

## Asian Social security for All Programme (ASAP) in Mongolia

### Extending old-age pensions and improving social protection and employability of youth



#### Key country indicators

Population = 2.8 million (2011)

Health and social security expenditure = 19.5% of GDP (2011)

Social insurance coverage = 48.4% of population

Poverty rate (less than 1.25\$ per day) = 22.4% in 2009

Source: SSI, ILO Job Scan and ADB

#### Social protection situation in Mongolia

In the process of economic transition, the government has introduced a new social protection system comprising (i) social welfare services and social assistance benefits to protect minimum living standards for the poor and vulnerable, (ii) employment services (including information and advisory services as well as support for direct job placement or organization of trainings for the unemployed), and (iii) social insurance to support working people from the risk of falling into poverty. The prevailing system was based on universal social services and secured jobs. Such reform resulted in a sharp increase in poverty and income insecurity, a lowering of living standards and a change in the family and social structure of the country.



Enacted in 1994, the Social Insurance Law includes old-age, death, working injury, unemployment and sickness benefits.

In 1994 too, Mongolia established a mandatory Social Health Insurance Fund (SHIF) subsidized for specific groups (children and students, pregnant women and with young children, pensioners). As a result, out-of-pocket expenses are low compared to other transition countries (41.4% in 2009). In 2010, 81.9% of the population was covered by SHIF.

Mongolia is also equipped with a universal Child Money Programme established in June 2012, and 14 programmes under the State Social Welfare Agency.

#### Economic and social trends that may impact social protection situation and policies

- Those excluded from the social insurance system, e.g. informal economy workers, self-employed and herders, still account for 57% of the Mongolian labour force;
- Cash transfers provided by the Human Development Fund (HDF) have contributed to reduce poverty and income disparities between rural and urban areas;
- However, current development, being overly dependent on resources generated by the mining sector, risks weakening other industries development, and may also pose a threat on Mongolia's sustainable growth and continuity of social policies, including the HDF;
- The registered unemployment rate in 2011 was 9.9%, but actual levels are significantly higher; the youth (15-24), particularly in rural areas, constitute 24.6% of the unemployed; of those estimated unemployed, approximately 75% do not have vocational skills;
- Herding activity (which still employs nearly one third of the labour force) has notably declined over the last 10 years due to inflation (16% in August 2012), poor social services in rural areas, and a concentration of economic activity and development efforts in the mining sector. Also, harsh winters (dzuds) in 2009-2010 reminded how much herders are vulnerable to environment factors.



#### Challenges of the social protection system

- The administration and delivery of social security benefits and employment services across a very sparsely populated country is challenging and costly. This suggests promoting integrated delivery mechanisms at local level that will also require solid coordination and linkages across ministries, in a context where social security and employment portfolios have recently been split between two ministries (in June 2012).
- At present, herders, self-employed and informal economy workers can participate in the social insurance system on a voluntary basis. Only 4.6 per cent contribute to the scheme, leaving more than half

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## Mongolia's recent steps towards more comprehensive social protection

- The Government is committed to transform Mongolia from a natural-based economy to a human resource-based one by pursuing "policy actions to provide support for employment and entrepreneurship of Mongolian citizens, increase job places, strengthen families, develop capacities to improve their livelihood, and enhance social security and social welfare system". To this aim, Mongolia is currently revising its Labour Law and Social Insurance Law.
- A tripartite consensus on the development of a multi-tier structure for old-age income protection was achieved in April 2011. The consensus comprises a social pension floor, financed through the government budget and eventually provided to all elderly residents above the prescribed age; social insurance benefits; as well as a complementary pension that tops up the State's and compulsory provisions.
- The efforts of the previous Government to extend social protection included (i) the formulation of a draft law on a first-tier social pension, which was submitted to Parliament but unfortunately rejected In 2012, and (ii) the development of a law on social security pension coverage for herders, self-employed and other informal economy workers, which was uncompleted by the end of the term of last Government.
- Nevertheless, extension of social protection is confirmed as a priority of the current Government.



## UNDAF and UN joint collaboration

In early 2012, an UN Social Protection Working Group was set up to support the achievement of the Strategic Priority 2 of the UNDAF "Basic social services and social protection: equitable access to and utilization of quality basic social services and sustainable social protection". The ILO has been designated as the lead agency of this Working Group.

## Our team

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## DWCP 2012-2016

Under the ILO's DWCP 2012-2016, the country priority No.2 aims at promoting "the extension of social security and improved working conditions to meet the needs of the vulnerable and to ensure safe and healthy working environment".

## Over the past two years the ILO has:

- Supported the development of policy for the extension of old-age benefits to herders, self-employed and informal economy workers,
- Conducted a number of research to guide the formulation of the National Employment Policy (2012-2021),
- Supported the design of career guidance and entrepreneurship services for youth, under the IPEC project.

## ILO's proposed areas of action (2014-2015)

### Required budget

Assessment based national dialogue on social protection and employment support policies

Social protection and employment promotion for the working age- youth

Old age pension reform and its extension to herders, self-employed and informal economy workers

Design of coordinated delivery of the social protection and employment support policies

## Visit Mongolia's assessment based national dialogue page on GESS



<http://www.social-protection.org/gimi/gess/ShowProjectPage.do?pid=2287>

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