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自由業之社會保險的原因與狀況研究：邵斯格比省的案例研究

Study of the Reasons and Conditions of Social Insurance of  
Self-Employed Workers: Case Study in Southgobi

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## 摘要

社會政策是社會保護體系的組成部分。保險業務是一套複雜的措施，可以消除諸如死亡，失業和受傷，正常情況和預防措施等並發症。近年來，年輕人口比例的下降反映了人口的停滯和老齡化的加劇。人口預期壽命的增長是一個重要指標，但實際上，社會保險基金中退休年齡的前後，退休金的先決條件都會急劇增加。

重要的是進行一項調查，以詳細統計私營企業家的年齡和性別，社會保險費的繳納時間，退休金的類型和金額以及基於其保險的津貼。由於蒙古現行的社會保險制度的相關政策，法律和法規無法滿足自願投保人的要求和要求，僅了解社會保險制度的重要性及其現狀的實用性還不夠。

因此，迫切需要在相關法律和法規的範圍內，根據年齡類別，性別，自願參保人的支付期限，對被保險人的退休金，退休金的類型和金額進行更詳細的統計調查。有關現行社會保險制度的法規，根據相關法律獲得退休金或福利的條件。了解人們未來改進保險服務的建議並確定其中的社會保險服務需求也很重要。

迫切需要使社會保險體系的意義，管理和結構與改革，退休改革和發展趨勢以及基於特定特徵和當前社會經濟狀況的新社會保險體系的主要目標相一致。

關鍵詞：社會保險、自願保險、強制保險、退休金、自由業

## ABSTRACT

Social policy is a component of the social protection system. An insurance business is a complex set of measures to eliminate complications such as mortality, unemployment, and injuries, normal conditions and preventive measures. The downfall in the proportion of young people in the population in recent years reflects the stagnation of the population and the increase in aging. The growing life expectancy of the population is an important indicator, but the reality that the previous and post of the retirement age and the prerequisite of the pension will increase sharply in the social insurance fund.

It is important to conduct a survey on making detail statistics on ages and gender of private entrepreneurs, duration of paying social insurance fee, types and amount of retirement fee and allowance based on their insurance as well. Understanding the importance of the social insurance system and its practicality of the current situation are not enough due to the related policy, laws and regulations of current social insurance systems in Mongolia which cannot meet requirements and demands of voluntary insured people.

Therefore, there is an urgent demand to make more detail statistics survey about retirement allowance, type and amount of the pension for insured people based on the age category, gender, duration of the payment of voluntary insured people at the scope of the related laws and regulations on current social insurance systems, conditions to get pension or benefits under related laws. It is also important to know proposals of people on improving insurance services in the future and identify the needs of social insurance services among them.

There is an essential demand to comply significance, management and structure of the social insurance systems with the main objectives of the reform, retirement reform and development trend as well as the new social insurance systems based on the specific features and the current socio-economic situation of Mongolia.

**Keywords:** social insurance, voluntary insured, compulsory insured, pension, self employed

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## **LIST OF ABBREVIATION**

LOSI: Law on social insurance

GAHSI: General agency human social insurance

BC: Before century

IAOD: Industrial accident and occupational disease



# CHAPTER 1: INTRODUCTION

## 1.1. Statement of the Problem

Retirement system in Mongolia is based on the concept of solidarity which means the social insurance fee paid by someone else can make up the pension or benefit to others. (Mamoru, 2019) Social insurance fee is a socioeconomic measure, including the payment of insurance premiums by citizens, state and business entities and organizations in accordance with the appropriate procedure, the formation of social insurance funds and payment of pensions, benefits and payments, as provided by law to an underwriter directly in case of retirement, loss of ability to work, sickness, or unemployment, and benefits to the person who was under his/her care of underwriter in case of death. (LOSI, 1994).

The basis of this system to exist is that the number of insurance fee payers must be higher than pensioners. Today, the biggest challenge for this system is that aging of people is becoming more intense in recent years. As for Mongolia, there were 4 pensioners for each 10 insurers in 2013 which is expected to be increased to 5 in 2020 and 8 in 2040. (GAHSI, 2018: 29)

Herders and private entrepreneurs cannot be involved in the social insurance comprehended. Furthermore, it is still unclear that how to solve their social insurance and benefits for them to survive due to retirement, loss of ability to work, sickness, unemployment or death if they will involve to the social insurance. It is possible to solve their social insurance issues if the decision makers can legislate an optimal social insurance laws or services which allows private entrepreneurs to be insured accordingly which can make up the source of the social insurance fund. Unless otherwise specified in the compulsory insurance, a citizen of Mongolia, foreigners or individuals who are not Mongolian nationality or unemployed are subject to voluntary insurance, benefits, or industrial accident and occupational disease insurance.

As shown in the

**Table 1 statistics about coverage of voluntary insured persons:**

№	Year	Active population of Mongolia	Inactive population of Mongolia	Total insured	Percentage of insured
1	1995	812700	374000	409113	3,3
2	2000	847600	499800	628372	5,5
3	2008	1071500	617200	602235	11,8
4	2012	1151100	661000	843276	24,8
5	2014	1198300	738800	952055	37,6
6	2016	1206600	735000	1044404	53,4
7	2017	1243900	779000	989036	42,6
8	2018	1275600	831400	1028038	48,0

Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2018.

As shown in the statistics, the number of the insured among 1995 and 2008 was less than 11.8% and it has been constantly increasing and reached 48% in 2018, and most of people who are not insured are self-employed workers.

During this period, there were many people who did not get involved in the social insurance could not get pension from the social insurance funds when they retire due to the number of years they have paid social insurance fee that cannot meet the requirements as specified in the law which is becoming an urgent issue for the society. Upon implementation of the law on duration of employment and refund of the retirement insurance fee in 2012, 602,5 thousand people involved and paid 37 billion tugriks and paid their fees covering 1990-2001. This was the solution which was the temporary stopgap to solve this social issue. (Statistics, 2018:17)

However, a policy solution mentioned above is advantageous for citizens, but it distorts the basic principles of social insurance and weighs upon retirement fund and state budgets, as shown in the statistics of 2016-2018 which spent 302,7 billion tugriks for the retirement allowance for insured persons.

(Statistics, 2018:18)

The LOSI was amended in 1997 as “Procedures and conditions to involve private entrepreneurs and herders to compulsory social insurance can be regulated by law”.(<https://www.legalinfo.mn/>) But there is no legal environment to implement above regulations or procedure to involve the above citizens for the social insurance.

As for Mongolia, it is an urgent issue to provide an optimal legal environment for insurance conditions to involve private entrepreneurs and herders and expand the coverage of the social insurance payers, who do not pay social insurance, based on the needs of private entrepreneurs.

At the scope of the legal environment of current social insurance systems, it is important to conduct a survey on making detail statistics on ages and gender of private entrepreneurs, duration of paying social insurance fee, types and amount of retirement fee and allowance based on their insurance as well as finding out reason why they pay social insurance, difficulties to get benefits or allowance from the social insurance, conditions entitled to receive pensions and benefits provided by law, any suggestions and proposals on making changes to get involved for this service, or survey on defining their needs and demands for getting involved to the social insurance in the future.

## 1.2. Definition of Terms

**Social insurance:** Social insurance is social protection activities including the payment of insurance premiums by citizens and legal entities in accordance with the law, the formation of social insurance funds and payment of pensions, benefits and payments, as provided by law to an insured directly in the case of retirement, loss of the ability to work, sickness, unemployment, pregnancy or maternity leave, and to his or her dependents in the case of death (<http://www.mlsp.gov.mn/>, 2020)

**The insured:** A citizen of Mongolia foreigner or stateless person who is insured and paid social insurance premium to the social insurance fund as provided by law.

(<http://www.mlsp.gov.mn/>, 2020)

**Temporary loss of work ability:** Temporary loss of work ability due to ordinary disease or working injury or occupational disease could rehabilitate within 182 days in normal activities. (<http://www.mlsp.gov.mn/>, 2020)

**Pension:** Pension is the monetary amount to be provided monthly from the insurance fund to the insured who reached official pensioner’s age for the rest of his/her when the insured is deceased. (<http://www.mlsp.gov.mn/>, 2020)

**Eligibility For Retirement Pension:** The insured person, having paid contributions of pension insurance for not less than 20 years in total shall for a retirement pension on attainment or 60 years old. Women having paid contributions of pension insurance for not less than 20 years can be eligible for a retirement pension on attainment of 55 years old, if they wish so. (<http://www.mlsp.gov.mn/>, 2020)

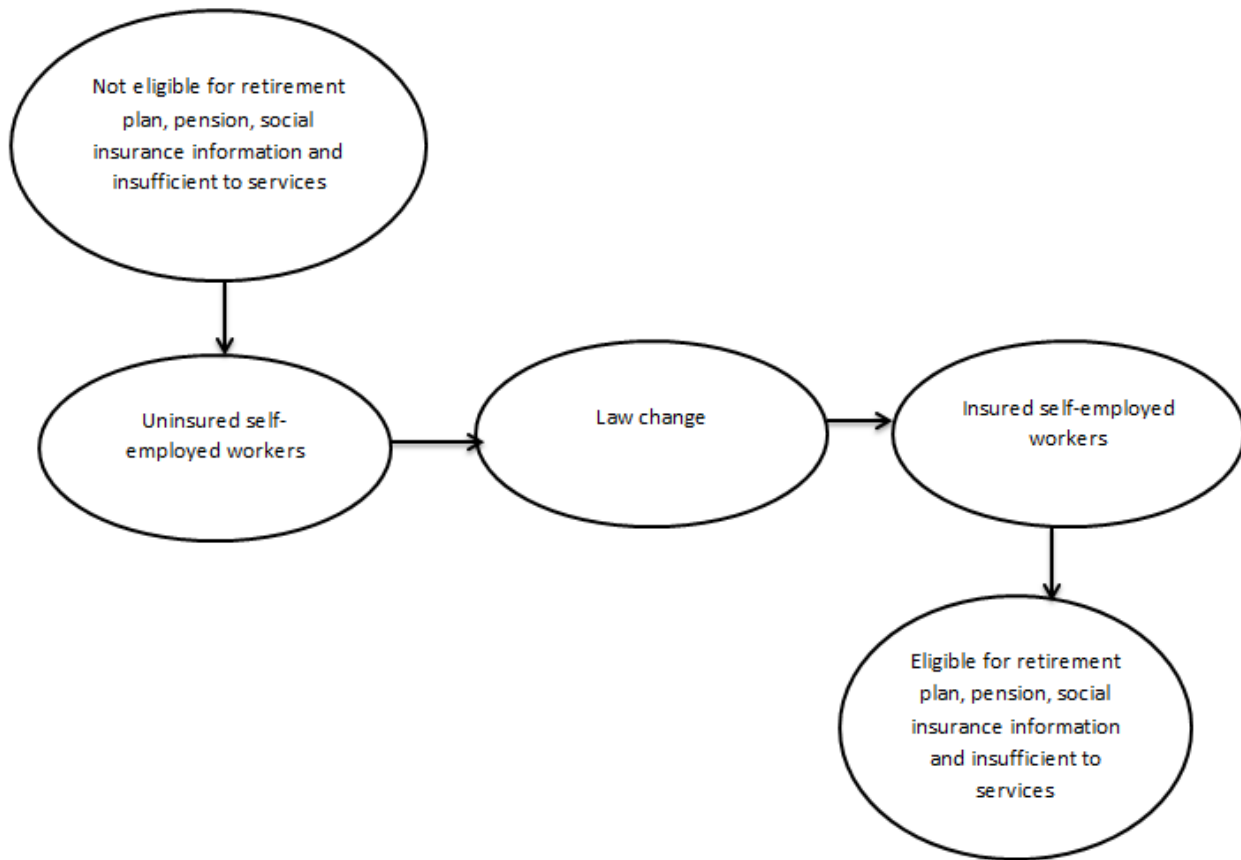
**Self-employed:** Self-employed workers are persons who are the sole owners, or joint owners of their business and independently running their businesses, solely responsible for decisions influencing activities of their business entities. (<http://www.mlsp.gov.mn/>, 2020)

**Herder:** Herder is a person who maintains animal husbandry as a livelihood income source. (<http://www.mlsp.gov.mn/>, 2020)

### **1.3. Theoretical Framework**

Conditions and procedure for formal insurance of self-employed herders and self-employed workers by social insurance may be established by law. There is a wide diversity of factors involved in the voluntary insurance system, and the proportion of citizens' retirement benefits depends on the legal environment of the country. The fact that self-employed pensioners remain uninsured is directly related to the legal environment of the country, regardless of their retirement benefits.

**Figure 1 Framework**



Source: the author

The following two hypothesis have been proposed for the study. These include:

H1. Self-employed workers are not eligible for retirement plan, pension, social insurance information and insufficient access to services.

H2. The current legal and regulatory framework for social insurance is not an effective regulation for self-employed workers.

## **1.4. Methodology**

**1.4.1 Type of research:** Research information was collected by data survey method. Receiving substantial information with scientific basis depends on defining the research type and methodology. So we have chosen to use questionnaire and data based research methods depending on the features of research variables.

**1.4.2 Respondents:** Social insurance organization has the hierarchical management structure in which management conducts its operations in accordance with the integrated policies and directions which provides equal services toward its branches in all provinces/cities and soums/districts throughout in Mongolia under related laws and regulations. So employees working all over the country can get involved in the social insurance services equally. Depending on the working conditions of the researcher, we have chosen self-employers in Southgobi.

### **1.4.3 Questions**

1. Why the self-employers do not involve in the social insurance? What conditions do they need to be involved in the social insurance?
2. Do current legal environment and social insurance service are appropriate for getting citizens involved in the social insurance?

## **1.5. Review of Related Literature**

The social insurance system was formed in 1994 which I gave more importance to the researches made since then. Dr. Ch. Dagvadorj, O, Khongor, G. Oyuntsetseg and S. Erdene have conducted a survey on urgent issues of social security and made an important review of this matter. Research work on “Social insurance systems, its renovation and trends” by S. Erdene for doctoral degree work made in 2013 include recommendations about developing sophisticated social insurance systems and management in compliance with the development trend of the country which included conclusion and proposals of previous research work and recommendations for solving current issues at the scope of the concept. As a result of the research work, it has considered that it is not optimal that voluntary insurers pay 2 times less insurance fee than compulsory insurers, which is the reason of unfair allocation of social insurance benefits and it is important to define optimal and proper ratio of the insurance fee amount to create a liberal social insurance method in compliance with the market relations in order to make up the financial sources with reliable services and expand the scope of the social insurance.

In recommendation of the research work on “Methods of implementing renovation goals of social insurance systems”, it is mentioned that it is necessary to implement the special retirement program dedicated for herders, private entrepreneurs and other employees working in unofficial sectors, to provide a benefit for paying fees and define parameters for retirement age, duration of payment and the formula for calculating the pension amount.

Non-optimal solution for the scope of the insurance may lead thousands of people such as herders, private entrepreneurs and other employees working in unofficial sectors, in the next 15-20 years, to the risk of not involving to the social insurance or receive benefits when they get old, sick or injured and cannot protect them. (Dagvadorj C. , 2012).

Besides concept, reality, management and structure of the social insurance systems, it is important to coordinate features, social and economic situation, privatization of Mongolia on relation to the international standard and development trend of social insurance systems. Regarding this, there is an urgent demand on creating new social insurance systems based on the current social insurance issues. It is also important to study about best practices and possible versions of foreign countries in scientific methods, to practice best social insurance systems based on our capability and resources in compliance with our market situation as well as it is necessary to study about optimal solution for social insurance management systems. (Erdene, 2013)

## **1.6. Scope and Limitations**

The social insurance organization has the hierarchical management structure in which management conducts its operations in accordance with the integrated policies and directions which provides equal services toward its branches in all provinces/cities and soums/districts throughout in Mongolia under related laws and regulations. So employees working all over the country can get involved in the social insurance services equally. Depending on the working conditions of the researcher, we have chosen private entrepreneurs in Southgobi.

## **1.7. Significance**

The Significance of the Study is to research about laws, regulations and legal documents related to the social insurance approved by the authorized organizations which are entitled to involve private entrepreneurs for social insurance, define the amount of the fees or benefits to provide for them and find out the reasons or factors why private entrepreneurs do not get involved to the social insurance. It is



advantageous to develop social insurance sector of Mongolia by approving and implementing the special program dedicated for herders, private entrepreneurs and other employees working in unofficial sectors to solve their issues related to social security comprehensively and providing retirement allowance and benefits. Depending on the amount of the social insurance fee paid by the private entrepreneurs and other employees working in unofficial sectors, type by their insurance, amount of the fee they paid and their involvement, it is important to provide a social security service and involve them for tax and social insurance by making an optimal solution and leverage without duplicating conditions for pension, benefits, taxes or other fees levied on them.



# CHAPTER TWO: LITERATURE REVIEW

## 2.1 The Development of the Social Insurance System

The state developed the theory of social security, the methodology and the concept of public administration as an integral part from the time when the ancient philosophers studied the relationship between citizens, social and individual affairs.

The Greek philosopher Plato (427-347 BC) wrote about the possibility of a happy life in a model state. A student of Aristotle, Plato (384-322 BC) believed that people can only live in a society where state bodies should control all the interests of the people. He wrote that the attachment of the modern state is based on justice, adding: "If the society is distracted and part of the state is concerned, this will not be considered good and then the state will turn its attention to it" (Dashyondon, 2011:574).

Studying the social risk of citizens and assisting them in the theoretical and methodological aspects of their implementation is necessary as a state duty, where it is necessary to accelerate the industrialization, urbanization and exploitation of natural resources that began in the 18th century, from which there was a sharp contrast between people's lives in connection with the public, and also gave positive and negative changes. Because of this, those who have suffered from degradation, poverty and unemployment have become a social problem. (Tsend N., 2001:55)

In the context of the social and political situation in France, England and Germany, the theoretical and methodological foundations of social protection were studied with Saint-Simon, Charles Fourier, Augusto Comte and Karl Marx, who emphasized social protection as a necessary element for the working class. This topic remains the basis of this study. (Naranchimeg N., 2009:221)

In order for social protection to become a question for society of determining the role of the human factor, environmental behavior, environmental change, social psychology, social and environmental relations, as well as society, etc., it is extremely important to obtain the results of scientific research on social relations.

Karl Marx proposed a democratic and socialist theory, the methodology of acupuncture or social protection which has become an important part of the thinking of modern social sciences and is not only the result of theoretical thinking and research, but also the reality of social development, for example, such as in modern Scandinavian countries, especially in Sweden, 1970 year. From the very beginning,

today he is known in the world as the “Swedish model”. The main objective of the social protection model is to provide citizens with livelihoods and good salaries, to be able to have open political views, to be protected, and to live in a clean and environmentally healthy environment This concept is being implemented not only in Europe but also in many countries of the world including Australia, Japan and Mongolia. (Dagvadorj C. , 2004:17).

The World Summit on Sustainable Development which was held in Rio de Janeiro, Brazil in 1992, discussed about the tripartite goals, criteria, general principles, factors and attitudes that relate to the socio-economic environment. (Development, 2002)

Today, the concept of this declaration is implemented in all countries of the world and takes the form of concepts, principles and programs of sustainable development. Also, social protection is unique in terms of each country, region or ethnicity. If the social security system is developed on the basis of the socio-economic characteristics of each country, then theories and methodologies appropriate to traditional cultures are the basis for success in socio-economic development.

The social security systems that exist in countries such as the United States, Japan, Germany and Sweden are located in more mature states with government policies and a legal environment to protect them, from citizens to the interests of certain sectors, where they also care for a more profitable system, society and their implementation. In addition to this, there is a socio-economic approach to identifying these mechanisms. (Dagvadorj C. , 2004:17)

For limited resources in the least developed countries, it is stated that: “Throughout life, citizens who have lost the ability to work or are orphaned, wounded, sick, orphans, disabled people, children with disabilities, large children in households, widowed or uneducated families” have the right to have social security and childcare insurance.

The social security system consists of: 1) social insurance, 2) social security and 3) social security with social policy (Dagvadorj C. , 2012:23)

Social insurance includes contributors such as employees, owners or self-employed people where the social insurance helps the poor and disadvantaged but the social policies vary widely in terms of coverage as funding sources, tools and implementation mechanisms which varies from the demographics, children, women, the elderly, poverty, housing and food or security.

The main component of the social protection is the social insurance and the main characteristic is the creation of a special social security fund that protects the interests of the insured where it ultimately

strengthens and encourages the solidarity of people to social risks in order to create conditions that prevent harm and injury.

Social insurance is a stabilizer of the life of the citizens for those who have the right to life insurance for disability, for survival or protection against possible losses and risks. (A. Ganzorig, 2011:45) The main characteristics of the principles of social insurance are the types, financing sources (funds), fees and methods for determining their nature.

**The basic principles of social insurance:** Like many types of the insurance, the policyholder or insurer has the right to receive the assistance and support as provided for by the agreement, legislation or regulations. Assistance will not be provided to persons who are not involved in the creation of an insurance fund. In the case of the insured, if he or she is unable to work (not covered) then the certain types of the pensions and benefits are provided in accordance with laws and regulations. In addition, the right to receive insurance assistance and support cannot be inherited or transferred to other people. Since insurance is a tool to close the risk, it must be protected by the accumulated funds.

**The types of social insurance:** There are three types of the categories that are based on the degree of the protection for the citizens.

1. **Pension insurance:** Pension insurance is one of the key areas of social security that has developed and reformed rapidly over the past 50 years and which was established over 100 years ago. It is the responsibility to protect income from loss of survivors and long-term disability.
2. **Health insurance:** One of the first elements of the social security system is that it helps temporarily disability, reduces medical expenses, reduces the cost of medicines and provides benefits.
3. **Employment insurance:** This category includes insurance against industrial accidents and occupational risks where they are paid in the form of a pension as well as for special medical services, rehabilitation or preventive medicine insurance. Unemployment insurance can provide temporary support to help those who do not have short-term income from work.

**Social insurance funds and fees:** The main social insurance fund for protecting the population from social risks is a special fund where employer-owners, the state or guardians are responsible, who are responsible for protecting citizens and insured. Stakeholder fundraising is referred to as social security contributions in most countries. These contributions are significantly different from other taxes and fees, as they accumulated in a special fund and returned to the needs of the insured. The size, time and functions of contributions from interested parties are determined by law. Each type of social

insurance must have an independent fund and prohibits the use of fund assets for other types of insurance or other items. The amount of contributions depends on the nature, type, purpose and content of the social insurance scheme. The share of the employer and the insured for the same type of insurance is the same as in most countries. If a social insurance premium is paid, the insured person uses the rights specified in the law, as well as the amount of the premium paid including the time covered by the insurance.

**Types of social insurance:** The citizens can apply for two forms depending on the purpose, content and direction of the socio-economic situation in a given country for voluntary or compulsory insurance. Mandatory forms of employee and public servant are usually covered and employer-owners are involved in the creation of the fund in addition to the state control and fundraising. (Burmaa, 2011:32)

Voluntary insurance can freely agree on the type of insurance where the size of the premium, time and risk must be agreed upon, where the socio-economic characteristics of the country are taken into account in the framework of laws and regulations. The employer should not participate in the creation of this fund for voluntary insurance and it is usually available to employers, firms, farmers, nomads, self-employed, independent artists and informal workers.

## **2.2 The Current Insurance Situation and Possible Development in Mongolia**

A study of the emergence and development of social insurance in our country can be done by the example of a decree on the creation of a special fund for helping the poor and orphans, given by Genghis Khan, the founder of the Mongol Empire in 1206 which exists in a historical source and which also indicates the types and sizes of the fines. In this historical source, as *The Secret History of the Mongols*, the livelihoods of the Mongols are described: "It is useful for us to give a sheep to every hundredth and thousandth sheep every year to the poor." Since that time, the issues of the social protection of the population began to be implemented. Researchers believe that by the end of the 1250s, the emergence of a system of the social protection measures arose as a result of governing the country as well as pressure on society harmed government affairs and that part of the asset has its own asset for people. Khan said that "the emperor's violence and oppression went to extremes and people could not put up with it where their achievements were far from taxing the state." (Lhaashid, 1999: 24)

According to the decree of the Great Genghis Khan on the importance of caring for elderly people who are over 60 years old, it is believed that today's social insurance has become an important measure

of the pension legislation. Genghis Khan's successor Ugudei Khan ordered that the orphans and the poor should not be taxed and ordered the creation of the aid funds for the poor.

In 1911, by decree of Bogd Khan, the Law for Aid to the Poor was adopted which established aid for the poor. In addition, it assumes that the set of liability for violation is a document that plays an important role in the history of social security. (Vandangarmsar D., 2002:39)

Shortly after the victory of the People's Revolution in 1921, government decrees were issued entitling "Empowerment of the poor" and "Compensation and benefits for the families of murdered partisans and revolutionaries."

The creation of the first state nursing home in 1924 was the first step towards strengthening the social security of citizens, their social protection and welfare management.

At the stages of the revolution of 1924–1940, a series of the measures were taken to protect the workers, pay wages, protect from illness and crisis, provide pensions and benefits as well as to take care of the elderly and poor. (A.Amar, 1989:39)

During this period, the salaries, pensions and benefits were created to protect health care and leisure in medical sanatoriums which are the main types of development of social security. The methods and forms of social protection changed at this time and from the conservative approach to socialist approaches, the transition to the principle of distribution began to expose all expenses from the state budget. The main result is the 1940 Constitution, which states that "the fundamental right to life and the ability to work for people with disabilities" was first announced. (Systematic compilation of state social welfare legislation, 1958-1981)

"When they get sick, they are required to pay a monthly salary for one month and pay wages." The Government of the People's Republic of Mongolia has also provided legal assistance to their families to identify temporary illnesses, job losses and death.

The Mongolian Labor Law, adopted in 1941, summarizes the chapter "Social Security", establishes the scope of the problem of social insurance and also determines the scope, capital, size and type of the coverage. This law also regulates not only the protection of workers but also the protection of the labor of the artisans, traders and workers as well as the issues of their wages and social security which protect them from the risks of the income, health and accidents as the main tool.

In 1942, the first social organizational structure was created, created by a unit called the "Social Security Department" which was created by the Mongolian Labor Unions.

In 1958, the first national pension fund of the Great Khural was approved. The law includes the principle of expanding pensions and benefits for all employees and workers, the full responsibility of the state and the fact that the trade unions adopted the principles of the social insurance and made significant contributions to pensions and the social security system.

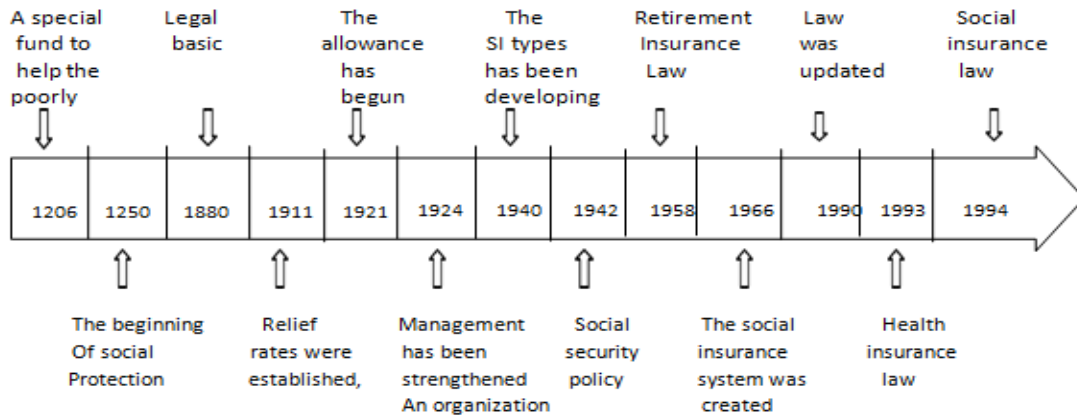
Since the mid-1960s, the pension fund of the members of the cooperative and management of the agricultural cooperatives as well as the specialists, was transferred to the social insurance contribution system in 1965 and in the 1970s all social security issues were transferred to the regional, city and district administrations were also the authorities from the Ministry of Finance reviewed the social security management system by the state administrative bodies.

In Mongolia, a new pension law was passed in 1990 which raised the pension by creating a unified national pension fund and established a fund that will be financed by social insurance contributions paid by owners and self-employed from the state budget. Then, the government of Mongolia began the legal reforms in accordance with the market relations in order to ensure the support and help people's survivors.

In 1991, Baga Khural approved the "Mongolian Law on the Benefits" and the "Law on the Social Security of Mongolia". Government decisions regarding the elderly, the disabled, the poor and low-income people have taken significant measures for the social insurance and protection. In addition, the reform of the social security system was launched in 1993-1996 with the establishment of the market relations and world-class standards. (D.Injinus, 1991:85)

In 1993, the Government adopted the Civil Health Insurance Act as well as the Social Insurance Act of 1994, the Social Security Act of 1995 and the State Policy on the Population of Mongolia in 1996 which were adopted by the Government of Mongolia.

**Figure 2 history of development of social insurance**



**Source:** (Urantsetseg, Compilation of reading material on the subject "Social Security Law", 2005)

### **Current social security status**

The “Social insurance is paid by a citizen, government, enterprise and organization in accordance with the rules and regulations on the establishment of a social insurance fund, long-term life insurance, disability, illness or unemployment insurance as well as social and economic measures that are provided to those who depend on them in connection with the death of the insured” where "it is defined as its content, nature and purpose" in accordance with the Law on the Social Insurance of Mongolia of 1994.

More than 15 years have passed since the beginning of the creation of the new social insurance system in Mongolia. This system creates a special fund for citizens and employers where a special fund for social insurance contributions is created as well as where the pensions and benefits for the insured people are established taking into account their risks and repayment amounts, reflect the mitigation risk, reduce and compensate for losses in a person’s life such as:

- Longevity,
- Loss of performance,
- Unemployed,
- Illness
- Inability of family members in the care of their dependents to die after the death of their carrier;
- Impact of an industrial accident,
- Economic,

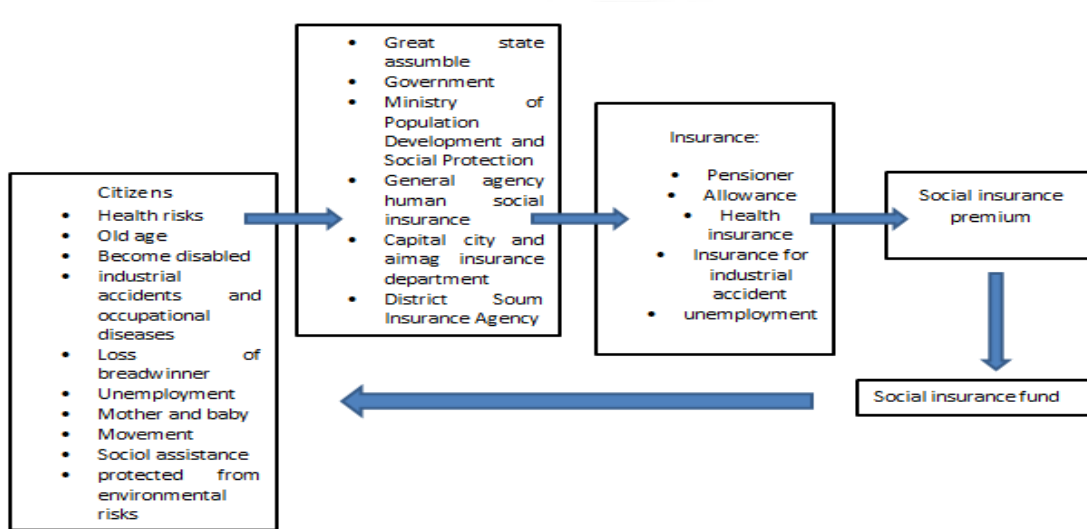


- Natural as well as there is a potential negative impact on the people's ability to generate income due to the political influence.

In our country, the social security systems are considered to protect the social security risks that affect our lives.

The benefits, health insurance, industrial accident insurance, occupational diseases and unemployment insurances are the five types of the social insurance where everyone has their own insurance fund and each of the sources has own fund which is financed by the social insurance budget and its amendments.

**Figure 3 Social Security in Mongolia**



Source: (Urantsetseg, Compilation of reading material on the subject "Social Security Law", 2005:24)

Social insurance is compulsory or voluntary. Compulsory insurance means that the insured person does not decide to participate in the insurance itself. Voluntary insurance is the choice of the insured person, regardless of whether the insured person has the right to use his or her legal rights. In the social insurance system, the new types of the civil health insurance were created as a result of the compensation from the health insurance fund and expenses when a person paid to the voluntary principle of protecting his or her health. This is a feature that has become a vital source. (Urantsetseg, Compilation of reading material on the subject "Social Security Law", 2005:23)

The pensions and social security benefits are paid for a 20-year career period for a man who is over 60 years old and a woman who is 55 years old and must have a pension of at least 20 years of work if the payment period is relatively short, the law provides for a relatively short period time and the pensioner is obliged to pay a pension depending on the number of children in the family who have lost a survivor, which also provides for temporary disability, maternity or social security funeral benefits from the Social Security Fund. (Parliament, Social Security Law of Mongolia, 1994:36)

A pension is a cash benefit from a pension insurance fund that pays the insurance premium for the pensions of a person who loses his ability to work or dies or loses his livelihood.

**Table 2 Pension insurance from the Social Insurance Fund**

Type of insurance	Compulsory verification	Voluntary insurance
Insured citizen	Employee under a contract with a business entity or citizen Government officials Herder who is employed by a business entity or a citizen with a contract made with them	Other than self-employed persons, self-employed, engaged in employment, free artist  The herders and farmers of private enterprises are members of the cooperative
The amount	14% contribution to wages and salaries (from	

of the fee	which 7% of the insured and 7% of the employer)	10% of the wage earning income.
Where and who	The accountant and the financial person of the organization	Inspectors of social insurance organizations of the respective territories

Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

An important type of social insurance is unemployment benefit, which is a benefit of the social insurance fund to ensure social security of a person when a person is temporarily dismissed from work for good reasons. This type of insurance has arisen in an emerging market and has become an important help for citizens to protect themselves from risks.

**Table 3 Unemployment Benefit from the Social Insurance Fund**

Type of insurance	Compulsory verification	Voluntary
Insured profession	An employer of a business entity with an employment contract Civil servants Herder is employed by a business entity or a citizen with a contract made with them	None
The amount of the fee	Contribution by 1.0% of wages and similar income / From this: 0.5% by the insured person and 0.5% by the employer)	
Insured by insured insurance - Unemployment benefits - Expenses incurred in training.		

Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

Unemployment insurance contributions are paid at least 24 months before unemployment, including unpaid benefits for the last 9 months. Unemployment benefits are calculated based on the average value for the last 3 months of the insured depending on the time they paid.

**Table 4 The amount of the benefits due to the unemployment**

The time spent on the fee	Percentage of allowance
Until 5 year	45
5-10	50
10-15	60
15 or more years	70

Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

Insured benefits must be paid from the Department of Labor and Social Security at the place of residence or Social Insurance body within 76 business days.

Unemployment benefits are provided within 76 business days, but cancellation benefits are provided for within 36 days:

- Termination of their own employment contract at their own expense,
- Formal dismissal due to repeated or serious violation of labor discipline.

After the above conditions, a 40-day allowance is provided.

Accident insurance in the social insurance industry and occupational health insurance are types of the benefits provided by an employee with the aim of providing the social protection against the temporary or permanent disability due to the injuries caused by the industrial accidents.

**Table 5 Insurance against industrial accidents and occupational diseases**

Type of insurance	Compulsory insurance	Voluntary insurance
Insured citizen	An employer of a business entity with an employment contract Civil servants Herder is employed by a business entity or a citizen with a contract made with them	Other than self-employed persons, self-employed, engaged in employment, free artist, herders and farmers of private enterprises are members of the cooperative, Buddhist monks and so on
The amount of the fee	The employer will pay contributions only by 1.0, 2.0 and 3.0 percent of the wages income	Up to 1% of the wage equivalent income. Make a note in the social insurance booklet.
<p>By insuring your industrial accident and occupational disease insurance:</p> <p>Disability pension</p> <p>Pensions for lost survivor</p> <p>Employee disability benefits</p> <p>Payment of pension insurance contribution to rehabilitation</p> <p>The right to receive the variable cost of care for the care of the insured is entitled</p>		

Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

Health insurance is an integral part of the social insurance and is covered by the health insurance paid for a certain amount of the insurance premiums and is required when it comes to the services provided by the law on the health insurance.

**Table 6. Health insurance**

Type insure	Compulsory insurance	Voluntary insurance
Insured citizen	Every citizen of Mongolia	A foreign citizen or stateless person
Who pays the fee	<p>A. The following persons will be responsible for paying their contributions.</p> <p>Students, herders, unemployed people with compensation, pension business entities, Employee under employment contract</p> <p>Government officials, Herder employed by a business entity or a citizen with a contract made with them</p> <p>B. The State shall pay the following fees</p> <p>Children under 16 years of age (currently studying at secondary school, up to 18 years old)</p> <p>Mother/Father raised her baby to two years of age / twin if she was 3 years old/</p> <p>Real-time military service</p> <p>Citizens referred to in Article 12 of the Law on Social Welfare</p>	The Insured shall be liable for payment
The amount of the fee	<p>The amount of contribution rate for the government who set the fee:</p> <p>A. The amount of contribution rate for the government who sets the fee:</p> <p>Employee and business entity pay 4% monthly wages on their monthly wages (from 2% of the insured himself and 2% of the employer)</p> <p>B. The amount of the fee shall be set by the Insured Social</p>	Premiums pay 1.0 per cent of total income.

	<p>Insurance Council:</p> <p>Individuals who pay their contributions monthly are 300 MNT per month</p> <p>Students receive 500 MNT per month</p>	
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Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.



## **CHAPTER THREE: RESEARCH METHOD**

### **3.1 Participants in Social Insurance System**

In order to define social insurance systems, it is important to define the type and form of the social insurance, scope, deduction and fund, responsibilities of the participants which are considered as the main element of social insurance.

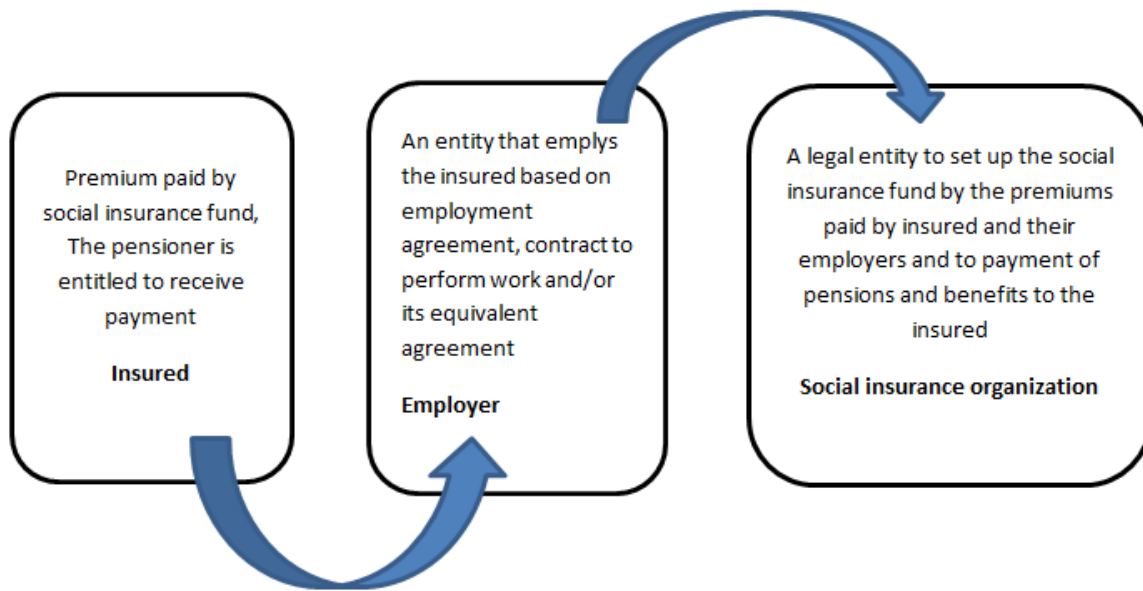
Social insurance is the economic measure that allows payment of insurance premiums by citizens (insured persons), state and business entities and organizations in accordance with the appropriate procedure, the formation of social insurance funds and payment of pensions, benefits and payments by this fund, as provided by law to an insured person directly in case of retirement, loss of ability to work, sickness, or unemployment, and benefits to the person who was under his/her care of insured person in case of death. (insurance, 1994)

Active involvement and cooperation of the participants in planning and implementation process can ensure and improve the wellness and livelihood. Another word, participants can get a full understanding, positive viewpoints and belief of the operation can be acquired through active cooperation.

The basis of the relations of these parts social insurance fees or prepaid payment paid by the employer and employee to the social insurance fund within the time period specified by law.



**Figure 4 Main participants of the social insurance process**



Source: Burmaa, Ganzorig “Social security fund challenges and actuaries” 2011,85

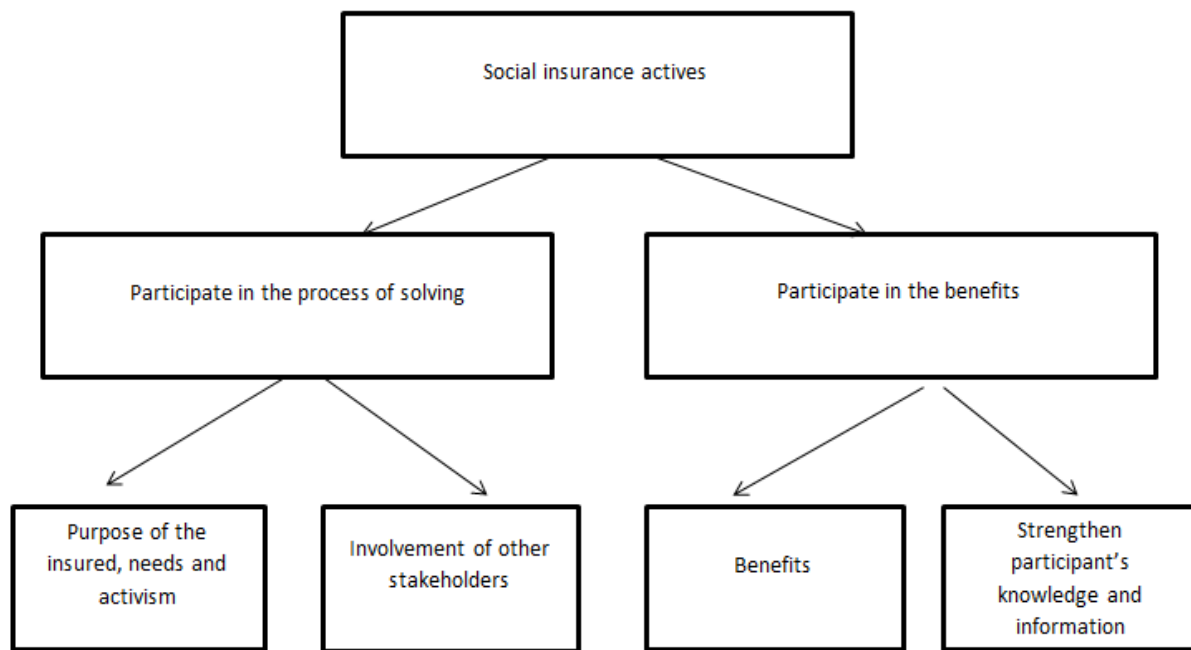
Insurance and service providing staffs play the main role among the main participants in the social insurance process. Inspectors and staffs working in organization make up the income of the fund provide services of pension and benefits to people and takes supervisory measures for insured persons and employers to implement their duties and responsibilities under law. Successful implementation of the measures such as enhancing the abilities and qualification of the employees working in the insurance service, to improve their working condition, to optimize the indicators to evaluate their occupational skills and work results, to create and apply an integrated social insurance network and to have reliable operation of the systems step by step to ensure human resource development which is the value of the social insurance organization. Insurance fee is the basic income of the social insurance fund, which allows the organization to provide social insurance service and enhance the insurance relations including incomes from other sources. Relations based on the fee can be verified by the contract insured by social insurance.

Rights and responsibilities regarding the payment of the insurance fee paid by the employee and employer are regulated comprehensively by the law on social insurance. As shown in the result of the survey conducted among people, they do not know or get acquainted with related laws and regulations

and participate for the insurance relations actively. Besides these types specified in the law, types of insurance such as life insurance, movable and immovable property insurance tend to be increased among people regarding the expansion of the socioeconomic relations and necessities for considering various risks and they ask private insurance organizations about those insurances. We have mentioned in the survey among people that there is a necessity to focus on these new relations by providing third version or paired insurance besides involving to the voluntary insurance.

The lowest amount of the social insurance to be paid by the voluntary insured persons must be at least 10 percent of the retirement insurance for the lowest salary amount and at least 1 percent for the benefit and industrial accident and occupational disease insurance.

**Figure 5 Participation in social insurance process**



Source: Burmaa, Ganzorig “Social security fund challenges and actuaries” 2011,46

During the last 15 years when the insurance system became more effective in Mongolia, number of participants in insurance relations are increasing as well as their relations and cooperation’s expanding in various directions. As a consequence, an understanding about insurance participant is being confirmed legally as well as directions of the operation, right and responsibilities becomes more accurate.

It is specified in the Law on Participants in Insurance that “participants in insurance shall mean insurance mediator, insurance representative and damage evaluator of insurance”. In addition, insurance representative is the authorized legal person appointed by the insurer and who protect the insurer’s interest and conducts legal acts and negotiation on behalf of the insurer. Insurance mediator is the authorized person who mediates between insurer and negotiators for the benefit of the insurer in accordance with the plenary proxy given by the insurer and who is eligible to get paid for the work. (Parliament, Law of Mongolia on Professional Insurance Participants, 2004)

Damage evaluator of insurance shall mean an authorized person who is responsible for supervising an invoice regarding the insurance contract on behalf of the insurer and insured person, defines accurate damage, to implement a direction of the negotiation between parties and eligible to get paid for the work.

The Financial Regulatory Committee is responsible for the regulation and supervision of the insurance operation. Regulatory Committee is also responsible for issuance of the special license for the participants of insurance and takes supervisory measures for the implementation of the operation. Regulatory Committee may provide a Code of Conduct for the insurance participants and insurance participants, other authorized person and other related person must be obliged to adhere this code for their operation. (Parliament, Law of Mongolia on insurance, 2004)

Relations and cooperation among participants in the social insurance process are expanding. Therefore, some necessary measures for sophisticated legal actions for better governance in the insurance sector are being taken in order to take some measures for creating responsible, transparent and fair legal environment and create a reliable insurance system based on the interests of the parties. It is also necessary to take priority measures to develop insured person-focused state-private entrepreneur partnership and relations in the social insurance sector. (Dolgorjav, 1999:32)

When identifying the participants in social insurance relations, it is necessary to take into consideration of the interests of herders, workers in private sectors, for example, workers who are officially working in micro-mining companies and self-employed workers at market and trade centers and involve them for the social insurance.

Particularly, herders are able to be involved in the voluntary insurance, but they do not have enough understanding about it, do not pay attention to the importance of the insurance, consider their animals as their life guarantee and may become part of the vulnerable group if they lost their animals due to the natural disaster. Therefore, it is important to involve them for the social insurance. Their insurance fee can be determined differently depending on the number of animals and it is necessary to determine the

type of the insurance for herders as well as the mechanism on how to collect insurance fee from herders. (Urantsetseg, A compilation of course material for Social Security Law, 2005)

Therefore, it is important to activate researches and surveys being conducted in insurance sector in all aspects of engagement by methods of interviews, training, advertisement and work tours.

### **3.2 Operation of the Social Insurance Management**

Upon transmission of the new social insurance systems, Mongolia has made a significant reform of the social security sector and was able to develop social insurance relations in compliance with the international standard. As shown in the survey, there has been several urgent issues addressed regarding the insurance systems which are not appropriate to exercise in life during 20 years when the social insurance system was introduced.

At the scope of the reform of the social insurance systems from distribution systems to comprehensive savings systems, it is a priority management tasks to take measures such as changing the management structure of social insurance to linear structure in line with combined structure of state-private sector, organizing institutional structure for not only implementing laws and regulations of social insurance, benefits or allowances but also providing private insurance services, as well as making changes to the scope of the social insurance and insurance fee amount, to make up the triple levels of retirement systems and optimizing the privatization. The main consequence of the management reform shall be the implementation of savings systems.

In the framework of the democratic Constitution of Mongolia, one of the major reforms in the social and economic sector was the development of the current social insurance system for insurer's social responsibility and social security of citizens. (Avirmed, 1977:43)

In order to structure the current social insurance systems, the basis of the new social insurance system was formed with the support of the Government of Mongolia, the International Labor organization and the Asian Development Bank which provided policy, operational, financial and management assistance. (Ts.Urtnasan, 2012)

As mentioned above, the type of the social insurance is included in its insurance systems. The basic types of the social insurance around the world include retirement, health and employment insurance.

Measures to protect people when they are in an accident, become old, orphaned or widowed are implemented through retirement insurance in most countries. In other words, it is possible to protect people against loss of income by providing a pension or allowance when they lost their normal way of

life, such as becoming old, loss of caretaker, and long term loss of ability to work. Pension insurance, which is the main form of social security, needs to be improved in accordance with the competitiveness of the country.

Implementation of the health insurance is one of the first elements of social security to exercise social security services and which protect insured persons against illness which is a common issue among people that can help them to access health service and buy medicines with lower price when they encounter difficulties such as loss of ability to work, become ill or get paid lower as well as it is important to take into consideration that social security service can be used as the leverage to substantially improve the quality and accessibility of the health care service. Also, welfare and care service insurance can be accomplished by implementing practices of developed countries such as Japan and Germany.

In most countries, employment insurance category covers industrial accident and unemployment insurance. Industrial Accident Compensation Insurance refers to a social insurance to compensate workers promptly and fairly for any occupational accident through the industrial accident compensation insurance business, to establish and operate insurance facilities necessary to facilitate the rehabilitation of workers suffering from occupational accidents and their return to society, and to carry out accident prevention projects, workers' welfare projects and provide allowance for people who are involved in employment downsizing, benefits or supports for them, involve them for training courses to be employed. Besides these social insurance types, there might be other insurances against any possible risks such as social welfare or special services depending on the features and the livelihood of the country. (Mongolia, 2018:11)

Social insurance management implements following directions in its operation. These include:

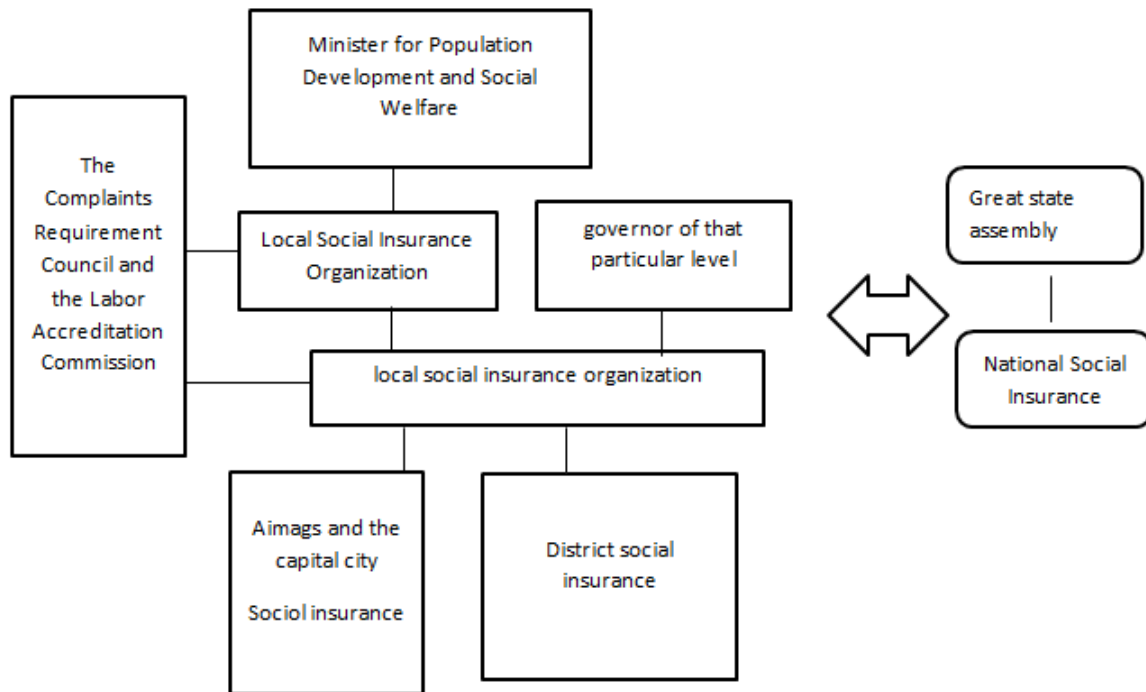
- Managing the laws and regulations of social insurance,
- To make up the social insurance fund to ensure income and expenditure performance,
- To take measures on granting pension and allowances timely from the social insurance fund to improve the service,
- Conduct a research to improve social insurance systems, its activities and its methods, create proposals and find a solution to resolve them or submit them to the related authorities.
- Monitor the operation of lower-level organizations, etc.

The subject which is responsible for the implementation, support and supervision of the main functions of the Social Insurance National Social Insurance Council comprise part-time members representing the Government, the insurer and the employer in equal number. The Chairman and members of the Council

shall be appointed by the parties for 6 years term and the Board reports its work performance to the State Great Hural. National Council shall have the power stated below:

- To develop a proposal for sophisticated legislation for social insurance service and operation as well as increasing the pension amount and resolve it by related authorities,
- To take supervisory measures on implementation of the legislation for social insurance and income and expenditure of the social insurance fund,
- Receive and discuss about social insurance process, human resource and financial issues from the social insurance organization, to develop a proposal and take necessary measures,
- Monitor and evaluate the accessibility of technology, technology, software and service of computers of social insurance organization
- To approve structure of the central social insurance organization, to draft the budget of the social insurance fund, confirm the approved detail budget schedule and monitor its performance,
- To draft rules and recommends for the social insurance issues,
- To take supervisory measures on sophisticating the daily operations of the hospital labor commission and Complaint commission,
- To solve complaints, requests or proposals delivered from the people on the matter of social insurance and hospital labor issues.

**Figure 6 System of social insurance organization**



Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

**State Great Hural:** In order to carry out the management operation of the social insurance, it is necessary that management officials need to identify the management roles and duties regarding the social insurance issues faced by insurance organizations, State Great Hural and the Government. These include:

- To discuss and approve the yearly budget of the social insurance fund,
- To approve the amount of the capital from the savings fund to purchase Government bond and securities issued by Mongol Bank,
- To discuss about the auditing reports on expenditures of the social insurance fund and report to the public,
- To establish Social Insurance National Social Insurance Council comprises part-time members representing the Government, the insurer and the employer in equal number.

**The Government:**

- To submit the budget draft of the social insurance to the State Great Hural,

- To determine the list of employers to pay insurance fee differently and the amount of the fee,
- To identify the list of occupations with hard working conditions,
- To determine the maximum amount of the income to pay insurance fees by each type of the insurance each year,
- To approve the rules of the complaint commission,
- To approve the rules of the labor examination commission of the hospital

**National Council of Social Insurance:**

- To draft the budget of the social insurance fund,
- To supervise and discuss the report of the social insurance fund
- To determine the list of employers to pay insurance fee differently, the amount of the fee and identify the list of occupations with hard working conditions,
- To determine the amount of the insurance fee to be paid by the citizens of Mongolia working in foreign countries under labor contract,

**Government organizations for in charge of social insurance issues (GOSI)**

- To discuss the budget draft of the social insurance fund and report it to the government organizations in charge of the state budget,
- To prepare a statement for each of the social insurance fund and submit related proposals and reports to the National Council,
- To ensure with the professional guidance and management of local organizations,
- To make a decision on granting the pension, allowance or benefits to the insured person based on the request of the insured person and other related laws and regulations,
- To control the income and expenditure of each social insurance fund and make a statement,

**The government organization in charge of financial matters (Ministry of Finance):**

- To report on the budget of the social insurance fund to the government,
- To report on budget performance of the social insurance fund to the government,
- Transfer funds approved by the State budget to pensions and benefits within the specified time frame by law.

**Minister of Population development and Social protection, National Council for Social insurance:**

- To determine the amount of the funds to be allocated in commercial banks from savings fund jointly,



- To conduct a report regarding the amount of the social insurance fund, to approve the procedure to make a statement,

**Social insurance organizations in provinces, capital city, soums and districts:**

- To submit a report on the expenditure of the social insurance fund and report it within the specified time period,
- To register the amount of the insurance fee by each of the employer and employee.

**National statistics committee:**

- To determine the amount of the average salary, wages and other income

**Employer:**

- To transfer the social insurance fee to the social insurance fund each month,

To fulfill other responsibilities under law,

**Complaint commission:**

- To resolve different proposals arisen among employer, employee and social insurance organization,

**Labor examination commission of hospital:**

To determine the insured person's loss of ability to work, the amount of the benefit and duration due to illness, it is more effective to coordinate the organizational structure of social insurance with the following objectives. These include: giving an opportunity to the Chairman of General Authority for Social Insurance and deputy chairperson to put more effort on strengthening and developing the capability of the organization, besides conducting its daily operations, to stabilize its operation through consolidation of some divisions, to establish regional subsidiary units in local areas in compliance with the needs and demands rather than relying on current structure and improve the efficiency of the human resource.

Currently, GASI is lack of the necessary resources and personnel to effectively manage the entire sector and to implement and supervise the social insurance law. Also, it does not meet requirement for giving management and methodological recommendations to social insurance authorities in Southgobi.

Therefore, creating the supervisory and policy, regulatory unit at GASI is an important measure to improve effective participation of related organizations to implement state policies and enacted legislations in the social insurance sector. This unit is responsible for monitoring the extinguish process of debt and receivables of the social insurance, to improve the profitability of the statement provided by the primary units and the implementation procedure of the rules and regulations being observed in the

operation of social insurance.

Developing a database for social insurance fee at nationwide level and making it to create management database enables the main operations of social insurance to be computerized and monitored. Also, information technology organizations may develop a social insurance related services and products and sell it to the social insurance and other related organizations. Furthermore, it is possible to make changes to the human resource policies. Employees in the social insurance sector get lower salaries than employees in other sectors which affects to the efficiency and productivity of the service. Thus, it is significant to create a salary system which is feasible for the market situation and livelihood of the employees by taking into consideration of the basic salary rate of the employees working in the social insurance sector. It is also important to draft a new assessment procedure to evaluate their performance.

Public trust and satisfaction with the social insurance system is important. So it is necessary to make several changes to the system in order to improve the clarity and responsibility of this system. Web-based information and community focused, information campaigns should be organized to give understanding about their rights and responsibilities regarding the types of insurance and pensions. With this system, citizens will be able to get written or online information every year about the account balance and the amount of pension or benefit they can get when they get retired based on the current parameters.

There must be transparency policies or procedures to resolve dispute or argument arisen in regard of account balance, interest rate record and debit distribution in good faith in according to the related laws and regulations. Similarly, it is necessary to optimize and clarify the operational standards and monitoring criteria of GASI that serves to the insurers and insured persons. As a result of these measures, responsibility mechanism and public trust and satisfaction can be improved.

In case of keeping the current social insurance systems, it is necessary to update the rules and regulations to calculate and record the account. It is also important to take into account the calculation of the fee and interest and upgrade the rules and regulations of the internal and external audit supervision. It is necessary to define the procedures to resolve employment issues regarding the people who were born since 1960 and working before 1994.

In regardless of the type to choose for the II stages of retirement insurance systems, there is an urgent demand to coordinate the consequences of demographic changes and unexpected factors of economy, to make up the special fund in order to align with better inward and outward transition of the II stage retirement systems as well as to create and resolve automatic balancing systems of inward and outward retirement systems in Mongolia in compliance with the demographic changes and economic

situations being implemented in some countries with social insurance systems.

As the scope of the social insurance systems, one of the most essential steps to define fair retirement system is the creation of the database of average age after retirement. This database is important to define the amount of the pension for insured persons who was born after 1960. Creation of the accurate database about death and longevity can strengthen the capacity of the institution.

**Upgrading the amount of the social insurance fee:** Social insurance systems consist of five categories in Mongolia, and each of them has different amount of fee and percentage to make up the fund sources depending on its category. The amount of contributions from the parties to the accumulation of the social insurance fund is called "social insurance fee" in most countries. These fees are accumulated in a special fund and refunded to the insured persons for their needs and demand, which is different from other taxes and fees.

Except from the insured persons, legal persons such as employers and caretakers can pay social insurance fee under law. The amount of this fee has relatively high compared to their wages and basic income and employees invested less for their future than their employer which is different than other countries. Insured person pays 10% and employer pays 10% of insurance fee, which makes up the insurance fund.

In France, insured person pays 6,55% and employer pays 8,2%, in Korea an insured person and employer both pays 4,5%, in USA an insured person pays 6,2%, employer pays 6,4% and private entrepreneurs pay 12,4% of fee. As a consequence, it is possible to decrease the amount of the insurance fee by 3-5 percent as the country which has the unstable market economic condition. (Burmaa, 2011:67)

In most countries, both insured persons and employers pay same amount of insurance fees to invest in the insured person's future life. In China, only employers pay fees while insured persons and employers in Australia both do not pay insurance fees, but it is paid by the government as socialist practice.

In our country, minimum amount of the insurance fee to be paid by the voluntary insured persons is calculated based on the current minimum amount of salary approved by the Government which is not recommendable for the creation of the social insurance fund.

Therefore, voluntary insured persons pay 2 times less insurance fee than the total amount of fees paid by compulsory insured persons by defining their income. This is the reason of irrational and unfair distribution of insurance system.

In order to create a social insurance system with liberal practice and method in compliance with

the market relations, it is significant to have rational and optimal amount of insurance fee to make up the reliable financial sources and expand the framework of the insurance.

**Retirement ages:** In Mongolia, there is a basic principle that people under age of 60 are eligible to be retired under law. Also, 55 year old women and mothers who are 50 years old and gave a birth to 4 kids or more can be retired voluntarily. As for the retirement age, Mongolia is considered as the country with relatively “lower threshold” requirement where people can be retired earlier than other countries as well as there are many conditions that people can be retired than this requirement. People can be retired earlier based on the following conditions. These include:

a) A man who worked a total of 20 years, at least, including 10 years employment with underground working condition, who paid a retirement insurance fee and reached 50 years old,

b) A man who worked for a total of 20 years, at least, including 10 years employment in dangerous, hot or hard working conditions, who paid a retirement insurance fee and reached 50 years old, a woman who worked total of 20 years, at least, including 7 years and 6 months of employment with same working conditions, who paid an retirement insurance fee and reached 45 years old,

c) A man who worked for a total of 20 years, at least, including 12 years and 6 months of employment in hard working conditions, who paid a retirement insurance fee and reached 55 years old, a woman who worked a total of 20 years, at least, including 10 years of employment with same working conditions, who paid a retirement insurance fee and reached 50 years old.

There are many people such as military officers and some other officers who can be retired earlier. As shown in the research, it is not a common cause to be retired “earlier” based on the abnormal labor condition, but special systems are being applied depending on the feature of the sector.

## CHAPTER FOUR: DATA ANALYSIS

### 4.1 Statistic Survey on Database and Registration of the Insurance Fee Paid by the Self-employed Insured Persons Involved in the Social Insurance

A comparative statistic survey has been made between self-employed insured persons living in the Southgobi by giving importance to the indicators such as age, income to pay insurance premiums and gender in past five years.

**Table 7 self-employed insured persons living in Southgobi**

year	Insurance income	women			men		
		35 until	35-50	50 over	35 until	35-55	55 over
2014 year	0-192.0	1349	1302	291	651	781	50
	192,0-500.0	313	306	80	111	154	15
	500,0-1000.0	66	72	71	20	35	19
	1000,0-1500.0	27	29	66	5	19	29
	1500.0 over	8	12	59	1	9	19
2015 year	0-192.0	1714	1765	352	818	1060	56
	192,0-500.0	473	466	107	212	251	27
	500,0-1000.0	86	125	99	43	75	15
	1000,0-1500.0	24	21	65	6	11	24
	1500.0 over	14	27	115	5	15	46
2016 year	0-192.0	1488	1606	297	691	966	55
	192,0-500.0	912	820	144	400	456	37
	500,0-1000.0	135	164	104	59	83	20

	1000,0-1500.0	18	28	61	10	20	19
	1500.0 over	14	32	155	3	22	56
2017 year	0-192.0	1738	1753	363	840	1122	74
	192,0-500.0	728	727	137	359	371	31
	500,0-1000.0	132	175	110	69	82	27
	1000,0-1500.0	20	33	69	10	20	20
	1500.0 over	15	31	211	3	28	80
2018 year	0-240.0	2288	2382	447	1090	1381	120
	240,0-500.0	263	309	71	109	172	20
	500,0-1000.0	161	212	112	63	95	25
	1000,0-1500.0	24	56	70	10	29	18
	1500.0 over	33	50	265	2	30	94
Total	0-240.0	8577	8808	1750	4090	5310	355
	240,0-500.0	2689	2628	539	1191	1404	130
	500,0-1000.0	580	748	496	254	370	106
	1000,0-1500.0	113	167	331	41	99	110
	1500.0 over	84	152	805	14	104	295

Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

Age category is considered to be one of the important indicators to ensure the social insurance for citizens and statistic survey was made based on the gender category of up to 35 years old, 35-50 year old and over 50 years old for women, up to 35 years old, 35-55 year old and over 55 years old for man according to the statistics of past five years.

**Table 8 survey on comparison between age and gender ratio**

year	women			men		
	35 until	35-50 until	50 over	35 until	35-55 until	55 over
2014 year	882	861	284	394	499	66
2015 year	1156	1202	369	542	706	84
2016 year	1284	1325	381	582	774	94
2017 year	1317	1360	445	641	812	116
2018 year	1385	1505	483	637	854	139
<b>Total</b>	<b>6022</b>	<b>6252</b>	<b>1961</b>	<b>2795</b>	<b>3644</b>	<b>498</b>
Age ratio	43,5	42,5	14,0	41,1	52,0	6,9
	42,4	44,1	13,5	40,7	53,0	6,3
	42,9	44,3	12,7	40,1	53,4	6,5
	42,2	43,6	14,3	40,8	51,8	7,4
	41,1	44,6	14,3	39,1	52,4	8,5
<b>Average rate</b>	<b>42,4</b>	<b>43,8</b>	<b>13,8</b>	<b>40,4</b>	<b>52,5</b>	<b>7,1</b>
<b>Percentage of population age structure</b>	<b>56,6</b>	<b>34,7</b>	<b>8,7</b>	<b>54,2</b>	<b>40,2</b>	<b>5,6</b>

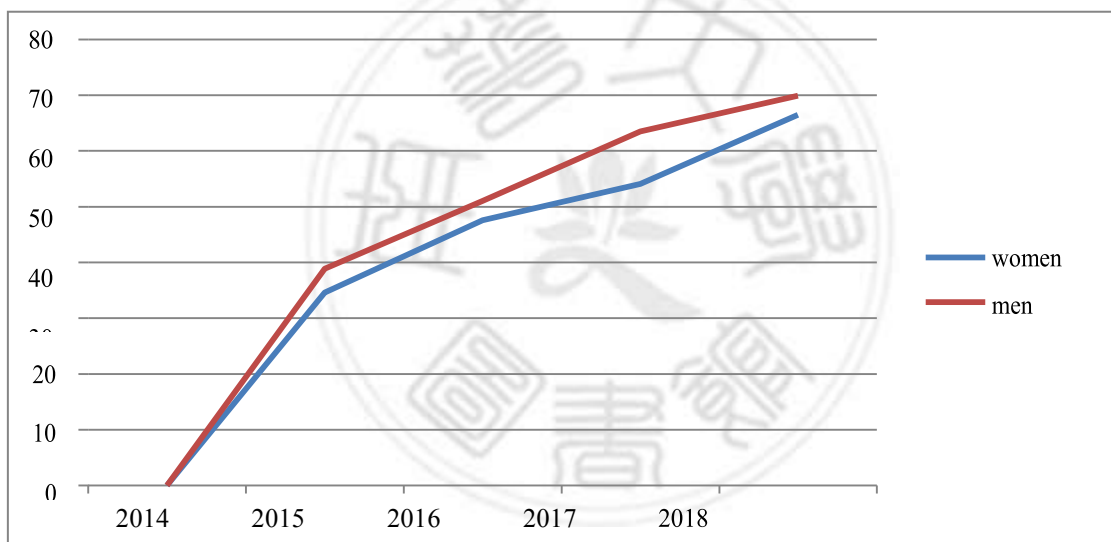
Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

As shown in the survey for comparison between age and gender ratio among insured people in past five years, there was not big difference which proves that the age is the main indicator for the social insurance. During the survey, the number of insured persons has been very high, while the

aging of the insured people shows almost no fluctuation, which is the main basis for making this conclusion.

It is shown that rate of the insured women is 14,2 percent and insured man is 13,8 percent lower compared to the age category of up to 35 years old people who pays social insurance, which shows that self-employed people at this, age does not need to be involved to the social insurance and there must be an optimal incentive insurance system to influence them to be involved voluntarily or mandatory systems. Among people at age of 35 or above, a portion of their coverage to the social insurance is relatively high which shows that there is not urgent necessity to involve them for voluntary or mandatory insurance systems.

**Figure 7 Increase in insured population in 2014-2018 in Southgobi (by percentage)**



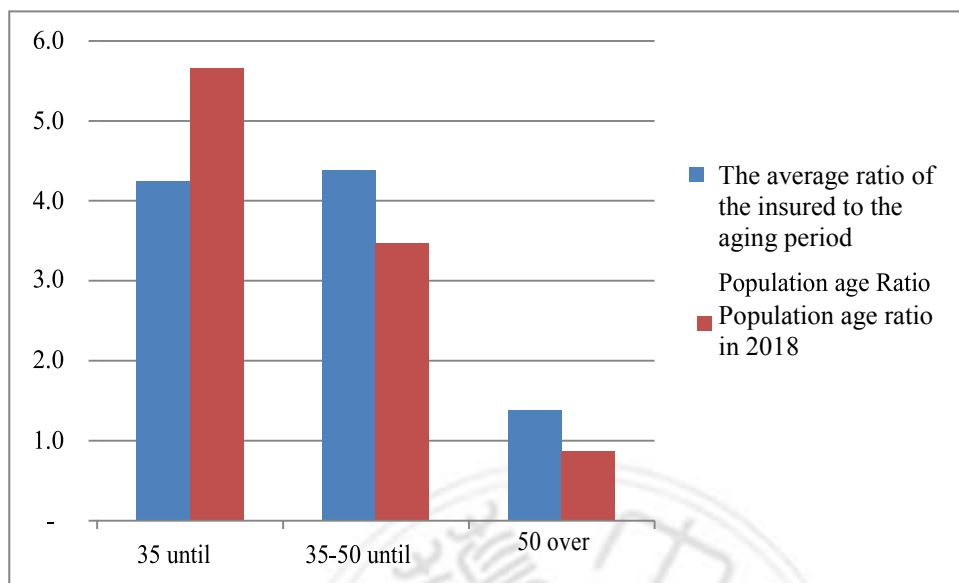
Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

By comparing the age and gender statistics with the average ratio of the insured people (Figure 7) in past five years as of 2018 in Southgobi, an average ratio of the insurance coverage of people at age of 35 or above is low and age categories of 35-50 and above 50 years old is relatively higher compared to the population (Picture 2,3) which also proves that the age is an important indicator of the insurance system.

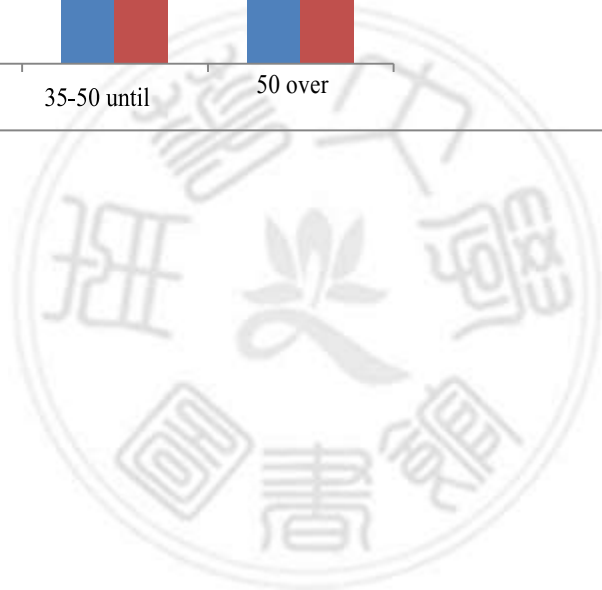


**Figure 8 The ratio of the age of the social insured to the aging of the population(famale)**

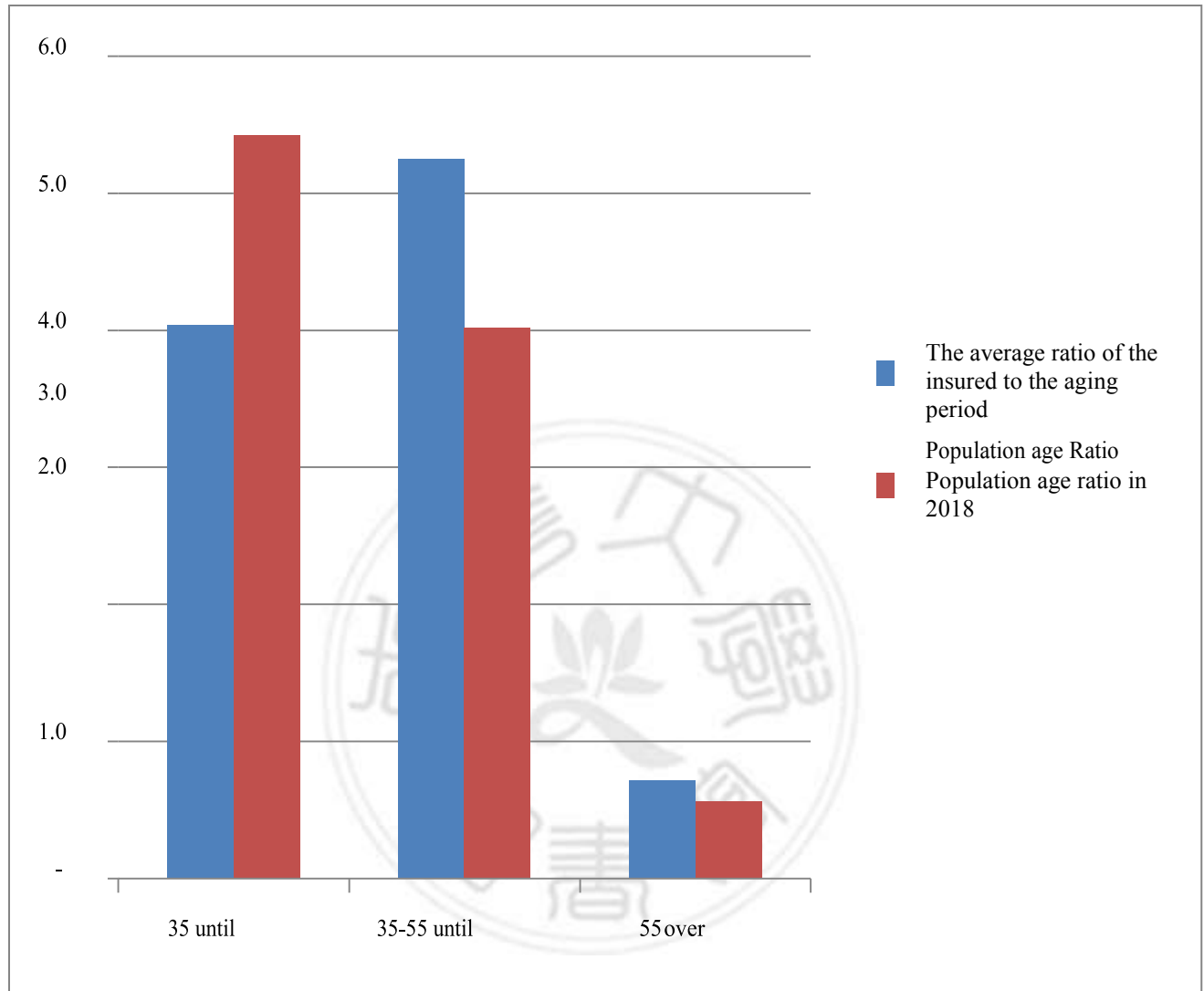
Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi



2014-2018



**Figure 9 The ratio of the age of the social insured to the aging of the population (male)**



Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

Voluntary individual defines his or her monthly income to pay insurance premium and make an insurance agreement by calculating 12 percent of his/her monthly earning. Depending on their insurance amount, they will be provided with a pension or benefits when they lost their normal way of life, such as becoming old, gives a birth, loss of caretaker, and long term loss of the ability to work. Thus, we considered that an amount of the income to pay insurance premium is considered to be the basis to involve for the insurance.

**Table 9 By the number of women who involved to the social insurance and the insurance income between 2014 and 2018**

Insured income /mnt/	women				
	2014 year	2015 year	2016 year	2017 year	2018 year
500.0 until	3641	4877	5267	5446	5760
500,0-1000.0	209	310	403	417	485
1000,0-1500.0	122	110	107	122	150
1500.0 over	79	156	201	257	348
<b>Total</b>	<b>4051</b>	<b>5453</b>	<b>5978</b>	<b>6242</b>	<b>6743</b>

Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

**Table 10 By the number of men who involved to the social insurance and the insurance income between 2014 and 2018**

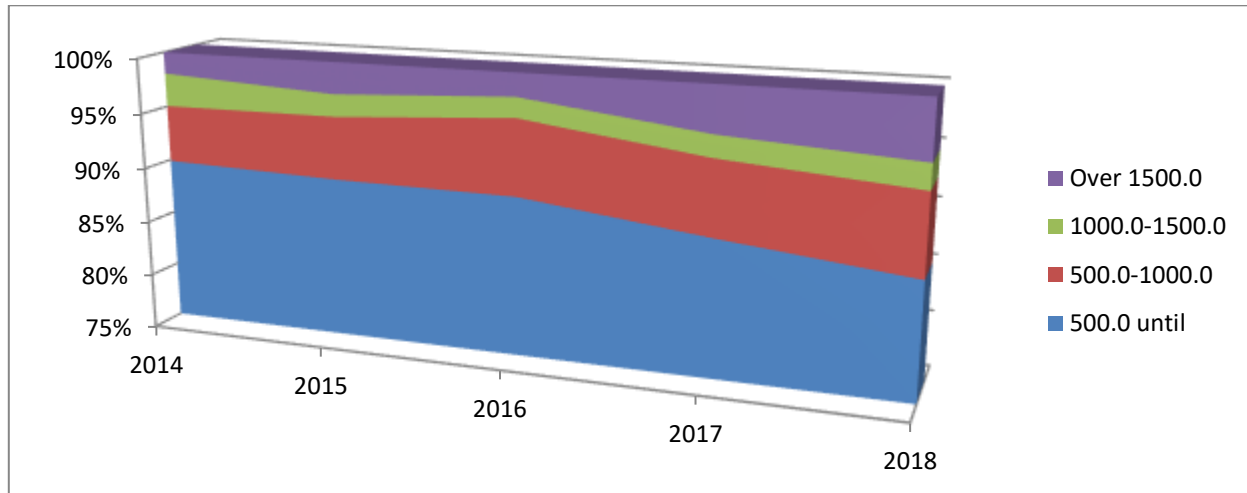
Insured income /mnt/	men				
	2014 year	2015 year	2016 year	2017 year	2018 year
500.0 until	1762	2424	2605	2797	2892
500,0-1000.0 mnt	74	133	162	178	183
1000,0-1500.0 mnt	53	41	49	50	57
1500.0 over	29	66	81	111	126
<b>Total</b>	<b>1918</b>	<b>2664</b>	<b>2897</b>	<b>3136</b>	<b>3258</b>

Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

As shown in the survey, the number of individuals who involved in the social insurance has been increasing in last five years. So it is possible to indicate the comparative ratio of the portion of each age category among all insured persons. (Figure 10 and 11).

Income ratio for paying insurance premium for five years is shown by each year:

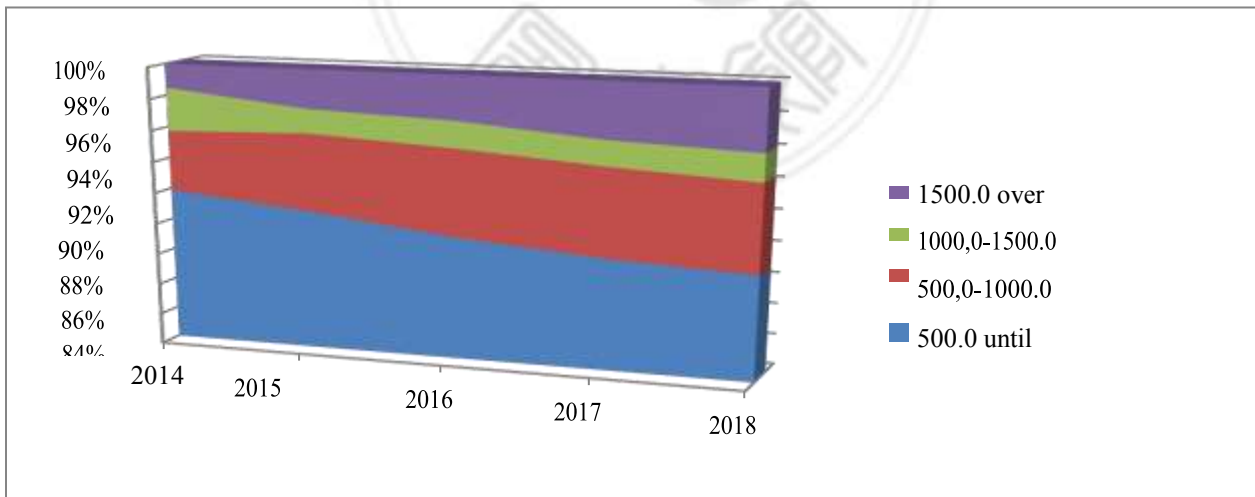
**Figure 10 By the number ratio of female insured persons who involved to the social insurance and their insurance premiums between 2014 and 2018**



Source: author made

**Figure 11 By the number ratio of men insured persons who involved to the social insurance and their insurance premiums between 2014 and 2018**

Source: author made



As shown in the graphics, income amount to pay an insurance premium is same for both male and female insured persons. The portion of the category of up to 500,0 thousand tugriks and 1000,0-1500,0 thousand tugriks has decreased and the portion of 500,0-1000,0 thousand tugriks and over 1500,0 thousand tugriks of income to pay insurance premium has increased.

**Table 11 Average monthly income of Southgobi**

	2014 year	2015 year	2016 year	2017 year	2018 year
Total income	704528 mnt	714963 mnt	655829 tug	707345 mnt	828650 mnt

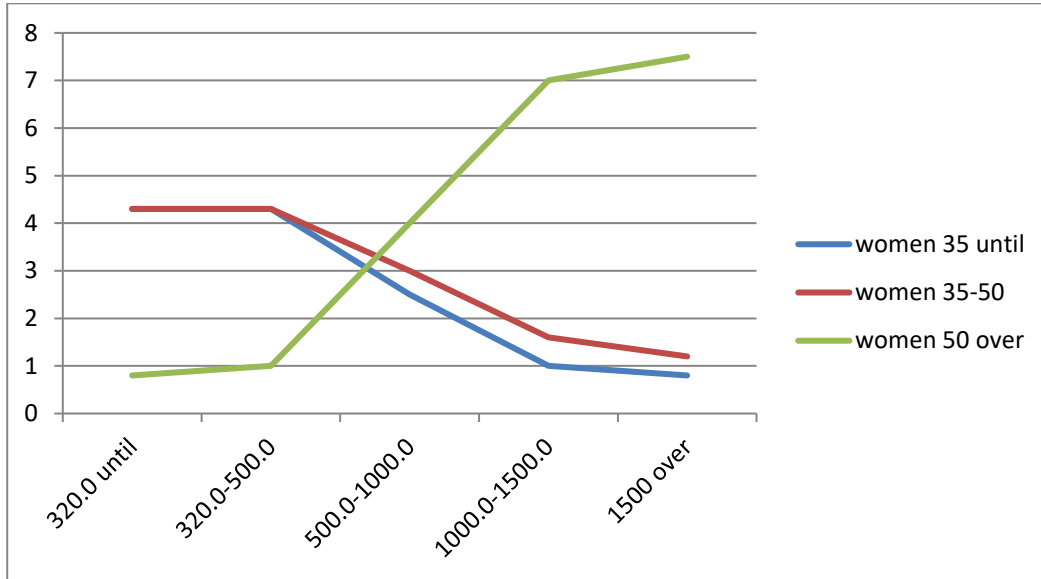
Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

The surveyor has considered that the average income of one household in the capital city can represent the main situation of the self-employed people in districts, the type of the household income to has paid insurance premium has been permanently decreasing since 2015 while their income which paid insurance premium has been increasing. As shown in this survey, these individuals who paid insurance premium are becoming more interested in paying their insurance premium because this would be the basic indicator to get benefits and pension for retirement and other social benefits in the future.

Thus, it is clear that the type of the income to pay insurance premium can improve the interest to pay insurance premiums by self-employed individuals which is considered to be the basic indicator.

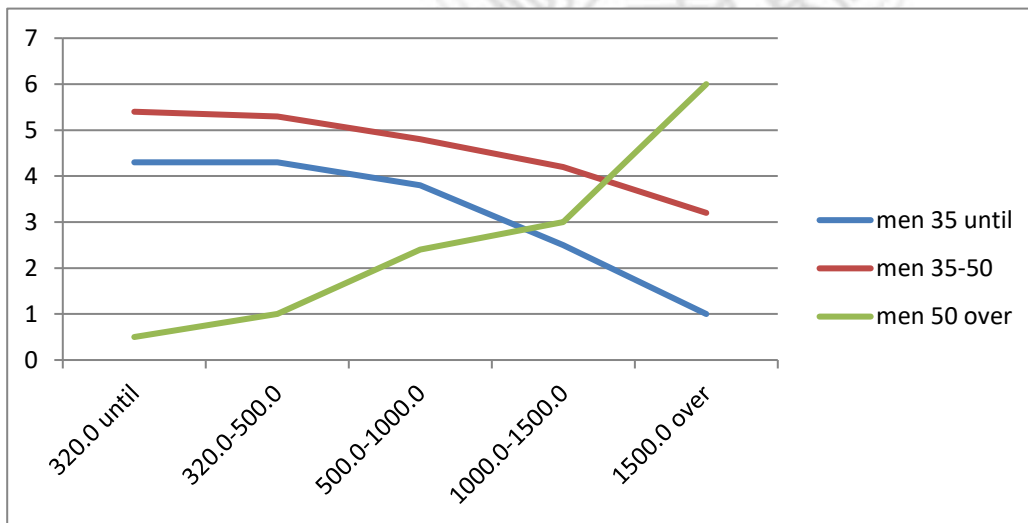
As shown in the survey result about the relations between the type of the income to pay insurance premiums and the age category of the insured person (Figure 6):

**Figure 12** By the number ratio of Female insured persons who involved to the social insurance and their insurance premiums (average ratio of last five years)



Source: author made

**Figure 13** By the number ratio of male insured persons who involved to the social insurance and their insurance premiums (average ratio of last five years)



Source: author made

As the result of the survey (Figure 12 and 13), it shows similar result as the female individuals' result. The portion of the category of up to 500,0 thousand tugriks of monthly income takes up about 90% for up to 35 years old, 35-50 and 35-55 years old while it shows reverse correlation as the income category increases and 76,7 percent of female individuals above 50 years old and 70,2 percent of male individuals above 50 years old who chose the income category of 1500,0 thousand tugriks to pay insurance premium.

As shown in the statistic survey on coverage to social insurance among self-employed individuals in Southgobi, age of the insured person can strongly influence to the necessity of coverage to insurance which also influence to the amount of income to pay insurance premium.

## 4.2 Survey on Pension and Benefits Provided to the Self-employed Insurers by Social insurance Fund in Southgobi

We considered that it is important to conduct a survey based on the database and statistics about pension and benefits provided to the self-employed insurers by Social insurance fund in last five years when they get old, give a birth, loss of caretaker, and long term loss of ability to work.

A survey has been made by comparing the amount of pension and benefits provided to the self-employed insurers who paid the insurance premiums.

**Table 12 By insurance premiums paid by the self-employed insurers to Social insurance fund between 2014 and 2018, pension benefit and the type of the income to pay insurance premiums (million tugriks)**

Insured income	Benefit for temporary loss of work ability	%	Allowance for pregnant women and mothers with infants	%	Number of people	Monthly pension	%
240.0 until	126,6	21,1	1058,0	55,5	1458	374,7	62,8
240,0-500.0	18,1	3,0	238,4	12,5	25	11,4	1,9

500,0-1000.0	33,2	5,5	312, 2	16,4	43	20,2	3,4
1000,0-1500.0	57,2	9,6	133, 7	7,0	53	32,4	5,4
1500.0 over	364,1	60,8	162, 6	8,5	213	157,8	26,5
Total	599,2	100,0	1904 ,9	100,0	1792	596,4	100,0

Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

**Table 13 By insurance premiums paid by the self-employed insurers to Social insurance fund between 2014 and 2018, income survey and the type of the income to pay insurance premiums (million tugriks)**

Insured income	Number	%	Salary fund	Social insurance	%
240.0 until	3345 2	79,0	53 963,5	6 475,6	50,2
240,0-500.0	4019	9,5	9 802,7	1 176,3	9,1
500,0-1000.0	2554	6,0	11 185,6	1 342,3	10,4
1000,0-1500.0	862	2,0	7 807,3	936,9	7,3
1500.0 over	1454	3,4	24 780,6	2 973,7	23,0
Total	4234 1	100,0	107 539,7	12 904,8	100,0

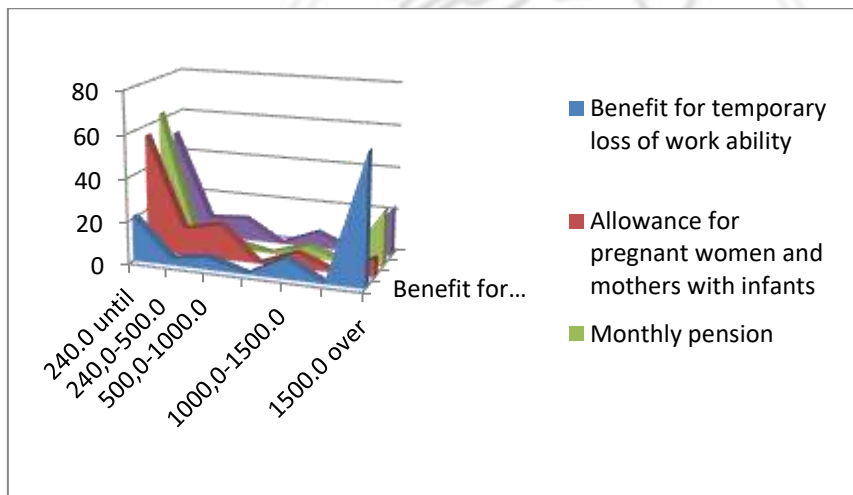
Source: (Southgobi Statistical Office, 2018) .; Completed registration and database of insured from social security contributions from Southgobi 2014-2018.

According to the laws and regulations about pension and benefits provided by the Social



insurance fund, an amount of the insurance premium is calculated based on the number of years and monthly income to pay insurance premium. Therefore, a survey was conducted based on the database about the insurer can be reviewed by the income category, number of people who paid insurance premium in last five years, the sum amount of monthly benefits and pension and the five different categories of income to pay an insurance premium by number of people who enjoyed a benefit provided by the fund. The portion of the premium amount paid by the income category was considered as the basic indicator. An amount of income to pay an insurance premium based on different categories of the social insurance fund that burdens to each type of the expenditure was estimated by comparing the amount of the monthly pension and benefits provided to the insurer.

**Figure 14 Comparison of the portions of pensions and benefits provided by the Social Insurance Fund between 2014 and 2018**



Source: author made

60,8 percent of the total expenditure of the social insurance fund is paid to the insurers who lost their ability to work and who paid the insurance premiums of monthly income over 1500,0 thousand tugriks. The portion of this category is relatively high which include 76,7 percent of female insurers over 50 years old and 70,2 percent of male insurers over 55 years old insurers who involved for the insurance. In conclusion, they, who are in high risk of health problem, tend to be involved before retirement age. (See Figure 12 and 13)

Depending on the average insurance premiums paid in the last three months before being sick,

an insurer can be granted with a benefit by 50, 55, 75 percent according to the law. Most of the insurers in this category have already paid insurance premium for more than 15 years, which receives 75 percent benefits due to their loss of ability to work and influence to the total amount of the expenditure.

Work condition of the self-employed insurers does not depend on others. But they are entitled to receive benefits from the insurance to stay in state hospitals in the local area, private hospitals or nursing resorts even though they do not need a medical treatment in order to get a benefit due to the loss ability to work which burdens the portion of this category than other categories. (The result of the quality assessment survey indicates that some of the voluntary insurers receive more benefits than the insurance premium they paid within the calendar year)

An amount of the insurance premiums paid by the insurers during pregnancy and maternity leave is relatively low. As shown in the survey, an income amount which paid insurance premiums is 3,4-6,0 percent higher for the category of up to 1000,0 thousand tugriks and 14,5 percent lower in the income category of more than 1500,0 tugriks. The reason is that women of fertile age do not likely to be involved to the income category of more than 1500,0 tugriks and they can get fixed amount of 70 percent for the pregnancy benefit depending on their duration of insurance premiums paid by the average income in the last 12 months in accordance with the law on social insurance. It is shown in the survey that 98,1 percent of women of fertile age are involved to the social insurance as the income category of less than 1000,0 thousand tugriks of monthly income (Figure 12). As a consequence, it is clear that an amount of the benefit for pregnancy or maternity leave does not influence for selecting the income category.

Based on the statistics of 1792 insurers involved in the insurance, the portion of the income category of up to 240,0 tugriks, 1500,0 thousand tugriks is 3,5-12,6 higher than the insurance premium ratio and 1,9- 7,2 percent lower than the middle three categories. An insurer is entitled to select consecutive five years from last 20 years that they paid insurance premium and can be retired at the age of 55 or 60 under the law. Therefore, insurers choose the most profitable terms for them and pay the insurance premiums by considering their highest amount of income or minimum amount of the insurance premium. In conclusion, insurers are entitled to choose their income to pay an insurance premium which influences to the amount of benefits they can have in the future. The benefit which is granted for the insurer for their loss of ability to work is considered as the strongest indicator to encourage insurers to choose the above choice.

Pension payoff is a regular monthly expense, and is a key indicator for the social insurance systems which make up the highest share of burden to the social insurance fund. As a consequence of the survey, 20 percent of the female insurers above 50 years old and 28 percent of the male insurers above 55 years old tends to choose their income category of more than 1500,0 thousand tugriks which is relatively higher than their actual monthly income which burdens to the social insurance fund. So it is necessary to give more importance to the income report made by insurers pay insurance premiums, to have a proper allocation of pension and benefits based on the duration as well as regulation on giving benefits for getting medical assistance.

### **4.3 Questionnaire and Survey Conducted Among Self-employed Insurers in Southgobi**

The main purpose for conducting the survey is to identify why people are insured or not insured, urgent issues for getting involved in the social insurance, quality and accessibility of insurance service, implementation of laws and regulations, complaints or proposals by the citizens.

At the scope of the survey, we have prepared a form №1 for the insured people and №2 for the people who have made any choice. We have conducted this survey as the cumulative method by choosing 63 voluntary insured people from those who arrived to the social insurance department in Southgobi to get involved in the service and asked them to fill out the form №1 and asked 69 other people who did not involve for the social insurance but a pays health insurance fee to fill out the form .

We focused on the quality of the survey and have trained 2 officers in charge for the voluntary insurance and 2 officers for the health insurance and gave them about directions and recommendation on how to choose applicants and how to fill out the survey and questionnaire.

Based on the cumulative survey (Table 1), 48 percent of the economically active citizens who are required to be involved in the voluntary insurance are insured and 52 percent did not insured. It is shown in the survey that the coverage of insurance is the same portion of the insured or not insure people.

**Table 14 Age and gender status of survey respondents**

Age	Men	Women	Total
15-25	-	4	4
26-35	7	15	22
36-45	2	20	22
46-55	2	8	10
55-over	1	4	5
Total	12	51	63

Source: author made

81 percent of the respondents of the survey female, 19 percent were male respondents, 41,2 percent of them were up to 35 years old, 50,8 percent were 36-55 years old and 7,9 percent were over 55 years old respondents.

**Table 15 Age and gender status of survey respondents**

Age	Men	Women	Total
15-25	5	5	10
26-35	7	14	21
36-45	5	18	23
46-55	2	8	10
55-over	2	-	2
Total	21	45	66

Source: author made

68,2 percent of the respondents were female, 31,8 percent were male respondents, 47,0 percent of them were up to 35 years old, 50,0 percent were 36

55 years old and 3,0 percent were over 55 years old respondents. The ratio of the age and gender of respondents in survey shows that the number of insured individuals up to 35 years is lower than the individuals who did not insure and the number of insured individuals up to 55 years is higher

than the individuals who did not insure which shows that the result is same with the previous result and can represent the main value. (See picture 12, 13)

**Table 16 Employment status of survey respondents**

	Trade	Service	Money, finance	Production	Agriculture	Other	Do not business	Total
Number person	10	5	2	5	2	19	23	66
Percentage	15,2	7,6	3,0	7,6	3,0	28,8	34,8	100,0

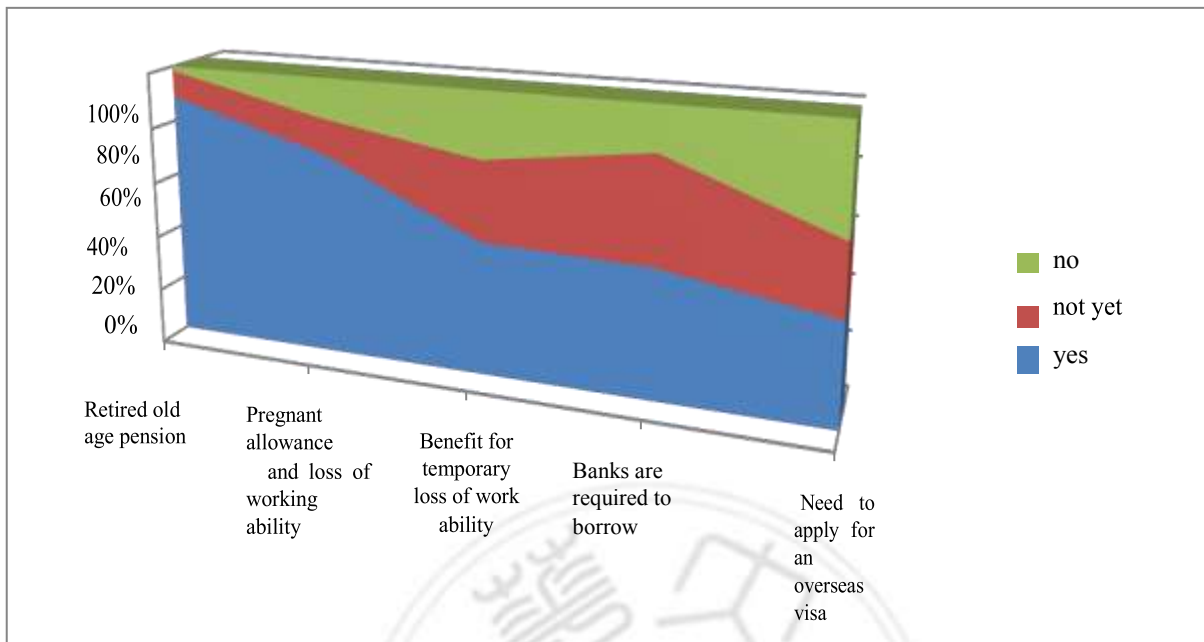
Source: author made

**Table 17 Employment status of survey respondents**

	Trade	Service	Money, finance	Production	Agriculture	Other	Do not business	Total
Number person	5	9	1	5	3	21	19	63
Percentage	7,9	14,3	1,6	7,9	4,8	33,3	30,2	100,0

Source: auSource: author made

**Figure 15 The reason why insured individuals choose to be insured**

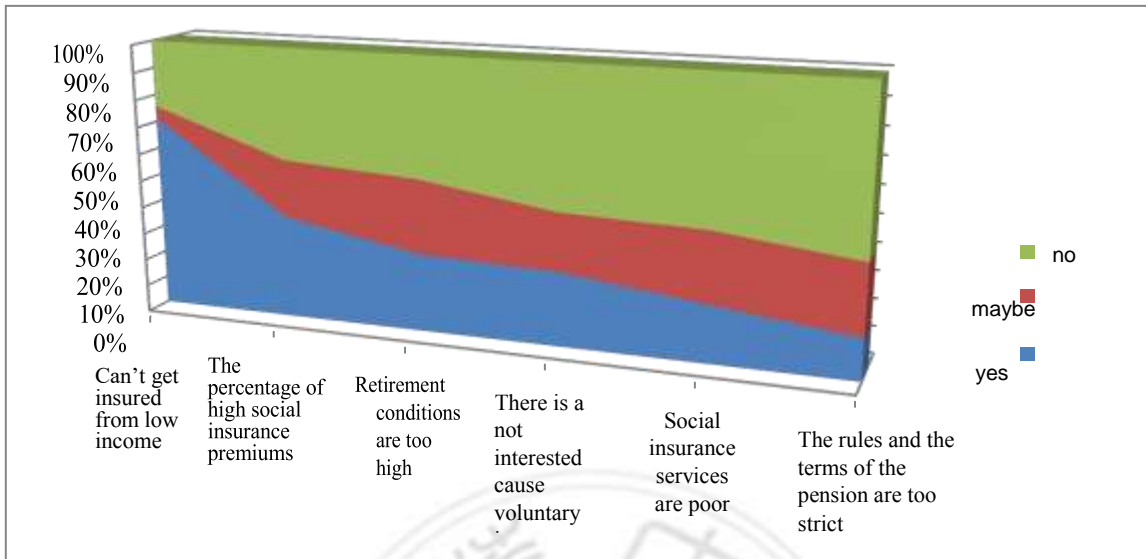


Source: author made

88,9 percent of the survey respondents said “yes” and the main reason of the insurance is to get a pension or benefits when they old or become disabled.

Interestingly, this became one of the criteria for determining an individual’s monthly earning for the bank loans and foreign visas, which is considered as the important factor in the external environment that encourage self-employed insurers to get involved to the social insurance, said 62-84 percent of respondents.

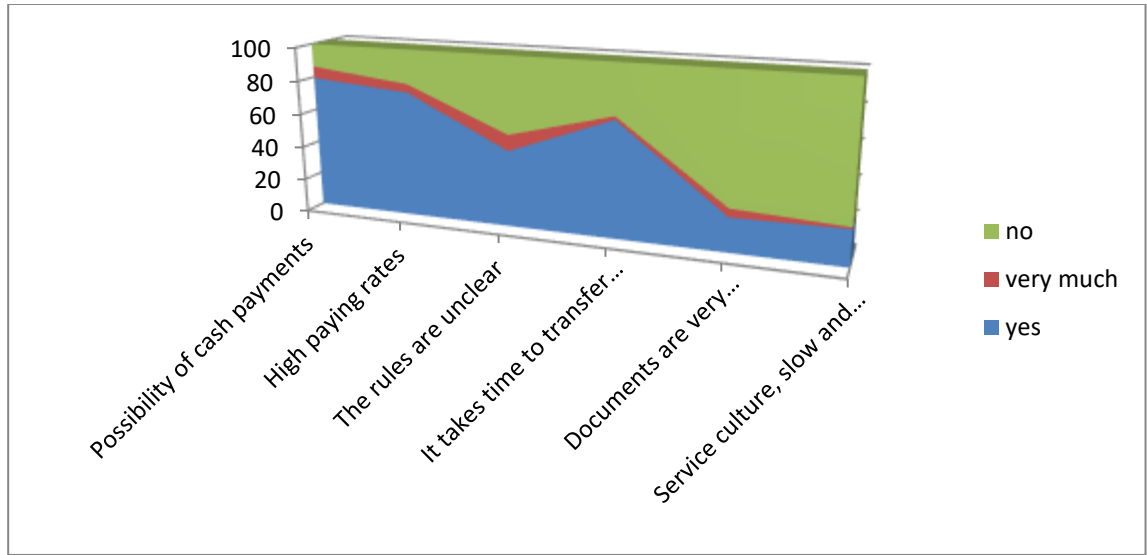
**Figure 16 The reason why un-insured individuals did not insured**



Source: author made

71,2 percent of the respondents said absolutely “yes” and the main reason that why they did not insure is their monthly income which is very low to be insured. 27,3 percent of the respondents said “social insurance is voluntary. So it is not necessary to be insured at the moment. 21,2 percent said they do not time to go to social insurance organization to be insured. As a result, there must be accessible and efficient insurance systems, policy and plan that can access to people.

**Figure 17 Current issues to get social insurance service**



Source: author made

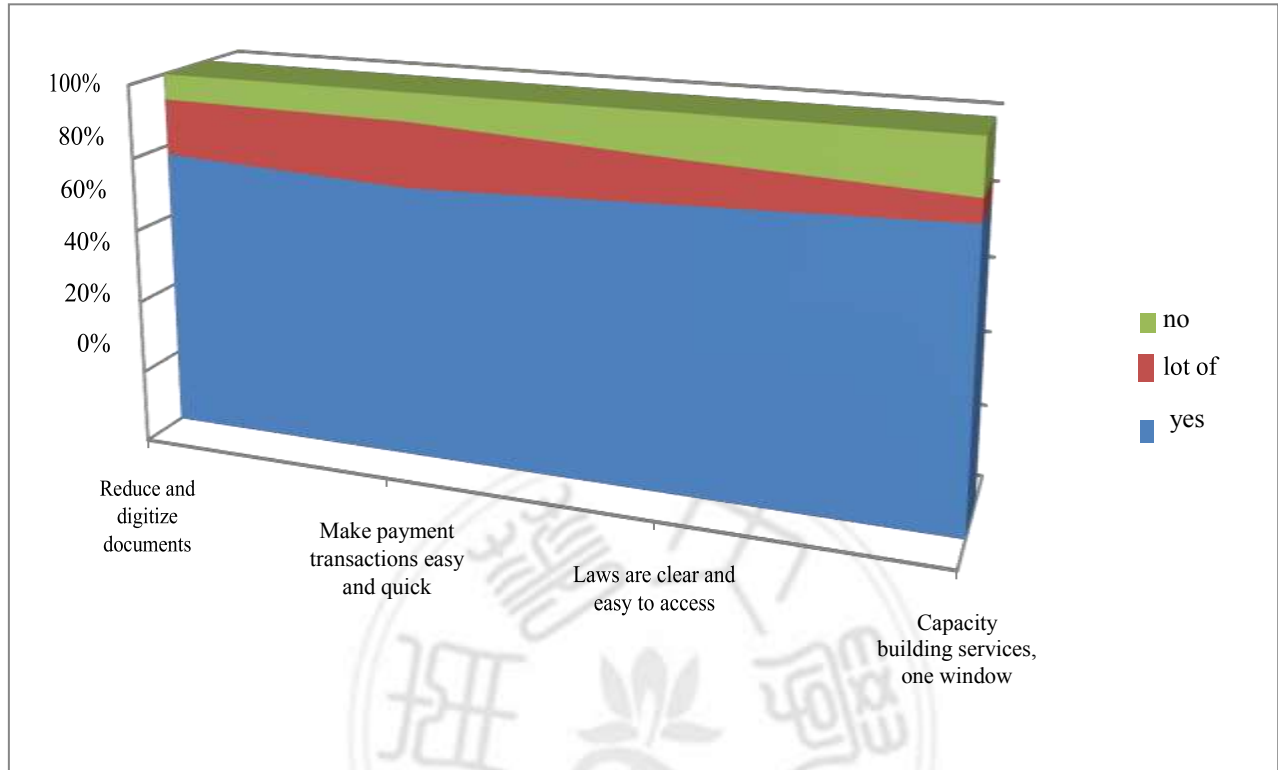
According to the survey, 74,6 percent of the survey respondents said that the amount of social insurance premium is high and conditions are tough and 68,2 percent said that the related laws and regulations are always changing or complicated to understand Most of the survey respondents or 9,5 percent chose “very much” which is “takes too much time at the bank to withdraw transactions or pay insurance premium”. There is an urgent need to cooperate with banks to improve this service.

According to the survey, there are several urgent issues or bureaucracy for implementing the social insurance systems efficiently. 83,3 percent of the survey respondents said that social insurance premium is high and conditions are tough, 71,2 percent said that the

We asked all 129 respondents about general question about what we can do to improve the social insurance systems.



**Figure 18 Proposals to improve social insurance systems**

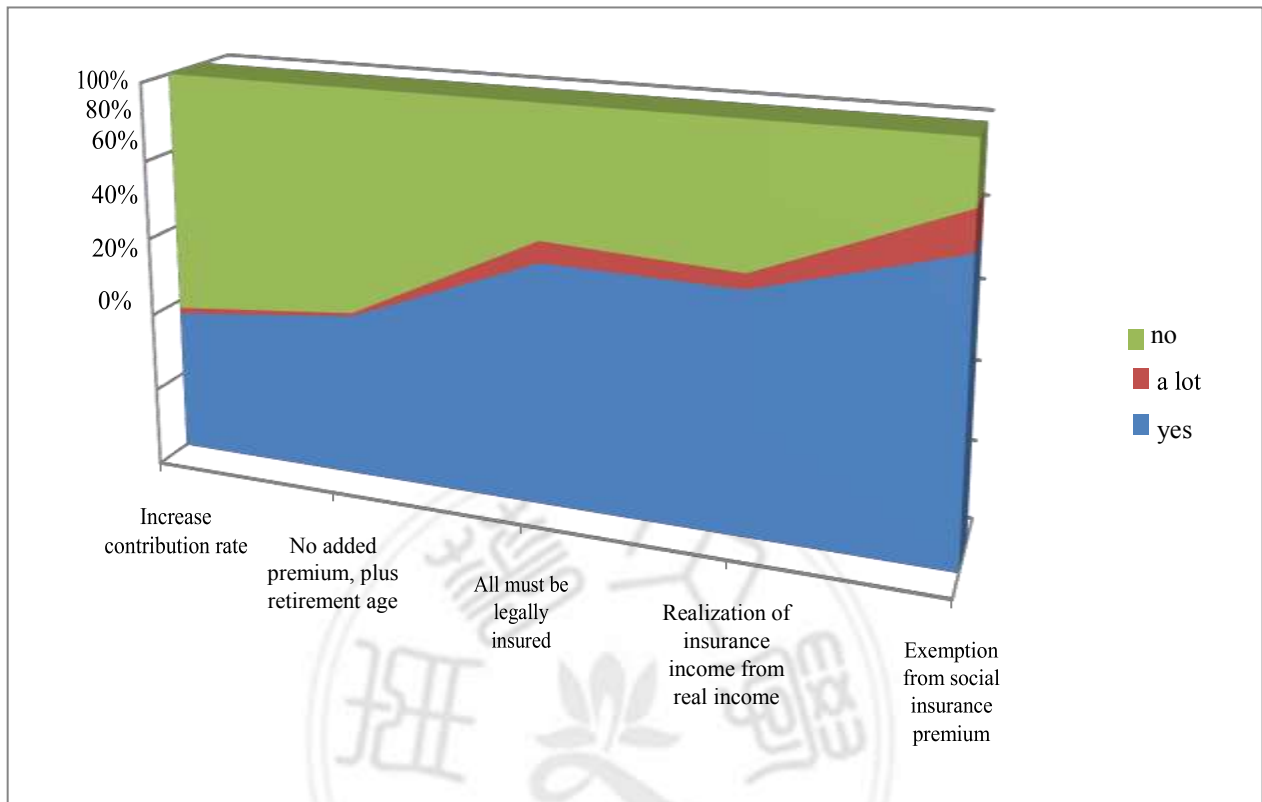


Source: author made

As shown in the survey result, 85,3-93 percent of the survey respondents submitted their proposals on improving or simplifying the social insurance systems, to have an online service, to find out the optimal information systems and strengthen the insurance service which shows that

There is an increasing need among citizens to get involved in the insurance service. 17,8 percent said “very much” or they need to have simpler and faster transaction service and 15,5 percent said they require to prepare less documents to pay insurance premiums which indicates that we need to take urgent measures to solve these issues.

**Figure 19 Proposals by the citizens on making changes to the relate laws and regulations on**



Source: author made

As shown in the survey, 61,5 percent of the survey respondents submitted their increasing the amount of the insurance premiums in order to make up the social insurance fund and 56,9 percent of the survey respondents said it is necessary to increase the retirement age without increasing the insurance premiums. 63,8 percent of the self-employed people said insurance premiums must be calculated based on the actual income, 66,2 percent said that people need to be involved in the social insurance mandatory and 83,3 percent of the respondents agreed that their income after paying income tax must be exempted from income tax. Thereof, 10,0 percent or higher rate of the respondents said “very much” to exempt from income tax, which causes a burden for an insured person to pay income tax and insurance premiums depending on the earnings of individuals under related laws.

Proposals in 79,4 percent of the survey respondents said that they are financially incapable to pay social insurance due to their low income, which is shown as the age category:

This is a challenge for all age group participants. Therefore, it is clear that citizens will not accept the proposal to increase the rate of contribution.

**Table 18 The age group, the most difficult to get social insurance services,**

		15. What are your challenges for getting social insurance services? It is time consuming to pay and transmit the bank			Total
		no	yes	Very much	
1. Age	15-25	0	7	3	10
	26-35	5	14	2	21
	36-45	5	17	1	23
	46-55	1	8	1	10
	55 over	0	2	0	2
Total		11	48	7	66

Source: author made

Among all age categories of the respondents, the main difficulties faced to them to get social insurance services are the time spent on banks to pay and make payments.

**Table 19 Age groups and participants are most advised to improve social insurance services**

		21. How do you think social security services should change? Reduce and digitize documents needed for the service			Total
		no	yes	Very much	
1. Age	15-25	1	9	4	14
	26-35	4	29	10	43
	36-45	2	38	5	45
	46-55	2	17	1	20
	55-over	0	7	0	7
Total		9	100	20	129

Source: author made

Most of the respondents of different age categories required to have simplified and online insurance systems that require less documents to be involved. Most of the respondents between 26-35 ages wanted this service a lot

## 4.4 Interview Survey with Officers and Insurers in Insurance Sector

We have conducted an interview with 2 officers in responsible for the voluntary insurance for self-employed people and 2 officers in responsible for the health insurance and 6 individuals involved in social insurance service in Southgobi.

Interview with the social insurance officer:

- The number of people who wanted to be involved in the social insurance service on a voluntary basis has been increasing and social insurance authority requires them to choose from monthly income 240,0-2400,0 thousand tugriks to pay for insurance premiums, duration of insurance is not restricted but the insurance payment must be paid within the time period. An individual who is going to retire soon or whose health is not good (receive benefits for the loss of ability to work) tends to choose an income category of higher amount of insurance premiums. In some cases, they receive a

higher amount of benefits than the insurance premiums they paid.

- But those individuals who are under 35 years old or who have low income to pay insurance premiums cannot be involved in the insurance service.

- A number of voluntary insurers have been increasing in recent years, which causes a workload or bureaucracy at the end of each month or year. Also, citizens do not extend their insurance agreement and their agreement is terminated. Insurance agreement becomes effective with the written document (making an agreement, fill out the SIB etc). So there must be technological advances to be introduced in insurance systems such as electronic signature and online application form to extend the agreement.

- It is important to specify about the rules and procedures in Law on Social Insurance on the implementation of the provisions that regulate self-employed citizens to be insured voluntarily. This is to entitle insurers to pay insurance premiums of a maximum of 5 years to get pensions and benefits. It is necessary to change this condition depending on their actual income.

- Proposals have been raised to increase the average period more than 5 years and change the percent of the loss of the ability to work to 50 percent regardless of their period to pay insurance premiums.

Interview with citizens:

- In accordance with the law on insurance about employment period and the reimburse the insurance premiums for retirement, 11 years of insurance has been insured in 2013 which encouraged citizens to be insured. Therefore, we are interested in paying an insurance fee as high as possible.

- Due to the lack of operation, I have a problem for extending the agreement. I could not continue the payment of the insurance premiums because I did not extend the agreement on time. There must be flexible regulations on this matter.

- It is too early to be insured. I do not know how the laws and regulations will be changed in 40-50 years. I can get pension if I am insured for 20 years. I will be insured when I am financially capable.

- Insurance payment is paid off before we get accessible social insurance service, make an agreement or pay insurance premiums.

An individual who is under 35 years old pays less insurance premiums and individuals who are going to be retired soon pay higher insurance premiums.

# CHAPTER FIVE CONCLUSION

## 5.1 Research Finding

This survey was conducted in order to analyze the effectiveness of the implementation of social insurance laws and regulations and conduct a statistic and questionnaire surveys on determining the needs of the self-employed, to analyze the results of the survey, and to assess the impact of social insurance policies on the reasons and conditions of social insurance.

We have made two hypothesis. The first hypothesis is that "self-employed workers are not covered by social insurance due to the retirement age, low incomes, pensions, and insufficient access to social insurance information and services."

The second hypothesis is "Current Law on Social Insurance and the legal environment is not an effective method to regulate the insurance service for self-employed individuals which confirmed the current situation.

**Confirmation of the first hypothesis:** We have studied related laws and regulations based on the documents of social insurance service adopted by the authorized organizations entitled to provide insurance services, such as pensions and benefits, payment of insurance premiums, involving citizens or self-employed individuals to insurance service. The result of this study, the reasons why self-employed individuals do not involve in the social insurance service depend on several reasons mentioned below.

- **Relations to determine the retirement age:** Due to the increasing number of retirement age and less birth among population in recent years, a traditional method for determining the amount of pension or benefits based on the monthly income in accordance with the related laws and regulations of social insurance, a government policy on transferring to the half-savings or full-savings based on their insurance premiums which is considered as the solution to solve the urgent issue is becoming the negative effect to involve younger people below 35 years old based on their insurance premiums. According to the law on social insurance, an individual who paid insurance premiums for over 20 years is eligible to be retired at the age 60 and the amount of pension is same for everyone regardless of their age, which one of the basis why young people do not want to pay insurance premiums because they have 30-40 years until their retirement age.

The following factors have been identified as a result of the survey on registration and statistics about the amount of pension and benefits, the number of individuals registered or involved with the insurance to get a pension or benefits, database and questionnaire conducted among self-employed individuals in Southgobi

- As of 2018, it is shown in the survey among citizens in the Southgobi that the portion of age category of up to 35 years old is 14,2 percent lower for female individuals and 13,8 percent lower for the male individuals than the population compared to the average ratio (Table 7) of five years of the population who involved in the insurance depends on their age and gender category. This proves that there is a less necessity for self-employed individuals of this age category with be involved to the insurance. (Figure 6, 7). As shown in the survey, there is no self-employed individual who paid insurance premiums for at least 5 years and who received a benefit from the insurance fund due to the industrial accident and occupational disease (IAOD) which indicates that self-employed individuals and citizens have no idea or lack information to get a benefit or lack of services or initiations by the insurance authority.

Based on the factors identified by the survey above, several assumptions are identified by the result of the survey that “self-employed individuals do not contribute to the insurance fund due to their retirement age, low income or have no accessibility to get information about social insurance service to get a pension or benefits”.

**Confirmation of the second hypothesis:** The study was conducted in compliance with the current systems, related laws and regulations on social insurance, development of the legal environment pensions and benefits for the self-employed individuals. According to the results of the survey, the legal system for self-employed individuals to get involved in the social insurance systems consists of the following factors:

- **Relations to determine the retirement age:** Traditionally, Mongolians have been adhering the social morality and tradition to take care of elders from the age of 60 since 800 years ago, which has been the basic source to define the retirement age for the social insurance systems. Since 1923, the government has used to approve enactment and the first retirement law was approved in 1958 and its legal environment has been developed to strengthen the current retirement systems. ( (D. Vandanmagsar, 2002:56), As for the retirement age, age 60 has been adhered to define retirement age. Since 2017, the government has made an amendment

to the law to increase retirement age gradually by 6 months each year for 5 years. But many people were disappointed with this decision. As a result, the Parliament has revised and cancelled this decision in February 2018 and made a change to increase the age of 3 months each year if the insurer has paid insurance premium for less than 20 years. (LSOI, 1994).

Another condition of the law on retirement is to define the duration of the payment of insurance premiums. Criteria to pay insurance premiums for at least 20 years, to be retired, have been adhered since 1995. In accordance with the law amendment made in 2017, this period must be increased gradually from 3 months in each year.

• **Participants in the social insurance relations of gender:** Women are entitled to be retired 5 years earlier than men. Therefore, the government has been observing a policy to change this period to be increased gradually by 3 months in each year, due to the increased period of average life expectancy for women, until it should be same as the men. (Parliament, Resolution 53. The state policy on pension reform, "2015-2030", 2015). Comparing the average period for retirement for Mongolians (male 66, female 75), men can get pension for 6 years and women can get pension for 20 years. Another diverse regulation is that women can get a benefit for pregnancy or maternity leave (120 days).

Following factors have been identified as a result of the comparative statistics of the number of self-employed individuals and beneficiaries who received a pension and benefits from the social insurance fund between 2013 and 2017 in Southgobi.

**Age:** It is shown in the survey among citizens in Southgobi that the portion of age category of up to 35 years old is 14,2 percent lower for female individuals and 13,8 percent lower for the male individuals, age category of 35-50 years old and above 50 years old are higher than the population compared to the average ratio (Figure 6,7). This proves that there is a less necessity for self-employed individuals of this age category to be involved to the insurance.

• **Gender:** 32,8 percent of overall insurers is male and 67,2 percent are female insurers that indicates that one of each three insurers is the male which shows the gender inequality for the insurance procedure. Actually, percentage of male employees working in the informal sector in the is 61,5 percent, (Southgobi Statistic 2018) It is necessary to implement a policy to balance this inequality and involve more male individuals for the social insurance.

• **Industrial Accident Compensation Insurance** refers to benefits provided by social insurance to compensate self-employed individuals promptly and fairly for



any industrial accident and occupational disease (IAOD) compensation and loss of their ability to work. This benefit do not provide for the target people, as shown in the survey that there was no expenditure from the fund. It shows that there is no optimal regulation for the expenditure of the IAOD fund.

- **Duration of the insurance:** According to the law on social insurance, an individual who paid insurance premiums for over 20 years is eligible to be retired. But the average employment period for people is between 20-60 years old for 40 years which influence them to be involved for the insurance. That's why it is necessary to coordinate duration of the insurance payment with the amount of insurance premiums, define the amount based on the type of benefits (old age, disability, loss of guardian) and allow insurers to pay insurance premium for a longer period which is beneficial for themselves.

- **A percentage of the pension and benefits:** Since 1999 when the online social insurance systems introduced, it has been possible to calculate the amount of insurance premiums paid by the insurer. Therefore, self-employed individuals are required to define the average amount of the insurance premiums if they chose periods after 1999. as well as it is important to have an optimal regulation to define the amount of benefits that self-employed individuals can receive due to the loss of ability to work. 60,8 percent of the total expenditure by social insurance fund is paid for the insurers who lost their ability to work and who paid insurance premiums of monthly income over 1500,0 thousand tugriks.

## 5.2 Future Research Suggestion

We have come up with the following conclusion upon studying the methodology and ideology of social insurance systems in compliance with all stages to conduct this survey on social insurance systems in Mongolia, its renovation and future trend.

We considered that studying about the social insurance sector in Mongolia, development of insurance systems, and its history in compliance with the social development stages is important and essential procedure to ensure both economic and social situation of the country as well as ensure reliable and secure life for the citizen for now and future. Also, it is considered that this is the sector which faces challenges and demanding needs to apply renovation procedures for their activities by enhancing the participation, cooperation and attitude of citizen, legal entities and companies to social insurance

activities and conducting the social insurance systems in compliance with the advanced development trend.

As the integral component of the social security and one of the basic directions of the state, the social insurance must be beneficial to citizens that can ensure their life guarantee by the government in the event of taking risks in life while working, longevity and illness. To clarify, we hereby propose theoretical and methodological solutions and alternatives which involve possibilities of transferring from distribution principles to the contribution-based saving systems. During the survey, we found out that there is a demanding need sophisticate the current social insurance systems during the progressive socio-economic development by conducting comparative analysis of social insurance concepts, trends and features among other countries that developed the social security system in the same and diversity environments.

As shown in the surveys and works about Social insurance systems, the essential part of the social insurance system is its management. Factors which are required to determine the necessities to renovate the current social insurance systems are mentioned below. These include:

- To sophisticate the legal environment to resolve current issues faced to the social insurance systems,
- To reduce the participation of the government to the social insurance systems gradually
- To conduct social insurance systems in compliance with other social welfare policies, planning and implementation,
- To give an understanding about the importance of the social insurance services to citizens.

As the basic and essential source of social security of citizens, the social insurance is also important to the development of the local areas. In the event of taking risks in life while working, longevity and illness, citizens are entitled to be involved to the social insurance service in order to ensure their normal and reliable life while working or living which can guarantee their life mentally and affect their livelihood positively as well as it is considered as the essential factor that can contribute to the development of any country, as usual. On the other hand, it is shown in the survey that there is a need to sophisticate the insurance systems that citizen-client can choose the organization to receive satisfied insurance service and insurance organization can provide the benefit based on their requests.

Methods on sophisticating the social insurance systems in compliance with the socio-economic development and advantages of our country and relevant issues are summarized below:

- To organize the independent authority of social insurance systems in compliance with the legal situation. To do so, it is necessary to make amendments to the Laws on Budget management, Finance and Social insurance and approve;

- To make optimal solution to the current issues of social insurance, to implement it step by step successfully, estimate the results correctly and develop more sophisticated and advanced services and measures;

- To develop and support individual insurance systems in compliance with the renovation trends of social insurance systems;

- At the scope of the measures to train social insurance officers, to organize training courses to prepare officers who will work in the new environment of the social insurance sector as well as take measures to encourage them to work effectively by involving them in regular training courses;

- We considered that it is important to study about the experiences of other foreign countries pursuant to the specific features of our country which can give an opportunity to transfer social insurance systems of our country to save based systems in order to frame out the new systems of social insurance.

The survey findings suggest that it is also essential to use of internationally recognized best practices in order to reform and improve the social insurance system, especially the use of privatization and partnership optimally. To do this, it is important to take into account the following principles that the feature of any systems consists of particular components depends on the features of its components.

These include:

- To support new legislations and policies,
- To allocate limited resources properly,
- To ensure opportunity to provide government services to citizens constantly, social insurance systems, renovation, trends
- To encourage the interests of citizens, and
- To qualify the participation of participants through information and knowledge.

We have observed that it is also important to engage young people among participants in insurance activities and to ensure their active and quality participation. Thus, there must be open and prompt information about insurance activities, contrary, citizens need to know how to gain and use information.

The survey result shows that citizen's knowledge about insurance is directly related to the quality and satisfaction of the insurance service. So we need to take into account the measure on providing

accessible and efficient insurance service to citizens. It is important in the insurance sector that any organizations providing insurance service are accessible and give welcoming services, on the other hand, insured people should have knowledge about insurance services and involve and control insurance activities actively.

I suppose that it would be beneficial and efficient for researchers who will conduct a survey on social insurance matters to study more detail about the importance and purpose of the management of social insurance fund and insurance systems including health and pension insurances.



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