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## **Attitude to Voluntary Social Insurance Participation of Labor in the Informal Sector and Policy Implications for Vietnam**

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### **Abstract**

Voluntary social insurance is a type of social insurance in which employees voluntarily participate and can choose a payment rate and payment method suitable to their income to enjoy social insurance benefits based on the general regulations of the state. Accordingly, this policy is an additional form of compulsory social insurance under the condition that mandatory social insurance for all employees has yet to be implemented. This is an opportunity for employees to have an additional method of financial security against risks and incidents in life. This study

explores attitudes towards voluntary social insurance based on a survey of workers in the informal sector in Hanoi. However, the implementation results show that the number of people participating in voluntary social insurance has increased rapidly but still needs to be commensurate with the potential. Accordingly, giving suggestions for solutions to change attitudes would promote the intention and behavior of employees to take part in social insurance in this area, contributing to ensuring social security.

**Keywords:** Attitude, Voluntary Social Insurance Participation, Informal Sector, Vietnam

**JEL Code:** G00, G02, G22

### **1. Introduction**

The informal economy has long become a significant and indispensable part of the formal economies of countries worldwide. Hart (1973) <sup>[8]</sup> first proposed the term informal economy to describe a traditional economic sector in developing economies. According to the (ILO, 2016) <sup>[9]</sup>, compared with the formal sector, informal workers in Vietnam often have low and irregular incomes, long working hours, and little access to opportunities for professional skill development. In addition, the laborers in this area have precarious jobs and need a contract to create long-term labor relations. The rate of trained informal workers is relatively low—only about 15%—lower than the general rate of employed workers in the whole economy by 5.7% and 17.4%, respectively, and nearly 98% of informal sector workers without employment pay social insurance premiums Vũ Trường Sơn (2021) <sup>[14]</sup>.

In that context, voluntary social insurance is a type of social insurance in which employees voluntarily participate and can choose the payment rate and payment method suitable to their income to enjoy social insurance benefits based on regulations and general regulations of the State. This policy is an additional part of social insurance in the condition that compulsory social insurance for all employees has yet to be implemented. So voluntary social insurance is a solution for employees to have additional financial resources to face the risks and incidents in life. Besides that, the State also has to sponsor the fund to ensure the interests of employees and ensure the existence of the voluntary social insurance system in the long run.

After many revisions of legal regulations on social insurance, voluntary social insurance is mainly reserved for the informal sector. However, the participation rate of this type is still low. Therefore, giving suggestions for solutions to change attitudes and promoting the intention and behavior of employees to take part in social insurance in this area contributes to promoting social security is very necessary. This study explores attitudes towards voluntary social insurance based on a survey of workers in the informal sector in Hanoi, Vietnam.

## 2. Literature review

Attitude is a component that appears quite a lot in research models of consumer behavior as a path to purchase intention and behavior. There are many views on attitude, Allport *et al.* (1970) [4] define it: "Attitude is a cognitive (learned) state to reflect liking or disliking a particular object."

According to Schiffman *et al.* (2008) [12] attitudes are described as comprising three components: cognitive (cognitive), affective (affective), and behavioral tendency (conative). Attitude is an expression of mental feeling that reflects negative or positive evaluations of an object (brand, product, service, etc.). As a result of psychological processes, attitudes are not directly observable but can be inferred from people's words or behavior.

In research models on buying behavior, attitude is considered as one of the important factors affecting the intention and behavior to buy a specific type of product or service. The multi-attribute attitude model developed by Ajzen and Fishbein (1977) [2] defines customer attitude as a measure of the customer's perception (also known as belief) towards a particular service or a measure of customer perceptions of service attributes. Service awareness refers to the ability of consumers to recognize and distinguish characteristics of service attributes. Recognizing the service is necessary, but more is needed. Consumers also show their interest in the service through the evaluation of the service's attributes. The results of the assessment are expressed through human emotions such as liking, disliking, thereby forming attitudes (Fishbein and Ajzen, 1977) [2].

With the TRA model Ajzen (1989) [1] customer attitude is defined as a measure of the customer's perception (also known as trust) towards a particular service or a measure of customer perception about service attributes. Customers have a generally favorable attitude toward the services they rate positively and a disliked attitude toward the services they place negatively.

Ajzen and Fishbein (2000) [3] extended the rational action model (TRA) by adding other conditions that consider controlling perceived behavior to reflect the user's perception of the variables. Intrinsic and extrinsic behavior and attitudes are also still a component of the model of rational action theory.

Despite the differences, the theoretical models agree on the positive impact of attitudes on behavioral intentions and actions. Accordingly, it can be understood that the attitude of participating in voluntary social insurance is the expression of positive or negative evaluations about participating in social insurance through perceived attributes and beliefs of the policy and employees' feelings (like or dislike) about participating. Accordingly, studying the attitude towards participating in social insurance is meaningful in making policy suggestions to promote the intention to participate in voluntary social insurance of informal workers in Vietnam today.

## 3. Methodology

### Overview of Vietnam

According to the General Statistics Office of Vietnam, the informal economic sector is understood as an economic sector that has not been observed, which consists of 5 components: (1) a legal production and business activity but the owners of the business refuse to make declaration of establishment for tax evasion purposes; (2) illegal economic activities, prohibited by law, such as drug trafficking,

including legal activities; (3) The official economic sector which has not been observed such as: small business activities, including production and business, individual households or non-contractual labors,...; (4) a self-sufficient economic sector of households, such as households who produce and accumulate by themselves to cover their living expenses; (5) basic data collection activities that are omitted (Trần Thị Bích Nhân and Đỗ Thị Minh Hương, 2019) [13].

According to the report of Vietnam Social Insurance (ISI, 2019) [10], through an analysis of secondary data, shows that by the end of 2021, 1,449,820 people have been participating in voluntary social insurance, an increase of over 300,000 people compared to 2020. This result is impressive, with the sudden increase because the new rise in 2019 alone is close to the development of 10 years of implementing this policy from 2008 to 2018. However, the implementation results automatically show the number of people participating in social insurance—the desire to increase rapidly but still not commensurate with the potential.

The size of the informal economy in Vietnam is subject to change. The lowest scale is about 15% of GDP (2005), the highest is nearly 27% of GDP (in 2015) and it accounts for an average of 15.1% of GDP in the period of 1991-2015. Labor in this sector also contributes to 57% of the social labor force and generates 20-30% of GDP for the economy (GSO, 2018) [6]. The size of informal labor in Vietnam is fairly large, with more than 18 million people. The sectors with the highest proportion of informal workers are: Housekeeping services (99%), construction (more than 90%), accommodation and food services (80%), other service activities (83%). In 2016, the rate of informal workers was relatively high, accounting for 57.2% of the total number of labors (Mai and Mai) [11].

The characteristics of informal labor are precarious and unstable, with no labor contracts, low incomes, long working hours, no social insurance, no health insurance, no additional allowances or other social benefits. One of the shortcomings of informal workers is that the rate of trained labors is fairly low (14.8%), 5.7% lower than the general level of employed workers in the economy, and lower than that of the formal employment.

Hanoi is chosen for surveying because of its large population and significant economic growth in Vietnam. The city is also the place where most of the working people from nearby provinces come to work. Thus, the selected location can ensure the objectivity of the research in terms of regions. Due to limited resources, the study carried out in the form of convenience sampling. The survey subjects were approached in both direct and indirect forms. The process of direct survey was carried out in the form of face-to-face interviews at the markets where there were people working in the informal sectors. In addition, online surveys through questionnaires were also sent to groups such as "unskilled labor jobs in Hanoi", "recruitment - jobs search in Hanoi", and online sales forums. The results of Hanoi's research may become representative for emerging economic in the region. Accordingly, this study uses a small-scale survey method with 320 informal workers to measure these workers' current state of attitudes. The scale is inherited from previous review studies. The questionnaire was designed based on the theories introduced in the literature review. It includes 4 observation variables with a 5-point Likert scale. All the items used in each part are adopted from the validated scales

of previous studies by (Schiffman *et al.*, 2008, Ajzen and Fishbein, 2000) <sup>[12, 3]</sup>.

**4. Results**

Initially, the number of survey questionnaires distributed was 320. However, only the subjects who answered the conditional question about whether they had heard of voluntary social insurance were interviewed by the research

team. The corresponding results were that 73.14% had heard of and only 26.86% had never heard of voluntary social insurance. As a result, only 256 questionnaires were conducted in the research team's effort.

**Descriptive Analysis**

The detailed descriptive analysis results of this group of workers are shown in detail in the following Table 1:

**Table 1:** Demographic characteristics of Respondents

Variables	Category	Frequency	Percentage (%)
Gender	Male	173	67.6
	Female	83	32.4
Age	20 – 30	60	23.4
	31 – 40	137	53.5
	41 – 50	34	13.3
	above 50	25	9.8
Educational level	Secondary school Graduation	65	25.4
	High School Graduation	139	54.3
	College and University Graduation	30	11.7
	Other	22	8.6
Income	Under 5 million	23	9.0
	5 – 7	111	43.4
	7 – 9	62	24.2
	Above 9	60	23.4

From the descriptive analysis, we can see that:

**Genders:** The results showed that 193 male and 83 female participants responded to the questionnaire. The number of men is higher (67.4 % and 32.4%). The gender gap in this survey is consistent with statistics of the informal labors in the whole country from the official Report on Labor Force Survey on Ministry of Planning and Investment of Vietnam 2018.

**Age:** According to the analysis results, the number of surveyed people aged from 31 to 40 years old accounts for the largest proportion. The second is from 20 to 30 years old, the third from 41 to 50 and the last is from 50 years old. The age structure of the surveyed subjects is similar to the labor market in informal sector.

**Education level:** According to the table of education

structure, we see the highest proportion of people belonging to high school and Secondary school Graduation. This figure also reflects the educational level of informal sector in Hanoi area.

**Income:** From the interview data, it can be seen that the highest proportion of income is in the range of 5 - 9 million (67.6%). At the same time, this rate also shows that in reality, people's income is not too low, but the rate of participating voluntary social insurance is still limited. Therefore, determinant analysis is expected to produce significant results.

The results of a detailed survey of attitudes toward participating in voluntary social insurance are shown in Table 2 below.

**Table 2:** Descriptive statistics of attitudes

Code	Items	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic
ATT1	Participating in Voluntary Social Insurance is necessary.	256	1	5	2.45	1.161
ATT2	Participating in Voluntary Social Insurance is the right thing to do.	256	1	5	2.51	1.088
ATT3	You can put your trust in the Voluntary Social Insurance policy's benefits.	256	1	5	2.50	1.201
ATT4	Participating in Voluntary Social Insurance is a way to accumulate in life in the future.	256	1	5	2.55	1.115

According to the survey data, the mean scores of the observed variables are all lower than the average. The result shows that employees do not have a high assessment of the voluntary social insurance policy and do not think participating in voluntary social insurance in the current context is necessary.

**Cronbach's Alpha – Reliability**

In order to conduct the reliability test, Cronbach's Alpha is used as the most popular and effective tool in SPSS analysis

(Hair *et al.*, 2010) <sup>[7]</sup>. In this research, the Cronbach's Alpha test is applied for one dependent variable and two independent variables. Table 2 demonstrates the result of Cronbach's Alpha test. Hair *et al.* (2010) <sup>[7]</sup> also note that the Cronbach's Alpha result should be equal to or higher than 0.7 ( $\geq 0.7$ ) to be reliable enough for research. The Cronbach's Alpha results in Table 2 all meet these standard requirements, which means that every item in the questionnaire has a good level of reliability and can be accepted to use for this research.

**Table 2:** Cronbach’s Alpha Analysis

Item-Total Statistics						
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted	Cronbach's Alpha
ATT1	7.56	7.996	.615	.419	.774	0.813
ATT2	7.50	8.494	.584	.349	.788	
ATT3	7.52	7.341	.706	.519	.729	
ATT4	7.46	8.147	.626	.418	.768	

**Factor Analysis**

George and Mallery (2016) [5] emphasize that one of the most crucial steps when analysing data with SPSS is Exploratory Factor Analysis (EFA), which identifies the correlation among observed variables and examine the validity of the set of items.

**KMO and Barlett’s Test**

In this research, the KMO and Barlett’s Test for independent variables is conducted as the result is illustrated in the Table 3. As shown, the KMO value is 0.766 ( $0.5 < 0.802 < 1$ ) and the sig. value is 0.000 ( $< 0.05$ ), that means these values satisfied the conditions in the study (Hair *et al.*, 2010). In addition, after implementing the rotation matrix, we got the followings: every determinant with factor load  $> 0.7$ , and the Variance explained = 64.124 %. It demonstrates that the factor analysis of the research data is appropriate.

**Table 3:** KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.766
Bartlett's Test of Sphericity	Approx. Chi-Square	343.350
	Df	6
	Sig.	.000

**5. Discussion**

Research results show that employees' attitude to voluntary social insurance participation is unfavorable. This could be due to the following reasons:

Firstly, due to the long period of payment of Voluntary Social Insurance, leading to when employees participate in Voluntary Social Insurance, they do not immediately realize or recognize the values of the policy in the future. Thus, it shows most the opinion that participating in voluntary social insurance is not entirely the right thing to do, so it is necessary to help employees understand the issue of time selection through new regulations such as shortening the time and conditions for enjoying voluntary social insurance at a lower rate. The orientations of the scheme should also expand social insurance coverage with the verified pension floor.

In addition, according to the current regulations of Vietnam, the social insurance policy is implemented with two types of retirement and survivorship. Therefore, the opportunity for participants to assess the policy experience is challenging due to the long participation time and the small number of participants enjoying the service. Consequently, it isn't easy for people to have the perceived benefits and attitudes necessary to increase their intention to participate. These are the major obstacles in developing the participants and expanding the social insurance coverage of the social insurance agency.

The second is because Voluntary Social Insurance is an intangible product. At the same time, with other terms of accumulation, such as gold hoarding or depositing in a bank, they can grasp the condition of their accumulated asset

value. This change helps them feel secure, not afraid of loss. When thinking of such savings leads to the majority of respondents saying that participating in Voluntary Social Insurance is not necessary and, at the same time, participating in Voluntary Social Insurance is not an effective way to accumulate. Therefore, in addition to promoting current propaganda policies, it is necessary to enable the application of information technology in helping employees to be aware of and monitor the process of contributions as well as the accumulated benefits to employees to contribute, increase contribution levels as well as build confidence for participants, thereby contributing to expanding coverage and ensuring social security for workers in the region informality is inherently precarious sector.

**6. Conclusion**

This study provides a perspective on workers' attitudes in the informal sector in participating the voluntary social insurance in Hanoi city with preliminary survey results and demographic variables. Although the study was conducted carefully, it was only a descriptive statistical analysis and did not consider the intrinsic relationship in the factors constituting the participants' attitudes. Further research may approach to clarify these issues.

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