

# Reducing Risks In Engineering Management For The Collection Of Social Security Premiums Through Financial Engineering And From Ethical Points

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## Abstract

The principal element for the existence and development of a social security system is the collection of enterprise social security premiums that have to be paid promptly and in full amounts. To assure a sound social security system, it is paramount to have in place an aggregated management and coordination from the government. Although the ratio of Chinese social security premiums collected is now undeniably higher as compared to a few years back, arrearages are still abundant. In fact, there are still many provinces that encounter deficits in their social security fund. As a matter of fact, the collection system of Chinese social security has jeopardized the Chinese regional legal administration and causing long term liabilities in the administrative engineering management. In hope of establishing a permanent and low risk mechanism to reduce the cost of risk engineering management through heightening ethical government leadership and regulating collection policies thus raising the rate of social security premium collection, the behavior pattern of arrearages and evasion of payments by enterprises and the current management objectives, policies, methodologies and mechanisms set by the administrative government are analyzed by means of informationization and, by employing financial engineering, a viable social security collection system is devised.

*Key words:* Social security fund; Collection of social security premium; Ethical leadership; Risk engineering management; financial engineering

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## 1. Background

The principal element for the existence and development of a social security system is the collection of enterprise social security premiums that have to be paid promptly and in full amounts. To assure a sound social security system, it is paramount to have in place an aggregated management and coordination from the government. Although the ratio of Chinese social security premiums collected is now undeniably higher as compared to a few years back, arrearages are still abundant. In fact, there are still many provinces that encounter deficits in their social security fund.

From 1998 to 2006, the annual arrearages of the national enterprise endowment insurance were shown at RMB 28.6 billion, RMB 35.8 billion, RMB 44 billion, RMB 43.1 billion, RMB 42.8 billion, RMB 43.2 billion, and RMB 43.6 billion accordingly. In 2006, the national social security department resolved a total of RMB 20.398 billion from (RMB 20.222 billion in back premiums and writing off RMB 0.175 billion). 573 thousand enterprises were still in back payment and there was a fresh amount of uncollected premiums amounting to RMB 20.919 billion. Arrearages had become a trend that continued to increase in conjunction with fresh arrearages generated while the old ones were still being resolved. [1] In addition, as a result of substandard management of the social security fund that contributes to a generally chaotic coordination, the capital investment made by the government according to “Two Assurances” increased and the amount set aside by the government to subsidize the social security fund accrues. Take for example the 2001-2010 *Labor and Social Security Business Development Statistical Bulletin* (Table 1: default data are fuzzy statistics), although the amount of premiums collected for basic endowment insurance fund were on the rise, nevertheless, the government still made perpetual bail outs and this situation had become an increasing trend. For 9 years, from 2001-2009, financial subsidies were up to 14.3% of the entire social security fund. Even with the increasing numbers of insured employees, the state of endowment fund continues show persistent fluctuations. The mentality is that as the government will offset any discrepancies in the social security fund, “inertia” has become a widespread disease within the regional government administration.

Table 1: 2001-2009 National Basic Endowment Insurance Figures (Unit: 10 thousand persons, 100 million RMB)

Year	Number of insured employees	Increase rate of insured employees	income	Increase of income	Collected income	Increase in collected income	Financial subsidy	Increase rate of financial subsidy	Share of financial subsidy
2000	10448		2278						
2001	10802	3.4%	2489	8.4%	2161		328		13.2%
2002	11128	3.0%	3172	27.4%	2551	22.0%	408	24.4%	12.9%
2003	13882	24.7%	3680	16%	3044	19.3%	530	27.5%	14.4%
2004	14679	5.7%	4258	15.7%	3585	17.8%	614	15.8%	14.4%
2005	15716	7.1%	5093	19.6%	4312	20.3%	651	6.0%	12.8%
2006	16857	7.3%	6310	23.9%	5215	20.9%	971	49.2%	15.4%
2007	18235	8.2%	7834	24.2%	6494	24.5 %	1157	19.2%	14.8%
2008	19951	9.4%	9740	24.3%	8016	23.4 %	1437	24.2%	14.8%
2009	21567	8.1%	11491	18.0%	9534	18.9%	1646	14.5%	14.3%

The collection system of Chinese social security has jeopardized the Chinese regional legal administration and causing long term liabilities in the administrative engineering management. What kind of ethical environment and conflict do the subject and object in collection of social security capital - government and enterprises (China adopted remitting system that enterprises always pay social basic insurance for individuals) situated in? Will the ethical engineering management system pose influence on collection? By analyzing behaviors and mentality of enterprise

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