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Best practices in the area of collecting overdue insurance debts

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Abstract: The procedure of examining best practices is common at the international level in public policies, so that the governments can take advantage of the possibility of adopting policies that have been tried and true in other countries. However, adapting to the country's unique characteristics, legislative framework, administrative culture, administrative practices, and prevailing conditions is critical. In this context, debt collection agencies must seek innovative, coordinated, cost-effective and strategic solutions to prevent the growth of new debt and to deal with the problem of collecting existing debt, given the challenges of today's environment. Especially today, when these agencies have limited resources and need to make decisions quickly, it is more than essential to gather knowledge and experience from other debt collection agencies and learn from each other. This study examines international best practices in the collection of overdue social security debts with the aim of designing more effective strategies.

Keywords: insurance debts, best practices, collection.

1. Introduction

The significant changes that are taking place in the broader political, economic, social and technological environment and the necessity to increase the efficiency and productivity of public sector entities in a constantly changing environment have made it imperative to strengthen their extroversion in order to adapt to this environment and enhance their productivity. Studying best practices at the international level can serve as a powerful ally toward achieving a better understanding of the purpose and function of entities that collect social security debts, so they can plan more effective actions in accordance with the statutory provisions of the collection of social security debts overdue (Decision of the Committee of the Ministry of Labour, Social Security and Social Solidarity on the proposal of a new insurance system, 2015).Based on a review of the international bibliography, the citation of best practices can provide a guide to review and update the practices followed in order to enhance the effectiveness of the social security debt collection services of the entities. Since debt collection agencies have limited resources and operate in circumstances where decisions must be made quickly, it is more than necessary for them to collect knowledge and experience from one another. By adopting general principles and guidelines that are internationally recognized as effective and contribute to the above objective, debt collection agencies' effectiveness and efficiency can be enhanced to a great extent. Effectiveness indicates the magnitude of debt collection, whereas efficiency alludes to the cost of utilizing available resources for debt collection (Department of Public Expenditure and Reform, 2017). The expression best practices connotes actions and procedures which have been efficaciously deployed in numerous countries, across various fields of policy, in order to be implemented and employed in other countries. More accurately, these practices are data-driven actions that have an effect on measurable variables and have been tried in different regions and different demographics. An alternate term often used to denote best practices is that of good practice, which can be interpreted as any type of experience, like an action, process, technology, program or project, undertaken within an organization to develop its administrative and operational abilities and/or to perform programs in a more effective manner (Osburn, Caruso & Wolfensberger, 2011).

This report concisely presents the successful practices based on international experience in overdue debt collection that have been used at both European and international level. The approach used for gathering this information included the review of open access sources, such as reports from organizations and scientific journals, as well as the authoritative websites of academic and research institutions. The listed best practices in this report are merely indicative, yet, the practices that have been most frequently cited are summarized in an easy-to-follow manner. As a result, a more comprehensive and thorough recording of the available sources was intentionally omitted as it would be contrary to the purpose of this report, which is to provide the most used best practices to aid in more effective action-planning. Additionally, while it is possible that other practices that are not stated in this report exist in international literature, this report serves as a pioneering document, allowing for further research and improvement on the existing list. Moreover, as this field is highly dynamic and constantly changing, there is a need to frequently re-evaluate the best practices in order to incorporate the latest developments in this field. Lastly, it is attempted to present and record the best practices in an impartial and unbiased manner in order to ensure their usefulness for policy-making and the development of more effective strategies.

2. The collection of overdue debts according to the International Social Security Union

The International Social Security Association (ISSA) is the preeminent international body for social security entities. Its purpose is to encourage outstanding performance in the field by providing competent counsel and specialized knowledge to promote dynamic social security systems. To this end, the citation of best practices regarding the retrieval of overdue payments from this organization can serve as a dependable point of reference and launching pad for further exploration (ISSA, n.d.).To provide more specificity, we will briefly discuss the surveys conducted by the ISSA in regards to the value of debt collection in social security. ISSA carried out surveys on debt collection and compliance processes implemented by social security authorities and agencies to spread knowledge and strengthen existing positive practices to resolve fundamental administrative problems connected with the collection of social security contributions and enforcing debtor compliance (Enoff and McKinnon, 2011). ISSA noted that the collection of contributions has wider political and financial ramifications, and any developments should be within the boundaries of the wider policy established by those in control, along with the administrative activities belonging to the domain of social security institutions. It stands to reason when considering that social security systems differ due to varying parameters and respective institutional infrastructure from nation to nation (ISSA, n.d.b).

The efficient governance of the system of social security contributions is of paramount importance for every country and social security institution as it helps to guarantee the sustainability of the social security system, thus enlarging the scope of social protection offered. The use of data acquired from surveys related to social security and the collection of overdue debts, coupled with the sharing of knowledge and excellent practices of debt collection and debtor compliance, could have significant consequences on both the financial and social aspects within a context of good governance. Many European countries, including Ireland, Italy, Sweden, and the United Kingdom, have adopted the approach of centralizing and unifying the debt collection system, since it has been evidenced in international literature that this type of system is more efficient than the decentralized one, mainly due to the economies of scale. Although, the spectrum of choices involving both centralized and decentralized parameters can be tailored to the necessities of each particular country based on factors such as: policy design, complexity of the institutional framework, workforce composition, degree of automation, cultural and political variables, and institutional background (Enoff and McKinnon, 2011).

3. Why is it necessary to improve debt collection and debtor compliance?

The collection of social security contributions is critical for the functioning of social security systems and falls within the purview of the state. This is to guarantee the insured are receiving the benefits to which they are legally entitled. If there are any weaknesses in the system, this right could be put at risk (Ecomomic Chamber of Greece, 2016). In order to make sure the contributions are timely and fully collected, it is essential to foster a positive dialogue between employers and social security agencies. This communication can help social security agencies detect if an employer is not meeting their obligation to pay the contributions. Furthermore, a successful collection of social security contributions aids in the financial health of social security organizations, in addition to ensuring timely payments of benefits, as it increases compliance to make sure the due contributions are fully and timely collected. Moreover, this creates a strong public support and strengthens the legitimacy of social security systems. The sustainability of social security systems goes beyond financial matters, it requires social and political sustainability, as well as ensuring that the collection of revenue is legitimate and inspires confidence (Barbero, Rodríguez & Zhu, 2020; Rompolis, 2015).

Besides, amelioration of collecting social security contributions and compliance of debtors could boost the probability of providing social security benefits, widen the potential of social safety, assist in increasing the self-financing power of social security systems and thus reduce the requirement of funds from budgetary sources. A crucial success factor for strengthening citizens' trust in a social security system is the existence of good governance, i.e., an improved and reliable system of contribution collection with improved compliance of contributors. Governance is the way in which the empowered authority uses its powers to achieve its objectives, and therefore the governance of social security organizations, as implementers of the relevant policies, must strive for excellence in management. More specifically, good governance of social security organizations is characterized by the application of the principles of accountability, transparency, predictability, participation, and dynamism. And "excellence" or "high performance" should lead to qualitative and quantitative improvements in the social security system, contribute to the achievement of profits through increased efficiency and the reduction of operating costs, which is a necessary goal for the sustainable development of any organization and is of paramount importance in today's era of austerity (ISSA, n.d.b).

In any case, an important factor for the long-term financial sustainability of the social security system is the collection of overdue social security claims. More generally, any measures taken to combat contribution evasion are of great importance to the financial viability of the social security system. In addition to the significant problem created by debts in financing the social security system, there are also problems in creating

conditions for unfair competition between consistent and inconsistent insureds and employers, and in burdening social security funds. A worrying phenomenon is also that the increase in penalties for those who do not pay their debts has no substantial equivalent, considering that they continue to increase (CGI, 2015).For this reason, it is urgent to take measures to eliminate social security debts and to establish an effective mechanism to prevent and combat contribution evasion, so that the social security system is not derailed and the pension system is sustainable. Finally, an effective collection system also promotes a sense of fairness, which is necessary for contributors. This is enabled by seeking to collect money, as in fraud cases, as justice is done to those who consistently meet their obligations. In such cases, the prompt processing of cases and the imposition of necessary and appropriate measures strengthens the sense of justice and promotes the compliance of debtors (Cabinet Office Debt Management Function, 2020).

4. The financial difficulties that social security systems face

Worldwide, the predominant mechanism for financing social security benefits is the payment of contributions, with employers and employees paying a certain percentage of monthly earnings (usually up to a ceiling), defined as a percentage of the total payroll. The government may also participate in the financing of social security programs or provide guaranteed subsidies as needed, especially when annual expenditures exceed annual revenues. In integrated national social security systems, social security benefits are supplemented by financing from tax revenues. Tax revenues may also be used to pay social security benefits in cases where the insured person is not entitled to benefits (e.g., in cases of long-term unemployment or when the insured person does not meet the minimum conditions for entitlement to benefits). In other cases, tax-funded benefits can be paid to all citizens, regardless of the payment of social security contributions (ILO, 2018).

An observed trend in social security systems is the increasing use of tax revenues as the importance of social security premiums decreases. The risks challenging the financial sustainability of compulsory social security systems worldwide stem from demographic trends, particularly rising life expectancy, declining birth rates, and increased geographic mobility. Other risks arise from structural changes in labor markets and changing employment patterns, as there is a trend toward greater standardization of casual labor. Other trends negatively affecting the financial health of social security systems include the decline in the working-age population relative to the retirement-age population, higher levels of chronic unemployment, and the growth of low-wage, casual, and temporary work, which reduce the level of contributions to the labor force. Of particular concern is the problem of undeclared work, where, in cases where the country in question does not have the institutional capacity to enforce compliance with compulsory insurance and collect the corresponding contributions on a reliable basis, undeclared workers effectively continue to be excluded from coverage by social security systems, even though this could lead to a weakening of the credibility of the social security system (Theodoroulakis and Koumarianos, 2012).

The increase in the number of self-employed individuals in recent decades also presents special challenges to the administration in determining taxable earnings, "enforcing" compulsory insurance, collecting contributions, and maintaining detailed data relating insurance. The self-employed are typically one of the last groups to be covered by social security systems, and when some coverage exists, it is often provided on a voluntary basis and for a limited range of benefits. Even when self-employed workers are actively insured, they typically choose the category with the lowest required insurance premiums, resulting in lower premium income. In addition, employees may have the legal status of "self-employed" but work exclusively for an employer. This may be due to structural changes in the labor market, deliberate exploitation by the employer, or an agreed-upon relationship between employers and employees, but may ultimately result in the collection of lower contributions (International Labour Organization, 2014).Finally, factors that may put social security systems in financial imbalance include the lack of additional sources of funding (income from social security investments, subsidies from the state budget, etc.), the impact of deteriorating indicators of population aging, lower contribution levels imposed on revenues (due to structural changes in the labor market or even tax evasion), and reforms taking place in these systems (ILO, 2018).To address these risks, policymakers are considering various options for social security policy reform based on the economic, political and demographic data that apply in each country. At present, the increasingly general environment of budgetary austerity following the global financial and economic crisis appears to have accelerated the process of reforming social security systems in many countries, particularly in Europe (GSEE Labor Institute, 2013).

5. Characteristics and key components of contribution and debt collection procedures in national social security systems

At the international level, it has been noted that each national debt collection and debtor compliance system must undertake specific tasks, such as system governance, strategic planning, collection of contributions and debt collection procedures, "enforcement" of debtor compliance, systematic internal coordination, and

managing and promoting the maturity of the contribution and debt collection and debtor compliance system. Generally, interest is charged for late payment of dues or additional penalties are imposed for late payment of dues due. It is also common practice - especially among employers - to collect contributions and initiate payments through standing orders. Non-payment of contributions by employers does not necessarily automatically trigger enforcement proceedings to collect those contributions. Attempts are first made to reach a solution with the employer to facilitate payment of the overdue contributions, and if these efforts fail, the matter is taken to court. The administrative procedures of the social security institutions for the recovery of debts usually have an execution order and do not require the enforcement of a court decision. Of course, there is also a risk that the institutions may not be able to collect any amounts or only small amounts, such as when companies go bankrupt and the social security institutions waive their claims (Ross, 2004).Given the increasing financial challenges faced by many social security systems, the results of international surveys have highlighted certain elements and characteristics common to social security systems that are characterized by increased efficiency in the collection of social security contributions and debts. These characteristics concern the following variables: collection authority and other debts/contributions (e.g., for health, vocational training, etc.), years of operation (maturity) of the social security system, coverage, size and diversity of the workforce, level of automation, level of coordination with external organizations, implementation of continuous evaluation and adaptation processes of collection policies and practices, and the "culture" of social security in each country, which are analyzed below (OECD, 2019).

Since data for both taxes and social contributions are available within an organization, combining the collection systems for taxes and social contributions might result in cost savings when it comes to the authority to collect other debts/contributions. However, despite the fact that the systems were primarily created with the tax system in mind, there have occasionally been issues and challenges with collecting and monitoring the collection of each category. In order for this system to be effective, the collection of taxes and social security contributions must be combined. This will make it easier for employers to report their employees' social security contributions, allow for better cross-checks and controls, make it easier to harmonize social and tax policies, and make it possible to maintain thorough records. According to actual data, the system seems to work better the longer it is in operation (Centre for the Collection of Social Insurance Debts, 2015). This is evidently due to the fact that there is time to examine and enhance the procedures, and those in authority may make the required adjustments. The French Central Agency of Social Security Agencies, which has an efficient and effective system as a result of its many years of operation, is an example of an effective such organization. To address problems and increase the efficiency of automated and non-automated controls, its procedures are highly automated and continually improved. New techniques are continuously tested, and "difficult instances" are methodically investigated (ILO, 2001; OECD, 2018; Ross, 2004). Similar to HMRC (Her Majesty's Revenue and Customs) in the UK, which only recently took over responsibility for collecting social security contributions, HMRC has a very effective and straightforward system for detecting, preventing, and reporting tax cheating. The size and variety of the workforce also play a role since it affects how easily taxes and social contributions can be collected when people are geographically distributed and less "categorized" (Cabinet Office Debt Management Function, 2020).

Additionally, the duration of an organization's existence, the level of automation, and the universality of its coverage all contribute to the organization's effectiveness (The International Bank for Reconstruction and Development / The World Bank, 2017). Outsourcing some of an organization's functions was mentioned as helpful, but did not significantly alter the organization's overall effectiveness. The social security system's age also has a significant impact on how well it works. It goes without saying that a system's initial years of operation are a time for development and adaptation (Wejer-Kudełko and Łada, 2018). The systems that have only recently begun to operate may, of course, be more automated and benefit from the knowledge of older systems, but there must be an adjustment period that affects the collection processes relatively. It is argued that the size and diversity of the workforce, specifically the existence of different population categories between rural and urban employees, the number of self-employed, the separation between employees in the formal and informal economy, the percentage of employees in the agricultural sector, and especially the size of the workforce, are particularly important with regard to more specific parameters of the population. In general, as detection of tax evasion becomes easier, universal coverage of the population improves. Of course, the size of the workforce can add to the workload of collecting contributions and debts, and the aforementioned factors result in increased complexity in identifying and dealing with "non-compliant" employers and employees (Department of Public Expenditure and Reform, 2017; European Commission, 2018; OECD, 2019).

Furthermore, the degree of automation is a deciding factor in the success of a contribution and debt collection system (CGI, 2015).The degree of automation is determined by the extent to which the Internet is used, electronic data cross-checking and electronic wage declaration are performed, debt management information is obtained online, electronic payment of contributions is possible, sophisticated algorithms are used

to detect malfunctions and problems in debt collection and payment procedures in general, and automated customer relationship management programs are used. It should be noted that almost all social security organizations that use cross-data technologies with other organizations, agencies, and entities have confirmed the existence of many benefits from electronic data exchange.The information obtained through automated procedures is regarded as critical in terms of developing new procedures, planning and conducting audits, and making changes that benefit the process of collecting contributions and debts. As a result, several social security organizations are already designing or implementing new automated processes to improve the efficiency of the collection and contribution process. However, the ability to conduct online activities related to the collection of social security contributions and debts, as well as debtor compliance, offers the possibility of better workload control, reduced bureaucratic burdens for the production of reports, and improved relationships with citizens (ISSA, n.d.b).In general, information technology (IT) solutions are a primary means of improving the efficiency and effectiveness of social security systems. However, because social security organizations are restricted in their spending, they are hesitant to invest more in IT and new technologies. The point is that public social security organizations should be able to reduce their operating costs while also improving service standards, which is a difficult equation to solve but one that has a good chance of success (CGI, 2015).

Another feature shared by successful social security organizations is a high level of coordination with external organizations, which is regarded as an important factor that can contribute to the collection of contributions and debts (OECD, 2019).Data cross-referencing, combined audit and review activities, and collaboration around common problems are all examples of collaboration. Tax authorities, other social organizations, social partners, licensing authorities, statistical agencies, local government agencies, and non-governmental organizations (NGOs) that work with various professional, geographical, or ethnic groups are examples of external organizations. Aside from information sharing and collaborative work efforts, public sector collaboration in terms of information dissemination is most useful and effective when it occurs within organizational structures. Furthermore, successful collection organizations have processes for continuous evaluation and adjustment of collection policies and practices, especially when they share the way with other organizations in terms of monitoring processes and practices. It is especially important to note that the increasing importance of automation in the data collection process, as well as changing financial and business processes, necessitates the search for information by employees of social security organizations, while the changing dynamics of private companies with similar responsibilities necessitate the search for information by employees of social security organizations as well (i.e. collection of debts and contributions). In any case, a key component of success is the ability to select well-studied and highly reliable best practices used by other collection agencies and, as a result, apply them to the existing policies and practices of social security agencies and contribution and debt collection (Barbero, Rodríguez and Zhu, 2020; ILO, 2001; OECD, 2019).

Moreover, a factor that influences the success of a system for collecting contributions and debts is the social security "culture" that exists in each country, specifically whether a positive or negative perception of social security organizations exists. Positive perception stems from the social security agency's credibility, the efficient and timely process of determining eligibility for benefits, the timely and accurate payment of benefits, and the general public's understanding of the benefits provided by social security programs. The negative perception stems from possible illegal use of social security funds, low benefits, low returns on investment funds, a slow and/or inefficient process for determining eligibility for benefits, and a lack of knowledge about social security benefits. However, the presence or absence of political will to identify challenges and implement necessary reforms in social security systems is a significant factor in "culture" that must not be overlooked. However, it can be concluded that one or more of the aforementioned factors can instill in a country's population either a positive or negative perception of social security programs. This "culture" will then either help or hinder contribution and debt collection efforts. Non-payment of contributions is thought to be more severe in countries with a weak social security culture. One solution being considered to promote improved compliance is an online tool that would allow social security organizations to compare their performance in dealing with non-payment of contributions (Enoff and McKinnon, 2011).

Finally, the similarities in contribution collection procedures in national social security systems appear to have a significant impact on their effectiveness. What should be noted is that no single factor stands out as being decisively effective; rather, it appears that a combination of factors has the greatest effect.However, common practices such as outsourcing the process of collecting contributions and debts to third parties, selling debts to third parties, promoting mediation, using financial penalties for late or incorrect payment of contributions due, different levels and degrees of flexibility in contribution payment rules, public education and public relations on social security initiatives and legislative reforms are used in several states (Department of Public Expenditure and Reform, 2017). In any case, organizations must consider their own and citizens' responsibilities within a country's overall social security system. For example, how far will the organization go to identify non-account payments and the obligations of obligees to properly maintain payment records? These aspects are primarily

covered by guidelines in each organization's strategy, business processes, and fraud control departments. The guidelines also address critical debt collection and debtor compliance issues, such as clearly defining the agency's mission and mandate, implementing strategic planning and continuous improvement practices, collaborating with other agencies, and developing a social security culture (ISSA, n.d.b).

6. Best Practices for debt collection and debtor compliance

In addition to identifying the common elements of successful social security and collection systems, research on success factors and successful techniques for improving debt collection and compliance has resulted in optimal collection practices and debtor compliance. A table is believed to be appropriate to describe the practices for a more complete understanding.

Table 1: List of best practices

Best practice	Main points
Third parties	• Collaboration with specialized debt management and credit rating firms • Task delegation to debt collection agencies • Debt collection outsourced to larger and more efficient public debt collection agencies • "Debt counselors"
ICT	• Sophisticated IT systems with administrative information capabilities • Cutting-edge technology to model risks, prioritize cases, and reduce staff turnover • Improve understanding of debtors' financial situation • Adaptation to changing market conditions, with a focus on risk management and strategic decision-making through a user-friendly interface environment • Use of predictive models and risk analysis systems • Business Intelligence system
Payment of Debts	• Adjustments to the debtor's payments (Pay-As-You-Earn System) • Set-off of debts from other government agencies • Mobile app applications and ATM payment methods • "Time grant" in certain debtor cases • Cancellation of minor debts • Creating personalized, long-term repayment plans
Specialized groups / structures	• Specialized units for specific debtor groups • Specialized personnel in legal and financial sciences, risk analysis, and information systems • Debt cases routed to a competent risk analysis department • Special departments to identify asset concealment processes • Big Data to uncover debtors involved in fraudulent incidents
Communication	• Publication of debtors • Multiple communication channels • Debtors are automatically reminded of their obligations via e-mail • Prompt responses to debtors' inquiries • Tailored communication to vulnerable debtors • Reminder letters, online advertising, social media and phone campaigns • Free debt advice and information to debtors
Cooperation with other organizations	• Information gathering and exchange • International treaties to ensure debt collection for debtors with property abroad • Data cross-referencing and automated electronic data exchange regarding assets • Increasing intergovernmental cooperation • Collaboration with judicial and prosecutorial authorities
Reorganization of internal procedures	• Supervisory board • Strategic plan

	• Continuous internal inspection and control • Simplifying procedures, uniform collection rules • Transparency and performance indicators publication • Methodology to determine viability and ability to repay • Data analysis • Monitoring debtor-related changes • Debt arrangement evaluation • Debtor categorization/segmentation • Early detection of debtor noncompliance • Scoring techniques to quickly identify problematic debtors
Debt compliance	• Revoke of licenses of businesses that fail to meet their obligations • Electronic bank account seizure • Foreclosures, mortgages, auctions • Balancing performance with protection to vulnerable debtors

Source: Author's processing from:PwC, 2015; European Commission, 2018; Enoff and McKinnon, 2011; Exus Collections, n.d.; OECD, 2019.

On a European scale, The European Union has legislated on Directive (EU) 2019/1023 of the European Parliament and of the Council on the framework for preventive restructuring, discharge from debts and incapacities, or discharge of debtors, as well as measures to improve these processes, on 20 June 2019. It is known as the Restructuring and Insolvency Directive, and it modifies Directive (EU) 2017/1132. The goal of this Directive is to ensure that viable businesses facing financial difficulties have access to effective national preventive restructuring frameworks, allowing them to continue operations, and that honest insolvent or over-indebted entrepreneurs can be fully exempted from their debts after a reasonable period of time, giving them a second chance. That is, the aforementioned Directive is concerned with improving the efficiency of restructuring, insolvency, and debt relief procedures. It could thus be argued that the core of the Directive is debt restructuring, so that debtors facing financial difficulties can continue to operate fully or partially by changing the composition, terms, or structure of their assets, liabilities or capital. This may include the sale of assets, parts of the business, or the entire business, as well as operational changes such as contract amendments or selling or otherwise disposing of assets. Preventive restructuring allows debtors to restructure effectively at an early stage, avoiding insolvency, limiting the liquidation of viable businesses, preventing the loss of jobs, knowledge, and skills, and maximizing the overall value for creditors in comparison to the value they would receive if the company's assets were liquidated. According to the European Parliament and the Council, preventive solutions are a growing trend in modern insolvency law, aiming to recover or at least save the parts of a business that are still financially viable, as opposed to the traditional approach, which aims to liquidate the company facing financial difficulties. The reason for this is that the benefits are obvious and pertain to the economy, job retention, and reducing unnecessary job losses. Furthermore, there is little involvement of judicial or administrative authorities, as well as industry professionals, in corporate restructuring/liquidation (Official Journal of the European Union, 2019).

7. Characteristics of an effective debtor compliance system

The most important characteristic of an effective debtor compliance system is that all hierarchical levels of the organization are committed to following the provisions of the relevant legislation. That is, this commitment must be visible at all levels of the organization, particularly from the board of directors and executives, with senior management ultimately responsible for monitoring compliance. Senior management commitment can be strengthened by appointing a compliance manager / supervisor, and by establishing appropriate and visible compliance procedures that are properly communicated and understood by employees (Deloitte, 2016). In addition, an effective compliance system must have adequate resources to enforce debtor compliance, as well as clear and meaningful responsibilities and ongoing recognition and support within the organization to achieve and maintain debtor compliance (OECD, 2019).Furthermore, the organization must have the resources to train all of its employees on their compliance responsibilities, while ongoing training, supervision, monitoring, and compliance reporting help to improve debtor compliance (Deloitte,2016). An effective debtor compliance system also evaluates the business units of the organization that are in charge of compliance issues. However, this requires a clear identification of all aspects of the current procedures applicable to debtor compliance, as well as the identification of the risks associated with violations of the relevant regulations. Furthermore, it is advantageous to involve employees with detailed knowledge of the relevant legislative requirements when developing the operational and training processes in the debtor

compliance system, while ensuring that these requirements are integrated into the organization's day-to-day operational processes and practices. It is worth noting that different compliance approaches may be required when developing operational and educational processes depending on the debtor's sector of activity and the relative degree of risk. Additional training in communication and negotiation skills can be quite useful in this direction, as can keeping a list of questions and answers that arise during the training procedures, a register of trainees, and trainee evaluation of the training regarding clarity and adequacy. The preceding also applies when there is a change/amendment to the relevant legislation regarding debtor compliance, and it must be ensured that the staff involved has been retrained or informed about it (Department of Public Expenditure and Reform, 2017; Ross, 2004).

Potential compliance failures should also be recorded, classified, and analyzed so that they can be corrected as quickly and efficiently as possible, avoiding recurring and systemic issues. Organizations must have systems in place that allow them to receive timely and accurate information on relevant changes, and applicable legislation and jurisprudence must include systematic recording. In addition to the foregoing, organizations can seek legal advice from legal advisors, seek guidance from relevant regulatory authorities, become members of associations to receive guidance and participate in relevant forums and seminars, and subscribe to legal services. In any case, internal arrangements must be developed to ensure that senior management is kept up to date on compliance activities and that failures and problems are addressed appropriately. In addition, an effective debtor compliance system requires constant review and maintenance to avoid becoming obsolete or ineffective. This maintenance includes regulatory compliance control, continuous improvement of the system and its effectiveness, promoting a compliance culture within the organization, and employing experienced people who are committed to continuous improvement of compliance. A review of the process by an independent and specialized organization is also beneficial, as it will contribute to the process of ensuring the effectiveness of the compliance system, as will the establishment of formal and informal communication channels with similar organizations and regulatory bodies, as well as the holding of regular meetings with public authorities and employers' associations (Department of Public Expenditure and Reform, 2017; European Commission, 2018; OECD, 2019; Ross, 2004; Wejer-Kudełko and Łada, 2018).

8. Debt collection challenges

The study of best practices must be accompanied by an assessment of the general challenges that arise in the collection of due debts. This assessment is required due to the significant changes that are occurring in the broader environment, and it will result in the adjustment of practices followed in light of the changes, within the framework of the feedback process that must govern all procedures in the collection of due debts (ILO, 2001). The main challenge for debt collection agencies is the difficult economic environment in which they operate. Digital processes, data management, and significant social changes are at the heart of the emerging economic, social, and technological environment for debt collection. As citizens prefer to use new technologies, traditional debt collection methods are becoming less effective. Every organization should ensure that it has sufficient infrastructure and resources to fulfill its purpose, staff with the skills to cope with the challenges, procedures for measuring and evaluating the performance of employees and infrastructure, adequate capacity of IT systems, the ability to exploit and analyze data, strengthening services provided to debtors, and taking the complexity of the legislation into account (European Commission, 2018). However, the resources required for adequate infrastructure are becoming increasingly scarce. The possibility of cooperating with other bodies to exchange experiences and best practices, as well as the possibility of undertaking joint initiatives and pilot testing of new procedures, is also critical. It is also argued that the establishment of a single collection center for debts and contributions, i.e. before the latter become overdue, will yield positive results (Ross, 2004).

The difficulties anticipated primarily concern the erosion of the insurance base and insurance fraud (which also results in the possibility of collecting debts from a smaller "reservoir" of contributions), new models of economic activity and new platforms being developed in the digital world that organizations cannot monitor, legal uncertainty, limitations from previously used applications and practices, and legislative limitations. Furthermore, there has been an excessive increase in debts to public bodies in general in recent years (particularly since the Covid-19 period), as well as a growing citizen distrust of debt collection organizations. It is deemed necessary to adapt debt collection organizations to the new data in order to address these risks, putting an emphasis on performance measurement, improving the processing and use of mass data, enhancing digital services, hiring and empowering of employees, adoption new technologies (such as block chain, artificial intelligence/virtual assistants, self-assessment tools, modeling of collection costs and probability of recovery in case of liquidation), periodic review of the organizational structure, electronic registration and archiving of data, strengthening of cooperation with others, development of digital platforms, and improving the exchange of risk analysis tools, alternative information management, and capacity building. Furthermore, it is necessary to organize strategic discussions and improve IT coordination with other organizations, to provide training and

appropriate and modern educational tools (such as webinars and e-learning methods/platforms), to strengthen debtors' compliance by establishing a climate of trust and legal certainty, to renew organizational staff, to clearly define roles and responsibilities for organizational employees, and to develop an IT architecture capable of meeting the needs of the organization. The formation of an IT system architecture working group, as well as the regular collaboration of the organizations' CIOs, will help in the above directions (Cabinet Office Debt Management Function, 2020; European Commission, 2018; Exus, n.d.; OECD, 2019; Ross, 2004; The International Bank for Reconstruction and Development / The World Bank, 2017).

Finally, there are significant challenges that debt collection agencies must overcome in terms of international collaborations. This collaboration can be made constructive through a structured process that includes meetings at the governors' level of the organizations with a strategic agenda (European Commission, 2018).Certain conditions must be met for such cooperation to succeed, such as a shift in mentality from national benefit to mutual benefit, an ideal balance between long-term goals and immediate results, realism, a greater emphasis on operational cooperation, project creation with the concurrent formation of special groups, and a focus on deliverable and specific results. It has also been argued that all debt collection agencies must have a thorough understanding of the risks and opportunities in their operating environment, as well as the ability to assess collection capabilities, segment and process accounts with timely and accurate data, and employ intelligent automation and tooling (FICO, 2015).Alternative proposals are submitted, however, in order to increase the efficiency in increasing contribution collection and debtor compliance; however, each organization must evaluate the appropriateness of their application on an individual basis. As such, the following are mentioned: the establishment of a single account of debts to all public services and bodies, the publication of debtor data when deemed necessary, the modification and review of the institutional framework regarding the possibility of imprisonment as a penalty and joint responsibility, communication and cooperation with the debtor before taking coercive measures, rewarding debtors, advising debtors, sending reminders, establishing a complaint form available to debtors and designating a competent agency to review them, writing off debts that cannot be paid, negotiations with debtors, confiscating the debtor's assets and auctioning them off, applying for the debtor's bankruptcy, forming a group of organizations to assist debtors, "close" monitoring of debtors who have recently defaulted on their obligations, rollover of debt settlement installments, and cessation of coercive measures in cases where it is established that the debtors are truly unable to pay. Many of the aforementioned challenges highlight the need for increased infrastructure and service staffing, as well as institutional and regulatory reform, in addition to a greater level of political and financial commitment from public authorities (Deloitte, 2016; Department of Public Expenditure and Reform, 2017; OECD, 2019; PwC, 2015; Ross, 2004).

9. Conclusions

Technological advancements in recent years have been rapid, providing significant opportunities for debt collection agencies to increase debt collection efficiency. Technology has literally transformed the critical function of debt collection and will continue to do so with even greater vigour in the near future. This function is now based on electronic means and automated procedures, with the paper form on the verge of extinction. The use of automated and personalized statistical models based on the unique characteristics of each debtor, as well as direct access by debtors to data concerning them without the mediation of officials, is gaining traction in advanced countries.The automated interface will control account details, payment processes, and even debt arrangements/settlements between the debtor and the organization. The necessary data and data analysis software must be available in order for this segmentation to be possible (Exus Collections, n.d.). Automation, in general, lowers the overall cost of debt management and increases collections (without adding more employees), providing an immediate benefit to the organization. It also aids decision-making by providing analytics, lowers the organization's operating costs through debtor self-service (via web, IVR, or use of frequently asked questions - FAQs) without time constraints, and leads to an increase in debtor compliance, which benefits the organism's collections. When data from third parties is used, automation produces better results, allowing the organization to have more accurate and complete data, a more complete view of the debtor, and develop more actions. It also enables better decision-making regarding the allocation of the organization's resources in order to achieve the best possible result through effective and efficient workflows and priority management after evaluating different action scenarios on a case-by-case basis. Future debt collection developments are expected to require debt collection agencies improving automated tools, particularly in terms of debtors' voluntary compliance. What remains to be done is to create economies of scale (either within the organization or in collaboration with other organizations) as a result of technological infrastructures, concentration of know-how, elimination of duplicate processes, development of a unified process, and a single and coherent strategy that has been adequately communicated to all employees (Deloitte, 2016).

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