



The challenge of providing income security to the working age population in Coresia



Social protection programmes for the working age population

In Coresia, the legal working age is from 15 years, while people retire at the age of 60. The Government has implemented various schemes that provide income security to people in the event of unemployment, sickness, maternity, disability, death, and work injury. It is also putting in place schemes that provide financial and technical support for enterprise development. These schemes come under the purview of the Ministries of Social Development, Labour, Planning, Home Affairs, Commerce, and Finance.

Compulsory insurance programmes catering to civil servants, military personnel, and formal private sector employees have been in existence for many years. The National Law for the Extension of Social Security (No. 293), enacted on 11 August 1995, provides a legal framework to design and implement a system to provide basic social security and welfare to all Coresian workers and their dependants. The Law has been adopted and its implementation started with the design of programmes which aim at providing insurance to workers in the event of unemployment, sickness, disability, death, and work injury.

Existing social protection programmes providing income security to the working age population include:

- **“National Social Protection Programme (NSPP)”**: This is a compulsory programme in which all workers in private sector organizations of ten or more employees can avail insurance in the events of sickness, disability, death, and unemployment. This scheme includes

documented migrant workers who have formal work permits in Coresia. The Ministry of Labour supervises the social protection fund and oversees the NSPP and Childcare and Education programmes. The contributions amount to 3 per cent of the wage by the employee, 3 per cent of the wage by the employer, and 3 per cent of the wage by the Government on a monthly basis. The maximum wage to be considered for calculation of contributions is COD20,000 per month. With this contribution, the beneficiaries receive child allowance, unemployment, permanent disability, sickness, and maternity benefits. The benefits under NSPP are briefly described below.

- In case an insured worker falls sick, he receives 50 per cent of the last month's wage for a maximum period of six months and one year in case of chronic illness. The list of diseases and illnesses eligible for claiming insurance is available on the website of the National Social Protection Programme. It is imperative to show a medical certificate. The illness must not have been intentionally caused by the worker for the purpose of claiming benefits.
- In the event of permanent disability, insured workers receive one-third of their wages (based on the average wage of the last three months of work) for the rest of their lives in the event they are unable to take up employment again. In addition, the workers receive COD250 a day if they are hospitalized or have to undergo medical treatment. Medical supplies, medicines, and the cost of ambulance services are reimbursed in their entirety. The disability must not have been intentionally caused by the worker.
- In the event of death of an insured person, the immediate family members receive a fixed amount of COD32,000 to cover funeral expenses.
- Unemployment benefits equal 50 per cent of the last month's wage for a maximum period of six months if the insured person is laid off from a job. It is necessary that the cause of unemployment was not dishonesty, negligence at work, crime, intentional damage caused to the employer, violation of the law, or unethical behaviour.

It is estimated that in 2011, the scheme had 5,503,084 members. This demonstrates that even though the programme is compulsory, its enforcement has not been sufficiently strong. There is high social evasion by private sector employers under NSPP.

- **“Public Servants’ Social Protection Programme (PSP)”**: All civil servants, police, military personnel, and war veterans are compulsorily registered under PSP and are entitled to insurance benefits in the events of sickness, injury, disability, maternity, and death. The Ministry of Finance supervises the civil servants’ social protection fund and oversees the Civil Servants’ Child Education Programme and PSP. The two schemes are financed by bipartite contributions of 10 per cent of the salary, of which 5 per cent is paid by public servants and an equal amount by the Government. In 2011, membership to PSP was 2,421,687.

The benefits under PSP are briefly described below.

- Insured public servants who fall ill or are injured while performing their duty receive 75 per cent of the last month's wage until they resume duty. They can claim health insurance benefits under the Medical Beneficiary Programme for Civil Servants and Military Personnel. In addition, active military and police personnel can avail medical care and treatment at special military hospitals.

- In the event of permanent disability, whether caused while performing official duties or otherwise, the insured person receives 60 per cent of their wage (based on the average wage of the last three months of work) for the rest of their life.
 - In the event of death of an insured public servant, whether through natural causes or while performing their official duties, the immediate family members receive a fixed amount of COD32,000 to cover funeral expenses.
- **“Social Insurance Scheme for Self-employed and Informal Sector Workers and SME employees (SIS)”**: The SIS programme was launched in 2008 following the Ministry of Labour Regulation No. 173/2007 on ‘Providing Social Security and Health Care to workers in the informal sector as well as workers in small and medium-sized enterprises (SMEs)’. Under this programme, insured workers can avail insurance benefits for sickness, employment injury, disability, and death. The scheme is supervised by the Ministry of Labour. Contributions are on a fixed-rate basis. The insured person has the option to make payments at the rate of COD100 per month or COD200 per month. The contributions are matched by the employer (if applicable) and the Government. After a sharp increase in coverage, the total number of insured seems to have stabilized at around 800,000 people.

The benefits under SIS are briefly described below.

- In the event of sickness and work injury, insured workers receive benefits in proportion to the contribution. Benefits may amount to COD1,500 per month or COD3,000 per month depending on the contribution rate. The payment is a substitute for the loss of income due to illness and work injury. A qualifying period of 12 months is applied and the benefit can be given for a maximum period of two months. The insured must produce a medical certificate to claim the benefits. The illness or work injury must not have been intentionally caused by the worker for the purpose of claiming insurance.
 - In the event of disability, the insured worker receives an amount between COD1,200 per month and COD2,400 per month depending on the amount and duration of contributions before the disability. A qualifying period of 24 months is applied for the disability benefit. The disability benefit may be claimed by the insured person for the duration that they are unable to work because of their disability, up to a maximum period of five years. The disability must not have been intentionally caused by the worker.
 - In the event of death of an insured person, the immediate family members receive a fixed amount of COD10,000 to cover funeral expenses.
- **“Work Injury Benefits Scheme (WIBS)”**: WIBS is a scheme that provides insurance benefits to workers in the event of injury, illness, or death caused at the workplace. However, if the event has been brought on by alcohol intake, addiction, or through an intentional act of the employee, the worker becomes ineligible to claim benefits. It is compulsory for every employer who has at least one employee to register all the employees and contribute 1 per cent of the salary to the WIBS fund every month. The employee and the Government do not make any contributions. The cash benefits for workers depend on the level of loss of capacity for work, ranging from 20 per cent to 60 per cent of their previous wage. In addition, workers are entitled to comprehensive health care benefits. In the event of the death of the insured worker, their dependants are entitled to a survivors’ benefit of 40 per cent of the insured member’s previous wage. The scheme uses the NSPP and SIS infrastructure to identify beneficiaries, collect contributions, and pay out benefits.

- **“Microfinance and Enterprise Development Programme (MED)”**: Since 2007, the Ministry of Labour, World Bank, National Bank for Rural Development (NBRD) in Coresia, and local NGOs have jointly run an assistance programme for human and financial capacity building in rural areas. The programme is targeted at both women and men from poor households identified by their national ID card numbers. The aim of the MED is to support the development of small, local-level enterprises. This is done in two ways:
 - MED helps to create self-help groups—comprising primarily women from poor households—and organize group meetings. These groups discuss and identify common problems in their social and economic environment. They pool their resources and identify means to solve their problems using these resources. MED volunteers also provide information to the beneficiaries on training courses which can help them in enterprise development.
 - MED facilitates access to microfinance products from different financial institutions and banks by forming the missing link between the self-help groups and the financial institutions. Local NGOs assist with paperwork and check compliance with rules and regulations.

There are various independent programmes run by NGOs and volunteer organizations that provide financial support for housing and food to people from a lower socio-economic background.

Growing challenges

Although the Government of Coresia has made an effort to cover a larger section of the working age population in social security schemes, a sizeable portion still does not have access to social protection. The bulk of those who remain without access are informal economy workers and their families. Most informal workers are engaged in occupations such as agriculture, construction, and fishing, which may be seasonal or based on short-term contracts. Also, there is no provision for claiming unemployment insurance under the SIS scheme. Adapted unemployment benefit schemes could be devised for people in seasonal employment (e.g. public works programmes) or working in small and medium-sized enterprises.

In 2011, unemployment in the country stood at 1.1 per cent. This low rate hides the reality of a large number of people working in rural areas and suffering from underemployment and low-paid jobs. To tackle this issue, the UN-GOC SPF team recommended that the Government could implement a public works programme where each rural household is guaranteed 100 days of employment per year, modelled on the Mahatma Gandhi National Rural Employment Guarantee Scheme (NREGS) implemented in India. The work would be targeted at developing rural and agricultural infrastructure, such as the building of roads, schools, sanitation and health care facilities, canals, tackling of soil and water erosion, afforestation measures, and so on. Any number of adults from a household could participate in the scheme, but each household would only be given 100 days of work and paid at a rate at least equal to the minimum wage rate. The Government is awaiting a cost estimate before implementing the scheme.

The provincial and district administrations, which are involved in the implementation of the different social security schemes, have claimed that they do not have adequate manpower and infrastructure to implement and manage the SIS scheme. Only some informal sector workers have joined the SIS on a voluntary basis leaving the majority with no financial assistance in times of vulnerability. The

lack of resources and institutional capacity makes it difficult to increase awareness of the SIS among workers, conduct large-scale registration campaigns, collect contributions on a regular basis, monitor regular payment of contributions from registered members, and address all issues and complaints. The amount of benefits received by the registered workers is often low due to low contribution levels. Very often, workers are not aware of the benefits under the scheme and may perceive that the benefit levels are too low. It is important to increase awareness of SIS benefits and administration rules and procedures.

There is no concrete linkage between social protection policies and measures to bring about the inclusion or re-inclusion of beneficiaries in the labour market. As a result of concerns voiced over this matter, the Ministry of Labour is considering introducing a programme which will provide employment training services and facilitate the return to work and creation of microenterprises. In the joint discussions between the Government, civil society, and the UN-GOC SPF team, it was recommended that the Government prioritize the design and implementation of a skills development programme.

The Ministry of Labour Regulation No. 35/1989 on 'Compensation to workers for and prevention of work related accidents and occupational diseases' provides standards for achieving occupational safety and health (OSH) at the workplace. However, few preventative actions stipulated by Regulation No. 35 are observed by employers in their factories and workplaces. Occupational safety training and periodic checks and updates of fire and safety equipment are not always performed. No regular monitoring of workplaces is conducted.

In the private formal sector, many employees claim not to have access to NSPP despite it being a compulsory scheme. It has been found that employers often do not register their staff members under NSPP to avoid paying their contributions. The rate of under-registration is particularly high for those employers who are hiring migrant workers with work permits. Monitoring and control mechanisms to check for social evasion and enforce the law are nearly absent. A common method of social evasion occurs when formal sector companies subcontract small companies with fewer than ten employees. It is important that the penalty for social evasion by employers is made strict and enforceable and supervisory mechanisms to monitor registration and contributions are put in place.

The prevalence rate of disabilities in the total population is 1.634 per cent. People with disabilities in the informal sector are left with no income support, resulting in extreme poverty and vulnerability.

Way forward

The skill development office in the Ministry of Labour is considering providing job training courses and skill development programmes covering essential job functions. The programme is in the initial design phase. Under this programme, anyone residing in the country, including laid-off workers, will be able to enrol in skill training courses free of charge. At the end of the course, the person would be given information about employment fairs and job openings. The courses would help informal sector workers and unemployed workers to find decent jobs. It is assumed that active formal sector employees receive sufficient on-the-job training or already possess adequate skills and education. Therefore, they are not the primary target of this programme.

It is envisaged that the programme will provide 60 days of training to informal economy workers once every five years. There will be a variety of courses for training; however, a job seeker can only

select one course at a time. In addition, a poverty alleviation component of 50 per cent of the minimum wage per training day will be provided to the poor participants. This is expected to cover the costs of travelling to the training centre and daily meals.

During joint discussions with stakeholders, the UN-GOC SPF team recommended to the Government that they implement a public works programme targeting rural households. The wage rate could be the nationally defined minimum wage. The Government is waiting for a cost estimate from the team.

The legal framework

Table 9: Legal framework of social protection programmes for the working age

Programme	Legal framework
National Social Protection Programme (NSPP)	<ul style="list-style-type: none"> • Law No. 157/1984 on 'Ensuring worker health and safety' • Ministry of Labour Regulation No. 26/1985 on 'Social protection for workers' • National Law No. 293/1995 for the 'Extension of Social Security' and its amendments
Public Servants' Social Protection Programme (PSP)	<ul style="list-style-type: none"> • Law No. 110/1973 on 'Welfare of civil servants, military, and veterans' • Ministry of Finance Regulation No. 10/1976 on 'Contributions to social insurance for civil servants' • Ministry of Finance Regulation No. 49/1981 on 'Extending social protection to police and military personnel'
Social Insurance Scheme for Self-employed and Informal Sector Workers, and SME Employees (SIS)	<ul style="list-style-type: none"> • Law No. 157/1984 on 'Ensuring worker health and safety' • National Law No. 293/1995 for the 'Extension of Social Security' and its amendments • Ministry of Labour Regulation No. 173/2007 on 'Providing Social Security and Health Care to workers in the informal sector as well as workers in small and medium-sized enterprises (SMEs)'
Work Injury Benefits Scheme (WIBS)	<ul style="list-style-type: none"> • Law No. 157/1984 on 'Ensuring worker health and safety' • Ministry of Labour Regulation No. 35/1989 on 'Compensation to workers for and prevention of work related accidents and occupational diseases'
Microfinance and Enterprise Development Programme (MED)	<ul style="list-style-type: none"> • Ministry of Labour Regulation No. 182/2007 on 'Enabling development of microenterprise'
Independent Programmes by NGOs and volunteer groups	<ul style="list-style-type: none"> • Legal status is unclear



Questions:

Module 8 – Please complete the assessment matrix provided to you on the basis of the case. You are encouraged to discuss the case within your group and refer to the *World Café* reports while completing the matrix. Please keep in mind that you should address the issue of working age only.

Module 10 – Please translate the recommendations of your group into three scenarios.

Module 11 – Please calculate the cost of implementation of each scenario. Your group is required to propose one scenario to the Government for implementation. Please keep in mind that the cost of implementing the scenario you propose should not exceed the budget allotted to your group in the *Jeopardy* and *Who wants to be a protectionaire?* games. Strengthen your proposition by linking the cost of implementation to economic indicators such as GDP.

Module 14 – Please develop an advocacy campaign to lobby for one or several policy options and gain support for the endorsement and implementation of your recommendations.

Assumptions for costing (for facilitators to provide to their groups)

Table 10: Share of formal and informal employment

Share of formal employment	37.7%
Share of informal employment	62.3%

We assume that the share of informal workers in total labour force is 62.3 per cent and that this percentage remains constant for all years until 2020.

The prevalence rate of disabilities in the total population is 1.634 per cent.

It is assumed that the rural population is 65.6 per cent of the total population. This percentage remains constant for all years until 2020.

The average number of people per rural household is 5.2.

The administrative cost of public works programmes and the cost of raw materials may be assumed to be 25 per cent of the cost of providing wages. Administrative costs of other schemes are assumed at 5 per cent of benefit costs for universal schemes and 15 per cent for targeted programmes and skills development programmes.

It is assumed that only 15 per cent of rural households will join the PWP at any point in time.

Skill training is provided at a per head cost of COD250 per day, increasing in proportion to the average wage increase.