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TWO TYPES OF WAGES: COMPARATIVE INSIGHTS FROM INDONESIA AND SELECTED EAST ASIAN COUNTRIES

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Abstract

Drawing on Judgment No. 1180/2023/LĐ-PT of the People's Court of Ho Chi Minh City, this article examines the "dual wage" phenomenon in Vietnam, whereby the same panel of judges, on the same body of evidence, determined the employee's wage to be VND 20 million per month when settling wage arrears, yet only VND 6 million per month when determining the base for retrospective social insurance contributions. Situated within the envelope-wages literature, the article identifies a hitherto undescribed variant — formally lawful wage splitting — in which every payment is documented and bears precisely the label that the law excludes from the contribution base. The analysis shows that the defect lies in the enumerative legislative technique, not in adjudication. Employing functional comparison with Indonesia, South Korea, Japan and China, the article proposes amending Article 31 of Vietnam's 2024 Law on Social Insurance towards a catch-all definition, imposing absolute ceilings on excluded items and nullifying any agreement that depresses the contribution base, with accompanying policy implications for Indonesia.

Keywords: wages as the basis for social insurance contributions, wage splitting, regional minimum wage, comparative law, Indonesia and East Asia.

INTRODUCTION

Social security is a constitutional right of Vietnamese citizens (Article 34 of the 2013 Constitution), and social insurance is the most important pillar through which that right is realised. Social insurance operates on the contribution–benefit principle: the level of benefits for sickness, maternity, occupational accidents, unemployment and retirement is calculated on the level of contributions, and contributions in turn are calculated on the wages used as the contribution base. The integrity of the wage figure used as the contribution base therefore directly determines the quality of an employee's social protection when risks materialise and upon reaching retirement age.

As regards the legal framework, the 2019 Labour Code imposes only a minimum threshold: the wage attached to the job or title must not fall below the minimum wage (Article 90(2) of the 2019 Labour Code). The wages used as the basis for compulsory social insurance contributions comprise the wage attached to the job or title, wage allowances, and other supplementary payments that are determined in advance and paid regularly and stably in each pay period (Article 89 of the 2014 Law on Social Insurance; this content is now carried over into Article 31 of the 2024 Law on Social Insurance). Conversely, the implementing instruments enumerate a long list of items that are *not* counted towards contributions: bonuses, mid-shift meal allowances, support payments for petrol, telephone, travel, housing, childcare and raising young children, together with allowances and supplements attached to, or fluctuating with, productivity and work performance (Article 30 of Circular 59/2015/TT-BLĐTBXH, as amended by Circular 06/2021/TT-BLĐTBXH; now points (b) and (c) of Article

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7(1) of Decree 158/2025/NĐ-CP). A legislative technique of "enumerating countable items, enumerating excluded items" inadvertently hands employers a ready-made map for designing pay structures that evade the contribution obligation. Notably, Vietnam's exclusion list carries no absolute ceiling whatsoever — a feature that Section 3 of the Results and Discussion will show to be the decisive point of difference from South Korea.

What makes this phenomenon distinctive is that it does not coincide with the evasion of social insurance contributions, which is already prohibited and criminally punishable (Article 216 of the 2015 Penal Code, as amended and supplemented in 2017; guidance in Resolution 05/2019/NQ-HĐTP). Each payment within the "dual wage" structure bears precisely the label of an excluded item, so that the arrangement as a whole is regarded as formally lawful even though it contradicts the spirit of the contribution–benefit principle.

The practice of employers declaring wages lower than those actually paid in order to reduce social security contributions has been studied systematically in European legal scholarship and the sociology of labour under the rubric of "envelope wages". Williams and Padmore (2013a) describe this as an arrangement in which a formally employed worker simultaneously receives a declared wage and an undeclared one; the same authors proposed the concept of "quasi-formal employment" to denote an employment relationship that is at once formal and informal (Williams and Padmore, 2013b). Williams and Horodnic (2015) explain the phenomenon through institutional theory: the wider the gap between formal institutions (written norms) and informal institutions (social norms), the more prevalent envelope wages become. Subsequent studies have measured the long-term consequences for social security entitlements (Horodnic and Williams, 2021), analysed wage under-reporting in Croatia (Franić, 2020) and dissected the different components of under-declared waged employment in Europe (Ianole-Călin, Horodnic and Williams, 2026). In East Asia, the literature on social insurance compliance has likewise recorded employers' under-declaration of the contribution base, most notably in a firm-level quantitative study in Shanghai (Nyland, Smyth and Zhu, 2006); yet that strand concentrates on the determinants of compliance and has not delineated the boundary between unlawful evasion and the formally lawful restructuring of income.

What the entire body of that literature shares is the assumption that the portion of income excluded from contributions is *unlawful* — off-the-books cash, undocumented and untaxed. That very assumption dictates the direction of its recommendations: intensified inspection, heavier sanctions, improved tax morale.

This article identifies a variant that has not been described in the European envelope-wages literature and has been touched upon only indirectly, without conceptual demarcation, in the East Asian compliance literature; the article proposes to call this variant ***formally lawful wage splitting*** (legally compliant wage splitting). In this variant, the entire portion of income excluded from contributions is still paid through bank accounts, still supported by accounting records, still declared for tax, and still bears precisely the labels that the law has enumerated as excluded items. There is no act of concealment for inspectors to uncover; transparency itself is the condition on which the structure operates. The consequence is that the traditional set of recommendations — inspection, sanctions, compliance education — has no object upon which to act. The research gap, accordingly, lies not in measuring prevalence but in tracing the legislative-technique defect that created the lawful space for the practice.

The article answers three questions: (i) what legal mechanism allows an enterprise to pay social insurance contributions on 30 per cent of the wage actually paid (6 out of 20 million dong) and still have the arrangement confirmed as lawful by the courts?; (ii) does that defect lie in the norm or in the application of the law?; (iii) by what legislative techniques have countries with comparable minimum-wage and compulsory social insurance institutions

addressed the same problem, and which technique suits Vietnamese conditions? To answer these questions, the article proceeds to: (i) analyse Judgment No. 1180/2023/LĐ-PT so as to identify the legal mechanism of the dual-wage phenomenon and restate the problem as a counter-argument to be rebutted; (ii) compare the law of Indonesia, South Korea, Japan and China; and (iii) draw conclusions and propose reforms to Vietnamese law together with a preliminary impact assessment.

METHODS

The type of research selected is normative legal research — the process of finding the rules, principles and legal doctrines appropriate to resolving the legal problem at hand (Marzuki, 2021). This type suits the object of the present study: the mismatch between the formal lawfulness of the wage-splitting technique and the worker-protective purpose of the rules on wages as the basis for social insurance contributions.

The article combines three approaches. First, a statutory approach is used to analyse Article 90 of the 2019 Labour Code, Article 89 of the 2014 Law on Social Insurance and Circular 59/2015/TT-BLĐTBXH (the legal framework applicable at the time of trial), set against Article 31 of the 2024 Law on Social Insurance and Decree 158/2025/NĐ-CP (the framework currently in force). Second, a case approach is applied through Judgment No. 1180/2023/LĐ-PT. Third, a comparative approach is employed.

As to the comparative method, the article uses the functional method: the unit of comparison is not the textually corresponding provision but the solution that each legal system offers to the same social problem (Zweigert and Kötz, 1998, pp. 34–40). The common point of reference (tertium comparationis) is defined as: *the manner in which the law determines the scope of income used as the basis for compulsory social insurance contributions, and the mechanism for preventing employers from narrowing that scope*. The country-selection criteria comprise four cumulative conditions: (i) the existence of minimum-wage institutions and compulsory social insurance for wage earners; (ii) documented real-world under-declaration of the contribution base; (iii) sufficient similarity in labour-market structure and level of development for legal borrowing to be feasible; and (iv) representation of *different* legislative techniques for determining the contribution base, so as to generate a sufficiently broad comparative spectrum. Indonesia is included because it satisfies (i)–(iii) and, in particular, because it represents *the same* enumerative technique as Vietnam, thereby allowing the hypothesis of a causal relationship between legislative technique and the wage-splitting phenomenon to be tested.

The article is also conscious of the risk of legal transplantation: a solution that operates effectively in one system may fail in another owing to differences in administrative infrastructure, enforcement capacity and compliance culture (Michaels, 2006). The recommendations are therefore presented together with a preliminary assessment of transition costs and distributional effects, rather than as wholesale adoption.

The sources fall into three groups: primary legal materials (Vietnamese and foreign legislation, judgments, judicial interpretations); secondary legal materials (peer-reviewed journal articles, monographs, regulators' legal commentary); and non-legal materials used for data triangulation.

As to limitations: the article analyses *one* purposively selected judgment as an illustrative case study, not a representative sample. The judgment is used to clarify the *mechanism* by which the norm operates, not to generalise about prevalence. Prevalence is estimated separately

using survey data presented in sub-section (f) of Section 1 of the Results and Discussion, with the sampling limitations expressly stated there.

RESULTS AND DISCUSSION

1. Vietnam: Judgment No. 1180/2023/LĐ-PT and the "dual wage" mechanism

a. The employment relationship and the facts of the case

Vietnamese law provides that the wage attached to a job or title must not fall below the minimum wage. The parties are thus free to agree the wage actually paid, provided it is at least equal to the minimum wage. This is a progressive provision, yet it is also a loophole through which employers can circumvent the law to cut costs.

In Judgment No. 1180/2023/LĐ-PT of the People's Court of Ho Chi Minh City, the employment relationship between Ms Nguyen Thien T and Company S Ltd was established through two successive contracts. Labour contract No. 01-18A/HĐLĐVND of 2019 was a one-year fixed-term contract (from 1 September 2019 to 31 August 2020) for the position of general accountant, with a principal wage of VND 6,000,000 per month. Labour contract No. 03-21A/HĐLĐ/VND dated 1 January 2021 was an indefinite-term contract for the position of chief accountant, recording three parameters simultaneously: a principal wage of VND 6,000,000 per month, a KPI-based bonus, and total income of VND 20,000,000 per month. This drafting shows that the dual-wage structure did not emerge in the course of performance but was designed at the very moment of contracting: the differential of VND 14,000,000 — 70 per cent of total income — was labelled "KPI bonus", that is, precisely the name of the category of payments "attached to or fluctuating with… work performance" which the law excludes from the contribution base. Meanwhile, the statement of transactions on Ms T's account at Asia Commercial Joint Stock Bank from 1 August 2019 to 20 October 2022 shows the income of VND 20,000,000 per month being paid in full and regularly every month, independent of any performance appraisal; the "KPI" therefore existed only nominally, as a classificatory label with a legal function.

The performance of the contract exposed the employee's weak position: the company repeatedly delayed wages — the wage for May 2021 was not paid until November 2021 — and from June to September 2021 the employee was on unpaid Covid-19 leave. In December 2021, Ms T tendered her resignation but agreed to work until the end of March 2022 to complete the financial statements; Termination Decision No. 001/2022/QĐTV-VND dated 31 March 2022 confirmed that wages and allowances (if any) were paid up to the date the labour contract ended. The parties did not dispute the termination itself; the dispute concerned only the wage arrears of VND 52,633,055 for the final months and the obligation to pay contributions and finalise the social insurance book for the period from October 2019 to March 2022.

Three details of the file serve to characterise the phenomenon under study. First, the sum of VND 52,633,055 claimed by the plaintiff was net of the amounts Ms T had to pay in social insurance contributions and personal income tax; in other words, the entire income, including the VND 14,000,000 portion, appeared on the payroll, was subjected to tax withholding and was supported by accounting records. This is precisely the identifying mark of the "formally lawful wage splitting" variant described in the Introduction: there was no off-the-books cash flow for inspectors to uncover. Second, the Court ordered the company to pay retrospective social insurance contributions covering both "the employer's portion and the employee's portion" for the whole period from 1 October 2019 to 31 March 2022, and to finalise and return the social insurance book — that is, the retrospective contribution obligation was still

determined only on the VND 6,000,000 per month recorded in the contract. Third, at the labour mediator's conciliation session on 9 June 2022, the company's representative did not contest the wage arrears but merely made payment conditional upon the employee's handover of work and tax reports. The company's failure to contest the debt at conciliation later became one of the direct pieces of evidence on which the appellate court determined the wage actually received to be VND 20,000,000 per month.

b. The course of proceedings, the evidentiary framework and the ruling

At first instance (Judgment No. 46/2023/LĐ-ST of 21 June 2023 of the People's Court of District 1), the Court determined Ms T's wage to be VND 6,000,000 per month; the remaining VND 14,000,000 was treated as additional income comprising lunch money, telephone, travel support, support for raising a young child, and work-performance pay. On that basis, after setting off the amounts already paid, the first-instance court ordered the company to pay only VND 4,000,000 in outstanding wages — less than 8 per cent of the amount claimed — while ordering retrospective payment of social insurance, health insurance, unemployment insurance and occupational accident and disease insurance contributions on the base of VND 6,000,000 per month, and finalisation of the insurance book. Notably, the Procuracy at both levels consistently maintained that only VND 6,000,000 constituted the wage and that the remainder was additional income not counted as wages — showing that the "label of the payment" reading is not the idiosyncratic view of one bench but a widespread understanding in the practical application of the law.

On appeal, the panel re-evaluated the evidence along two distinct tiers of probative value. The tier of direct evidence comprised: (i) the labour contract of 1 January 2021 recording total income of VND 20,000,000 per month; (ii) the Termination Decision confirming that wages were paid up to 31 March 2022; (iii) the conciliation minutes of 9 June 2022, in which the company did not contest the debt of VND 52,633,055; and (iv) the bank statement showing regular receipt of VND 20,000,000 per month. The tier of "reference materials" comprised copies of e-mail and social-media messages — downgraded in probative value because they "had not been cross-examined and confirmed by the defendant, nor certified by a bailiff's record upon extraction" — and the monthly payrolls prepared by the plaintiff herself in her capacity as accountant.

On that evidentiary foundation, the panel rejected the Procuracy's proposal by way of a decisive distinguishing argument: the case was a dispute over the recovery of wages for time actually worked, not a dispute over compensation for damage within the employment relationship; there was accordingly no basis for severing the VND 14,000,000 from the wages payable. Pursuant to Article 308(2) of the 2015 Code of Civil Procedure, the Court varied the first-instance judgment and allowed the whole of the VND 52,633,055.

c. The paradox of "one judgment, two wage figures" and the legal basis of the ruling

The final outcome of the case constitutes a structural paradox: the same panel of judges, on the same body of evidence, determined two different wage figures for the same employee over the same period — VND 20,000,000 per month where the wage was a debt to be paid, and VND 6,000,000 per month where the wage was the base for retrospective social insurance contributions (paragraph 1.2 of the operative part of the appellate judgment maintained the contribution level of the first-instance judgment).

The paradox admits of two tiers of explanation. The first tier is procedural: at the appellate hearing, Ms T specified that she appealed only the outstanding-wage component; the retrospective-contribution component, being neither appealed nor protested, fell outside the

appellate court's remit under Article 293 of the 2015 Code of Civil Procedure. That the employee herself — the person directly bearing the long-term loss of entitlements — did not appeal the contribution-base component is a richly informative detail: it furnishes empirical illustration of the incentive structure analysed in the Recommendations, whereby the employee also "gains" 10.5 per cent in the short run on the portion of income excluded from contributions and therefore lacks the motivation to pursue the correct contribution level. The second tier is normative and is the decisive one: even had the contribution-base component been appealed, the outcome would most likely have been unchanged, because the legal framework applicable at the time of trial gave the Court no instrument with which to reclassify payments already bearing the statutorily listed labels, as analysed below.

The judgment was handed down on 13 December 2023, before the 2024 Law on Social Insurance and Decree 158/2025/NĐ-CP took effect. The framework applied by the Court comprised Article 90 of the 2019 Labour Code, Article 89 of the 2014 Law on Social Insurance and Article 30 of Circular 59/2015/TT-BLĐTBXH (as amended by Circular 06/2021/TT-BLĐTBXH). Under those provisions, the monthly wage for compulsory social insurance contributions comprises the wage, wage allowances and other supplementary payments *whose specific monetary amounts are determined together with the agreed wage in the labour contract and are paid regularly in each pay period*; conversely, wage allowances and other supplementary payments *attached to or fluctuating with labour productivity, work process and quality of work performance* are not counted (Article 89(2) of the 2014 Law on Social Insurance; Article 30(2) and (3) of Circular 59/2015/TT-BLĐTBXH). One inter-temporal note: the employment relationship ran from October 2019 to March 2022, straddling two Labour Codes — the first-instance judgment therefore invoked both point (b) of clause 1 and clause 2 of Article 22 of the 2012 Labour Code (applicable until 31 December 2020) and Article 90(1) of the 2019 Labour Code — but the rules on wages as the contribution base in Article 89 of the 2014 Law on Social Insurance and Circular 59/2015/TT-BLĐTBXH remained in force throughout, so the analytical framework is unchanged.

In substance, this is the wage-splitting technique: shifting the bulk of income into non-countable items, so long as the portion used as the contribution base does not fall below the regional minimum wage. At the time of the appellate trial, the Region I monthly minimum wage in Vietnam was VND 4,680,000 (Decree 38/2022/NĐ-CP, applicable from 1 July 2022). The regional minimum wage thus serves as a safety shield for the employer's conduct: although the wage used as the contribution base amounted to only 30 per cent of the actual wage, it exceeded the regional minimum wage and was therefore deemed lawful.

d. Counter-argument: does the defect lie in the norm or in the application of the law?

The proposition that the Court's ruling was correct in law must first survive an obvious counter-argument. The appellate court itself used the bank statement to prove that the VND 14,000,000 was paid *regularly every month*. If a payment is made regularly and stably in a specifically determinable amount, then on the very letter of Article 89 of the 2014 Law on Social Insurance and Article 30 of Circular 59/2015/TT-BLĐTBXH it satisfies the criterion of an "other supplementary payment paid regularly in each pay period" and ***must*** be counted towards contributions. If so, the defect would lie in the application of the law rather than in the norm, and the entire legislative recommendation of this article would lose its foundation.

That counter-argument is defeated only if two conditions are met. First, the payments must be *named* to match the exclusion list — which is what occurred: lunch money, telephone, travel support and support for raising a young child all appear verbatim in the exclusion list of Circular 59/2015/TT-BLĐTBXH, however regularly they may be paid. That exclusion list is

constructed by *the name of the payment*, not by *the character of its disbursement*; once a payment bears a listed name, its regularity ceases to have legal significance. Second, the "work-performance" item belongs by its nature to the category fluctuating with work results, and is therefore excluded as a matter of course. In the case under study, both conditions were present from the face of the contract itself: the differential was labelled "KPI bonus" in the contract, and when explained before the procedural authorities it was decomposed into lunch, telephone, travel, child-raising and work-performance items — all matching the names on the exclusion list.

It is precisely here that the structural defect is laid bare: **when the exclusion list is constructed by the name rather than by the economic substance of the payment, the criterion of "regular and stable payment" in the rule on countable items is neutralised in practice**. The Court possesses no interpretive instrument with which to reclassify a payment that already bears a statutorily listed name. This is why the article concludes that the loophole resides in the norm. It must nevertheless be acknowledged that one interpretive avenue remains open: were a court to apply the principle of substance over form, a fixed monthly payment labelled "support for raising a young child" but paid to every employee regardless of whether they have children could be treated as disguised wages. That line of interpretation has not yet been recorded in Vietnamese adjudicative practice and warrants separate study.

e. The defect reproduced in the 2024 Law on Social Insurance

A fair question is whether the 2024 Law on Social Insurance has remedied the problem. The answer is that it has not. Article 31 of the 2024 Law on Social Insurance retains the structure of Article 89 of the 2014 Law: the wage used as the contribution base comprises the wage attached to the job or title, wage allowances and other supplementary payments determined in advance and paid regularly and stably. Decree 158/2025/NĐ-CP continues to exclude wage allowances and other supplementary payments that depend on or fluctuate with the employee's labour productivity, work process and quality of work performance (points (b) and (c) of Article 7(1) of Decree 158/2025/NĐ-CP). In other words, the parallel enumerative technique — listing countable items and listing excluded items by name — is reproduced intact, and the exclusion list still carries no absolute ceiling. It follows that if the facts of Judgment No. 1180/2023/LĐ-PT were to recur after 1 July 2025, the legal outcome would not change.

f. The macro context of the phenomenon

The judgment above is an illustrative case, not evidence of prevalence. To situate the scale of the problem, reference may be made to the Salary and Labour Market Report conducted by Navigos Group in 2025 across more than 250 enterprises and more than 1,600 employees. According to that report, 43.14 per cent of employees had social insurance contributions paid on a fixed wage lower than their actual total income; 10.68 per cent had contributions paid only on the regional minimum wage; 4.78 per cent had none paid; 38.3 per cent had contributions paid on their full monthly gross income excluding bonuses and non-countable support payments; and only 0.12 per cent had contributions paid on their entire take-home income, including such bonuses and support payments (Navigos Group, 2025; cited in Le Tuyet, 2026). Meanwhile, the average income of Vietnamese employees in 2025 was approximately VND 8.4 million per month (Statistics Office of Vietnam, cited in Le Tuyet, 2026).

The limits of these data must be noted: this is a survey by a recruitment-services firm, not an official statistical enquiry; the sample was not probability-based and may be skewed towards the formal, urban enterprise sector. The figures therefore have indicative value only. What the data do cautiously permit are two claims. First, the dual-wage structure is not an

isolated occurrence: aggregating the first three groups, 58.6 per cent of surveyed employees were having contributions paid below their actual income to varying degrees. Second, the gap between the 38.3 per cent group (contributions on gross income excluding bonuses and support payments) and the 0.12 per cent group (contributions on entire take-home income) shows that even in the best-complying enterprises, the portion of income bearing the names of excluded items lawfully remains outside the contribution base — precisely the mechanism the judgment under study illustrates.

Articles 27 and 98 of the 2019 Law on Tax Administration already prescribe the obligation to supply and exchange information between the tax administration and related state agencies; more importantly, from 1 March 2025 Vietnam Social Security became a special unit under the Ministry of Finance, simultaneously performing the functions of collection, disbursement and specialised inspection of social insurance, unemployment insurance and health insurance contributions (Decision No. 391/QĐ-BTC of 26 February 2025 of the Minister of Finance; Laodongthudo, 2025). In other words, Vietnam has completed the consolidation of the financial focal point that China accomplished in 2019. The crux, however, is this: when the data focal point has been consolidated and the wage-splitting technique still operates undisturbed, the bottleneck lies not in data-matching capacity but in the very definition of the contribution base. Tax data are useful only if the insurance contribution base is defined broadly enough for the differential to become unlawful; if the differential is lawful to begin with, matching detects no violation at all. The judgment under study is a vivid demonstration: every figure in the case — contract, payroll, bank statement, tax withholding — was transparent and mutually consistent, yet that very transparency confirmed the lawfulness of the dual-wage structure instead of exposing it.

2. Indonesia: the same legislative defect reproduced

Indonesia is a comparison of particular value for Vietnam, because the two systems share the same legislative technique and hence the same loophole. Indonesia's social security system is built on Law No. 40 of 2004 on the National Social Security System and Law No. 24 of 2011 on the Social Security Administering Body, operating through the two institutions BPJS Ketenagakerjaan (employment) and BPJS Kesehatan (health).

The crux lies in the definition of the contribution base. Article 29 of Government Regulation No. 45 of 2015 on the pension programme provides that the monthly wage used to calculate the *iuran* comprises only *upah pokok* (the basic wage) and *tunjangan tetap* (fixed allowances); analogous provisions govern the occupational accident, death and mandatory old-age savings programmes (Government Regulations No. 44 of 2015 and No. 46 of 2015). The direct consequence is that all non-fixed allowances, overtime pay and bonuses fall outside the contribution base. This is exactly Vietnam's enumerative technique — indeed narrower still: Vietnamese law at least brings "other supplementary payments determined in advance and paid regularly and stably" into the contribution base, whereas Indonesian law stops at fixed allowances. In addition, the contribution base of the pension programme is capped by a ceiling adjusted annually in line with GDP growth — from 7,000,000 rupiah in 2015 to 11,086,300 rupiah as from March 2026 (Article 29(2)–(4) of Government Regulation No. 45 of 2015; the new figure per BPJS Ketenagakerjaan's announcement on the basis of the 5.11 per cent GDP growth for 2025 published by BPS) — further narrowing the insured income range for those earning above the ceiling.

Unsurprisingly, the practical consequences are also parallel: Indonesian enterprises can lawfully design pay structures with a low basic wage and the bulk of income lodged in non-fixed allowances and performance bonuses. The practice is so widespread that the Indonesian

social security agency has coined an administrative name for it: "enterprises registering part of the wage" (Perusahaan Daftar Sebagian Upah — PDS Upah), denoting the situation in which an enterprise has registered all of its workers but declares wages lower than those actually paid; BPJS Ketenagakerjaan ranks this among the three most common registration violations, occurring in medium-sized and large enterprises alike (BPJS Ketenagakerjaan, n.d.). A case published by that agency in 2018 — an airline pilot receiving 20 million rupiah per month but declared at only 3.7 million rupiah — matches the structure of the Vietnamese judgment under study (Detik Finance, 2018). The legally noteworthy point is the boundary between violation and lawfulness: declaring less than the actual "basic wage plus fixed allowances" is an administrative violation within the PDS Upah category, but redesigning the pay structure so that most income takes the form of non-fixed allowances remains formally lawful — precisely the mechanism analysed in sub-section (d) of Section 1 for Vietnam, and the part that sanctions cannot reach. Sanctions for wage misdeclaration are prescribed in Law No. 24 of 2011: administrative sanctions predominate; only the failure to remit contributions already collected and withheld from workers is punishable by imprisonment of up to 8 years or a fine of up to 1 billion rupiah (Articles 19 and 55 of Law No. 24 of 2011), but these have virtually no purchase on formally lawful wage splitting, for the reason already analysed: there is no misdeclaration to punish.

The Indonesian case therefore has important verification value for the article's hypothesis. If wage splitting were merely a function of development level or compliance culture, it would appear scattered without pattern. In fact, the two countries using the enumerative technique (Vietnam, Indonesia) both exhibit broad wage-splitting space, while the three countries using a catch-all definition (Japan), a tax linkage (South Korea) or the total wage bill (China) have all narrowed that space. This correlation supports the hypothesis that legislative technique is the principal explanatory variable.

3. South Korea: tying the contribution base to taxable income and capping with absolute ceilings

Korean law ties the contribution base to taxable income. For health insurance, the monthly remuneration (보수월액) of an employed insured person is the totality of amounts received in return for the supply of labour, including wages, bonuses, allowances and all payments of a similar character — excluding only income exempt from tax under the Income Tax Act (Article 70(1) and (3) of the National Health Insurance Act; Article 33 of its Enforcement Decree). For employment insurance and industrial accident compensation insurance, "remuneration" is defined directly as wage income under Article 20 of the Income Tax Act less tax-exempt items (Article 2(3) of the Act on the Collection of Premiums for Employment Insurance and Industrial Accident Compensation Insurance). For the national pension, the standard monthly income (기준소득월액) is declared by the employer on the basis of actual income, bounded by a floor and a ceiling adjusted annually (Articles 3 and 21 of the National Pension Act; per Notice No. 2025-24 of the Ministry of Health and Welfare, for the period 1 July 2025 – 30 June 2026 the floor is 400,000 won and the ceiling 6,370,000 won; from 1 July 2026 these become 410,000 won and 6,590,000 won).

The effectiveness of this model must be assessed accurately. Tying the contribution base to taxable income does ***not*** abolish the exclusion list; it relocates the exclusion list from social insurance law into personal income tax law. Specifically, income items exempt under Article 12, point 3 of the Income Tax Act and its Enforcement Decree — meal money (식대), the own-

car work allowance (자가운전보조금), and childbirth and childcare allowances (출산·보육수당) — are all excluded from 보수월액 (Korean National Tax Service — 국세청). Korean enterprises can, and in practice do, design pay structures exploiting these items to reduce income tax and insurance premiums simultaneously.

The decisive difference from Vietnam lies not in the presence or absence of a loophole but in the fact that **the loophole is blocked by absolute ceilings**. Each of the exempt items above is currently capped at 200,000 won per month — the meal-money and childbirth-and-childcare caps having only recently been raised from 100,000 won to that level in 2023 and 2024 respectively (Article 12, point 3 of the Income Tax Act and its Enforcement Decree; amending Act No. 18975 of 12 August 2022) — totalling roughly 600,000 won per month; any spending above the cap immediately becomes taxable income and automatically flows back into the insurance contribution base. Given average Korean wages, the wage-splitting space is thus confined to roughly one-tenth of income and cannot approach the 70 per cent seen in Judgment No. 1180/2023/LĐ-PT. A misconception occasionally found in advisory literature also merits correction: since 1 January 2011, the contribution bases of both employment insurance and industrial accident insurance have been unified around taxable income — "remuneration" being wage income under the Income Tax Act net of tax-exempt income — with the stated purpose, recorded in the amendment dossier, of aligning the premium base with the tax base so as to link income data with the National Tax Service and lower compliance costs for enterprises (Article 2(3) of the Premium Collection Act; Article 2-2 of its Enforcement Decree; amendment rationale at the Korean National Law Information Center). This unification does not create a tier of insurance "immune" to wage splitting, but it is the very infrastructure for the tax–insurance cross-checking mechanism analysed below.

Furthermore, insurance declarations and tax declarations must match (Articles 16-9 and 16-10 of the Premium Collection Act): to depress the insurance contribution base one must depress declared taxable income, whereupon the enterprise loses the corresponding deductible wage costs and the additional tax payable usually exceeds the insurance premium saved — a "self-enforcing" mechanism operating through interests.

The oversight mechanism based on cross-matching of data is expressly legislated: upon detecting signs of income narrowing or concealment, the insurance agency forwards the file, via the Ministry of Health and Welfare, to the Commissioner of the National Tax Service; the results of tax audits on wages and income are sent back to the insurance agency for contribution adjustment (Article 125 of the National Pension Act; Article 95 of the National Health Insurance Act). Enterprises must declare total wages actually paid each year for reconciliation with each insurance scheme; the difference between provisional and actual amounts is recovered in a lump sum with late-payment surcharges. Under-declaration therefore merely postpones, and does not extinguish, the contribution obligation.

As to sanctions, non-declaration or false declaration attracts administrative fines: up to 500,000 won for the national pension, up to 5,000,000 won for health insurance, and up to 3,000,000 won for employment insurance and industrial accident insurance (Article 131 of the National Pension Act; Article 119 of the National Health Insurance Act; Article 118 of the Employment Insurance Act; Article 50 of the Premium Collection Act). The sanction with the greatest economic deterrence lies in industrial accident insurance: if an accident occurs while the employer is in default of registration or in arrears of premiums, the labour welfare agency recovers from the employer 50 per cent of the benefits paid to the worker, capped at five times the premiums that ought to have been paid (Article 26 of the Premium Collection Act; Article

34 of its Enforcement Decree). Violating enterprises are additionally excluded from the premium-support programme for low-income workers (두루누리) — an indirect sanction with appreciable effect on small enterprises.

4. Japan: the catch-all definition

Japan addresses the problem at the definitional stage itself. Instead of enumerating countable items, the Health Insurance Act and the Employees' Pension Insurance Act define "remuneration" (報酬) by a catch-all method: wages, salaries, stipends, allowances, bonuses and every other payment, whatever its name, that the worker receives in return for labour; the only exclusions are payments of a temporary character and payments made at intervals exceeding three months — the latter being charged instead under the separate standard bonus regime (標準賞与額) (Article 3(5) and (6) of the Health Insurance Act of Japan; Article 3(1), points 3 and 4 of the Employees' Pension Insurance Act). Commuting allowances, housing allowances and even wages in kind consequently fall within the contribution base, notwithstanding that some of them are income-tax-exempt within limits. In other words, Japan's insurance contribution base is broader even than its tax base, and the wage-splitting technique is neutralised at the level of definition itself.

Operationally, the standard monthly remuneration (標準報酬月額) is banded — 50 grades from 58,000 to 1,390,000 yen for health insurance, 32 grades from 88,000 to 650,000 yen for employees' pension insurance — determined annually on the average remuneration of April to June, with compulsory mid-year revision whenever remuneration moves by two grades or more (Articles 40 to 43 of the Health Insurance Act; Articles 20 to 23 of the Employees' Pension Insurance Act).

Employers bear a duty to declare remuneration levels; non-declaration or false declaration without just cause is criminally punishable by imprisonment of up to six months or a fine of up to 500,000 yen (Article 208, point 1 of the Health Insurance Act; Article 102(1), point 1 of the Employees' Pension Insurance Act). The norm must, however, be distinguished from enforcement practice. In reality, prosecutions under these provisions are negligible; the principal operational instrument is the pension agency's workplace investigation (事業所調査), under which, if an enterprise fails to correct its records as required, the agency may make a retroactive ex officio determination on the basis of the facts verified (Article 100 of the Employees' Pension Insurance Act; Japan Pension Service — 日本年金機構). Classifying Japan among the countries with the harshest sanctions is therefore accurate only on the face of the statute; the real-world efficacy of the Japanese model derives from the catch-all definition and the power of retroactive determination, not from criminal sanctions. This is a point to bear in mind when considering legal borrowing.

As to oversight, on the basis of Article 100-2(2) of the Employees' Pension Insurance Act, the National Tax Agency supplies the Ministry of Health, Labour and Welfare and the Japan Pension Service with data on juridical persons subject to withholding obligations at source (National Tax Agency of Japan — 国税庁). The information-supply mechanism operates on a monthly cycle under an inter-agency procedure issued jointly by the Ministry of Health, Labour and Welfare and the National Tax Agency. Cross-matching withholding-tax data against the register of insured establishments, combined with corporate registration information supplied monthly by the Ministry of Justice since 2012, has been the principal tool for identifying the hundreds of thousands of establishments "paying tax yet evading insurance" earmarked for coverage investigation, underpinning the concentrated enrolment campaigns of the mid-2010s; the scale and effectiveness of this coverage-promotion operation were audited

by the Board of Audit of Japan, which required improvements in its settlement-audit reports for fiscal years 2014 and 2015 (Board of Audit of Japan — 会計検査院; 厚生労働省・国税庁).

Even so, Japan has its own distinctive avoidance variant. Because the standard bonus is capped (5.73 million yen per fiscal year for health insurance; 1.5 million yen per payment for employees' pension), some enterprises depress managers' monthly remuneration to a very low level and pay a large year-end bonus, so that the portion above the cap generates no premium (Article 45 of the Health Insurance Act; 岩谷誠治税理士事務所, 2025). The legislature's response has been to close the gap incrementally: the pension reform law promulgated on 20 June 2025 raises the ceiling of the standard monthly remuneration for employees' pension from 650,000 to 750,000 yen in three steps — 680,000 yen from September 2027, 710,000 yen from September 2028 and 750,000 yen from September 2029 — each step adding a new grade to the banding table (令和7年度年金制度改正法; 東証マネ部, 2026). This three-year trajectory reflects a noteworthy legislative principle: broadening the contribution base raises costs for enterprises and workers alike and must therefore be phased so that the labour market can absorb it. The Japanese experience thus teaches two things: a catch-all definition blocks the most common form of avoidance, and the cycle of "detecting the gap — amending the law" must run continuously.

5. China: the twin pincers of institutional reform and judicial interpretation

China is the country whose situation most closely resembles Vietnam's. Three widespread stratagems have been called out by the regulator and by practitioners alike: declaring straight at the local floor even though actual wages are higher; splitting the pay structure so that contributions are paid only on the "basic wage", with bonuses and allowances routed through personal accounts or off the books; and conflating "wages payable" with "wages received" so as to depress the contribution base (网易, 2026 — a self-media source, used solely to describe the state of practice; for scholarly evidence on the under-declaration of the contribution base in China, see Nyland, Smyth and Zhu, 2006). The fundamental difference from Vietnam, however, is that these stratagems are treated as clear violations of law, not as a grey zone.

The 2010 Social Insurance Law provides that the employer's contribution base is the unit's total wage bill and the employee's contribution base is that employee's own wage (Articles 12, 35 and 60 of the Social Insurance Law of China 2010, as amended in 2018). The floor of 60 per cent and ceiling of 300 per cent of the average local wage originate in the State Council's 1995 Circular on deepening the reform of the enterprise employees' pension system, were adjusted in statistical aperture by the 2019 Comprehensive Plan for lowering social insurance premium rates (substituting "average wage of employees in urban units across the full aperture" for "average wage of employees in urban non-state units", keeping the two ratios unchanged), and were reinforced by the 2016 document of the Ministry of Human Resources and Social Security directing localities to rectify floors set below 60 per cent (人社部发〔2016〕132号). China thus controls the contribution base through a stable tier of sub-statutory instruments rather than through the statute itself.

As to content, the "total wage bill" under the 1990 Provisions on the Composition of Total Wages encompasses bonuses, allowances and subsidies (Order No. 1 of the National Bureau of Statistics of China, 1990), so the wage-splitting technique has no legal foothold and survives only in enforcement gaps. As to sanctions, an enterprise failing to contribute fully and punctually is ordered to pay within a fixed period, bears a late-payment surcharge of 0.05 per

cent per day and, upon continued default, a fine of one to three times the arrears; the collecting agency may also enforce by debiting bank accounts and by seizing and auctioning assets (Articles 63 and 86 of the Social Insurance Law of China).

Two recent institutional turning points deserve attention. The first is technical: from 1 January 2019, the function of collecting social insurance premiums was transferred from the insurance agencies to the tax authorities. The tax authority thenceforth holds simultaneously the personal income tax data and the insurance contribution-base data of the same worker, so that any discrepancy between the two systems is automatically exposed (2018 Plan for reforming the national–local tax collection administration; 东方律师网).

The second is legal: Article 19 of the Supreme People's Court's Interpretation on the Application of Law in the Trial of Labour Dispute Cases (II), effective 1 September 2025, declares void every agreement between enterprise and worker, and every unilateral undertaking by the worker, to "dispense with social insurance"; the worker may terminate the labour contract and claim severance; conversely, once the enterprise has paid the contributions retrospectively, it may require the worker to refund any "insurance allowance" received (Article 19 of 法释〔2025〕12号; 人民网, 2025).

One emblematic case demonstrates the force of this turning point: a worker at a printing-and-dyeing company in Jiangsu signed a "voluntary waiver of social insurance" in exchange for a supplement of 500 yuan per month; upon suffering an occupational accident in 2024, the worker received no occupational accident benefits for want of insurance. The court declared the agreement void as contrary to mandatory provisions of law, ordered the company to compensate the entire loss of 186,000 yuan, and simultaneously ordered the worker to refund the whole supplement received (Liaoning Provincial Tax Service — 国家税务总局辽宁省税务局, 2026). The crucial point is that China has struck directly at the "the worker also agreed" argument — the very argument now commonly deployed in Vietnam to justify agreements recording a low contractual wage.

6. Comparative observations

Table 1 below draws together the principal points of comparison between Vietnam and the four countries on the same reality of wages actually received versus wages on which social insurance is paid.

Table 1. Comparison of mechanisms controlling wages as the basis for social insurance contributions

Criterion	Vietnam	Indonesia	South Korea	Japan	China
Technique for determining the contribution base	Enumeration of countable and excluded items; excluded items uncapped	Enumeration: only "basic wage + fixed allowances" (upah pokok + tunjangan tetap)	Tied to PIT taxable income; tax-exempt items excluded but subject to absolute ceilings	Catch-all definition: every payment "whatever its name" in return for labour	Actual total wage bill (incl. bonuses, allowances); floor 60% – ceiling 300% of average local wage
Space for "wage splitting"	Broad and uncapped	Broad: every non-fixed item falls	Narrow: exists but capped at	Virtually none: contribution	None in law; persists through

Criterion	Vietnam	Indonesia	South Korea	Japan	China
		outside the base	roughly 600,000 won/month	base broader than tax base	enforcement gaps
Tax–insurance data cross-matching	Legal basis in place (2019 Law on Tax Administration) and focal point consolidated: Vietnam Social Security under the Ministry of Finance from 1 Mar 2025	No systematic matching mechanism between DJP and BPJS	Two-way file exchange with the tax authority legislated	Supply of withholding-at-source data by the tax authority legislated	Internalised: tax authority collects premiums directly since 2019
Sanctions for depressing the contribution base	Inapplicable, as the conduct is formally lawful	Administrative fines; criminal sanction under Art. 55 of Law 24/2011 scarcely applied	Administrative fines up to 5 million won; recovery of 50% of occupational-accident benefits	Criminal: up to 6 months' imprisonment or a fine up to 500,000 yen (on the books)	Late-payment surcharge 0.05%/day; fines of 1–3 times the arrears; asset enforcement
Validity of agreements depressing/evading the base	No nullification provision yet	No nullification provision yet	Not arising (no room for agreement)	Not arising (no room for agreement)	Absolutely void (Art. 19 of Judicial Interpretation 法释〔2025〕12号)

Source: compiled by the author from the legislation and materials cited in Sections 1 to 5.

Four observations may be drawn. **First**, the core difference between Vietnam and the remaining countries lies not in the severity of sanctions but in the technique for determining the contribution base: where the law enumerates countable items by name, every item left unnamed becomes a "free zone"; conversely, where the contribution base is defined by a catch-all clause (Japan), tied to taxable income (South Korea) or extended to the entire wage bill (China), the wage-splitting technique loses its object of operation. The Indonesian case reinforces this observation from the opposite direction: the same enumerative technique generates the same wage-splitting space, regardless of differences in legal system and level of development.

Second, the Korean experience shows that the decisive step is not to abolish the exclusion list — which is all but impossible technically and politically — but to **fix an absolute ceiling for each excluded item**. Vietnam's exclusion list currently carries no ceiling at all; it is the absence of the ceiling, not the existence of the list, that directly permits wage-splitting ratios of up to 70 per cent, as in the judgment under study.

Third, sanctions are designed variously according to each country's legal tradition: administrative fines combined with benefit clawback (South Korea), criminalisation on the books combined with retroactive ex officio determination in practice (Japan), progressive fines combined with civil nullity (China). It must be borne in mind that sanctions bite only where the conduct is already classified as a violation; against formally lawful wage splitting, every sanction lacks an object of application.

Fourth, tax–insurance data linkage is a necessary but insufficient condition. Vietnam and China both now situate the social insurance collection function within the finance–tax apparatus, yet only China exploits that linkage, because in China the discrepancy between declared taxable income and the insurance contribution base is evidence of a violation, whereas in Vietnam that discrepancy is lawful. Viewed within this comparative frame, the ruling in Judgment No. 1180/2023/LĐ-PT is not a failure of the Vietnamese courts but a faithful mirror of the loophole in the prevailing norm.

CONCLUSION

As to the first question, the mechanism laid bare in Judgment No. 1180/2023/LĐ-PT operates in two steps: the labour contract records a wage of VND 6,000,000 per month, just above the regional minimum, while the differential of roughly VND 14,000,000 is distributed into payments whose names coincide exactly with the items the law excludes from the contribution base, each fully documented in the company's books. On that footing the appellate panel — having itself established, on the basis of bank transaction statements, that the wage actually paid was VND 20,000,000 per month — was nevertheless bound to calculate the retrospective social insurance contributions on VND 6,000,000 per month: the excluded labels attached to the differential, together with the limits of appellate review under Article 293 of the 2015 Code of Civil Procedure, since the employee did not appeal this component, left no other figure open to the Court.

As to the second question, the defect resides in the norm, not in the application of the law. Because the exclusion list is constructed by the name of the payment rather than its economic substance, the criterion of payments "determined in advance and paid regularly and stably" is neutralised in practice, and the courts are left without any interpretive instrument by which to reclassify a payment according to its substance; the outcome would therefore have been unchanged even had the contribution-base component been appealed. That enumerative technique transforms the regional minimum wage from a floor protecting employees into a safety shield for the depression of the contribution base, and it has been carried over intact into Article 31 of the 2024 Law on Social Insurance and Decree 158/2025/NĐ-CP, so that the same facts arising today would compel the same result.

As to the third question, the experience of the four compared systems converges on three requirements: the contribution base must be determined comprehensively — by the substance of consideration for labour, by linkage to taxable income, or by the entire wage bill — rather than by an enumeration of names; if an exclusion list is retained, each excluded item must be blocked by an absolute ceiling; and every "voluntary" agreement designed to depress the contribution base must be nullified. Measured against Vietnamese conditions, Japan's catch-all definition suits best because it carries the lowest transition cost, and it should be combined with Korean-style absolute ceilings — implementable immediately at decree level — and with the Chinese rule nullifying depressive agreements. What Vietnam genuinely lacks is neither tax–insurance data linkage nor sanctions, both of which already exist, but solely a sufficiently broad definition of the contribution base and a system of ceilings for the excluded items; the

recommendations set out in the Advice section are addressed precisely to that gap and are directly transferable to Indonesia, which shares the same enumerative technique.

Referred back to its objectives, the study's contribution can be stated in a single proposition: it identifies and names a variant hitherto undescribed in the envelope-wages literature — *formally lawful wage splitting* — whose defining feature is that the under-declaration of the contribution base requires no concealment at all, since every payment is recorded in the accounts and bears precisely the label that the law itself excludes. The new point of thought that follows is that the phenomenon is a product of legislative technique rather than of enforcement failure: where the contribution base is enumerated by the names of payments, wage splitting is lawful conduct that no inspection can detect as a violation and no sanction can reach; where the base is defined by economic substance, by tax linkage or by the total wage bill, the identical conduct becomes an offence. Reform must accordingly begin at the definitional stage, for connected data and severe sanctions remain inert so long as the differential between the wage actually paid and the wage contributed upon remains lawful.

The article has three limitations, each suggesting a corresponding avenue of further research. First, the analysis of Vietnamese practice rests on one purposively selected judgment, permitting identification of the mechanism but not statistical generalisation; a systematic coding study of published labour judgments would be needed to measure the prevalence and variants of the wage-splitting technique. Second, the quantitative data used are a private-sector survey, not an official statistical enquiry. Third, the comparative sections rest chiefly on written law and regulators' materials; the real-world efficacy of the models — in particular, enforcement caseloads and compliance rates — has not been verified against implementation data.

ADVICE

First, for the legislature. Amend Article 31 of the 2024 Law on Social Insurance and Decree 158/2025/NĐ-CP on the Japanese catch-all model: the wage used as the contribution base is every payment the employee receives as consideration for labour, whatever its name, excluding only payments of a temporary character or of a purely welfare nature. Simultaneously — and this is the recommendation with the lowest transition cost, implementable immediately at decree level without amending the statute — fix an **absolute ceiling** for each item in the exclusion list in Article 7 of Decree 158/2025/NĐ-CP, on the Korean model; spending above the ceiling automatically counts towards the contribution base. Add a provision declaring void any agreement recording in the labour contract a wage lower than that actually paid with a view to depressing the contribution base, together with a corresponding restitution obligation, following the experience of Article 19 of China's Judicial Interpretation No. 12 of 2025.

As to impact assessment, three consequences must be faced squarely. **First**, broadening the contribution base raises enterprises' labour costs; with a total contribution rate of 32 per cent of the wage used as the base, of which the employer bears 21.5 per cent (for the composition, see Articles 33 and 34 of the 2024 Law on Social Insurance; the Law on Health Insurance; the Law on Employment; the 2015 Law on Occupational Safety and Hygiene; Decree 58/2020/NĐ-CP), bringing an additional item into the base raises costs by 21.5 per cent of that item's value. **Second** — and this is the point most often overlooked — the employee also contributes 10.5 per cent, so broadening the base *immediately reduces* their monthly take-home income. It is this incentive structure — not ignorance — that explains why employees commonly acquiesce in the dual-wage structure: they trade uncertain long-term entitlements

for certain present income. The judgment under study supplies empirical evidence for this proposition: the very employee who won her wage-arrears claim did not appeal the insurance contribution base of VND 6,000,000 per month. Any recommendation that ignores this point lacks feasibility. **Third**, in a context where the informal sector remains large, an abrupt rise in compliance costs risks pushing a segment of small enterprises out of the formal sector.

From these three consequences, the article recommends a phased trajectory on the Japanese model: in phase one (immediate, at decree level), fix a ceiling for the aggregate of excluded items at roughly 10–15 per cent of employees' average wage, equivalent to roughly VND 0.85–1.26 million per month at the 2025 average income of VND 8.4 million. This ratio is converted directly from the Korean model: the aggregate tax-exemption cap of roughly 600,000 won per month confines the wage-splitting space to approximately one-tenth of income, as analysed in Section 3. In phase two (3–5 years), move to a catch-all definition accompanied by a corresponding reduction in contribution rates so as to hold the total burden constant. In phase three, study tying the contribution base to personal income tax once personal income tax coverage is sufficiently broad. Reducing contribution rates while broadening the base is the technique that neutralises the distributional impact, raising the benefit-calculation base without raising the immediate burden.

Second, for the social insurance agency and the courts. Intensify specialised inspection on the basis of lists of enterprises exhibiting large discrepancies between the wage bill in tax finalisation and the wage bill on which insurance is paid — a task now much facilitated by the two functions residing together within the Ministry of Finance. In adjudicating labour disputes, make active use of objective evidence such as bank transaction statements to determine actual wages, and use adjudication as a channel for recommending legislative improvement to the competent authorities. In the longer term, the Judicial Council of the Supreme People's Court should consider issuing a guiding resolution on the principle of substance over form: a payment bearing the name of an excluded item but paid at a fixed rate, across the board, without regard to the recipient's actual circumstances, must be determined to be wages.

Third, for employees and employees' representative organisations. Appreciate fully the long-term losses of contributing on a low wage base — above all for pensions, maternity benefits and occupational accident benefits — so as not to trade them for present income; demand the full and truthful recording of the wage structure in the labour contract; proactively consolidate objective evidence — first and foremost bank statements and wage records — to prove wages actually received; and trade unions should monitor the declaration of the contribution base and bring the wage base for social insurance contributions into collective bargaining and collective agreements.

Fourth, implications for Indonesia. The comparison shows that Indonesia faces the same structural defect with even broader latitude than Vietnam, since its contribution base stops at the basic wage and fixed allowances and is further capped by an annually adjusted ceiling. The recommendations above are therefore directly transferable: (i) broaden the definition of the wage used as the contribution base in Government Regulations No. 44, 45 and 46 of 2015 to encompass non-fixed allowances paid regularly; (ii) if excluded items are retained, fix an absolute ceiling for each; (iii) legislate a data cross-matching mechanism between the tax authority (DJP) and BPJS — the condition which, as Table 1 in Section 6 shows, Indonesia currently lacks relative to all four compared systems. That BPJS Ketenagakerjaan has had to give the PDS Upah phenomenon an administrative designation shows that this policy need springs from Indonesia's own administrative practice, not from an externally imposed prescription.

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