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Income of Workers Employed in the Informal Sector with Voluntary Social Insurance

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Abstract

Workers' income greatly affects social welfare and people's living conditions. With two appropriate research methods: document research and survey, the author has built a theoretical basis on "Income", "Voluntary social insurance", and "Overview of subjects" workers in Vietnam's informal sector" and their income situation and social insurance participation. To clarify the assumption and goal that has been set is that "Income" has a positive impact on workers'

insurance participation. The author conducted a field survey and evaluated the collected data. Results of survey data analysis show that participation in voluntary social insurance is affected by income factors. The author also offers solutions such as organizing training and increasing income for workers through economic investment, developing production and creating more stable jobs for workers.

Keywords: Income, Informally Employed Workers, Voluntary Social Insurance, Vietnam

1. Introduction

The average annual earnings of workers have increased in most countries, driven by economic globalization, economic freedom and political stability. One factor that causes workers' income to increase is education, and countries with developed economies with comprehensive education systems have higher workers' incomes than developing countries like Vietnam. Working groups with larger personal incomes often have "higher benefits and better living standards" than low-income earners. Because of that, workers often try to work to have the opportunity to increase their income, buy more goods, enjoy benefits and improve their quality of life. Increasing personal income helps workers satisfy their essential needs and they enjoy a happier life. After the production process, the worker will receive a salary for a certain period. The author's research assumption is that a worker's income positively affects the intention to participate in voluntary social insurance. More specifically, the income level of workers greatly affects their need to participate in voluntary social insurance. A worker with a high - income level have their basic needs fully met, at this time they direct their needs toward personal safety. They set aside a small portion of their income for types of protection such as Voluntary Social Insurance to minimize the possibility that life will be difficult when unfortunate risks occur and have long-term savings for themselves when they are old. On the contrary, the lower the income, the more workers only seek to ensure the basic needs of themselves and their families; the need for protection and the desire to feel safe will not appear.

2. Theoretical Basis

2.1 Workers' Income

Barr (2004) ^[1], states that "Income is the consumption and saving opportunities that an entity has within a specified time frame, usually expressed in monetary terms" (pp.121-124). McCaffery (2012) ^[9] commented, "Income is difficult to define conceptually, and the definition may vary across sectors." The author also believes that "Haig-Simons Income" is an important definition. Haig-Simons income "is an income measure used by public finance economists to analyze economic well-being which defines income as consumption plus change in net worth" (Price, 2014) ^[12] and it is widely used in economics. In economics, personal income refers to an individual's total income from various sources, such as wages, investment activities, and other sources of income. This includes all goods and money received by the individual. There are different types of personal income, each with different purposes and considerations. Nominal income is the amount of money an individual receives "before any deductions for taxes" and "required payments" are made. Staff (2012) ^[13] when commenting on "Real

income” is income that “takes inflation into account and represents the amount of money an individual receives taking into account the effects of inflation. It is very useful for calculating fixed payments over a long period of time.” Author Brooks (2018) ^[2] evaluates, “Disposable income is the amount of money an individual has available for use after income tax is deducted. It reflects the actual amount of money that an individual can use to spend, save, or invest. Income classification needs to be based on the source of this income. Accordingly, there are 4 sources of income: “Earned income”; “Portfolio income”; “Passive income” and “Non-passive income”. The income of each individual, household, production, business, service sector and the whole country in general is always the top concern of society. People create “a certain amount of wealth in the process of labor, production, business, and service” and society “redistributes the appropriate amount of wealth”. Every method of production and every form of ownership has a “suitable form of personal income distribution” and when there is a suitable form of personal income distribution, it is a strong and realistic driving force maximizes the potential of social functions and directly contributes to promoting social development. A systematic study on the relationship between “Income and health” by authors Pega *et al.* (2017), (2022) ^[10, 11] made a major breakthrough and they found that “income given in the form of unconditional cash transfers leads to reduced disease, improved food security and diversity diet, increased school attendance, reduced extreme poverty and higher health care spending.” Thus, income is the amount of wealth usually calculated as money that an individual, a business, or an economy receives in a certain period of time from work, services, or certain activities. According to Vietnamese regulations, citizens have the right to ownership of legal income (Article 58, Constitution of Vietnam, 1992), which means that workers can pay for their own forms of life and health protection their health when they have adequate income.

2.2 Workers have Jobs in the Informal Sector

The General Statistics Office [GSO], (2022) has introduced the concept of “Informally employed workers”. Accordingly, workers with informal jobs are also called informal workers, “They are people who do jobs that are not protected by labor law by law or in reality, and do not have to pay income tax or not enjoy social protection and other employment regimes” (p.2). Informal workers do “Jobs that are often undeclared, temporary or short-term in nature, have working hours or salaries below prescribed thresholds, and sometimes do not fully comply with legal regulations.” law” (GSO, 2022, p.2). According to the definition of GSO (2022), “self-employed workers and facility owners are identified as informal workers when their workplace belongs to the informal sector” (p.2). Next, “All unpaid family workers are identified as informal workers. Salaried workers who do not have a labor contract, do not receive social insurance payments from their employer, or do not have any commitments to ensure social benefits in the labor sector are also identified as informal workers regardless of whether they work in either formal or informal sector establishments” (GSO, 2022, p.2).

Also, according to GSP's Report "Overview of informally employed workers" (2022), "Vietnam has 33.6 million workers with informal jobs, accounting for 68.5% of the

total number of workers with informal jobs." jobs in 2021". The report also states, "The characteristics of informal workers are low professional qualifications, often doing simple jobs that require little skill or technical expertise. About 35.3% of informal workers work in simple occupations, accounting for the highest proportion of all occupational groups. (p.ix). In addition, based on statistical data, the GSO report (2022) also points out that "Rural areas are more vulnerable than urban areas with nearly three-quarters of Vietnam's informal workers." residing here. The rate of informal workers in rural areas is much higher than in urban areas, 77.9% compared to 52.0%. The majority of informal workers do not have a labor contract or have an unwritten contract (nearly 79%) and only 15.3% have a labor contract. With this reality, informal workers will face job insecurity, disadvantages in salary agreements, not receiving benefits and not being fully guaranteed conditions labor." (p.ix).

2.3 Voluntary Social Insurance

According to the Law on Social Insurance, "Social insurance is a guarantee to replace or compensate part of an employee's income when he or she loses or loses income due to sickness, maternity, work-related accidents, or illness "occupation, end of working age or death, on the basis of contributions to the social insurance fund." and “Voluntary social insurance is a type of social insurance organized by the State in which participants can choose the payment level and payment method appropriate to their income and the State has a policy to support payment Social insurance for participants to enjoy retirement and death benefits.” (Law No. 58/2014/QH13). According to the GSO (2022) report on workers with informal jobs, "The proportion of workers with labor contracts of 1 month or more but without social insurance still accounts for a large proportion. In the formal sector, up to 20.8% of salaried workers have signed labor contracts but do not pay mandatory social insurance.” (p.ix). At the same time, the assessment results also showed that "Up to 97.8% of informal workers do not participate in any type of insurance, 35.5% of them are salaried workers. Only a small proportion (2.1%) of informal workers said they participate in voluntary social insurance. The rate of employees participating in voluntary social insurance has increased very slowly over the past two years (from 1.6% in 2019 to 2.1% in 2021). This shows that many workers are not aware of the importance of social insurance and that social insurance policies are not really attractive to workers." (GSO, 2022, p.ix).

3. Methods

To clarify the research objectives, two scientific research methods, the document research method and the data investigation method, are used. Through Laws, Circulars, and Decrees of the Vietnamese government on Social Insurance policy, I have built a theoretical basis for Voluntary Social Insurance. Use results from GSO's informal sector employment situation report to build an overview of workers in Vietnam's informal sector. The document research method also helps build a theoretical framework on income and personal income. The data survey method is carried out based on a questionnaire developed by the author and a survey conducted for employees. The purpose of building a survey on income and voluntary social insurance is to find out the impact of workers' income on

voluntary social insurance. The factor "Income" is also measured on a 5-point Likert scale (In which: 1 is completely disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is completely agree). The income scale is denoted as ICM and includes 5 observed variables numbered in order from ICM1 to ICM5. The content of each observed variable and the symbol for each variable are shown in the table below.

Table 1: Survey table of income of workers with voluntary social insurance

Symbol	Survey variables
ICM1	Unstable employment is not the cause of difficulty in participating in voluntary social insurance?
ICM2	Does income not affect your participation in voluntary social insurance?
ICM3	Compared to your actual income, the minimum fee in the current voluntary social insurance premium bracket is not too high?
ICM4	Is income not the most important factor affecting your participation in voluntary social insurance?
ICM5	Do you think that the level of government support can help you realize your intention to participate in voluntary social insurance?

Source: The author

4. Results

4.1 The Occupations of Workers were Surveyed

According to the results of GSO's survey on Vietnamese living standards, "The average income per person per month in 2022 at current prices will reach 4.67 million VND, an increase of 11.1 percentage points compared to 2021. In 2022, The year marked the recovery of the economy and the population's living situation. The average income per person per month in 2022 in urban areas will reach nearly 5.95 million VND (an increase of 10.4 percentage points compared to 2021), 1.54 times higher than the average income in rural areas of 3.86 million VND (an increase of 10.8 percentage points compared to 2021)" (GSO, 2022).

Table 2: Descriptive statistics about occupations

Criteria	Frequency	Percent	Valid Percent	Cumulative Percent
Agriculture, forestry and fisheries	92	26.9	26.9	26.9
Knitting, handicrafts, garments	154	45.0	45.0	71.9
Education, health, culture, society	49	14.3	14.3	86.3
Small retail trade	12	3.5	3.5	89.8
Other	35	10.2	10.2	100.0
Total	342	100.0	100.0	

Source: Results of processing survey data by the author

With an occupational structure of 26.9% for Agriculture, Forestry, and Fisheries respectively; 45 % for Knitting, industrial miniatures, and garments; 14.3% for education, health, and social culture; 3.5% are small businesses; and other occupations account for 10.2%. Vietnam is a developing country and occupations such as agriculture and handicrafts dominate. This is completely consistent with actual survey data when surveying the occupational situation

of workers by GSO (2022), "Most (more than 90%) of workers work in agriculture, forestry, Seafood; Building; Hired work activities in households are all informal labor. In rural areas, this situation is even more serious. Informal workers in rural areas working in these industries are all above 96%. As for the Agriculture, Forestry and Fisheries sector, this figure also reaches 99%. This means that if workers work in these industries, especially in rural areas, they will have to work in vulnerable jobs that are not protected by labor law policies" (p.ix).

4.2 The Income of Workers was Surveyed

Table 3: Results on income of surveyed workers

Currency: Dong

Criteria	Frequency	Percent	Valid Percent	Cumulative Percent
Under 2 million	101	29.5	29.5	29.5
From 2 million-3.86 million	169	49.4	49.4	78.9
From 3.86-4.4 million	55	16.1	16.1	95.0
Over 4.4 million	17	5.0	5.0	100.0
Total	342	100.0	100.0	

Source: Results of processing survey data by the author

From interview data, it can be seen that the number of surveyed workers with income under 2 million accounts for a large proportion of 29.5%, corresponding to 101 choices. The number of workers with income from 2 million to 3.86 million accounts for 49.5%, which is the highest income level. With 16.1% and 55 choices, the income level was 3.86 million to 4.4 million; The smallest percentage is the income level of over 4.4 million with 5% and 17 choices. The proportion of workers with an income of 3.86 million or less accounts for nearly 80% of the total number of workers participating in the survey. The survey results are consistent with the actual situation as reported by GSO (2022), "The income from the main job of informal workers in 2021 is 4.4 million VND, only half of the income of informal workers" official movement (8.2 million VND). Nearly half (47.0%) of informal workers have an income lower than the regional minimum wage.

4.3 Income of Workers Employed in the Informal Sector and Voluntary Social Insurance

Cherdyntsev's Economics Series 4 (2008) assessed "In recent decades, there has been growing concern about the economics of individual and household income, considered as socio-economic units binds individuals through the relationships that arise in the organization of their common lives. At the same time, it is also the economic entity that governs the consumption of goods produced in the economy and provides the social economy with available resources. Author Maznaya (2006) [8] also said "The socio-economic significance of personal income has become especially evident in recent years, coinciding with the development of consumer credit." (pp. 91-96). Thus, the pressure of reduced income and unstable work makes workers calculate more carefully before consuming any product, even if it is a health protection product. The current situation of participating in voluntary social insurance in Vietnam in recent years has proven this. To determine the relationship and influence of income and employees' interest in voluntary social

insurance, let's look at the data survey results presented in Table 4.

Table 4: Survey results on Workers' Income and Voluntary Social Insurance

Valid	ICM1	ICM2	ICM3	ICM4	ICM5
Totally disagree	82	36	80	38	65
Disagree	107	158	109	152	134
Neutral	79	79	68	74	67
Agree	51	29	55	36	40
Totally agree	23	40	30	42	36

Source: Compiled and analyzed from author's survey data

With the ICM1 statement, "Unstable employment is not the cause of difficulty in participating in voluntary social insurance? Through the synthesis of survey data and analysis, there are 82 opinions, accounting for 24% of respondents, who completely disagree with the above statement, while 107 respondents chose to disagree, accounting for 31.3%, 79 opinions are standing in a neutral position, accounting for 23.1%, and 51 opinions say they agree with the above statement, equivalent to 14.9%, accounting for the smallest percentage. 6.7% completely agree with the statement. Thus, half of the interviewed workers think that stable employment greatly affects their ability to participate in voluntary social insurance.

With the ICM2 statement, "Income does not affect your participation in voluntary social insurance." Through the number of surveys and analysis using SPSS22, the data shows that 36 workers chose the option that completely disagrees with the above statement, accounting for 10.5% of 158 workers surveyed by the author. Choosing the disagree option accounts for 46.2%, with the number of options accounting for 23.1%, equivalent to 79 employees who think they have not yet given an opinion on whether they agree or not should choose the option at a neutral position. The number of employees choosing to agree and completely agree was 69, accounting for 20.2%. It can be seen that employees think that income affects their participation in voluntary social insurance.

With question ICM3, "Compared to your actual income, the minimum fee in the current voluntary Social Insurance premium bracket is at a normal level." The results show that the majority of workers do not agree with the above statement, with 189 times of workers being asked to choose the option of completely disagreeing and disagreeing, accounting for more than 50% of the number of responses. The neutral opinion is also quite large with 68 choices accounting for 19.9%, the remaining two options are agreed and completely agree with a total number of respondents choosing 85 and accounting for a similar percentage is 24.9%. It can be seen that the minimum fee in the current voluntary Social Insurance payment framework is still high compared to the income of workers in the informal sector in Vietnam.

To find out whether income is a deciding factor in employees' participation in voluntary social insurance. The author included the ICM4 survey question, "Income is not an important factor affecting one's participation in voluntary social insurance." The survey results showed that the majority of employees, accounting for more than 50% of respondents, said that this factor is important and greatly affects their intention to participate in voluntary social

insurance. This is not beyond the author's prediction.

The last question in the survey was ICM5, "Do you think that the level of support from the Vietnamese government can help you realize your intention to participate in voluntary social insurance?" This is one of the new points of the newly promulgated Social Insurance Law. We also see that, throughout the answers to questions about the income component, the majority of workers believe that income is a factor that affects their intention to participate in voluntary social insurance. However, when they receive information about support from the state, they still believe that it is difficult to participate in voluntary Social Insurance because the level of support is too low and insignificant. So, in this question, the results are in favor of completely disagreeing and disagreeing.

5. Discussion

The income level of workers greatly affects their need to participate in voluntary social insurance. A worker with a high-income level have their basic needs fully met; at this time, they direct their needs toward personal safety. They set aside a small portion of their income for types of protection such as Voluntary Social Insurance to minimize the possibility that life will be difficult when unfortunate risks occur and have long-term savings for themselves when you are old. On the contrary, the lower the income, the more workers only seek to ensure the basic needs of themselves and their families; the need for protection and the desire to feel safe will not appear. In fact, workers with informal jobs belong to the middle and low-income group because they do manual work and it is only seasonal, leading to their participation in voluntary Social Insurance. Really having difficulty. To solve this problem, the following group of solutions is needed:

The first is to create jobs and a stable source of income for workers. It is necessary to maintain and develop local craft villages and build product production processes in craft villages that meet export standards. Ministries and departments need to get involved together and find a way out for traditional products. If the business is stable, it will lead to workers having stable jobs. Orientation for craft villages, in addition to producing according to old methods, also needs innovation such as models and types to meet the increasingly diverse needs of the market. Implementing separate strategies for each region and each industry is also necessary. To do this well, it requires State agencies, all levels, sectors, and unions to have synchronous and consistent operating mechanisms in policies, guidelines, and guidelines.

Second, the workforce that is not eligible to participate in compulsory Social Insurance accounts for the majority of the total workforce. However, the vast majority of workers in this department do not have high professional qualifications or have not been properly trained, making it impossible to meet the recruitment needs of businesses. From those shortcomings, the need for solutions to help workers have the opportunity to find jobs is becoming increasingly urgent. Training and improving skills for workers requires the joint efforts of state agencies and businesses. Training orientation for workers needs to have clear goals and appropriate distribution of trained human resources in accordance with each profession and Vietnam's socio-economic development strategy. To promote vocational learning and training activities, we need to have

encouraged and motivating factors. For employees participating in training: training costs can be waived or reduced. On the business side, it is necessary to call on businesses with future development orientation to open training classes for their company's occupations and when completing the training course, they can be accepted to work at the company.

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