No. libc can be different in each VE, and the kernel we provide seems to work fine with any distro we checked. So, VE owner can upgrade his glibc, and it's host system owner's task to upgrade the kernel. Certainly VE owner can upgrade kernel in his VE as well — it's just that kernel will not be used.

See, kernel is the same across all VEs. VEs are pretty much like ordinary Linux systems, it's just that all VEs on the same physical box run under the same kernel.