INCREASING PARTICIPATION OF WAGE EMPLOYEES WORKING FOR HOUSEHOLD BUSINESSES IN COMPULSORY SOCIAL INSURANCE

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Abstract: Household businesses play a significant role in Vietnam's economy, with 2.5 million registered businesses employing nearly 4 million workers, accounting for 10% of the workforce. However, in 2022, only 1.8% of these workers participated in both compulsory and voluntary social insurance, despite the 2014 Social Insurance Law requiring employees engaged under indefinite-term labor contracts or contracts lasting a minimum of one month at household businesses to join compulsory social insurance. To address this, the new Social Insurance Law of 2024, effective July 1, 2025, aims to increase the participation rate of both business owners and their employees in the social insurance scheme, aligning with efforts to formalize the informal sector and expand social protection amid an aging population. However, lessons from the 2014 law suggest challenges in enforcing this regulation within household businesses. This paper, part of a broader study by the Vietnam Development Research Institute (VIDERI) under the Vietnam Economic Association and sponsored by the International Labour Organization, assesses the current state of social insurance participation in household businesses. It evaluates the perceptions of both business owners and employees, provides recommendations to enhance the feasibility of implementing the new policy on compulsory social insurance for workers in this sector.

Keywords: *compulsory social insurance, wage employees, household business.*

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1. Introduction

Household businesses (HHB) have significantly contributed to the economy of Vietnam and are currently undergoing a formalization process. This sector has provided employment to a substantial number of workers, many of whom remain uninsured under the compulsory social insurance (CSI) scheme. The Resolution 28-NQ/TW, issued on May 23, 2018, pointed out shortcomings of the social insurance system at that time and outlined directions for its reform. As a result, the Social Insurance Law (SIL) 2024, which will come into effect on July 1, 2025, has broadened the scope of individuals eligible for CSI to include registered HHB owners, reflecting the Government's significant commitment to advancing the formalization of the informal sector. Nevertheless, experiences from the implementation of the SIL 2014 concerning the inclusion of employees within the HHB sector in the CSI suggest that there may be inherent challenges in enforcing the new regulations regarding the social insurance of workers in this sector.

The HHB sector plays a crucial role in the economy, with wage employees in HHBs required to participate in the CSI scheme. HHBs are a prevalent type of business organization in Vietnam, formed by a group of household members who agree to operate a business without formal registration as an enterprise. Additionally, individuals may also register as HHBs, leading to a growth trend in this sector, which remains classified as informal and lacks a clearly defined legal status. Currently, there are approximately 2.5 million registered HHBs employing nearly 4 million workers, representing about 10% of the total workforce in the economy. According to Clause 1, Article 2 of the SIL 2014, employees engaged under indefinite-term labor contracts or contracts lasting at least one month in HHBs are required to participate in the CSI scheme.

The participation rates of individuals in the CSI scheme continue to be remarkably low. According to estimates from the research team utilizing data from the Labor Force Survey conducted by the General Statistic Office (GSO), the number of employees in household businesses (HHBs) was 7.8 million in 2020, rising to 8.6 million by 2022. This increase in employment within HHBs can be partially attributed to the effects of the COVID-19 pandemic, which led to job losses in the formal economic sector, prompting some workers to transition into the informal sector (Quyen, 2021).

Employees in household businesses (HHBs) represent a significant segment of Vietnam's overall workforce[1], however, their engagement in both compulsory and voluntary social insurance remains notably low, recorded at just over 1.8% in 2022. From 2020 to 2022, there has been a slight increase in participation rates for both types of social insurance among this workforce, rising from 1.19% to 1.83%. This uptick can be partially linked to the effects of the COVID-19 pandemic, which has heightened awareness of income instability among these workers, fostering a stronger inclination to enroll in social insurance. Nevertheless, the participation rate for wage earners in the HHB sector continues to be alarmingly low. Consequently, more than 10 million workers, including both family members and wage earners in household businesses, remain largely unprotected by the social security system.

Furthermore, enhancing the participation rates of this employee demographic in the CSI scheme represents a pragmatic strategy to address the challenges posed by the aging. population[2] in Vietnam. The United Nations Population Fund in Vietnam has indicated that the aging process of the country's population is anticipated to accelerate more rapidly than previously projected. According to the National Population Database, on February 9, 2023, the total number of individuals aged 60 and above in the country was 16,179,824, representing almost 17% of the overall population[3]. It is anticipated that by the year 2036, Vietnam will begin to experience the phase of an aging population, evolving from an "aging" society into an "old" society[4]. From 2036 through the conclusion of the forecast period in 2069, the population of individuals aged 60 and above will surpass that of children aged 0 to 14. At the provincial level, while there are 14 provinces with an aging index exceeding 100 in 2029, this number is projected to rise to 41 provinces by 2039. The rapid progression of population aging in Vietnam necessitates urgent preparations for the

[1] According to the GSO, the labor force aged 15 and over in 2022 reached 51.7 million people, an increase of 1.1 million compared to the previous year. The labor force in urban areas was 19.1 million people, accounting for 37.1% of the total. The female labor force comprised 24.2 million people, making up 46.8% of the country's labor force.

[2] According to United Nations data, as of January 7, 2024, Vietnam's population is 99,191,534 people (accounting for 1.23% of the world's population). In the ASEAN Economic Community (AEC), Vietnam's population ranks 3rd (after Indonesia and the Philippines). Globally, Vietnam's population ranks 15th. Currently, Vietnam's population density is 320 people/km2, the average age is 33.2 years old. In 2020, the country had more than 11 million elderly people (accounting for 11.86% of the population). It is forecasted that in 10 years (2030), the elderly will account for 17% of the population; by 2038 it will be 20% and by 2050 it will be 25%.

[3] As of February 9, 2023, of the 16,179,824 people aged 60 and over, 9,417,924 were aged 60 to under 70; 4,189,640 were aged 70 to under 80; 1,907,991 were aged 80 to under 90; 623,221 were aged 90 to under 100; and 41,048 were aged 100 and over.

[4] Among the increasing elderly population, the early elderly group (60-69 years old) has the highest growth rate, followed by the late elderly group (80 years old and above). The aging index of the whole country in 2029, 2049 and 2069 is forecasted to be 78.0; 131.3 and 154.5, respectively.

elderly[5]. Currently, approximately 20% of the elderly rely on pensions or social benefits, while the proportion of elderly individuals benefiting from social insurance and preferential policies is below 50% (Tao, 2023). Enhancing the coverage of compulsory social insurance by boosting the participation rate of employees in the household business sector represents a social security policy that aligns well with the realities of an aging population.

2. Research Objectives and Methodology

Research Objectives

This paper is a component of a broader research initiative titled "Assessment of Business Registration and Expansion of Subjects Participating in CSI for the Group of Registered HHB Owners." This study is being carried out by the Vietnam Development Research Institute (VIDERI) which is under the Vietnam Economic Association, with funding from the International Labor Organization (ILO). The objective of this paper is to:

Assess the current situation of CSI participation among employees in HHBs.

Evaluate the understanding and perception of HHB owners regarding their obligations to participate in CSI for their employees.

Propose solutions and recommendations to increase the feasibility of implementing the policy on CSI participation for employees in HHBs.

Research Methodology

The Research Team is employing three primary methods for data collection in this study: (1) Desk review, (2) Surveys targeting HHB owners, and (3) In-depth interviews and focus group discussions with officials from government and social insurance administrations, as well as HHB owners.

Desk rewiew. The objective of the literature review is to establish a theoretical framework and to present the most recent insights concerning matters associated with the social security system, as well as the perspectives of the Party and State on the development of this system. Additionally, it examines the institutional and legal context within Vietnam. The review also analyzes secondary data derived from the General Statistics Office's Labor Force Survey to assess the current involvement of employees from household businesses in the existing SCI scheme.

Survey on Household business. A structured survey utilizing a questionnaire directed at HHB owners constitutes one of the two main methods for data collection in this research. This survey aims to gather insights regarding the perceptions and evaluations of both registered and unregistered HHB owners on several key topics: (i) comprehension of laws pertaining to CSI for registered HHB owners and their employees; (ii) readiness to engage in CSI among employees in HHBs; and (iii) evaluations by HHB owners concerning the advantages of participating in CSI, alongside the associated costs and obstacles faced by employees in HHBs. Additionally, the survey will solicit feedback from HHB owners regarding the extent of CSI contributions and specific regulations outlined in the SIL of 2014 and 2024. The sample size and structure are detailed in Table 1.

Table 1. Sample of the survey (registered and unregistered) HHB owner

		Registered HHB owners	Unregistered HHB owners	Total
Total		**234**	**162**	**396**
Location	City (Hanoi and Ho Chi Minh City)	147	236	527
	Province (Tuyen Quang and Thanh Hoa)	87	160	300
Gender of HHB owner	Male	141	218	404
	Female	93	178	423
Industry	Manufacturing and construction	69	109	197
	Wholesale and retail	68	152	203
	Accommodation and food service activities and tourist	33	97	164
	Transportation and other services	64	38	263

Source: Survey of registered/unregistered HHB owners (VIDERI, 2024)

In-depth interview and focus group discussion. Qualitative data collection instruments were utilized with two groups of key informants, which included:

[5] According to Tao (2023), the population aging process in Vietnam is happening very quickly, inversely proportional to economic growth and development, so people's lives are still difficult, low income, social insurance has not covered the whole population. Currently, most of the population living in rural areas (65.7%) are farmers and work in agriculture. The lives of the elderly are still difficult: 70% have no material savings; 2.3% face difficulties and deprivation, and 18% live in poor households; over 70% of the elderly still work to earn a living with the support of their children and family; only over 25.5% of the elderly have pensions or social benefits. The number of elderly people living with and relying on their children and grandchildren accounts for 72.3%. Vietnam is one of the few countries with an aging population when it is not yet rich, so it is necessary to soon have a solution to overcome the vicious cycle: when young, people struggle to make a living, do not have the conditions to take care of themselves and their children, are malnourished, and lack material things; when old, they do not have savings, live on their children and society, greatly affecting the quality of the population and human resources.

Registered and unregistered HHB owners: The interview content aimed to gather their perspectives on awareness and comprehension of the SILs, the advantages they perceive, and their capacity to engage in CSI, including the appropriateness of regulations concerning contribution levels, rates, and any obstacles that might hinder their participation in CSI. Participants for the in-depth interviews and focus group discussions were intentionally chosen from HHB owners or individuals who took part in the survey and expressed a willingness to provide more detailed insights and feedback pertinent to the research topic.

Officials from relevant provincial and district departments, along with experts, will engage in discussions aimed at evaluating the practicality of implementing the SIL 2014 and the new regulations of SIL 2024 in their respective areas. The objective is to leverage the distinct attributes of large cities in contrast to other locations and to develop recommendations for enhancing the feasibility of the new regulations. The sample size for in-depth interviews and focus group discussions is detailed in Table 2.

Table 2. Qualitative Sample

Key informants	Quantity
Social Insurance officials (provincial and district levels)	19
Leaders of the District People's Committee and representatives of line departments *(including Department of Finance and Planning, Department of Economic Infrastructure, and Department of Labor, Invalids and Social Affairs)*	16
Social Insurance Experts	3
Total	**38**
Household business owners participate in FGD (7 FGD sessions, 4-8 participants/group)	35
Household business owners participate in IDI	18
Total	**54**

Source: Sample of quatitative surrey (VIDERT, 2024)

3. Findings and discussion

This section examines the extent of participation in the CSI among employees of HHBs. It further addresses the involvement of family workers in social insurance, who play a crucial role in the workforce of CSIs yet frequently lack formal labor contracts, allowing for a comparison with the category of "wage" workers. Moreover, this section investigates the knowledge and practices of HHB owners concerning their employees' engagement in the CSI program. The factors contributing to the reluctance of employers (HHB owners) to contribute to the CSI scheme on behalf of their employees are also analyzed.

The level of participation in the SCI scheme among employees working for HHBs

The participation rate in the CSI scheme is notably low, with fewer than 1% of family workers and slightly more than 1.1% of wage workers in household businesses and individual enterprises engaged in this form of insurance. Although the SIL 2014 mandates the contribution shares from both employers and employees to the CSI scheme, a requirement that has been in place since January 1, 2016, there has been no significant enhancement in the participation levels of informal sector workers in the social security system (refer to Table 3).

Table 3. An estimation of the number of employees and the participation rates in social insurance (both compulsory and voluntary) for family workers and wage workers in households and individual businesses

		Family Worker		Wage workers in HHBs	
		2020	**2022**	**2020**	**2022**
Total number of people/workers (unit: 100000 people)	**Whole country**	**19.1**	**19.2**	**78**	**86.5**
	Urban	8.9	9.5	25	29.2
	Rural	10.2	9.8	53	57.3
Simulated estimates of social insurance participation rates [mandatory and voluntary] (unit: %)		1.22	1.9	1.19	**1.83**
CSI	**Whole country**	**0.73**	**0.96**	**0.78**	**1.14**
	Urban	1.29	1.49	1.37	1.9
	Rural	0.23	0.46	0.5	0.75
Voluntary social insurance	**Whole country**	**0.49**	**0.94**	**0.41**	**0.69**
	Urban	0.68	0.99	0.62	0.77
	Rural	0.33	0.88	0.31	0.65

Source: Authors' estimation from the Labor Force Survey

Data obtained from household and individual business surveys conducted across four localities indicated a minimal percentage of household business owners employing non-family workers, aligning with the national data estimates previously referenced. Out of the 827 household and individual business owners who took part in the survey, merely 15% (or 128 respondents) indicated that they employed at least one worker under a labor contract, whether for an indefinite duration or for a term of one month or longer. Among these 128 respondents, only 40.6% (which translates to 56 respondents) reported their participation in social insurance for employees. This figure represents 6.8% of the overall survey sample, as depicted in Figure 1.

Figure 1. Percentage of HHB owners and individual entrepreneurs reporting the use of contract labor and participation in the SCI scheme for employees

Source: The survey conducted with individual and HHBs (VIDERI, 2024)

Business owners who reported their involvement in social insurance for their employees also noted that this decision was influenced by the fact that many of these employees were relatives or family members. To facilitate social insurance participation for this category of employees, they entered into non-term labor contracts. This group demonstrated a clear understanding of the advantages of social insurance, which motivated them to enroll family employees. Some family members were not officially recognized as employees of the business owner; they simply signed a labor contract to ensure compliance with legal requirements regarding social insurance participation. In-depth interviews with owners of household businesses indicated that they were unable to enroll hired employees who were not family members or relatives in social insurance. It was established that these employers did not willingly allocate time and resources for social insurance for non-relative employees. This observation is consistent with the insights provided by local social insurance officials, as elaborated upon in the following sections.

Field data obtained from conversations with district-level social insurance agencies in the surveyed provinces and cities indicated that a minimal number of household businesses with active business registrations are engaging in the compulsory social insurance for their employees. Further details can be found in Box 1 below.

Box 1: Number of HHBs participating in the CSI scheme for employees

Thanh Hoa Province (Dong Son District): "Dong Son District currently (2024) records 10 household businesses participating in CSI for employees. Most of the employees in these household businesses are family members and relatives. Participation in CSI aims to assist family members in securing health insurance for medical visits or accessing maternity benefits for female relatives."

Ho Chi Minh City (District 6): "As of September 2024, District 6 has a total of 20,268 household businesses, with merely 48 of these participating in social insurance for their employees. This represents an increase of just one unit since December 2023."

Tuyen Quang Province: "Statistical information provided by the Social Security Agency of Tuyen Quang Province indicates that the province has approximately 900 to 1,000 employees from household businesses (HHBs) engaged in the social security system. The majority of these HHBs are small in scale, typically employing just 1 to 2 individuals, with a maximum of 2 to 3 employees."

Source: Notes in round-table discussions with local Social Insurance Agencies in surveyed localities

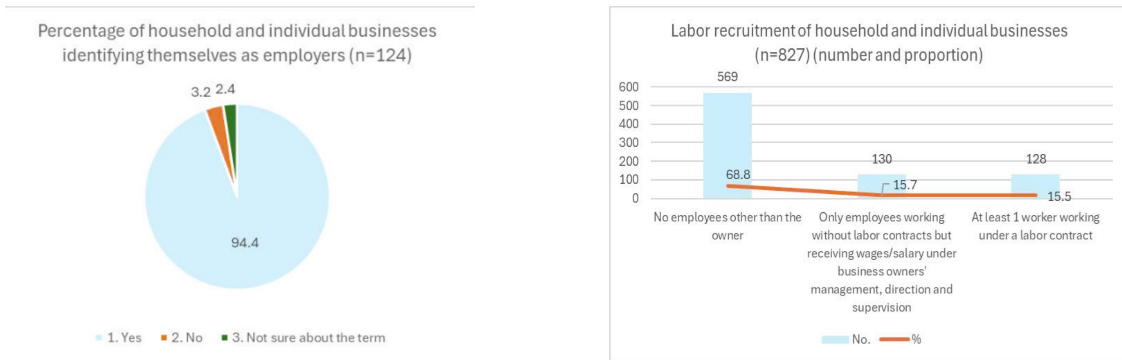
HHB owners' perception regarding participation in the SCI scheme for their employees

In general, HHBs owners, as employers, have a limited awareness of the legal regulations related to CSI for employees.

First of all, while owners of household businesses (HHB) and individual entrepreneurs can ascertain their status as employers (refer to Figure 2), they face challenges in determining the specific instances that necessitate a written labor contract for their employees. . Of the 128

HHB owners and individual entrepreneurs who employ individuals under a labor contract, 124 responded to the question, "Do you identify yourself as an employer?" and 94.4% answered YES. The percentage of No responses was quite small at 3.2%, while the percentage of those who "did not understand the concept of an employer" was only 2.4%.

Figure 2. Labor situation of household businesses



Source: The survey conducted with individual and HHBs (VIDERI, 2024)

As per Article 2 of the SIL 2014, employees who have labor contracts lasting one month or longer are required to be included in the CSI. Additionally, Clause 3 of this Article mandates that employers, including household businesses (HHBs), must register their employees for social insurance. Consequently, if a household business employs individuals under a labor contract of one month or more, it is obligated to ensure their participation in social insurance. Furthermore, Article 14 of the Labor Code 2019 states that labor contracts may be established either in writing or verbally. For contracts with a duration of less than one month, a verbal agreement is permissible; however, contracts exceeding one month must be formalized in writing[6].

A total of 130 HHB owners and individuals, representing 16.7% of the survey sample, indicated that they routinely employed workers who received wages or salaries and were overseen by the HHB owner, yet did not enter into a formal labor contract (see Figure 2). In discussions and interviews regarding the necessity of signing a written labor contract, numerous HHB owners expressed a lack of knowledge on the subject. Furthermore, HHBs exhibit a highly adaptable approach to labor utilization, which varies according to the nature of the business and the season. For example, food businesses that only operate during certain times of the day, such as in the morning or at noon, may hire long-term workers, but these employees only work four to five hours each day. These households and individual businesses consider this part-time work to be not a "stable and long-term" job and, therefore, do not believe they are required to sign a contract or participate in CSI for employees. This indicates that they have not proactively learned about relevant legal regulations, rather than intentionally choosing not to comply with regulations on labor contracts. Some business owners noted that their operations were small-scale and fragmented, and that they hired workers on a seasonal basis, which contributed to their lack of attention to legal education on this matter. Additionally, a significant number of business owners who employ hired labor in focus group discussions and in-depth interviews conveyed that they did not comprehend the legal ramifications of failing to engage in CSI for their employees. They were predominantly unaware of the stipulations outlined in the SIL 2014 regarding the legal restrictions imposed on HHB owners when participating in CSI for their employees, which include:

- Evading payments for CSI and unemployment insurance.
- Delaying the payment of social insurance and unemployment insurance.
- Misappropriating social insurance and unemployment insurance payments and benefits.
- Committing fraud or falsifying records in the implementation of social insurance and unemployment insurance.
- Illegally using social insurance and unemployment insurance funds.
- Obstructing or causing difficulties and damage to the legal and legitimate rights and interests of employees and employers.
- Illegally accessing and exploiting databases related to social insurance and unemployment insurance.
- Reporting false information or providing inaccurate data regarding social insurance and unemployment insurance.

Certain business owners, who have registered their enterprises and maintained stable operations for numerous years, expressed that this was the first occasion they were made aware of the requirement for their employees to engage in CSI. Below are some of their remarks:

[6] If the employer fails to comply, he or she will be punished according to Clause 1, Article 9 of Decree 12/2022/ND-CP.

Box 2: HHB owners lacks awareness of their mandatory obligation in participating in CSI for their hired employees

"I have never heard that as a business owner, I have to pay CSI for my employees. I have been operating my business since 2015, which amounts to nearly a decade . I have not encountered any legislation regarding this matter, nor have I received any notifications from relevant agencies urging my participation. I employ five workers who live and work at my factory. I pay them a monthly salary and cover their living expenses on-site. However, I have not signed labor contracts with them, even though they have worked for me for many years. Even during the COVID pandemic, when there were almost no orders, I had to use my own money to cover the costs for my employees. The truth is that I did not know I had to participate in CSI for my employees."

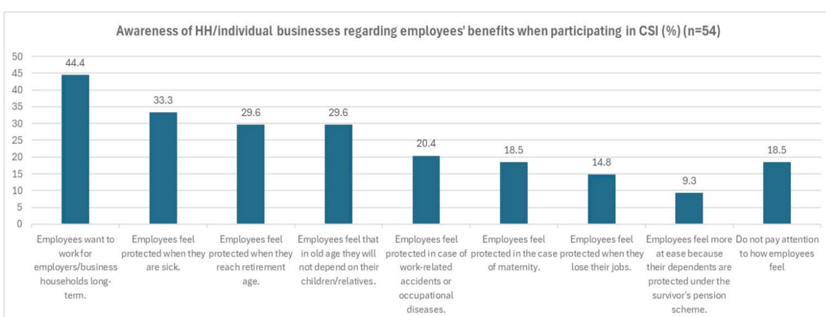
"I find it very worrying. Now I know that I will have to participate in CSI for HHB owners, and I also know that I will have to participate for employees. If I choose to employ my family members, and they all necessitate my participation in the CSI, it will pose a significant challengefor me. I am now aware of these regulations. Each morning, upon waking, I must consider the various expenses I need to manage, and I now realize that I must also factor in the social insurance fee."

Source: Focus group discussion with HHBs in a district in one of the two major cities.

Second, business owners often perceive themselves as part of the informal economic sector, which is marked by instability, small scale operations, and limited revenue and profit. Consequently, they tend to regard compliance with regulations pertaining to social security and labor relations as relatively unimportant..

Third, the survey also gathered insights from business owners who participate in CSI for their employees (54 respondents) regarding the benefits that their employees can enjoy (refer toFigure 3 below). This group believes that employer participation in CSI fosters a greater attachment among employees to the business, attributing this to the job's stability, a sentiment echoed by 44.4% of the respondents. One-third (33.3%) of the business owners and individual entrepreneurs involeved in CSI for their employees asserted that "their employees feel protected when they are sick." Other benefits selected in succession include: "employees feel protected when they reach retirement age" (29.6%), "employees feel independent [not dependent on children or relatives] when they get old" (29.6%), "workers feel protected when they have work-related accidents or occupational diseases" (20.4%), and "employees feel protected in case of maternity" (18.5%). The comparatively low rates suggest that, while business owners engage in CSI for their employees, they do not place excessive value on the diverse benefits available to employees. This may explain why they do not utilize CSI for employees as a strategy to attract workers.

Figure 3. Perception of the household and individual businesses on the employee's benefits when participating in the CSI



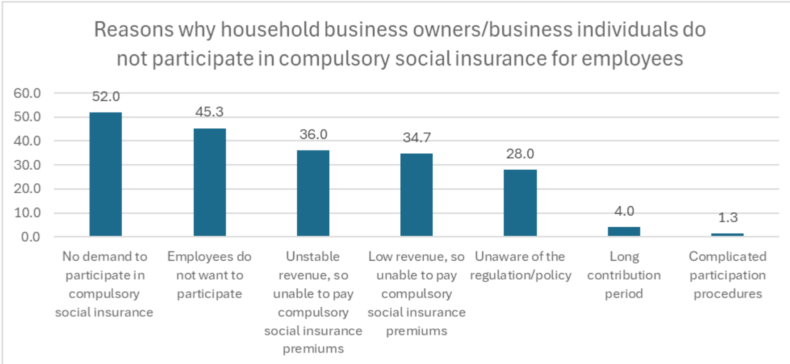
Source: The survey conducted with individual and HHBs (VIDERI, 2024)

In conclusion, a legal regulation that has been in effect for nearly 10 years remains largely unknown to those it governs. The insufficient comprehension among HHB owners demonstrates that distribution of legal information is inadequate, and it also highlights a tendency to refrain from actively seeking knowledge about laws pertinent to business operations.

Reasons/barriers that prevent HHB owners and from participating in CSI for their employees

The survey featured a question regarding the factors influencing employees' non-participation in CSI among households that indicated the use of labor through labor contracts. Figure 4 presents the reasons selected, arranged from highest to lowest.

Figure 4. Reasons why HHB owners/business individuals do not participate in CSI for employees (%)



Source: The survey conducted with individual and HHBs (VIDERI, 2024)

First, as shown in figure above, 52% of respondents indicated that they refrained from participating in CSI for employees because they "did not need it." During focus group discussions and in-depth interviews, they elaborated on this sentiment, stating that they did not recognize any advantages associated with engaging in social insurance for employees, leading to a lack of motivation to participate. They noted that such participation did not enhance their standing with employees or facilitate the recruitment of additional workers. In fact, the typical workforce for business owners and individuals comprises only 1 to 2 employees (excluding the owners themselves), which diminishes the emphasis on attracting workers through adherence to social insurance regulations. In regions where it is particularly challenging to hire employees, business owners and individuals tend to rely solely on wages as the primary incentive for attracting workers.

Second, 45.3% of respondents said they did not participate in CSI for employees because "the employees themselves do not want to participate." According to some HHB owners in the group discussion, employees do not want to participate in CSI because their income is still too low, and they do not want to have a portion of their income deducted to contribute to social insurance. Employees recognize that they are required to allocate a portion of their earnings (10.5%) towards social insurance, unemployment insurance, and health insurance. Consequently, they exhibit hesitance in participating, as their overall income is relatively modest.

Box 3: Employees' unwillingness to participate in the CSI

"Prior to establishing my own business, I was employed by a company that mandated participation in the CSI. This experience has given me a clear understanding of the significance of social insurance for employees. When I launched my own business, I also endeavored to implement the human resource management practices I had observed at my former workplace. Therefore, I engaged in discussions with my sales team regarding their participation in CSI. Unfortunately, my employees declined to participate upon discovering that they would be responsible for covering 10.5% of the total insurance premium across all insurance categories. I am able to offer a monthly salary ranging from 5 to 6 million VND. While this amount exceeds the regional minimum wage, the rising cost of living poses a significant challenge. If my employees are required to allocate approximately 500,000 to 600,000 VND each month for insurance contributions, their disposable income becomes quite limited. Consequently, I empathize with their decision to decline participation in the CSI program, despite my willingness to cover the associated costs. I believe that workers will only consider reducing their income for insurance premiums when their "take-home" income reach a minimum of 7 million VND per month, which is regarded as the "living income" threshold in our district town.

Source: In-depth interview with a telecommunications agency service HHB owner

Instances in which HHB owners indicated that their employees sought to renegotiate following the introduction of this regulation were quite rare. Employees approached HHB owners with requests to either raise their salaries to align with 21.5% of the total insurance premiums, which encompass social insurance, or to manage the social insurance processes on their behalf. It is important to highlight that such occurrences are not typical. Among the numerous HHB owners who were interviewed or took part in focus group discussions, only one or two reported that their employees were cognizant of this legal regulation and had initiated discussions to amend their labor agreements.

Third, a total of 36% and 34.7% of business owners identified unstable revenue and low revenue, respectively, as factors deterring their participation in CSI for employees. These two issues frequently coexist. The traits associated with low and unstable revenue are commonly found in the informal economic sector (Hung, 2021) and were further confirmed during meetings with local management officials, as well as through discussions and interviews with business owners and individual entrepreneurs (refer to box 4).

Box 4: Fierce competition and low profit margins are two main reasons for HHB's hesitation in participating in CSI for their employees

"Even if I wanted to participate in CSI for employees, I couldn't do it. The level of competition has intensified, particularly from individuals engaged in online business, while my expenses remain elevated and significantly exceed those of online entrepreneurs. Consequently, over the past five years, particularly following the COVID pandemic, my business has experienced a downturn and has consistently operated at a loss. With revenues declining and no signs of stabilization, my only option has been to avoid reducing employee salaries; however, I find it impossible to incur the additional costs associated with mandatory insurance contributions for my staff."

Source: Interview with an HHB owner located in a central district of one of the two major cities

"In suburban regions, household businesses (HHBs) experience considerable fluctuations in revenue, particularly those engaged in the sale of agricultural supplies to farmers. During the harvest season, farmers typically settle their debts related to agricultural inputs acquired throughout the production cycle, leading to a substantial increase in business revenue. During this time, their employees (such as sales personnel, accountants, and porters) also have a lot of work to do. Conversely, in non-harvest times, accountants or sales staff often work as "custodians," and business owners might have no income. Additionally, adverse weather conditions can lead to crop failures, leaving farmers indebted to business owners and resulting in significantly diminished revenue during these times. Therefore, if business owners in this sector are required to regularly participate in CSI for their employees, as enterprises in the industrial sector do, I find it very difficult for them."

Source: Discussion with a provincial insurance agency in a surveyed province

Finally, a significant reason mentioned by 20% of business owners for their lack of participation in CSI for their employees is their unaware of this regulation. This issue has been previously examined.

Thus, There are several factors that deter HHB owners from engaging in CSI for their employees. Primarily, they do not recognize any advantages for their businesses. Additionally, the interplay of low and unpredictable revenue, coupled with employees' hesitance to participate in CSI, exacerbates the situation. A fundamental issue is that their current earnings fall below the "living standard" threshold, which hinders their ability to allocate funds for "managing the risk of income loss or reduction during working age" and "compensating for income after retirement," objectives that the CSI policy aims to address. Furthermore, tax regulations applicable to HHBs fail to consider the "vulnerability" and "less competitive capacity" of these businesses. Consequently, promoting their participation in social security policies for their employees becomes unfeasible, as demonstrated in practice. This suggests that there needs to be truly practical and cohesive policies aimed at improving the competitiveness of this sector, or tax incentives for these groups. HHB owners would likely be more inclined to engage in the safety system for both themselves and their employees. Otherwise, the immediate difficulties faced in the short term may lead business owners and individual entrepreneurs, as well as workers, to overlook the long-term benefits that participation in CSI can offer.

4. Recommendations and Conclusion

The impartial implementation of the new regulation concerning social insurance for registered HHB owners, effective from July 1, 2025, is not a matter of dispute. Nevertheless, it is essential to evaluate the practicality of universal participation in the CSI for both employees and employers within the sector by that date. The regulations governing CSI participation for employees and employers in HHBs must be elaborated to address the specific vulnerabilities and characteristics inherent to this sector. Furthermore, the obligations placed on employers operating HHBs or those participating in the CSI for employees under the SIL 2014 may create a "double burden," which could further diminish the already limited competitiveness of the sector, thereby heightening its susceptibility. The inclusion of nearly 10 million workers, encompassing both family and employed individuals, underscores the importance of expanding social insurance coverage for these groups. This expansion is crucial not only for the nation's social security framework but also for the individuals involved. However, the financial burden cannot be placed solely on informal sector workers and "vulnerable" HHBs. It is imperative to develop adaptable financial support packages tailored to the needs of this sector.

First of all, it is essential to provide education and communication to HHB owners and employees within these organizations regarding the provisions of the SIL 2014, as their current understanding of this legislation is significantly lacking.

The state budget should provide support packages aimed at reducing the financial strain on both employees and employers within HHBs. A "bold" solution to consider is allowing the deduction of CSI premiums paid for employees participating in the CSI from the "contractual (revenue) tax" and "personal income tax" obligations of HHB owners.

Additionally, a more favorable support mechanism than the existing voluntary social insurance support level should be implemented for employees in HHBs to increase the appeal of voluntary social insurance participation. Localities with budget autonomy ought to be motivated to reassess these support packages every three years..

Implementing social insurance for HHBs and their employees requires a flexible and practical approach. When businesses are profitably operated, people are often willing to participate in social insurance. Conversely, during periods of financial difficulty, it is essential to explore flexible alternatives, such as the option to suspend contributions. This approach is vital for maintaining the long-term viability of the policy. While the potential for success is considerable, given the enthusiasm demonstrated by many registered HHB owners, achieving full coverage in the initial phases of the Law's implementation is unlikely.

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