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OF TAMPERE**

**MANAGEMENT OF COLLECTING  
SOCIAL INSURANCE CONTRIBUTIONS  
IN PHU XUYEN DISTRICT, HA NOI CITY**

**THESIS**

**FOR THE GRADUATION OF MASTER OF  
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**ABSTRACT**

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This research examines social insurance activities in Phu Xuyen district, Hanoi city. Specifically, it explores the actual situation of collection of social insurance contributions in the district through the activities of the district’s insurance agency: managing the participants, managing contribution rates, plans for collection of social insurance, management of social insurance contribution collection, management of social insurance contribution methods, checking and evaluating the collection organization. A qualitative research method was applied to this research by using a documentary analysis based on the local social insurance reports.

The findings from the research indicate that the causes of the arrears and evasion of social insurance contributions are due to the perception of social insurance participants, socioeconomic conditions, lack of social security law and the new sanctioning mechanism, which only stops administrative sanctions and is unable to guarantee the efficiency.

In order to improve the effectiveness of social insurance contribution collection in the district, the social insurance of Phu Xuyen district must closely follow employers, grasp the fluctuation of the labor force, salary and wages of the laborers, guide and mobilize to supervise and inspect the implementation of social insurance participation by employers and laborers. At the same time, they should advise on proposals for the most feasible measures for the Party Committee, the local authorities and the City's social insurance leaders, in order to promptly direct the establishments to well implement the social insurance policy.

One important aspect is the strengthening of the coordination between the social insurance agency and functional agencies and social organizations. The Social Insurance Agency has

the best measures to promote the propaganda and advocacy for units and workers participating in social insurance. They should promote the application of information technology in the management of collection and payment of regimes and management of people participating in social insurance through social insurance cards to quickly solve the regimes and policies for laborers.

This research has contributed to the improvement of the management of collecting social insurance contributions in the locality and the continued reform of the social insurance policy framework in Vietnam to suit the social development.

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# 1 INTRODUCTION

## 1.1 Research background

Social insurance is a great policy of the state of Vietnam. Social insurance is a guarantee to replace or compensate part of an employee's income when he or she is reduced or lost income due to sickness, maternity, occupational accident, occupational disease or death on the basis of contribution to the social insurance fund. (Government, 2014). Social insurance is the most basic pillar, a decisive factor in the social security system to serve the interests of the working population. In recent years, social insurance has shown its role and position in contributing to stabilizing the lives of people, social justice and socio-political stability.

Starting from the importance of social insurance policy for the socio-economic development of the country, in the past years, the Party and State have promptly promulgated guidelines and policies to strengthen Leadership and implementation of social insurance in Vietnam. Resolution No.21-NQ/TW dated 22/11/2012 of the Politburo affirmed that "Social insurance and health insurance are two important social policies which are the main pillars of the welfare system. Contributing to social progress and equality, ensuring socio-political stability and socio-economic development".

Social insurance is needed to cover the payment of social insurance benefits. The number of people participating in social insurance is increasing and the money paid to retired workers has also increased in Vietnam. Therefore, the task of collecting social security contributions is an important task, which can be considered as the input of the social insurance industry. Over the past time, the proportion of people participating in social insurance is much lower than that of the Law on Social Insurance. The situation of delayed payment and the social insurance debt occurs in many localities. Many enterprises, especially the private ones have affected the interests of employees and the implementation of the task of the insurance industry social security.

The social insurance of Phu Xuyen district is a unit belonging to the Social Insurance of Hanoi, performing the tasks assigned accordingly. Since its inception, Phu Xuyen social insurance has achieved many achievements, contributing to ensure social security in Phu Xuyen district in particular and in the whole city of Hanoi in general.

However, there remain some limitations, notably the low proportion of people participating in social insurance, the remarkable evasion of social insurance and the high rate of social insurance debt. (Synthesis Report on social insurance contribution of health insurance agency of Phu Xuyen district 2010, 2011, 2012, 2013, 2014)

My research target is to systematize the theoretical and practical base of managing the collection of social insurance contributions, to analyze the current management of social insurance contributions collection in Phu Xuyen district and to suggest a number of solutions for strengthening the management of social insurance contributions collection in Phu Xuyen district.

In order to do this research, first of all I collected a literature review for this thesis by collecting researchers' investigated results in terms of social insurance, experience of some countries and experience of some localities in Vietnam in management of social insurance collection. This literature review will be a theoretical base for this research. In the second step I analyzed the real situation and the actual status of social insurance contribution collection in Phu Xuyen district in a period from year 2010 to 2014 by using the reports of social insurance. Based on these reports, I analyzed the ongoing situation of social insurance contributions collection.

The linkage between these main steps is that from the basis of theoretical and practical activities of the locality, I try to find the advantages and disadvantages that localities encounter. This will be a supplemental basis supporting my suggestion to propose solutions that can be applied in practice, contributing to improve the effectiveness of management of collecting the social insurance contributions in Phu Xuyen district, as well as to find methods to step by step improve the insurance policy in the society.

Thus, the title of my thesis is "*Management of collecting the social insurance contributions in Phu Xuyen district, Hanoi city*".

## **1.2 The research target**

The research target is to answer the main question: "How could the social insurance of Phu Xuyen district improve the management of collecting the social insurance contribution in the locality in the future"?

Additional questions:

1. Who participates in social insurance in Phu Xuyen district and how would it be possible to manage these local participants?
2. How to manage the rate of social insurance contributions in the locality?
3. How to organize the collection of social insurance contributions?

### **1.3 Content of the research**

This research is organized into six chapters. The first chapter introduces the research platform, research objectives and research content. More specifically, a detailed description of the purpose of this study and a description of the linkage between the six chapters of this study is made.

The second chapter of this study presents a literature review of social insurance in which concepts, principles, policies and social insurance funds are presented. Following on the introduction to social insurance collection management and the similar concepts are discussed. The main issue of this chapter are the factors affecting the management of collecting social insurance contributions. Moreover, many studies on the effects of social insurance are collected and reported.

The third chapter is to present research methodology, in which research method, sample design, research procedure, method of collecting data and data analysis are presented. A guide book of Mack et al. (2005) is the main source of document which has been used for the methodology of this research.

The fourth chapter is to present the current situation of social insurance contributions collection in Phu Xuyen district. Specifically, the chapter includes a general introduction of Phu Xuyen district, the organizational structure and operation of the district's insurance agency and the results of activities of district's social insurance during the period 2010 - 2014. Finally yet importantly, the findings from documentary analysis are presented in this chapter.

The chapter five proposes some measures to improve the effectiveness of social insurance collection in the district and propose some recommendations for improvement of social insurance policy. The last chapter is to present the limitations of this research, provide conclusions and recommendations for Social insurance in Vietnam. Specifically,

conclusions and recommendations are provided based on the findings of this research and analyses referred from other researchers. Final, the contributions of this thesis in terms of practice and theory are also presented in this chapter.

## **2 LITERATURE REVIEW**

### **2.1. Social Insurance**

#### ***2.1.1 The history of social insurance***

Humans want to survive and first of all meet the minimum needs such as eating, wearing and living. To meet this minimum demand, people have to work to produce the necessary products. In line with the social development process, especially since the industrial revolution of the 18th century, the industrialization process has increased the number of wage earners, whose lives depend mainly on income from hired labor. The loss of wages in cases of illness, accident, risk, job loss or old age has become a threat to a normal human life. In the first half of the nineteenth century, social security grants came into play, with the British Government announcing the "New Relief Law" in 1834. The law recognizes social relief as the lowest level of a social security system and the world's first social security system (core social insurance) is based on the law and regulated by law. (Tuấn, 2006).

In 1850, for the first time in Germany, many states set up sickness funds and required workers to contribute to prevention of reduced income due to illness. From there appears the form of compulsory contributions. At the beginning, there was only the participation of workers, gradually expanding the forms of insurance to cover occupational risks, old age and disability. By the end of the 1880s, participation was compulsory and not just labor contributions, but also employers and the state. (Tuấn, 2006)

This model spread to Europe, then to Latin America, then to North America and Canada in the 30s of the twentieth century. After World War II, it spread and grew even more. Social insurance emerged as a target of societies where "unwilling freedom" was claimed to be a fundamental human right.

In Vietnam, social insurance has appeared under French feudalism. After the successful August Revolution, the Government issued a series of decrees regulating sickness, accident and retirement benefits based on the 1946 Constitution of the Democratic Republic of Vietnam. (Ordinance No.29/SL of March 12, 1947, Ordinance No.76/SL of May 20, 1950 and Ordinance No.77/SL of May 22, 1950). The next legal

basis of social insurance is embodied in the 1959 Constitution and The 1992 Constitution states: "The State implements social insurance for state employees and wage earners, encourages development of other forms of social insurance for employees". Thus, the above documents of the Party and the State are important legal basis for reforming our social insurance policy under the market mechanism.

### ***2.1.2 Concepts of social insurance***

There are many definitions, concepts of social insurance in the world. According to Marshall (1998), social insurance is the assure of citizenship in all aspects of life. The needs of children need to be understood not only to the minimum needs for survival but also the needs for a decent life. The enjoyment of benefits should be conceived as a legal right, based on universal principles rather than the authority of the competent authorities (Marshall1998). On the line of thought, social security includes: "rules, programs, benefits and services that secure and strengthen measures to meet recognized social needs" (Wickenden, 1965) for the purpose of preventing, mitigating or contributing to solving social problems and improving the well being of individuals, groups and communities directly. (Compton, 1980)

Social insurance can also be defined as a personal protective equipment against risk (Barr, 1993). Focusing on a single moment in private insurance, what motivates individuals to buy protection against risk they know little is likely to do? The answer is, of course, most of us are at risk, which means the uncertainty of each of the defects and can diminish our welfare. (Barr, 1993). So that, inevitability in itself is seen by most people as something worth paying for.

Even though the definitions of social insurance vary around the world, there are some basic points that almost everyone agrees. The following definition is the one given by the International Labor Organization. "*Social insurance is the protection that society provides its members through a series of public measures aimed at combating social and economic hardship resulting in significant discontinuation or decline in income caused by illness, maternity, occupational accidents, unemployment, disability, old age, and death; At the same time, health care and subsidies for large families*" (ILO, 1952). This concept

reflects the combination of two sides of social insurance is the economic and social aspects.

The Social Insurance Law of Vietnam states that "*Social insurance is the replacement or partial compensation of employees' income when they lose their income due to illness, maternity, labor accidents or occupational diseases, unemployed, out of working age or dying, on the basis of contribution to the social insurance fund*". (Government, 2014; Tân & Phụng, 2008)

Thus, from the perspective of finance, social insurance is the process of sharing risk and sharing financial burden between the participants of social insurance in accordance with the law. From the perspective of income: social insurance is the guarantee to replace part of income when employees are involved in social insurance lost or reduced income. From the management point of view: social insurance is a management tool of the State, implementing the process of distribution and redistribution of income among members of society, contributing to social justice. (Tiến, 2000)

From the point of view of insurance, there seems to be two compelling theoretical arguments for having the State rather than the market provide a wide range of insurance, for old-age pensions, disability and sickness insurance, unemployment and low income insurance. The first is that the market handles adverse selection badly. The second is that, even if adverse selection were not important, people should take out insurance at an age when they are incapable of doing so rationally, namely zero. (Mirrlees, 1995; Huggett & Parra, 2010).

One basic reason for a government-provided insurance system is the provision of insurance for insecure risks in private markets, which is the risk of labor income. Labor income is not easily covered because it is partly under the control of an individual by the choice of unobserved effort or unpaid labor hours and because of a the risk of labor income is made at a young age. (Huggett & Parra, 2010).

### ***2.1.3 Principles of social insurance***

According to the International Labor Organization (ILO), more than 180 countries around the world have applied social insurance for workers (ILO, 2007). It can be said that

social insurance is really the backbone for workers when the risk occurs, because the principle of social insurance is to compensate workers when they lose their ability, temporary work opportunities temporal or permanent. When employees participate in social insurance they can be assured of their lives. In Vietnam, although social insurance is not long, many people feel the need and valuable it. Participation in social insurance has become indispensable in every human life.(Minh, 2017). There are five principles of social insurance in Vietnam that will be introduced next. (Government, 2014)

*The first* is the principle of reimbursement of social insurance. Compensation is the general principle of insurance overall, but also one of the most basic principles of social insurance. Participants in the social insurance will surely receive the reimbursement. The principle of social insurance is to compensate workers when they are unlucky or temporarily or permanently unemployed (Kohler & Zacher, 1982). At the same time, it is impossible for any worker to work eternally to make a living. However, with the eternal law of "Birth, Aging, Death," the loss of temporary capacity or opportunity to work and the threat of losing vital tangible as well as intangible resources, the fear of such losses may trigger various types of stress reactions such as anxiety and depression (Burchell, 1994; DeWitte, 1999; Greenhalh& Rosenblatt, 1984).

When the insured is in no condition to make income, social insurance function as a personal protective equipment against risk (Barr, 1993). This explains why, when workers participate in social insurance is that they can be assured for their lives. Especially in developed countries, where the habits and lifestyles of each individual in the society are increasingly independent and the relationships of family members are developing in an increasingly loose direction, especially in terms of economic dependency, the social insurance participation has become indispensable, especially for people with age. Even in Vietnam, many people have felt the need to join the social insurance and they see the social insurance as a valuable asset.

*The second* is the principle of taking the number of numbers. If social insurance only stops at the principle of reimbursement, although very precious, but can not be effective and satisfy the expectations of the participants, as it turned out to participate in social insurance is no different than the removal of the tube saving. Haveman (1985, 449) furthers this argument by saying: "in my view, the primary economic gain from the welfare

state is the universal reduction in the uncertainty faced by individuals". Likewise, Sinn (1995, 259) argues that "apart from the benefit of stabilizing the political system and avoiding social unrest, the welfare state's main achievement is the social insurance it provides in an uncertain world."

Thanks to this principle, unlucky workers can receive reimbursements to overcome much greater difficulties than the fees they have contributed. Thanks to this principle, the social nature of social insurance is very clear, that is, the community has joined hands to care for individuals who are unfortunately at risk. (Dixon, 1999). Social insurance wants to be successful, which requires attracting a large number of working-class people. The larger the participants of social insurance, the more the content of social insurance, the burden of contribution to each person the opportunity to reduce. On the other hand, when workers are at risk, the reimbursement from that condition is likely to increase.

*The third*, the laborers who have paid social insurance premiums and have paid social insurance premiums shall enjoy the retirement and death allowances on the basis of the time they have paid social insurance premiums. The period of paying social insurance premiums which have already been calculated for the enjoyment of social insurance premiums shall not be counted into the time as basis for calculating the social insurance regimes.

*The fourth*, the Social Insurance Fund shall be managed in a centralized, uniform, public and transparent manner; the funds are used for the right purpose and are accounted independently by the component funds, groups of subjects implementing the wage regime prescribed by the State and the wage regime decided by the employers. *The Fifth*, the implementation of social insurance must be simple, easy, convenient, ensuring timely and full benefits of participants in social insurance.

In short, there are many principles to organize social insurance. However, with the two most basic principles of compensation and the number of compensations made the difference and vitality of the social insurance so that the workers are completely reassured. (Tuấn, 2006)

#### ***2.1.4 Roles of social insurance***

Social insurance is the activity of the whole society and it serves all members of society. Social insurance should be judged by its contribution to social solidarity, to the

sense that all of the individuals in the nation are in effect viewed as a single family and treated equally. (Feldstein, 2005). Profit is not the target of social insurance. Therefore, social insurance policy plays an important role in the socio-economic life of a country and is reflected in the following aspects.

The subjects of social insurance are very broad: Those are regulated by the social insurance law and include those who contribute to the social insurance and beneficiaries' social insurance. Employees, employers, and the state are often included in some cases (Marshall, 1998). Because the object of social insurance is so wide, the number of employees to participate in social insurance more and more people are protected. Protection must meet the needs of all workers if they are citizens of the state as a human right (Barr, 1993). As one of the social policies of the state, social insurance policy helps individual workers encounter risks, unhappiness, overcome difficulties by giving them a portion of their income through grants to help them stabilize their lives and peace of mind of production labor, creating the basic foundation for a society to develop sustainably. (Tiến, 2000)

Impact of social insurance schemes on the life of large sections of the population: social insurance schemes are the provisions of the law on eligibility, benefit levels and duration of social insurance benefits for a specific case of social insurance. Depending on the conditions of each country in each stage, there may be different social insurance schemes. Under ILO Convention 102, there are 9 regulations on social insurance (ILO, 1952). The social insurance system implemented by many countries contains the pension insurance (also called old social insurance), sickness insurance, maternity insurance policy for female workers and workers' compensation insurance. So, the social insurance schemes are designed to create different levels of benefits for workers in a country. For example, in countries without unemployment insurance, some workers will be disadvantaged, unprotected from unemployment (for example, in our country). This has influenced social security in general. In contrast, in countries with many social insurance schemes, workers in particular and people in general are better protected, social security is guaranteed (Tiến, 2000). Investment-based social insurance programs for retirement, unemployment, and health care of the retired population are more appropriate than either pay-as-you-go programs, means-tested programs, or a policy of doing nothing (Feldstein, 2005).

Social insurance contributes to social justice (Oberti, 1999). Social insurance is based on the principle that workers are equal in the obligation to contribute and enjoy. Through their activities, social insurance is involved in the distribution and redistribution of social incomes between former generation workers and later generations, between production trades, between high-income and income earners, between the lucky and the unlucky. Thus, social insurance contributes to social justice, reducing the gap between rich and poor in society.

Social insurance is the source of idle finance, in fact this is a relatively idle source of money is used for investment in socio-economic projects to preserve and develop the social insurance fund. The more abundant social insurance resources, the more economic resources will be developed to develop the economy of the country.

### ***2.1.5 The welfare state financial models in the world***

By studying the organization of social insurance activities of countries, showed that there is no general social insurance organization model for all countries. Based on the International Labor Organization (ILO) conventions on social insurance, depending on the socio-economic conditions and political institutions, countries have set up the model of social insurance for their country. The classification of welfare state models is often undertaken by researchers by examining combinations of three sectors of society (market, state, and family) in meeting three main functions (insurance, redistribution and provision of social services).

The most popular work in the context of typologies of welfare states is the book of Gosta Esping-Andersen (1990) "The Three Worlds of Welfare Capitalism". Esping-Andersen criticises that most comparisons of welfare states focus on comparing the quantity of welfare in terms of social spending as a proportion of GDP instead of comparing how the spending is actually done and which parts of the population profit. In his view, a government just providing generous transfers to a small group of the population could be ranked to the same level of welfare as a state in which the whole population is covered by the benefits. Furthermore, he does not consider a welfare state as the sum of social policies but as these policies being the implementation of a certain ideology or institutional direction that has developed throughout the history of a country.

Esping-Andersen differentiates three types of welfare states: the Conservative, the Liberal and the Social-democratic one, by attributing certain characteristics to each type and by scaling the countries according to these characteristics. The three welfare state models of Esping-Andersen are an influential classification for later studies on this issue.

In this section, I follow the advice of Kasza (2002) to focus on a specific area of the welfare state to compare welfare systems in terms of financial structure.

According to *the liberal welfare state* model, entitlement to benefits is based on premium or on citizenship. The state only intervenes and provides limited assistance to people who are no longer able to live on the market, family or private assistance (Oberti, 1999). This basic welfare model derives from the main ideas introduced by William Beveridge in England in 1942. One of these ideas is to set equal subsidies or have a low ceiling for income, leaving room for high-income people to find ways to protect their high living standards through private insurance programs. According to Beveridge, "The first basic principle of this social security scheme is to provide a uniform level of coverage, regardless of how much income is disrupted" (Beveridge, 1942). Another basic idea is how to cover the whole or the entire population.

However, in this basic welfare model, there are two different variants with different levels of coverage. In the variation of "citizenship", the right to enjoy benefits based on citizenship or residence, ie based on the perspective of "people's insurance" with the level of insurance universal. In the "insurance" variant, the entitlement to benefits is based on the premium paid by the insured and/or the employer; In this case, we find that coverage is less universal. However, if in the welfare model, participants in different occupations are entitled to different insurance regimes, in this basic welfare model, all those who are protected the same regime will be applied to the same scheme.

This model is based on voluntary insurance schemes (private or collective). The main objective of this model is to ensure high levels of free movement for market forces, while focusing only on social policy for the poor and vulnerable. The model is assistance based on income verification and the duration of benefits are often very limited. The level of redistribution is low, and the focus is on the poor. Welfare funds are managed by the state; funding source is from tax. (Beveridge, 1942). Typically for this type of US, Canada and Australia. (Bùi Thế Cường, 2002)

The "conservative" and "corporatist" welfare model is based on travail salaries, which aim to protect workers and their families from social risks (such as accident, illness, old age, unemployment) by ensuring that they have a minimum income. Welfare entitlements are therefore linked to class and status, as redistribution is done by occupational groups and by their level of contribution (Oberti, 1999).

In this model, although the state plays a key role in ensuring welfare for people, it allows for more forms of social insurance for the private sector that people can voluntarily participate in. The financial resources are derived from the contribution agreement between the three parties (the state, the employer and the employee), or the two parties (the employee and the employer). The shift in cash income plays a greater role than through the provision of social services by the state. This model is applicable in countries such as the Federal Republic of Germany, France, Austria and Italy (Bùi Thế Cường, 2002).

The third welfare state is the *democratic society*, a model in which the state proactively redistributes national resources in order to care for the welfare of the entire population, irrespective of the differences in economic, social and occupational status. This model is also known as the redistribution model. This model is characterized by high levels of social protection for life-threatening problems, high rates of taxation, and a commitment to social reintegration (Oberti, 1999, p. 90-91). The principle of this welfare state is not to wait until the resources of the family are exhausted to subsidize, but rather to "preemptively socialize the costs of familyhood", not to increase dependence on the family, but to promote the independence of the individual. The welfare state provides direct subsidies to children, takes direct responsibility for the care of the children, the elderly and the helpless, financially, the majority of the welfare funds are directly taken from taxes, and is available through state-run social service organizations (eg, public health). This model can be found in the Nordic countries (Esping-Andersen, 1991, pp. 26-27), especially in Sweden and Denmark, and even in the UK (especially the pre-Thatcher period). It may not be similar, but it could be classified as a model of social security systems of the former Soviet Union and Eastern Europe. (Bùi Thế Cường, 2002)

In general, regardless of the welfare state model, the state is eager to protect its citizens through a strong social welfare system. Like Gosta Esping-Andersen, in order to create conditions for each person to enjoy social welfare services that are not market-

dependent, and thereby "reduce the 'goods' of citizens" (Esping-Andersen, 1991). The social welfare system has great significance for the people because, in today's societies, the overwhelming trend is that the social functioning depends on the market, while it should be the opposite. According to Karl Polanyi, "the economy must be embedded in social relationships, social relations must hold on to the economic system" (Polanyi, 2001, p. 60). In that sense, it is possible to say that the social welfare system is an important institution that helps people establish their human posture as well as their citizenship in a democratic and civilized society.

#### ***2.1.4 Social insurance fund in Viet Nam***

In Vietnam, the social insurance fund is an independent financial fund, which is concentrated outside the State budget and is contributed in cash by the social insurance parties: the employee, the employer, the State to compensate the deficit for the purpose of paying for the social insurance and to ensure the operation of the social insurance system. The social insurance fund contributes to stabilizing macro-finance and is one of the resources to implement the social security policy of the Government. Although the goal of the social insurance fund is to pay the social insurance, but due to the specific nature of social insurance is the lag between the time of the collection and the time of paying social insurance benefits, so part of the fund is relatively idle. This idle portion of the Social Insurance Fund is invested in some sectors of the national economy, contributing to socio-economic development (Government, 2014). The better social insurance works, the more social insurance funds will contribute greatly to stabilizing the lives of workers and their families and will create the strength of the national financial system.

Overall, the social insurance fund provides a plentiful and stable source of financing for the financial market; facilitating the stabilization of the national financial system and ultimately contributing to ensuring social security. On the other hand, when participating in the national financial stream, the social insurance fund contributes to the creation of new production and business establishments, which contribute significantly to the creation of jobs for workers. This contributes to solving the unemployment situation of the country, contributing to increase personal income for laborers and increase national income. (Tiến, 2000)

Vietnam has three fund components of the social insurance fund: Maternity Illness Fund, Labor accident and occupational disease fund and Retirement pension fund (Government, 2014). Based on the wage fund of the employee paying social insurance, the employer shall pay 3% and the employee shall pay 0% to *the sickness and maternity fund*. The *fund for labor accidents and occupational diseases* is paid by the employer at 1% and at the employee's rate of 0% on the salary and wage fund of the employee.

*Retirement pension fund* is formed from the payment of social insurance premiums paid by the laborers according to the prescribed level and the social insurance premiums paid by the employers according to regulations. At the moment the employer shall pay 14 % and the employee shall pay 8%. (Government, 2014). Besides the contributions paid by the employers and employees, also the state participates in covering the expenses of social insurance. Prior to 1995, the state paid only to pensioners who worked in the public sector and were supervised by a number of authorities under the supervision of the government. Today, the state supports the payment of pensions to employees who pay social insurance premiums and pays for employees who have paid social insurance premiums for working time before 1995, which they have not yet received severance allowance or demobilization allowance.

The social insurance fund is used for the following purposes: (1) payment of social insurance for employees according to regulations (this is the biggest and most important cost), (2) management costs and (3) invest in idle money to preserve and grow the fund in accordance with the provisions of the Law on Social Insurance.

## **2.2. Management of collecting social insurance contributions**

### ***2.2.1. Concepts of managing the collection of social insurance contributions***

As discussed above, social insurance organizations want to survive and develop the financial resources to spend on the implementation of policies and regimes. On this basis, in Vietnam a concentrated monetary fund is created to protect the social insurance activities. The Social Insurance Fund is an independent public fund, with the aim of securing financial support for the payment of social insurance benefits to the employees. As a result, the social insurance collection has become an increasingly important factor in

determining the existence and development of the implementation of social insurance policy. Management of collecting social insurance contributions plays an important role for the existence and development of social insurance.(Decision.No.1947/QD-BHXH, 2011)

Before going to the content of management of collecting social insurance contributions, we need to understand what is management. There are many ways to understand management. But in essence, management is the planned impact, arrangement, organization, command, control of management actors, social processes, and human activity to develop them in accordance with the rules, reach the purpose of the organization and the will of the state management at the lowest cost. (Vu, 2010)

The management of collecting social insurance contributions is understood as the impact of the State through the legal regulations force the parties to social insurance must comply with the implementation. Social insurance agencies use their professional skills in collecting work to achieve their objectives: to collect the right beneficiaries, within the scope of collection and full collection of social insurance contributions from social insurance participants. On the basis of the task of collection is to collect right, full collection, collection of the right subjects and clearly transparent to ensure the equality and interests between the participants of social insurance. In addition, it is necessary to organize monitoring and recording the results of paying social insurance of each person or unit as a basis for calculating the social insurance premium as prescribed. (Government, 2014)

In addition, the collection of social insurance is characterized by the number of subjects participating in social insurance is very large and increasing over time. The need for human resources for social insurance work and establishments collecting social insurance also corresponding to meet the work. Moreover, the revenue is money so the staff doing the work of collecting social insurance is easy to wrong, moral violations and abuse of social insurance fund. Therefore, the management of collecting social insurance contribution is also an important and difficult task of the social insurance sector. In order to effectively collect social insurance, it is necessary to have strict and scientific management procedures in the current boom of information technology. Therefore, the management of collecting social insurance contribution must be organized closely and consistently in the system from planning the collection, decentralization of revenue, recording results,

especially the management of social insurance funds. Good collection management will be maximized from revenue sources, ensuring the balance of the social insurance fund. Thus, ensuring good performance of employees' rights and conditions to expand the benefits.

An effective management of social insurance contributions collection helps the State to check and evaluate the collection of social insurance. Social insurance is a financial content of social insurance and easy to cause loss, accidental or deliberate wrong. Thanks to the management and inspection activities, the regulations on collection of social insurance are strictly implemented, and help to evaluate activities in a timely and comprehensive manner and associated with the practice of collecting social insurance. (“The role of collecting”, 2017; Government, 2006)

### ***2.2.2 Management of participants***

Identifying the participants of social insurance is the first important task in management of collecting social insurance contributions. In Vietnam participants in social insurance include both workers and employers that must contribute. (Decision No.1111/QDBHVN, 2011) Laborers include: (1) persons working under indefinite-term labor contracts or labor contracts of a term of full three months or more, (2) officials and civil servants, (3) defense workers and police workers (4) professional soldiers of the people's army, (5) professional officers, non-commissioned officers, officers and non-commissioned officers of the People's Police, (6) workers of cipher work that pay salaries to the people's army and the people's police (7) non-commissioned officers, soldiers of the People's Army and non-commissioned officers and soldiers of the People's Police for a definite term, (7) Persons working for a certain period of time abroad and have previously paid social insurance premiums.

Employers participating in compulsory social insurance include (1) state agencies, non-business units and people's armed force units, (2) political organizations, socio-political organizations, socio-political organizations, professional organizations, socio-professional organizations, other social organizations (3) foreign agencies, organizations and international organizations operating in the Vietnamese territory, (4) enterprises, cooperatives, individual business households, cooperative groups, other organizations and individuals that hire, use and pay laborers.

Participatory management requires social insurance agencies to identify the responsible units that have to register to participate in social insurance for employees to inform and guide the units in time to register to participate and close sufficient social insurance for social insurance agencies in accordance with the law. The strict management of participants is an important issue, helping to avoid loss of social insurance.

In order to ensure the monitoring and implementation of policies for laborers to participate, the social insurance agency must develop a database of information on employees and employers. Therefore, when the unit and employees register to participate in social insurance, the social insurance agencies require to declare some information as prescribed. Each unit will have its own unit code and each employee will be issued a number of social insurance. This information will help the social insurance agency to manage workers and employers in exercising their rights and obligations under social insurance law.

### ***2.2.3 Management of social insurance premiums***

Because the purpose of social insurance is to compensate incomes for employees that encounter social risks, most of the social insurance schemes around the world are earnings-based. This means that the level of social insurance contributions as well as the level of benefits are usually based on the salary of the employee and the total salary of the employer. In Vietnam, the level of social insurance premiums is based on the monthly salaries and wages paid for compulsory social insurance stipulated in Decision No. 1111/QĐ-BHXH dated 25 October 2011 of the General Director of Vietnam Social Insurance as follows:

*“For the salary prescribed by the State: For laborers subject to the salary regime prescribed by the State, the monthly wage for compulsory social insurance shall be the salary according to the rank and grade, Position allowances, extra-seniority allowances, seniority allowances (if any). This salary is calculated on the basis of the common minimum wage at the time of payment. The monthly wage for compulsory social insurance covers the coefficient of difference reserved according to the provisions of the law on salaries and wages for laborers.”*

In cases where salaries and wages are decided by the units, laborers shall comply with the wage regime decided by the units, the monthly salaries or wages paid for

compulsory social insurance shall be the salaries or remuneration stated in the contract. If the employee is a manager of the enterprise, the salary or remuneration of the member on compulsory social insurance is the wage prescribed by the company's charter. Salaries or wages paid for compulsory social insurance shall not be lower than the common minimum wage or the regional minimum wage at the time of payment. For laborers who have completed job training (including laborers who are trained by job-training enterprises), their wages compulsory social insurance contributions must be at least 7% higher than the regional minimum wage, plus 5% for hazardous work. The salary and wage levels for compulsory social insurance, which are higher than 20 months' common minimum salary, the compulsory social insurance premium is equal to 20 months' common minimum wage at the time of payment.

In order to manage this source of revenue, social insurance agencies must closely monitor the income of each individual employee in each labor unit. The authorities must regularly check and reconcile the monthly salary fund of the participating units, on the basis of calculating the amount payable by each party to the social insurance fund. Units shall make the salary and wage declarations as the basis for social insurance contribution of the employee and the declaration of the total salary fund according to the form of Vietnam social insurance paid to the social insurance agencies when there is a change. The Law of Social Insurance issued in 2006 is effective, specifying the contribution rates of employers, employees and each component fund of the social insurance fund. Accordingly, the social insurance premiums will be 20% by the end of 2009, then every two years will increase to 2% and then stabilize at 26% from 2014 onwards. (Law.No.71/2006/QH11, 2006) The rate of paying social insurance is shown in table 1.

**Table 1: Table of social insurance premiums from 2007 up to now (Government, 2014)**

<b>Criteria</b> \ <b>Periods</b>	From 01/2007 to 12/2009	From 01/2010 to 12/2011	From 01/2012 to 12/2013	From 2014 to date
<b>1. Retirement and survivorship fund</b>	<b>16%</b>	<b>18%</b>	<b>20%</b>	<b>22%</b>
Employees	5%	6%	7%	8%
Employers	11%	12%	13%	14%
<b>2. Sickness and maternity fund</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
Employees	0%	0%	0%	0%
Employers	3%	3%	3%	3%
<b>3. Labor accident and occupational disease fund</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>
Employees	0%	0%	0%	0%
Employers	1%	1%	1%	1%
<b>Total social insurance payment</b>	<b>20%</b>	<b>22%</b>	<b>24%</b>	<b>26%</b>
<b>Employees</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>
<b>Employers</b>	<b>15%</b>	<b>16%</b>	<b>17%</b>	<b>18%</b>

#### ***2.2.4 Method of collecting social insurance***

Monthly, by the end of the month at the latest, the employers shall deduct the compulsory social insurance premiums from the monthly salaries and wages of the laborers participating in compulsory social insurance. At the same time, the monthly payment of compulsory social insurance of each laborer at the prescribed level will be transferred at

the same time to the S & T account at the bank or state treasury. Employers are entitled to retain 2% of the amount payable for timely payment of two sickness and maternity regimes for laborers. Quarterly, if the total settlement amount is smaller than the retained amount, the employer shall have to pay such difference in the first month of the following quarter. (Government, 2014)

The employer who participates in social insurance is headquartered in the area where the registered social insurance contributions in that area according to the classification of social insurance agencies. In cases where the units do not have the legal person status and do not have their own seal or account, they shall be paid according to their superior management units. (Government, 2014)

Employers pay social insurance in the form of transfer. In cases where the employers or laborers pay social insurance premiums in cash, the social insurance agencies shall have to guide the procedures for remittance into the specialized accounts of the social insurance agencies. If the employer or employee pays cash directly at the SI office, within 3 working days, the social insurance agency shall have to pay the money to the bank account or state treasury. (Government, 2014)

Overseas workers can pay quarterly, bi-monthly or once-every 12 months or pay one time in advance according to the timeframe specified in the contract of sending workers to work abroad. Units sending laborers to work abroad may register their modes of payment with the social insurance agencies and pay social insurance to laborers, or Employees pay to employers overseas or employees directly pay to the social insurance agency where the laborer resides before going to work abroad. In cases where the laborers are allowed to renew their contracts or sign new contracts right in the labor-receiving countries, they shall pay social insurance premiums according to the old mode or pay them back to the social insurance agencies when they return home. (Government, 2014)

Labor contracted workers in the armed forces will pay social insurance in the locality where the unit is located according to the decentralization of the social insurance agency and must be attached with the list of laborers are social insurance agencies under the Ministry of Defense, Ministry of Public Security and the Government Cipher Committee.

The Ministry of Defense, the Ministry of Public Security and the Government Cipher Committee shall pay social insurance premiums to laborers, including laborers who work under labor contracts in enterprises of the armed forces, directly into their accounts. Special collection of the Vietnam Social Insurance agency opened at the central state treasury.

Employers are enterprises in the agriculture, forestry, fishery and salt industry who pay salaries and wages to laborers according to the production and business cycle, which may be paid quarterly or once every six months. Registration of the mode of payment with the social insurance agency. Until the last day of the closing period, the unit must transfer sufficient money into the social insurance fund.

Individual business households, cooperative groups and individuals who pay laborers for the laborers who employ less than 10 laborers may pay quarterly or semi-annually on the basis of registration with the social insurance agency. Until the last day of the closing period, the unit must transfer sufficient money into the social insurance fund. (Government, 2014)

### ***2.2.5 Organizing the collection of social insurance***

To organize the collection of social insurance, social insurance at all levels need to do the following tasks. (1) *Decentralization of social insurance contributions*: The decentralization of social insurance contributions is an important condition in creating the efficiency of revenue collection as well as revenue management. It helps the organization of social insurance is united, unduplicated. Specifically, the collection of social insurance will be decentralized as follows. (No. 959/QD-BHXH, 2015)

Social insurance at the provincial level organize the collection of social insurance contributions of labor units located in the province and city. These include: central management directly managed by the province, invested enterprises, international organizations, non-state owned enterprises employing large laborers, agencies, organizations, and enterprises that send Vietnamese laborers to work abroad for a definite term. The district health insurance is not eligible for collection.

The district-level social insurance agencies shall collect social insurance contributions of the units with their offices and accounts in the district, including: units

directly managed by the district; non-state owned enterprises with a labor force of 10 laborers or more; communes, wards and townships and other units assigned by the provincial social insurance agency.

Based on the decentralization on social insurance at all levels, it will identify those who are currently operating in the areas under their management. The number of laborers in each labor unit is determined in order to have a plan to organize the specific collection. Then divide the management work to individual staff in the unit, each manager in a different area so that work does not overlap. (No.959/QD-BHXH, 2015)

(2) *Collection process of social insurance:* Employers are responsible for submitting registration documents for social insurance with the social insurance agencies assigned to manage the number of people to participate in social insurance. This is the first step in the process of collection and management of social insurance contributions. Registration documents for social insurance usually include regulations on registration of social insurance, list of employees and salary fund to pay social insurance and the list of eligible employees and employees. (No.959/QD-BHXH, 2015)

The social insurance agency receives and evaluates the profile of individuals participating in social insurance, the payroll of employees is paid monthly. After that, the social insurance agency will issue the social insurance card for the valid file. After the process of applying for social insurance for employees, the social insurance agency periodically (according to the provisions of the Law on Social Insurance) will proceed to collect social insurance from people participating in social insurance or from participating units and agencies through opening an account at the bank or at the State Treasury. The other option is that social insurance agencies come directly to each unit, for each participant of social insurance to collect the social insurance contributions. The process is carried out in two following ways. (No.959/QD-BHXH, 2015)

*Case 1,* Social insurance officials must directly collect social insurance contributions from social insurance participants. In this case, the social insurance officer or the specialized revenue department of the social insurance agency will directly collect contributions from the social insurance participants. They will go down to the premises where the workers work to collect them. (No.959/QD-BHXH, 2015)

*Case 2*, The social insurance agency collects the contributions through the employer or through its agents such as banks, post offices and tax offices. Social insurance agencies usually open accounts at banks or state treasuries to transfer money from employers and agents to the social insurance agencies are more favorable. Then, the employer or agent will proceed to collect social insurance from the employee, then transfer the entire contribution of social insurance of both employers and employees to the account of the social insurance agencies have been opened at the bank or the State Treasury. (No.959/QD-BHXH, 2015)

If there are any changes compared to the list of registered social insurance, the management unit of the object has to make a list of adjusted according to the prescribed form and send it to the social insurance agencies, so that they can handle it. This must be done in monthly basis. . (No.959/QD-BHXH, 2015)

*(3) Management of social insurance fund:* According to regulations, social insurance at provincial and district levels can not use social insurance contributions for any purpose. In some special cases, there must be written approval of the Director General of Vietnam Social Insurance. Quarterly, provincial and district social insurance offices shall be responsible for finalizing the amount of 2% of the units retained, determining the amount of difference, surplus and deficit and concurrently sending settlement notices to the recording studio or department for implementation. The social insurance will assess the increase of social insurance contributions by 6 months or yearly for social insurance, social insurance under the Ministry of National Defense, Ministry of Public Security and Government body. (No.959/QD-BHXH, 2015)

Each level of management has different functions and tasks. Therefore, the management and use of social insurance contributions are different. Social insurance activities are not for profit purpose, the social insurance fund is the centralized and unified monetary fund. Therefore, the income of social insurance must be strictly managed; all expenses or receipts must comply with the regulations and clear settlements, ensuring benefits for participants.

Provincial and district social insurance agency must prepare monthly report, a quarterly report and an annual report (in the form prescribed) and transfer the electronic data within given timelines to the higher level social insurance agency. The provincial and

district social insurance agencies shall update information and data of social insurance and health insurance participants in order to timely serve the managerial work. Provincial social insurance must set up a system of social insurance numbers applied in the province according to the guidance of the Vietnam Social Insurance. Social insurance numbers issued to units for social insurance registration shall be used uniformly on dossiers, papers, books and professional reports. (No.959/QD-BHXH, 2015)

The dossiers for enjoying social insurance shall be archived according to the uniform model from the central to local level; software management of the social insurance of Vietnam social insurance; They are classified according to the entitlement regime and stored in a dossier box, on the rack. Criteria of the price, the box of dossiers shall comply with Official Dispatch No. 789 / BHXH-KDC of July 8, 1998 of Vietnam Social Insurance. For new monthly receipts, the Department of Social Security after checking the transfer of all social insurance documents into the position automatically position according to the software of Vietnam Social Insurance. For the previously archived dossiers: The provincial social insurance shall elaborate plans and organize the archival of dossiers on social insurance beneficiaries according to the models prescribed by the Vietnam Social Insurance, which are completed before December 31, 2012. (VIETNAM, 25/12/2009)

#### ***2.2.6 Inspection of the collection of social insurance contributions***

In practice, the inspection is an indispensable function in the management in general and in management of social insurance contribution collection in particular. The nature of social insurance inspection in management of collecting social insurance contributions is to identify and correct deviations in the activities of social insurance agencies compared with legal policies, objectives and plans outlined. Vietnam Social Insurance issued Decision No. 3592 / QD-BHXH dated 27 December 2006 issuing regulations on inspection of Vietnam Social Insurance signed by the General Director clearly regulating the authority, procedures and order of inspection.

The examination of the management of social insurance payment is the examination of the participants of social insurance is correct or not? Is the collection in accordance with regulations and order? Is the social insurance premiums correct and

collected enough?

Upon detecting errors, the inspection teams shall make records thereon, explain and guide the units to remedy the errors and mistakes strictly according to the provisions of law. For legal violations such as evasion of social insurance; improperly paid salary or wage of laborers; collecting money from laborers but failing to pay or pay in time or paying insufficient amounts for payment must be fully paid to laborers, and at the same time reported to competent state agencies for inspection, to handle according to the provisions of law. (No.3592/QD-BHXH, 2006)

### **2.3 Factors affecting the management of collecting social insurance contributions in Vietnam**

Management of collecting social insurance contribution is one of the most important steps that determines the existence and development of the social insurance system, ensuring the balance and regulation of the Social Insurance Fund. In order to balance the social insurance fund and long-term development, the collection of social insurance must be placed in the overall policy and content of socio-economic development. That is:

#### ***2.3.1 Wage policy and sanctioning violations***

The participants of social insurance are workers and employers. Therefore, policies on labor, employment and salary directly affect the management of social insurance. There is a very close relationship between the wage policy and the collection of social insurance. The salary policy is the basis for the implementation of the social insurance policy, because the basis for calculating the level of pay and the level of social security we currently receive is dependent on the state minimum wage regulations. When the state increases the minimum wage, the social insurance premiums must increase.

The salary policy of cadres, civil servants, civil servants, and armed forces has increased nine times from 2003 to now. Accordingly, the increase from 210 000 per month to 1,150,000 per month, so the total increase is 447.6%. The regional minimum wage shall apply to laborers working in enterprises, cooperatives, cooperative groups, farms, households and individuals as well as agencies and organizations employing laborers. In

the period of 2010 - 2015, there have been 6 times increase regional minimum wage, the average increase from 284,000 to 424,000 VND/month (corresponding to the region IV to I). In particular, the highest increase is in 2012 (increased 570,000 - 650,000 VND / month). (“Changing salary levels”, 2017) However, the actual level of income paid to employees is much higher than the minimum wage set by the state. But most businesses pay social insurance according to minimum wage rather than the real income of workers. The fact that enterprises do not take the actual income level of employees as the basis for calculating the percentage of social insurance contribution not only damages the rights of employees but also causes loss of social insurance fund. (“Changing salary levels”, 2017)

At present, the regulations on sanctioning violations of the Law on Social Insurance are still not strong enough and have the necessary deterrent to restrict and stop violations. Violations are mostly administrative offenses, which are not large enough to make the object not dare to violate. At present, the penalty for late payment of social insurance debt is only 14.2% per year equivalent to 1.183% per month. (Government, 2014)

The fine level is too small for employers to sometimes commit violations, not to pay social insurance for employees, take the initiative to take the payment of social insurance contributions of employees to invest in profitable business, affecting the interests of as well as serious damage to the social insurance fund. To limit these, it is necessary to have timely amendments to the penalty for delay, as well as the provisions on criminal prosecution of objects intentionally violated. Thereby, to end the violation of the social insurance law, helping the work done smoothly, ensuring the interests of workers. (Government, 2014)

### ***2.3.2 Social and economic conditions***

The development of socio-economic conditions has a direct impact on social insurance revenue sources and social welfare policies. When the economy and society is underdeveloped, the units and enterprises will not be eligible to pay social insurance for workers, so the social insurance contributions will be reduced. At the same time as the economy goes down, more businesses will go bankrupt, which leads workers to lose their jobs and unemployment rates rises. Income is reduced but the payment of social insurance for workers such as unemployment, illness, maternity and retirement still have to continue.

While social insurance contributions are insufficient for sources of social insurance, the social insurance fund will be deficient, leading to the breakdown of the whole social insurance system. (“The risk of breaking”, 2012)

In the past time, due to the global economic downturn, the domestic economic situation has been negative in Vietnam. Many enterprises have gone bankrupt or have to scale down their operations. Laborers lack jobs and their income decreases, enterprises do not have the capital to do business. This has led to the state of arrears and evasion of social insurance for workers in a bad direction. This has led to a significant decline in the contribution to the social insurance fund, which has a considerable impact on the development and maintenance of the social insurance fund, the impact of the social insurance fund, which has affected all activities of the social insurance industry. (“The risk of breaking”, 2012)

### ***2.3.3 Awareness of employees and employers***

Employers and workers are the beneficiaries of social insurance, so their awareness about social insurance greatly affects the management of social insurance. At present, many units, enterprises and workers are not aware of the rights and obligations when joining social insurance, leading to enterprises and workers have no sense of voluntary participation in social insurance. Employees are not aware of the benefits they enjoy when they participate in social insurance, while employers want to save part of production costs should be paid social insurance contributions for workers.

At times, there are places where workers and employers have agreed to not participate in social insurance, they hope to get an income from the source of contributions to social insurance, they use social insurance contributions to split. It is also the case that some enterprises have deliberately appropriated the social insurance premiums paid to laborers for use as capital for production and business activities, thus causing evasion of social insurance premiums. This is the main reason that the collection of social insurance is not effective. (“The risk of breaking”, 2012)

### ***2.3.4 Qualification of insurance officers***

The main task of the staff in the social insurance collection is to collect and promote the collection of social insurance contributions for the participating units in the area. On the other hand, the collector must always keep close to the base, timely remove difficulties in the collection of social insurance. In addition, the collection department is also responsible for expanding the subjects participating in social insurance. Therefore, social insurance collectors need to have professional competence and knowledge, dynamism, ability to identify and analyze the situation, responsibility and enthusiasm in the work, ability to communicate well and a good health. Thus, the new revenue management achieved high efficiency, timely detection of wrong situations to take measures to handle. (“Standardization of human resources”, 2015)

At present, the collection and management system of social insurance is very complicated, the workload is tough and most of employees are overloaded. The number of legal documents, decrees, and guidelines from departments at all levels are updated regularly, constantly requiring staff to dedicate research, diligence and responsibility for work. Along with the accounting profession, the application of information technology to the collection of social insurance requires staff to have knowledge of information technology.

As a result, new social insurance collectors/specialists can secure monthly settlement work with accurate units in line with the guidance of the Law on Social Insurance and promptly handle any arising issues that are contrary to the Law on Social Insurance. In addition, the status of some units hiding or spelling the law with sophisticated tricks requires good capacity, moderate ethical and persistent will. The collection and management of social insurance revenues is truly successful and not negatively affected.

## **2.4. Experiences of social insurance funding and contribution collection around the world**

### *Germany*

Germany was the first country to establish compulsory social insurance. The German welfare state model has a number of features that are different from those of some

European countries such as Nordic countries, France and the Netherlands. Some features and principles of the German welfare state may be mentioned are: i) ensuring welfare for people based on a social insurance system; ii) the system operates on the same financial contribution of both the employee and the employer; iii) on the principle of paying for the welfare services used by the people; iv) the benefits that users enjoy relate to their income; v) the principle of "social co-operation", i.e. the management of the insurance system through independent social insurance funds managed by trade unions and employers, and not by State. With such roles, the German state has successfully functioned as a welfare state for many years. ("Central Institute for Economic Management", 2008)

This social welfare system is made up of funding sources from the state, employers, employees and individuals. Unlike other developed countries, the German social security system is not centralized under state management but rather a complex system of national service providers and local independent agencies ("Developing social services", 2012) These agencies include some of the state, some semi-public and some privately managed or voluntary ("Central Institute for Economic Management", 2008).

In the Social Welfare system, contribution rates are shared in a variety of ways by branches, between the insured and the employer. Government support for some branches. In Germany there are two regimes for management of social insurance for employees. All contributions, allowances and grievances in the insurance sector are carried out by one of the two agencies with corresponding subjects. *First*, the federal old-age insurance agency manages social insurance for employees and staff. *Second*, the agency responsible for employee social insurance consists of 18 offices in the German states. ("Developing social services", 2012)

The central old-age insurance agency also plays a clearing role as with the laborers' retirement fund. All the institutions that govern the various old age insurance regimes are governed by public law bodies operating on a self-governing basis. ("Central Institute for Economic Management", 2008)

### *United States of America*

Social insurance is a part of American Social Security. With a transparent a collection system, the process of collecting social insurance in the United States has been

systematically carried out throughout the country. Social insurance contribution: The contribution rate is 15.3%, divided equally between the employer and the employee, each contributes 7.65% of the salary of the employee. In agriculture and non-government sector, employees pay 15.3% of monthly salary. ("Developing social services", 2012)

When paying social insurance premiums, employees are issued a social insurance card. When paying the allowance, the social insurance agency will collect the social insurance card for storage. Collection of social insurance premiums is done through a personal account. Therefore, employees working in enterprises or working for the Government can not evade payment of social insurance because all their income is paid through personal accounts. (If laborers are working in private establishments that pay cash, it is difficult to control.) People are self-aware of their rights when joining social insurance so they voluntarily pay into social insurance fund seriously. ("Developing social services", 2012)

In addition, social insurance agency also has the right to request related organizations to audit, confiscate and sell assets of enterprises or revoke their business licenses, even to declare enterprises' bankruptcy to recover social insurance debts and transfer to the social insurance fund ("Developing social services", 2012)

### *Finland*

Unlike the social security system of the United States and most of Western Europe, the social security system in the Nordic countries "covers the whole population," and in particular, is not limited for vulnerable groups who are unable to take care of themselves. For example, everyone who reaches a certain age has a pension regardless of whether or not they accumulate for a pension plan; or national health care plan based on health care needs rather than financial goals. In addition, citizens of Nordic countries have legal rights to the benefits provided. This policy is designed to serve as a collective responsibility to ensure that every citizen has a decent life. (Review, 2012)

The Finnish government established an improved pension plan that provided the basis for the formation of the National Pension Act. In the early 1960s, the pension plan was supplemented by a private pension fund. Unemployment allowances were formed in 1959 and 1960, renewed in 1972. In the 1950s and 1960s, the construction of hospital

networks, health education and health education was carried out more. The housing subsidy system expanded in the 1960s towards the entire population. Between 1963 and the early 1970s, the health insurance system was established. Health officials began to emphasize smaller local hospitals. (Finland, 2008)

In the 1980s, social costs in Finland accounted for 24% of GDP, compared to 35%, 30% and 22% of GDP of Sweden, Denmark and Norway respectively. Less than 10% of this cost was paid by the employees, and the rest was paid by the state and the employer. In the late 1980s, the Department of Social and Health Affairs directed the welfare system through five departments: Social Insurance, Social Welfare, Health, Alcohol Policy, and Labor. In social policy, there are three committees mainly responsible for social welfare, health and labor protection. Provincial officials supervised local governments - autonomous governments - providing social care. In the early 1980s, the state paid 30% for pensions and social services, employers paid 40%, local governments paid 15% and the rest was paid by the service receiver. No-one in Finland has to pay for education at any level of education, even when attending medical school or law school. Finnish pensioners are well cared for, while unemployed people enjoy high unemployment allowances.

It can be said that, in the 1980s - just over 30 years after the Second World War, from a poor country, the Finnish social security system made great strides to meet very high social security standards of the Nordic countries. The major political parties in this country were committed to maintaining this model of social security, contributing to the development of the Finnish society more solid in the next decade. (Finland, 2008)

### *The Philippines*

The social insurance system of the Philippines is one of the systems with a large coverage of social insurance and always improving services for customers. The Philippines' social security management system is now an autonomous self-governing body that implements policy in accordance with the law. The Board is a policy-making agency with the powers and duties set out in the Social Security Law. (“Developing social services”, 2012)

The SSS Management Board has the power to submit to the President for adoption of amendments or rescission of existing regulations and rules, the implementation of the

rules and provisions of the Social Security Law. At the same time, a preventive fund for members was set up. This is a voluntary fund of employers and employees, free laborers and other freelancers to provide benefits to members and their families.

The Philippine Social Security system allows third parties to act as their agents. After signing the agreement, insurance participants can pay premiums at over 600 agents of the information solutions group - a private company that collects money for a number of other public sectors such as postal services, telecom and insurance.

The social security system has also signed a similar agreement with the Philippine Development Bank, a state-owned and managed corporation, which allows the bank to be linked with them in collecting premiums and loans from Philippine laborers abroad. The SSS system intends to continue expanding its collection channels to further promote insurance participation by voluntary laborers, voluntary insured peoples and Filipinos abroad. ("Developing social services", 2012)

The Social Security system has significantly grown in collection amounts even beyond the set target. This enabled them to perform the installation of cashier equipment at the 41 branch offices of the nationwide system to collect premiums and loans and deploy 300 accountants to ensure compliance with the Social Security Law by the employees as well as reports on employees and the transfer of social insurance contributions. ("Experience on social insurance fund of countries", 2017)

#### *Da Nang city, Vietnam*

Social insurance of Da Nang city has synchronized many solutions. Social insurance in Da Nang city advised the City People's Committee to promulgate regulations on coordination of management and implementation of the Law on social insurance and the law on health insurance in the city. Cross-sector inspection and coordination is always taken care of. Debts have been recovered at hundreds of billions of VND, propaganda information is maintained regularly with diverse forms and contents. (Phạm, 2009)

Archives, used to base on manual methods, now have been stored in the "shelf, floor, box" method and on the software provided by Vietnam Social Insurance, which is quite synchronous and modern. Applied effectively to the management of the industry, City's social insurance agency has built up a website, building the internal information

network towards the goal of "paperless office", online conference within the industry, remote talks without phone. Implementing the "one-door" mechanism, the social insurance has changed in the publicity, transparency of procedures and processes, shorten the time limit for settlement of the regimes. (Phạm, 2009)

*Thai Thuy district, Thai Binh province, Vietnam*

Thai Thuy social insurance agency is always the leading unit of Thai Binh province on the development of subjects, especially voluntary social insurance and voluntary health insurance. (Phạm, 2009)

In order to achieve these results, Thai Thuy social insurance has consulted with District Party Committee. District People's Committee has documents to instruct localities and units to well implement the Law on Social Insurance, applying universal health insurance coverage to assess new rural communes. Thai Thuy social insurance strengthens propaganda in district meetings and conferences involving key local officials, coordinates with radio and television broadcasting units, associations and mass organizations, propagandizing and mobilizing officials, members and people to implement the Law on Social Insurance and act as insurance agents at the grassroots level. (Phạm, 2009)

To expand the coverage, social insurance Thai Thuy organized the staff to closely follow establishments, review, do statistics, determine the number of production establishments and enterprises that have not participated or only participated in social insurance and health insurance for a part of laborers in the enterprise so that to keep up time of propaganda and advocacy. Receiving applications and result-handling section of the district in terms of social insurance, in the process of resolving the policy regime also persists in propaganda and explanation when receiving applications for one-time payment of social insurance where the subject is too young with short-time of work. (Phạm, 2009)

Thai Thuy Social Insurance agency has paid much attention to administrative reform in the direction of simple and convenient manner, renewing the working style and behavior of insurance officers.

*Que Vo district, Bac Ninh province, Vietnam*

As many local agencies and enterprises participate in social insurance, the social insurance in Que Vo has many active solutions to enhance the collection and reduction of social insurance and health insurance premiums. In Que Vo they are regularly carrying out propaganda on social insurance on the mass media and directly to the labor manager and laborers. They are hanging up the propaganda panels about the policy of social insurance and health insurance on the light posts along the district center roads and Que Vo industrial zone. In addition, they are printing leaflets and distributing them to households and laborers in 21 communes and towns in the district. (Phạm, 2009)

The district's social insurance agency directs officers and employees in the sector to focus closely on the business agencies in order to urge the collection and implementation of policies on insurance for laborers. The agency publishes the list of insurance debtors, sets up debt collection teams and carries out lawsuits against debtors for a long time in large numbers. (Phạm, 2009)

## **2.5 Some lessons learned from the experience of collecting social insurance contributions**

There are few lessons to be learnt from other countries and some local provinces when it comes to managing the collection of social insurance contributions. Firstly, state management agencies play a very important role in the management of social insurance activities through the direction, formulation of laws and policies, as well as direction so that the policy on social insurance is strictly implemented.

Secondly, developing social insurance policy must be based on the actual situation of each country. However, entitlement benefits should be commensurate with the contribution and ensure the life of laborers when they are at risk so that to create trust and consensus in social insurance contributions.

Thirdly, social insurance activities must be based on the principle of compulsory (for some subjects). The deduction of social insurance through personal account will limit the evasion of social insurance. At the same time, strict enforcement mechanisms and sanctions also help to enforce the law and social insurance policy more seriously.

In addition, each locality should pay attention to few things concerning the management of social insurance. Firstly, the task of forecasting must be taken seriously. Actors should be active and creative in the implementation of social insurance collection: propaganda and administrative reform.

Secondly, the actors should take advantage of the leadership of party committees and local authorities in the implementation of social insurance. In addition, they should coordinate with related departments and organizations to organize inter-sectoral coordination in checking and inspection to detect and handle violations. In the work, the social insurance agency should base on the actual situation to actively give advise to have optimal plans and bring high efficiency.

Thridly, for those units owing social insurance premiums, it is necessary to closely monitor the debts and for those who evade debts and social insurance debts, it is necessary to resolutely implement many solutions to handle violations: publicity of the unit identity owing social insurance, inspection, examination, lawsuit.

### **3 RESEARCH METHODOLOGY**

#### **3.1 Research Method**

A qualitative research method was chosen because it systematically uses a predefined set of procedures to answer the research questions, collects evidence, produces findings that are not determined in advance, produces rich data and findings that are applicable beyond the immediate boundaries of the study (Mack et al., 2005). That also means that researchers filter data through a personal lens placed in a specific historical and socio-political moment. (Creswell & Brown, 1992)

Research design of this thesis is case research, which is one of the major types of qualitative research design (Hancock, 1998). Case study research aims to explore and depict a setting with a view to advancing understanding of it (Cousin, 2005). The focus of this thesis is on Phu Xuyen District, Hanoi City, Viet Nam. I choose this district because it is an interesting one for a case-study, because in Phu Xuyen District, the arrears and evade payment of social insurance is still very high.

Specifically, qualitative research methods used for this thesis includes document collection and document analysis (Mack et al., 2005). The main source of information is the documents of social insurance of Phu Xuyen district. The documents of social insurance in Phu Xuyen district include short-term and long-term business plans and business results of the period from 2010 to 2014.

I used document analysis, because organisational and institutional documents have been a staple in qualitative research for many years (Bowen 2009). Like other analytical methods in qualitative research, document analysis requires that data is examined and interpreted in order to elicit meaning, gain understanding and develop empirical knowledge (Corbin & Strauss, 2008; see also Rapley, 2007). This method has many advantages over other methods. It is less time consuming, it guarantees an easy access to information, it is cost effective and stable. In addition, the inclusion of exact names, references and details of events makes documents advantageous in the research process. Documents provide broad coverage, they cover a long span of time, many events and many settings (Yin, 1994).

However, document analysis is not always beneficial, sometimes incomplete, as Yin (1994) notes, access to material may be deliberately prevented. These are really potential flaws rather than major disadvantages. Given its efficiency and cost-effectiveness in particular, document analysis offers advantages that clearly outweigh the limitations (Bowen, 2009).

After data collection, data has been processed and analyzed through qualitative content analysis as this is a method for identifying and labeling the data that appears in the text of the copy table. What are the lessons learned is the essence of this idea. (Lincoln & Guba, 1985). These lessons may be personal interpretations of the researcher, expressed by the personal insights that the researcher puts into research from his own culture, history, and experience. Furthermore, as Merriam (1988, 118) pointed out, 'Documents of all types can help the researcher uncover meaning, develop understanding, and discover insights relevant to the research problem'.

### **3.2 Research procedure**

This study is conducted according to the following procedure. Firstly, I preliminarily collected the information of Phu Xuyen Social Insurance to identify the problematic areas related to the management of social insurance contribution collection.

The second step was to design this study, presented in Section 3.1. After the completion of the preliminary research design, the literature review was developed by collecting the theory of social insurance and the results of earlier research related on social insurance.

The next step to be taken for this study was the qualitative data collection. Data collection details are provided in Section 3.3. The data included for example the short-term and long-term plan of social insurance of Phu Xuyen district, the report on the results of activities in the period from 2010 to 2014 and financial statements of the same period.

Data collection was followed by a qualitative data analysis, that combines elements of content analysis and thematic analysis. Then, the results of the study were formed and explained. Findings and explanations of the results of this study are provided in Chapter 4. The final step of the procedure was the discussion and conclusions. In this last section of

this thesis, I will give some proposals to improve the management of revenue collection for social insurance in Phu Xuyen district.

### **3.3 Collecting Data**

Data collection methods have been used to collect data such as text research, field observations, and systematic recording by writing on existing notes. Clearly documented methods will be associated with what seems appropriate both in context and in relation to the knowledge that I hope to create (Cousin, 2005). Collection of documents is to understand the situation of social insurance and social insurance management of social insurance contributions Phu Xuyen district period 2010-2014.

First of all, I searched the Internet for information and I found a lot of useful information to help me have background information before getting to know reality in Phu Xuyen social insurance. The total number of documents I found on the Internet is about 50 types of documents, including: law on social insurance in 2014, decisions of Vietnam social insurance sector on functions, tasks and insurance agencies at all levels, documents and decisions about the collection of social insurance contributions and other documents related to social insurance. In addition, I also found reports, studies on social insurance, and experiences of collecting social insurance contributions in localities across the country and abroad.

Next, I contacted with the social insurance agency Phu Xuyen district to find the actual information. Fortunately, I was approved by the Social Welfare Director and proceeded to the field the next day. At the district's social insurance office, I collected valuable and rich archives (number of about 50 documents of all kinds). When accessing the parts of the social insurance, I have obtained copies of materials in the last five years (2010 - 2014). The material included: reports on the results of social insurance contributions, 5 year plan of operation, profile of participants in social insurance each year, reports on periodical inspection of the collection of social insurance 5 years and a number of other related reports. From fact can tell me some things about local geography and daily activities of social insurance agencies compared to other social insurance agencies (See Fuller et al., 2003).

I arrived at the office during working hours, so it was easy to observe the operation of the professional sections, understand the process of collecting and paying social insurance, chat with some subjects to apply for registration, participate in social insurance, pay social insurance and receive payment of social insurance. Since then, I have had a wealth of recordings for myself. The total amount of documents I collected for the study was about 80, the number just enough for me to proceed to the next step of the study.

### **3.3 Data analysis**

Data analysis is an interpretative technique that both constructs data and provides a value that gives its interpretation to certain research methods. Most coding requires analysts to read the data and divide the sections in it, which can be done at different times throughout the process (Saladana, 2012). The use of the material is indispensable for my research, in other words the whole study can be conducted only with documentation (Glaser & Strauss, 1967). Document analysis involves skimming (superficial examination), reading (thorough examination), and interpretation (Bowen, 2009).

The researcher should demonstrate the capacity to identify pertinent information and to separate it from that which is not pertinent (Corbin & Strauss, 2008; Strauss & Corbin, 1998 ). First, I reviewed about 80 documents, placed them in context and coded them for analysis. I included documents related to social insurance in Vietnam, reports on the results of activities, work plan of social insurance in Phu Xuyen district from 2010 to 2014, the law on social insurance in Vietnam, regulations and decisions on social insurance. Most of the data I collected was very useful for my research. As Glaser and Strauss (1967) advice, I called attention to the usefulness of documents for theory building - a process that "begs for comparative analysis (with the library offering) a fantastic range of comparison groups, if only the researcher has the ingenuity to discover them" (Glaser& Strauss, 1967, 179)

My next task was to arrange and review materials in a comprehensive, systematic way that provides basic information to help me understand the social, cultural, political and economic context of Phu Xuyen District in which the district social insurance agency was formed and operated. Information obtained from the Internet (page of Phu Xuyen district

and Vietnam social insurance, social insurance magazine is mainly), included: geographic location, population structure, industry structure, economic growth, development orientation of the district up to 2020, basic information on district social insurance.

From the plan of activities and report the results of social insurance contributions of the district from 2010 to 2014, through observation and recording information at the district social insurance agency, I understand the actual situation of collecting social insurance contributions in the district. Who are the main participants? What is the debt situation? This is the source of information that helped me complete chapter 4 of the study. Most of the materials are available at the Phu Xuyen District Social Insurance Office (½ of the total). The minutes of the meeting informed me about the evolution of social insurance collection, the difficulties in the collection and payment of social insurance, the solution is also mentioned.

Studying social insurance records helps me to inform about the procedures, the procedure of collecting social insurance, checking the collection of social insurance. Finally, in data analysis involves interpretation or presentation of the meaning of the data. "What lessons are drawn" is the essence of this idea (Lincoln, YS. & Guba, EG, 1985). Based on the results of the content analysis, the author proposes solutions to improve the quality of revenue collection for social insurance in Phu Xuyen district.

## **4 THE STATUS OF SOCIAL INSURANCE CONTRIBUTION COLLECTION IN PHU XUYEN DISTRICT**

### **4.1. General overview of the Phu Xuyen district**

Phu Xuyen District is the administrative unit of Hanoi capital. Administrative divisions of the district include 26 communes and two townships. The district has the advantage of geographical location, traffic hub connected to the center of the capital and neighboring provinces. The district is located in the south of Hanoi, about 40km from the city center. The neighbouring districts include in the north: Thuong Tin District, in the south: Duy Tien district, Ha Nam province, in the east: the Red river and Khoai Chau district and in the west: Uong Hoa district. Phu Xuyen district has a very convenient transportation system with a 12 km long North-South railway, a 17 km long Red River waterway, a 7 km long Phap Van-Cau Gie highway and the beginning of Cau Gie - Ninh Binh, National Road 1A 12 km long in the district. This is a favorable condition for the socio-economic development of the district. ("Phu Xuyen district", 2017)

On natural conditions, the district has more than 30 km of rivers flowing through the Red River, Nhue River, Duy Tien River, Luong River and Van Dinh River. It has a land area of 17,104.6 ha; of which, cultivation land is 11,329.9 ha, accounting for 66.24% of the area. Residential land is 1,120.9 ha, accounting for 6.95% of the area and specialized land occupies 3,235.9 hectares, accounting for 18.92% of the area. The remaining is unused land. In terms of agriculture, the eastern part of the district accounts for 17.4% of the cultivated land, which is fertile alluvial soil, favorable for growing crops, industrial crops and livestock. In the west of the district, more than 60% of the area is an important rice granary of the capital, with great potential for fresh water fish farming, poultry and livestock. Previously, Phu Xuyen district was a lowland area, with low land masses compared to some neighboring units. The east was higher than the west, so in the rainy season or flooding, floods. Some communes adjacent to the Red River have sandy soils, also known as colored land, with an area of about 2,000 ha. ("Phu Xuyen district", 2017)

Phu Xuyen district has a population of over 187 thousand and the number of people in working age is over 99 thousand people (accounting for 53% of the population). Annual

average, the number of employees increased by about 2,000. The percentage of employees in the agricultural sector accounts for 60% of the total number of employees. Therefore, the problems of solving labor and employment are still many difficulties and challenges and the number of laborers with great demands for jobs. ("Phu Xuyen district", 2017)

The economy of the district mainly focuses on agricultural production, and handicraft industry is slowly developing. The annual economic growth rate of the district was 5.27%. Average income per capita in 2015 was estimated at 26.47 million per year. The economic structure has been shifted positively in the direction of gradually increasing the proportion of industry and services, thus gradually reducing the proportion of agriculture. Of which: industry - small industry - basic construction 54.36%; trade - services, tourism 23.88%; agriculture 21.76%. The average annual state budget revenue increased by 13.2% . ("Phu Xuyen district", 2017)

About 40/156 villages are recognized as traditional craft villages. Phu Xuyen district is also the cradle of many famous trade villages, such as Phu Yen footwear, Van Tu garment, American professional mosaics, Tan Dan furniture, Van Nhan furniture, Dai Thang metalwork and Quang Trung textile that are sold in many districts of Hanoi, Ho Chi Minh City and many other localities across the country. Rattan woven products and Phu Tuc grass is exported to European, African and American markets. Number of handicraft households in 2014 was 22,277 households, accounting for 38.06%. The number of handicraft workers is 38,853, accounting for 35.8%. The handicraft production value of craft villages in 2014 reached VND2,699.5 billion (up 8.7% compared to the same period last year), accounting for 63.7% of the total production value, creating a value added of 926 billion, accounting for 53.9% of the district's value added. The economy from the small industry has contributed to solving local employment, increasing incomes for people, promoting socio-economic restructuring and stabilizing the political situation in the district. ("Phu Xuyen district", 2017)

## **4.2 Overview of social insurance model in Phu Xuyen district**

### ***4.2.1 The process of formation and development***

Vietnam Social Insurance was born on the basis of merging a part of Social

Insurance - Ministry of Labor, Invalids and Social Affairs with the Social Insurance of the Vietnam General Confederation of Labor. Since then, the social insurance of the provinces and cities under the Central Government was established on the basis of merging the social insurance department under the Department of Labor, War Invalids and Social Affairs of the province and city with the division of social insurance work of the provincial Labor Union. According to the Decision No.13A/QĐ-BHXH-TCCB dated 15/06/1995 , the social insurance of Ha Tay province was established and officially came into operation on 01/07/1995. Accordingly, Phu Xuyen social insurance was established under Decision No.13B/QĐ-TCCB dated June 15, 1995, which is part of the organizational structure of Vietnam Social Insurance under Ha Tay social insurance. The district's social insurance agency is responsible for implementation of policy and financial management of social insurance in Phu Xuyen district. After merging Ha Tay with Ha Noi, the social insurance of Phu Xuyen district is now under Hanoi social insurance agency (the social insurance of Ha Tay province is merged with social insurance of Ha Noi city). (Giang, 2016)

Since July 1995, Phu Xuyen social insurance has gone into operation independently, with the starting point of 6 employees. Because the number of staff was so low, the workload was hard. In addition, the facilities were not great, which lead to many difficulties. In order to well perform the social insurance including health insurance in the area, the social insurance agency must have a sufficient quantity of staff with required abilities to perform. Over the past years, the staff of Phu Xuyen social insurance has the most significant contribution of social insurance workers. Currently, the total number of officers and employees of social insurance in Phu Xuyen district is 21 people, with professional qualifications, full qualification and dedicated to work. There are four members of the Board, including one director and three deputy directors. From the staff 10 are women, accounting for 47.6%; There are 18 cadres with university degrees, accounting for 85.7% and there are 3 staffs with professional qualifications. (“Organization chart”, 2016)

With the awareness of social insurance being a big policy of the Party and State, related to the large number of laborers in society, so the social insurance agency of Phu Xuyen always strives to perform well assigned tasks, creating trust for people. Over the past time, all officials and civil servants in the agency have united, made efforts to

overcome difficulties, gradually go up step by step achieve the required assurance. (Giang, 2016)

#### ***4.2.2 Functions and tasks of Phu Xuyen district social insurance agency***

Phu Xuyen Social Insurance is a subordinate agency of the Hanoi Social Insurance Office located in the district. It has the function of assisting the Director of the City Social Insurance Agency in implementing social insurance policies. In addition, their task is to manage the collection and payment of social insurance in the district according to the management decentralization of the Vietnam Social Insurance and the provisions of law. District's social insurance is under the direct and comprehensive management of Hanoi Social Welfare Director and is under the administration of Phu Xuyen District People's Committee. The social insurance status of Phu Xuyen district has legal status, its own seal, account and office.

Phu Xuyen Social Insurance is an agency under the Hanoi Social Insurance. Therefore, their job is to perform tasks assigned by social insurance Hanoi. These include developing long-term and short-term district social insurance plans and annual work programs for submission to the Director of the City Social Insurance. Moreover, the agency have to organize the implementation of plans and programs after they are approved. Furthermore, the district's social insurance agencies regularly propagate and disseminate social insurance regimes, policies and laws.

The district's social insurance agency performs the tasks assigned by the Vietnam Social Insurance and the City Social Insurance. These tasks include: (1) exploiting, registering, issuing books, managing participants and enjoying social insurance regimes, (2) collecting charges and settling social insurance regimes, (3) Management and use, accounting of capital and assets. (Decision.1414/QĐ-BHXH, 2016)

In addition, district's social insurance agency organizes the sections, which receive and return the results of social insurance payment and health insurance according to the "one-door" mechanism at the district social insurance. To manage and keep records of the participants, to enjoy the social insurance regime as prescribed and to organize the implementation of the national quality management system (TCVN ISO 9001: 2008) into operation. (Decision.1414/QĐ-BHXH, 2016)

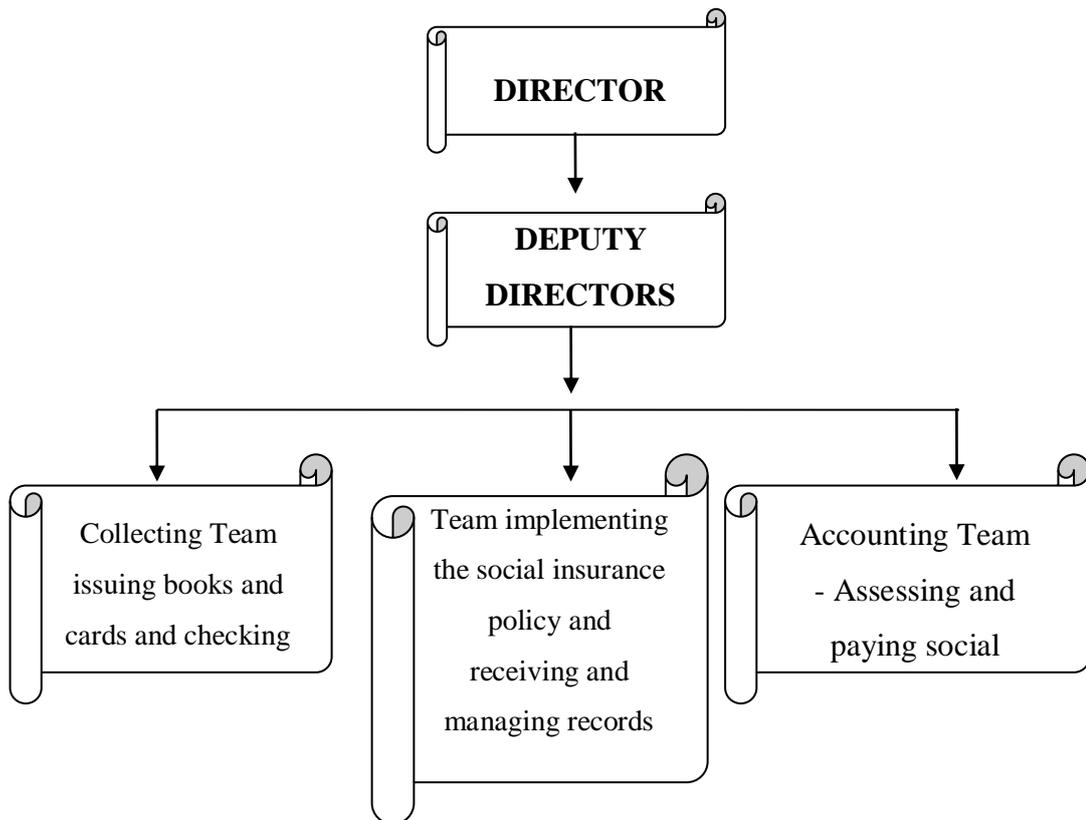
Furthermore, district's social insurance agency must check and settle petitions, complaints and denunciations about the implementation of social insurance regimes for organizations and individuals participating in accordance with the law. The agency must propose and coordinate with competent state agencies in inspecting and inspecting organizations and individuals in the implementation of social insurance regimes. In addition, the agency has the right to initiate civil lawsuits against units subject to social insurance in order to request the courts to protect their interests and public interests in the field of social insurance. (Decision.1414/QĐ-BHXH, 2016)

Finally, the district's social insurance system provides full and timely information on payment, eligibility for social insurance regimes and procedures for workers, employers and trade unions. In addition, its tasks include the management of district social insurance officials and implementing the regime of information, statistics and reporting according to regulations. (Decision.1414/QĐ-BHXH, 2016)

#### ***4.2.3 Organizational structure of Phu Xuyen district social insurance agency***

Organizational structure of social insurance in Phu Xuyen now includes one Director, three Deputy Directors and three professional teams. The director is in charge of the overall responsibility. The Deputy Directors are assigned directly in charge of the specialized teams.

Professional teams of the district social insurance include: (1) collecting, issuing books, cards and checking, (2) the implementation of social insurance policy and receiving management records, and (3) accounting team - social insurance payment and assessment. All three teams are under the direct leadership of the Director and Deputy Directors. The organizational structure of Phu Xuyen district social insurance agency is shown in the figure 1.



**Figure 1: Structure of social insurance in Phu Xuyen district (Phu Xuyen Social Insurance)**

The first (1) department, department of collecting issuing books, cards and checking consists of 5 officers and 1 deputy director in charge. This department must collect and issue social insurance books of organizations and individuals, check and compare the list of participants and sum up the report on social insurance revenue. Moreover, the department should to fully and promptly provide information on the payment of social insurance premiums when organizations and individuals participate in the requests, and at the same time, supply relevant documents and information at the request of competent state agencies. In addition, this department also performs tasks related to the initiation of lawsuits against organizations and individuals that violate the legislation on social insurance under the competence of directors of district social insurance agencies. The department must also examine and settle petitions, complaints and denunciations about the implementation of social insurance policies for organizations and individuals participating in social insurance according to the provisions of law.

The second (2) department performs the task of receiving and submitting the results of settlement of social insurance benefits, providing guidance on issues relating to social insurance claims at the request of the organization and the fish. Moreover, the Department also keeps records, documents as prescribed, implement the information.

The third (3) department, the accounting department performs the following functions: checking and supervising financial revenues and expenditures, debt collection obligations and management and use of capital and assets. Their job is to detect and prevent acts of violating the legislation on financial accounting, to carry out procedures for signing contracts with organizations and individuals acting as social insurance payment agents according to the provisions of law and to classify and arrange vouchers and books according to the regulations of the State and the industry. In addition, they should organize the settlement of the regime and manage the subjects entitled to the medical insurance regime strictly according to the provisions of law and the branch.

Those outside the above-mentioned tasks must participate in propagation and dissemination of social insurance regimes and policies, observe the regime of information, statistics and reporting according to regulations and other tasks assigned by the superintendent District Social Insurance Office.

### **4.3. Situation of management of social insurance collection in Phu Xuyen district**

#### ***4.3.1 Managing the participants***

As mentioned earlier, the subjects participating in social insurance include employees and employers (employer units).

According to the decentralization of social insurance in Hanoi, the social insurance of districts perform the following tasks: Management and collection of social insurance for units employing employees and employees of the unit based in the district (or District licensed operation).

Apart from the voluntary declaration by the employers, the social insurance also works closely with the specialized agencies (the Fatherland Front, the People's Committee of the district and the police) in the area to manage the participants. The units participating in social insurance are divided into blocks for management (private enterprises, state

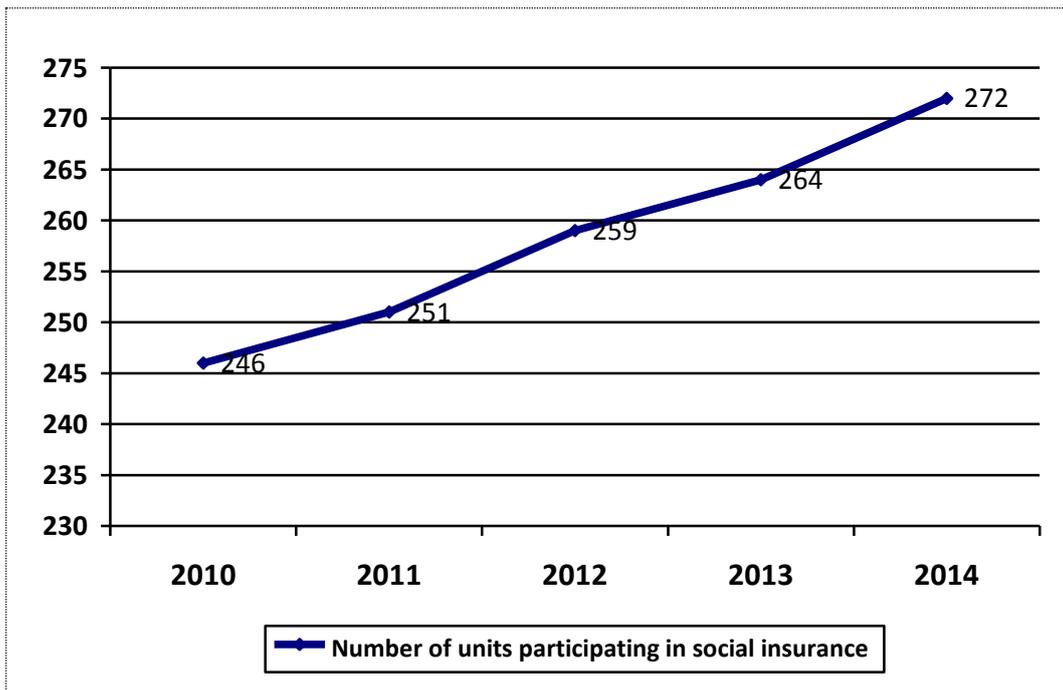
enterprises, foreign invested enterprises). Therefore, the district social insurance can catch the participants in the most effective way. Annually, labor units shall make a list of laborers and salary funds of the units submitted to the collection section of social insurance of Phu Xuyen district. After that, the collection section of the social insurance will check, compare and certify the compulsory social insurance payment for each unit and proceed to collect each month. ("Synthesis report", 2010; 2011; 2012; 2013; 2014)

The number of units participating in social insurance in Phu Xuyen district for the period 2010 - 2014 are shown in Table 2 and figure 2.

**Table 2: Number of units participating in social insurance in period 2010 – 2014 ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)**

*Unit : person*

<b>Type \ Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Administrative	104	103	105	105	103
State enterprise	3	3	3	3	3
Commune, ward, town	28	28	28	28	28
Non-public	29	29	29	29	29
Non-state owned enterprise	43	49	55	59	68
Foreign invested enterprise	1	1	1	1	1
Cooperative	37	37	37	37	37
Household business	1	1	1	2	3
<b>Total</b>	<b>246</b>	<b>251</b>	<b>259</b>	<b>264</b>	<b>272</b>



**Figure 2: Number of units participating in social insurance in period 2010 – 2014**

Through table and graph, we see that the number of units participating in social insurance has gradually increased each year. In 2010, the number of registered participants was 246 units. By 2014, there were 272 participating units. The number of labor-using units is mainly concentrated in the administrative sector (accounting for over 37%). According to data analysis, Phu Xuyen district has differences in the units participating in social insurance in different sectors. While the number of units in non-state sector has increased, the number of state-owned enterprises has decreased.

In 2010, the non-state sector had 43 units, but by 2014 there were 68 units with the increase of nearly 1.58. In terms of structure in 2010, accounting for 17.47% by 2014, accounting for 25% of the total structure. Under the restructuring program we have seen equitization of state-owned enterprises, at the same time reducing the burden on the state budget. Thus the number of state-owned enterprises tend to decrease gradually reducing the proportion in the structure of the business sector. In addition, the administrative and non-business sector do not show any significant fluctuations due to the stable nature of the sector, usually not increasing or with a very small increase and the participation rate reached 100%.

At present, the number of individual business establishments that have employees subject to compulsory social insurance in the area is very large. However, practically, the proportion of households participating in paying social insurance for employees is very small. There are only 3 households participating until 2014. This rate is very low compared to the number of individual business establishments operating in the district. This is due to the fact that individual business establishments operate on a small scale with limited financial capacity and low labor use, thus having unstable and often volatile labor. In addition, some businesses do not meet the expected results, even many businesses are losing money, falling into debt and trying to evade social insurance for laborers.

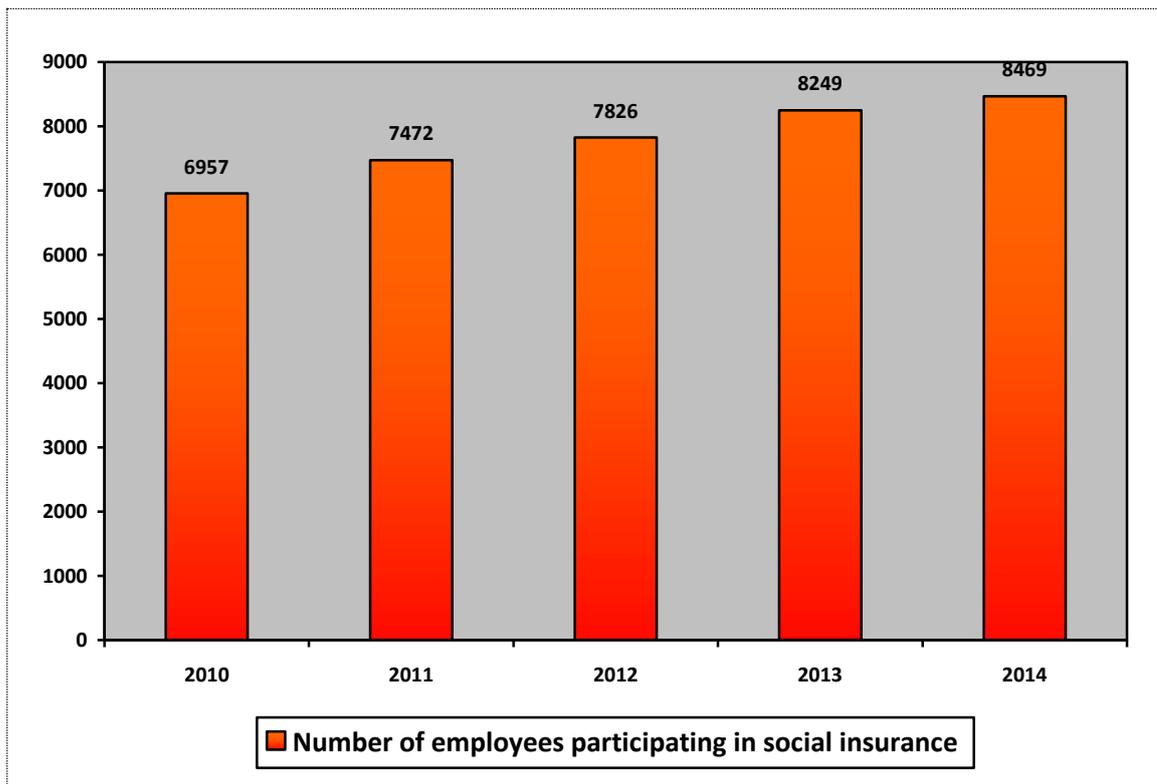
Along with the increase of units participating social insurance, the number of employees participating in social insurance is increasing. This proves the awareness, the interest in social insurance, the benefits brought from the social insurance contributions of employees are increasingly raised, thus they actively participate in social insurance. This is a good trend for the social insurance fund, the social insurance system and the whole society.

Table 3 and figure 3 include the number of employees participating in social insurance during period 2010-2014.

**Table 3: Number of employees participating in social insurance in period 2010-2014**  
 ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)

*Unit: person*

<b>Type \ Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Administrative	3,262	3,399	3,490	3,556	3,629
State enterprise	595	618	641	654	649
Commune, ward, town	498	510	553	570	560
Non-public	1,002	1,143	1,283	1,376	1,567
Non-state owned enterprise	1,068	1,275	1,293	1,501	1,486
Foreign invested enterprise	85	79	199	269	270
Cooperative	440	441	359	306	282
Household business	7	7	8	17	26
<b>Total</b>	<b>6,957</b>	<b>7,472</b>	<b>7,826</b>	<b>8,249</b>	<b>8,469</b>



**Figure 3: Number of employees participating in social insurance in period 2010-2014**

Through table 3 and figure 3, it can be seen that the number of employees participating in social insurance over the years has increased significantly, the next year higher than the previous year. In 2010, there were only 6,957 employees participating in social insurance. By 2014, the number of employees has increased to 8,469. Laborers participating in social insurance in Phu Xuyen district are mainly workers in administrative units (in the period from 2010 to 2014 over 42%). In general, the number of units of SOEs and communes, wards and towns tends to increase slowly. In contrast, the number of non-public units tends to increase more rapidly over the years; cooperatives tend to decrease slightly, other blocks do not have big fluctuations. The number of laborers in State-owned enterprises and communes, townships increases slowly, and the number of workers in non-state sector increases is the trend of most of the localities in the country.

The number of employees in individual business establishments is very low. In fact, most of the individual business households do not sign labor contract and do not have the sense of participating in paying social insurance for laborers. Workers in this group often change their workplace and work time at each facility is very short, do not want to sign a

labor contract, so do not want or not assured when participating in social insurance. Most of the workers in this area are not aware of their rights and responsibilities when participating in social insurance. Practicality in Phu Xuyen District there are large number of employees working in private production facilities. Therefore, this is a great source of labor force to participate in social insurance. The district's social insurance agencies should strengthen propaganda and advocacy to expand the participants in this area.

The results show, that the number of laborers participating in compulsory social insurance as compared to the total number of people in working age of Phu Xuyen district is still not high. This situation partly reflects the management of subjects participating in social insurance. Thus, Phu Xuyen district has some limitations that it needs to overcome in the coming time. The main function of the social insurance agency in Phu Xuyen district is to execute, thus they should closely manage the participants, in addition to strengthening the capacity of the system, they need to coordinate closely with the relevant agencies.

#### ***4.3.2 Managing contribution rates***

Phu Xuyen district's social insurance agency pursues always strictly and timely implementation of the rate of payment in accordance with the provisions of the social insurance law and the guidance of social insurance in Hanoi. When there is a change in the premium level, the social insurance will inform the labor units to know and implement.

For the state sector, in the examination of dossiers, the social insurance shall check and compare with the decrees: Decree No. 25/CP and Decree No. 26/CP of May 23, 1993 of the Government. Salary regime for non-business agencies, parties, mass organizations and State enterprises; Decree No. 204/2004/ND-CP and Decree No. 205/2004/ND-CP dated 14/12/2004 of the Government on the salary regime applicable to cadres, civil servants, civil servants and armed forces.

For the non-state sector, there are little different rules. First, the social insurance agency shall base itself on the contract or decision on the wage level supplied by the laborers when making dossiers of application for use as basis for acknowledging the paid salaries and calculating the number social insurance contribution to the unit. For units where employees pay social insurance below the minimum wage in the region in each

period, social insurance agency in Phu Xuyen district will sent a notice, requesting salary increase. The agency also makes records to adjust salary levels for workers.

The common minimum wage applicable for those working in Phu Xuyen district to participate in compulsory social insurance is shown in table 4.

**Table 4: Common Minimum Wages for the Period 2010 - 2014 ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)**

*Unit: million dong*

No.	Minimum wage	2010	2011	2012	2013	2014
1	For employees receiving salary from the state budget	0.73	0.83	1.05	1.15	1.15
2	For employees working in enterprises which operate under the Law on Enterprises, organizations of Vietnam	0.88	1.2	1.78	2.1	2.4
3	For employees working in enterprises and organizations with foreign owned capital in Vietnam	1.19	1.35	1.78	2.1	2.4

In order to ensure that the process of declaration of information on wages and salaries of workers is accurate, the district social security office has issued a notice and guided in detail the provisions on the minimum wage as a basis. Social insurance contribution to each employer using social insurance for timely implementation, in accordance with regulations.

Phu Xuyen district's social insurance agency always monitors changes for employers when new laborers work or change and adjust social insurance premiums. The number of employees participating in social insurance has increased and additionally, the state increased the minimum wage for workers. As a result, the salary of social insurance in Phu Xuyen district has also increased. The stipulation on the salary level used to pay

social insurance is guaranteed and uniform throughout the district. Average salary of social insurance agencies of Phu Xuyen district in the past is shown in the following table 5.

**Table 5: Average salary level for social insurance contribution in period 2010-2014 ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)**

*Unit: VND*

<b>Type \ Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Administrative	2,086,527	2,364,274	2,941,356	3,597,816	3,781,138
State enterprise	2,109,804	2,366,909	2,849,714	3,290,265	3,544,556
Commune, ward, town	1,595,716	1,811,275	2,278,029	2,751,462	2,932,440
Non-public	1,189,371	1,422,426	1,838,529	2,341,933	2,503,350
Non-state owned enterprise	1,468,399	1,555,882	2,095,063	2,262,936	2,678,163
Foreign invested enterprise	1,653,922	2,021,097	2,064,070	2,262,082	2,937,654
Cooperative	875,379	1,235,450	2,106,314	2,596,405	2,896,868
Household business	726,190	1,190,476	1,614,583	2,093,137	2,317,308

The table also shows that the average salary paid social insurance for the units applying salary scales prescribed by the State increased over the years, mainly due to increase the common minimum wage over the years or raise the salary scale under periodic. The social insurance premiums paid by state-owned enterprise units and the administrative and non-business units are higher than the rest. The social insurance premiums of non-state enterprises are very low, which also corresponds to the low level of social insurance benefits for employees in the corporate sector.

Average salary of foreign invested enterprises in 2014 was only VND 2,937,654 /

month, and non-state owned enterprises have the average social insurance premiums of VND 2,678,163 / month. The salary paid by the enterprise is lower than the actual salary received by the employee. At present, the real income of workers in Phu Xuyen district is 3-4 million VND / month. It can be seen that enterprises are trying to pay social insurance for laborers at regional minimum wage to reduce costs for enterprises (because the proportion of social insurance contributions of enterprises is 18% of salary paid social insurance). The salary of paying social insurance is lower than the real income, thus affecting the equality and benefit levels of the social insurance of the employees.

But the figures in Table 5 demonstrate that there is an agreement between the employee and the employer to declare ineligible salary as a basis for paying social insurance premiums. Many enterprises enter into contracts with employees in two or three different types of contracts: (1) the contract specifies the wages the employee is entitled to (this contract refers to the employee and the employer), (2) the contract that serves as the basis for paying income tax (this contract increases the amount of actual wages received by the employee) to increase the cost of reduce the amount of corporate income tax and (3) the contract that serves as a basis for payment of social insurance (the contract reduces the amount of food received by employees) to reduce the amount of contributions to social insurance. The reason is that the workers need jobs and employers want to reduce the amount of payment of social insurance. Thus, the management of the current level of social insurance in Phu Xuyen district has not been effective in managing the mistakes related to wrongly declared salary of workers, resulting in loss of social insurance contributions and affecting the interests of workers. ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)

#### ***4.3.3 Planning for collection of social insurance***

Revenue planning is an important role in the management of social insurance contribution collection. It requires the planning unit to understand the actual situation, the rate of development of the number of units, the number of employees and the salary fund in the management area. Planning the collection with the actual situation will help the collection of social insurance to be convenient, ensuring the maximum exploitation of potential. On the contrary, it will make the collection difficult and heavy because it has to follow the plan too high, leading to the unit can not complete the plan assigned.

Social insurance in Phu Xuyen district has planned to collect the contributions annually in accordance with the regulations, the target collection and based on the guidance of social insurance. Accordingly, the social insurance based on the situation of social insurance contributions in the previous year and the ability to expand the social insurance participants in the area, social insurance district to plan to collect social insurance contributions to the social insurance.

Over the past years, the social insurance of Phu Xuyen district has well implemented the plan and collection of social insurance. Specific results are shown in the table 6.

**Table 6: Situation of planning for social insurance collection of the Phu Xuyen district social insurance agency in period 2010 - 2014 ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)**

*Unit: million dong*

<b>Criterion \ Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Self-made plan	33,236	38,526	58,102	76,125	84,412
Plan assigned	33,564	38,926	58,114	76,619	84,984
Completion rate	100.9 %	102.4 %	101.7 %	100.2 %	101.6 %

The data shows that the situation of self-planning is always lower than the plan assigned by social insurance. However, the difference between the self-employed and the allocated number is still close to the plan assigned by Hanoi Social Insurance. The results show that the planning work was paid social insurance Phu Xuyen district to invest in research but not yet covered the actual situation. The cause of this phenomenon is that the management of objects to participate in social insurance is limited. At the same time, due to the quarterly statistics on the number of laborers increasing and decreasing, the total wage fund has arisen, the number of newly registered enterprises, the number of

enterprises in arrears, the economic situation in the year Phu Xuyen district is not timely with the actual situation. ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)

#### ***4.3.4 Management of social insurance contribution collection***

Social insurance contributions of the district's social insurance in the past years has increased steadily, because social insurance has effective management measures collection, strengthening propaganda and mobilization of people involved, the coordination of related agencies and the efforts of the staff of the district's social insurance agency. The amount of collected contributions of social insurance of Phu Xuyen district is shown in the table 7.

**Table 7: Results of social insurance contribution collection of the social insurance agency in Phu Xuyen district ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)**

*Unit: million dong*

<b>Type \ Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Administrative	19,153	21,714	32,166	40,316	44,318
State enterprise	3,338	3,897	5,309	6,232	7,199
Commune, ward, town	2,139	2,750	3,834	4,804	5,229
Non-public	3,364	4,412	7,216	10,156	13,455
Non-state owned enterprise	3,709	5,207	6,947	10,842	10,846
Foreign invested enterprise	385	500	1,202	1,960	2,564
Cooperative	1,732	1,353	2,396	2,341	2,612
Household business	15	19	41	111	184
<b>Total</b>	<b>33,835</b>	<b>39,852</b>	<b>59,111</b>	<b>76,762</b>	<b>86,407</b>

From the table 7, we see that social insurance contributions in Phu Xuyen district have continuously increased in recent years. In 2011, they increased by 17.7%, in 2012 by 48.3%, in 2013 by 29.8% and in 2014 by 12.6%. The total revenue in 2010 was 33,835 million dong, then in 2014 it was 86,407 million dong. The amount of social insurance contributions paid by non-state enterprises and foreign invested enterprises has grown rapidly. In 2010, the amount of social insurance contributions from non-state enterprises was VND 3,709 million and by 2014 it was of VND 10,846 million. The turnover of foreign-invested enterprises in 2010 was VND 385 million and by 2014 it increased to VND 2,564 million. The non-public social insurance revenue in 2010 was VND 3,364 million and by 2014 it increased to VND 13,455 million. In addition, there are also other significant changes, for example the revenue has increased gradually over the years. However, the structure of the increase is not uniform, focusing on the state administrative units and communes, wards and towns.

Table 8 shows the division of social insurance contributions between different business types in Phu Xuyen district in 2010-2014.

**Table 8: Structure of social insurance contribution collection of the social insurance agency in Phu Xuyen district ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)**

*Unit: Percent*

<b>Type \ Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Administrative	56.60 %	54.48 %	54.42 %	52.52 %	51.29 %
State enterprise	9.86 %	9.78 %	8.98 %	8.13 %	8.33 %
Commune, ward, town	6.35 %	6.90 %	6.49 %	6.26 %	6.05 %
Non-public	9.94 %	11.07 %	12.21 %	13.23 %	15.57 %
Non-state owned enterprise	10.96 %	13.07 %	11.75 %	14.12 %	12.55 %
Foreign invested enterprise	1.13 %	1.25 %	2.03 %	2.55 %	2.97 %
Cooperative	5.11 %	3.40 %	4.05 %	3.05 %	3.03 %

Household business	0.05 %	0.05 %	0.07 %	0.14 %	0.21 %
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

As shown in table 8, the money collected mainly in the area of administrative units and wards and townships (with salaries from the state budget) accounted for more than 50% of the total amount collected in the period from 2010 to present. Non-State owned enterprises accounted for more than 10% in 2010, increasing to 12.5% by 2014; Individual business households increased gradually but only accounted for 0.21% in 2014. Thus, it is clear that the exploitation of revenue from non-state sector needs to pay attention to bring higher efficiency.

The annual increase in social insurance premiums is mainly due to the regular collection of labor, salary fund, social insurance contributions paid by labor units, submitted on time. In addition, the social insurance of Phu Xuyen district in close coordination with the functional departments in the district in the management of social insurance participants.

In order to manage the collected social insurance premiums, the social insurance agency shall set up a professional account to be opened at the Agriculture and Rural Development Bank in the district. This is a special account at the district state treasury (mainly for collection of social insurance contributions from units receiving salaries from the state budget and withdrawal of funds through state treasury). Deductible accounts can only be used to collect social insurance premiums of the units under their management and transfer them to the social insurance accounts of the Hanoi Social Insurance and the district Social Insurance Funds that are not used for any purpose. District social insurance is only withdrawn when a decision of the Director of social insurance city. ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)

#### ***4.3.5 Management of social insurance contribution methods***

In Phu Xuyen district, all units pay compulsory social insurance on a monthly basis. Accordingly, at the latest to the last day of the month, the employer deducts social

insurance contributions from the salaries and wages of the laborers participating in social insurance contributions to the district social insurance agencies. The amount to be transferred monthly:

$$\text{Amount to be paid} = \text{Social insurance premiums paid by employees and employers} \times \text{Total salary fund for social insurance contribution of the unit.}$$

Each month, the employer shall retain 2% of the salary fund to timely pay the laborers if there is any sickness or maternity for the laborers. Quarterly, they have to make the final settlement with the district social insurance agency. If the amount retained is less than the amount of social insurance, the social insurance transferred the lack of regimes, if the retention is larger, the unit must pay back the difference to the social insurance agency at the beginning of the next quarter.

In the case of delayed payment of social insurance premiums for more than 30 days, social insurance will charge interest according to regulations. The interest rate penalty for social insurance in Phu Xuyen district is implemented according to regulations of Vietnam Social Insurance and based on the real interest rate of the bank. Social insurance benefits are deducted and added to the social insurance fund. However, the management of the closing mode of the units is based on the penalty of late penalty is not effective, especially when the penalty interest rate slow down than the interest rate.

#### ***4.3.6 Situation of arrears of social insurance contributions in Phu Xuyen district***

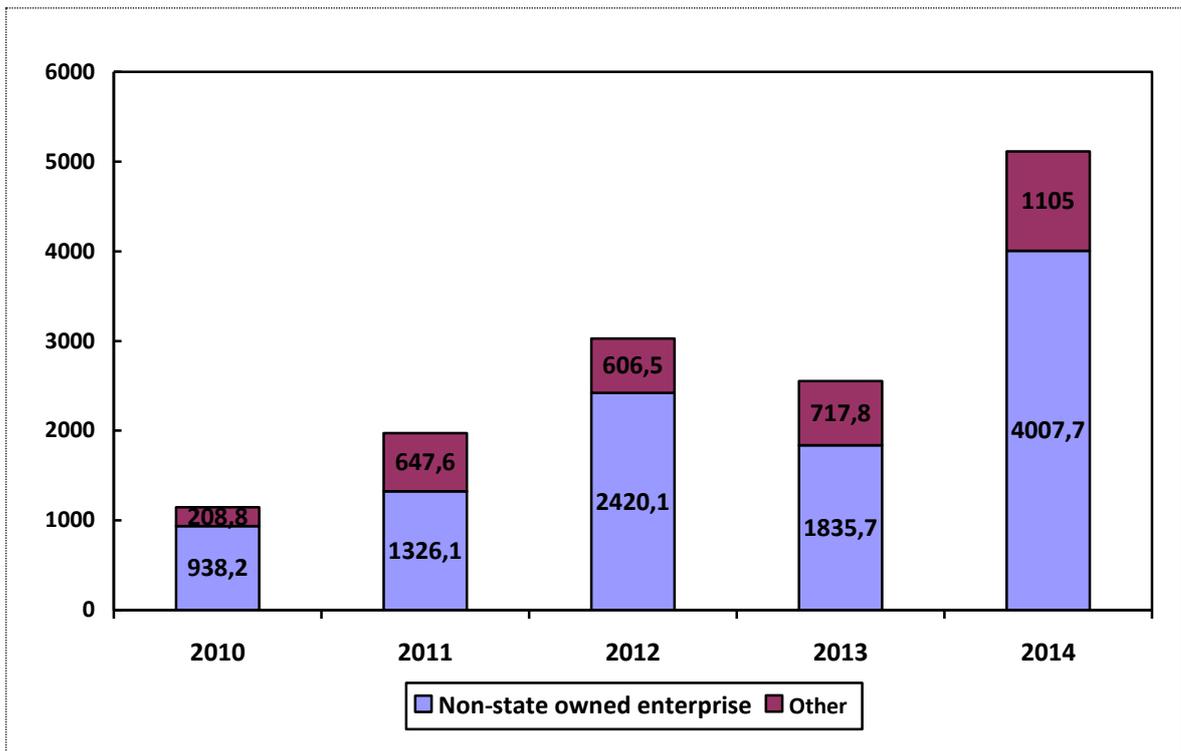
Over the past time, there are still some poor units in compliance with regulations on ensuring the benefits of social insurance participation of employees. The majority of units in the state-owned enterprises do well to deduct social insurance contributions as prescribed, while non-state enterprises still do not comply with the regulations. Therefore, the proportion of social insurance premiums is concentrated in the non-state sector. Debt arrears or shirking the obligation to pay social insurance will lose social insurance fund and directly affect the interests of workers. Under the current regulations, if the employees or employers do not pay social insurance, the social insurance agencies have the right to refuse to deal with social insurance policies for workers. Although social insurance in Phu Xuyen district has implemented urgent remedies to recover social insurance debt, the

results are not high. Table 9 and figure 4 show the rate of arrears by the type of business.

**Table 9: Arrears of social insurance contributions by type of management by Phu Xuyen district social insurance agency ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)**

*Unit: million dong*

<b>Type \ Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Administrative	103.4	119.7	220.2	178.1	285
State enterprise	-	-	-	-	616.5
Commune, ward, town	61.1	184.4	65.1	-	5.6
Non-public	47.7	67.2	90.1	23.2	109.8
Non-state owned enterprise	938.2	1,326.1	2,420.1	1,835.7	4,007.7
Foreign invested enterprise	-	-	102.2	470.6	45.6
Cooperative	25.6	272.2	128.9	45.9	34.9
Household business	-	4.1	-	-	7.6
<b>Total</b>	<b>1,174</b>	<b>1,973.7</b>	<b>3,026.6</b>	<b>2,553.5</b>	<b>5,112.7</b>



**Figure 4: Arrears of social insurance contributions by type of management by Phu Xuyen district social insurance agency**

The situation of social insurance debt in each block is different. State-owned enterprises are complying with the social insurance premiums quite well. Administrative bureaucracy has a low debt ratio. Debts of the administrative and non-business sector are debited between fiscal years and fully paid in the first quarter of the following year. Foreign-invested enterprises did not have arrears in 2010 and 2011, the highest in 2013 and down in 2014, suggesting that the group is also active in collecting and not sustaining debts. Non-state enterprises accounted for almost 80 % of total social insurance debt. The rapid increase in debt and high debt ratio (especially in the non-state sector) is due to the difficult economic situation, the enterprises facing financial difficulties and the penalty mechanism (the bank loan interest rates are much higher than the slow interest penalty).

To manage the units employing laborers to pay social insurance premiums, the district social insurance agencies shall review, classify and closely monitor the debt repayment and debt management for debtors from 3 months upwards to take measures. Based on the guidance of the social insurance, the district's social insurance agency has concentrated all solutions to recover arrears at the unit employing large debts. District's social insurance agency has established debt collection teams to coordinate with the Labor,

War Invalids, Social Affairs and Labor Federations in setting up the inter-branch inspection teams to inspect the implementation of social insurance premiums for laborers. District's social insurance agency continues to use measures to collect social insurance such as fines due to slow closing, publicity of the units of social insurance debt; proposing competent authorities not to reward or reward emulation titles for units owing social insurance. ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)

#### ***4.3.7 Checking and evaluating the collection organization***

District's social insurance agency has supervised the process of collection of social insurance by conducting five tests with 34 units. In particular, 3 internal audit units, 32 labor units, 1 medical examination and treatment center and 1 health insurance collecting agency have been inspected.

The results of the inspection showed that the majority of employers reported that the number of laborers and salary fund contributed to the social insurance contributions was fully deducted and transferred in line with the regulations. Many units are interested in the issue and management of social insurance for workers. The staff of the district's social insurance has carried out relatively well the tasks assigned, in particular: implementing the regulations of the branch and the direction of the higher level, information and reports fully and timely regulations. The district social insurance office has the table of procedures for registration of participation in social insurance, the form of records in accordance with the process. Organize the one-stop shop in accordance with the regulations, well organized places to welcome units and individuals to work relations.

However, the district's social insurance agency has also discovered and adjusted some limited content. Some employers do not pay social insurance, the amount of payment is inadequate and some units have long debt. Some units delayed reporting increased - reducing the number of employees and salary funds participating in social insurance. Some other units have to pay the social insurance premiums for a number of months or have not adjusted the prescribed level in time. There is still a situation where all employers do not register the social insurance for employees but they still deduct the monthly payment for social insurance. In many cases, the employee has not been issued social insurance book

because the unit has submitted the application file for issuing social insurance book too late or employer loses social insurance book of workers.

The audit work in the management system of social insurance collection has been carried out but has not been synchronized due to insufficient time and manpower so there are still many loopholes for the employers to violate and the number of individuals performing assigned tasks is not really good. ("Synthesis Report", 2010; 2011; 2012; 2013; 2014)

#### **4.4 Concluding remarks**

##### ***4.4.1 The achieved results***

Firstly, although the business situation of enterprises is facing many difficulties, many enterprises are dissolved or stopped operating, the district's social insurance agency still widens the scope of social insurance participation, the proportion of employees participating in social insurance, completing the target development assigned by Hanoi social insurance agency despite the difficult economic situation with much debt.

Secondly, thanks to many measures in management of social insurance contributions (participants, closed salary), the social insurance contributions of Phu Xuyen district increased in the period from 2010 to 2014. Except for the non-state business sector, most of the remaining sectors have been able to reduce their debt ratios.

Thirdly, social insurance agency of Phu Xuyen district has ensured absolute safety in management of social insurance contributions. No loss of social insurance contributions have been reported. The transfer of the premiums to the superior social insurance agency is strictly implemented, creating conditions for investment growth of social insurance funds.

Fourthly, the social insurance agency of Phu Xuyen district has implemented the "one-stop" mechanism in management and implementation of social insurance policy, whereby management software has been used widely, conveniently to reconcile and settle with the units participating in social insurance. In addition, the staff has gradually grown.

Fifthly, the district's social insurance agency has been able to raise awareness and responsibility of all branches and levels in the implementation of social insurance policy. Employers, especially the non-state economic sector, have gradually become more aware

of the implementation of the regulations on social insurance. Considering this is the factor that connects employees with the unit. Workers have gradually increased their awareness of their obligations, responsibilities and rights in the implementation of social insurance.

The participation of social insurance sector of the non-state sector has contributed to create equality between economic sectors under the policies of the Party and the State. Some part of the workforce in the non-state sector has stabilized their livelihoods - partly due to social insurance policies' to create motivation for laborers and employers to participate in social insurance. This result contributes to the planning and improvement of social insurance policy of the State.

#### **4.4.2 Limitations and causes**

##### *Limitations*

In addition to the positive results achieved over the past years, the management of social insurance contributions in social insurance in Phu Xuyen district still faces limitations, clearly reflected through the results of social insurance contributions in the past years.

The expansion and management of participants in compulsory social insurance is still limited to managing the units actively registering for social insurance. The social insurance agency has to rely on the declared information and application for participation by the units for storage. Thus, there are no continuous monitoring of the information manager of the unit. The social insurance agency will inspect the unit only when the unit fails to pay in time and not actively examining to require the employer to participate in compulsory social insurance.

The collection management system of the district social insurance has lately developed a database on the units and laborers participating in social insurance, but not the data on employers who are eligible for social insurance in the area so that to be used as a basis to exploit and increase the number of participants.

The situation of abusing the law, evasion and arrears of compulsory social insurance, especially among non-state enterprises, is quite common. Hence, the management of participants and wages as the basis for paying social insurance is very complex. Management of salaries as the basis for paying social insurance has not been

achieved as required. Units, especially non-state enterprises, are registered to participate in social insurance for employees with salaries equal to the minimum wage level prescribed by the State. Especially in the current situation, many businesses to ensure the instant benefits have deliberately declared false information.

*Objective causes of limitations*

Due to the negative impact of the economy many businesses have gone bankrupt, dissolved or suspended. In fact, through the understanding of causes of business owners in the process of carrying out collation and debt monitoring between the social insurance agency and the employer, employers have pointed out difficulties in production activities in the current period, so late payment of social insurance. Therefore, although many measures have been taken to strengthen the management of collection, the expansion of participants is still difficult; many units still owed social insurance.

The awareness of many employers and workers on social insurance is limited. The employers usually just look at the immediate benefits. Participation in social insurance for employees will cost more for the business. Meanwhile workers are not aware of the benefits that social insurance offers to them, so many of them do not care much about participating in social insurance. Additionally, they lack the legal knowledge to protect their rights even if they wanted to participate. In fact, workers in enterprises understand very little about the benefits they will receive when they join social insurance. Therefore, they have the lowest social insurance premiums. This is also the reason why employers agree to create virtual contracts with low wages to compile social insurance contributions.

Vulnerabilities in the social insurance law have made it easier for employers to "circumvent the law" to evade social insurance for laborers. Regarding participants, under the provisions of the Law on Social Insurance (Government, 2014), subjects participating in social insurance are workers with contract term of 3 months or more or contract with indefinite term. Therefore, enterprises have to sign contracts with each period of 2 months in order to rationalize the file of social insurance, thus causing loss of social insurance contributions and affecting the interests of employees. Regarding salaries which serve as a basis for social insurance payment, for laborers who pay social insurance premiums according to the wage regime decided by their employers, the monthly salaries and

remuneration on which social insurance premiums are based shall be the salaries and remuneration levels as stated in the labor contract. Therefore, in order to still participate in social insurance for workers, but minimize the cost, enterprises can negotiate with employees, create virtual contracts to participate in social insurance or contract with low wages. The remaining income is included in allowances such as gasoline allowance or food allowance.

The sanctioning mechanism is not strict enough so the management efficiency is not high. In reality, the penalty for late payment is lower than the interest rate of bank loans. Therefore, enterprises are allowed to pay fines to occupy the social insurance fund. Moreover, for violations in the implementation of the social insurance law is only stopped at the administrative sanctions, there is no sanction for criminal treatment, so not enough deterrence for the employer of labor. On the other hand, the social insurance agency only has the right to calculate interest for late payment if the unit owes social insurance, no right to punish administrative violations. The function of handling violations does not lead to the effectiveness of the check and urge the recovery of debt is not high. Social insurance agencies can only urge and transfer the list of People's Committees or lawsuits. When inspecting and detecting employers violating the law on social insurance, the social insurance agency is only allowed to report to the authority of the sanction, which leads to many discoveries but complicated and delayed treatment, very little or no treatment.

#### *Subjective causes of limitations*

The collection management has not been implemented actively; There is still a state of dependency on the direction from the superior level. The research and review of the activities of the employers in the area to expand the object is still not active. In the process of new collection management, it is only in comparison and urge debt collection; not resolutely use tough measures for units with large debts, prolonged time.

The quantity and quality of inspection work is limited, the issuance of post-inspection conclusions is slow then affecting the collection and reduction of social insurance debts. Cross-sectoral coordination in directing the implementation of the social insurance law, in the checking, inspection and post-inspection handling is not regular. At present, the work of inter-sectoral coordination is mainly in collaboration with the district

labor unions and the Department of Labor, Invalids and Social Affairs. We have not consulted other agencies and mass organizations so the efficiency is not high. On the other hand, there is no cross-checking between the information declared by the employer and the information of other management agencies. There is no coordination with agencies involved in checking the units have not implemented social insurance.

The human resources of the district's social insurance still do not meet the actual workload. In the social insurance system of Phu Xuyen district, on average each collector has to directly take charge of 55 employers, equivalent to about 1,694 employees. Therefore, the social insurance staff can only perform regular operations such as generating new labor, increase or reduce the rate when the unit transfers the documents to the social insurance agency, still limited to follow the unit as well as inspection expanded object control.

There is no effective mechanism to encourage staff in the unit to increase the insurance participation, debt and arrear collection. Taking the initiative to expand the unit, participants will increase the workload significantly for staff in the unit, while the benefits are unclear.

The law propaganda and dissemination of social insurance policy in the area has not been paid proper attention. Therefore, knowledge of social insurance of people in the district is limited. Laborers are unaware of their obligations and benefits when participating in social insurance so they do not know or deliberately evade social insurance, causing difficulties in the management of social insurance.

## **5 SOLUTIONS FOR THE MANAGEMENT OF SOCIAL INSURANCE CONTRIBUTION COLLECTION IN PHU XUYEN DISTRICT**

### **5.1. Orientation of social insurance development of the district in the coming time**

Since the VII Congress, the State has proposed the policy of reforming the social insurance policy towards development of laborers of all economic sectors, step by step separating the social insurance fund from the state budget. The Political Bureau issued Directive No. 15-CT/TW dated 26/5/1998 on strengthening the leadership of implementation of social insurance and Resolution No.21-NQ/TW dated 22/11/2012 on strengthening the leadership of the Party for social insurance in the period of 2012 - 2020. Resolution No.21-NQ/TW has clearly stated the target in the coming time. The targets include firstly the effective implementation of policies and regulations regarding social insurance. The second target is to rapidly increase the coverage of social insurance beneficiaries, especially voluntary social insurance, to achieve the goal of universal health insurance. The objectives aim that about 50% of the labor force participates in social insurance contributions and more than 80% of the population participate in social insurance. Third target includes the guarantee fund to manage and use effectively and ensure the balance of the social insurance fund. Fourth aim is to build a modern and professional social insurance system with high efficiency. The last target is to meet the requirements of industrialization, modernization and international integration. (Resolution 21-NQ/TW, 2012; Decision 1215/QD-TTg, 2013)

Over the years, since the implementation of the reform, social insurance policy of Vietnam is constantly changing to meet the requirements of social insurance participation of workers and the pace of socio-economic development. New social insurance policy has many similarities with the integration of the social insurance system in the nearby countries as well as countries around the world. The development strategy of the social insurance sector to 2020 clearly defines the objective of "*Continuing the development of Vietnam's social insurance industry in a modern manner, ensuring the capability and conditions to improve the quality, effectively serving and organizing the implementation of social insurance and health insurance policies, meeting the requirements of industrialization, modernization and international integration. By 2020, about 50% of the*

*labor force will participate in social insurance...and more than 80% of the population participate in social insurance". (Decision.1215/QD-TTg, 2013)*

Together with the city's general planning and regional planning, Phu Xuyen will become an important satellite urban center linking with the central urban area by 2015 and the following years. Phu Xuyen District Party Congress XXIV identified three breakthroughs in the term 2015-2020, with the focus on agricultural development in the direction of commodity production and develop traditional craft villages in association with craft village tourism. Phu Xuyen district aims to improve quality and efficiency of competitiveness of industrial and agricultural products and craft villages.

Economic growth in the period of 2016 - 2020 is predicted to be between 6.5 - 7.0% per year. Over 60% of communes meet new rural standards. The average income is 36 million dong or more. 100% of communes and towns meet national standards on health. The rate of poor households is below 3.5%. The number of trained workers is 15,000, creating jobs for 25,000 workers. It is forecasted that the population of the district will reach 220-240 thousand by 2020, of which the urban population will be about 40-60 thousand and the urbanization rate will be 20-25%. By 2030, the population of the district will be around 240-270 thousand, and the urbanization rate will be 25-30%. (Decision.1215/QD-TTg, 2013)

Implementing the Action Plan No.21-CTr/HU of the Standing Committee of Phu Xuyen District Party Committee, Phu Xuyen District People's Committee issued Plan No.944 dated July 15, 2013 on strengthening the Party's leadership for social insurance in the period 2012-2020. Specific targets to 2020 include the district will strive to reach 55% of the population in working age to participate in social insurance, more than 85% of the population participating in social insurance. All in all, the system of social insurance is to be built as modern, professional, highly efficient, meeting the requirements of industrialization and modernization of the district. The main tasks and solutions are as follows: to promote dissemination of laws and policies on social insurance and to promote and increase the number of insurance participants. (Decision.1215/QD-TTg, 2013)

## **5.2. Solutions to improve the collection management**

Stick to the orientation of the Party, the State and the Social Insurance of Vietnam on the development of social insurance in the new period; derives from local practice; The target of managing social insurance collection in Phu Xuyen district in the coming time should actively implement the following groups of solutions.

### ***5.2.1 Expansion of social insurance participants***

An important measure for the sustainable development of the social insurance system is to broaden the scope of participation. Expanding the coverage of social insurance participation is an effective way to secure revenue for the current retirement age and other beneficiaries. Expanding the coverage of social insurance is not only a basic principle of social insurance, but it is important in order to ensure the sustainability of the social insurance fund and to create stability and social development. Therefore, besides expanding the scope of subjects participating in social insurance, the problem of rapid development of expanding social insurance subjects is compulsory in Phu Xuyen district of special importance. The target of developing social insurance beneficiaries in the future in Phu Xuyen district is still concentrated in the non-state sector.

The agency must actively coordinate with specialized departments of the district to grasp the situation of enterprises, production and business establishments. In addition, it has to review and classify the results of each business establishment so as to work out measures to collect social insurance. The social insurance agency should end the general assessment, that does not find out why the enterprise for many years have not registered to participate in social insurance, although every year the social insurance agency reported to the competent authority, but not proposed processing solution. In fact, some businesses have registered their businesses but stopped working after a short time due to inefficient business or private enterprises established only to borrow capital for other purposes and not recruit labor.

For those active enterprises that have laborers, the social insurance agency must request the registration of social insurance for employees. If they refuse to participate in social insurance, the social insurance agency shall compile dossiers to propose competent authorities to handle administrative violations. Apart from the fine amounts due to non-

registration of social insurance premiums per capita, the business registration certificates may be withdrawn or filing a lawsuit against the court. The agency will propose to withdraw the business registration certificate for enterprises that do not operate anymore. Social insurance agency will then remove the name of the enterprise from the list of units to collect social insurance statutory to avoid the status of virtual debt.

The social insurance agency should develop a plan for development for individual business households and cooperative groups. Strengthening the coordination with the local authorities from communes, wards and townships to participate in social insurance, considered as one of the criteria for assessing the performance of grassroots administrations in implementing guidelines, policies and laws of the Party and the State.

On the other hand, in Phu Xuyen district, most of them are small and medium enterprises, individual business households so the business efficiency is not high. Therefore, it is necessary to expand the scale and improve the competitiveness of enterprises and individual business households. Thus, the laborers will have stable jobs and incomes, creating conditions for laborers to participate in social insurance. To achieve this, it is required that individual enterprises and households have appropriate production scale and competitiveness to actively integrate and adapt to new conditions.

### ***5.2.2 Improve the methods of collection management***

Developing social insurance in the new period with new requirements that require the management work gained and effective, it is necessary to improve the management of social insurance contribution collection. The basic solutions to be implemented are: (1) strengthening the application of information technology in the management of social insurance collection, (2) reforming administrative procedures and (3) improving service quality.

Along with the socio-economic development, the management of social insurance has been improved to meet the general needs. For effective implementation and management, it is necessary to strengthen the application of information in management work. The application of informatics helps to build the management database, organize the archives and develop the management program of beneficiaries quickly and accurately. It helps to reduce costs, create a scientific and effective working style.

Therefore, the social insurance of Phu Xuyen district should actively step by step complete the information technology infrastructure to resolve the collection of social insurance as well as solve the social insurance policy. They should establish conditions to ensure the interconnection of information within the social insurance industry and with the relevant units. Training is also needed to improve the level of information technology for staff to master the management software through. This can be achieved by organizing information technology classes for social insurance officials and providing documents for staff whenever new technology is applied.

Reform of administrative procedures in the collection of social insurance is another urgent and important task. A good implementation of the reform of administrative procedures will improve the effectiveness of revenue management. Administrative reform in the direction of moving from administrative style to serving style is one of the key tasks of the entire social insurance in general and social insurance in Phu Xuyen district in particular. Administrative reform, improving the quality of service will facilitate the unit in dealing with social insurance agencies (in registration for social insurance as well as settlement of social insurance), so that create confidence. It is important to create trust and cooperation of the unit in the payment of social insurance and management of social insurance contributions collected by the social insurance agency. The simpler collection procedures helps the participants feel more excited and more active in collecting social insurance contributions. This helps the social insurance participants better to understand the nature, the humanities of social insurance, the right benefits when they participate in social insurance.

To implement this content, a number of specific solutions should be implemented. Firstly, the district's social insurance agency should continue to implement the "one-stop" mechanism in the collection of social insurance. This has to be done in order to limit the number of social workers in collusion with the enterprise to violate the provisions of the law on social insurance and help limit the time to work on social insurance beneficiaries. In addition, the one-stop mechanism enables to publicize papers and documents guiding the procedures for participation in social insurance on the mass media and avoids misunderstandings and wrongdoings.

From the basis of the document system stipulated by the State on social insurance, Phu Xuyen district needs to review the entire system of professional guidance documents of the sector to propose amendments, supplements or abolition of regulations. The procedures are not suitable, creating a system of documents in sync with the scientific management process, avoiding overlapping, facilitating the application of information technology to management of social insurance collection by advanced and modern software.

The district's social insurance agency must clearly assign the work of each individual, linking their interests and responsibilities to each job (building clear regulations on reward and punishment). In addition, ethics education should be emphasized, as well as the sense of responsibility of civil servants. In particular, it is necessary to grasp the views shifted to the service style rather than the bureaucratic style of the old regime.

### ***5.2.3 Strengthen the management of collected premiums, overcome the state of arrears***

The issue of social insurance debt is the current hot issue of social insurance in Vietnam. The ratio of social insurance debt is always high and debt status and occupation of social insurance contributions have caused many consequences in the past.

The delay of paying social insurance affect the revenue of social insurance and more importantly they affect the legal rights of workers in enjoying the social insurance, affecting the belief of workers for social insurance. Therefore, the management of collection should ensure the timely payment of social insurance. It is very important to overcome the debt and social insurance debt. In order to limit the social security debts, the management of collection should focus on implementation of solutions.

The first one is closely linked to the collection of social insurance contributions with the allocation, closing social insurance and settlement of social insurance. In the process of implementing social insurance, collection of social insurance is an input factor. The issuance of social insurance book is to record the process of closing (the amount paid, closing time), as the basis for the settlement of social insurance. Employees who pay social insurance will be issued a book, how close the level is confirmed on the social insurance book corresponding to the time of closing. Basing on the social insurance book, the social insurance agency will solve the social insurance when there arise. Close coordination in

accordance with the above process is a binding measure to manage the collection of social insurance is guaranteed in accordance with the regulations of the State.

Accordingly, workers will not be able to solve the social insurance when the unit owes social insurance. The strict implementation of this regulation will increase the employer's liability to the employee. However, the implementation of this measure is very easy to cause loss of trust in workers for social insurance. Therefore, the implementation of this measure should also focus on coordinating with the labor unions, with the grassroots trade union organization to inform about the situation of social insurance debts of the unit, as well as its consequences to the right benefits of employees. This is a positive measure to put pressure from the trade union organization, from workers to the implementation of social insurance contributions of business owners.

Secondly, district's social insurance agency should actively and intensively coordinate with functional agencies such as inspectors, labor unions, labor and social affairs departments, tax departments in the inspection of units of social insurance debt. The third solution is to strictly sanction violations of social insurance. For units that intentionally owe social insurance debts, they do not have to coordinate with one another. They then initiate lawsuits in court to investigate responsibility for unit leaders. Therefore, the district social insurance should actively and resolutely sue the units that violate the implementation of social insurance.

The fourth solution is to coordinate and co-operate with banks and state treasuries in deducting from the accounts of units owing social insurance to pay social insurance or blockade accounts of enterprises or business owners until the enterprises pay enough debt or have commitment to repayment and implementation of the commitment schedule. To implement this solution, the social insurance agency should list the name, the amount of debt and the time of debt to the report that has to be delivered to the Chairman of People's Committee. In addition, they must at all levels to direct the inspection and administrative sanctions, request the application a person providing information on the deposit account and decide to apply measures to compel the deduction of money paid into the social insurance fund as prescribed. In order to ensure the benefits of the bank itself in keeping customers, banks often do not make or enforce restrictions on this content.

Therefore, the coordination mechanism should clearly define the responsibilities of each party. At the same time, the social insurance agency should report and propose to the authorities to direct the banks in the area to implement this content.

#### ***5.2.4 Enhance coordination with relevant departments during the collection process***

Management of social insurance contribution collection is a closely related business with other departments and organizations. Therefore, effective management needs to be strengthened in coordination with other agencies.

The social insurance agency should strengthen coordination with tax authorities, labor inspectors and local authorities to inspect and supervise units paying social insurance in the district in the implementation of social insurance.

Every year, the social insurance agency must revise all participants to collect detailed and accurate statistics of the number of employees to pay social insurance at different rates. Therefore, it should be coordinated with the following departments: Finance, Home Affairs, Labor, Invalids and Social Affairs in order to firmly grasp the list of units and laborers receiving salaries from the State budget.

In addition, the district's social insurance agency must regularly exchange and maintain close relations with the functional departments: Department of Planning and Investment of Hanoi and Phu Xuyen district's Tax Department. The Hanoi Planning and Investment Department will provide Phu Xuyen Social Insurance information on newly registered businesses. The District Tax Department of Phu Xuyen provides the tax code of the units. After that, social insurance in Phu Xuyen district will approach to organize the collection and management of social insurance collection in time or planning for the next year, contributing to limiting, omitting the subjects have to pay social insurance.

Moreover, the social insurance agency should closely coordinate with the Department of Labor, War Invalids and Social Affairs of Hanoi to supervise the units in implementing legal regulations such as signing contracts and implementing social insurance policies. They should ensure that 100% of the units have to register the salary scale and pay salaries to the employees through the Department of Labor, War Invalids and Social Affairs before completing the procedures for participation in social insurance, ensuring workers receive full salary.

In addition, the district's social insurance agency must coordinate with the Labor Union of Labor to organize trade unions in non-state enterprises to ensure the interests of employees and coordinate with the district's emulation and commendation committee shall consider commending and rewarding units and enterprises strictly and publicly on the mass media.

### ***5.2.5 Strengthening propaganda and dissemination of policies laws and regimes***

At present, the percentage of laborers knowing about social insurance is very limited. Many employers have not been fully aware of the responsibility to pay social insurance to employees, so the results of social insurance participation in Phu Xuyen district is low, especially in non-state enterprises. Therefore, propaganda and education should be strengthened in the following ways.

The social insurance agency should develop a coordinated plan with the local information and propaganda agencies (such as the Commission for Propaganda and Training of the District Party Committee, the Confederation of Labor, Department of Culture, Sports and Tourism, The Ministry of Labor, Invalids and Social Affairs, the Fatherland Front and the mass organizations of the district) to disseminate social policies and regimes and especially to implement the Law on Social Insurance widely in the different classes of people. The idea behind these actions is to raise awareness and sense of law observance of social insurance of employees and employers.

Strengthening the dissemination, propaganda and guidance of policies and regulations on social insurance can be done in many ways. These include (1) the mass media (radio, loudspeaker, leaflets, posters) and in Employers; (2) expanding the system of social insurance agents in communes, wards and townships; (3) combining the propagation and dissemination of social insurance with the implementation of programs of the local departments and mass organizations through the team of social insurance reporters.

In the propaganda and education of the implementation of the Law on Social Insurance, it is necessary to clarify the tripartite relationship in the collection of social insurance (laborers, employers and social insurance agencies). This is the basic relationship directly related to the collection and payment of social insurance, showing the full rights and responsibilities of the parties participating in social insurance. Thus,

propaganda should be further promoted in the coming time, especially to make fundamental changes in the awareness of employers, from mandatory to self-aware, each party clearly see responsibility. The implementation is in accordance with the provisions of social insurance law.

#### ***5.2.6 Improving the structure of the apparatus, strengthening the contingent of cadres***

The social insurance agency of Phu Xuyen district needs to assess the strengths and weaknesses of the organizational structure, thus defining the organizational development strategy. The agency needs to define clearly the functions, duties and responsibilities of each department and each officer and regularly monitor the performance of affiliated departments. At the same time, they should implement the regulations on the assignment, and working style of the units so that the cadres and civil servants can promote the active initiative in their work in the fields assigned to them, raise the sense of responsibility and unify the point of view from the top down.

In order to effectively manage the collection, first of all, there should be a team of professional staff who have the knowledge about social insurance policies and solid political ethics. At the same time, the agency should give them a sense of discipline and sense of responsibility and ability to persuade. In addition, in the management of personnel collection, staff must be in regular contact with social insurance recipients, resulting in many difficult situations, so in the use of staff also requires the right people assigned tasks. From the above requirements, the requirement for social insurance in Phu Xuyen district must have measures to improve professional management staff of social insurance collection.

These include organizing regular professional training courses on social insurance for staff of social insurance of Phu Xuyen district. It is necessary to coordinate with professional units of social insurance in Hanoi to organize professional training for collecting social insurance for each staff of social insurance. In addition, it is advisable to annually send officials in the agencies to learn experiences in other localities.

The agency should also create conditions for young cadres who do not have much experience in studying specialized courses on social insurance for systematic, methodical

and scientific training. They would also benefit from special training in informatics, management software and inspection work.

Furthermore, the social insurance agency should always attach importance to the political education, ideology and sense of responsibility of staff working in the management of social insurance.

## **6 CONCLUSION, RECOMMENDATIONS AND CONTRIBUTIONS**

### **6.1 Conclusion**

Vietnam is in the process of innovation, industrialization, modernization and international economic integration. The cause of innovation has stimulated, developed and exploited the great potential of capital, labor, resources, wisdom, experience, business ability, management ability, social relations, information and other resources of all economic sectors for socio-economic development, security and defense. The result of implementation of social insurance policy and management of compulsory social insurance contribution collection in Phu Xuyen district contributes a great part to the planning and improvement of policy mechanism on social insurance and raise awareness and responsibility of all levels and branches in implementing the social insurance policy for laborers.

In the past years, although the achievements of social insurance in Phu Xuyen district, the number of social insurance contributions has increased, the number of employees and the number of enterprises are increasing. However, compared with the total number of employers in the district area, the participation rate of social insurance is still very low. The number of labor units not yet participating in social insurance for employees is still large and the percentage of laborers who have not participated in social insurance is still high. The reason for this is mainly the unreasonableness of the social insurance policy.

Firstly, the procedures for participation in social insurance are cumbersome and difficult, the level of social insurance staff is insufficient, the coordination between different actors is not optimal, the rate of paying social insurance of enterprises is not high enough and some enterprises deliberately shirk the participation of social insurance. All these issues require social insurance agency to introduce new and more effective measures to gain increase in both quantity and quality of social insurance fund in the area. The social insurance policy is not only a material element but also a spiritual factor that motivates and stabilizes the lives of the employees and helps them to work and develop their full potential, reducing the burden of self to family and society when old.

In order to improve the effectiveness of social insurance contribution collection in the district, the social insurance of Phu Xuyen district must closely follow employers,

grasp the fluctuation of the labor force, salary and wages of the laborers, guide and mobilize to supervise and inspect the implementation of social insurance participation by employers and laborers. In addition, the agency must report regularly and timely on the implementation of social insurance policy in the area. At the same time, they should advise on proposals for the most feasible measures for the Party Committee, the local authorities and the City's social insurance leaders, in order to promptly direct the establishments to well implement the social insurance policy.

One important aspect is the strengthening of the coordination between the social insurance agency and functional agencies and social organizations. The improved coordination will help to grasp the situation of labor, employment, production and business activities of economic organizations and income of laborers. The Social Insurance Agency has the best measures to promote the propaganda and advocacy for units and workers participating in social insurance. They should promote the application of information technology in the management of collection and payment of regimes and management of people participating in social insurance through social insurance cards to quickly solve the regimes and policies for laborers.

## **6.2 Recommendations**

In order to effectively implement the proposed solutions, the author proposes to the Government, the People's Committee of Phu Xuyen District, the following.

### *Recommendations to the Government*

The Government should intensify the monitoring of the implementation of the Law on Social Insurance in the locality in order to have timely solutions to the implementation of the Law on Social Insurance to meet the requirements set out.

In addition, the Government directs relevant sectors to strengthen coordination in dealing with administrative procedures for social insurance and assign relevant ministries and sectors to submit to the Government for issuance of legal documents on management. Manage and handle social insurance debt.

### *Recommendations to Ha Noi People's Committee*

The Hanoi People's Committee shall direct the functional branches to intensify the inspection of enterprises in their respective localities to seriously sign collective labor agreements and labor contracts strictly according to the provisions of the Labor Code. When considering business registration for non-state enterprises, they must have contents of social insurance participation.

Every year, the People's Committee should include the collection and payment of social insurance for employees as one of the criteria for evaluating the level of completion of annual tasks and the review of emulation, recognition and recognition of titles.

*Recommendations to the Ha Noi social insurance agency*

The Ha Noi social insurance agency should improve the organizational structure of the agency and the capacity of staff working in social insurance. One especially important task is to develop the management system to collect and monitor social insurance activities at the grassroots. There should be a program of training, planning and use of specific staff. They should focus on the training of young staff and try to attract talented people to have inherited human resources. Regular training should also be provided for all staff of the social insurance sector.

Social insurance should review and study the application of policies and documents of the industry and the state to apply accurately and timely. In addition, the social insurance at all levels should strengthen coordination with departments and social organizations to propagate the social insurance policies. In particular they should coordinate with mass media agencies such as the station radio, television and newspapers. The content of propaganda should be short and easy to understand, causing the attention of everyone.

To speed up the application of information technology for the entire branch, the agency should ensure the communication and connection between the social insurance units in the localities in order to ensure the smooth operation of the management of social insurance revenues as well as settlement regime and minimize errors. It is necessary to invest in the application of managerial software capable of integrating and linking professional activities between social insurance and accounting, settling the regime and being able to adapt to changes in policy regime.

Strengthening the inspection and examination is also vital. The agency should improve the efficiency of inspection, examination and handling of violations of the Law on Social Insurance. In addition, they should strengthen coordination with the inspection industry, labor federations, the Fatherland Front Committee and mass organizations to supervise the implementation of the law on social insurance in enterprises.

Forms of commendation should also be developed. The agency should give reasonable and timely incentives for officials, organizations and units that have good achievements in the collection of social insurance contributions. As for the late submission, payment of social insurance, we should consider the specific situation of the unit to take appropriate treatment. If the unit really has difficulties, ask the authorities to create favorable conditions to help them quickly get out of the difficult situation. If the unit deliberately violated the social insurance, there should be strict measures of punishment or court proceedings.

### **6.3 Contributions**

This thesis helps to clarify some theoretical and practical issues of social insurance and management of social insurance contribution collection in Phu Xuyen District, Hanoi, Vietnam. On the basis of a selective overview of some of the basic views of researchers around the world, some international organizations and some Vietnamese scholars, in combination with practical drawings, this thesis has suggested some criteria to apply in a local social insurance agency.

The study responded to the research question, identified the subjects participating in social insurance and solutions to effectively manage the collection and payment of social insurance Phu Xuyen district.

The qualitative research methodology used for this study helped the author to collect selectively updated data, to analyze the documents and to present an overview of the current status of social insurance contribution collection management in Phu Xuyen district. Transition and find out the main causes of the status of social insurance revenue is still not high.

However, this thesis only focused on the survey in one locality, so the universality

of other localities was limited, the time for the study to completion was longer than one year, so some proposals or the solution of the study may no longer be appropriate to the actual situation.

But fundamentally, research is highly important to propose orientations, basic views and main solutions to improve the management of social insurance revenues in Phu Xuyen district in particular as well as recommendations to improve and contribute to the development of policies of social insurance in the future

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