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**PHAM MINH VIET**

**MANAGEMENT OF SOCIAL INSURANCE  
COLLECTION IN VIETNAM**

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**SUMMARY OF DOCTORAL THESIS**

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## **LIST OF THE AUTHOR'S WORKS RELATED TO THE THESIS**

1. Pham Minh Viet (2018), "Experience from a number of countries on management of social insurance collection and lessons for Vietnam", Journal of Fiance - Accounting Studies, issue 01, pg.53-56.
2. Pham Minh Viet (2018), "Enhancing the revenue for social insurance in the context of Industrial Revolution 4.0", Journal of Commerce, issue14, pg.376-381.
3. Pham Minh Viet (2019), "Current situation on compulsory social insurance collection and a number of solutions" Journal of Fiance - Accounting Studies, issue 01, pg.66-69.

# INTRODUCTION

## 1. Rationale

Social insurance is the single most important social policy in each country's social security system. Social insurance contributes to social security, ensures citizens' comfortable lives, as well as promotes social justice and economic growth. This is one of the most important items in the social policy agenda that our Party and State have paid special attention to in recent years.

The social insurance policy in our country had an early history, originating from the Government's issuance of Decree No. 12 / CP on January 26, 1995 on the promulgation of social insurance regulations and Decree No. 19 / CP on February 16, 1995 on the establishment of Vietnam Social Security which marks a reform of the social insurance system. The social insurance fund is now independent of the State budget, operating under the contribution- benefit sharing principle, i.e. more contribution from participants means a larger fund. This is a prerequisite to ensure legal rights and benefits for employees. Over the past years, the social insurance collection policy has been supplemented and amended on various aspects including participants, methods and processes of social insurance collection, especially after Social Insurance Law came into effect on January 1, 2007.

The Party and the State showed even greater interest in the social insurance policy at the 7th Convention, wherein the 12<sup>th</sup> Central Executive Committee of the Communist Party of Vietnam discussed and made various adjustments to the Bill of social insurance policy reform and agreed unanimously on the issuance of Resolution No. 28-NQ / TW on May 23, 2018 on reforming social insurance policies.

There is growing practical evidence in recent years that show remarkable achievements have been accomplished in social insurance policies as well as the management and implementation of these policies, synonymous with the development of the national social security system in general and the social insurance system in particular. With the leading role of the State, the participation of employees and employers, the Social Insurance Fund has become the largest welfare

fund, operating on the principle of contribution - benefit sharing. Revenue source for social insurance fund is growing exponentially while social insurance coverage in accordance with the law and the number of participants are both increasingly expanded. According to Vietnam Social Insurance, as of 2017, the total number of people participating in social insurance is about 13.9 million (of which: 13.6 million are compulsory social insurance participants and 0.3 million are voluntary social insurance participants), an increase of more than 2 , 3 times over the period from the effective date of Social Insurance Law No. 71/2006 / QH11.

Social insurance collection management is one of the most important and difficult tasks of the social insurance industry. The overall coverage is still limited compared to other countries in the region; the risk of budget imbalance attached to the Social insurance fund is still inherent in the medium and long term; social insurance schemes lack diversity and flexibility which make them less attractive to potential participants; paperwork and procedures are yet to be streamlined to accommodate businesses and employees. There are widespread reports of employees taking advantage of social insurance loopholes to seek undue insurance benefits, causing loss to the social insurance fund while a high number of businesses are behind on social insurance premium payment or attempt to evade payment. In addition, the current low growth rate of social insurance revenue is incommensurate with the potential. According to 2017's statistics, social insurance coverage accounted for just nearly 29% of the workforce in the age group eligible for social insurance while over 70% are not covered. Currently more than 300,000 businesses are operating without offering social insurance to employees.

With a view to overcoming the aforementioned limitations, and in order to expand and diversify the social insurance revenue sources, sustainably develop the social insurance fund, it is of paramount importance to have pragmatic and effective measures in the coming period.

Keeping those issues in mind, the author's research topic ***"Management of social insurance collection in Vietnam"*** is highly relevant and necessary in today's context.

## **2. The purpose and research questions of the thesis**

### ***2.1. The purpose of the thesis***

Based on relevant theoretical framework and empirical evidence, the thesis proposes solutions to strengthen the management of compulsory social insurance collection in Vietnam.

### ***2.2. Research questions of the thesis***

*Question 1.* What are the major components of theoretical framework underlying social insurance collection management?

*Question 2.* What factors affect the management of social insurance collection? What are the criteria for evaluating social insurance collection management?

*Question 3.* What lessons can be learned from social insurance collection management in Vietnam and some other countries?

*Question 4.* What are current situation and limitations of social insurance collection management in Vietnam? What are the causes of those limitations?

*Question 5.* What are the solutions and future directions for strengthening the management of social insurance collection in Vietnam in the future?

To answer the above questions, the author shall attempt to: synthesize and systematize underlying theories on social insurance collection management; influencing factors and criteria for evaluating social insurance collection management; review research on experience in managing and implementing social insurance policies in a number of countries around the world to draw lessons for Vietnam; assess the current situation in social insurance collection management in Vietnam as well as apply appropriate research methods to assess the results, limitations and causes. Based on the limitations and causes of the drawbacks, we shall outline suitable solutions to enhance the management of social insurance collection in Vietnam by 2025 and in the following years.

## **3. Research subject and scope**

- ***Research subjects:*** The thesis focuses on theoretical and practical

issues on the management of compulsory social insurance collection in Vietnam.

**- *Research scope:***

+ *Research content:* This is a research project on compulsory social insurance collection management in Vietnam and does not involve issues related to health insurance, voluntary social insurance, unemployment insurance and fund growth investment activities. The thesis addresses the issues from the perspective of a social insurance agency.

+ *Research location:* Compulsory social insurance collection management activities in Vietnam.

+ *Research duration:* The thesis focuses on the period between 2007 and 2017 and offers recommendations for the upcoming period to the year 2025 and the following years.

#### **4. Research methodology**

The thesis draws upon dialectical and historical materialism to clarify and systematize in depth the theoretical framework that underlies the management of social insurance collection. To solve the problems raised in the research questions, the author uses a combination of qualitative and quantitative research methods, more specifically:

##### ***4.1. Review of relevant literature***

The author synthesizes and evaluates scientific domestic and foreign research works pertinent to the thesis topic to recapitulate the successes, the remaining challenges to find gaps in the research as well as to present new evidence not provided in previous studies to show conclusively this is an original piece of research.

##### ***4.2. Data collection and data processing methods***

The thesis uses both qualitative and quantitative research methods. The research data are collected through both secondary and primary sources.

The author presented the collected data in tabular form and used SPSS 20.0 software (Statistical Package for the Social Sciences) to synthesize, analyze, compare, and evaluate the data for this study.

## **5. Contributions of the thesis**

The thesis has made new theoretical and practical contributions to the current body of research, as follows:

First, the thesis provides a systematic overview of social insurance, social insurance fund and management of social insurance collection, including issues such as: ensuring proper, full and timely collection; minimizing outstanding social insurance debts; ensuring equity for social insurance participants;

Second, the thesis identifies the factors that affect the management of social insurance collection, with detailed explanation and clarification for each factor;

Third, the thesis identifies criteria to assess the coverage level, the level of compliance with social insurance law, and the effectiveness of social insurance collection management activities;

Fourth, the thesis uses theoretical framework and practical evident to analyze and evaluate the situation of social insurance collection management in Vietnam;

Fifth, the thesis proposes a number of solutions to enhance the management of social insurance collection in Vietnam.

## **6. The structure of the thesis**

In addition to the introduction, conclusion, list of references, appendices, etc., the thesis is divided into 4 chapters, as follows:

Chapter 1: Overview of current literature

Chapter 2: Theoretical framework for social insurance collection management

Chapter 3: Current situation of social insurance collection management in Vietnam

Chapter 4: Measures to strengthen the management of social insurance collection in Vietnam



## CHAPTER 1. OVERVIEW OF CURRENT RESEARCH

The management of social insurance collection is of particular importance in the social insurance system, which is crucial to its very existence. Studies by various domestic and foreign authors have addressed the issue of social insurance in general and the management of social insurance collection in particular. However, further attention should be paid to the application of those practices in Vietnam. By reviewing these studies, the author managed to establish a theoretical framework, set apart the issues which have been thoroughly investigated and those that need to be further studied. The following are some of the research works which serve to inform our current research topic:

### **1.1. Overview of research projects related to social insurance collection management**

#### *1.1.1. Studies on the management of social insurance participants*

- Pham Dinh Thanh (2016) ministerial-level research project (Vietnam Social Security): *"Solutions to manage and develop social insurance participant base in businesses located in Hanoi city"*;
- Bui Sy Loi (2016) ministerial-level research project (Vietnam Social Security): *"Measures to implement compulsory social insurance for employees working under labor contracts with a term from 1 full month to less than 3 months in accordance with social insurance law of 2014"*;
- Nguyen Bich Ngoc (2011) Institute level research project (Institute of Labor and Social Affairs): *"Forecasting the potential for encouraging participation in the insurance system: compulsory social insurance, voluntary social insurance and unemployment insurance"*;
- Ghost. Belinda S. Mandigma (2016): *"Determinants of Social Insurance Coverage in the Philippines"*;
- ILO International Labor Organization (2013): *"Innovations in extending social insurance coverage to independent workers: Experiences from Brazil, Cape Verde, Colombia, Costa Rica, Ecuador, Philippines, France and Uruguay"*.
- Rebecca Holmes and Lucy Scott (2016): *"Extending social insurance to informal workers"*.

### ***1.1.2. Studies on determinants of social insurance contributions***

- Pham Truong Giang (2010) doctoral thesis: *"Improving the mechanism of social insurance collection in Vietnam"*;
- Hoang Minh Tuan (2018) doctoral thesis: *"Factors influencing the state management of social insurance in Vietnam"*;
- Pham Dinh Thanh (2018): *"The upper limit of the monthly salary as a determinant for premium calculation of social insurance: a theoretical & practical perspective"*;
- Duong Xuan Trieu (2011) research project: *"Overhauling the procedures for recall, issuance and management of social insurance books and health insurance cards"*;
- Louis D. Enoff and Roddy McKinnon (2011): *"Social Security Contribution Collection and Compliance: Improving Governance to Extend Social Protection"*;
- Ben Braham Mehdi (2016): *"Pension Systems Contribution Determinants: a Cross Sectional Analysis on Tunisia"*.

### ***1.1.3. Studies on the organization of social insurance collection activities***

- Nguyen Thi Hao (2014) PhD thesis: *"Financial security for Vietnam Social Insurance"*;
- Nguyen Trong Than (2014) ministerial-level research project: *"Solutions for preserving and expanding the social insurance fund in Vietnam"*;
- Tran Thi Thuy Nga (2014) ministerial-level project: *"Solutions to ensure long-term balance of retirement and survivorship fund"*;
- Tran Minh Thang (2018) doctoral thesis: *"Management of unemployment insurance fund in Vietnam"*;
- Nguyen Manh Tuan *"Establishing a monitoring system and evaluation criteria for the sustainable development of the Social Insurance Sector in the 2013-2015 period and the direction for the 2016-2020 period "*.
- Pham Thi Lan Phuong (2015) doctoral thesis: *"Research and development of voluntary social insurance for employees in Vinh Phuc province"*
- ILO (2010): *"Governance of Social Security Systems: a Guide for Board Members in Africa"*;
- Marcelo, B., & Guillermo, C. (2014): *"Work and tax evasion incentive effects of social insurance programs: Evidence from an employment-based benefit extension"*.

#### **1.1.4. Studies on social insurance risk management**

- Vietnam Social Insurance Collection Board (2014) research project: *"Developing regulations on management of social insurance, health insurance and unemployment insurance debt collection "*,
- Vu Manh Chu (2015) ministerial-level research project: *"Proposed amendments and supplements to specialized processes of social insurance and health insurance collection for participants of social insurance and health insurance"*;
- Nguyen Trong Than (2016), Institute-level research project: *"Measures to reduce losses to social insurance fund in Vietnam"*;
- Dieu Ba Duoc (2014): *"Current situation and solutions to prevent and combat abuse of social insurance fund"*;
- World Bank (2012) study: *"Vietnam: Developing a modern social insurance system - Current challenges and alternatives for future reform"*;
- Bassam Al Subaihi (2015) PhD thesis: *"Social security contribution evasion: an evaluation from the perspective of former contribution evaders. Jordan - case study"*.

#### **1.1.5. Studies on social insurance inspection and examination**

- Mai Xuan Nam (2015) Ministerial-level project: *"Proposed solutions to organize the implementation of specialized inspection tasks on the contribution of social insurance, unemployment insurance and health insurance"*;
- Phan Van Men (2014) *"Proposed addition of a number of felonies in the area of social insurance and health insurance to the amended Criminal Code"*;
- Hoang Thi Kim Dung (2015) Ministerial-level research project: *"Retirement and survivorship benefits in accordance with Social Insurance Law - current situation and recommendations for completion"*;
- Nguyen Quang Truong (2016) doctoral thesis: *"State management of unemployment insurance in our country today"*
- Trinh Khanh Chi (2019) PhD thesis: *"Improving financial policies on social insurance in Vietnam"*

#### **1.2. Assessment of relevance to the current research topic and research gaps**

## **CHAPTER 2. THEORETICAL FRAMEWORK FOR SOCIAL INSURANCE COLLECTION MANAGEMENT**

### **2.1. Overview of social insurance and social insurance finance**

#### **2.1.1. Overview of social insurance**

##### *The definition of Social insurance*

Based on the analysis of relevant definition by previous studies, the author settles on the following definition: *“Social insurance is a guarantee to replace or partially offset income losses for employees when they encounter situations of losing total or partial income from employment or unexpected expenses which require financial support such as: Illness, maternity, work accident, occupational hazards, end of working age, death, etc. Social insurance is based upon the establishment of funds constituted by contribution from employees, employers and the State with a view to supporting employees and their families, while ensuring social security as a whole.”*

In addition to the definitions of social insurance, the thesis also explains the characteristics of social insurance, the role of social insurance to inform the discussion at hand.

#### **2.1.2. Overview of social insurance finance**

In order to have a broad overview of social insurance finance, the thesis discusses the concept of social insurance finance; characteristics of social insurance fund; the role of social insurance finance; and components of Social insurance finance.

### **2.2. Social insurance collection**

#### **2.2.1. Definition of Social insurance collection**

Collecting compulsory social insurance is *“the use of power by the State to enforce payment of social insurance premium at the prescribed rate or to allow some subjects to participate voluntarily by choosing a premium rate and payment method suitable to his or her income. On that basis, a centralized fund is established to implement social insurance activities”*.

**2.2.2. The role of social insurance collection:** Social insurance collection is central to the existence and development of the social insurance fund; it is both a right and an obligation of contributors and collectors to ensure social security. To a certain extent, social insurance collection promotes a positive professional relationship.

**2.2.3. Principles of social insurance collection:** Firstly, collection must be based upon legal documents. Secondly, premium must be collected from the correct subjects, with the correct amount and in a timely fashion. Thirdly, the benefits of social insurance participants must be ensured. Fourthly, it is important to ensure that the social insurance collection activities are conducted in a consistent, sustainable and effective manner.

**2.2.4. Methods of social insurance collection:** (1) Direct collection from employees; (2) Indirect collection through the tax system; (3) Indirect collection via insurance agencies.

## **2.3. Social insurance collection management**

### **2.3.1. Definition of social insurance collection management**

The thesis has presented the concept of management before making the concept of social insurance collection management.

In the author's view: *“Social insurance collection management is the process in which insurance agencies implement the collection of social insurance payments efficiently and effectively through the development and promulgation of policies and laws on social insurance collection; organizational structure and process of social insurance collection; inspection and examination of social insurance premium collection in order to achieve the correct, full and timely collection of social insurance premium amounts from subjects participating in social insurance.”*

### **2.3.2. The goal of social insurance collection management**

First, expand the coverage of social insurance

Second, ensure the sustainability of the social insurance fund

Finally, increase the satisfaction level of social insurance participants.

### ***2.3.3. Criteria for evaluation and management of social insurance collection***

### ***2.3.4. Factors affecting the management of social insurance collection***

The thesis focuses on analyzing different types of internal and external factors, namely:

*Factors related to macroeconomic environment:*

Firstly, socio-economic conditions

Second, the legal environment that regulates social insurance

Third, population - workforce

Fourth, social insurance participants' awareness level and sense of responsibility

Fifth, the financial conditions of social insurance participants

*Factors related to entities participating in the social insurance system:*

First, awareness-raising activities and dissemination of information about social insurance policies and laws

Second, the qualifications and capability of social insurance collection officials

Third, application of information technology

Fourth, the implementation of inspection, examination and supervision tasks

## **2.4. Components of social insurance collection management**

***2.4.1. Management of social insurance participants:*** The subjects participating in social insurance are the individuals and organizations that have the responsibility to contribute to the social insurance fund.

***2.4.2. Management of social insurance eligibility:*** In the social insurance policy, employees' salaries and wages are selected as a determinant for premium payment because this is a regular stream of income for employees. The management of social insurance premium also involves the management of payment determinants and premium rate with frequent changes.

**2.4.3. Management of social insurance collection agencies:** social insurance collection mechanism and processes.

**2.4.4. Management of social insurance collection risk:** Risk management is a science-based, comprehensive and systematic approach to risk in order to identify, control, prevent and minimize losses, deficit and adverse outcomes caused by them.

**2.4.5. Specialized task force to inspect and monitor social insurance collection:** violations may exist in any stages of the social insurance collection process. Therefore the inspection to ensure the observance of the law on social insurance collection often involves: monitoring the participation of employees and employers in social insurance, inspecting the situation of social insurance premium payment, etc.

## **2.5. Experience of managing social insurance collection of some countries in the world and lessons for Vietnam**

### **2.5.1. Experience in managing social insurance collection from other countries**

The thesis studies the experience of managing social insurance collection in Singapore, China and Japan in order to draw some lessons for Vietnam.

### **2.5.2. Some lessons for Vietnam**

First, a long-term social insurance development strategy is necessary.

Second, it is important to complete the legal framework, encourage participation and expand social insurance benefits.

Thirdly, clearly stipulating the social insurance eligibility by considering both employees and employers' benefits is also of great importance.

Fourthly, it is necessary to strengthen the role of the State and strengthening the organizational structure of social insurance management.

Finally, closely monitoring the risks associated with social insurance collection is a critical task.

## **CHAPTER 3. CURRENT SITUATION OF SOCIAL INSURANCE COLLECTION MANAGEMENT IN VIETNAM**

### **3.1. The context of social insurance collection in Vietnam**

#### ***3.1.1. The foundation and development of Vietnam Social Security***

The 2006 Social Insurance Law, an important milestone for the development of social insurance policies, came into effect from January 1, 2007 for compulsory social insurance; from January 1, 2008 for voluntary social insurance and from January 1 2009 for unemployment insurance. The passing of the law reflect the government's attempts to keep up with the country's fast-changing socio-economic development situation in the early period of global integration, to meet the labor market's demands, establish the highest legal framework for the implementation of social insurance policies, aiming at providing social insurance for all employees.

#### ***3.1.2. Functions, duties and organizational structure of social insurance collection agencies in Vietnam***

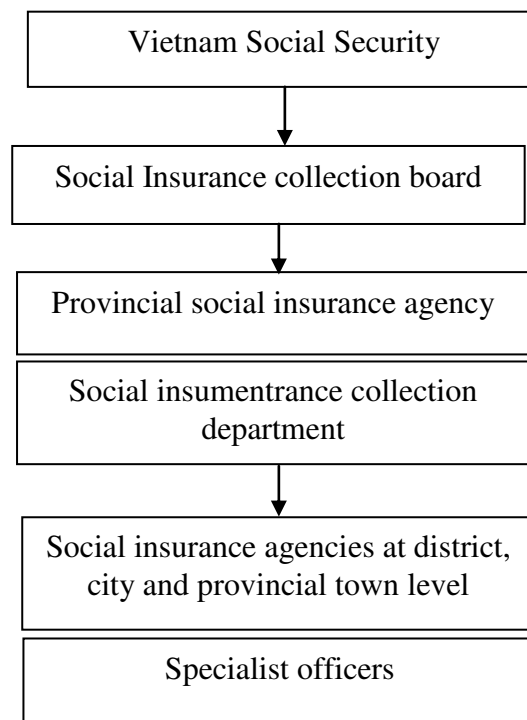
The thesis presents the functions and tasks of Vietnam Social Security and its organizational structure.

Regarding the organizational structure of social insurance collection agencies in Vietnam:

In February 1995, Vietnam Social Insurance started its operation and directly engaged in the collection of social insurance premium payments. The process was managed in a centralized and consistent manner under a three-level system from the central authority to the province and district levels. Vietnam Social Security delegates the collection of social insurance premium to lower-level agencies in accordance to administrative boundaries; which mean employers based in any locality shall participate and pay social insurance at that local social insurance agency. The local social insurance agency will manage all subjects by location, including foreign-invested enterprises.



**Figure 2.4: Social insurance collection model in Vietnam**



*Source: Vietnam Social Security*

### ***3.1.3. The legal framework for social insurance collection in Vietnam***

## **3.2. Situation of social insurance collection management in Vietnam from 2007-2017**

### ***3.2.1. Current situation of social insurance participant management***

*Major components:*

- Legal provisions regulating subjects participating in social insurance.
- Current situation of managing employees participating in social insurance.
- Current situation of managing employers participating in social insurance.
- Current situation of the proportion of employees participating in social insurance.

### **3.2.2. Current situation of social insurance eligibility**

*Major components:*

- Regulations on determinants of social insurance premium rates.
- Current situation of enforcement of social insurance premium payment.

### **3.2.3. Current situation of managing social insurance collection agencies**

*Major components:*

- Provisions on methods of social insurance payment
- Procedures of social insurance collection
- Social insurance collection results

Overall, in the period of 2007-2017, social insurance revenue is on a generally upward trend for all sectors. Total social insurance revenue in 2007 reached VND 23,769 billion; and VND 197,450 billion by 2017. In particular, the foreign-invested enterprises sector has a higher growth rate than the average growth rate of all sectors, and has the highest gross revenue in all sectors. In 2017, the revenue of the FDI sector was 69,803 billion VND, accounting for 50.1% of the total revenue of all businesses, accounting for 35.35% of the total revenue. The non-state enterprise sector has the revenue of VND 57,294 billion, accounting for 29.02% of the total revenue. The administrative and non-business sector has the 3rd highest revenue among all sectors, reaching VND 52,037 billion in 2017, accounting for 26.35% of the total revenue.

### **3.2.4. Current situation of social insurance risk management**

- Procedures of collecting social insurance debts
- Current situation of social insurance debts

According to the report by Vietnam Social Security, the problem of social insurance debt is plaguing most provinces and the total amount of outstanding social insurance debts has reached trillions of dong, mainly concentrated in the business sector. This is one of the most pressing issues for social insurance collection. Specifically, the number of entities which are evading payments and behind on schedule of social insurance premium payment is as follows:

**Table 3.2: Status of social insurance contributions in Vietnam  
from 2007-2017**

*Unit: billion dong*

Sectors	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administrative agencies, Party organizations, Unions, Armed Forces	104	125	77	136	894	396	513	412	359	364	259
State-owned enterprises	414	466	382	504	661	939	1057	934	894	926	837
Private enterprises	538	926	910	1002	2140	3229	3824	4299	4594	4391	3712
Foreign-invested enterprises	641	725	690	784	691	704	731	853	1044	844	796
Others	37	44	35	47	112	125	132	131	171	126	135
<b>Total:</b>	<b>1734</b>	<b>2286</b>	<b>2094</b>	<b>2472</b>	<b>4496</b>	<b>5393</b>	<b>6257</b>	<b>6628</b>	<b>7061</b>	<b>6651</b>	<b>5737</b>

*Source: Vietnam Social Security*

It can be observed from the table depicting debt situation above, the gross amount of social insurance debt for any given year is always higher than that of the previous year. The figure for Administrative agencies, Party organizations, Unions, Armed Forces and SOEs, is at a lower level compared to the group of enterprises with foreign investment capital and non-state enterprises due to the fact that the government acts as employers, with the rate of Social insurance premium payment evasion and late payment mostly associated with employees hired by state agencies and organizations in the form of labor contracts. According to the data, the bulk of debt is largely comprised of those owed by non-state enterprises with a total amount of over 3,712 billion VND, accounting for 64.7% of the total in 2017.

### *Rates of social insurance debt*

**Table 3.3: Rates of social insurance debt in Vietnam from 2007-2017**

<b>Year</b>	<b>Social insurance premium receivables (R) (Billion VND)</b>	<b>Social insurance debt (D) (Billion VND)</b>	<b>Rate of debt over premium due (%) = (D)/(R)</b>
<b>2007</b>	25.503	1.734	6,80
<b>2008</b>	33.225	2.286	6,88
<b>2009</b>	39.582	2.094	5,29
<b>2010</b>	52.212	2.472	4,73
<b>2011</b>	66.754	4.496	6,74
<b>2012</b>	94.859	5.393	5,69
<b>2013</b>	112.562	6257	5,56
<b>2014</b>	137.618	6.628	4,82
<b>2015</b>	154.610	7.061	4,57
<b>2016</b>	181.141	6.651	3,67
<b>2017</b>	203.187	5.737	2,82

*Source: Vietnam Social Security*

The table above shows that in terms of absolute values, the amount of social insurance debts in each year is higher than those in the previous year due to the higher receivables of the following year, which are mainly carried-over debts. Because most businesses tend to pay social insurance premium after paying monthly salary, insurance payments are usually made at the beginning of the following month. However, considering the ratio of debt to total receivables and the ratio of outstanding debt to the total debt, the figure for the any year actually decreased compared to the previous year. The rate of social insurance debts to total receivables tends to decrease, accounting for 6.8% of receivables in 2007 and falling rapidly to 2.82% in 2017. In particular, according to the data, the ratio of social insurance debt to the total receivables in the 2014-2017 is much lower than that of the previous years. This can be attributed to the impact of the Social Insurance Law 2014 on social insurance collection procedures.

### ***3.2.5. The situation of conducting specialized inspection and examination on social insurance payment***

*Major components:*

- Legal regulations on specialized inspection and examination of social insurance premium.
- The situation of specialized inspection and examination of payment of social insurance.

## **3.3. Assessment of the current situation of social insurance collection management in Vietnam**

### ***3.3.1. Results***

- a. Number of participants in social insurance*
- b. Management of social insurance eligibility*
- c. Management of social insurance collection*
- d. Procedures of collecting social insurance premium*
- e. Handling debt payment and late payment of social insurance premium*
- g. Inspection and examination of social insurance collection*

### ***3.3.2. Limitations***

In addition to the successes and achievements, the management of social insurance collection in Vietnam still suffers from a number of limitations:

(i) Regarding social insurance participants: The coverage of social insurance in the whole country is still at a low level, with a slow growth rate compared to the growth of the workforce.

(ii) Regarding the management social insurance eligibility: Major challenges still remain in monitoring the total salary fund of the employers, many entities that have registered for participation in social insurance are less than completely truthful and in reporting the effective salary fund for calculating social insurance premium for employees.

(iii) Awareness-raising activities and dissemination of information on social insurance laws and policies are less effective and thorough than expected, with limited appeal and fail to attract the attention of the majority of employees and employers.

(iv) Debt collection management: The management of debt collection, debt inspection and communication efforts to raise awareness on the issue are not effective, social insurance premium rates do not reflect the rapidly changing reality, with more and more complex situations emerging. This leads to the risk of social insurance revenue loss.

(v) Inspection and examination efforts in social insurance collection fail to monitor all violating entities and fail to keep up with more sophisticated tactics adopted by businesses to evade or delay payment of social insurance payment.

### ***3.3.3. The causes of the limitations***

#### *(i) Regarding social insurance participants*

+ Most employees have not paid sufficient attention to their contributions of social insurance premium; some enterprises are not forthcoming about their employees' social insurance contributions; it is not feasible to pay insurance for employees with a contract duration from 1 month to less than 3 months; the employees' income level is still generally low; some businesses maintain 2 set of payroll documents for employees (one for actual compensation and one for the purpose of calculating social insurance premiums).

#### *(ii) Regarding management of social insurance eligibility*

The issued legal documents and policies are not in sync, some regulations on implementation of social insurance schemes in the legal documents are still inadequate, inconsistent, and out of touch with reality.

#### *(iii) Regarding awareness-raising activities and dissemination of information on social insurance policies:*

These efforts are limited in terms of reach, consistency with the absence of an effective communication network to every social insurance agencies; the contents and methods of communication lack creativity and appeal. Therefore, they have failed to attract the attention of the majority of people.

#### *(iv) Regarding debt and management and collection:*

Many businesses are reporting inaccurate number of employees, with arbitrary increases or decreases in the staff size; some businesses also misused employees' social insurance contributions; small businesses working on a seasonal basis tend to come up with an agreement with employees to not participate in social insurance schemes; grassroots trade union organization in many businesses have not stepped up to protect employees 'right for social insurance.

#### *(v) Regarding the inspection and examination of social insurance:*

The inspection and handling of violations by competent agencies are not carried out in a timely manner. Even though social insurance law allows for criminal prosecution of social insurance violations, instruction circulars have not been issued due to the lack of coordination among competent authorities.

#### *(vi) Other causes*

- Unqualified social insurance collection officials;
- Lack of coordination between social insurance authorities and relevant agencies;
- Limited use of information technology applications.

## **CHAPTER 4. MEASURES TO STRENGTHEN THE MANAGEMENT OF SOCIAL INSURANCE COLLECTION IN VIETNAM**

### **4.1. Management philosophy on social insurance collection in Vietnam**

#### ***4.1.1. Forecast of Vietnam's socio-economic conditions***

#### ***4.1.2. Directions for social insurance development in Vietnam***

- Developing a flexible, diversified, multi-level, modern and integrated system of social insurance policies.
- Effectively implementing social insurance policies and schemes, quickly increasing social insurance coverage.
- Effectively implementing the collection and payment of social insurance: collecting from the correct subjects, with sufficient quantities and ensuring the collection on schedule prescribed by the Social Insurance law and relevant documents.
- Developing an organizational system to implement social insurance policies to ensure leanness, professionalism, efficiency and modernity.
- Encouraging participation of private businesses, individual business households in social insurance schemes in accordance with Social Insurance Law.
- Applying information technology to a greater extent in the management of social insurance collection, especially in the context of the industrial revolution 4.0.
- Improving the handling of outstanding debts at regional level, handling violations of social insurance and contravention of law.
- Implement awareness-raising activities with more focus, clear priorities with the goal of improving efficiency and relevance to practical issues.

#### ***4.1.3. Social insurance development goals in Vietnam***

*By 2021:* Approximately 35% of the labor force in the eligible age group will be covered by social insurance

By 2025: Approximately 45% of the labor force in the eligible age group will be covered by social insurance

By 2030: Approximately 60% of the labor force in the eligible age group will be covered by social insurance

#### ***4.1.4. Forecast of social insurance revenue in Vietnam***

- Forecast of Vietnam's population until 2025
- Forecast of social insurance collection in Vietnam

#### ***4.1.5. Philosophy on managing social insurance collection in Vietnam***

- Management of social insurance collection must ensure the revenue generation while balancing the interests of employees, the government and society.

- Management of social insurance collection from enterprises takes the central role in long-term strategies.

- An important objective is aim to expand the collection targets by ensuring equal rights to social insurance participation for all strata of the population.

- Preventive rather than reactive measures must be prioritized in managing social insurance debts.

- Furthermore, international integration in social insurance is another crucial task.

### ***4.2. Solutions to strengthen the management of social insurance collection in Vietnam***

#### ***4.2.1. Group of solutions for expanding and developing social insurance participants***

- Develop and provide specific guidance in implementing the model of multi-level social insurance;
- Effective implementing of social insurance policies.

#### ***4.2.2. Solution package to ensure the participation in social insurance schemes***

Premium rates, methods of payment, salaries and wages should all



be considered as a basis for payment of social insurance premiums.

#### ***4.2.3. Solution package for managing social insurance collection***

In order to collect from the correct subjects and collect the full amount from the participants of social insurance, the issue of perfecting the method of social insurance collection needs to be considered more seriously and consistently from the highest level to lower-level collection and payment agencies.

#### ***4.2.4. Solution package for limiting risks in social insurance collection***

In addition to the solutions to remind, recover debts, and late payment of social insurance premium, it is necessary to consider "preventative measures" to aid the collection of social insurance to achieve the best efficiency.

#### ***4.2.5. Solution package to enhance the effectiveness of social insurance collection and inspection***

- Strictly following the inspection and examination process.
- Improving the training and retraining of human resources.
- Developing inspection and examination plans.
- Clearly defining the roles and responsibilities of inspection officials.
- The social insurance agencies need to encourage self-monitoring efforts.

#### ***4.2.6. Other solutions***

- Improving awareness-raising activities, dissemination of necessary information, and encouraging compliance with social insurance laws
- Restructuring and improving the efficiency of the organizational system of social insurance agencies at all levels
- Collecting payment through tax agencies
- Increasing the application of information technology and administrative reform
- Developing a model for calculating the balance of social insurance fund to ensure its viability

- Strengthening public relations and international cooperation in social insurance activities

### **4.3. Conditions for the effective implementation of measures to enhance the management of social insurance collection in Vietnam**

#### ***4.3.1. The role of the National Assembly***

It is necessary to complete the Law on Social Insurance through reviewing the relevant provisions in other legislation on Employment, Labor and Compensation, etc.

#### ***4.3.2. The role of the Government***

Directing the competent ministries and branches of government to conduct research, complete and promulgate decrees and circulars guiding the implementation of amended and supplemented social insurance law to enable social insurance agencies to perform effectively.

#### ***4.3.3. The role of competent ministries***

The state agencies (the Ministry of Finance, the Ministry of Labor, War Invalids and Social Affairs) with jurisdiction over social insurance are responsible for writing and submitting bills to the Government or the Prime Minister for promulgation. Furthermore they can approve a number of legal documents on social insurance and fund management schemes according to their competence. In addition state agencies have the crucial tasks of examining the organization of the social insurance activities; establishing a system for implementing policies and scheme for employees; as well as managing the social insurance fund. The ministries can also make recommendations to other agencies such as the State Bank of Vietnam; Ministry of Internal Affairs; Police; Supreme Court; Ministry of Planning and Investment; Trade Union organizations, unions, etc.

## CONCLUSION

Social insurance collection management is one of the most important and difficult tasks of the social insurance industry. In order to achieve the effective collection of social insurance premiums, it is necessary to have appropriate policies, rigorous, reasonable and science-based management procedures. During the process of implementing social insurance policies, adjustments and supplements are constantly made to better reflect practical situations. However, various shortcomings still remain.

With the aim of strengthening the management of social insurance collection, the author has studied in depth the factors influencing the management of social insurance collection. Within the scope of the thesis, the author has come to the solutions to the following main issues: First, the author has provided an overall picture of domestic and foreign research projects on social insurance collection management. Second, the author has consolidated, systematized and clarified the general theory of social insurance collection management and analyzes the factors affecting the management of social insurance collection in Vietnam.

Based on the research results and analysis of the factors affecting the management of social insurance collection in Chapter 3, the author has offered appropriate solution packages in Chapter 4 to further improve the effectiveness of Social insurance collection management in Vietnam.

During the research process, the author of the thesis has made the best attempt to cover all relevant issues. However, certain shortcomings are inevitable which calls for further adjustments and supplement by other researchers. Therefore, the author of the thesis is looking forward to receiving valuable comments from teachers, scientists, and colleagues to further improve the thesis.