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Social security in the Philippines:

Towards strengthening the current system

By Ma. Concepcion E. Sardana

Social security in the global context

One of the key global problems now is that more than half of the world's population, workers and their dependents, are excluded from any type of statutory social security protection. They are covered neither by a contribution-based social insurance scheme nor by tax-financed social assistance.

Ms. Sardana is Deputy Executive Director of the Institute for Labor Studies, Department of Labor and Employment. This paper was prepared for the Federation of Free Workers Consultation On Social Security for Visayas and Mindanao, 16 September 2000, Sarabia Manor Hotel and Convention Center, 101 Gen. Luna St., Iloilo City.

In sub-Saharan Africa and South Asia, statutory social security coverage is estimated at 5 to 10 percent of the working population, and is decreasing. In India, for example, no more than 10 percent of workers were in the formal sector in the mid-1990s, compared to more than 13 percent in the mid-1980s. In Latin America, coverage lies roughly between 10 and 80 percent, and is mainly stagnating. In Southeast and East Asia, coverage varies between 10 and 100 percent, but generally increasing. In most transition countries of Europe, coverage varies between 50 and 80 percent, while most developed countries have reached practically 100 percent (van Ginneken, 1999).

Social security coverage

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ILO Conventions

The traditional concept of social security is included in various ILO standards. According to the Income Security Recommendation, 1944 (No. 67), income security schemes should relieve want and prevent destitution or poverty by restoring, up to a reasonable level, income which is lost because of inability to work (including old age) or to obtain remunerative work, or because of the death of the breadwinner. Income security should be organized as far as possible on the basis of compulsory social insurance, and provision for needs not covered by compulsory social insurance should be made by social assistance.

In the same vein, the Medical Care Recommendation, 1944, (No. 64), suggests that medical care should be provided either through a social insurance medical care service with supplementary provision by way of social assistance, or through a public medical service.

The Social Security (Minimum Standards) Convention, 1952 (No. 102) identifies nine areas for social insurance: medical care as well as benefits in case of sickness, unemployment, old age, employment injury, family circumstances, maternity, invalidity and widowhood.

Social security defined

"The protection which society provides for its members, through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment, injury, unemployment, invalidity, old age and death; the provision of medical care; and the provision of subsidies for families with children." (ILO)

Objectives

- Provide a replacement of lost earnings
- Promote health by providing medical care
- Provide assistance to families raising children

Branches of social security benefits

- Old age benefit
- Disability benefit
- Death benefit
- Sickness benefit
- Maternity benefit
- Medical care benefit
- Employment injury benefit
- Death
- Temporary disability
- Permanent disability
- Medical care
- Unemployment benefit
- Family benefit

Social security in the Philippines

A UNDP-ILO Report on Social Protection in the Philippines (1996) noted that the Philippine government provides for the very poor a limited range of social assistance benefits and services including health care. Policy responsibility lies with the Department of Social Welfare and Development but the program is administered by local government services.

Finance is provided from government revenues but there are insufficient resources to correspond either with the scope of the program or the needs of the people.

There is no national system for the provision of cash benefits on a non-contributory basis for the poor and otherwise disadvantaged.

For those who are able to contribute towards the cost of their own protection, there are five principal institutions providing a range of social security benefits.

These institutions are:

1. The Social Security System (SSS) for the private sector.
2. The Government Service Insurance System (GSIS) for the public sector.
3. The Employee's Compensation Commission (ECC), which is the coordinating coverage of employees currently working in either the private or public sector.

Coverage of the informal sector

- UN/ILO instruments affirm that every human being has the right to social security.
- In developing countries, social security focuses on formal sector workers; even for those workers, employer non-compliance is prevalent.
- Attempts to extend formal social insurance to self-employed has not been successful.
- It is difficult to collect contributions.
- Workers in informal sector are unwilling or unable to contribute.
- They feel that the scheme does not meet their priority needs.

Options

- Strengthen enforcement.
- Provide special schemes with limited benefit package to self-employed.
- Encourage micro-insurance for informal sector workers.
- Introduce tax-financed social assistance.

Workers outside the formal sector

The issue of exclusion of those who are not in regular wage employment from the statutory social security system is not a new topic, but it has not been resolved (van Ginneken, 1999). Usually a large proportion of the labor force lies outside the formal sector and does not have a regular job. It is difficult to monitor their earnings and collect mandatory contributions from both the workers and the employers. This weakens the participatory basis on which most formal sector social security schemes are predicated. Often the formal sector schemes open up participation to informal sector workers on a voluntary basis. But many informal sector workers are not able or willing to take up this possibility. They are generally poor, and it would mean contributing a relatively high percentage of their income (the equivalent of the worker's plus the employer's contribution) to finance social security benefits that do not meet their priority needs.

4. The Philippine Health Insurance Corporation, which continues to coordinate coverage in both the private and public sectors, principally among active and retired members of SSS and GSIS and their dependents. It is also in charge of progressively securing wider coverage of the population and providing improved benefits.

5. The Home Development Mutual Fund (Pag-IBIG) for both private and public sectors (as well as the informal sector).

The SSS, GSIS and Pag-IBIG are autonomous executive agencies with their own supervisory body responsible to the President. The role of the ECC is to determine policy and adjudicate on disputed claims, but administrative responsibility for the ECC is delegated to the GSIS and SSS. The ECC is responsible to the Labor Secretary and the PHIC to the Health Secretary.

In 1975, only 4.9 million employees and 168,000 employers were covered by the Social Security System, with total contributions amounting to P702 million. The coverage was doubled in 1988, while the amount of contributions was doubled as early as 1979. As of 1998, 20.164 million workers and 547,000 employers were covered by the SSS, with contributions totaling 26,716 million (DOLE, 2000).

However, while coverage may be expanding, the system of social security has remained unchanged. With the increasing number of workers covered by the system, improved longevity, and continuing demands to increase or expand the range of benefits, the long-term sustainability of the scheme should be studied very seriously (DOLE, 2000)

The ILO Proposal

Back in 1996, the ILO proposed the development of work with the following tiers:

1. A first tier providing basic protection

It was proposed that this be the direct tier, which would involve public financing and delivery for protection and benefit delivery purposes, mainly through community based services, as it is at the moment, to facilitate access to health care.

2. A second tier representing provision for individuals and, where appropriate, by tiered principles.

The level of protection depends on the nature of the risk, in the case of cash benefits, and essential to distinguish between individuals and between general principles. It is proposed that while government would be responsible for work, the administration of schemes should be entrusted to institutions with a management representative of employers and workers.

3. A third tier consisting of supplementary benefits financed directly by individuals, and

This assumes that formal social security covers all social protection needs. Government should be responsible to supervise the development and operation of private pension funds, occupational pension funds, and private insurance.

To implement the proposed strategy, the following reforms are needed:

- Reforms to include corrective action to ensure consistency with policy objectives and equitable distribution of resources is improved.
- Necessary steps for coverage to be progressively more accessible, and for special benefits to be provided for those who cannot afford full social security schemes, such as health care insurance and income replacement for contingencies such as employment injury or illness.
- Review of current social benefits to provide for broader coverage.
- Establishing the total national social protection system and government subsidies available to finance it.
- Improving the efficiency and service of public social security institutions (with a view to restructuring the GSIS in the light of the restructuring of the SSS).

Recent Developments

After the 1997 Asian financial crisis, the concept of social protection has shifted from traditionally passive to more active dimensions. For instance, unemployment insurance is now subsumed under the wider concept of employment insurance. The latter includes not only sustenance while a person is out of work, but also provides for adjustment subsidies for both workers (e.g. for training and retraining) and employers (for restructuring and upgrading).

It may be noted that in 1997, the SSS adopted a more proactive stance in dealing with the unemployment effects of the financial crisis by providing displaced workers with unemployment loans (DOLE, 2000).

The Department of Labor and Employment is currently working with the World Bank, International Labour Organisation and the Japanese Ministry of Labor on a project to study policy options in East and South-East Asia in two critical employment areas - active labor market programs and income support (unemployment insurance (UI) and non UI type of income support) for unemployed workers. This time, the ILO is looking at the viability of an employment insurance type of scheme for the Philippines, using the Korean system as a model.

The Korean Insurance System, which was introduced in 1995, is a combination of a traditional unemployment benefits program and active labor market policy to prevent unemployment. Unemployment benefits include job-seeking allowance and early reemployment allowance. Two major components of the Korean system are the employment stabilization program and job skill development program (see related article on the Employment Insurance System in Korea).

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The ILO recommendations were presented during the National Workshop on Social Security Protection held in July 1996 in Manila. The main outcome of the workshop was the creation of a Coordinating Committee headed by the Executive Secretary. The committee was intended to harmonize and coordinate policies and programs on social protection, for the consideration of the President.

EMPLOYMENT INSURANCE IN KOREA

This feature on the Employment Insurance System in Korea (EIS) was extracted from the book, "The Employment Insurance System in Korea" by Yoo Kil-Sang of the Korea Labor Institute.

Sometime in July and August, 2000 an ILO Mission visited the FFW twice to orient us on their initiative to study the feasibility of establishing an unemployment benefit program for the Philippines. The second visit of the ILO Mission included the Korean expert Dr. Yoo Kil-Sang. The initiative is in cooperation with DOLE.

On October 9, 2000, a World Bank Mission is arriving and staying for two weeks to "undertake research on income support program for the unemployed," under a project undertaken by the WB, ILO and the Japanese Ministry of Labor with the support of DOLE "to study policy options in East and South East Asia in two critical employment areas—active labor market programs and income support for unemployed workers. The research studies to be done under the project will be the subject of a seminar in Manila in February 2001."

Purpose

The law creating the Korean EIS has the principal purpose of fostering economic and social development by:

- Preventing unemployment and promoting employment in conjunction with the development of and improvement in vocational knowledge, skills and capabilities;
- Strengthening development of job skills of the labor force and efficient job placement services;
- Providing financial assistance to displaced workers.

3 Programs

1. Employment Stabilization Program (ESP) seeks to prevent massive lay-offs and expedite transfers, reorientation and adjustment when sudden changes in the industrial structure or technology result in extensive corporate restructuring, and to promote utilization of job seekers' skills and interests by providing accurate information on the labor market.
2. Job Skill Development Program (JSDP) seeks to foster and stimulate lifelong vocational training and job skill development by providing financial incentives to encourage individual firms to invest in employee training, thereby improving labor productivity, employment stability, marketability of workers and firms' competitiveness.
3. Unemployment Benefits aim to stabilize living conditions and promote early employment of displaced workers by providing unemployment compensation. The financial incentives induce recipients of unemployment benefits to participate in retraining programs and actively seek new employment.

5 Rationale

1. To facilitate, enhance and ease the industrial restructuring process, and to improve the efficiency of the economy.
2. To ameliorate the dis-equilibrium in the supply and demand of labor.
3. To popularize vocational training and enhance firm competitiveness
4. To channel financial assistance to temporarily unemployed workers via unemployment benefits to stabilize living conditions and facilitate timely employment.
5. To facilitate Korea's reunification process in the future by providing aid to unemployed workers from North Korea.

Program content

Under ESP

The aid for employment maintenance may be given in cases of temporary shutdown, reduced working hours, employment maintenance training, dispatching of employees, leave of absences and employee relocation.

Grants to promote the employment of the elderly are given to firms which employ many elderly workers, employ elderly workers or re-employ the elderly.

Grants to promote employment of women are given in cases of leave of absences for child rearing, re-employment of women or employment of female household heads.

Grants to facilitate employment promotion are given in the forms of aid to the management of day care centers and loans for establishing day care centers.

Under JSDP

Subsidies for training costs are granted for employee training, training new entrants to the labor market, training leave of absences, training at foreign training institutions.

Financing the Employment Insurance System

The insurance costs for unemployment benefits are financed by equal contributions from both covered employees and employers.

Employers pay the cost of both the Employment Stabilization Program and the Job Skill Development Program.

The government finances the administrative cost of the Employment Insurance System.

Notes

1. "The sum of contribution rates in each program cannot exceed 3.0 percent of the total payroll. The contribution rate of each program is determined within the limit of contributions considering the financial situation of the Employment Insurance Fund and the prospects of economic and labor market situation."
2. "Contributions are deposited into the Employment Insurance Fund (EIF) which is a special account in the Bank of Korea. EIF is managed by the Minister of Labor. EIF has a separate account for each program..."
3. "...because circumstances change quickly ... EIF should have a sufficient reserve fund in order to pay unemployment benefits and implement active labor market programs in the event of a serious economic downturn and high unemployment rate."

MI AND LIFELONG LEARNING

Unions should

Given the multiple roles traditionally ascribed to education and training, as well as on the emphasis on constant change in our modern societies - whether of political, economic, environmental, technological or social nature - there is every indication that learning needs to become a lifelong function. If knowledge, skills and learning abilities are not renewed, the capacity of individuals - and by extension of communities and nations - to adapt to a new environment will be considerably reduced, if not cut off entirely. Lifelong learning is a survival issue." (ILO)

Based on the conclusions and recommendations of the LABOR CONFERENCE ON LIFELONG LEARNING AND MULTIPLE INTELLIGENCES held on August 23-25, 2000 at the Women's Center, TESDA Complex, Taguig, Metro Manila.

Include in their strategies the framework of holistic education, multiple intelligence and lifelong learning in their human development programs.

Continue and improve workers' education about workers' rights and responsibilities, globalization, leadership, traditional and non-traditional trade union and social functions, representation and social negotiation.

Intervene in the labor market through job matching, placement and employment counseling; technical education and skills development; and skills testing and certification.

Develop training regulations, promote and negotiate appropriate training contracts, in the conduct of in-plant, industry-based, community-based or training-center-based skills training and entrepreneurship development.

Educate and train their members using multiple intelligence and lifelong learning framework, as part of their labor market intervention policies.

Organize or re-organize other workers along lines of industries, guilds,

crafts, trades or professions for collective bargaining and mutual aid and protection.

Negotiate for training contracts and the financing of their members' lifelong learning.

In cooperation with TESDA and DOLE, build their capacity for technical education and skills development, for the development of training regulations, for the negotiation of education and training contracts, for job matching and placement, career guidance and counseling, for training for livelihood or workers' entrepreneurship, and for skills testing and certification.

Participate in the programs and activities of TESDA at all levels.

Advocate the recognition of prior learning, competency based testing and certification, equivalency, regional, or APEC-wide harmonization of occupational qualifications and standards.

Advocate policies that will reform the educational system towards lifelong learning in general and the delivery of quality TVET in particular.

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