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PARLIAMENTARY INSTITUTE OF CAMBODIA

Briefing Note

Operation of the Social Security System in Kong Pong Speu, Koh Kong and Krong Preah Sihanouk

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February, 2019

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1. Introduction

This reference information is written to support the mission of Commission 8 of the National Assembly to oversee the effective operation, legal and regulatory framework of social the security fund (SSF). This oversight-mission will be done in Kong Pong Speu, Koh Kong and Krong Preah Sihanouk from 03 -8 March 2019. The key findings of this reference note result from the critical review of current regulatory and operational procedures of the SSF from existing data from both government and international reports and research articles. The review highlights the progress and best next steps for action towards the achievement of the national action plan to ensure effective social security services for most vulnerable workers and inclusive growth and development for all Cambodians. It tries to provide contextual information of operational experiences in the three target provinces with the information available regarding SSF operations.

2. An Overview of Social Security

The social security system has been established to support sustainable growth for all in Cambodia. The National Social Security Fund (NSSF) was established in 2007 under the provisions of the 2002 Law on Social Security to cover all Cambodians defined by the Provisions in 1997 (Table 1).^[1] This NSSF is enforced by a number of sub-decrees and Prakas to provide guiding principles for a mandatory social security system for private sector employees consisting of:

- Employment injury insurance (EII)
- Health Insurance scheme
- Pension scheme

Following the NSSF, the adoption of mandatory EII was undertaken in 2008 under the scope of The Labour Law on Social Security which provides a system of protection regarding work related accidents for workers; and Social health insurance for private sector employees in 2016 (Table 1).^[2] As of now, only government employees and veterans are covered by government-run pension plans. Workers in the private sector who are 55 years of age are entitled to old age pension if:

1. They are registered in the National Social Security Fund (NSSF) for at least 20 years, and
2. They pay contributions for at least 60 months for Social Security Schemes during a period of 10 years.

Workers who are 55 years of age but have not satisfied the above conditions are entitled to an old age allowance, paid as a lump sum. Registration for the pension schemes under the NSSF is still in the preparation stage, which is mandatory for all companies with eight or more workers.^[3] However, details on the scheme such as contributions and compensations are yet to be specified in the drafting process of this year¹.

¹ <http://pubdocs.worldbank.org/en/567531474482096592/Session-11-Sambo-Pheakey.pdf>

This social security fund has been managed for the formal sector of the economy, for better social security of the workers in registered private enterprises and or establishments with 8 employers or more.^[2] This system is one of the National Social Protection Strategies (NSPS) and a System for the Poor and Vulnerable^[4] This commitment is required by the Constitution of the Kingdom of Cambodia which stipulates that ‘...all citizens are obligated to obtain social security and other social benefits, as well as making special provisions for social security in the formal sector...’.^[4]

Table 1: National Social Security Fund (NSSF)

1955	Social Security System established by the Royal Decrees N°55 and N°306 ^[4]
1975-1979	Destruction of all institutions by the Khmer Rouge
1993	Establishment of the Department of Social Security responsible for social security protection for private sector workers
1997	Labour Law for governing relations between employers and workers resulting from employment contracts to be performed within the territory of the Kingdom of Cambodia, and also to determine that everyone has equal rights in terms of job opportunity and get access to social insurance.
2002	National Social Security Scheme for Persons Defined by the Provisions of the Labour Law
2007	NSSF based on the Labour Law was established as governing body of operation to replace the Department of social security
2008	Employment Injury Insurance (EII) under the provisions of the Labour Law
2016	Social health insurance for private sector employees ^[5]
2017	<ul style="list-style-type: none"> - Prakas 404 on the Implementation of the Health Care Scheme for Informal Workers and Provision of an Additional Allowance for Female Workers Giving Birth issued by the MLVT, MEF, and MOH on October 11, 2017; - Prakas 448 on the Registration of Enterprises and Their Employees with the NSSF for Persons Governed under the labor law issued by the MLVT on November 10, 2017; and - Prakas 449 on the Determination of Rates, Forms, and Procedures to Contribute to the NSSF for the Occupational Risk Scheme and Health Care Scheme issued by the MLVT on November 10, 2017.
2019	- Plan to launch pension scheme for private workers in 2019 ^[3]

Social security insurance in Cambodia consists of a two-tier system, one for public employees and another for private sector workers. The first system is administratively managed by the NSSF and Ministry of Social Affairs, Veterans and Youth Rehabilitation (MoSVY) for civil servants, police, soldiers and veterans through the National Social Security Fund for Civil Servant (NSSF-C) and National Fund for Veterans (NFV). The second system is managed by the NSSF under the MLVT. Prakas 404 extends the health care scheme through a health equity fund for informal workers and provides additional allowances for female workers upon the birth of a child (Table 1) which came into effect in January 2018. “Informal workers” are those who work less than eight hours per week

and “casual workers” are workers who are not part of the permanent workforce, but who supply services on an irregular or flexible basis, often to meet a fluctuating demand for work. The “health equity fund system” refers to a funding mechanism for social health protection provided to a targeted group of citizens, allowing them to benefit from free health care at local public health centers that are funded by the government. Based on prakas 404, employers (including labor contractors) must register their employees with the NSSF regardless of whether they are regular or casual workers.

In addition, a number of social protection schemes including midwifery, health equity fund, voucher schemes, cash transfers, ID Poor Card for health access have been piloted by development partners and are in the process of scaling up and synthesized into the national social protection system for the vulnerable and poor in Cambodia.^[4] Although these schemes are not covered by this review, their collective efforts are considered as the government’s social protection strategy for Cambodians defined by the provisions of the Cambodia Labour law.

3. Operation and Management of the NSSF

The Governing body of the NSSF under the Ministry of Labour and Vocational Training (MLVT) and NSSF branches at the municipal and provincial level are primarily responsible for NSSF administration. Table 2 shows the specifics of the operational system, the requirements and benefits of the three main branches – EII, Social Health Insurance (SHI) and Pension Scheme for private sector employers.

Under the operational structure of the NSSF (Annex 1), the MLVT has committed to expand the coverage of the NSSF by strengthening the occupational risks scheme and implementation of health insurance and plan to begin the pension scheme in 2019 aiming to promote the welfare of private sector workers (Table 2). The collection of contributions and management of resources for which the government acts as a last resource guarantor, is technically under the MoLVT with the MEF responsible for finance. These two ministries are members of the NSSF’s Governing Body, or Board, which consist of:

- A representative from the MoLVT (President)
- A representative from the Office of the Council of Ministers (member)
- A representative from the MEF (member)
- A representative from the MOH (member)
- Two (2) representatives of employers (member)
- Two (2) representatives of workers (member)
- The Executive Director (automatic member)

Representatives of employers and workers form a tripartite institution, government, employers and workers for:

- Approving the NSSF’s annual budget, particularly, the benefits of each scheme.
- Examining and approving the contribution rate of each scheme.
- Scheduling and determining the Fund’s investment plan.

- Examining and approving internal regulations, personnel statutes and administrative structure of the organization.
- Determining the process of recruiting, terminating, promoting, punishing and providing incentives to personnel at the request of the Director.

Table 2: Operation of the NSSF and the Three Main Schemes

	Operation	Requirements and benefits
NSSF is administratively managed by MLVT	Tripartite governing body consisting of government, workers and employment representatives since 2007 ^[3]	<ul style="list-style-type: none"> - NSSF registered companies/enterprises - Membership contributions - Provide benefits to workers and their families
EII Scheme, is a compulsory social insurance scheme, for worker-related accidents for all public and private workers, apprentice and temporary workers	<ul style="list-style-type: none"> - Financed by employer contributions and state subsidies - Registered NSSF-recognised health hospitals including 1,333 health facilities in Cambodia; with 62 in Kampong Speu, 15 in Koh Kong and 28 facilities in Preah Sihanouk^[3] 	<ul style="list-style-type: none"> - All enterprises/companies with 8 employees or more are required to register with the NSSF - Workers can obtain cost-free care at the NSSF-recognized health facilities - 0.8 % of each employee’s monthly pre-tax wage is paid into the NSSFfund according to Prakas No. 449, article 4.^[3] - Workers receive 70% of their lost wages from NSSF during period of temporary inability to work as the result of occupational risks; in case of permanent incapacity, the benefits vary according to the severity of disability, and age and wage. - When medically necessary, worker’s caretakers are entitled to received half the amount of their wage - In case of death as the result of occupational risks, the NSSF contributes to the cost of the funeral and also provides benefits to the worker’s family
Social Health Insurance (SHI) under the law signed by the Prime Minister in January 2016	<ul style="list-style-type: none"> - SHI integrated into maternity and sickness branches with 1st collection of contribution in September 2017^[4] - Co-financed equally between workers and employers through a contribution of 1.3 % of net wages each month.^[4] 	<p>The new SHI provides a basic benefit package including:</p> <ol style="list-style-type: none"> 1. Medical care and hospitalization not exceeding 180 days per year 2. Prevention services

4. Registered of Enterprises and Workers

The daily operation of the NSSF is managed by the NSSF branch in each municipality and province. The operation of EII and health insurance is supported by the 1,333 health facilities throughout Cambodia. There are 62 health facilities in Kampong Speu, 15 in Koh Kong and 28 in Preah Sihanouk that registered public and private workers can assess free of charge or gain reimbursement later from the NSSF branch in their respective province or workplace.

Over the period of 2008 to 2017, NSSF has expanded the coverage of the Occupational Risk Scheme nationwide and registered 10,849 enterprises/establishments with 1,434,316 workers (868,168 females) equal to 60.48% of

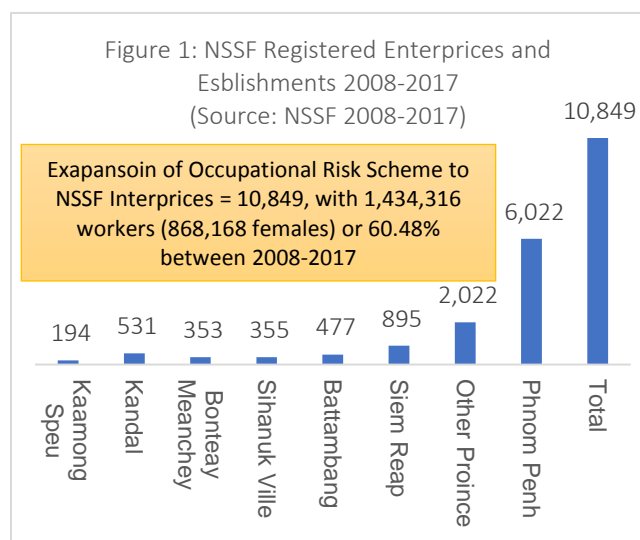


Table 3: NSSF Registered Enterprises/Establishment by types, between 2008-2017

NGOs	162	1%
Service providing companies	212	2%
Restaurants	219	2%
Hotels	399	4%
other enterprises/establishments	3,365	31%
Garment, footwear	6,492	60%
Entered Country	10,849	100%

Source: NSSF 2008-2017

private sector workers (Figure 1). Among those enterprises, government and footwear accounted for about 60 % of registered enterprises. It is also important to note that there is no particular information about the NSSF operation in the three target provinces (Kompong Speu, Koh Kong and Krong Preah Sihanouk from existing documents. However, NSSF 2008 – 2017, suggest that 194 enterprises in Kampong Speu, 353 in Krong Prea Sihanouk and 44 companies in Koh Kong province have registered with the NSSF. Raising the awareness levels among the population of the registration

procedure and benefits from the NSSF has been done by the NSSF branches and the MLVT.

5. Challenges of Implementation

The government plan to integrate all NSSF schemes into the national social protection system for more effective cost management and operation.^[4] While the pension scheme for private workers is to be implemented, the implementation of the EII and health insurance schemes are still in making progress to cover all workers in formal and informal sectors. The following are challenges to be addressed for effective implementation:

- Employers and workers are not yet fully aware of the registration and contribution payment procedures and benefit package that they expect to receive from the occupational risks or EII and health insurance.^[3]
- Capacity of existing human resources and of NSSF branches is still limited for full operation including monitoring and evaluation effectiveness of the current NSSF operation.^[3]
- Quality of health services of some facilities are still limited
- Monitoring and evaluation data of all schemes are yet to be strengthened for effective decision making and timely support.^[3]

6. Conclusion

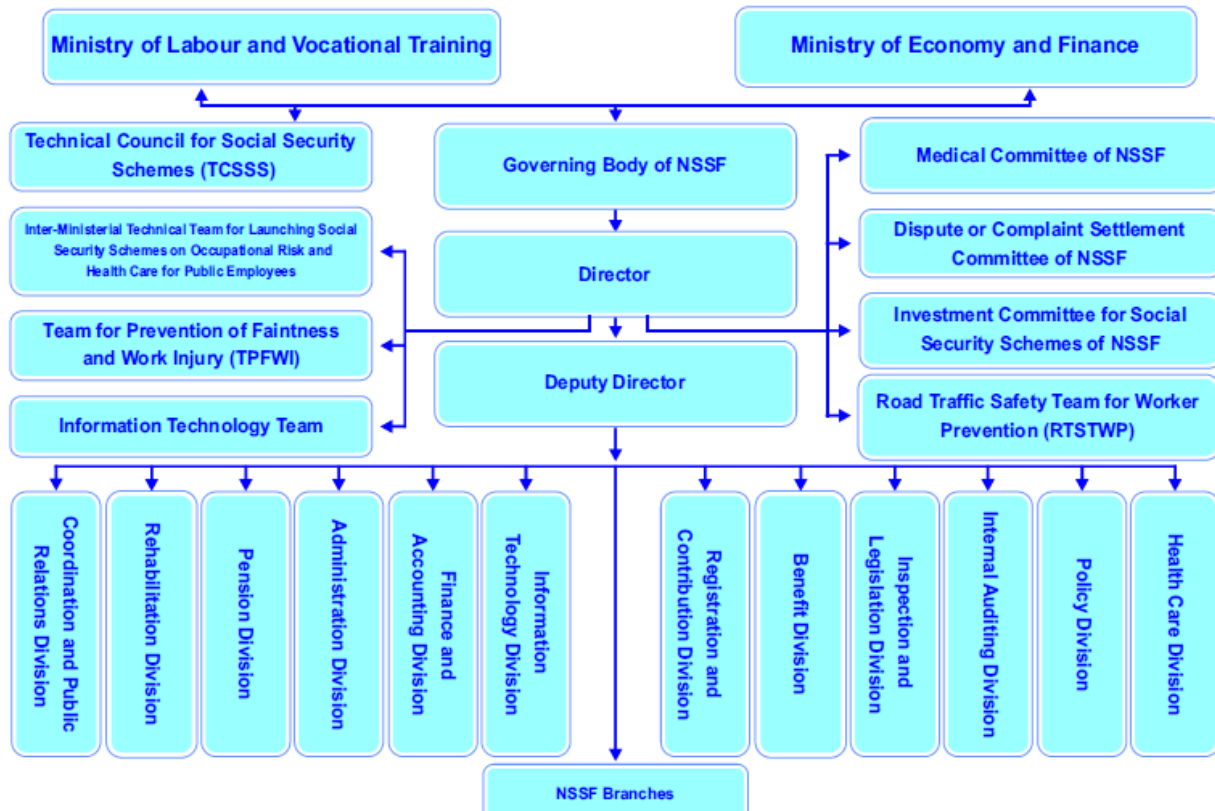
There is no specific information concerning the NSSF operation in the three target provinces (Kampong Speu, Koh Kong and Krong Prea Sihanouk) from the available documents for this review. However, observations of the general system of NSSF operation shows government's strong commitment to expanding the coverage of health insurance, beginning with the pension scheme for provide sector workers, and expanding the coverage of the NSSF to cover informal sector workers.

Shortage of human resources, limited capacity of monitoring and evaluation, more effective ways of awareness raising of NSSF registration and contribution payments, and benefits of NSSF among the formal and informal employers and employees remain to be addressed. Although there is strong government commitment to having one harmonised social protection system for all social assistance and insurance schemes, more work is required to accomplish this goal.

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Annex 1: Organisational Structure of the National Social Security Fund (NSSF)



Note: this organizational chart is a copy from Report on Ten-Year Achievements 2008-2017 and Action Plans 2018 available at <http://www.nssf.gov.kh/default/wp-content/uploads/2018/04/Binder1.pdf>