PENSION SYSTEM FUTURE DIRECTION ON EMPLOYEES OF SMALL AND MEDIUM-SIZED ENTERPRISES IN INDONESIA, VIETNAM, AND HUNGARY

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Abstract

Small and medium-sized enterprises are extremely important to the economy. However, businesses in this sector and their employees need help to obtain social security. Hungary, Indonesia, and Vietnam are nations in various geographical locations with obvious disparities in ethnography and pension system structure. Meanwhile, the proportion of SMEs in all three countries is comparable, accounting for a large fraction of the estimated enterprises that play important roles in the national economy. As a result, this research analyzes the pension system and the present condition of pension schemes for SMEs in Hungary, Indonesia, and Vietnam. In this paper, the researchers conducted a literature review. According to the comparison of the three nations, there are various barriers in the SME sector in accomplishing employee pension schemes: limited financial resources, employees who do not perceive immediate benefits and are not risk-averse, low awareness of current pension schemes, the expense of social contributions and increased in the minimum wage, both employers and employees negotiate to stop social insurance payments, a high job turnover rate, and employees are more likely to earn prepaid social insurance payments to assist them in making ends meet. Hungary, Indonesia, and Vietnam's governments should make participation mandatory for people working in SMEs, actively publicize the importance of pension schemes to SME employees, simplify registration and payment of pension contributions through digital channels, incentivize SMEs to participate in pension systems, and enact legislation against SMEs and their employees to encourage participation.

Keywords: *pension system, small and medium-sized enterprises, Indonesia, Vietnam, Hungary*
JEL: *H5, H6, H55*

Introduction

Small and medium-sized enterprises (SMEs) play a critical economic role. Nevertheless, this sector's businesses and employees continue to encounter severe impediments to receiving social security. Because this company sector usually operates with a short-term objective, executives of SMEs are frequently averse to spending money on their employees. On the other hand, employees require a better grasp of the pension fund's benefits and are unwilling to take risks.

Overall, the benefits of pension systems to the SME sector and their employees are still fairly restricted compared to their intrinsic benefits (Torm, 2018). There have been few studies on the influence of the pension system on SMEs and their employees, leaving a gap that requires scientific study to fill. Since Indonesia and Vietnam are members of the Association of Southeast Asian Nations (ASEAN), researchers are comparing them. While Hungary, a European country that belongs to the Organization for Economic Cooperation and Development (OECD), was selected because it was a communist nation that transitioned to a democratic one, and Vietnam is a socialist republic, there may be matches in how their pension systems are managed.

Indonesia, Vietnam, and Hungary differ in many ways, notably in geography, ethnography, and social and cultural norms. The phenomenon of population aging is prevalent in many developed countries, including Hungary. The elderly population in Hungary has been growing steadily over the years. As per the data from the OECD (2021a), the share of people aged 65 and over in Hungary constituted about 33.4% of the total working-age population in 2020. This trend is projected to continue in the future due to low fertility rates and high life expectancy. Moreover, most of the analyzed Hungarian villages observed a fall in population during the previous 20 years. On the other hand, it can be claimed that towns with schools had better values than those without one. In neighbourhoods with schools, the proportions of children and young people were more significant, while the proportions of middle-aged and retirees were lower (Kassai & Farkas, 2016). Hungary's population reduction was influenced by the absence of employment growth. Therefore, it is critical to increase the availability of leisure and sporting possibilities as well as additional programs that are recreational or cultural (Farkas et al., 2021).

The rising share of elderly people in Hungary poses significant challenges for the country's pension scheme. A larger number of pensioners relative to the working-age population can jeopardize the viability of the pension system. It can result in difficulties in funding pensions and ensuring a sufficient standard of living for pensioners. As the share of older people increases, there will be a higher demand for pension benefits. This can create a fiscal burden on the pension system, as the number of contributors to the system may decrease compared to the number of recipients. The viability of the pension scheme relies on a balanced ratio between contributors and recipients. The Hungarian government has been undertaking various measures to tackle these challenges, such as raising the retirement age and encouraging voluntary private pension funds (European Commission, 2020). Indonesia and Vietnam, despite having considerably lower shares of aging populations than Hungary, are also experiencing the phenomenon of population aging (OECD, 2021a). Besides, the share of SMEs in all three nations is relatively comparable, accounting for a substantial proportion (more than 97%) of total active firms, according to table 1. It means that SMEs in these nations contribute significantly to the national economy. The specific conditions and policy measures to address population aging and pension schemes may vary across countries despite the similarities in SME rates and population aging trends, due to the distinct economic, social and political contexts of each country. As a result, this research aims to investigate whether there are similarities and differences in the consequences of the existing pension system on SMEs and their employees in Hungary, Indonesia, and Vietnam.

Table 1. Short Overview of Worker Conditions and SMEs In Hungary, Indonesia, and Vietnam in 2020

Indicators	*Hungary*	*Indonesia*	*Vietnam*
Average worker earnings (EUR)	15,355	1,862	2,595
Life expectancy	76.5	71.5	73.7
Population over age 65 (% Of working-age population)	33.4%	10.6%	10.2%
Number of SMEs (in 2019)	836,020	64,194,056	651,138
- % Of total enterprises	*97.7%*	*99.9%*	*97.4%*

Source: OECD (2021a; 2022); Vietnamese General Statistical Office (2021a; 2021b)

The following three research questions will be addressed in this article: (1) how does Hungary's pension system compare to the systems in Vietnam and Indonesia? (2) How is the current condition of the pension schemes for employees working in SMEs? (3) How are the possible policies to achieve enforcement of the pension system for SME employees in these three countries? The researchers utilized a literature review in the investigation and analysis.

A comparison of pension programs for SMEs in Hungary, Indonesia, and Vietnam could provide a valuable lesson for the governments of these three countries. Furthermore, few studies have been conducted to compare Indonesian pension programs for SMEs with those of other nations. As a result, this study is expected to contribute significantly to the literature as well as the development of the pension systems in Hungary, Indonesia, and Vietnam.

The first section of this paper provides material and method (a literature review). The second section concisely describes results: Indonesia, Vietnam, and Hungary's pension systems, and compares the current condition of pension systems on employees working in SMEs in Indonesia, Vietnam, and Hungary. Section 3 discusses impications and recommendations of these three countries' pension systems' future policies on SMEs' employees, and Section 4 provides the conclusion.

Methodology

The researchers conducted a literature review as primary research approach. The researcher uses this technique to summarize and analyze prior studies on the pension system and the present condition of pension systems for SMEs in Hungary, Indonesia, and Vietnam.

Literature review

A pension scheme is a framework that accumulates money throughout an individual's working life in exchange for receiving payments in the future once that person retires. As a result, the contributions compensated during a participant's working life and the advantages to which that individual is entitled once retired are critical elements of pension schemes (World Bank, 2008). They are two monetary flows that generally arise from different times in an individual's life. Pension schemes' primary goals are to secure against the risk of becoming impoverished in old age and to flatten expenditure during the transition from employment to retirement (Barr & Diamond, 2009).

Whether the benefits or contributions are fixed, pension schemes are classified as defined benefits or contributions. A defined benefit (DB) pension system guarantees a predetermined payout upon retirement, which is established in advance by a formula based on the individual's salary record, working career, and age. Because the retirement payout is determined in advance, investment returns have no direct impact (Barr & Diamond, 2006). On the other hand, a defined contribution (DC) system is a form of pension scheme where the company, the employees, or both contribute recurrent payments, and only contributions to the scheme, not future benefits, are guaranteed. Personal accounts are opened for members in DC systems, and benefits depend on the amounts contributed to these accounts and any investment earnings (World Bank, 2008). The success of employees in the job market has a significant impact on the old-age financial adequacy in the defined contribution pension system. According to Anderson and Klinger (2016), the retirement payout is based on the quantity of savings that are invested, the rate of return on those investments, and the administrative costs associated with those investments. Employees that earn a high salary and save a lot will have a significant quantity of savings at the start of their retirement periods and will thus get bigger retirement payouts throughout those years. A little quantity of accumulated savings may be present at retirement's beginning and throughout the retirement period for those who do not work full-time or have intermittent employment.

According to the connection between contributors and pensioners, pension schemes can be classified as pay-as-you-go (PAYG) or funded. PAYG systems indicate that contributions from current staff financially support pensions compensated to current retirees. Meanwhile, individual donations to a pension account are used solely to finance future pensions, called funded pensions (World Bank, 2008).

Pension systems are essential to ensure the financial security of employees in their post-retirement years. However, many small and medium-sized enterprises (SMEs) often struggle to offer their employees' adequate pension plans (Chen et al., 2017). SMEs are self-reliant firms without subsidiaries, with fewer employees than a particular threshold that varies between countries. In the European Union, an SME is typically identified as a business with a maximum of 250 employees. However, in certain other economies, such as the United States, a company must have fewer than 500 employees to qualify as an SME. In contrast, in others, the limit is set at 200 employees (OECD, 2005).

The OECD (2005) stipulates that their financial assets also identify SMEs. It can be observed in the European Union, where there are strict limits on the income of medium-sized (50-249 workers), small (10-49 employees), and micro-scale (less than ten workers) enterprises, which cannot surpass EUR 50 million, EUR 10 million, and EUR 2 million, correspondingly. Additionally, the balance sheets of medium, small, and micro-enterprises must be between EUR 43 million, EUR 10 million, and EUR 2 million, respectively.

SMEs often struggle to provide their employees with adequate retirement benefits due to limited financial resources. Pension funds can play a crucial and vital role in providing retirement benefits to employees of SMEs, benefiting both the employees and the SMEs themselves. Payments from social security are more apparent to employees and more acceptable to owners if they are perceived as a type of future wage. For various reasons, attendance rules in collective pension systems may be advantageous. Members are first and foremost safeguarded from the dangers of their visual impairments, which prevent them from saving enough for retirement. Second, it promotes more social risk-taking. It improves ex-ante well-being by spreading shocks across many future cohorts. As a result, shocks impact the disposable income of members in collective pension plans less than those in individual pension plans (Chen et al., 2017).

Torm (2018) examined how firm-level social security allocation affected organizational efficiency in Indonesia from 2010 to 2014, using census data from licensed manufacturing companies with more than 20 employees. According to this study, increasing the amount firms spend on social security per worker by 10% boosted revenue by 0.4% to 1.8%. At the same time, no evidence showed that paying social security results in reduced profitability per worker. Furthermore, there needed to be an indication that firms participating in the social security schemes had fewer earnings per employee, implying that expanding employee benefits could significantly contribute to the company. A reasonable explanation for the favorable performance outcomes is that social security benefits contribute to increased labor engagement, either by firms being capable of recruiting more qualified staff or improving their present workers' incentives.

Contributions bring an income stream (or pension) recognized as earned income. Ayegba et al. (2013) define pension as the mechanism by which the participants contribute a percentage of their salary to a pension system during their working years. Firms have placed more emphasis on pensions since they believe that their anxieties are alleviated if staff's expectations are assured. When their needs are met, they may be more motivated to contribute productively to the enterprise's performance. Ceni (2017) stated that a forceful pension ensures a worker's satisfaction and dedication to the firm throughout his or her working time. Similarly, Salah et al. (2019) also suggested that contributory pension schemes are an essential management approach to improve worker engagement and job satisfaction.

Results and discussion

Comparison of Hungary, Indonesia, and Vietnam pension systems

The World Bank Pension Conceptual Framework (2008) established the five pillars of the pension system. As a type of state protection, the zero pillars constitute the most fundamental social security system. The first pillar is a mandated public pension system overseen by the state, with contributions based on retiree incomes. The second pillar is a fully funded pension system, the third is a voluntary DC pension system, and the fourth is a financial and non-financial pension system that supplements the existing pension system.

Hungary began implementing a multi-pillar pension system in 1998, including a required pension system, a private pension system, and a voluntary private pension system. Nonetheless, the Hungarian pension systems today have two pillars: mandated pension systems and fully financed systems (Szabo, 2017). The Hungarian mandatory pension system is a PAYG-financed DB scheme with earnings-related public pensions. The participants are persons involved in any form of job position consisting of self-employed, unemployed, and certain childcare benefits. The scheme includes the following pension benefits: old-age pension, pensions for females with a "term of 40 years,"; and survivors pension.

The Vietnamese national pension system is built on four pillars. The first pillar of the Vietnamese pension system is the major pension plan. The mandatory pension scheme is the Vietnamese contributory, publicly administered, defined-benefit, unfunded pension program. In Vietnam, the second pillar is not available (Hà Dung, 2020; Le, 2020). The Social Insurance Law (2006) introduced the third pillar, a voluntary pension program, which has been in effect since 2008 to cover working-age people not covered by the required plan. As a result, possible members include farmers, self-employed individuals, and laborers with less than one-month contracts.

In the meantime, Indonesia is still working to establish a mandatory public pension system to provide social security to all citizens. In Indonesia, compulsory pension systems for public servants, mandated company pension systems, and voluntary pension systems are currently in effect (Hadi et al., 2022). Table 2 compares the pension systems in Indonesia, Hungary, and Vietnam.

Table 2. Pension System in Indonesia, Hungary, and Vietnam

Country	Zero Pillar	First Pillar	Second Pillar	Third Pillar
Indonesia	X	X	PAYG-DB, and DC	DC
Hungary	V	PAYG-DB	X	DC
Vietnam	V	PAYG-DB	X	DC

Source: Authors' construction

Regarding eligibility, participants in the old-age pension system in Hungary must have reached the legal pension age and have completed the required contribution years. Participants must have 20 years of service to receive a minimum pension, whereas to obtain a partial pension but do not meet the minimum pension requirement; the participants must achieve 15 years of service. Those who can receive a full pension but, according to calculations, whose pensions are less than the minimum amount of HUF 28,500 (EUR 73) per month will be eligible to receive the minimum pension. Retirees who extend as private employees can secure pension benefits without any drawback on their earnings; meanwhile, if retirees continue working in government institutions, the pension benefits are suspended. Regarding the pension eligibility age, the Hungarian government executes certain adjustments. The age provision for retirees born in 1957 (a pension age of 65) was achieved in 2022.

Employees in Vietnam with at least one-month contracts must now participate under the Social Insurance Law (2014). To qualify for a monthly pension under the mandatory pension scheme, the participant must have reached retirement age and completed the required participation years. Women retired at the age of 55, while males retired at the age of 60. According to the Labour Code (2019), the retirement age gradually rises from 2021 to 60 for women in 2035 and 62 for males in 2028. In Indonesia, private companies' employees' retirement age is 57 years (Government Law Number 45 the Year 2015). There are no differences between men and women. Participants who have reached retirement age and have a contribution period of at least 15 years receive pension benefits.

Furthermore, in Hungary, the mandatory pension benefit depends on the employment period, the average salaries subject to pension contributions attained since January 1, 1988, and the retirement date. Pension benefits under Vietnam's mandatory pension system are determined by base income and job conditions. According to the 1995 Decree, the basic salary was remuneration that took into consideration positions, career paths, tenure, and salaries for high-cost locations are also factors to consider.

Under the 1995 Decree and the Social Insurance Law (2006), participants received a 45% pension rate for the first 15 years of participation to compute the pension rate of employment time. On the other hand, the Social Insurance Law (2014) requires males to have long years of participation to get the 45% pension rate. They must have 20 years of engagement to retire in or after 2022. Meanwhile, the pension benefits under Indonesia's mandated private pension plan are computed by multiplying the weighted annual salaries throughout the contribution period by the indexation factor. Pension benefits are set at a minimum of IDR 300,000 (EUR 18,61), and the maximum is set at IDR 3,600,000 (EUR 222) for each month.

Concerning contribution, starting July 1, 2020, the new Law on Social Security comes into effect in Hungary. Since implementing the new taxation system, the four forms of contributions have become 18.5%. Employees pay a pension contribution rate of 10% of their gross salaries, and the employers' contribution rate continued to decrease from 27% to 15.5% from 2017 to July 2020 (Hungarian State Treasury, Ministry of Finance, 2020). The mandatory pension system in Vietnam has a contribution rate of 14% for employers and 8% for employees, according to the Social Insurance Law (2006). Contributions to Indonesia's mandated private pension plan are made weekly. Workers pay the scheme 1% of their monthly earnings, and employers shall bear two percent of wages. The contribution amount is evaluated for at least three years, considering national economic conditions and calculating the adequacy of actuarial obligations.

Current condition of pension system on employees working in SME sector in Indonesia, Vietnam, and Hungary

Pension coverage

In Hungary, SME employees will receive pension benefits from mandated pension systems. However, they must participate in the pension system for 20 years of service to receive a minimum pension, whereas to obtain partial retirement, they must participate for 15 years. Meanwhile, Those who have attained the legal retirement age but are ineligible for a social security pension and do not have another source of income can apply for a means-tested old-age allowance (OECD, 2021b). Similar to Hungary, the employees of SMEs in Vietnam may receive pension benefits from the obligatory pension scheme. However, they must have reached retirement age and have participated for 20 years (men) or 15 years (women). Employees of SMEs who are not covered by the mandatory scheme are eligible to join the voluntary plan. Nevertheless, as previously stated, Indonesia lacks a mandated public pension system. Therefore, the employees of SMEs may participate in voluntary pension systems.

Furthermore, according to Hà Dung (2020), at the end of 2020, 32.6% of the workforce in Vietnam engaged in the obligatory pension plan, while 2.2% participated in the optional first pillar. Meanwhile, as of March 2020, 41,335 people were enrolled in voluntary pension schemes (the third pillar) (Le, 2020). Therefore, the voluntary scheme has a low participation rate among workers in the SME sector. Similar to Vietnam, the participation rate of workers in the pension system is low in Indonesia. Based on data from BPJS Ketenagakerjaan, Taspen, and Asabri, only 17 million, or 32% of the 53.3 million formal workers, have pension and old age insurance. This number equals 16% of the total formal and informal workforce, reaching 124 million. Meanwhile, almost all workers, totaling 70.4 million in the informal sector, do not have a pension. Meanwhile, only around 205,000 informal workers have registered for the pension and old-age security programs at BPJS Ketenagakerjaan. It means almost all informal workers, around 60 percent of all workers, do not have pension security (CNN Indonesia, 2020).

Pension benefits

The average benefit of the obligatory pension system in Vietnam is more than the minimum salary. The average mandatory pension benefits in 2019 were VND 4,900,000 (EUR 192) per month (K.An, 2020). From 2020, this average value will be greater than the minimum wage in major cities (VND 4,420,000 or EUR 173 per month) and rural and remote areas (VND 3,070,000 or EUR 120 per month). However, there is a significant disparity in mandatory pension benefits among persons (Thùy Linh, 2019). It is also estimated that as of October 2019, 63% of retirees (2,540,000 pensioners or 22.4% of individuals over 60) got pension payments less than the average (K.An, 2020). The average pension rate is projected to be 56% of a base income (Lan Anh, 2017).

Although the mandatory pension system includes a government-guaranteed minimum pension, not all participants are entitled. The basic wage is the government-guaranteed minimum pension (Social Insurance Laws 2006, 2014), which is VND 1,490,000 (EUR 58) per month beginning. Members of the required pension program who have been members for at least 20 years are eligible for the guarantee. To put it another way, members of the obligatory plan with less than 20 years of service and members of the voluntary pension system still need to get the minimum pension guarantee. In 2017, around 1.3% of retirees received a pension benefit less than the minimum wage (Le Kien, 2017).

Furthermore, employees in the SME sector may need to be paid better. In 2019, the average monthly pay in this sector was roughly VND 8 million (EUR 313) (Vietnamese General Statistical

Office, 2021a). It demonstrates that after 20 years of paying social insurance, employees will only get around VND 3.5 million (EUR 137) monthly when they retire, with a minimum pension rate of 45%. While the average household spends VND 3.8 million (EUR 149) per month in urban areas and VND 2.4 million (EUR 94) per month in rural areas, the pension amount only allows them to pay living expenses and has no meaning when there are anomalies in life that necessitate large sums of money. It presents the pension adequacy issue for SME employees with limited ability to contribute to the voluntary pension scheme, insufficient time included in the obligatory system, and a low base income. After retirement, the income of workers in general, and employees of SMEs in particular, may need to be increased for day-to-day life.

Vietnam's situation is comparable to that of Indonesia and Hungary. The maximum pension benefit amount available under Indonesia's mandated private pension plan is IDR 3,600,000 (EUR 222). It is lower than Jakarta's Upah Minimum Provinsi (Provincial Minimum Salary), IDR 4,901,798 (Antara News, 2022). Meanwhile, in Hungary, the minimum pension is HUF 28,500 (EUR 73), which is 12.28 percent of the monthly minimum pay for unskilled laborers (HUF 232,000 (EUR 595) or 9.6 percent of the monthly minimum wage for skilled employees (HUF 296,400 (EUR 761) (Hungarian Central Statistical Office, 2022).

Pension evasions and law enforcement

In Vietnam, the obligatory pension program has a high incidence of evasion. Around 30-40% of those who were supposed to enroll in the mandatory pension program did not (Nguyêt Hà, 2018). Some companies avoided it. Employees accept their companies' avoidance techniques since they require employment and are concerned about the impending collapse of the pension system (Buckley, 2021). According to Vietnam Social Security (VSS) officials, several businesses utilize seasonal or less-than-one-month employment contracts to avoid paying social security for a portion of their workforce (Thanh Nga, 2019).

Furthermore, it is a concern in Vietnam as many SMEs dodge or owe pension contributions. More than 151,000 enterprises still needed to enroll in required social insurance for employees in 2020, and more than 213,000 businesses still needed to pay full social insurance premiums. The vast majority are SME businesses. By the end of 2020, the total delayed payment of required social insurance had reached VND 12,113 billion, a 19.9% increase over 2019 (Vietnamese General Statistics Office, 2021b). It accounted for 4.4% of the total amount. Meanwhile, in Indonesia, according to Minister of Manpower regulation Number 29 of 2015, employers who are required to register their workers to participate in the pension security program are large and medium-scale companies. As a result, while membership in the pension program is optional for SME employees, their participation in the pension plan is quite low (CNN Indonesia, 2020).

Implications and recommendations

Despite their socioeconomic significance, SMEs have a variety of obstacles. According to Ceni (2017), one of the fundamental features of developing-country labor markets is the insufficiency of pension contributions from firms and employees. This characteristic impacts not only the current condition of employees who are not entitled to advantages such as medical care, unemployment insurance, or additional grants but also admission to the pension scheme for the aged. Castel and Pick (2018) also argued that the significant number of SMEs who do not pay for or participate in pension schemes indicates that many businesses are prevented from undertaking this step. There are several obstacles in the SME sector in fulfilling employee pension schemes.

a. The SME sector consists of enterprises with limited financial resources. Even in periods of economic upturn, they may need help with several challenges from marketplaces, clients, and rivalry from large corporations before anticipating a remarkable achievement. If business owners cannot even ensure their revenue stream, it is incredibly hard for them to cover the costs of their employees' pensions.

b. Firms' reluctance to engage in labor, especially considering SMEs sometimes operates on a short-term vision. Similarly, employees may be unwilling to contribute to social insurance once they do not perceive immediate advantages and are neither risk-averse.

c. Low awareness of the SMEs about current systems and a need to understand the present legislative framework (Torm, 2018).

d. The expense of social contributions and rises in the minimum salary are significant barriers to enrollment.

e. Both employers and staff may cooperate to stop social insurance payments. Labors may decide not to join the pension scheme once their managers explain that they may earn less take-home income. Generally, the fundamental contradiction of interests between managers and staff indicates that the firms typically aim to reduce labor-related expenditures, including the (required) payment of social welfare. Then, the owners are pressured to decide between making payments for social insurance or enhancing working conditions and infrastructure. The trade-off may be more significant and noticeable in the case of smaller firms, which frequently operate in an environment with high entrance and exit ratios and therefore are more sensitive to shifting regulatory conditions. Smaller businesses are more inclined to invest in better working environments if they believe it will be commercially beneficial in the short term.

f. As earnings in the SME sector are often poor, laborers exhibit a high job turnover rate. When changing employment, they cannot immediately obtain their social insurance book, which documents working, paying, and enjoying social insurance. It serves as a foundation for settling the insured's social insurance benefit. As a result, they may suffer losses since they do not have adequate documentation for the new firm to fulfill its duties to pay social insurance on their behalf.

g. A notable tendency in the enterprise sector in general, and the SME sector in particular, is that many employees enroll in social insurance early but later exit the system (ILO, 2021). It is not complicated to understand since the period of social insurance payout is excessively long for employees in these areas, up to 15 or 20 years. The effects of the Covid-19 epidemic have also worsened their precarious financial condition during the last two years. As a result, employees of SMEs are increasingly likely to get pre-paid social insurance payments to support their everyday life (Vietnamese General Statistical Office, 2021b). Once this occurs, the goal of establishing a pension scheme is weakened. Workforces also lose the ability to obtain pension benefits when their working capability declines and the advantages of retiree health insurance.

Furthermore, based on the potential constraints mentioned above, the authors examine numerous measures in Indonesia, Vietnam, and Hungary to enhance SME employees' pension participation. Firstly, the government should make mandatory participation for people working in SMEs. Many nations have pension schemes that demand mandatory participation (OECD, 2013, cited by Chen et al., 2017). All SME sector employees must join the mandatory pension system in Hungary and Vietnam. However, it is exclusively voluntary in Indonesia. As a result, we propose that the Indonesian government reform its pension system to force SME employees to enroll in pension schemes.

Second, the government should actively publicize the importance of pension schemes to SME employees. Low participation cannot be isolated from the employer's perception of pension contributions as a business burden. Employers of SMEs must consider pension plans for themselves and their staff once they retire. Therefore, major cooperation efforts between ministries and institutions are required to provide information and raise awareness about the importance of pensions. Furthermore, the government must improve the simplicity of registering and paying pension contributions through digital channels.

Third, Hungary, Indonesia, and Vietnam governments should incentivize SMEs to participate in pension systems, such as lowering tax rates and giving loans. The small number of participants in the voluntary plan may be due to the government's limited financial incentives for participants. Additional advantages or incentives might entice SME workers to join a pension plan. Fourth, there is law enforcement. A considerable proportion of workers who do not have a labor contract, many who opt out, and employers who refuse to register their employees in the required system are all cited as hurdles to coverage increase (ILO, 2018; Kuhlmann and Nullmeier, 2021). Poor pension system participation rates were also frequent in other Asian nations such as Indonesia and China, particularly among rural and informal sector employees (Park and Estrada, 2013). As a result, Hungary, Indonesia, and Vietnam governments should enact legislation against SMEs and their employees to encourage their participation in pension plans.

Conclusion

Countries at various stages of development have recognized the importance of pension schemes to national stability and prosperity and the well being of their aging populations. However, the advantages of pension funds to SMEs and their employees are limited compared to their inherent value. SMEs account for more than 97% of presently estimated enterprises in Hungary, Indonesia, and Vietnam, demonstrating that SMEs contribute considerably throughout the economic growth process and that the existing pension system greatly impacts them. The pension systems of Hungary, Vietnam, and Indonesia were analyzed in this article to demonstrate the current reality of pension plans for persons working in SMEs in these countries. Notwithstanding their socioeconomic importance, there are various barriers in the SME sector in accomplishing employee pension schemes: limited financial resources, employees who do not perceive immediate benefits and are not risk-averse, low awareness of current pension schemes, the expense of social contributions and increased in the minimum wage, both employers and employees negotiate to stop social insurance payments, a high job turnover rate, and employees more likely to receive pre-paid social insurance payments to help them get by.

In addition, several further actions were planned to ensure SME staff members' compliance with the pension scheme. The governments of Hungary, Indonesia, and Vietnam should make participation mandatory for people working in SMEs, actively publicize the importance of pension schemes to SME employees, simplify registration and payment of pension contributions through digital channels, incentivize SMEs to participate in pension systems, and enact legislation against SMEs and their employees to encourage participation.

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