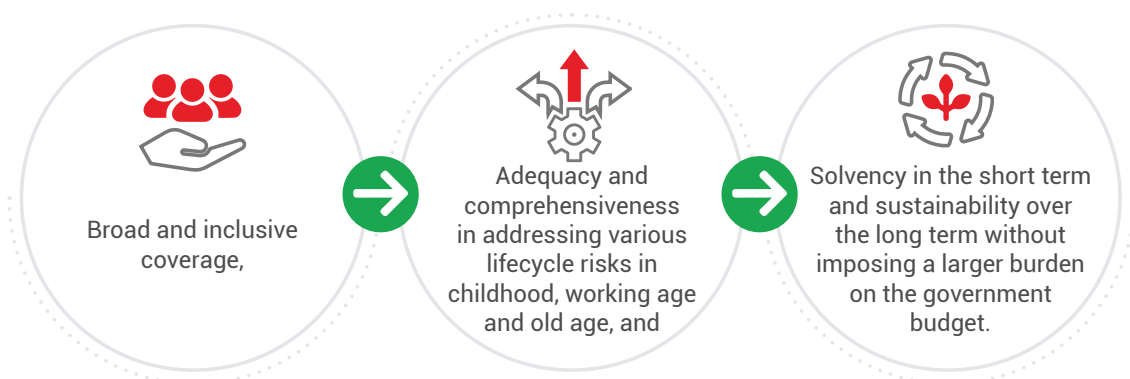




SOCIAL INSURANCE

The aim of this pillar is to have an integrated social insurance system that delivers adequate social insurance benefits to the entire working population in a financially sustainable manner. The requisite reforms in order to achieve an integrated system for social security need to achieve a balance between:



The proposed system should include the following components: a reformed contributory pension; adequate child/family benefits; and expanded access to other social insurance benefits including sickness, unemployment, employment injury, maternity, invalidity, and survivors. Social health insurance is addressed in the Financial Access to Health chapter. Finally, the social insurance system should also include linkages to labor activation measures to preserve human capital and stimulate productivity.

POLICY OUTCOMES

Accordingly, the following policy outcomes are proposed:

P2.01:

All workers and their dependents enjoy social insurance coverage.

P2.02:

All persons covered under the social insurance system enjoy adequate benefits that ensure minimum standard of living and address the variety of lifecycle risks and contingencies.

P2.03:

Governance structures of social insurance system ensure policy coherence, accountability, sustainability, and responsiveness.

STRATEGIC ORIENTATIONS AND INITIATIVES

Strategic Orientation 1:

Progressively extend legal and effective coverage of contributory system to all workers and their families on the basis of equality of treatment and solidarity.



Initiative 1.1:

Enforce the provisions of the Social Security Law to bridge the gap between legal and effective coverage.



Initiative 1.2:

Amend social security legislation or introduce new legislation, if needed, to eliminate discriminatory provisions on the basis of sex and nationality and remove relevant administrative barriers.



Initiative 1.3:

Introduce long overdue regulatory mechanisms for mandatory coverage of temporary and seasonal employees, while improving awareness, facilitating administration mechanisms and providing incentives as required for workers and employers to register all employees, beyond permanent staff.



Initiative 1.4:

Enforce the provisions of the Social Security Law to bridge the gap between legal and effective coverage.



Initiative 1.5:

Amend social security legislation or introduce new legislation, if needed, to eliminate discriminatory provisions on the basis of sex and nationality and remove relevant administrative barriers.

Strategic Orientation 2:

Reduce fragmentation and inequities across social security regimes.



Initiative 2.1:

Undertake necessary reforms to ensure long-term financial sustainability of the social security system for public sector workers.



Initiative 2.2:

Progressively harmonize benefit levels and conditions of coverage for all workers.

Policy Option A.

Full merger of social security funds.

Merge - through new legislation – all existing social security funds into one. Such new fund shall include private and public sector workers (civil and uniformed), as well as sectors currently insured through mutual funds, and provide for coverage on the basis of a unified benefit structure, at least for all insured future service periods.

Main advantages: broad risk pooling, efficient financing, unified institutional structure.

Main risks: accrued liability of generous public sectors schemes implicitly financed by private sector and/or future generations.

Policy Option B.

Full social security integration, for new entrants.

Introduce – through new legislation – a single social security scheme and a unique social security fund for all new entrants to the workforce on a prescribed date. Such new fund shall include private and public sector workers (civil and uniformed), as well as sectors currently insured through mutual funds, and provide for coverage on the basis of a unified benefit structure.

Main advantages: gradual reform, in the long run it achieves broad risk pooling and unified institutional structure.

Main risks: heavy burden on government finances for closed schemes, could lead to significant inequities in entitlements between current and future generations.

Policy Option C.

System-wide alignment but limited social security integration.

Align benefits and standards across the different social insurance schemes for private and public sector (civil and uniformed) on the basis of a single unified benefit package and common eligibility conditions (for all new entrants, for all new insured service periods).

Main advantages: least disruptive to institutional status quo;

Main risks: risk of divergence from policy of unified benefit package as a result of institutional fragmentation, perpetrates existing inequities; limited pooling.

Under all options:

- Mechanisms will have to be identified to restore financial balance of social security systems for currently insured members (in Public Sector and for some of the mutual funds), with a combination of parametric reforms and identification of reliable and sustainable government financing options, in line with international social security standard.
- A special top-up social security regime could be put in place for the uniformed personnel, in light of specific



Initiative 2.3:

Ensure balance in the allocation of government financing between social security for public sector workers on one hand and needed investment for the enhancement of social protection coverage for vulnerable workers and population groups through a) subsidization of social insurance contribution and b) tax-financed social benefits.

Strategic Orientation 3:

Broaden range of benefits provided through the contributory system, in accordance with minimum benefits prescribed under ILO conventions, and in the context of multi-tiered scheme design¹.



Initiative 3.1:

Convert the EOSI benefit into a retirement pension scheme providing regular monthly payment based on salary and years of contributory service, while ensuring a minimum level of income replacement/a minimum pension guarantee.



Initiative 3.2:

Review the current family allowances scheme, including contribution rate – high by international standards (6%), and the benchmark to be used in determining benefits levels, which could be linked to the minimum wage². Provide increased benefits in the case of dependents with disability, to cover for the extra cost of disability.



Initiative 3.3:

Update and implement the Work Injury component of the National Social Security Law.



Initiative 3.4:

Establish an unemployment insurance fund under the NSSF.



Initiative 3.5:

Introduce sickness, maternity and disability benefits based on international standards of coverage and adequacy to ensure comprehensive protection under the social insurance system.



Initiative 3.6:

Introduce a reliable mechanism to regularly adjust all social security benefits with cost-of

Strategic Orientation 4:

Enhance governance in the social security system and strengthen social security administration.



Initiative 4.1:

Reform the NSSF governance structure, maintaining tripartite representation but streamlining decision making.



Initiative 4.2:

Implement necessary organizational reforms of the NSSF to enhance institutional capacity.



Initiative 4.3:

Maximize use of digital technologies to enhance customer experience and drive efficiency.



Initiative 4.4:

Strengthen institutional coordination for enhanced compliance, improving coordination between NSSF, Ministry of Labour, and Ministry of Finance to ensure compliance, and increasing the inspection capacity of the relevant institutions.

1. In a multi-tiered social protection system, different schemes are integrated such that they offer universal coverage to everyone experiencing a lifecycle contingency, leaving no gaps in coverage for the category of covered population.

2. This could also include adjusting family allowances for disability related costs