OVERVIEW EMPLOYMENT INJURY INSURANCE

Social Protection in Malaysia can be classified into two categories: social security and social insurance. Social security covers the social security retirement benefits of two major group of employees; government civil servants and private sector workers. Civil servants are protected under pension scheme, while private sector workers are protected under the Employee Provident Fund, or EPF, a defined contribution retirement scheme with shared of contribution of employee and employer. Social Insurance provide work related compensation such as employer’s liability scheme, Workmen Compensation, Social Security Organization and employment injury compensation is provided under the Workmen’s Compensation Act, 1952, and secondly, sickness and maternity benefits are provided under the Employment Act, 1955.

The bulk of the Social insurance scheme falls under the Social Security Organization or SOCSO. Established in 1969 under Ministry of Human Resources to provide safety and welfare of workers. The number of registered members and registered employers has been on the rise since its establishment. Employees Social Security Act of 1969 formed a basis of social insurance systems in Malaysia. The scheme covers workers earning RM3,000 a month or less and financed by contributions of both employees and employers and administered by SOCSO. The SOCSO schemes include the Employment Injury Insurance Scheme and Invalidity Pension Scheme. Under employment injury insurance scheme, the benefits provided include medical benefit, temporary disablement benefit, permanent disablement benefit, dependent’s benefit, funeral/death benefits, rehabilitation benefits. Benefits are paid out in the form of periodical payments calculated on earnings related basis. Employment injury Insurance scheme provides protection to workers from accidents during work or travel on work related matters and occupational disease. Its offers temporary disablement benefits with a minimum of Ten Malaysian Ringgit (RM10.00) per
day or 80% of daily wages, permanent disablement benefits with a minimum payment of RM10 per day or 90% of daily wages and dependent's benefits.

For SOCSO, the fact that the scheme has the policy of 'once a member always a member, really helps the low income employee to rely on SOCSO for benefits especially work compensation benefits. And the fact that the income has been increased to RM3,000 has covered even a bigger proportion of labour force. Moving towards vision 2020, SOCSO foresees that the continuous enhancement of rehabilitation benefits is crucial for the development of human capital and took the initiative by implementing of Return to Work Programme in 2007.

Social Security has to be dynamic is facing the future and must provide a “total replacement of income” through prevention, rehabilitation and return to work strategies to remain sustainable. A sustainable social system is important as it is an essential component of a vibrant competitive economic environment.

**SOCIO-ECONOMIC SECURITY IN THE CONTEXT OF SOCIAL SECURITY**

Social security has been recognised as a fundamental human right. Yet large sections of the world’s population are excluded from social security schemes of various designs. The notion of social security has been conceived with the objective of preserving the quality of life of the individual and his or her dependents as a result of old age and contingencies such as injuries, occupational diseases, invalidity, the need for health and medical attention and death.

Social Security represents both a system and an instrument of the State (that is to say, the Government and Society together, through social acts), to ensure the fulfilment of human needs and ascertaining the distribution of wealth through the principles of solidarity, adequacy and equity. The need to have the greatest possible number of workers protected by the social security system and
to guarantee the optimization of services have led some sectors to realize that a comprehensive and integrating approach accounting for contextual realities must be implemented.

SOCSO is committed to ensure socio-economic security for all working Malaysian citizens including their dependents and enhance occupational safety and health awareness for employees’ well-being. “Socio” in this context means the capacity of a person to function in various social situations towards the satisfaction of his or her needs and the right to achieve maximum richness in his or her participation in society. “Economic” – mainly the distribution of cash in the event of interruption of employment, including retirement, disability and unemployment.
LEGISLATION & ADMINISTRATION FRAMEWORK

The Social Security Organisation of Malaysia (SOCSO) was formed as a government department on 1 January 1971 to enforce the Employees' Social Security Act, 1969. It became a Statutory Authority effective 1 July 1985. SOCSO has been separated from the government’s New Remuneration System since 1 January 1992. Consequently, SOCSO’s new remuneration system was introduced.

SOCSO is managed by a Board of Directors with representatives from the government, employer organisations and trade unions. This tripartite representation builds a joint responsibility for caring for injured workers and promoting occupational health and safety.

SOCSO’S VISION

To become the leading Social Security Organization in the World

SOCSO’S MISSION

In support of the Government’s effort to develop Malaysia as a caring society, SOCSO is committed to ensure social security of all working Malaysians including their dependants in line with the Employees’ Social Security Act, 1969 through:

- The principle of Social Insurance
- To provision of speedy, quality and efficient services through the most cost-effective methods, application of advanced technology and development of its human resources.
- Periodical review of benefit structure as well as the benefit disbursement system.
• Strengthening SOCSO's funds through prudent financial and management and investment strategy without, as far as possible, increasing the rate of contributions.
• Promoting occupational safety and health awareness among workers and employers.

CORPORATE GOAL

To provide comprehensive social security protection for Malaysians.

CORPORATE OBJECTIVES

Ensure and guarantee the timely and adequate provision of benefits in a socially just manner and to promote occupational safety and health awareness among employees and employers.

SOCSO’S STRATEGIES

SOCSO is committed to provide social security for all Malaysian workers and their dependents through the principles of social insurance through;

- Giving highest priority to the interest of the nation and the organization.
- Providing prompt, efficient, quality, fair, precise, speedy and economical services to the clients.
- Improving the skills and expertise of the SOCSO personnel besides utilising advanced technology to upgrade client services.
- Periodical review of the benefits system
- Maintaining and strengthening the viability of the SOCSO Fund
- Prudent financial and investment management.
- Fostering goodwill and noble values amongst SOCSO's personnel.
- Co-operating with all the parties involved in the provision of social security protection.
SOCSON’S SAFETY AND HEALTH POLICY

SOCSO commits to ensure it will be a healthy and highly secured organization based on the principle that safety and health is a common responsibility. The management and staff commit to create and maintain a safer and healthier work place which will prevent work injuries and damage to property and life. A comprehensive occupational safety and health programme will ensure a working culture that is safe and healthy for all its employees, customers and others who might be affected by its activities.

SOCSO is committed to:

- Provide and maintain a safe and healthy workplace to reduce the risk of accidents, disabilities, diseases and poisoning in the work place to ensure increased productivity.

- Ensure all employees are given sufficient information, instructions, training and supervision to ensure they perform their duties efficiently without the risk to safety and health.

- Investigate all claims, accidents, diseases and work place poisoning cases to expedite payment of benefits and give suggestions and implement preventive measures to ensure those incidents do not reoccur.

- Comply with the safety and health regulations prescribed in Occupational Safety and Health Act, 1994, its approved rules and practice codes and strive to follow international standards.

- Provide the necessary infrastructure facilities, financial budget etc. to ensure all the activities under this Act are performed perfectly.

- Periodically review this policy and the management system to guarantee the continuity of the safety and health programmes improvements.

- To ensure all policies are implemented perfectly and that a Safety and Health Committee for the Head Office and every state are appointed.
COVERAGE AND BENEFITS OF EMPLOYMENT INJURY INSURANCE

SOCSO administers and provides coverage to eligible employees through two social security schemes:

- The employment injury insurance scheme; and,
- The invalidity pension scheme.

These schemes provide protection for workers against the contingencies of employment injury including commuting accidents, and occupational diseases as well as invalidity and death.

The objective of the social security schemes is to guarantee timely and adequate benefit payments workers and their dependants in the event of a mishap. SOCSO arranges for medical care, physical and vocational rehabilitation, besides promoting accident prevention measures and instilling greater awareness with regard to occupational safety and health at the work place. Rehabilitation services are provided with the view to enable injured workers to return to active employment.

These schemes are classified into 2 categories:

- **First Category**

  - Employment Injury Insurance Scheme and Invalidity Pension Scheme.
  
  The contribution payment is made by both the employer and employee.

- **Second Category**

  - Employment Injury Insurance Scheme Only. The contribution is paid by the employer only. An employee who is not eligible for coverage under the Invalidity Pension Scheme is protected under this category.
Contributions by employers may appear as a transfer of income from employers to workers. Nevertheless, in reality it is difficult to comprehend whether employers’ income are really affected by social security contributions. In this instance, the real incidence is on the consumers, as the employers are able to assume their contributions as production costs and transfer them to consumers, and thus social security benefits financed out of employers’ contributions represent a redistribution of income from the consumers to the insured persons.

**COVERAGE**

The Employees Social Security Act 1969 (ESSA 1969) covers local and permanent resident workers earning up to RM 3,000 per month. For those above the ceiling, they can opt for coverage with the mutual consent of the employers. Both employers and employees are subject to the principle of ‘once in, always in’.

Employers contribute 1.75 percent of a worker’s monthly wage (1.25 percent for the Employment Injury Scheme and 0.5 percent for Invalidity Scheme) while the workers contribute 0.5 percent of his/her monthly wage for the Invalidity Scheme. The Act is applicable to all industries with one or more employees. All employees of such industries must be insured.

Exclusions: Household workers, members of the armed forces, government servants, persons in institutions, prisoners, spouses of business owners, and self-employed persons.
BENEFITS UNDER EMPLOYMENT INJURY INSURANCE SCHEME

The scheme provides an employee with protection for accidents and occupational diseases arising out of and in the course of employment.
The benefits provided are:-

- **Medical Benefit**
  - Benefits include necessary medical treatment, hospitalization, medicine, artificial limbs and other prosthetic appliances, and physical and vocational rehabilitation. Care is provided in government hospitals and by physicians under contract with the Social Security Organization.

- **Temporary Disablement Benefit**
  - Periodical payments in the case of disablement suffered as a result of an employment injury. The benefit is 80% of the insured’s average daily wage in the 6 months before the disability began. The insured must be certified by a medical doctor to be unfit for work for at least 4 days. The benefit is paid for the period the employee is on medical leave. The minimum daily benefit is 10 ringgits. The maximum daily benefit is 78.70 ringgits.

- **Permanent Disablement Benefit**
  - For a total (100%) disability, the pension is 90% of the insured’s average daily wage in the 6 months before the disability began. The minimum daily benefit is 10 ringgits. The maximum daily benefit is 88.50 ringgits. Partial disability: A percentage of the full pension is paid according to the assessed degree of disability. The minimum daily benefit for a permanent partial disability is 10 ringgits. If the disability is assessed as less than 20%, the insured can request the benefit as a lump sum. If the disability is at least 20%, the insured is paid monthly payments or pension, and may request up to 20% of the benefit as a lump sum. The medical board appointed by the Social Security Organization, in consultation with the Ministry of Health, assesses the degree of disability. Benefit adjustment: Benefits are adjusted according to changes in the cost of living and the financial health of the fund.

- **Constant Attendance Allowance**
  - Periodical payments to an insured person who is in receipt of permanent disablement benefit and is so severely incapacitated or disabled as to require the personal attendance of another person. Constant-attendance supplement (total permanent disability): 40% of the insured’s pension (up to 500 ringgits a month)
is paid if the insured requires the constant attendance of others to perform daily functions, as assessed by the Social Security Organization’s medical board.

- **Dependant’s Benefit**
  - Periodical payments to the dependants of an insured person who dies as a result of an employment injury

- **Funeral Benefit**
  - Payments for funeral benefit or expense on the death of an insured person as a result of an employment injury. Up to 1,500 ringgits is paid to the person who paid for the funeral or next of kin.

- **Rehabilitation Benefit**
  - Insured person suffered from permanent disablement and SOCSO arrange and provide artificial aids as recommended by Medical Board.

- **Education Benefit**
  - One of the education facilities provided in the form of loans or scholarship to insured persons' dependants who receive periodic payments and fulfil the eligibility criteria set by SOCSO to further their studies in any approved institutions of higher learning in Malaysia

- **Occupational diseases benefit**
  - Disease shown in the Fifth Schedule of ESSA 1969 to be related to occupation while at work or within 60 months after ceasing.
Statistics of Payment of Benefit
## FINANCIAL MANAGEMENT

<table>
<thead>
<tr>
<th>Year</th>
<th>2007 (Mil)</th>
<th>2008 (Mil)</th>
<th>2009 (Mil)</th>
<th>2010 (Mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund</td>
<td>15517.8</td>
<td>16359.7</td>
<td>17702.6</td>
<td>18,625.2</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Contribution</td>
<td>1689.5</td>
<td>1834.7</td>
<td>1868.8</td>
<td>2,007.8</td>
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<tr>
<td>Investment Return</td>
<td>884.9</td>
<td>391.6</td>
<td>1015.2</td>
<td>870.8</td>
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<tr>
<td>Others</td>
<td>32.1</td>
<td>4.3</td>
<td>17</td>
<td>28.5</td>
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<tr>
<td>Total</td>
<td>2606.5</td>
<td>2230.5</td>
<td>2900.9</td>
<td>2,907.1</td>
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<tr>
<td>Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Liabilities</td>
<td>1070.2</td>
<td>1198.9</td>
<td>1366.9</td>
<td>1,699.7</td>
</tr>
<tr>
<td>Operating</td>
<td>165.4</td>
<td>189.7</td>
<td>191.2</td>
<td>238.8</td>
</tr>
<tr>
<td>Total</td>
<td>1235.1</td>
<td>1388.6</td>
<td>1558.1</td>
<td>1,938.5</td>
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<tr>
<td>Excess</td>
<td>1370.9</td>
<td>841.9</td>
<td>1342.9</td>
<td>968</td>
</tr>
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</table>
COOPERATION WITH ILO

Since 1971, SOCSO has formed a strategic cooperation with ILO in the form of technical and legal advice that covered a broad range of policy and strategic issues, including social security, occupational safety and health, gender equality in employment, and other aspects of labour standards. Recently, SOCSO and ILO began the Relief fund project and study on unemployment insurance. The ILO also supports actuarial work with SOCSO for every five years and this is a ninth actuarial study.
POLICY RESPONSE TOWARD THE RECENT GLOBAL ECONOMIC CRISIS SINCE 2008 IN TERMS OF EMPLOYMENT INJURY INSURANCE MANAGEMENT

The policy and legislative environment relating to Employment Injury insurance in Malaysia has evolved over time to reflect transitions in the country’s economy. Employees Social Security Act 1969, later revised was intended to protect the safety of workers employed RM3000 a month or less. By the year 2007, Malaysia was moving towards the new approach of Social Security Compensation Oriented (Pay workers to stay off work) defined as total replacement of income with dynamic Social Security through Disability management. (Pay workers to return to work). The introduction of this comprehensive approach was in response to the need to cover a more diverse employee base.
CHALLENGES AHEAD REGARDING DEVELOPMENT OF EMPLOYMENT INJURY INSURANCE

Dealing with the Social Security issue, means to realize the importance of demographic characteristics, the conception of growth as an element either hindering or fostering sustainable development, the need to generate dignifying jobs and at the same time to face the unemployment threat, to widen the coverage of the systems and maximize their benefits and finally to face the dilemma regarding the public versus private management of such systems. These factors are fundamental for guaranteeing the existence of a system which demands wider coverage and greater efficiency from the social protection system in times of crisis. The debate on the financing of Social Security is related to not only the need to widen the coverage and the benefits, but also to the question of how to effectively respond to demands, within the framework of prevailing economic conditions. There is no unemployment insurance or unemployment assistance dedicated to helping the unemployed in Malaysia. The Government is of the view that it has maintained a suitable investment environment in Malaysia which has enabled Malaysia to achieve full employment since the late 1980s. Hence, there does not appear to be a need to establish an unemployment insurance or unemployment assistance system dedicated to helping the unemployed in Malaysia.

The challenges are:-

❖ Increasing cost
❖ Investment issues
❖ Efficiency in processing claims
❖ Pressures from mass media
❖ Pressures from NGOs
❖ Migrant workers
❖ Fraudulent claims
PROMOTION OF SAFETY AND HEALTH

- To play a complementary role in the promotion of OSH in Malaysia
- To reduce occupational injuries and diseases through Primary, Secondary and Tertiary Prevention
- To educate employers, employees and public on safe and healthy workplace.
- To co-operate with other bodies responsible for promoting or policing O.S.H (like NIOSH, DOSH, NGO) to bring awareness of the importance of safety and health.
- To gather and provide OSH data on Occupational injuries and diseases for academic studies.

In response to these challenges, current modalities have centred on three main approaches:

- Funding through general tax revenue or ear-marked taxes;
- Social pooling through social insurance, that is, mandatory contributions from the target group(s);
- Private insurance schemes and pension plans which have a commercial element; and
- Social assistance programmes financed by the government budget.

Most countries are practising a mixture of the above approaches. These schemes either adopt a defined contribution or defined benefits approach within a pay-as-you-go system. However, in the last decade, the financial sustainability of these schemes has been seriously challenged resulting in a shift of focus from defined benefits to defined contributions. A flurry of reforms was initiated primarily to address the issue of sustainability while at the same time maintaining the minimum standard of living for those affected.