

NATIONAL TASK FORCE ON SOCIAL SECURITY

**“Extension of social security to the
excluded and poor”**

Draft National Action Plan

ILO Area Office Colombo
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The policy framework: Sri Lanka's Poverty Reduction Strategy

The Government of Sri Lanka outlined its poverty reduction strategy in May 2003 as part of the strategy paper “Regaining Sri Lanka”. The report presents the Governments’ strategy to meet the economic and social challenges facing the country. It has the following three key elements, namely (i) private sector-driven economic growth; (ii) enabling regulatory macro-environment; (iii) core government functions performed efficiently¹.

The poverty reduction strategy rests on the assumption that with a lasting peace strong economic growth is achievable to effectively eliminate poverty. Six strategic pillars have been identified:

- ❑ Building a supportive macroeconomic environment
- ❑ Reducing conflict-related poverty
- ❑ Creating opportunities for the poor to participate in economic growth
- ❑ Investing in people
- ❑ Empowering the poor and strengthening governance
- ❑ Implementing an effective monitoring and evaluation system

While all these aspects benefit the poor and improve their social security in a wider sense, it is mainly the chapter on “Investing in people” that relates to social security systems as such. Sri Lanka’s achievements in terms of social security and its long tradition of social protection are stressed here. However, it is also acknowledged that there are vulnerable groups, and among them the elderly, that would need additional support.

Government intends to encourage more savings for old-age income replacement requirements and states that geriatric welfare concerns will take on increasing importance as the population ages. It plans to enact a “Superannuation Benefit Funds Commission Bill” to regulate private pension funds intends to support both public and private pension funds in future. The need for better management and enforcement in relation to public retirement funds is clearly spelled out².

Social insurance for workers in the informal economy forms another intervention area that the Government perceives as a priority. The report names the death donation societies and the ALMAO scheme as positive examples and states that further developments in this area will be encouraged.

Government plans to provide a regulatory environment for social insurance programs and will help to defray part of the premium costs for the poorest groups. Governments takes a pro-active stance by improving the access of the poor to social insurance in order to better manage risks themselves: “Indeed, over the next decade, it is anticipated that the main focus of social protection measures will switch from being based on cash transfers to broadening the coverage of social insurance”³.

The Government promotes the aspect of solidarity while at the same time underscoring the fact that it is the poor who will have to advance out of poverty.

¹ Refer to “Regaining Sri Lanka” May 2003, p. 2

² ebda, p. 82

³ ebda, p. 83

Other parties, including government, civil society, donors, should facilitate, catalyze, energize the poor to overcome their problems. Stakeholders have to open up opportunities for the poor and have to empower them so that they can lead the battle to improve living standards and to minimize their exposure to a variety of risks.

ILO: Working out of poverty

“Work is the best way out of poverty”, ILO Director-General Somavia told this June’s International Labour Conference (ILC) and went on to describe the objective to achieve a “decent work dividend”⁴. This involves providing more stable incomes and productive employment. It is not just a dividend for the poor – it benefits governments and employers as well.

A concerted global drive by the international community of work, namely the ILO constituents, is needed to move forward in the complex process against poverty. Despite some encouraging signs, the overall trend is gloomy: in South Asia, the number of people living in poverty remains at about 1.1 billion.

The ILO is committed to helping people work out of poverty and singled out four tools for poverty eradication:

- ❑ Creating jobs
- ❑ Guaranteed rights at work
- ❑ Basic social protection
- ❑ Promoting dialogue and conflict resolution

It is in relation to these tools that ILO launched its ‘Global campaign on social security and coverage for all’ in June 2003⁵. The launch follows intensive discussions at the 89th session of the ILC in 2001 where it was underlined that “social security is very important for the well-being of workers, their families and the entire community. It is a basic human right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of government social policy, and an important tool to prevent and alleviate poverty”⁶.

The global campaign will support efforts in countries where social security coverage is limited and where there is scope for extension within an integrated social security framework. It was launched based on the assumption that it is possible to find solutions through social dialogue and in a participative manner.

These solutions need to be seen in the wider economic, social and political context and have to take into account the national poverty reduction strategies. Social security programmes need to complement policies in other areas such as employment, health, and the family. It is also recognized that social insurance and social assistance are complementary since it is often the lack of social insurance schemes that generates the demand for social assistance⁷.

⁴ Refer to ILO “Working out of poverty”, Report of the Director-General, ILC 91st session, Geneva 2003.

⁵ Refer to www.ilo.org/coverage4all

⁶ Refer to ILO “Social Security: a new consensus”, Geneva 2002.

⁷ Refer to ILO “World Labour Report 2000”, p. 188

The ILO will facilitate this process, starting with an analysis of social protection needs and of existing provisions. Proposals to strengthen and expand existing measures and to develop innovative ways of extending coverage will follow in the form of a National Action Plan.

National Task Force on the extension of social security in Sri Lanka

The Tripartite Steering Committee and, later, the “National Task Force on Social Security” in Sri Lanka has worked for more than one year on the question how social security could be extended to the excluded and the poor. Its recommendations are included in this National Action Plan. Through the Action Plan, Sri Lanka will also contribute to the ILO-“Global Campaign”.

The recommendations represent the first step on the path towards a just social security system for all Sri Lankan citizens. They are consistent with the policy framework set by the Government to “regain Sri Lanka” after two decades of armed conflict. They complement the many other reform efforts currently undertaken within the country with regard to social security. The Task Force notes with pleasure that some of its members have the opportunity to apply lessons learnt over the past year as they are actively involved in those reform programmes as well.

Given the fact that there are several reform initiatives ongoing, the Task Force feels it is necessary to stress again its particular mandate, namely to develop concepts how these initiatives could be extended to the excluded and poor.

The most remarkable feature of this Action Plan is that it has emerged from a social dialogue between the Government, employers, trade unions and civil society. Experts from 17 different institutions and organizations have invested time and energy to work jointly towards practical solutions to problems faced by those fellow citizens who are not well represented. The Task Force would like to take this opportunity to stress the importance of social dialogue to achieve consensus among key stakeholders on this sensitive topic.

The Action Plan covers both the formal and the informal economy in an effort to reach those people not currently covered with any social security scheme and those who cannot afford regular financial contributions. The Task Force analysed the large formal schemes available in Sri Lanka as well as micro-insurance initiatives at village level with the intention to identify an approach or approaches how to include the excluded and how to reach out to the poor.

Recommendations focus mainly on the macro-picture and concentrate on the topic of superannuation/old-age benefits. They also cover ideas for possible follow-up action for different target groups.

Consultative process:

- ❑ The first tripartite roundtable meeting took place in October 2002
- ❑ Assessment studies of existing pension schemes (EPF, Farmers/Fishermen/Self-employed Pension Schemes) and an NGO-mapping study of social security in the informal sector were commissioned and findings presented at the first national seminar
- ❑ **1st National Seminar in March 2003:** discussion of findings from the assessment studies and the NGO-mapping
- ❑ Commissioning of a diagnostic report on social security coverage and main challenges related to superannuation; commissioning of two case studies (Sanasa/Almao and Yasiru). Findings were presented to the second national seminar
- ❑ **2nd National Seminar in August 2003 (“Diagnostic Seminar”):** discussion of the diagnostic report and the case studies
- ❑ Hon. Minister of Employment and Labour appoints the **National Task Force** and holds a first meeting on 24 September 2003
- ❑ The ILO facilitates the next meeting on 1 October 2003
- ❑ *Early decision to focus on superannuation/old-age pensions within the broader framework of social security*
- ❑ *Decision to split into three task forces on (i) Macro-picture; (ii) Formal sector; (iii) Informal sector. However, after realizing that the first two topics are closely interlinked, these two groups re-joined*
- ❑ *Decision to concentrate on persons in some form of wage- or self-employment in the formal and informal economy, while other vulnerable groups would be covered by welfare safety nets*
- ❑ Task force groups meet again on 15-17 October and on 5-6 November 2003
- ❑ Plenary meeting of the National Task Force on 28 November 2003: presentation and discussion of draft National Action Plan
- ❑ **Finalization of the NAP in December 2003 as scheduled**

Issues:

The Task Force decided during the consultative process that within the broader framework of social security, first priority should be on superannuation/old-age benefits for the poor and the excluded. The discussion, then, focused on a number of issues grouped below in three main areas:

- ⇒ Macro-picture for an included national pension system
- ⇒ Reforms to existing schemes in order to extend coverage
- ⇒ Need for new schemes in the informal sector

Macro-picture for an included national pension system:

- **Need for social dialogue**

The Task Force stresses the importance of social dialogue for the sensitive issue of social security as the topic involves and affects all social partners. Agreement between Government, employers and workers is needed, albeit sometimes hard to find, for the successful implementation of reforms.

One example for a fruitful exchange of information among the social partners is related to the ongoing pensions reform initiatives in the country. The Pensions Reform Office (Central Bank) is represented in the National Task Force, as are members of the National Labour Advisory Council (NLAC). The Task Force successfully liaises between the different groups and contributes to a better understanding of pension-related issues and an improved level of information about the current reform process.

It is, therefore, suggested that NLAC, as a tripartite body, takes over from the Task Force in 2004 and oversees and coordinates the follow-up of this Action Plan, in close coordination with the Pensions Reform Office.

- **National Pensions Agency**

Sri Lanka can be proud of its achievement and long tradition in the area of social security. Yet, the existing pension schemes were established without a coherent policy approach. The involvement of several ministries adds to the bureaucracy and impacts negatively on cost-efficiency and effectiveness. The administrative, technical, and managerial capacity in existing pension schemes leaves room for improvement (see issue point below).

The Task Force suggests the establishment of a single National Pensions Agency encompassing all existing schemes and, possibly, new schemes for the informal economy in the long-term. A tripartite board should oversee this agency. A substantial investment in the human and technical resources is needed to manage and operate such a complex social security scheme. With this proposal, the Task Force goes beyond currently discussed models, such as the one proposed in the Superannuation Bill.

- **Portability between pension funds**

Government's plans to enhance labour market flexibility are not supported by the prevailing regulation that funds cannot be shifted between the different pension schemes for tax and other reasons. This increases the risk of the

individual worker or employee to lose individual old-age benefits when changing sectors. The Task Force unanimously recommends ensuring portability even under the given circumstances of restricted labour market flexibility. This relates to the shift between public and private pension funds, in the short-term, and between future informal schemes and formal schemes, in the long-term.

Agreement has also been reached that an early retrieval of contributions should not be possible in order to safeguard the beneficiaries against a possible early loss of benefits/lump-sum payment.

- Amalgamation of existing public schemes

The Task Force acknowledges the development regarding a combined administration for EPF and ETF. With regard to the amalgamation of the public pension schemes for farmers, fishermen and self-employed, the Task Force has not reached a final decision how to reorganize them and whether they should be brought under the EPF-umbrella.

At an early stage during consultations, the Task Force agreed on one common administration but three separate schemes. Another idea was to suggest that until the National Pension Agency is established, EPF could take this overall responsibility to streamline the administration of these schemes, to strengthen the management and to add to the transparency for the benefit of the wider public. However, there are concerns about the current liability gaps within these schemes. The Task Force recognizes that additional private funds will be approved in 2004 and that it is likely that there will be increased competition to EPF and other public schemes.

- Regulatory role of the state

The minimum consensus among social partners with regard to the role of government is that a conducive regulatory environment needs to be established. New or improved legislation, such as the recently drafted “Defined Contribution Superannuation Benefit Funds Commission” Bill would ideally be based on thorough consultations of all main stakeholders. Other legislative areas would be trust administration or new investment regulations. The Task Force also suggests to avoid double or multiple taxation of benefits.

- Financial sustainability

The Task Force suggests careful targeting and prioritizing of resources with regard to the funding of existing as well as newly proposed pension schemes. Government has to fulfill its mandate for social equity while facing serious financial constraints. The warnings of the private sector against additional financial obligations are recognized as well. Negative effects on competitiveness, employment levels and overall economic growth are not in the best interest of the stakeholders on social security. Innovative solutions are needed if pensions schemes are to be financially sustainable, especially against the background of a rapidly ageing society.

In an international context, there is a trend towards enabling older workers to remain in the workforce and to retire gradually. The Task Force also

discussed whether it is a feasible option to gradually raise the retirement age in Sri Lanka. A final decision could not be reached as this measure impacts directly on the labour market. Especially the employers voiced concern about the coherence with Governments' job creation strategy, as well as the impact on the country's competitiveness and productivity.

- Gender equality

The demographic and labour force analysis show that women make up 70% of all persons currently not covered by formal pension schemes but that they will constitute 70% of the very old in future. This leaves a big social security gap for women at present and, increasingly, in the coming years. Women are disadvantaged by non-existing informal sector schemes, such as for domestic and migrant workers. Women are also disadvantaged by the inflexibility of existing pension schemes in cases where they are unable to make regular contribution, for example during child-rearing years.

It is a concern of the Task Force that part-time working opportunities may have been declining in Sri Lanka over the last 20 years. Flexible working patterns are especially attractive to women as an effective way of combining work and family responsibilities. More part-time work places would allow more women to actively pursue a working life, and, thus, lead to an increase in the working population.

- Redistributive element for the poorest

Existing formal pension schemes are designed on the assumption that individual members will make contributions essentially on a continuous basis throughout their working lives. This is a severe obstacle to participation by the poor. In the long-term and in order to extend coverage substantially, a certain re-distributive subsidy element financed by general revenue and through transfers from existing schemes is needed. This measure should be reserved for and properly targeted towards those persons that have been identified as extremely poor, for example by ways of means-testing. The Task Force could not reach a final decision on the question of re-distribution and risk-pooling.

Reforms to existing schemes in order to extend coverage:

The following mandatory and voluntary public schemes have been studied in detail:

EPF	(Employees' Provident Fund)
Farmers Pension	
Fishermen Pension	
Self-employed Pension	

The following three schemes have not been analysed further:

PSPS	(Public Service Pension Scheme)
PSPF	(Public Service Provident Fund)
APPF	(Approved Private Pension Funds)

Eligibility and coverage of social security schemes in Sri Lanka

(Source: IPS-Diagnostic report and Issue Papers)

Total population: 20m

Working age population: 13.4m

	Eligible persons: 7.2 m 54% of w. age pop.		Non-eligible persons: 5-5.3 m 40% of w. age pop.
Covered: 3.5-3.7m 26-28% of working age population		Not covered: 3.3-3.6m 25-27% of working age population	Not covered at all:
EPF: 1.9m		900.000 who default EPF/lack knowledge	1 m migrant workers
PSPS: 800.000		100% coverage	2.8m house workers without income
PSPF: 50.000		100% coverage	0.7-1m unemployed/working but outside eligibility limits
APPF: 170.000		N/a	500.000 students
Farmers Pension: 675.000		X Farmers who lack interest/are unable to pay	X Seafarers
Fishermen Pension: 48.000		X Fishermen who lack interest/are unable to pay	X Domestic workers
Self-empl./Low income: 75.000		X Self-employed who lack interest/are unable to pay	X Contract workers and casual labourers (informal economy)
		X Contract workers and casual labourers	
		70% of uncovered	persons are women

Coverage:

With existing schemes:
28%

With reforms of existing schemes:
Up to 38%

With innovative solutions
Up to 100%

▪ Who are the excluded and the poor?

There are several groups of persons who are not covered by any formal pension scheme as shown in the table above. The Task Force decided that the National Action Plan would initially only cover persons in some form of wage- or self- employment in the formal and informal economy.

The excluded are those who are eligible for EPF but not contributing:

- employees in a contract relationship where both parties default on EPF, for example sub-contract workers in cleaning companies and also casual workers⁸.

...or persons eligible for another public scheme and not contributing:

- farmers and fishermen
- self-employed

...or workers in the informal economy and other workers who are not eligible for and are not yet covered by any scheme:

- (paid) domestic workers
- migrant workers
- seafarers
- casual labourers (refer to the footnote on this page).

The poor, in the understanding of the National Task Force, are those persons who have a low and/or seasonal income and who find it difficult to spare significant amounts of cash. Examples are farmers and fishermen, and many micro-entrepreneurs. Yet, among the poor there are many who participate or could potentially participate in micro-insurance schemes with small contributions.

The Task Force finds that it is extremely difficult to develop a pension scheme for the very poor, who are not able to contribute even small amounts to any scheme. This group needs to be supported with social assistance.

▪ Particularities of the informal economy workers

Domestic workers	<p><u>Challenge:</u> How to extend social security to these usually informal working arrangements? The Hon. Minister of Employment and Labour has initiated action with regard to social security for domestic workers; ILO is providing technical assistance through research and fact-finding. ILO recommendations will be finalized in 2003.</p> <p><u>Key issues:</u> Exact data; enforcement of contributions in private homes; awareness campaign</p>
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⁸ There are groups of workers performing under “non-standard” patterns of employment, both in the formal and in the informal economy, such as casual, temporary, fixed-term, outsourced, sub-contracted and contract labour. This list is not exhaustive.

Casual labourers	<p><u>Challenge:</u> How to extend social security to informal economy workers?</p> <p>Casual labourers generally have low incomes and temporary employment. They avoid formalities and their employers do not feel responsible. Exact statistics are not available and hard to get. The Task Force suggests initiating action by industrial sector, for example there are many casual labourers in the construction industry including sand mining, agriculture, and hard labourers (“natamis”).</p>
Migrant workers	<p><u>Challenge:</u> How to translate the temporary high savings into more secure assets?</p> <p>In Sri Lanka, the majority of migrant workers belongs to the formal economy and is registered with the Foreign Employment Bureau under the Ministry of Employment and Labour. SLFEB is tasked to develop a proposal for a special EPF-facility for migrant workers in the form of a pension. ILO and IOM could be cooperating partners.</p> <p><u>Key issues:</u> Details of an attractive, voluntary scheme given the fact that mandatory contributions and levies are not feasible</p>
Seafarers	<p><u>Challenge:</u> Generally low income, often temporary employment, no permanent residency</p> <p>Seafarers show characteristics similar to farmers and fishermen with regard to income levels and interruption of income. They are, however, in a more precarious employment situation as they also lack a permanent residency and are, therefore, excluded from most social security provisions. The numbers of Sri Lankan seafarers are available from the Ministry of Shipping, which would also be tasked to develop suggestions for a suitable pension scheme.</p> <p>ILO has adopted 39 maritime Conventions and Recommendations and one Protocol, covering a broad spectrum of aspects of maritime employment, and including social security for seafarers. ILO has the technical capacity and would welcome any suggested cooperation how to assist this particular target group in the Sri Lankan context.</p>

▪ Adequacy of benefits

The benefits that people draw out of pension schemes are usually minimal: a worker contributing a full working career will only receive a benefit equivalent to a pension of 30-45% of average wage. Inadequate benefits make additional sources of income for the elderly necessary and make old-age poverty more likely.

In order to achieve a higher income replacement level, several measures could be considered, namely the possibility of lump-sum transfer into annuities (see next issue point), improved fund investment management, and inflation-indexing of benefits and, possibly, of contributions. The Task Force points out that especially the inflation-index, however useful in a technical dimension, brings with it implications for the liabilities of pension funds that need to be carefully considered. The employers' representatives emphasize that the discussion about pension benefits usually leaves out the gratuities paid to each employee upon retirement.

▪ Pension payments/annuities

The provident fund schemes that have been established in Sri Lanka cannot provide regular incomes to their retirees. Final benefits are paid as a lump sum and, thus, provide only limited risk protection against long-life. A lump sum leaves the beneficiary with the difficult task of financial management. It has been observed that due to a lack of capacity to fulfill this task adequately, the lump sum is often spent within a short period of time or is used for other purposes such as dowry payment. The Task Force supports the basic idea to introduce a tax-free conversion of at least parts of the lump-sum into annuities but could not finalize the discussion whether this should be a voluntary or mandatory measure.

▪ Administrative and technical shortcomings

The studies of existing pension schemes attribute the high default rates mainly to severe administrative and technical shortcomings, especially weak enforcement and a lack of expertise in actuarial analysis, investment and financial management. The fact that at present only the payment section of EPF is computerized and that some of the other public schemes have no computerized records at all deserves urgent attention.

The institutions in charge of the existing schemes, and here first of all the Ministry of Employment and Labour that oversees the EPF and ETF, recognize that enforcement is another area for improvement. The Task Force highlights the fact that improvements related to enforcement do not form part of the Terms of Reference for the Pensions Reform Office in the Central Bank. For the time being, and pending the establishment of a National Pensions Agency, the respective ministries are tasked to improve enforcement.

In addition to the public schemes, the Task Force studied in detail the following two non-governmental voluntary micro-insurance schemes for the informal sector:

Sanasa/All Lanka Mutual Assurance Organization (ALMAO)
Yasiru Mutual Provident Fund

- Potential of NGOs and CBOs acknowledged

The Task Force acknowledges the growing membership figures and the potential of micro-insurance schemes for the extension of coverage and outreach to the poor. NGOs and CBOs have several distinct advantages such as community involvement, outreach to the very poor and less bureaucratic procedures. The reinsurance component, for example in the Yasiru system is an added advantage. Weaknesses have been identified especially in administration and management as most NGOs are following a “learning by doing” approach. Micro-insurance might be the main gateway to extend coverage into the informal economy.

- At present, superannuation/old-age benefits is of low priority in the informal economy

Studies and interviews with key informants show that job security is a major concern for workers in the formal as well as in the informal economy. It has also been observed that the existing micro-insurance schemes that are implemented by NGOs focus on health insurance and life risk. It is an important finding that old-age pensions schemes do not appear to be in demand.

Often people have difficulties to come up with even small minimum contributions to micro-insurance schemes and they make their choice of insurance coverage accordingly. The large group of self-employed persons in the informal economy apparently considers issues such as disability, sickness and death as well as damage to or loss of property but they do not consider old-age pension⁹.

At the same time, there are also no pension schemes as such on offer that would suit the particular circumstances of workers in the informal economy. It is, therefore, difficult to assess potential demand at this stage. Administrative barriers, such as the lack of portability, might be another factor why many workers show only limited interest in old-age pensions. The Task Force suggests an awareness creation campaign to raise broader interest and to improve the level of information.

⁹ Empirical evidence of the ILO-Start and Improve Your Business Project in Sri Lanka about more than 5000 self-employed workers in the informal economy confirms this observation of Yasiru and Sanasa. The NGO-mapping study by IPID (2003), commissioned by the Task Force, also reflects this statement.

Recommendations for the extension of social security to the poor and excluded:

National Pensions Agency

Output	Remarks:
National Pensions Agency established with a tripartite governing board	Medium-term activity and follow-up to several short-term measures mentioned below under EPF
Agency staff trained in actuarial analysis, investment and financial management	
Public schemes amalgamated within the agency	
Targeted re-distributive element introduced in mandatory public schemes	

EPF

(most of the recommendations below can be implemented in the short-term and would be in preparation for the National Pensions Agency)

Output	Remarks:
EPF-enforcement (short-term)	Ministry of Employment and Labour
Media campaign implemented to inform <u>employees</u> about advantages of EPF and ongoing reforms	“
Computerization of EPF completed	“
EPF-reforms except for enforcement (short-term)	Pensions Reform Office/ Central Bank
Unique social security number introduced	“
Administration of EPF and ETF merged	“
Multiple accounts are consolidated	“
Direct communication with beneficiaries established	“

Additional outputs regarding EPF suggested by the National Task Force:	
Pension schemes for farmers, fishermen, self-employed integrated into EPF	to be further discussed among social partners and with the Ministries involved
Gradual raise of retirement age (long-term)	to be further discussed among social partners
Further efforts undertaken to enhance net replacement level of benefits based on actuarial studies, considering inflation/wage increase-index	Various funding sources under discussion
Lump-sum payment is transferable into pension payments/annuities	Terms and conditions t.b.d.
Compensation mechanism for child-rearing years	to be further discussed among social partners
Roll-over facility between EPF and approved private funds established, allowing for tax-free transfer of funds, e.g. once a year	
Facility opened for migrant workers to pay EPF	Follow-up by SLFEB

Farmers'/Fishermen/Self-employed Pension Schemes

Output	Remarks
Amalgamation of the pension schemes for farmers, fishermen and self-employed into EPF	Min. of Employment and Labour/Agriculture/ Social Services to initiate action
Government contributions have been paid	
Record-system revised and liability gap analysed	
Compliance and default administration strengthened in all schemes	
Actuarially-based lifetime contributions system introduced	
Refer to the section on EPF above for further recommendations regarding portability of schemes, annuities, retirement age and replacement value. Those recommendations are valid for these other public schemes as well.	

Extension of social security to uncovered persons who are not eligible for existing schemes (suggestions)

Output	Remarks
Pension scheme developed for domestic workers	ILO prepares recommendations as requested by MOEL
Training product developed in business management for the elderly	ILO could initiate action via its SiYB project
Micro-Insurance product developed for self-employed in the informal economy	ILO Colombo could initiate action in cooperation with HQs and via SIYB and existing micro-insurance providers in the country
Data collection on seafarers, contract workers and casual labourers	

The National Action Plan and its implementation: Observations by ILO

This National Action Plan reflects the recommendations made by the Task Force as to how social security, and especially old-age pension schemes could be extended to the excluded and poor. Their implementation will complement ongoing pension reforms by adding a “social face”. The ILO has facilitated the discussions of the Task Force, the development of this Action Plan and has supported the fact-finding of the Task Force by financing the various studies undertaken over the last year.

Summarizing the outcome, it can be said that the Task Force has successfully taken up the mandate as outlined by the Hon. Minister of Employment and Labour. The social partners and key stakeholders involved in matters of social security in Sri Lanka have become aware of the particular needs of the excluded and poor and have reached a common understanding of the weaknesses of the existing systems.

The macro-picture has been covered and specific suggestions have been made how existing pension schemes could be improved for this particular group of beneficiaries. Challenges related to social security for the informal economy and to those persons who are not eligible for existing schemes were covered and suggestions were specified to the extent possible.

ILO has the following observations:

- Judging from the research and from the discussions within the Task Force, it is evident that there is no single solution to the question of how social security coverage could be extended. Action needs to be taken at several levels, by different actors, and tailor-made for specific beneficiaries
- This holds particularly true for the topic retirement benefits from mandatory, public schemes. Out of the list of recommendations by the Task Force, and from a purely actuarial point of view, it is the raise of retirement age that is the single, most important measure given the demographic profile and labour market trends in Sri Lanka. However, as mentioned above, the Task Force indicates that this might confront with Government’s focus on employment generation for younger persons. Eventually, the political decision rests with Government as to how this challenge can be tackled.
- ILO encourages the stakeholders to search for solutions in the labour market not just in the pension system. This involves more flexible labour market policies aimed at boosting employment, investment in training and technology to raise productivity, and other measures to increase the working population, as well as pension reforms to motivate and enable older workers to remain in the workforce or retire gradually.

In terms of further technical assistance, and provided that funds are forthcoming, ILO offers its considerable technical expertise in Headquarters as well as via local partners in Sri Lanka and suggests to present to the Hon. Minister of Employment and Labour the following three project ideas as immediate follow-up of the work of the National Task Force:

1. Pension scheme for domestic workers:

Development of a specific action plan for a possible old-age pension scheme based on the ILO recommendations. This could be either an extension of EPF with a loose enforcement mechanism or a voluntary scheme. In both cases, an awareness campaign is needed to make domestic workers aware of the benefits of such a scheme, and to improve employers' attitude regarding working conditions and social security needs of their workers. It is intended to use the upcoming suggestions as a basic blueprint for schemes to cover other parts of the workforce in the informal economy.

2. Business management training for the elderly

Business management training targeted at the “young elderly” who are interested in starting their own business could be one way of improving their income base in old age. The ILO suggest to implement this activity in cooperation with its “Start and Improve Your Business” program that was successfully introduced to Sri Lanka in 2000¹⁰. The generic version of the SIYB training packages is available in Sinhala, Tamil and English. By mid-2003, 126 trainers from 27 local organizations throughout the country were certified competent to deliver SIYB training courses, and 11 local master trainers were certified competent to implement training of trainers programs, under supervision of the local SIYB project.

3. Micro-insurance for self-employed persons in the informal economy:

There are a number of micro-insurance schemes in operation in Sri Lanka. The Task Force studied two of them in detail, namely the “Yasiru Mutual Provident Fund” and the “All Lanka Mutual Assurance Organization (ALMAO)”, associated to Sanasa. However, there is at present no insurance product specifically tailored to the needs of micro- and small-scale entrepreneurs, such as against risk of temporary loss of income or damage and loss of property.

ILO proposes to assist local micro-insurance organizations to fill this gap. More than 5000 micro- and small-scale entrepreneurs, most of them operating in the informal economy, can be reached via the ILO-SIYB-project and a detailed needs analysis be undertaken through its network of local partner organizations. Some of these partner organizations are at the same time members of the above-mentioned micro-insurance schemes, so that existing institutions could be used to introduce the new product.

The ILO Geneva is chairing the “Microinsurance Working Group” of the “Consultative Group to Assist the Poorest (CGAP)”. This working group aims at facilitating coordination between initiatives towards the development of insurance products for low-income households. The composition of the working group includes donors, insurers and other interested parties. Recently, the working group has developed a first draft set of donor guidelines on micro-insurance¹¹. ILO, through its Social Finance Unit, has also published a “Technical guide to developing and delivering

¹⁰ Refer to www.siyblanka.com

¹¹ Refer to www.microfinancegateway.org/microinsurance

microinsurance” in 2003¹². This material and technical know-how will be useful to work out further technical details, including a time-bound exit strategy for the donor intervention, performance measurement tools, reinsurance facilities, and premium structure.

4. Data collection

Provided that funds are available, ILO also offers technical support to compile comprehensive data on seafarers, contract workers and casual labourers in order to facilitate the extension of social security to these groups.

¹² Refer to www.ilo.org/public/english/employment/finance/training.htm.