regional average (4.7 weeks).
Severance Pay	<ul style="list-style-type: none"> The amount of severance pay depends on the length of tenure. <ul style="list-style-type: none"> Six months to two years' employment: one month's base salary Two to five years' employment: two months' base salary Five to ten years' employment: three months' base salary More than ten years' employment: four months' base salary 	<ul style="list-style-type: none"> The amount of severance pay was one month's average salary. 	<p>The new law increased the amount of severance pay from one month of the employee's "average" salary to four or more months of "base" salary, depending on the worker's length of service.</p> <p>The average amount of severance payment⁷⁵ in Mongolia is 11.5 weeks of salary, which is lower than the global average of 14.7 weeks but higher than the regional average (9 weeks).</p>
Unemployment insurance	<ul style="list-style-type: none"> Mongolia has a national unemployment insurance system. The unemployment insurance scheme is compulsory for all national and non-nationals employed on a contract basis, irrespective of the size of the enterprise and for all public servants. Herders and self-employed workers are not covered by unemployment insurance. The contribution rate for unemployment insurance is 0.2 percent of wages contributed equally by workers and their employers To be eligible for unemployment benefit for the first time, an individual must have paid unemployment insurance contributions for no less than 24 months and continuously paid unemployment insurance contributions over the previous nine months. The duration of the benefit, once the qualifying period requirement is met, is 76 days (around 11 weeks) irrespective of how long the worker was employed. 		<p>Contribution rates for unemployment insurance are not high by international standards with 0.2 percent of insured earnings being contributed equally by employees and employers. However, the total contribution rates for social insurance⁷⁶ (24 to 26 percent) are high compared to the global average (20.4 percent).</p> <p>By international comparison, Mongolia has the shortest period of benefit payments (76 days),</p>

⁷⁵ The length of the notice period often varies by length of tenure, and each country has its own specific rules. The average length of severance pay is calculated for workers with one, five, and ten years of tenure.

⁷⁶ This includes five different types of social security programs (old age, disability, and survivors; sickness and maternity; work injury; unemployment; and family allowances).

Areas of regulations	New law	Old law	Key features, including major changes in the Labor Law
	<ul style="list-style-type: none"> • The benefit rates, expressed as a percentage of the insured’s average salary, depend on the number of years of continuous employment. <ul style="list-style-type: none"> ○ Up to 5 years of insured employment: 45 percent ○ 5 to 10 years: 50 percent ○ 10 to 15 years: 60 percent ○ 15 and above: 70 percent 		<p>which is less than the global average (13 weeks or 91 days).</p> <p>The level of benefits is low relative to its comparator countries. All of these countries provide at least 50 percent of the insured’s average salary.</p>
Legal protection for female workers	<ul style="list-style-type: none"> • The law prohibits discrimination in employment based on gender (Article 6 of the new Labor Law) and the dismissal of pregnant workers and women with children aged 3 years old or younger (Article 135 of the new Labor Law). • There is legislation on sexual harassment in employment (Article 11.4 of the law on promotion of gender equality). • There is a legal provision mandating equal remuneration for work of equal value (Article 102 of the new Labor Law). • For men, the full retirement age is 60 for males in 1957 and earlier, and 55 for females born in 1962 and earlier. Henceforth, the retirement age gradually increases by 3 months until it reaches 65. For males born in 1977 and later and females born in 2002 and later, the retirement age is 65 (Article 5.3 of the Law on Pension and Benefits, amended in 2023). 		<p>Mongolia has more equal gender laws than most of its comparator countries. For example, Armenia, Azerbaijan, Colombia, Chile, Malaysia, the Russian Federation, Kazakhstan, and the Republic of Korea have no legal provisions that mandate equal remuneration for work of equal value.</p>
Legal protection for vulnerable groups	<ul style="list-style-type: none"> • A business entity with 25 or more employees must hire persons with disabilities for at least 4 percent of its total number of positions. • If the entity does not employ any persons with disabilities, they need to pay a penalty. The amount of the penalty is equal to the minimum wage for each position, and this payment should be paid monthly to the Employment Support Sub-Fund. • The new law also provides an opportunity for employers to be exempted from these penalty fees if they support the activities of persons with disabilities and their family members who provide ongoing care to persons with disabilities by regularly 	<ul style="list-style-type: none"> • An employer had to ensure that at least 3 percent of their employees were persons with disabilities or dwarfs unless it was justifiable to exclude such persons because of the nature of the employer’s business. 	<p>The new law increased the percentage of employees with disabilities hired by companies. The new law provides the option for employers to get exemptions from paying the penalty for not reaching the quota if they support the activities of persons with disabilities and their family members.</p>

Areas of regulations	New law	Old law	Key features, including major changes in the Labor Law
	<p>purchasing their goods, products, and services.</p>		
<p>Inspection and compliance</p>	<ul style="list-style-type: none"> The new Labor Law gives labor inspectors the right to access businesses freely to inspect the workplace without prior notice. They have the authority to stop the activity entirely or partially if it endangers human life and health, take measures to compensate for damages, and eliminate any violations. 	<ul style="list-style-type: none"> Unscheduled inspections were not allowed (under the Law on State Inspection). 	<p>There are contradictory rules for labor inspections. The new Labor Law gives labor inspectors the right to enter a workplace without prior notification. However, state inspections are regulated by the Law on State Inspection, which does not allow unscheduled inspections.</p>

Source: Authors' compilation.

Note: When areas of regulations are covered under the new Labor Law, the table also highlights the provisions in the old Labor Law and points out any differences.



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