



Social Protection for All Men and Women

A sourcebook for extending social security coverage in Samoa – options and plans

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Foreword

Social security is widely accepted as the protection which society provides for its members, through a series of public measures to (i) offset the absence or substantial reduction of income from work resulting from the contingencies of sickness, maternity, employment injury, unemployment, invalidity, old age, and death, (ii) provide them with health care, and (iii) provide financial support to families with children.

These are the basic contingencies specified in the Social Security (Minimum Standards) Convention, No.102 of 1952 which is used by developing countries as a guide in the planning of social security systems.

Lack of adequate social security is one of the greatest challenges facing the countries in the Pacific. The ILO views that the extension of social security is an essential component of the ILO's effort for the fulfilment of Decent Work for all men and women.

The ILO has sought to assist in this process of change and improvement through the project *Subregional Initiative on Social Security for the Pacific Island Countries* that involved five Pacific island countries – Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu – and was funded by the Netherlands Government.

This publication is a consolidation of the research papers and feasibility studies produced by the project. The scope of these reports covers areas of critical importance in extending social security coverage to all workers. These include overview of social security, extension of social security, formal employment sector and informal economy surveys, feasibility studies of pensions, unemployment insurance, traditional systems, workers' compensation, social assistance, maternity protection and health insurance. As a cross-cutting issue, focus on gender equality has been underpinned for all the feasibility studies.

Additional studies considered operations and information technology. The studies were used as a basis of the National Action Plan for Social Security.

We believe that awareness about these issues, and discussion about realistic steps to be taken to improve access to social security and benefits available, are essential to the development of an effective action plan to improve social protection in Samoa.

We wish to thank and acknowledge the support provided by the ILO's tripartite partners, social security organizations, National Project Coordinators and project staff as they facilitated the access for the project team to the various stakeholders in the field of social security. The ILO is grateful for the support of the Netherlands Government throughout the project.

Finally, we would like to congratulate the persons involved in the project and in the preparation of this publication. In particular, we would like to thank Mr. John Angelini, the Chief Technical Advisor of the project, and the expert consultants who have prepared the reports.

We trust that this publication will be a valuable reference source for those concerned with the development of a better social security system now and in the future.

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Some of the country data on demography, economy and health status have been extracted from publications by various international organizations including ADB, ILO, SPC, UNDP, UNFPA and from local sources in each country. The team would like to thank these sources for their direct or implied permission to use those resources.

Introduction – user's guide to the sourcebook

This publication is intended to serve as a reference book for the planners to formulate the policy and strategy to extend social security coverage to all of the population.

As part of the ILO project *Subregional Initiative on Social Security for the Pacific Island Countries*, a series of research papers and feasibility studies have been produced.

The purpose of this publication is to present these reports in a consolidated and readable form. The remainder of this sourcebook has been divided into four Parts.

Part I comprises eight chapters dealing with general review of social security and related issues. Chapter 1 sets out the basic framework of the project. Chapter 2 discusses key issues in social security such as the needs, economic effects and financing options of social security. Chapter 3 is devoted to analyse the challenges and strategies for extending social security coverage. Chapter 4 provides overview of demographic and economic context and review of social security system in Samoa. Chapter 5 presents and analyses the results of surveys of workers in both informal and formal economy. Chapter 6 looks into traditional social protection systems in Samoa. This is complemented by chapter 7 which discusses application of ILO Convention No. 169 for indigenous and tribal peoples. Part I concludes with chapter 8 which focuses on gender equality in general and in social security system in Samoa.

Part II contains ten feasibility studies on extending social security coverage. This Part covers core results of policy analysis. Chapter 9 focuses on principles of health insurance whilst chapter 10 focuses on the proposed social health insurance scheme in Samoa. Chapter 11 describes key principle issues on social security pensions and discusses their implications to Samoa. Chapter 12 sets out basic principles on unemployment protection and chapter 13 analyses feasibility of an unemployment insurance scheme in Samoa. Chapters 14 and 15 are devoted respectively to principles and to feasibility of introduction of social assistance.

Chapter 16 deals with workers' compensation

schemes and is organised in a similar structure. Chapter 17 is a report on operations and information technology of the Samoa National Provident Fund. Chapter 18 focuses on maternity protection as a part of gender-specific intervention..

Part III consists of chapter 19 on National Action Plan for Social Security in Samoa and represents the plans, road map and implementation of the policies developed by the feasibility studies.

Part IV supplements with thirteen Annexes.

We welcome comments and suggestions on this sourcebook. For further information, please contact us at:

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Other publications in this series of:

Social Security for All Men and Women – A sourcebook for extending social security coverage: options and plans are available for the following Pacific Island Countries: Fiji, Kiribati, Solomon Islands and Vanuatu.

Electronic copies of these publications are available from the project webpage at:

www.ilosuva.org/

Abbreviations

ACB	Accident Compensation Board	NBV	National Bank of Vanuatu
ACC	Accident Compensation Corporation	NCC	National Council of Chiefs
ADB	Asian Development Bank	NDEC	National Disaster Executive Committee
APNGCR	Asia Pacific Network for Global Change Research (New Zealand)	NDS	National Development Strategy
BPA	Beijing Platform for Action	NFSU	National Sound and Film Unit
CCA	Common Country Assessment	NGO	Non-Governmental Organisation
CDF	Cooperative Development Fund	NIB	National Insurance Board
CEDAW	Convention on Elimination of All Forms of Discrimination Against Women (UN)	NL	National Library
CESR	Committee on Economic, Social and Cultural Rights (UN)	NM	National Museum
CRC	Committee on Rights of the Child (UN)	NSO	National Statistics Office
CRP	Comprehensive Reform Program	NVMS	Ni-Vanuatu Micro Finance Scheme
CROP	Council of Regional Organisations of the Pacific	NZODA	New Zealand Official Development Assistance
CSW	Commission on the Status of Women	PACER	Pacific Agreement on Closer Economic Relations
CTA	Chief Technical Advisor	PANG	Pacific Network on Globalisation
DBS	Development Bank of Samoa	PCIT	Pacific Island Countries and Territories
DFID	Department for International Development (UK)	PCRC	Pacific Concerns Resource Centre
DESP	Department of Economic and Sector Planning	PIC	Pacific Island Country
DLIG	Disadvantaged Low Income Groups	PICTA	Pacific Island Countries Trade Agreement
EEZ	Exclusive Economic Zone	PICTs	Pacific Island Countries and Territories
EFA	Education for All (UNESCO)	PNG	Papua New Guinea
EIA	Environmental Impact Assessment	PPA	Pacific Platform for Action
ESCAP	Economic and Social Commission for Asia and the Pacific (UN)	PTI	Permanent Total Disablement
EU	European Union	RAMSI	Regional Assistance Mission in Solomon Islands
EVI	Environmental (or Economic) Vulnerability Index	RERF	Revenue Equalisation Reserve Fund
FAO	Food and Agricultural Organisation	RETA	Regional Technical Assistance (ADB)
FEMM	Forum Economic Ministers' Meeting	RBV	Reserve Bank of Vanuatu
FIC	Forum Island Country	SBEC	Small Business Enterprise Centre
FNPF	Fiji National Provident Fund	SINPF	Solomon Islands National Provident Fund
Forsec	Pacific Islands Forum Secretariat	SOE	State-Owned Enterprise
FTA	Free Trade Agreement	SPBD	South Pacific Business Development
GDP	Gross Domestic Product	SNPF	Samoa National Provident Fund
GNP	Gross National Product	SPC	Secretariat of the Pacific Community
HDR	Human Development Report (UNDP)	SPREP	South Pacific Regional Environment Programme
HIES	Household Income and Expenditure Survey	SSIGO	State Social Insurance General Office
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome	SSPIC	ILO project Social Security in Pacific Island Countries i.e. this project
HRC	Human Rights Committee (UN)	STD	Sexually Transmitted Disease
ICT	Information and Communication Technologies	UNCTAD	United Nations Conference for Trade and Development
ILO	International Labour Organisation	UNDAF	United Nations Development Assistance Framework
IMF	International Monetary Fund	UNDESA	United Nations Department for Economic and Social Affairs
KCUL	Kiribati Credit Union League	UNDP	United Nations Development Programme
KPF	Kiribati Provident Fund	UNDSPD	United Nations Division for Social Policy and Development
LDC	Least Developed Country	UNESCO	United Nations Educational, Scientific and Cultural Organisation
LMS	Labour Market Survey	UNFPA	United Nations Population Fund
MALO	Market Appraisal for Livelihood Opportunities	UNICEF	United Nations Children's Fund
MDA	Mass Drug Administration	UNIFEM	United Nations Development Fund for Women
MDG	Millennium Development Goals	UI	Unemployment Insurance
METT	Ministry of Education, Training & Technology (Kiribati)	USP	University of the South Pacific
MFI	Microfinance institution	VAGST	Value Added Goods & Services Tax
MIU	Microinsurance unit	VNPF	Vanuatu National Provident Fund
MOF	Ministry of Finance	WB	World Bank
MOU	Memorandum of Understanding	WDR	World Development Report (WB)
MOH	Ministry of Health	WHO	World Health Organisation
NAPDW	ILOs National Action Plans for Decent Work		

Definitions

Actuary	A professional who compiles statistics on events and key social and financial parameters to estimate the probabilities of events occurring in order to establish contributions (premiums) and benefits.	Primary Health Care	The first level of contact by individuals, families and communities with the health system
Adverse Selection	The tendency to only voluntarily insure against the high risks and remain uninsured against lower risk. For example young health people not choosing to take out health insurance until their risks increase with old age.	Reserves	Funds held either for a possible unknown event (contingency funds) or because of regulation.
Contribution	Payment of an agreed sum of money by a member to a social insurance scheme in return for a specified benefit in return.	Social Exclusion	Inadequate or unequal participation in social life, or exclusion from a place in the consumer society, often linked to the social role of employment at work
Defined Benefit	The amount, usually formula based, guaranteed to each person who meets defined entitlement conditions	Social Insurance	An insurance program that is shaped by broader social objectives than just by self interest of each individual principal or agent, while retaining insurance principles that persons are insured against a definite risk
Defined Contribution	When the benefit is limited to what has been paid into the fund or contributed (plus interest)	Social Protection	Is a newer, broader term that includes all of Social Security; it is firmly related to poverty reduction (unlike Social Insurance but like Social Assistance) and includes ensuring access to health care whether through public, private or community based initiatives.
Formal Employment Sector	The formal sector represents the more administratively visible part of the economy and society, namely the public and private corporate sector and comprises enterprises and the professional self-employed that have been accorded Legal Status and are regarded as legal entities	Social Safety Net (SSN)	is more recent and associated with short-term policies to counter structural and economic adjustments such as the transition from command to market economies in the former soviet states and economic crises such as the one that occurred in Asia in 1997. This definition was sponsored primarily by the World Bank and its social funds that were essentially targeted social assistance schemes provided for a limited term and were intended to build local capacity and improve governance in developing countries.
Health Care Providers	Doctors, nurses, hospitals, clinics, laboratories, imaging facilities, pharmacies etc and other deliverers of medical services.	Social Security	Is one of the most common terms used to describe all social (not economic) programs used to reduce poverty and underdevelopment in developing countries. Its origins date to the ILO 1952 International Labour Conference where the Social Security minimum standards (No. 102) were accepted. Social Security is an umbrella term that includes Social Insurance (systems where workers and employers make contributions to insure against specific life events) and Social Assistance (more likely to be government sponsored, non-contributory and designed to meet basic needs rather than specific contingencies).
I-Kiribati	Is the name for indigenous people in Kiribati. NOT Kiribatians.	Solidarity Principle	Applying rules that spread risks and resources across members of a group in a way that provides both insurance coverage and egalitarian distribution.
Informal Economy	The informal economy comprises those individuals and employers that have not been accorded legal status and have commenced their operations often without the sanction or knowledge of the local authorities (e.g. cottage workers)		
Microfinance	is the provision of financial services to the poor who would otherwise be unable to satisfy the normal equity requirements for loans.		
Microinsurance	A mechanism for pooling community risks and resources to protect participating members against the financial consequences of mutually determined risks (usually health)		
Morbidity	Refers to illness from a specific disease or cause or from all diseases		
Mortality	Refers to death from a specified disease or from all diseases.		
Ni-Vanuatu	Is the name for indigenous people in Vanuatu. NOT Vanuatians.		
Premium	Is an amount paid to an insurance carrier for providing insurance coverage under terms of a contract.		

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Exchange rates

Country	Currency	1 USD
Australia/Kiribati	AUD	1.3404
Fiji	FJD	1.7229
Hong Kong	HKD	7.7541
India	INR	44.4550
Indonesia	IDR	9,499.15
Japan	JPY	115.2330
Korea	KRW	963.973
Malaysia	MYR	3.7520
Pakistan	PKR	59.8750
Philippines	PHP	52.84500
Samoa	WST	2.7266
Singapore	SGD	1.6306
Solomon Islands	SBD	7.2992
Sri Lanka	LKR	102.1650
Vanuatu	VUV	112.0000
Source: www.xe.com Universal Currency Converter 19 January 2006		



PART I

INTRODUCTION and SOCIAL SECURITY REVIEW

- Chapter 1 The Project – Rationale and Implementation**
- Chapter 2 Overview of Social Protection Systems**
- Chapter 3 Extension of Social Security Coverage**
- Chapter 4 Samoa Country Overview and Review of Social Security**
- Chapter 5 Survey of Workers in the Informal Economy and Formal Employment Sector**
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Chapter 1 The Project – Rationale and Implementation

1.1 Background

Social security is not only a basic need; it is a basic human right. However, in the countries in the Pacific sub-region, only limited numbers of people have access to limited protection provided through social security systems.

Lack of adequate social security represents one of the greatest challenges facing the countries in the Pacific. In the absence of comprehensive social security cover by the national system, the ultimate safety net is still provided by traditional social practices and family support, which tend to weaken as the society transforms into a modern one. The absence of well-functioning social security systems is a major cause of poverty, ill health and high mortality.

In terms of social and economic development, Pacific Island countries are confronted with a number of impeding factors such as smallness, remoteness, geographic dispersion, political instability, limited domestic markets, dependence on foreign aid and external conditions, environmental concerns and vulnerability to natural disasters. In the context of globalisation, these factors create growing regional inequalities, rendering the countries in the Pacific sub-region vulnerable to relegation into the backwater of the rapid changes in the global development.

Social security systems in the Pacific sub-region are at different stages of the development. However, they have the following major problems in common.

1.2 Limited coverage and inadequate benefits

Social security coverage in these countries is limited to workers in the formal employment sector which represents only a small fraction of working population. In particular, a large majority of workers in the informal economy are excluded from social security schemes.

The scope and level of social security benefits are also inadequate. In most Pacific Island countries, national provident funds and workers' compensation are the only available social

security benefits, which were implemented in the pre-independence days. Other types of much needed benefits such as health care, sickness, maternity, unemployment benefits are not available. Furthermore, the level of benefits provided from the existing schemes is not sufficient to provide adequate protection for the workers and their families.

A straightforward savings scheme of the provident fund type fails to provide guaranteed national minimum benefit, as there is no pooling of risks. The members of the provident funds at retirement usually have no option but to receive their benefits as a lump-sum. Lump-sum benefits are vulnerable to pressures for speedy consumption by the recipients and their extended families.

Workers' compensation schemes are still based on employers' liability, which does not ensure full compliance particularly by employers of small sized enterprises. Compensation is usually made as a one-off lump sum payment only in the event of accident or disease directly resulting from work (excluding accidents during commutation), and benefits for rehabilitation, prevention and promotion of occupational safety and health are mostly not provided.

Basic medical care is provided free by the government for all nationals and includes hospital confinement, professional services, laboratory examinations and medicine. However, because of the inability of government to allocate enough budget, the quality of public health services is poor. In most remote islands, people go to clinics that may be staffed only by a trained nurse. Women still depend at childbirth on midwives or traditional birth attendants. Major hospital services at tertiary level such as heart operations and dialysis are only available in one or two hospitals in the capital cities. For emergency cases, evacuation to Australia, Hawaii and New Zealand is possible under the referral system only if a panel of doctors approve the case to be *urgent and treatable*.

1.3 Link to decent work approach at national level

ILO member states in the Pacific sub-region have been active in working with the ILO to develop and implement National Action Plans for Decent Work (NAPDW). The outcomes were presented at the Sub-regional Tripartite Forum on Decent Work held in Auckland in October 2003 and at a further forum in Melbourne, Australia in April 2005 which provided an opportunity to consolidate the significant progress in promoting the Decent Work Agenda across the sub-region.

The project was undertaken within the framework of the NAPDW of the Pacific countries. In their NAPDW, the following problems have been identified by the ILO tripartite constituents as major Decent Work deficits in respect of social security:

- Limited coverage of social security, in particular for workers in the informal economy (Fiji, Kiribati, PNG, Solomon Islands);
- Inadequate scope and level of social security benefits (Fiji, Solomon Islands);
- Problems of governance and sustainability of social security system (PNG, Solomon Islands).

In response to these deficits, the National Action Plans for Decent work (NAPDW) prescribe the actions for ILO support to the development of a national strategy for extension of social security coverage and to provide technical support for improvements in financial governance, investment policy and administration of social security benefits.

1.4 National development frameworks

Social security is vital both in the socio-economic development and in poverty reduction. All Pacific Island countries have committed themselves to attaining the millennium development goals. The ILO can make significant contributions to MDG Goal 1 of halving poverty by 2015, by assisting Pacific Island countries to extend social security schemes in order to increase the number of people who will be more resilient to social shocks and hence falling into poverty.

In **Samoa**, the government's national development plan identifies one of its national goals as improved economic and social safety

nets for vulnerable groups and for women and children. The Samoa National Provident Fund (SNPF) seeks more technical assistance to review its financial viability since becoming one of the newest members of the ILO from the Pacific. Direct assistance was also sought from the ILO to assist in the progression and implementation of the National Health Care Financing Scheme. Moreover, the following observations have been made.

1.5 Poverty reduction

Four out of the five countries covered by the SSPIC project – Kiribati, Samoa, Solomon Islands and Vanuatu – are listed by the UN as Least Developed Countries (LDC), with a low income (the GDP per capita is less than USD900 a year), human resource weaknesses and economic vulnerability.

Social security schemes usually incorporate provisions for focusing on income protection of the poor. One of the fundamental tasks of the social security schemes is for the state to perform income transfer to provide minimum income protection to those who live on less than the minimum income level. This concept is fully reflected in the ILO minimum standards convention No 102 (1952). However, as provident funds are the common type of social security system in the sub-region, the effect of redistribution is limited as this type of individual savings scheme entails little or no income redistribution or social solidarity and are in essence individual savings schemes managed by the fund. An effective policy is sought on how to introduce a guaranteed minimum benefit in the framework of the provident fund model.

In the absence of unemployment benefit or any organised form of social assistance, the existing schemes, notably the provident funds, act as de facto social safety nets by meeting the immediate need of cash for the people who experience unexpected adversities such as economic crises or social unrest. However, these withdrawals from the fund are at the expense of savings for retirement. This resultant limited retirement benefits result in more retired workers who need to rely on traditional family and community support. The project *The Subregional Initiative on Social Security for the Pacific Island Countries* also aims to extend the scope and impact of income protection benefits (social security).

In most Pacific countries, provident funds are also major financial institutions in the national economy and in some countries are in fact the largest single financial institutions. The assets invested by the provident funds constitute a significant portion of national wealth. In this way provident funds contribute to the capital accumulation in domestic financial markets. If the funds are properly invested in productive economic activities, they will also contribute to economic growth in the long term.

1.6 The project aims

The *Subregional Initiative on Social Security for the Pacific Island Countries* will contribute to better social and economic security for all members of society through improved coverage and efficiency of social security systems. It will also contribute to the promotion of gender equality.

The project aims are to:

- Formulate comprehensive country programmes on social security in the form of tripartite national action plans based on the needs assessment survey, financial and gender analyses, and take steps for their implementation;
- Improve the efficiency of existing social security organisations in providing services both at management and operational levels and enhance their capacity for the enforcement of the legislation and the management of the funds.

- Develop gender-mainstreamed and gender-specific policies and interventions in social security, which will lead to greater gender equality.

The project was implemented in three broad stages that included:

- A review of existing programs and systems that included surveys of the informal and formal economy workers and inputs from key tripartite stakeholders and the status of other associated programs like microfinance;
- Conduct of feasibility studies on priority benefits programs that included the technical rationale behind the range of typical social security programs and the feasibility of their implementation in the country. This will include a study on the existing traditional systems and how they impact on potential social security programs, particularly in the informal economy and how they can be strengthened to provide basic services; and
- Based on the feasibility studies and a second round of tripartite stakeholder inputs, the national action plans were developed. The output will include the technical and feasibility considerations produced in a reference manual format to facilitate future stages of social security reform.

Figure 1.1 Project overview

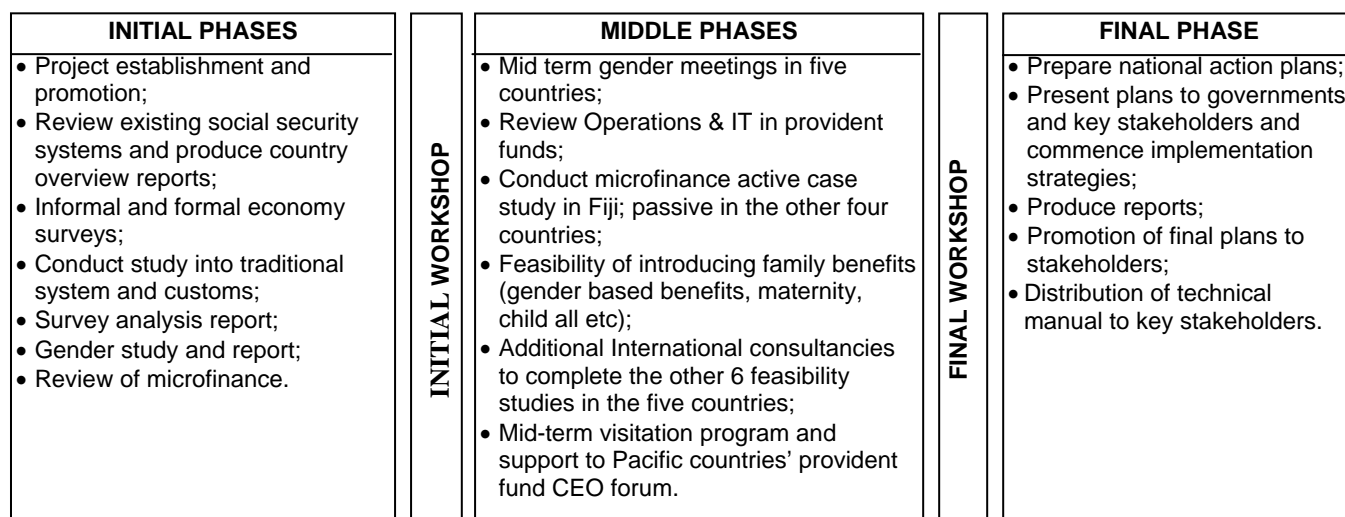
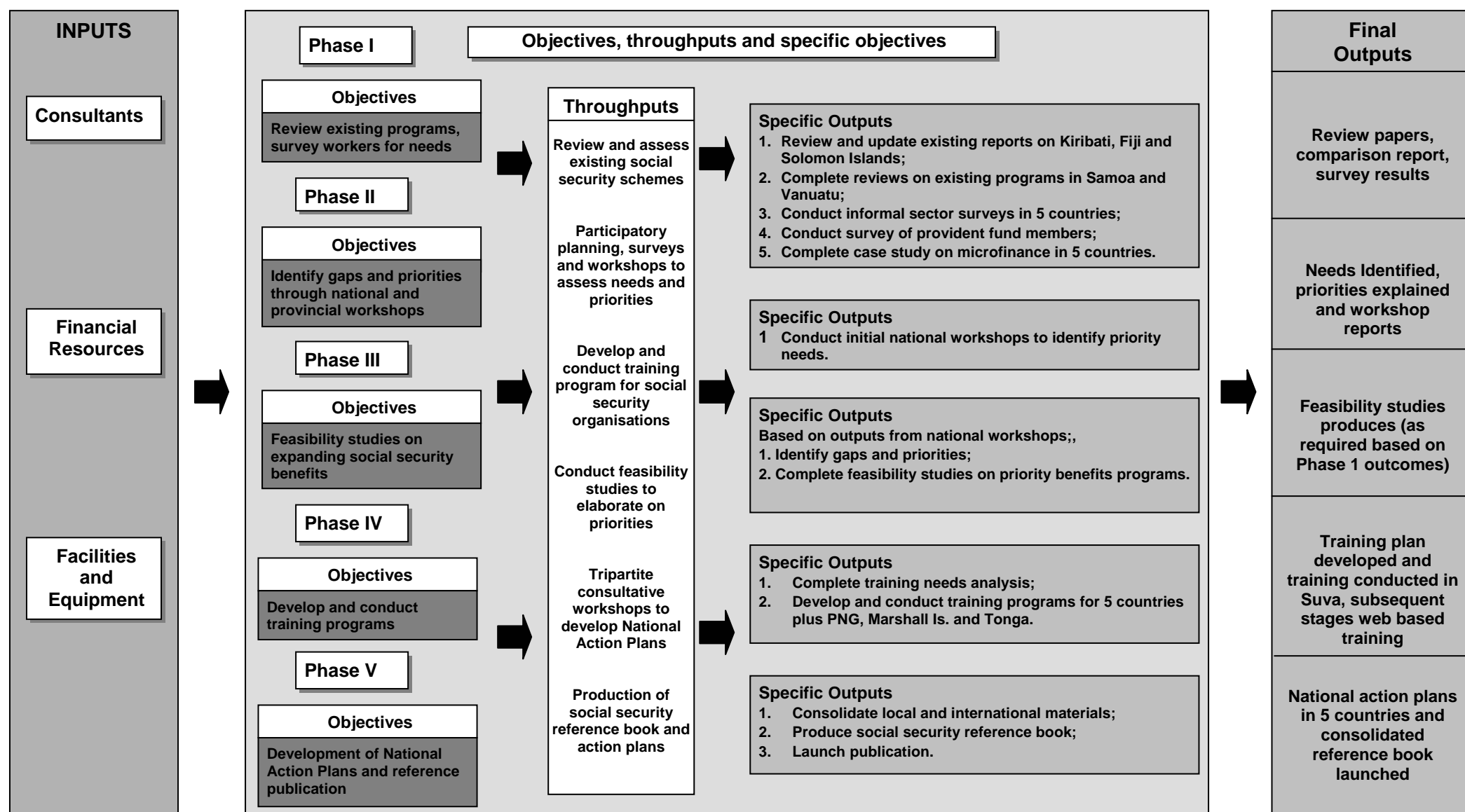


Figure 1.2 *Conceptual framework for project social security in Pacific Island countries*



Chapter 2 Overview of Social Protection Systems

2.1 The scope of social security

Social security is widely accepted as the protection which society provides for its members, through a series of public measures to:

- Offset the absence or substantial reduction of income from work resulting from the contingencies of sickness, maternity, employment injury, unemployment, invalidity, old age, and death,
- Provide them with health care, and
- Provide financial support to families with children.

These are the basic contingencies specified in the Social Security (Minimum Standards) Convention, No.102 of 1952 which is used by developing countries as a guide in the planning of social security systems.

The ILO in pursuit of its overall goal of achieving decent work for all men and women has adopted as one of its four strategic objectives: *Enhance the coverage and effectiveness of social protection for all*. The essential point is that coverage in this context refers to meaningful, appropriate as well as personal membership of a scheme. The three dimensions in social security coverage strategies are:

- Population coverage;
- Range of coverage, as regards the contingencies for which protection is provided; and
- Level of benefit or the effectiveness of the system of protection.

Consequently it is necessary to take into account not only the contingencies which are covered but the method of organising the social protection. The main different methods of providing social security in developing countries are:

- Social insurance (*schemes financed by contributions that pool resources in separate funds for each branch of insurance*),
- Social assistance (*tax-financed, non-contributory benefits, provided only to the vulnerable population*),

- Universal benefits (*tax-financed benefits provided without being means-tested*),
- Employer liability provisions (*obligations imposed by statute on employers to provide benefits to workers in prescribed circumstances such as employment injury, sickness, maternity and termination of employment*); and
- National provident funds (*defined contribution schemes with individual accounts*).

In the following sections, some key issues relating to social security are explained.

2.2 Why do we need social security?

People can achieve income security not only through productive employment, savings and accumulated assets (such as land and housing), but also through social protection mechanisms. These mechanisms function not only as a protective but also as a productive factor. Workers need income security to make long-term plans for themselves and their families and to prevent them from becoming trapped in a poverty cycle. Workers' income security has also positive effects on the economy, since it makes effective demand more predictable and provides enterprises with a more productive and flexible workforce.

One of the fundamental rights of people is that they must have access to a minimum level of income security that ranges from provision of basic health services and basic food, shelter and educational rights in the poorest countries to more elaborate income security schemes in the industrialized countries. Everyone of working age has a responsibility to contribute to the social and economic progress of the community or country he or she lives in and should be given the opportunity to do so. In exchange, all have the right to a fair share of the income and wealth of the country or community.

Social security is said to discourage people from working and saving, to reduce international competitiveness and employment creation, and to encourage people to withdraw from the labour market prematurely. On the other hand, social

security can also be seen to have a number of very positive economic effects. It can help to make people capable of earning an income and to increase their productive potential; it may help to maintain effective demand at the national level; and it may help create conditions in which a market economy can flourish, notably by encouraging workers to accept innovation and change. Social security and decent employment are both necessary components for a market economy to provide income security for all. Social security is also designed to have important positive effects on society as a whole, by promoting social cohesion and a general feeling of security among its members.

It has been suggested by various commentators that social security contributes to economic growth by raising labour productivity and enhancing social stability. Various types of social security are particularly relevant to labour productivity:

Health care systems help to maintain workers in good health and to cure those who become sick. Poor health is a major cause of low productivity in many developing countries where workers do not have access to adequate health care. Not only does it limit their ability to cope with the physical demands of their jobs, but it also leads to absence due to sickness and can seriously undermine efficiency even among workers who do not absent themselves from work. Care for workers' family members helps to ensure the good health of the future labour force.

Old-age pensions systems ease the departure of older workers from the labour force, thereby helping to avoid the problem of workers remaining in employment when their productivity has fallen to a low level.

Cash sickness benefit contributes to the recovery of sick workers by removing the financial pressure to carry on working when ill. It also helps to maintain the productivity of other workers by countering the spread of infection.

Maternity protection is of particular importance for the reproduction of a healthy workforce, as well as for the maintenance of the health of working mothers.

Employment injury schemes are playing an increasingly important role in preventing work-related accidents and sickness and in

rehabilitating workers who fall victim to these events. Such activities are of considerable relevance to productivity, given the enormous numbers of days off work attributable to avoidable health risks.

Unemployment benefit provides unemployed workers with the breathing space they need in order to find suitable work which makes full use of their talents and potential; the associated employment and training services are also highly relevant in this respect. Workfare and other active measures ensure that unemployment benefit is also used to reshape the workforce over time to accommodate change.

Child benefits (and other cash benefits provided when the breadwinner is unable to work) help to ensure that families with children have enough income to provide proper nutrition and a healthy living environment for their children. In developing countries, child benefits can also be a powerful instrument to combat child labour and promote school attendance. Children can thus receive an education that will permit them in the long run to attain much higher levels of productivity and income.

2.3 What do the different social security terms mean?

It may be instructive to clarify some of the terminology used in relation to social security.

Social protection is sometimes used interchangeably with *social security* or *social safety net* but the term can be used in a broader sense. From a point of view of income security, social protection incorporates non-statutory or private measures with a similar objective (such as community-based schemes and occupational pension schemes), in addition to the social security measures such as social assistance and social insurance¹. Other international organizations use this term in a more generalized sense. According to the Asian Development Bank², *social protection is defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income.*

¹ ILO, World Labour Report 2000 : Income security and social protection in a changing world.

² ADB, Social Protection Strategy, 2003

The World Bank (Holzmann R. and Jorgensen S, "Social Risk Management : A new conceptual framework for Social Protection and beyond", Social Protection Discussion Paper, 2000) discusses social protection from a point of view of social risk management and defines social protection as *public interventions to assist individuals, households, and communities better manage risk, and provide support to the critically poor.*

As we have seen thus far, different international organizations propose different definitions of the term social protection. Generally, by social protection it is meant to capture a broader and more inclusive concept than social security (for instance the scope of social protection also covers non-statutory schemes and private initiatives); and, in the context of developing countries, social protection is closely related to poverty reduction and sustainable economic and human development.

Social security is one of the most common terms used to describe a wide spectrum of public

interventions against a set of defined risks. A widely accepted definition by the ILO Social Security (Minimum Standards) Convention No.102 is *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 absence or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age or death; the provision of medical care; and, the provision of subsidies to families with children.*

Social safety net is used to refer to public arrangements to ensure that any individual can obtain assistance to avoid falling into absolute poverty. Social assistance is a typical example of a social safety net. Recently, this term was used to refer to (usually short-term) state interventions to mitigate the immediate impact of structural and economic adjustments such as the transition from planned to market economies and of economic crises such as the one that took place in Asia in 1997.

2.4 What are the options for funding social security?

The following table summarizes five major issues in social security funding, and compares the basic advantages and disadvantages of each option.

Table 2.1 Social security funding options

Advantages	Disadvantages
Contributions - This is a debate about who should contribute - whether workers and employers pay contributions to be eligible for benefits (Social Insurance) or whether the government funds the schemes out of taxation revenue (universal scheme). Social insurance funds can be semi-independent from government and used exclusively for the payment of benefits and not subject to economic variations. Universal schemes provide fixed rates for all citizens, usually means tested	
Government funding provides for universal schemes that are strong in social solidarity and transfer of wealth to the lower paid workers. They can be means tested and targeted at those most in need. Payments under the schemes are the same for all eligible beneficiaries	Government funding is subject to taxation and collection capacities and requires strong governance, strong accountability and no corruption if the schemes are to be sustainable in the long term. Higher paid workers are often dissatisfied with their benefits when compared to their contributions (taxes). When there is a high ratio of beneficiaries to contributors (taxpayers) as is the case in developing and aging countries the demand on the small workforce may be untenable.
Privatization - This is a debate about who should manage the funds - whether social security funds should be managed by the government or by private enterprise. Typically funds are managed in trust for the contributors	

Advantages	Disadvantages
(Trust Funds) by a tripartite Board of Directors independent of government.	
Private sector funding can be more efficient at investing funds - and competition between funds will maximise the efficiency; the funds will be safer because they are less subject to government control; and setting up pension funds in this way promotes more rapid development of the financial sector that benefits the whole economy.	Private sector funding can pose a greater risk of corruption or mismanagement; competition can increase costs (because of costs of advertising and contributors changing funds); the government will have to play a major role in any case (through regulation); and it is difficult for contributors to make informed choices about funds.
Advance funding - This is a debate about when the funds for pensions should be provided and by whom. Should a person's pension be paid from funds previously paid in by or for that person (and kept "in storage" until the time comes for the person to be paid) (Advance funding)? Or should the pension be paid from the contributions of current workers (pay as you go (PAYG))?	
Advance funding means setting money aside now which makes it more likely that the government will be able to meet its obligations later (when the population has aged); that the interest the pension funds will earn will increase the amount of money available; and that it will increase national savings that can be invested productively.	Advance funding is not practical because it is impossible to advance fund without finding money to pay for pensions that cannot be fully pre-funded (existing pensioners and those who began their working career some time before the decision); that large accumulations of pension funds may increase competition for investors and reduce rates of return; and enforced saving may reduce other saving.
Diversification - This is a debate about how the funds should be invested - whether they should be limited to government bonds or whether, and to what extent, they should be invested in equities. Investments in stock markets have given much better returns than government bonds; however, investment in stock markets can be risky and volatile	
Investments in stock markets have given much better returns than government bonds; that pensions can promote economic growth; and that pensioners should have more choice about how their funds are invested.	Investment in stock markets is too risky; that if the government controlled the pension fund it would effectively control a lot of the private sector; and that it makes corruption more likely.
Defined contribution or Defined benefit - This is a debate about how pension should be calculated - whether a person's pension should be limited to what they have contributed (plus interest that the money has earned), this is <i>defined contribution</i> . Or should the pension be an amount that is related to something else (such as a proportion of final salary or average salaries), this is <i>defined benefit</i>	
For defined contribution - there is no cost to the government; it encourages saving; rewards those who save most; and increases understanding about the costs of population ageing.	Against defined contribution - it does not provide adequate income in retirement for poorer workers; it helps least those workers who need help most; and it is more complex to administer

In practice, social security systems in most countries have elements of all of the different funding components but to a different extent and they are mixed in different ways. For example, many have some defined benefit component (social pension) and some defined contribution (individual account). Most do not aim to be fully-funded but aim for different degrees of advance funding. Some allow investment in equities but it is restricted in different ways. Funding also

entails income transfer between generations and affects an individual's choice in savings and retirement. In reality what happens in most countries is that social security programs are predominantly funded by contributions from employers and workers. Social assistance programs specifically targeted at the poor and vulnerable are generally funded by the government.

2.5 Social insurance

Social insurance is conspicuously lacking in most South Pacific countries, including Fiji, Kiribati, Samoa the Solomon Islands and Vanuatu. Social insurance is the technique used in the great majority of countries worldwide to develop social security.⁴ The basic principle is the pooling of risks in a fund which can be applied to all nine of the social security contingencies. It is also common to find that social insurance has replaced techniques such as employer liability as part of the strategies for improving social security provisions in workers compensation schemes. This has been much in evidence in numerous developing countries in recent decades which have replaced employer liability schemes and national provident funds, with social insurance schemes. Improving access to health care through social health insurance has also attracted increasingly high priorities in recent years.

It is also true that some countries, notably in Latin America, have replaced pension insurance schemes with defined contribution schemes. These different trends are discussed in detail in the relevant feasibility studies.

The adoption of social insurance principles is in conformity with two of the essential requirements found in the various ILO standards:

- Cash benefits should be in the form of periodical payments, not lump sums;
- The duration may be limited in respect of medical care and cash benefits for sickness, maternity, and unemployment, but should be throughout the contingency in principle for contingencies such as employment injury, old age, permanent invalidity, and survivorship.

2.6 Social assistance

Social assistance is to be found in virtually all industrialized countries, where it serves as a safety net to the other social protection schemes, including social insurance and thus to relieve poverty. In developing countries social assistance is much less widespread. Where it exists, it is usually restricted to just one or two categories of the population, such as assistance to the elderly in

the form of universal pension schemes like those in Kiribati and Samoa.

The relative paucity of social assistance schemes in the developing world testifies to the problems which many governments have in devoting adequate resources to it. This should not be seen purely as a reflection of the low absolute level of national income or of government revenue. It may be questioned whether governments, in establishing their priorities, always give sufficient weight to their social assistance schemes, whose beneficiaries are rarely in a position of political strength.

Social assistance is targeted only at those in need and the means test can in theory be made rigorous enough to exclude all but those whose needs are greatest. In practice things tend to be different, even in the most sophisticated social assistance systems. On the one hand, no means test is foolproof, some people who are not eligible nevertheless succeed in obtaining benefits - particularly in countries where there is a thriving informal economy. Such errors are serious not only because they cost money, but above all because they undermine public confidence in the system. On the other hand, social assistance benefits fail to reach many of those in greatest need for one or more of the following reasons:

- They are unwilling to apply because of social stigma;
- They may be unaware of their rights under the legislation;
- They find it difficult to submit an application for benefit, as procedures are often complicated and time-consuming; and
- Social assistance is often subject to considerable administrative discretion, opening the way to favouritism and discrimination.

The more rigorous the means test, the greater the likelihood that people will be deterred from applying and that those in real need will fail to obtain benefit. Self-selection mechanisms are often more appropriate than means testing, especially in the context of developing countries. These tend to be used, for example, in the provision of paid work in labour-intensive projects and of basic food aid.

Means-tested social assistance has another major drawback, as it can discourage people from saving (or encourage *dissaving*) if they think that

⁴ The Marshall Islands, Federated States of Micronesia and Palau benefit from the social security system of the USA.

any savings they have will simply be deducted from the benefit that they would otherwise receive. Similarly, it may act as a disincentive to contributing to other forms of social protection. Thus it can help to create situations of need because of the perverse incentives inherent in means testing.

On the other hand, social assistance can be useful for specific vulnerable groups, such as the elderly and children. It may well be the only solution for widows who have not been able to contribute

themselves to pension schemes or whose husbands were not covered by survivors' insurance. It is often also a way of helping poor households with children; in various countries the provision of such benefits is now linked to school attendance where immunization or nutrition programs are provided. This is the principle of *conditional transfer* or requiring beneficiaries to undertake some form of action in order to receive some assistance. This can be in the form of work for benefits (workfare) or bringing children to school in return for other assistance.

Chapter 3 Extension of Social Security Coverage

3.1 Introduction

Extending social security coverage to excluded populations is one of the chief priorities of the ILO in the framework of its global strategy aimed at ensuring that all men and women have decent work. It is estimated that only one in five people in the world has adequate social security coverage while half of the world's population is without any social security protection.

The International Labour Conference (ILC) in 2001 undertook a general discussion on social security and reached conclusions⁵ which call for highest priority be given to policies and initiatives which can bring social security to those who are not covered by existing systems. The International Labour Conference of 2002⁶ confirmed the commitment to making decent work a reality for workers in the informal economy. The commitment to decent work is anchored in the Declaration of Philadelphia's affirmation of the right of everyone to conditions of freedom and dignity, of economic security and equal opportunity. The ILC sought to address the multitude of workers and enterprises who are often not recognized and protected under legal and regulatory frameworks and who are characterized by a high degree of vulnerability and poverty, and to redress these decent work deficits.

The promotion of decent work for all workers, women and men, irrespective of where they work, requires a broad strategy: realizing fundamental principles and rights at work; creating greater and better employment and income opportunities; *extending social protection*; and promoting social dialogue. These dimensions of decent work reinforce each other and comprise an integrated poverty reduction strategy. The challenge of reducing decent work deficits is greatest where work is performed outside the scope or application of the legal and institutional frameworks. In the world today, a majority of people work in the informal economy because

most are unable to find other jobs or start businesses in the formal economy.

In sub-Saharan Africa and South Asia it is estimated that only 5 to 10 per cent of the active population is covered by a statutory social security scheme, most of these being old-age pension schemes, in some cases also providing access to health care, but coverage is tending to fall. In Latin America coverage ranges from 10 to 80 per cent according to the country, but on the whole it is stagnant. In South East and East Asia, it ranges from 10 per cent in countries such as Cambodia to 100 per cent in the Republic of Korea for sickness insurance. In the transition countries of Europe, it lies between 50 and 80 per cent, and in some of the wealthiest industrialized countries there are still today increasing gaps in social security coverage. In general, worldwide it can be taken that only 20 per cent of workers enjoy adequate social security.

The progressive extension of social security eligibility is also one of the key elements in any national strategy for poverty reduction which aims to enhance social security for the poorest by improving core social safety nets and accelerating development in remote areas. ILO studies and experience in developing countries in Africa, Asia and Latin America support this concept.

The study into the progressive extension of social security eligibility to the wider population needs to examine the options for extension of eligibility to the excluded formal sector workers, and examine the needs of workers in the informal economy and in some cases for overseas migrant workers. The informal economy by its nature is difficult to quantify and the lack of a standard definition and categorization of workers and their distribution has resulted in a limited availability of statistical data relating to workers in the informal economy. This is particularly true in most Pacific countries, many of whom have not completed labour market surveys and rely completely on the limited labour information from population census conducted in five or ten year intervals.

This ILO project *Subregional Initiative on Social Security for the Pacific Island Countries*, aims to

⁵ Resolution and conclusions concerning social security, International Labour Conference, 89th Session, 2001.

⁶ Resolution concerning decent work and the informal economy - The General Conference of the International Labour Organization, meeting in its 90th Session, 2002.

identify categories of workers in the informal economy, to define their status in the relevant country, their priority social security needs and consider the feasibility of providing them with basic social security eligibility. To assist in this process a random survey of informal economy workers was undertaken in each country.

3.2 General

Social Security in Pacific Island countries is generally available only to people in formal employment and who are obliged or entitled to participate in a variety of mostly savings schemes. These schemes provide cover for retirement, work accident, health, and death. The schemes are funded by contributions from employers, employees or a combination of contributions from both and managed by provident funds through tripartite boards of management.

The present social security programs in Pacific countries as in most developing countries were envisaged to capture a finite group of formal sector workers and ultimately extend the coverage over a number of years. This was facilitated by granting exemptions to various employers or employment categories in the initial legislation and regulations. However over time it is evident that in general, these exemptions have not been removed and many of the schemes differ little from their original inception decades ago.

The current social security eligibility extends to employees of the military, civil service and private companies above a prescribed staff size and total payroll. The remainder of the population employed in smaller enterprises, self-employed in the informal economy and the unemployed or aged, rely on private insurance or support from immediate and extended families and the local community. In the short term, it is likely that social security provisions may be extended to include more of the people employed in the formal sector and the self-employed. In the medium term additional programs of unemployment benefits and social assistance to selected sectors of the population may be possible. The extension of social security entitlements to the entire population will be a long-term goal in most Pacific countries.

3.3 The formal employment sector

The formal sector represents the more administratively visible part of the economy and society, namely the public and private corporate sector and comprises enterprises and the professional self-employed that have been accorded legal status and are regarded as legal entities.

This legal status is accorded through registration by professional associations, the Ministry of Labour and the Ministry of Trade and Industry, or their equivalents in each country. As legal entities, the enterprises are subject to labour laws administered by the Ministry of Labour and to the ILO conventions that have been accepted by the respective countries. The formal sector in the countries in the study ranges from about 25 to 40 percent of the economically active labour force.

The employment sectors in Pacific countries are measured by the National Statistics Departments in a National Population Census conducted every 5 or 10 years. Modifications through annual statistical returns from employers or by targeted labour market surveys of selected sectors of the economy are not common in Pacific countries. As a result the total dimension of the labour force is not necessarily complete in most countries. The basic classification of the formal sector is the *Legal Entity*, described as: *Legal status of a company/unit of economic activity based on the requirement to register with the appropriate government agencies; usually the Ministry of Labour and the Provident Fund.*

In most Pacific countries the bulk of the workforce is still employed in traditional agricultural occupations and most workers in the informal economy are in rural areas in the agricultural sector. The urban informal sector comprises those individuals and employers who have not been accorded legal status but who have commenced their operations often without the sanction or knowledge of the local authorities (e.g. home workers, transport operators and traders). Many enterprises in the informal economy may be registered with local authorities and finance regulators such as the Ministry of Finance or the taxation office but have not been accorded legal status under the definition of legal entity by the Ministry of Labour and have not been identified by the provident fund.

It was believed that growth in the formal sector workforce and industrial sectors would *trickle down* to the traditional sectors of the economy. Instead, urban industrialisation has tended to widen structural inequalities between the handful of leading sectors and the rest of the economy. The ILO concluded in the 1970s that the informal economy was both efficient and profitable and there emerged the view that it should be promoted as a strategy to tackle structural inequalities and to meet the basic needs of the poor. Continuing rural-urban migration and economic shocks caused by environmental conditions, conflict and poor governance reaffirmed the importance of the informal economy in terms of work and income generation.

While the formal economy has a tendency to produce *jobless growth*, the informal economy continues to absorb the bulk of the job seekers who annually enter the labour market. These jobs are created with little capital and without any subsidy from the state. These informal enterprises often rely on indigenous resources, including recycled materials, and produce predominantly for local markets. The entrepreneurs mobilise their own financial resources via family networks, savings clubs and rotating credit systems. Accommodation for newcomers is provided and training given on the job. Many workers in the

informal economy also maintain strong ties with their places of origin and often foster plans to return. Urban to rural remittances, particularly from the capital cities in Pacific countries and from expatriates working overseas, occur on a very large scale and for many village households this capital flow has even become the major source of household income.

There is a tendency to associate such informal sector activities with poverty. While it is true that many workers in this sector are poor, it cannot be assumed that earnings are necessarily lower than formal sector wages. Anecdotal studies suggest that incomes are not always lower than in the formal economy and whilst this may be true in urban areas most rural informal economy workers are poor or near poor.

Apart from generating work and income for a large proportion of the population in most cases more than 60 per cent, of total employment, the informal economy is also a major supplier and distributor of basic services and needs such as water, food, clothes and shelter. In urban areas the self-built housing sector meets a substantial amount of housing needs. Without the informal sector the majority of the urban population would have difficulty surviving in the city.

Table 3.1 **Table of comparison between formal and informal economy**

Formal economy	Informal economy
Description <ul style="list-style-type: none"> • Employees of large firms and in many cases multinational firms • Covered by labour laws and regulations • Generally capital intensive enterprises with relatively few workers, mechanised, often use expensive raw materials • A guaranteed standard in the final product • Employment conditions mostly regular hours & low wages • Fixed prices • Employment mostly in factories • Government and multinationals help to establish and maintain operations • Legal entities registered with appropriate government and local agencies • Employs predominantly males Type of employment <ul style="list-style-type: none"> • Typically manufacturing sector employment, both local and in multinational industries, mining, oil • Government employment such as the police, military and civil service • Service sector in offices, hotels, sales and administration 	Description <ul style="list-style-type: none"> • Self-employed • Small scale/family enterprise • Little capital involved • Labour intensive with use of very few tools • Using cheap or recycled waste materials • Often a low standard in quality of goods • Irregular hours and uncertain wages • Prices rarely fixed and so negotiable (bartering) • Jobs often done in the home (cottage industry) or on the streets • Little or no government assistance • Often outside the law (illegal) • Employ mostly females and children Type of employment <ul style="list-style-type: none"> • Distributive-street peddlers and small stalls • Local transport • Small scale manufacturing such as wood, metals, textiles, carving etc • Services, selling food, clothes and fruit • Small scale industries such as food processing, tailoring and furniture repairs etc

Formal economy	Informal economy
<ul style="list-style-type: none"> • Self-employed professionals in medicine, law, accounting <p>Advantages</p> <ul style="list-style-type: none"> • Generally have access to unions and staff associations • Less susceptible to corruption and standover tactics • Uses some skilled and many unskilled workers • Access to compulsory social security • Provides permanent jobs and regular wages • Produces goods (like cars and food) for the emerging middle classes so that profits may remain within the country • Waste materials provide raw materials for the informal economy 	<p>Advantages</p> <ul style="list-style-type: none"> • Employs many unskilled workers • Jobs may provide some training and skills which might lead to better jobs in the future • Any profit will be used within the city or remitted to the rural areas • Uses local and waste materials—the products will be for local use by the informal sector, the lower paid people <p>Disadvantages</p> <ul style="list-style-type: none"> • Often not protected by local labour laws and regulations • Little access to loans or grants • Generally no access to unions or associations • Subject to corruption and coercion by unscrupulous authorities and individuals

The key definition of informal employment in Pacific countries is the same as in about 21 other countries; that of unregistered enterprises or *enterprises without legal status* and in rural areas includes most of the population employed in traditional sectors as paid or unpaid workers. The composition of the informal sector in Pacific countries has not been well defined except in one or two countries.

3.4 The informal economy

The term “*informal economy*” refers to all economic activities by workers and economic units that are, in law or in practice, not covered or insufficiently covered by formal arrangements.

Although the term “informal sector” has gained wide currency since its popularization by the ILO in the 1970s, more recently the ILO perceives this term inadequate because the workers and the enterprises in question do not fall within any one “sector” in the sense of a specific industry group or economic activity, and proposes to use an alternative term “informal economy” to encompass the expanding and increasingly diverse group of workers and enterprises operating informally in both rural and urban areas.

Workers in the informal economy include own-account workers in survival-type activities, such

as street vendors, shoe-shiners, garbage collectors and scrap and rag-pickers; paid domestic workers employed by households; home workers and workers in sweatshops who are “disguised wage workers” in production chains; and the self-employed in micro-enterprises operating on their own or with contributing family workers or sometimes apprentices/employees.

Development of effective policy for the extension of social security coverage to the informal economy must be based on a better understanding of the target groups and the assessment of their social security needs and existing services. However, the informal economy by its nature is difficult to quantify and there is a limited availability of statistical data.

Though the workers in the informal economy consist of heterogeneous groups, Table 3.2 attempts to classify the workers in the (urban) informal economy in terms of access to and stability of the place of employment and the resources. This classification could help policy planners to develop progressive measures to extend the social security cover to workers in the informal economy. It may also assist in the identification of the poor and vulnerable groups in the informal economy.

Table 3.2 Categories of workers in the informal economy

Category	Mobility Characteristic	Examples	Organisational Form	Labour force	Capital Stock	Use of Modern Technology
A	Highly mobile	Ambulant vendors Sidewalk sales, shoeshine Roadway newspaper and book sales Casual cigarette vendors Car washing Parking assistants	Unregistered Unlicensed	Single person	Minimal or zero	None
B	Mobile or home based	Mobile street food vendors Home food cooking Simple handicrafts	Unregistered Unlicensed	Single person	Small but visible	Very minimal
C	Semi-fixed or in recognised operating zones	Street craft stalls Fixed food stalls Minibus drivers and operators	Unregistered Informal licenses or rents	Single person or family labour	Modest, in fixed location	Relatively minor
D	Fixed location	Small shops Motor workshops Small timber and furniture makers Stalls in indoor central markets Traditional markets	Unregistered Informal and formal licences	Mainly family labour with some additional employment	Moderate	Some modern technology (e.g. phones, faxes, power machinery)
E	Professional self employed, fixed or home based	Accountants Medical practitioners	Unregistered Licensed or Members of associations	Usually single operation with employees	Moderate	Some specialist modern technology

One suggestion derived from this table is that a realistic strategy could be to extend the scope of the coverage from relatively organised workers with more regular income (categories D and E) to highly mobile workers who live on a day-to-day basis (category A). For a more comprehensive mapping of the excluded workers in the informal economy, further research is necessary to look into the dimensions and characteristics of each category of informal economy workers. The survey of the informal economy workers conducted as part of the project extends the knowledge base on the informal economy in Samoa.

3.5 Identification of priority needs and contributory capacity

It is evident from the results of the survey of the informal economy workers that there is a high need for some form of social protection. The results confirm that health insurance is the highest priority, whereas work injury and age benefits were also high priorities in one survey, but old-age benefits and education loans were highest in other surveys. Whilst there is a demonstrated need for old-age benefits it seems that the

premiums would be unaffordable to most informal economy workers unless there was some form of subsidy.

The social security needs of those in the informal economy differ according to their social and family status (women, children, youths, the elderly), the degree of hazard in the particular occupation (e.g. small farmers, fishermen, drivers of mini buses), the work setting (at home, on the street, in a sweat shop), the milieu (communities more than establishments), and their ability to make regular contributions to the insurance fund.

In trying to develop appropriate mechanisms to cover the risks borne by workers in the informal economy, it is important to understand the range and types of risks that are present and how they may be prioritized. The strategy on how the informal economy workers may adopt to manage these risks must be evaluated. This would allow benefit packages and delivery systems to be designed that are fully responsive to the needs of workers in the informal economy.

In the case of the Fiji survey, the initial findings suggest that there will be very limited capacity

for rural and urban informal economy workers to afford about FJD 40.00 per month for the modal provident fund contributions in addition to premiums for other programs. Whereas formal sector workers and employers contribute 7.5 per cent of gross salary each for the provident fund contribution, it would be difficult for workers in the informal economy without an employee-employer relationship to contribute the average amount without any form of cost sharing or subsidy. This is demonstrated in the Fiji survey where about 19 percent of respondents indicated they could not make any contributions, 72 percent could pay up to FJD 10 per month and about 9 percent could pay more than FJD 10.00 per month. The survey findings for Samoa are contained in chapter 5.

3.6 Strategies for extension of coverage

Without the introduction of effective measures to extend coverage, the proportion of the population in Pacific countries that are excluded from all social protection will increase considerably in the coming years.

In general, there is no single solution to achieve the goal of universal coverage; each programme must be designed to suit the national and local needs, priorities and resources. It should be noted that good governance and sustainability are prerequisite for any programmes. This ILO project has drawn on a range of strategies for improving and extending social security coverage. Some key elements of the strategies are:

- Extension based on existing formal sector social security mechanism: social insurance, universal benefits and systems and social assistance programs which in Pacific countries centred around the provident funds;
- The promotion of and support for the development of decentralized systems deriving from local initiatives, in particular micro-insurance programs;
- Introducing universal benefits or services financed from general state revenues such as the universal age persons allowance paid in Kiribati and Samoa;
- Establishing or extending means-tested benefits or services (social assistance), also financed from general state revenues; and
- The design of linkages and bridges or interfaces between decentralized systems and other forms of social protection and public initiatives. This includes the interface between the cash based urban service providers and the cash poor traditional systems.

In the project a number of feasibility studies were undertaken to address these options for each of the five countries. All of these options for extension impinge on a range of national issues like the economy, social cohesion, community resilience to poverty, individual and groups risks of falling into poverty. However, it should be stressed that the industrialized countries are not untouched by the problem of social security coverage and that policies for the extension of coverage have been applied there over the past few years. One example is Spain, which with the introduction of a national health service by the General Health Act of 1986, in the 1990s extended access to health care to 99.8 per cent of the population. Another example is France, which introduced universal health coverage in 2000 for those excluded from health insurance schemes. Various European countries also introduced minimum income programs in the 1980s and 1990s for those unable to benefit from existing income guarantee schemes.

3.7 Promoting micro-insurance schemes

Basic ideas

In the past *top down* government administered models have achieved little penetration into the informal economy and experienced low sustainability. This suggests that more emphasis should be placed on the development of decentralized *bottom up models* that will drive the design of programmes and services to the workers in the informal economy. Promotion of micro-insurance schemes based on group contributions would need to be considered as an alternative interim measure for informal economy workers. The underlying idea is to use the micro-insurance schemes managed by communities or other organized groups as a vehicle to provide social security for the informal economy. It should be noted that the target groups are those who earn above the poverty line but are outside the formal social security schemes. In many cases, the micro-insurance schemes are connected with income generating or micro-finance activities.

There are several advantages that support the success of this approach. Firstly, such schemes are expected to be more accountable with the commitment by the leader and participation in management and sense of ownership by members. Secondly, these schemes can have benefits and contributions structures that are more responsive to the needs of the members.

Self-help groups supported by trained facilitators are seen as the key to successful implementation of a social security program for informal economy workers. The benefits of self-help groups are:

- Able to be developed in geographical, economic or occupational groups in accordance with the best practices. (experience from local trials suggest geographic groupings may offer the best potential for sustainability);
- Facilitators and group leaders can assist in the marketing and explanation of social security provisions to members of the group;
- Local access to information and assistance about contributions and claims thereby minimizing a major complaint about access to services;
- Mutual support by the facilitator and other group members to maintain continuity in the scheme during personal difficulty experienced by individual members, and
- Essential to the efficient collection of contributions by field officers visiting the groups on a regular basis thus maintaining low administrative cost of group contributions to the agency.

An inherent concern about micro-insurance schemes is fragility. Lack of necessary preconditions has caused many micro-insurance schemes to have a short life span before they become insolvent, usually as a result of imprecise assessment of risk, failure in investment and inadequate delivery of services. Smaller schemes may be less profitable, have higher administrative overheads, provide lower benefits, increased risk of insolvency and may in the longer term jeopardise the development of a future government subsidised system by legitimatising evasion through support of informal arrangements. It is also desirable that the number of schemes is kept small and the overall system does not become fragmented with a proliferation of schemes that will become difficult to control.

Therefore, to extend the coverage by means of micro-schemes while ensuring their sustainability, the government is expected to play an important role as a coordinator and as the guarantor of last resort. In the long run, therefore, the most sustainable arrangement may be to bring these decentralized schemes under the government umbrella in which self help groups can facilitate registration of members and collection of contributions.

In addition to micro-insurance, private insurance companies could provide the cover for injury and health, injury and death independently or in competition with micro-insurance schemes. Competitive rates for life insurance and injury insurance could be achieved for a scheme that covered informal economy workers given an adequate pool of contributors and appropriate re-insurance and risk guarantees.

In general, Pacific Island countries have relatively small populations and in some cases they are subject to severe environmental risks. This combination of small pool sizes and high risk places the micro fund at some degree of threat. The solutions of using a guarantor (the government), re-insurance or pooling with other funds either internally or externally, all require intensive consultation, good governance and efficient administration. A joint ILO/World Bank study produced some principles for social re-insurance and the Pacific sub-region offers some of the characteristics identified in the study. An example of the high cost of using private re-insurers can be seen in Kiribati where the re-insurance cost of the workers' compensation scheme for a small number of contributors (500 – 600) is almost 40 per cent of the premium. This level could not be sustained in a small micro-insurance scheme.

3.8 Relevant trials and experiences in micro-insurance schemes for the informal economy

International experience

In most developing countries about 10-20 per cent of the workforce is covered by formal social security programs, another 30-40 per cent live below the poverty line and the remaining 40-60 per cent above the poverty line but not contributing (or entitled) to social security schemes. Annex 1 provides a summary of some

international experience in informal economy social security schemes.

There have been a number of international trials aimed at extending the existing formal social security systems into the informal economy. These schemes target the vulnerable poor and the informal economy workers and great emphasis is placed on developing self-help groups as the basis for the organisational models for these schemes. In most schemes the government has a supporting role in terms of promotion, guarantor of some funds and contributor of subsidies in other cases. In almost all of these schemes international technical assistance has been provided for policy design, governance and in some cases to provide direct subsidies to promote and maintain the schemes. The other major stakeholders are various NGO's, cooperatives, trade unions and private insurers.

Research on the selected case studies shows the following typical characteristics of social protection programs for workers in the informal economy:

- All of the programs are voluntary and it is very difficult to administer compulsory membership to the schemes;
- Benefits and contributions are tailored to the needs of the individual groups who decide on their priorities;
- Programmes are flexible and offer a range of benefits options with contributions that reflect the affordability range of the target groups;
- Organisation of groups is essential to achieve a critical mass to minimise risk, maximise efficiency in collection of contributions and payment of benefits;
- In most cases some form of re-insurance or pooling of funds is essential if the schemes are to be covered for unforeseen risks and be sustainable in the long term;
- In some instances governments have accepted their responsibility for social security by providing contribution subsidies for some elements of insurance and in guaranteeing the funds against high risk (e.g. natural disasters etc);
- Most schemes relied on some form of partnership with private insurers or banks to provide the range of services; and
- Service delivery was usually provided by special agencies focused on the particular

scheme or by NGOs supervised by a government agency.

3.9 Extending coverage of formal sector

Whenever social insurance schemes have been made compulsory for a limited section of the workforce, usually based on the size of the employer, the ultimate aim was to gradually extend coverage at a later date. There is some evidence of this in some Pacific countries, however, most have used voluntary compliance rather than legislate extension of compulsory contribution.

The original purpose of these regulations seems to have been to limit the pool of eligible employers to allow the provident fund organisation to develop its capacity to administer and enforce a manageable base of contributors. This process of progressive expansion of coverage to smaller and smaller enterprises is used elsewhere in the world. The way membership of provident funds has been restricted is to use the size of employer (number of employees), gross monthly salary or number of hours worked. In other schemes the self employed, contractors, family businesses and piece rate workers are also exempted from initial schemes. These avenues can encourage the understatement by employers of the size of their workforce, the total payroll or the number of hours worked by employees in order to evade contribution liability, to the disadvantage of many members of the workforce.

Compulsory membership of the social security scheme for all *formal sector* employees where an employer/employee relationship is clearly established, would simplify administration, compliance and marketing of the scheme and an improvement in contribution compliance rates could potentially increase the coverage of employees. An initial comparison in the five countries between the active members of provident funds and estimates of the formal sector workforce generally shows a high correlation. This implies that the compliance levels are high, however the fact that provident fund data is usually current and employment data is dated by some years makes a direct comparison very difficult. In most PICs public sector employees represent a significant proportion of the formal sector workforce and therefore compliance could

be expected to be high. More direct observations are made in the country assessments in chapter 4.

The findings from the surveys and from general observations show that there is a widespread lack of understanding amongst employers and employees about social security in general and the contribution requirements to most provident funds in particular.

3.10 Informal sector studies

The purpose of the study relating to the informal economy as part of the project is based on the assumptions that any extension of social security would have to be piloted and implemented in phases by areas or provinces. This study will focus on areas and employment sectors that offer the potential to be easily identified, manageable, close to administrative centres; occupations that earn more regular incomes and demonstrate a need for social security.

The survey into the informal employment sector, conducted as part of the SSPIC project, is one of many studies aimed at improving the understanding of what is a highly complex series of interrelationships where individual entrepreneurs override the normal legal constraints and the protective mechanisms of formal employment. The survey attempted to confine the scope to the social security issues by supplementing the quantitative measures available from statistics⁷ and other studies with a small-scale geographical survey to improve the qualitative understanding of the social security needs of selected elements of this vast employment sector. The surveys also aimed to supplement the available data about the informal economy.

The surveys were conducted in each country to obtain primary indicators of social security needs but also to provide information that may support the establishment of a future pilot study that could assist in the design and testing of a social security program to meet the needs of informal sector workers. The surveys concentrated on the two major components of the informal employment sector in urban and rural areas. The surveys were conducted in the geographical areas in proportion to their informal sector work force

and based on an analysis of the composition of the informal economy.

Because of the concentration of the population in rural areas in most Pacific countries where up to 76 per cent of families may be devoted to agriculture for income and or subsistence, then informal sector employment is correlated strongly to agricultural activities.

The definition and classification of the informal economy is difficult in many countries because comprehensive data is often unavailable and informal economy studies are often limited to selected employment sections. The broadest definition for the informal economy includes those workers who do not receive regular income and have no contracted or enforceable employer/employee relationship. This usually includes a predominance of self employed, casual and unpaid workers in family businesses and those not registered or subject to labour laws.

Options for classification can include degree of employment mobility and assets, geographical location or broad employment activities. In the case of most Pacific countries, the broad employment category appears to be an efficient classification parameter because of the limited range of occupations and the domination of the agricultural sector in employment of the population.

In the absence of any formal classification of the informal economy a reasonable occupation based classification is listed below. This classification was used to design the informal economy survey that would provide a close correlation with the structure of the informal economy and at the same time be able to be randomised within that structure.

Predominantly Rural

1. Farm and farm related activities comprising subsistence farmers, small landholders in specialised or mixed farming, landless farm workers and unpaid family members.

2. Fishing,⁸ where this is the major income source. It is recognised that in some households income and subsistence will be derived by a combination of fishing and farming.

⁷ These include household income and expenditure surveys and specialist informal economy studies which have been conducted in some of the five countries

⁸ this applies to coastal local fishing and not to commercial operators who are clearly in the formal economy

Mostly Rural Some Urban

3. Home workers including craft workers, mat weaving, garment making and housemaids.

4. Self employed workers including micro-entrepreneurs, small traders and miscellaneous enterprises.

Mostly Urban

5. Transport industry workers including taxi drivers, small repairers and other small transport passenger and freight services.

The surveys also provided information about social security as it may apply in Pacific countries i.e. social insurance for selected life events, as it was anticipated that many people would have little understanding of the concept. The choice of employment category and location was based on proximity to major cities, earnings capacity, high lifestyle risk and potential to create groups of workers with similar work and life interests. The potential to administer and monitor a future pilot scheme and a subsequent social security program was also a key consideration.

The survey data collection form was constructed in 5 parts; (i) personal details, (ii) education, (iii) employment, (iv) income details, and (v) social security needs, priorities and desire to contribute. A summary of the key findings is presented in chapter 5.

3.11 Other legislative considerations

There are other legislative provisions that relate to liability for social security contributions that should be examined. An example is social security contributions for employees of diplomatic missions that are contained in the *Vienna Convention on Diplomatic Relations, 1961. Article 33*. This convention provides for local staff employed by diplomatic missions including agencies such as the United Nations missions, and projects are subject to the local laws on social security contribution. This convention would also apply to all of the international missions in Pacific Island countries. While most diplomatic missions provide some social security protection for their regular national employees during the term of their contracts, employees on short term contracts may benefit from only minimal, short term cover or no cover at all - leaving such workers vulnerable when their contracts end or even while they are

actually still employed. A more in-depth study of compliance with conventions such as this one should be included as part of any extension of social security coverage.

3.12 Compulsory vs. voluntary membership

The rights to universal social security coverage by all members of society have generally been endorsed by the government and people in Pacific countries and this is supported by the commitments made in the national development programs⁹ in each of the five countries in this project, including Samoa.

Voluntary membership can only be seen as a transitional strategy to alleviate temporary government budgetary constraints but in the long term the government must accept its responsibility to provide for a minimum social security system for all citizens. Inequities between the personal contributions from formal sector employees and informal sector workers are huge which creates a sustainability problem for voluntary schemes, the very schemes that are designed to protect the most vulnerable informal sector and poorest workers. Voluntary membership carries with it some serious risks of adverse selection, limitations in the pooling principle, drift of formal sector workers away from their current schemes into a cheaper informal scheme and ease of withdrawing from a voluntary scheme.

Attempts to extend existing social security to cover the self employed have met with mixed success. Few people join these schemes voluntarily and many are either unwilling or unable to pay the combined employer and employee contribution. Likewise compulsory cover is difficult to achieve especially in the areas of identification, registration and collection of contributions. Some success has been obtained by creating special schemes for the self employed that can adapt the contribution rate and services to the needs of the self employed. These programs are more successful when they are accompanied by some form of subsidisation. A summary of likely extension proposals could see priority placed on compulsory schemes (formal sector, self employed etc.), capacity

⁹ The references to social security in the plans vary considerably. However the general thrust is along the lines of people's welfare, development and achieving the MDG's. The individual comments are described in the separate country reports in later parts of the report

building in the institutions, encouragement of an informal economy scheme through self-help, and voluntary schemes supported by the government.

3.13 Social security institutions for extension of social security coverage

The main national institutions capable of delivering expanded social security programs in PICs are the provident funds; however transition from a provident fund to a social security institution would require substantial changes to the provident funds. The major weaknesses in provident funds are the role, which is closer to insurance companies than social security organisations, their limited access and outlets across most countries, their limited exposure to customer service, and limited personal data holdings and capacity to capture and hold data on individual members. The private insurance companies may also be in a position to administer private insurance or superannuation schemes using their existing group schemes that have been developed on a group risk basis. Whilst extension of social security coverage is welcome it is also desirable that the number of schemes is kept small and the overall system does not become fragmented with a proliferation of schemes that will become difficult to control. Smaller schemes may be less profitable, have higher administrative overheads, provide lower benefits, increased risk of insolvency and may in the longer term jeopardise the development of a future government subsidised system.

An ideal social security system should maximise the performance of existing institutions within the bounds of current legislation by treating all employer/employee relationships as formal sector workers and subject to compulsory social security contributions. This could allow the creation of special cases for the remainder of truly informal sector workers. In the short term it is most likely that provident funds could coordinate a social security scheme for informal sector workers alone or jointly with private insurance companies by delivering flexible policies to group schemes through local facilitators.

3.14 Capacity for provident funds to extend membership

In all provident funds the primary customer focus is on the employers who are responsible for registration of their employees in the schemes,

payment of monthly contributions, and representing their employees' social insurance affairs. The service delivery concept is based on group collections of contributions and this has shaped the organisational structure. The focus should be changed more towards the individual member in terms of access to services, information, marketing and privacy. Whilst some provident funds have the option of storing additional personal data like member addresses, most do not do so because of the need to maintain the data. The concept of maintaining accurate contact data has a low priority in provident fund operations. The ability to have direct contact with members, without using the employer as a broker is considered essential in the longer term. A cost estimate has not been made to undertake this change in focus but it is expected at a minimum that IT systems will have to be upgraded as well as changes to organisation wide staffing and property models.

It is not proposed that the employer group collection methods be changed as they have proven to be efficient; however additional collection methods need to be devised if smaller enterprises and self-employed workers are included in the membership of provident funds. This may include the user of field officers employed by the funds, as paid agents or NGOs paid a commission for servicing informal sector groups.

3.14.1 Service delivery networks

To support extension of membership the service delivery networks would need to be expanded in all PICs to ensure reasonable levels of access and equity for all members and to facilitate the smaller contributors. Most provident funds in PICs have few service outlets and in the case of Samoa there are only two (Apia and Savaii).

3.14.2 Process and administrative considerations

The following considerations on administration and technology are initial observations made by the project in the initial visitation program and they are general and relate to all provident funds in the project countries. These considerations were expanded and developed in detail in the study on Operations and IT in SNPF contained in chapter 20.

- The membership process needs to be enhanced to involve individual members in their social security investment;
- Provident fund performance needs to improve the returns on investment and lower the relative administration costs to make the fund more attractive to members by increasing the long term benefits to members;
- Improvement of the benefits provided to members and to introduce new social security benefits in the medium term such as unemployment insurance, maternity benefits, regular pensions in lieu of lump sum payments, accident insurance and possible social assistance in the long term;
- Improved access to services by distributing access to remote areas by the use of part-time services, authorised agents, telephone services and further devolution of branch offices;
- Reviewing the business needs to improve targeting of services and needs to customer groups in the currently excluded employment sectors; and
- Developing effective marketing programs to better inform the potential members about provident fund social security services, eligibility, benefits and procedures.

In some provident funds segregation of the cancelled memberships and identification of active and non active members will assist management and processing; and

Development of a new integrated registration process that uses additional data about individuals, includes a stringent proof of identity process and provides customers with their rights and obligations of membership, functions that are all essential in a social security organisation.

(i) Opportunities for Regional Cooperation on Social Security

Given the similarities in many PICs and the range of cooperation that has occurred in organisations such as USP and PICTA, and with immigration activities and in a range of economic and trade areas, the opportunities for social security should be explored. There are some obvious

opportunities in the administrative and IT areas where sharing of common systems and policies between provident funds would facilitate easier maintenance and reduce costs. An association of IT sections may minimise the impact of the loss in skilled staff and recruitment difficulties faced by provident funds for specialist staff.

Further investigation into social re-insurance, funds pooling and reciprocal benefit arrangements should be explored. The biennial conference of PIC provident fund CEOs is an example that could be extended.

3.15 Conclusions

Those lacking social protection tend to belong to the economically weaker sections of society. The aim in the long term should be to bring them into a national system covering the whole population (or the entire labour force, as the case may be) where they can benefit from risk-pooling and solidarity. In the medium term this may be possible for middle-income developing countries, but not for the low-income countries. Such schemes are difficult to enforce, especially for some sections of the self-employed, but plans should be drawn up (and included in legislation) to extend compulsory coverage in a step-by-step manner, at least to all employees.

The state may facilitate and support micro-insurance schemes for those whom compulsory schemes are for the time being unable to reach, although it is clear that many of those in greatest need will never choose or be able to contribute to such schemes and will thus never benefit from any support which the state provides to them. Micro-insurance schemes should be encouraged to develop in a way that will facilitate their possible integration into the national scheme and eventually the generalization of compulsory coverage.

Apart from contributory schemes, the other main types of social protection are financed from general government revenue and may take the form of means-tested or universal benefits. Governments in developing countries have been slow to develop either of these, being already under intense pressure to cut existing public expenditure, within the framework of structural adjustment programmes. However, such benefits need not be very costly: the category of persons eligible can be quite narrowly defined, at least at the initial stage, in order to limit the impact on the

state budget. Over time, as the benefits prove their worth and gain political support, it should be possible to devote greater resources to them and to provide them on a less restrictive basis. Both types of benefit provided by the state can help those who are in greatest need. Universal benefits tend to cost more but they are simple to administer and they are a foundation on which individuals can build better income security for themselves and their families. They can be a powerful tool to promote gender equality and, more generally, to enhance individual autonomy, since they can free people from destitution without subjecting them to the controls and conditions usually associated with poor relief.

The net cost to government of providing a universal scheme should be fully investigated and the returns via value added taxation, income taxes (after a number of financial exchanges) and local

economic growth have been included in the calculation model.

The goal of social protection is not mere survival, but social inclusion and the preservation of human dignity. As governments seek to extend coverage, they would do well to study the experience of countries where social security is popular and enjoys a high degree of public support. The huge task of extending social protection is one for which they will need all the public support they can get. There are no simple solutions, and the prospects of success of the various strategies will vary according to the national context.

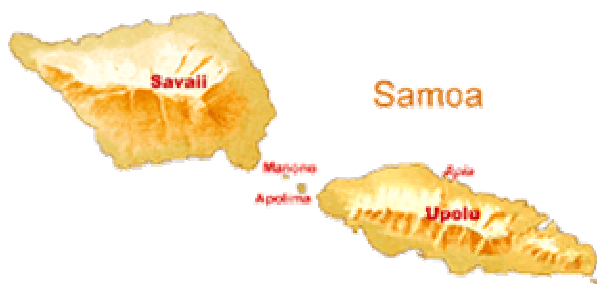
More research, accompanied by experimentation and innovation, can help to inform policy to achieve progress towards ensuring that all working people and their families enjoy decent social protection.

Chapter 4 Samoa Country Overview and Review of Social Security

4.1 Introduction

Samoa is a small group of ten islands in the South Pacific Ocean, about half way between Hawaii and New Zealand. Most of the population is concentrated on the two main islands, Upolu and Savaii. Samoa's total land area is about 2,841 square kilometres.

Figure 4.1 Samoa location



Democratic traditions and a strong social system based on village communities and extended family ties continue to play a major role in the maintaining of peace in the Samoan society. The extended family, the *aiga*, is the foundation of the *fa'a-samoa* (a traditional way of life). The head of each *aiga* is the *matai* (customary chief), who is elected by family members. Traditionally, the family *matai* is responsible for maintaining the family's dignity and well-being by administering family affairs. More than 80 per cent of the population lives under the *matai* system.

Particularly strong in the rural areas and at village level, it functions as a safety net in providing social and financial security. Many of the Samoans who are resident abroad continue to contribute to their 'social obligations' by sending significant amounts of money to their extended family and churches.

The national system of government is based on the British Westminster model with a combination of traditional and democratic features. Universal suffrage has applied since 1991, but with the exception of two seats reserved for voters considered to be outside the governance of the *matai* system (out of a total of 49 seats), only *matai* can stand for parliament. The Human Rights Protection Party has been in power continuously for 18 years. The coalition forming the opposition comprises the Samoan National Development Party and eight independent members. In December 2003, the opposition Samoan National Development Party merged with the Samoa United Independents Party, forming the new Samoa Democratic United Party. Nevertheless, the ruling Human Rights Protection Party, under the strong leadership of Prime Minister Tuila'epa Sa'ilele Malielegaoi, retains a comfortable parliamentary majority. The next general elections will take place in early 2006.

A new public administration structure, legislated in early 2003, became effective in the 2004 financial year. The new structure has reduced government departments and constitutional offices from 28 to 19. While this realignment of offices has been completed, continuing reform efforts will be required to improve efficiency and efficacy of functions and processes.

The economy of Samoa has traditionally been dependent on development aid, family remittances from overseas, and agriculture and fishing. Agriculture plays an important role in the economy of Samoa. Village agriculture will provide food security and support to the agro-based industries, such as coconut cream, oil and desiccated coconut, which have been major export products in the past. The manufacturing sector mainly processes agricultural products. Tourism is an expanding sector. The Samoan

Government has called for deregulation of the financial sector, encouragement of investment, and continued fiscal discipline, while protecting the environment. Samoa's development efforts in the area of trade both at the national and at international level are considered relatively advanced compared to the current situation in other Pacific island countries. However, Samoa is ecologically fragile and vulnerable to natural disasters, such as cyclones and disease infestations.

4.2 Samoa vulnerability index

Samoa was one most vulnerable of the Pacific island countries ranked under the 1999 Composite Vulnerability Index (CVI)¹⁰. Out of 111 developing countries, Samoa ranks as the twentieth most vulnerable. In the 1994 Pacific Human Development Report (PHDR), Samoa ranked high in four of the eight relevant categories of vulnerability due to natural disasters. While drought can be a problem, the deep, fertile volcanic soils are not as drought prone as other soils in the Pacific. Despite being exposed to natural disasters that often place many Samoans in temporary hardship, Samoa has shown resilience and has been able to recover its economic growth. Hence, this demonstrates that hardship is transient in nature.

The UNDP Human Development Index (HDI) ranks Samoa 70th out of 175 countries (*Human Development Report 2003*). Based on the HDI, Samoa has one of the higher levels of social development rankings among the Pacific island countries, showing higher overall education and health standards relative to the other Pacific countries. Gender issues such as the promotion and protection of women's rights, gender equity and women and HIV/AIDS are of high importance in the Samoan society. The rate of participation of women in the country's labour force is relatively high. Access to education and achievement in the formal educational system, is virtually equal to men. Women occupy a number of senior positions in the public sector. The church plays a key role in influencing public opinions and in education through the provision of schools at all levels.

The Government gives high priority to education

¹⁰ The index measures: (i) economic exposure to external shocks; (ii) insularity and remoteness; and (iii) likelihood of climatic disaster.

and health in its economic strategy and the Ministries of Education and Health, non-governmental organizations, the private sector, donors, and multilateral lending agencies have coordinated to address education and health problems at all levels.

4.3 Demographic summary of Samoa

4.3.1 Population

The total population of Samoa as recorded by the census taken on 5 November 2001 was 176,710 with a distribution of 52 per cent male and 48 per cent female. The population grew by 1.0 per cent per annum since the last census in 2001.

Therefore the current population in 2004 is likely to have exceeded 180,000.

The department of statistics uses four major statistical regions:

- Apia Urban Area (AUA),
- North West Upolu (NWU),
- Rest Of Upolu (ROU) which includes Manono and Apolima islands, and
- Savaii Island (SAV).

It is generally regarded by the statistics department that Apia Urban Area represents the urban area of Samoa whilst the other three regions represent the rural area.

The population in 2001 and trends over the past three censuses are shown in Table 4.1.

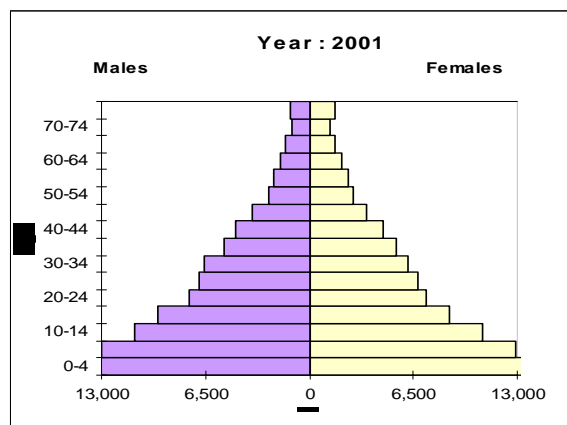
Table 4.1 Samoa population trends

Population by Regions						
Census Year	AUA	NWU	ROU	Upolu Island	Savaii Island	Samoa
2001	38,386	52,76	42,474	133,886	42,824	176,610
1991	34,126	40,409	41,713	116,248	45,050	161,298
1981	33,170	40,360	36,669	113,199	43,150	156,349
Population Distribution by Per centage						
2001	22.1	29.8	23.7	75.9	24.0	
1991	21.2	25.1	25.9	72.1	27.9	
1981	21.2	25.8	25.4	72.4	27.6	
Growth Rate by Regions						
1991 - 2001	1.3	2.6	0.2	1.4	-0.5	0.9126
1981 - 2001	0.3	0.01	0.5	0.3	0.4	0.3116

Source: Statistics department

The table shows the continuing trend for the island of Upolu to increase particularly in NWU and in AUA. The 2001 census shows a net increase of 1.4 per cent against a reduction of 0.5 per cent for Savaii.

Figure 4.2 Population by age

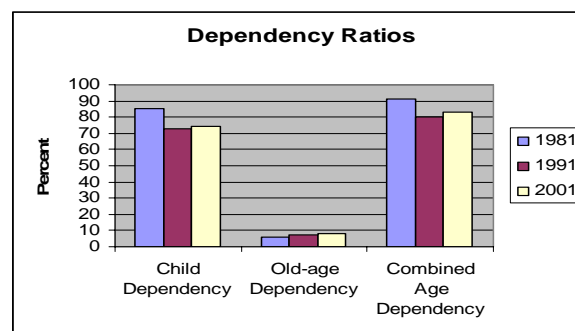


The population pyramid confirms the existing trends of more males than females in earlier age groups but a significant shift towards females as the population ages.

This is partly caused by the biological longevity of females in relation to males in most societies and the predominance of adult males who emigrate to the preferred destinations of New Zealand, Australia and the U.S.A.

The impact on government and community services may be gauged by dependency ratios. Figure 4.3 shows the *child dependency ratios* between children (0-14) and the workforce (15-64) and the *age dependency ratio* which is the ratio between the aged (65+) and the workforce. The combined dependency ratio is the sum of the child/aged vs workforce. The diagram shows that the trends over the last three census periods are reducing child dependency and increasing aged dependency which will have an impact on how the community will satisfy the increasing demands for the special needs and care of aged people into the future.

Figure 4.3 Dependency ratios



4.4 History and cultural issues

4.4.1 Traditional support

The local community and family structure in Samoa (*Faa Samoa*) is very strong and has demonstrated considerable resilience despite the external pressures that have been placed on it in recent times. *Faa Samoa* is based on the guarantee of extended family and community support to assist people to maintain their basic needs and to contribute their excess wealth to the support of less advantaged family and community members. This support is offered in the form of in-kind assistance, loans and direct cash transfers. Sharing of wealth, services and labour are entrenched community standards.

The traditional village community in Samoa generally maintains a relatively simple lifestyle that does not rely on the accumulation of consumer goods and is very much self contained in terms of its entertainment needs. Most people sleep on mats in communal houses, have simple dwellings and do not accumulate large items of furniture and chattels.

In addition to the traditional values, *Faa Samoa* is further strengthened by the community church which is the focal point of many activities and is a driving force in maintaining many of the group activities like youth and women's groups that re-enforce group cohesion and participation. The church based process of collection of donations strengthens the giving and savings elements of *Faa Samoa*. In addition to the community level support, political support is implicit also as all members of parliament must be elected chiefs or *miata* before they can nominate for parliament.

The system is based on community strength at some expense to individual choice of action, and this cohesive force is very strong in some communities, and individuals who demonstrate much greater individual wealth than is perceived to have been gained by limiting their donations to the extended family and community, usually have considerable peer pressure placed on them to conform. Anecdotal evidence suggests that this can manifest itself in them being ostracised and conflict which can lead to violence and injury.

Fa'a Samoa is characterised by high rates of remittances from community members living overseas mainly in New Zealand, Australia and U.S.A. These remittances have continued at a high rate despite the lengthy absences and in some cases new family generations among the expatriates. The effectiveness of the system was demonstrated following the devastation caused by two cyclones and devastation of the food and export crops from Taro blight where the recovery from these disasters was rapid and complete. The basic needs of people suffered only marginally and poverty and hardship were greatly minimised despite these catastrophes.

Extended family members with cash incomes are expected to contribute to the support of their families and this limits their own opportunities to generate savings or sizeable individual wealth.

Fa'a Samoa has also proven to be versatile and despite the impression that it is traditional it is far from static and has adapted well to some of the recent changes in society. Whilst there is no doubt that *Fa'a Samoa* is very successful there now exists a predominantly cash based system in the urban areas and a predominantly goods based system in the villages. The challenges for a future enhanced social security system are to create an interface between the systems, and to facilitate the transition between rural and urban systems. The impact of globalisation, advancing consumerism, ageing society, rural-urban migration, and the continued strength of remittances will also affect how the systems will coexist into the future.

Despite the beneficial social aspects, demands placed on individuals and families are also high and traditional customs like weddings and funerals can be singularly expensive events. It is expected that Samoans should give generously to grieving families, and gifts in the form of mats

etc which may be provided from extended and non families from across the country. The weekly donation to churches is also a strongly regarded essential expense and families voluntarily give as generously as they can. These regular demands can place a large burden on traditional rural families where cash is a small proportion of their income as most of their income is in the form of subsistence production.

Whilst the social benefits are strong it is interesting to speculate on the effect *fa'a Samoa* has on restricting the capital accumulation of individual businessmen and how it affects entrepreneurship. The accumulation of capital for investment in business development and expansion is very difficult under these conditions, and heavy reliance must be placed on foreign investment to generate economic growth. Formal sector job growth is slow, particularly in the private sector, and therefore the trickle down effect to the informal economy will reflect this situation. Borrowing to fund business development or expansion could place businesses in Samoa at a competitive disadvantage to economies where some of the funds are generated by individual entrepreneurs.

There are a number of descriptions made about *fa'a Samoa* and it has been suggested that it is *the best social security system in the world*. However it is not clear at this stage whether its strengths lie in its maintenance of social cohesion, as a social security provider (although serious questions about the access and equity of remittances made to one family may benefit the local community), or as a poverty alleviation program that provides for the maintenance of basic needs within each community. Given the all pervading nature of *fa'a Samoa* in the country it should be considered as a separate feasibility study on how it works, how it is changing, how it can be re-enforced to satisfy more than basic needs, and how it can interface the low cash traditional areas with the cash economy of the urban areas where the services are provided.

4.4.2 Women in a traditional context

The unit of Samoa life or *fa'a samoa* is the extended family or *aiga*. The extended family is headed by a matai or chief who is appointed by family consensus. The matai can either be a male or female, although in practice most are, and preference leans towards, a male leader.

The matai is responsible for maintaining family unity and prestige, administration of family land and other assets, settling disputes, and representing the family on the village *fono* or council. In return for this leadership the matai is rendered services by the family members. The Samoan way of life places great importance on the dignity and achievements of the group rather than the individual.

With relation to CEDAW, women in Samoa do not regard themselves as severely discriminated against, but rather privileged with their social position in the village and the family. Whilst the number of female matais is increasing, their active participation with regards to their titles does not match that of their male counterparts. Depending on the level of matai, some female chiefs remain 'secondary' to their male counterparts in decision making matters and privileges hence the dominance of the partilineal matai structure.

The *fa'a Samoa* system is built on the premise that it caters for the needs of all its members, including women. Yet in the hierarchy of allocation in terms of access to and control of resources, women do not benefit as equally as men. Elderly women have a higher social status than younger women so there is a generational disparity even amongst women.

Women generally remain outside any form of formal social security coverage. Whilst many women are urban workers, their access to social security benefits and involvement remains limited. Women are major beneficiaries of the Senior Citizens Benefits Scheme which commenced in 1990 and entitles residents aged 65 years and over to a monthly pension of WST 100. Due to their greater longevity than men, women have a more pressing need for retirement programs such as these. In 2003 women comprised 55 per cent of the SCBS recipients. These women tend to use their pension to donate to the church and related activities.

The significant contribution and partnership of women in national development is often not reflected in the rewards and returns allocated and appropriate budget for these. Often this remains ambiguous in the context of national policy and strategic plans. The lack of a gender analysis on the basis of technical assistance and the ability to advocate using a rights based approach is at the

core of this challenge. Analysis of gender in the Pacific Islands remains traditional in regards to the role of women and men and their access to resources and control over it for individual and communal purposes and benefit.

Although Samoan society was based upon unequal rank, this inequality was not economic – everybody had access to food and other important resources. Land was owned by chiefs in the sense that they had authority over everyone who lived on it and could say how it should be used and who should use it.

Samoa remains largely rural with 78 per cent of its population scattered throughout the two main islands of Savaii and Upolu, however three quarters of the population live on Upolu where the capital, Apia is located. In 2001 38,836 people were enumerated in Apia which has the attraction for work, education and other centralized services. The 2001 Census found that 32 per cent of females were identified as active¹¹ members of the labour force and the remaining 68 per cent were involved in home duties and in caring roles with less time spent on productive economic activities. The situation for males showed the reverse of the female participation with 68 per cent active members of the labour force. This reflects the traditional Samoan household where men are occupied mostly with farming, planting, fishing and income earning activities while women dealt mainly with non-productive activities like housework, caring and lighter work such as cleaning and cooking in-house. The daily lives of the majority of Samoan women were regulated by customary law and practices that were based on female subordination and stereotypical gender roles.

4.5 Economic overview¹²

Samoa suffered a series of natural disasters in the 1990's; two major cyclones in February 1990 and December 1991 and from 1993 the taro leaf-blight disease on what was the major export crop. After the devastation caused by these disasters, the Samoan economy has recovered to record strong GDP growth since 1995. The average real

¹¹ Defined as employed and unemployed during 7 days prior to the 2001 census date. This included all those who had a paid job, persons working to earn money and all persons working in activities such as farming, planting, fishing and handicrafts for family consumption or for sale during the reference period.

¹² Extracts from SPC website www.spc.org

rate of GDP growth over the period 1995 – 2002 was 4.0 per cent. In 1995 and 1996 growth averaged 7 per cent per annum, but fell sharply to only 0.8 per cent in 1997 as major reconstruction projects were completed. Picking up again to an average of 2.5 per cent per annum in 1998 and 1999, growth accelerated to 6.9 per cent in 2000 and 6.2 per cent in 2001. The impact of global events combined with a poor fishing year and a slow-down in construction reduced growth to only 1.8 per cent in 2002.

With population increasing at only around 0.9 per cent per annum, GDP per capita in Samoan *Tala* (WST) terms increased by about 3.2 per cent over the period 1995-2002. This reflects both the strong economic performance and low population growth rates as a result of out-migration. At end 2002 GDP real per capita amounted to WST 3950 (USD1230), up from WST 3180 (USD1250) in 1995.

Many rural families experienced a period of real but temporary hardship as a result of the cyclones and taro blight. However, the rural economy is very resilient and was quick to adapt to new crops and opportunities, consequently few families appear to have remained disadvantaged. The solid remittance base and the benefits of economic reforms also helped to sustain families through the period of hardship. Sustained economic growth has ensured increased opportunities for many disadvantaged Samoans who were not previously participating in the benefits of greater wealth (ADB 2000).

An important structural change in the Samoan economy has been the declining importance of subsistence agriculture in real GDP. The subsistence share of GDP has declined from around 25 per cent in the early 1980s to around 12.5 per cent in 2002. The primary resources sector as a whole has grown only slowly at an annual average of 0.5 per cent over the period 1994-2002, and its share of GDP has fallen from 23 per cent in 1994 to 17.0 per cent in 2002. The strongest growth has come from the primarily urban centred industries of commerce, transport and communications and financial services. This suggests that urban dwellers, and those in formal employment, have been getting much of the benefit. This is resulting in the creation of a more dualistic economy with poorer rural people, particularly those on Savaii, where formal employment opportunities are fewer, being

marginalised from the benefits of growth. The government is very conscious of the widening gap between Upolu and Savaii, and has been actively encouraging greater participation in the development policy dialogue on the part of the people of Savaii.

The tertiary sector has been the fastest growing sector of the economy, averaging an annual 7.4 per cent rate of increase since 1994. Over the period the sector's share of GDP increased from 48.1 per cent in 1994 to 60.1 per cent in 2002. Although the secondary sector grew by an average annual rate of 2.4 per cent between 1994 and 2002 its share of GDP declined from 29 per cent to around 24 per cent over the period. Public administration increased its share of GDP from 9.2 per cent to 10.7 per cent between 1994 and 2002, averaging annual growth of about 6.5 per cent.

In the years 2000 and 2001 the fastest growing sub-sectors of the economy were other manufacturing, averaging 14.8 per cent per annum, utilities 12.6 per cent, transport and communications 11.7 per cent, commerce 9.7 per cent, hotels and restaurants 8.7 per cent. Although construction had a very high rate of growth in 2000, up by 21.5 per cent, growth in the industry slowed to only 4.2 per cent in 2001 and then declined sharply by 12.4 per cent in 2002. Other steady performers over the two years 2000 and 2001 were finance and business services averaging annual growth 7.3 per cent, and personal services 6.7 per cent. However, only the finance sector maintained double-digit growth through 2002 of 10.2 per cent.

Agriculture grew slightly by 0.6 per cent in 2000 but suffered a sharp decline in its value-added of 12.2 per cent in 2001 and a further 9.1 per cent decline in 2002. After a year of zero growth in 2000 the fishing industry returned to growth in 2001, increasing its output by 7 per cent but then declined by 4.8 per cent in 2002. Food and beverage manufacturing continued to be held back in 2000 and 2001 by the problems at the coconut oil mill and had negative growth averaging minus 3.7 per cent per annum over the two years. The sector staged a strong recovery in 2002 increasing output by 10.6 per cent.

Gross tourism revenues were buoyant in 2000, up by more than 8 per cent, but slowed to only 2.7 per cent in 2001, recovering to a 16.4 per cent

growth rate in 2002. The government is committed to implementing policies that will promote continued growth in this sector; these efforts will be very much pro-poor as they will help create jobs throughout the country, including the Disadvantaged Low Income Groups (DLIGs) in the rural areas.

4.5.1 Macroeconomic overview

Inflation averaged about 3 per cent per annum over the period 1995 – 2002, although there has been an upward trend since 1999. At the end of December 2002 the annual rate had risen to 8.1 per cent. The Central Bank of Samoa monetary policy target has been to contain the average annual rate below 3 per cent per annum and this has just about been achieved. The generally low rate of inflation and increasingly broad-based economic growth has helped to protect the most disadvantaged groups.

Fiscal and other reforms have generally been pro-poor. Major tax and tariff reform has reduced prices for many items¹³ and increased competition tax-free thresholds have been lifted, and the system simplified. Reforms have improved equity and transparency, added certainty to the application of tax and tariff law, and has enhanced economic growth potential over the medium term. Tariff reform has generally lowered the cost of basic consumption items for those Samoans with the lowest living standards. The introduction of a value-added tax (VAGST) in 1994 was pro-poor because it encouraged government to promote economic growth. When economic growth occurs, government tax revenues increase.

Since the 1994/95 financial year, the Government has consistently run a surplus on its current budget revenue and expenditure. Between 1994/95 and 1997/98 this averaged 5.8 per cent of GDP, falling to an average of 3.5 per cent of GDP over the subsequent three years. In 2001/02 the surplus had declined further to only 1.7 per cent

of GDP. These surpluses are the result of sound revenue and expenditure management and have been accompanied by a steady increase in expenditure on essential social services. Since the 1999/00 financial year there have been annual deficits in the overall budget. In 2000/01 and 2001/02 these have averaged 2.1 per cent of GDP and have been contained within the stated macroeconomic target of a maximum deficit of 3.5 per cent of GDP. With a continued current budget surplus, the deficits in the overall budget have all been towards the capital investment programme and in line with stated fiscal policy. These investments have been generally pro-poor in providing better economic infrastructure and services throughout the country.

The recent tariff and tax reforms reflect the objectives of pursuing an open trade policy and an economically efficient taxation system. Prior to the recent tariff and tax reforms, an extensive tax and tariff incentives policy had been in place. This included: the Enterprises Incentives and Export Promotion Act, whereby domestic and export enterprises were able to obtain extensive tax and duty concessions; and investment incentives for a wide range of business activities, which gave income tax holidays, concessional tax rates and exemptions on customs and excise duties on raw materials, imported machinery and vehicles.

Monetary policy in Samoa has four main objectives:

- Keeping inflation below 3 per cent;
- maintaining adequate foreign reserves (from 2001 the target is 4 months import cover);
- Facilitating adequate lending to the private sector; and
- More or less maintaining a constant real exchange rate to preserve international competitiveness. These objectives are in line with the need to protect the DLIG's.

However, credit availability does not automatically encourage productive and job-creating investment unless supported by:

- Non-discriminatory credit allocation systems;
- Credit policies that promote efficient economic activity; and
- An environment that mobilizes domestic savings. Thus, the distributional impact of

¹³ The recent tariff and tax reforms reflect the objectives of pursuing an open trade policy and an economically efficient taxation system. Prior to the recent tariff and tax reforms, an extensive tax and tariff incentives policy had been in place. This included: the Enterprises Incentives and Export Promotion Act, whereby domestic and export enterprises were able to obtain extensive tax and duty concessions; and investment incentives for a wide range of business activities, which gave income tax holidays, concessional tax rates and exemptions on customs and excise duties on raw materials, imported machinery and vehicles.

credit policy does not necessarily favour the disadvantaged, and tends to limit potential job creation and credit access for the self-employed. The ADB is supporting a new micro-credit scheme through the Small Business Enterprise Centre (SBEC) and the Women in Business Foundation (WIBF) to address these issues, although interest rates from these loans are relatively high.

The Central Bank has generally aimed to maintain a competitive real effective exchange rate and to this effect has practiced a policy of gradual currency devaluation to ensure small but persistent improvements in competitiveness. Between 1996 and 2001 the Tala depreciated against the USD by around 31 per cent but appreciated against the NZD and the AUD by 16.6 per cent and 6.8 per cent respectively. As Samoa is an exporter of agricultural crops and fisheries products priced internationally in USD, this policy is generally beneficial to the rural DLIG's.

Whilst the nominal value of official external debt increased from \$380 million to \$500 million between 1995 and 2001, the amount outstanding has fallen as a proportion of GDP from 80 per cent to 59 per cent over the period. External debt servicing obligations fell from 6.5 per cent of exports of goods and services to 4.7 per cent over the same period. These favourable trends in external debt and debt servicing reflect prudent fiscal management, the concessionary nature of the debt portfolio and the growth in exports of goods and services.

4.5.2 Economic vulnerability

Samoa is remote and isolated in the Pacific and freight costs to and from markets are high. The country is geographically compact as it has only two main islands only a few kilometres apart. There is good road access in most parts of both islands, which makes delivery of services to rural areas relatively easy by most PDMC standards.

The Samoa economy has a relatively narrow but steadily broadening export base. Its historic dependence on mainly agricultural products has lessened significantly. In 2001 the principal exports by value were fish and garments. Other major exports included coconut cream, beer and soft drinks followed by taro, copra and kava. Taro

production and exports have only recently begun to accelerate again after the 1993/94 leaf-blight outbreak which had a significant and adverse impact on the welfare of rural people.

Fish exports are now the largest export industry of Samoa, having grown from USD 60,000 (WST 150,000) in 1993 to about USD 11 million (WST 36 million) in 2001. The phenomenal growth in the fisheries sector has been due to the rapid expansion of the offshore long-line fishery. To maximize the contribution of the fisheries sector to the social and economic development of Samoa, the government is now focussing its agencies on their servicing and regulatory roles, and on ensuring that needed infrastructure is in place to support the efficient development of the industry. It has also announced measures, effective from 1 January 2003, to bring commercial fisheries enterprises within the corporate tax structure.

Trade openness (the average of exports and imports as per centage of GDP) averaged around 56 per cent over the three years 1999 – 2001. Imports exceeded exports by a ratio of about eight times in 2000 and 2001. Revenues from tourism, remittances and foreign aid flows are important sources of foreign exchange supporting the balance of payments.

4.5.3 Recent performance and outlook¹⁴

Recently revised national accounts show that real gross domestic product (GDP) increased by 3.5 per cent in 2003, following 1.5 per cent growth in 2002. The growth acceleration was driven by the manufacturing sub-sector (garments and automotive wiring harnesses), transport and communications, finance and business services, and agriculture, which expanded strongly after years of decline. Public administration, hotels and restaurants, and personal services also grew relatively rapidly, while construction grew at a modest rate of 2.5 per cent. The fishing industry experienced a 10 per cent decline due to unfavourable climatic conditions common to the region.

Inflation declined to an annual average rate of 0.1 per cent by December 2003, compared with 8.1 per cent in 2002, primarily because of a drop in domestic food prices. Broad money supply increased by 14 per cent in 2003, with domestic

¹⁴ Extracted from ADB Country Assessments.

credit to the private sector expanding by 8.1 per cent. The central bank tightened monetary policy during the second quarter of 2003, but eased it later in the year in the context of declining inflation and increased foreign reserves, which at the end of December 2003 were WST 204.2 million, equivalent to 6 months of import cover. This rise in reserves was attributable largely to a 10.4 per cent decline in merchandise imports. Gross tourism receipts were up 4 per cent on the 2002 level, while remittances were just 1.3 per cent higher and the capital account surplus was more than halved. Over the course of 2003, the Tala appreciated substantially against the US dollar (15.8 per cent) and depreciated significantly against the Australian dollar (13.8 per cent) and the New Zealand dollar (7.4 per cent). Nominal and real effective exchange rates remained relatively stable.

After recording a budget deficit of 0.6 per cent of GDP in the 2003 financial year, the Government budgeted for an overall deficit of 1.5 per cent of GDP in FY2004 (WST 14.1 million), which notably involved an injection of S 19.6 million (2 per cent of GDP) into Polynesian Airlines. The actual outcome in the first half of the 2004 financial year was a cumulative deficit of WST 11.6 million, which compared with an overall surplus of WST 3.6 million recorded in the first half of the 2003 financial year and largely reflected the full payment of the amount allocated for Polynesian Airlines. In consequence, the Government ran down its cash reserves for the third consecutive year. In the first quarter of 2004, the Government was experiencing a cash-flow constraint that was severe enough to cause delays in payments to the private sector. Fiscal developments will need to be monitored closely to assess whether the budget comes back on track. The Government's largely concessional external debt declined during the 2003 financial year to WST 456 million, or 51 per cent of GDP, but remains relatively high by regional standards.

In January 2004, Samoa was hit by tropical cyclone Heta. The agriculture sector suffered the most damage, with consequent shortages of local food supplies and increased reliance on imported food. This is expected to cause a decline in agricultural production in 2004. The cyclone caused relatively minor damage to physical

infrastructure.

For calendar year 2004, economic growth in the range of 2-3 per cent is expected. In the primary sector, agriculture's decline is likely to be matched by continued contraction in fishing. The construction industry will register strong growth as a number of private and public sector projects are begun or completed, while manufacturing is expected to grow at a modest rate. In the services sector, modest growth in commerce will be underpinned by some growth in private remittance flows and tourism, with continued strength in the Australian and New Zealand economies. The reopening of a major resort and implementation of a new tourism marketing strategy are expected to boost visitor numbers, provided that the continued financial difficulties of Polynesian Airlines can be resolved successfully. Transport and communications, finance and business services, and public administration are all anticipated to grow at modest rates of about 2 per cent. Inflation is forecast to accelerate to over 3 per cent in 2004, as import prices and local food and construction goods prices increase.

4.6 Labour market situation

Total formal or paid employment recorded in the 2001 census was estimated at around 26,900 persons, about 51 per cent of the economically active labour force. A further 23,433 were employed in unpaid family work activities. Between the 1991 and 2001 census the number of people claiming to be employers, employees or self-employed increased by 42.6 per cent (from 18,900).

With imports constituting about half of the consumer price index, exchange rate policy has an important impact on inflation. The spikes in inflation in the 1990's reflect the impact of local factors, such as food shortages and local tax changes. At the end of 2001 around 95 per cent of external debt was official government debt, most of which was on concessionary terms from international finance agencies, and consequently the external debt burden has not been a problem in Samoa.

Table 4.2 Labour force overview

Employment Type	Total	Male		Female	
		No.	%t	No.	%
ECONOMICALLY ACTIVE					
Paid job	24,468	15,397	63	9,071	37
To earn money	1,837	1,336	73	501	27
Work or family use	23,408	17,984	77	5,424	23
Earn money and family use	612	401	66	211	35
Sub-total	50,325	35,118	73	15,207	30
Unemployed					
Previously employed now looking for work	1,090	740	68	350	32
First time job seeker	1,530	881	58	649	42
Sub-total	2,620	1621	62	999	38
Total Economically Active	52,945	36,739	69	16,206	31
NOT ECONOMICALLY ACTIVE					
Attending school	12,582	6,585	52	5,997	48
No work activity	7,846	3,777	48	4,069	52
Housework	31,315	7,290	23	24,025	77
Total Not Economically Active	51,743	17,652	32	34,091	66
TOTAL POPULATION AGED > 15 YEARS (see note)	104,724	54,412	52	50,312	48

Note - Total has a discrepancy of 36 due to responses not stated in census

Source: Statistics department, population census 2001

Total public sector employment accounted for 32 per cent of this formal employment with government departments being 22 per cent and SOE's 10 per cent. The private sector accounted for 26.8 per cent of formal employment. Yazaki EDS, manufacturing automotive wiring harnesses for export, is the largest single non-government employer and the fluctuation in its number of employees has a major impact on the economy. At its high point in 1996 the company employed around 4,000, more recently the number has been around 2000 – 2500. A garment factory which opened in 2000 is another major employer. Although workers for the Yazaki factory are bussed from all parts of Upolu the benefits of formal employment appear to favour the urban population. Seventy-five per cent of families in the Apia urban area and sixty per cent of those in N-W Upolu had at least one wage-earning worker. These rates of employment compare with only 35 per cent of families with a wage-earning worker in rural Upolu and 17 per cent of those in Savaii. However although these figures suggest that the benefits of employment are favouring urban households there are believed to be many *weekly commuters* who stay in Apia with relatives during the week and then return to their families in the rural areas of both Upolu and Savaii at the weekends. This observation is supported by the fact that the ferries to Savaii are always full on Fridays and again on the return on Sunday and Monday.

Table 4.3 Number of households by region with one or more sources of income, 2001

Source of Income	Regions				
	TOTAL	AUA	NWU	ROU	SAVAI I
Salary & Wages	11,788	3,992	4,196	1,878	1,722
Business	2,618	1,001	802	410	405
Plantation	9,551	561	2,617	3,035	3,338
Fishing	3,233	176	540	1,335	1,182
Handicrafts	2,750	182	448	897	1,223
Old-Age Pension	4,569	784	1,027	1,221	1,537
Remittances	10,659	1,539	2,865	3,195	3,060
Gifts	1,323	269	396	275	383
Traditional	2,536	160	444	698	1,234
Other	3,508	658	855	843	1,152

Source: Statistics department, population census 2001

Forty-nine per cent of the economically active workforce is engaged in the agriculture, fisheries and forestry sector. Ninety per cent of these are engaged primarily in subsistence farming. This reflects the continuing importance of these rural activities even though their relative importance in the total economy has declined. Rural people remain more vulnerable, on the margins of the cash economy and reliant on subsistence production and remittance income to support cash incomes from agriculture. They also remain largely unskilled, and hence disadvantaged in terms of access to the job market.

Unemployment is difficult to measure in Samoa

as those without formal employment are generally absorbed into the informal or subsistence sectors. The 2001 census records that 65.9 per cent of those in 15 – 24 year age group were either unemployed (4.8 per cent) or “not economically active” (61.1 per cent); this compares with a 56.2 per cent who were either unemployed (2.7 per cent) not economically active (53.5 per cent) in the same age group in 1991. For the whole labour force the unemployment rate in 2001 was recorded at 2.5 per cent (males 3.0 per cent, females 2.0 per cent), and those not economically active 49.4 per cent, (males 32.5 per cent and females 67.8 per cent). These high numbers of *not economically inactive* people suggests that there may be considerable unmet needs for social protection.

Table 4.4 Salary and wages 2001

Salary/Wages ¹⁵	Total		Male		Female	
	No.	%	No.	%	No.	%
<\$5,000	6,700	29	3,880	27	2,820	33
\$5,000 - \$10,000	10,562	46	6,936	48	3,626	43
\$10,000 - \$15,000	2,777	12	1,787	12	990	12
\$15,000 - \$20,000	1,146	5	691	4.5	455	5
\$20,000 - \$25,000	595	3	363	2.5	232	3
> \$25,000	1,214	5	832	6	382	4
Sub-total	22,994	100	14,489	100	8,505	100

Source: Labour Market Survey 2000

4.6.1 Labour market surveys.

Over the period 1998 to 2002 the Government of Samoa undertook a program for Market appraisal for Livelihood Opportunities (MALO) under the auspices of UNDP. One of the objectives of the program was to strengthen the Department of Labour's capability in the area of policy formulation. Like most Pacific countries Samoa had very little labour market information and the little available came about by way of the 5 yearly population census. However the MALO project undertook survey on private employers in 2000 and in the semi-formal sector in 2001.

(i) The Private Sector Employers Survey

The survey was conducted on all employers under the jurisdiction of the Labour and Employment Act 1972 which is administered by the Department of Labour. Registration with the Department of Labour is not mandatory for

employers and the survey also served to validate the list of employers the Department had compiled prior to the survey. A total of 554 employers participated in the survey, which represented a sample size of almost 100 per cent of the private sector employers, and of these, 12 employers representing 445 workers refused to provide information on employees on the grounds of confidentiality. The survey report that was produced to analyse the survey also contained data about public sector employment but this was not necessarily obtained from survey questionnaires. The characteristics of the private sector workforce as determined by the survey are show in the following table:

Table 4.5 Formal sector workforce

Private Sector Workforce						
Age (yrs)	Males	%	Females	%	Total	%
15 – 19	143	2 %	465	10 %	608	5 %
20-29	2,924	41 %	2,430	48 %	5,354	44 %
30 – 49	3,566	50 %	1,910	38 %	5,476	45 %
>50	499	7 %	231	7 %	730	6 %
Total	7,132	59 %	5,036	41 %	12,168	100 %
Public Sector workers (Permanent staff only)						
15 – 19	6	<1 %	9	<1 %	15	<1 %
20-29	422	26 %	650	31 %	1,072	29 %
30 – 49	972	60 %	1,188	56 %	2,160	57 %
>50	218	13 %	272	13 %	490	13 %
Total	1,618	100 %	2,119	100 %	3,737	100 %

Source: Labour Market Survey 2000

It is interesting to note that the private sector workforce is fairly evenly distributed between the two age groups 20 – 29 years and 30 – 49 years which together represent 89 per cent of the private sector workforce. In the public sector (permanent staff), the majority of the public servants are in the 30 – 49 age group, about twice the number in the 20 – 29 years age group.

Table 4.6 Total formal sector employment

Sector	Male	Female	Total
Private sector employees	7,132	5,036	12,168
Public service employees (permanent)	2,119	1,618	3,737
Public service employees (casual or temporary)	750	509	1,259
Total	10,001	7,163	17,164

Source: Labour Market Survey 2000

¹⁵ Includes only those who declared an income in the census – 1212 undeclared

¹⁷ Report on the census of population and housing 2001.

The table above shows that the public service employees (permanent and casual) make up 29.12 per cent of the total formal sector workforce, of which 78 per cent are permanent staff. Some further broad comparisons between the private and public sector workers are summarised below:

Table 4.7 Age comparisons public/private sector workers

Item	Public Sector	Private sector
Under 30 years of age	29 %	49 %
Under 20 years of age	<1 %	5
Over 30 years of age	71 %	51 %
Males over 30 years of age	73 %	57 %
Female workers	57 %	42 %
Male workers	43 %	58 %

Source: Labour Market Survey 2000

The educational attainment of workers in the private sector workforce was relatively high with 93 per cent of workers having attained secondary level education or higher. The difference in educational attainment between males and females was also relatively small with post secondary achievement of 22 per cent and 19 per cent respectively; slightly higher in males whereas females had higher results in secondary education with 76 per cent with only 69 per cent for males. The following table illustrates the educational differences.

Table 4.8 Education levels in private sector workforce

Education Level	Males per cent	Females per cent	Total per cent
Primary	9 %	5 %	7 %
Secondary	69 %	76 %	72 %
Post Secondary	22 %	19 %	21 %
Total	100	100	100

Source: Labour Market Survey 2000

(ii) Staff Turnover

The survey attempted to calculate the rate of staff turnover in private sector employment. The purpose was to attempt to identify factors affecting production and economic stability however, staff turnover is an important consideration for any form of unemployment benefit programme as the turnover rate is one of

the considerations needed to cost such a program. This has a direct bearing on the fund size, contribution rate, benefit rate, and the claim rate, which affects administrative costs. The staff turnover was determined from the questionnaire to employers which asked them to list the number of employee commencements and separations in the six months prior to the survey.

The *whole of company* hourly wage used in the table was determined by dividing the total wage by the total number of employees and expatriate workers, and their salaries were excluded from the calculations. The staff turnover estimates are shown below.

Table 4.9 Staff turnover rate – Males

Average whole of company pay rate per hour (Tala)	No Employ-ers	No. Employ-ees	No Termin-ations	Annualised Turnover rate
< 2.00	90	473	100	42.3 %
2.01 – 2.75	106	1,101	154	28.0 %
2.76 – 4.25	139	2,193	256	23.3 %
> 4.26	135	2,628	275	17.9 %

Source: Labour Market Survey 2000

Table 4.10 Staff turnover rate - Females

Pay rate per hour (Tala)	No Empl oy-ees	No Termin-ations	Annualised Turnover rate
0.70 – 3.00 (including large employers)	2,537	633	49.9 %
0.70 – 3.00 (excluding large employers)	1,241	175	28.2 %
3.01 – 7.00	1,634	135	16.5 %
> 7.00	360	22	12.2 %

Source: Labour Market Survey 2000

Some of the key findings included:

- With few exceptions turnover rates for female workers were generally significantly lower than for male workers, and
- A more detailed analysis between companies found that despite similar average wage rates some employers had significantly higher than average turnover rates. This suggests other workplace issues and conditions of service were involved in those companies.

The survey also identified employees by industry and the classification was based on the ILO coding with modification to suit the workforce composition in Samoa. The findings of the survey showed that there were more women than men

working in manufacturing (66 per cent) and in Education and Welfare where 53 per cent were women. Men predominated in most other industries as shown in the table below.

Table 4.11 Workforce by industry and sex

Industry	Male (per cent)	Female (per cent)	Total	per cent of total workforce
Accommodation, cafes, restaurants	694 (51 %)	679 (49 %)	1,373	11 %
Agriculture, forestry, fishing	172 (73 %)	64 (27 %)	236	2 %
Building and construction	860 (91 %)	87 (9 %)	947	8 %
Community social and personal services	515 (61 %)	328 (49 %)	843	7 %
Education, welfare	393 (47 %)	440 (53 %)	833	7 %
Electricity, gas and water supply	481 (90 %)	53 (10 %)	534	4 %
Finance, insurance, real estate & business services	693 (54 %)	591 (46 %)	1,283	11 %
Manufacturing	852 (34 %)	1,665 (66 %)	2,517	21 %
Transport, storage and communication	1,280 (77 %)	375 (23 %)	1,655	13 %
Wholesale and retails trades	1,193 (63 %)	754 (49 %)	1,947	16 %
Total	7,132 (59 %)	5,036 (41 %)	12,168	100 %

Source: Labour Market Survey 2000

The survey also collected information about the status of workers under four employment categories, self employed (although titled working proprietors in the survey), paid employees, paid non-citizens and unpaid family workers. As expected the bulk of the workers were paid employees and further analysis showed that 95 per cent of workers were employed on a full time basis and only a small proportion (2.6 per cent) were non citizens. The following table shows employment by category and sex.

Table 4.12 Employment status

Status	Males (per cent)	Females (per cent)	Total (per cent)
Self employed	256 (57 %)	199 (43 %)	453 (04 %)
Paid employees	6,616 (59 %)	4,657 (41 %)	11,273 (93 %)
Paid non-citizens	193 (63 %)	114 (37 %)	307 (02 %)
Unpaid family workers	69 (51 %)	66 (49 %)	135 (01 %)
Total workers	7,132 (59 %)	5,036 (41 %)	12,168 (100 %)

Source: Labour Market Survey 2000

In addition to the labour market issues described above the survey also collected data about the following labour market issues:

- Vacancies by industry, where the key finding was that vacancies as a per centage of total employment was 4.3 per cent,

- Skills shortages and training needs by industry and the key findings were that 45 per cent of all employers stated that their staff had further training needs but overall only 12 per cent of employees in the private sector needed training,
- Skills shortages or poor work attitudes and performance by industry, and this section was responded by 158 employers on behalf of 554 employees. Whilst the sample may not be substantial it is probably indicative but the diversity of comments was very wide and covered almost all aspects of generic skills, job specific skills, attitude and work habits,
- Details about expatriate workers, average weekly hours worked by industry where expatriate workers only represented about 2.5 per cent of the workforce, and 61 per cent of expatriate workers had permits to work in management, professional or technical occupations,
- Weekly hours worked, which ranged from 37 hours per week for professionals to 46.4 for senior executives and managers. For most occupational groupings the modal actual hours worked was around 41 – 42 hours per week, and
- Average actual and normal earnings by hour

and week and by industry. The following table is representative of some of the earning tables provided in the report.

Table 4.13 *Average actual weekly earnings by occupational group*

Occupational Category	Male	Female	Total
Senior executives, managers	\$ 620.80	\$ 458.29	\$ 537.23
Professionals	\$ 286.97	\$ 261.07	\$ 274.02
Technical & associated professionals	\$ 313.84	\$ 268.45	\$ 291.15
Office workers, secretaries, clerks	\$ 188.74	\$ 179.51	\$ 184.13
Service workers, shop and sales assistants	\$ 137.65	\$ 113.03	\$ 125.34
Skilled agricultural and fisheries workers	\$ 90.07	\$ 97.40	\$ 93.73
Skilled crafts and related workers	\$ 152.32	\$ 99.62	\$ 125.97
Semi-skilled workers, plant & machine operators & assemblers	\$ 115.60	\$ 89.26	\$ 102.43
Labourers, cleaners, unskilled workers	\$ 96.51	\$ 92.91	\$ 94.71

Source: Labour Market Survey 2000

The table shows that there is only one occupational category where the average actual salary of women is higher than that of men and that category is *skilled agricultural and fisheries workers* where the differential is about 3 per cent higher for women.

(iii) *Semi-formal sector survey*

The term semi-formal sector employment was defined by the Department of Labour in Samoa to classify workers who do not fit the definition of formal employment but who work for themselves or as unpaid workers in family-run ventures, notwithstanding such ventures may or may not be formally registered as businesses. The survey included all enterprises registered with the police department, the fisheries division of the Ministry of Agriculture, Forestry and Meteorology, SNPF and the Samoa Visitors Bureau. There were 870 enterprises identified for the survey, employing 2,134 people. The composition of the semi-formal sector is shown below.

Table 4.14 *Semi-formal sector composition*

Industry	Male (per cent)	Female (per cent)	Total	per cent of total semi formal
Accommodation	32 (1.5 %)	10 (0.46 %)	42	1.96 %
Fishing	484 (23 %)	34 (1.6 %)	518	24.6 %
Community	1 (.04 %)	0 (0 %)	1	0.04 %
Manufacturing	41 (1.9 %)	11 (0.5 %)	52	2.4 %
Transport	1,219 (57 %)	121 (5 %)	1,340	62 %
Wholesale	99 (5 %)	82 (4 %)	181	9 %
Total	1,876 (88.04%)	258 (11.96 %)	2,134	100 %

Source: Labour Market Survey of Semi Formal Sector 2001

The survey found that the majority of the semi-formal workforce was males at 88 per cent and 12 per cent were females. The majority of the workers were employed in the transport industry 62 per cent, and in the fishing industry 25 per cent, with those two industries accounting for almost 87 per cent of the semi-formal workforce.

Other key findings from the survey found that:

- Most semi-formal workers were semi skilled (54 per cent),
- Full-time workers represented 68 per cent made up of 64 per cent males and 4 per cent females,
- Self employed (working proprietors) represented 26 per cent of the survey,
- Unfilled vacancies represented about 2 per cent of the sample,
- There was a slight differential between recruitment and cessation of about 1 per cent which indicates a slight reduction in employment in the sector over the six month period prior to the survey,
- Transportation industry showed the only reduction in overall employment but all other industries showed increases,
- All of those with tertiary education were self employed and represented 15 per cent of the total workforce of 1,754 workers (93 per cent males, 7 per cent females), and
- Semi-skilled workers represented the largest group in the sample at 60 per cent with secondary education and only 24 per cent had primary education.

The outcomes of the survey identified the need to redefine the workforce sectors in Samoa and to review employment legislation with a view to extending coverage under labour laws to ensure that workers rights and obligations are respected. This also has ramifications for the provident fund as semi-formal workers may be integrated into the provident fund as compulsory contributors.

4.7 Social development overview

With a human development index (HDI) of 0.775 (HDI rank 70) in 2003, Samoa scores relatively well, especially compared to other Pacific developing countries. Good progress has been made toward achieving the Millennium Development Goals (MDGs). It has already achieved the target for universal primary education, and has made significant improvements in secondary enrolment and has the highest secondary enrolment ratios among Pacific developing countries. Gender disparity in education and literacy rates has essentially been eliminated. Child and maternal mortality rates have decreased and are among the lowest in Pacific developing countries. However, ADB's 2002 participatory poverty survey concluded that these generally high standards are not universal, so that further attention will be needed to ensure that all parts of the population have access to essential and high-quality basic education, health care services, and safe water supply. Lack of formal employment and/or income-generating opportunities are among the critical issues for all communities, in both urban and rural areas. Many young people are finding it difficult to get the sort of jobs to which they aspire. With around 5,000 school leavers and dropouts entering the labour market every year, a growing number of people are without jobs, leading to increased social and domestic tensions, rising crime rates, and deteriorating quality of life for those most affected. Even the traditional Samoan social structure and associated safety nets are coming under strain as external influences affect attitudes and aspirations.

4.8 Disadvantaged groups in Samoa

The assessment of disadvantaged groups is a subjective view of the relative deprivation of these groups within Vanuatu society and it is also closely linked to vulnerability to poverty caused by loss of income. The nature of the environment in Samoa with two major tropical islands with their inherent risks from cyclones and reliance on

limited agricultural markets leads to a moderate co-variate risk for most communities. Disadvantaged groups include:

- **Formal economy** - The weakness in compliance and the coverage of life cycle events as regards formal sector workers increases vulnerability against poverty in the event of accident, death, illness or unemployment. If the group of self employed workers are also included then many workers in formal employment are covered by only the basic social security elements provided by the provident fund scheme, and lack protection from a range of life cycle risks.
- **Workers in the informal economy** – social security provisions are not available to these workers yet they represent most of workers and their families in Samoa, and they are highly vulnerable to adverse life events that result in temporary or permanent loss of income which can cause them to quickly descend into poverty. Whilst there is limited capacity for workers in the rural informal economy to practice some degree of subsistence farming to compensate for some of the loss of income, this is becoming increasingly less available to workers in the urban informal economy, particularly in Apia.
- **People living on outer islands.** They are disadvantaged through their 'general lack of everything' namely their isolation and lack of resources, employment opportunities and because, despite efforts to promote outer island development, most resources are invested in Apia.
- **Youth**, who are not well equipped by the education system for the opportunities available to them. They take the brunt of a lot of the social changes. The National Youth Policy identifies some critical issues for young people in Samoa that include:
 - **Unemployment.** Each year, around five hundred 15-16 year olds join the labour force, but few of them find productive work, let alone any cash income. Unemployment is the most pressing problem facing young people in Samoa today. Although more young people are staying at school to senior secondary

level, there are few jobs outside of the government or, for men, work overseas by taking advantage of the opportunity open to Samoan for emigration, which is not available to the same extent in many other Pacific countries. Most cash jobs are in Apia. The large semi-subsistence village economy disguises a high level of unemployment in the country.

- Changing Faa Samoa. Young people are particularly affected by the fast change in cultural practices and the narrowing range of economic opportunities in Samoa. Although cultural identity and pride in *Faa Samoa* is generally strong, young people particularly are drawn by the global 'western' culture that reaches them through videos and music. Youth organizations promote local culture through dance and song competitions and community work. The change in cultural values is quite insidious, from the greater individualism and materialism promoted by the schools and economy, to the greater sexual freedom that international media espouse. The emergence of new ideas, especially about personal liberty and sexuality, creates a lot of tension for young people and is contributing to a breakdown of traditional households. Samoa has one of the highest rates of youth suicide in the Pacific and indeed the world and the complex range of issues that impact on youth suicide may involve the conflict in *Faa samoa* and the factors that are impinging upon it.
- 'At risk' sexual behaviour Traditional Samoa culture places a high value on premarital chastity, especially for girls. It is nevertheless evident that some young people are at risk of having an unwanted pregnancy or contracting sexually transmitted diseases, including AIDS. National data shows that teenage fertility rates of 45.5 births for every 1,000 women¹⁷ aged between 15 and 19 are high and is an indicator of susceptibility to HIV/AIDS/STD and other reproductive health dangers. Whilst people do marry young and not all of the teenage fertility is outside

marriage relationships it is relatively high compared to other Pacific countries and to the overall rate of 4.4 births for every 1000 women.

- **Large families** that cannot meet their own needs, either through high fertility or their need to absorb relatives from outer islands and extended families. Poor households often suffer poor nutrition, poor housing and sanitation, higher mortality and ill-health and their children may attend school less. Despite the moderation provided by *Faa Samoa* and the remittances from abroad, large families are generally among the most disadvantaged groups in Samoa. The average household size for Samoa in 2001 was eight¹⁸.
- **Disabled people.** Education facilities for disabled children are available and reasonably resourced; however access and equity to those resources, particularly in rural areas where most of the disabled children are located, is still a problem. There is little or no vocational assistance or other facilities for disabled adults. Adult disability is becoming more common, particularly as diabetes and other non-communicable diseases have become prevalent. The main insurance for a household with a disabled family head is family support, which often is inadequate in the long-term.
- **Households that have no land.** Some households in Apia are squatters and lack proper access to water or sanitation, although this is not as widespread as in other Pacific countries. There is limited availability of land for immigrants. Traditional owners control the use of their land and resources. Dense, congested, and haphazard squatter housing contributes to health and social problems and inefficient land use.

Landlessness may be becoming an issue throughout Samoa. Despite legislation to curb land sales, it still occurs. Landlessness defines poverty in local terms. Traditionally, landless people could often cut copra on the chief's land or get access to land or sea resources through social

¹⁸ Report on the census of population and housing 2001

traditions such as adopting of an old or sick person with land or offering a gift. Lack of access to land may now be an important marker of disadvantage. A main source of crime now is land disputes among relatives as people increasingly turn to land for a cash income.

- ***People without regular income and the poor*** – aged, invalid, widowed, the unemployed and women make up a considerable proportion of the most disadvantaged and vulnerable people and the traditional system of *faa Samoa* seem to care for these groups. However with the continued urban - rural migration (to Apia and other major towns), changing in traditional culture and capacity of the households and relatives to support these groups, more formal means may be required to substitute for local support.
- ***Victims of natural disasters*** – Samoa has a history of severe disruption of life through a range of natural disasters, particularly cyclones which usually destroy the food gardens and cash crops. These food gardens take about three months to restore after a cyclone during which period the lack of social security and pro-active disaster recovery and social welfare programs places great stress on family incomes and subsequent nutrition intakes for families. Most support comes from disaster relief programs and donor assistance.

4.9 Existing formal social security programs

Samoa has a range of formal social security programs that include:

- The National Provident Fund;
- Senior Citizens Benefit Fund (Universal aged pension scheme);
- Workers Compensation and Accident Insurance;
- Universal health care;
- Workplace conditions of service, and
- Selected social assistance programs.

4.9.1 Samoa National Provident Fund

The Samoa National Provident fund was established in 1972 in parallel to the Government

Superannuation Fund which it superseded in 1994 when the two funds merged. NPF is managed by a ten member tripartite board comprising representatives from government, employers and employees.

SNPF has a defined contribution scheme: 5 per cent is contributed from members' wages and 5 per cent from the employers. It has a welfare-oriented focus designed primarily to cater to the needs of members at the end of their working life. It is a compulsory savings scheme for employers and employees, which provides a number of benefits.

Incorporated into its primary function is the responsibility of carrying out prudent investment practices, with the objective of acquiring maximum returns for the growth and stability of the fund. Membership currently stands at approximately 66,000 members and its assets and contributions are valued at USD 91 million as of December 2002.

In 1990, the SNPF began administering a new scheme for the senior citizens of the country which is fully funded by the Government. Continuing expansion of its services resulted in the opening of its second branch in the country's other main island, Savaii, in 1994. As the Fund grew, its Board of Directors also increased from nine to ten in 2001, the additional director being a member of the manufacturers' association.

In November 2003, the new Health Care Scheme for members was proposed to the Government and the legislation developed is based on the Social Health Insurance system in Singapore, and was presented to parliament in late 2004. This scheme plans to collect 3 per cent contributions from both the employee and employer.

SNPF maintains a high profile information policy to inform members about the fund and its services. These aspects have been noted in the fund's surveys on customer satisfaction in which an average of a 70 per cent response rate has been consistently achieved in the past two years.

Vision

Samoa National Provident Fund to be seen as leading and excelling in the Pacific in the provision of benefits and services and being responsive to the needs of its beneficiaries.

Mission

To keep safe members' contributions and to generate from the resources provided by these contributions the greatest achievable benefits for members and their dependents during retirement and in the event of earlier death or incapacitation

Members' benefits

The benefits currently available to members are:

- Retirement pension upon reaching 55 years of age, if chosen by the member to be paid for lifetime and may be paid to the spouse and children on his/her death,
- Option for full withdrawal of funds upon reaching 55 years of age,
- Death benefit of USD 833.00,
- Members' small loan entitlement (50 per cent of current contributions),
- First Home Owners' Loan Scheme (minimum amount USD 18,519.00) ,
- Withdrawal of funds for reasons such as :
 - Permanent residence overseas
 - Medical incapacity
 - Theological studies
 - Reaching 55 years
 - Death
 - Inactive 5 years (50-54 years)
 - Permitted Funds (transfer of funds to a similar scheme under Regional Offices)
 - 5 years after original withdrawal/employment ceased over 55 years of age
- Members' dividends at end of financial year
 - 2001 – 6 per cent
 - 2002 – 7.6 per cent
 - 2003 – 3 per cent (6 months only)
- Senior Citizen Pension Scheme (65 years, USD 37.00 per month)
- Health Care Scheme (yet to be implemented).

(i) Membership

Table 4.15 shows the membership of the fund and the active employers up to June 2003. However, despite a total number of 66,028 zero balances, this does not show the number of active members as the gross figure will include members who are either ineligible or unwilling to withdraw their benefits. The fourth quarterly report (30 June 2004) showed 21,318 contributing members and 63 voluntary contributions, a total of 21,381 active contributors.

The labour market survey of 2000 (see table 4.6) shows that there were 17,164 formal sector employees comprising 12,163 private sector employees and 5,001 public servants (permanent and temporary). Even with a moderate employment growth rate, the formal sector employment could have grown by a net 1,000 per year to 21,000 which is the current level of active contributors. Whilst these figures are not complete the broad indication suggests that compliance is reasonable high although this could only be confirmed by accurate and current labour force statistics.

Table 4.15 SNPF membership

Year to 31 Dec	Fund Employed (\$000)	Employee Members		Employer Members	
		Total No. (non zero balances)	Contrib. balance (\$000)	Contributing employer members (Active)	Total contrib.-ution
1998	148,057	61,992	123,951	859	16,924
1999	163,250	62,912	138,268	894	17,937
2000	206,034	64,377	154,503	930	19,537
2001	225,740	66,531	172,700	1,063	21,498
2002	246,292	66,028	193,376	1,117	23,040
2003	253,937		199,853	1,143	12,133

2003 data for 6 months January – June 2003

Source SNPF Corporate plan 2004 - 2007

(ii) Funds and Contribution Balances

Table 4.15 shows a steady growth in contribution balances and in the growth in the number of employers, however in 2002 there was a drop in the number of employee members despite growth in all of the other parameters.

Table 4.16 Performance of funds

Year to 31 Dec	Total funds Employed	Contribution Balance	Net Income (\$000)	Return on Total Funds (per cent)	Return on Contributions (per cent)	Returns to Members
1999	163,250	138,268	12,909	7.91	9.34	
2000	206,034	154,503	11,617	5.63	7.52	8 per cent
2001	225,740	172,700	13,848	6.13	8.02	6 per cent
2002	246,292	193,376	12,960	5.26	6.70	7.6 per cent
2003	253,937	199,854	7,092	2.79	3.54	3.6 % (half yr for new fiscal year)

Returns equal to Net income/total funds - Source SNPF Corporate plan 2004 – 2007

The following table shows the number of contributors by broad salary groupings and the contributions and the average salaries for each grouping have been derived from this data.

Table 4.17 Contributors by salary grouping

Salary Range WST	Males	Fe-males	Salary Range as % of Total contributors	Total Salary per year	Aver salary per Group
Less than 1,000	1,026	637	6.79 %	908,714	546
1,001 – 3,000	2,551	1,678	17.28 %	8,845,490	2,091
3,001 – 5,000	2,653	2,030	19.13 %	18,429,034	3,935
5,001 – 10,000	4,459	2,735	29.39 %	51,717,807	7,189
10,000 – 15,000	1,502	1,225	11.14 %	33,311,545	12,215
15,000 – 20,000	875	628	6.14 %	25,933,160	17,254
20,001 – 25,000	426	312	3.01 %	16,344,661	22,147
25,001 – 30,000	357	252	2.49 %	16,690,348	27,406
30,001 – 35,000	141	123	1.08 %	8,512,269	32,243
35,001 – 40,000	125	61	0.76 %	6,942,813	37,326
40,001 – 45,000	79	43	0.50 %	5,170,920	42,384
45,001 – 50,000	104	55	0.65 %	7,629,586	47,984
Over 50,000	304	98	1.64 %	34,245,891	85,188
TOTAL	14,602	9,877	100.00%	234,682,238	9,587

Source: SNPF February 2005, based on 5 months data from July to November 2004

From table 4.17 above it can be seen that the modal salary range is WST 5,000 – WST 10,000 which contains 29.39 per cent of the total contributors and the mean salary within this range is WST 7,189. About 72 per cent of the members earn less than WST 10,000 per year.

(iii) Finance and investments

The performance of the funds shown in table 16 which shows reasonable returns to members based on the returns on total funds. Given the financial investment situation in 2001/2002 the returns to the fund were acceptable.

Table 4.18 Investment portfolio

Category	2000 (12 mths)	%	2001 (\$000) (12 mths)	2002 (\$000) (12 mths)	2003 (\$000) (6 months)	%
Cash	2,448	1.17	1,551	2,000	48,247	15.91
Small Loans	43,509	20.77	51,124	63,082	67,162	22.13
Other loans	81,047	38.70	93,611	90,179	60,253	19.85
Govt securities	700	0.33	748	0	29,033	9.56
Short term deposits	30,950	14.77	34,706	43,617	43,038	14.18
Company shares	830	0.40	830	830	1,930	0.64
Property / assets	49,990	23.86	51,552	54,146	53,818	17.73
TOTAL	209,474	100	234,122	253,854	303,508	100

Source SNPF Corporate plan 2004 - 2007

The investment portfolio is fairly evenly distributed and reflects a feature of the situation in Samoa with the largest investment component being for small loans which has shown a steady growth over the past 4 years. The steady growth in small member loans is but one indicator of unmet social security needs as most of these loans are for education, health care and ceremonial needs like funerals, marriages etc.

Table 4.19 Statement of assets and liabilities at June 2003

Item	Notes	30-Jun-03 \$	31-Dec-02 \$
The Funds Employed were:			
Contributions		199,853,891	193,376,808
General reserve account	2	19,219,908	17,771,881
Unclaimed deposit account	3	760,487	791,375
Pension pool account	4	9,157,696	9,407,744
Asset revaluation surplus	5	24,944,589	24,944,589
Total funds employed		253,936,569	246,292,399
These Funds were Represented by:			
<i>Investment Assets:</i>			
Cash balances	6	6,438,333	2,000,325
Term deposits	7	43,037,993	43,616,672
Loans & advances	8	145,262,486	41,691,833
Company shares	9	921,750	506,750
Terms receivable from land shares	10	239,762	168,670
Freehold land for sale		5,577,870	5,521,125
Sub-total		210,478,194	193,505,375
<i>Other assets:</i>			
Interest receivable	11	1,917,077	1,390,227
Contribution debtors	12	241,794	756,995
Other debtors	13	518,894	728,634
Fixed assets	14	50,809,225	50,608,298
Other assets		117,162	199,120
Sub-total		53,604,152	53,683,274
Total Assets		255,082,346	247,188,649
Less Liabilities	15	1,145,777	896,250
		253,936,569	246,292,399

Source: SNPF Corporate plan 2004 – 2007

Notes are additional statements provided in Annual Report

(iv) Payment of Pensions

At the end of June 2004 there were 1,035 current pensioners being paid from the SNPF and the composition and comparison over the two quarters of 2004 are shown in the table below.

Most of these pensions are for senior public servants and private sector contributors who have considerably large balances in their retirement accounts which provide for reasonable monthly pensions rates. Most members choose lump sums payment as the monthly pension rates would be insignificant.

(v) Special Withdrawals from the Fund

The table below shows the three major categories for withdrawals for the period 1999 and the first six months of 2003. It is interesting to note that the highest rate of withdrawal was for permanent residence overseas. This reflects the mobility of the Samoan population, high incidence of residence overseas and the high rate of remittances from expatriate family members.

Table 4.20 Pension quarterly report 2004

Item	Jan – Mar 2004		Apr – Jun 2004		Variations	
	No.	Amount (WST)	No.	Amount (WST)	No. (%)	Amount (%) (WST)
PENSIONS & ALLOWANCES						
Pensioners	739	223,116	732	257,554	<7> (-0.9 %)	34,438 15.4 %
Spouse allowance	257	38,524	261	45,627	4 1.5	7,103 18.4 %
Children	48	1,698	42	1,710	<6> (-12.5 %)	12 0.7 %
TOTAL	1,044	263,338	1,035	304,891	<9> (-0.8 %)	41,553 15.7 %
FUNDING						
Pensions pool account	99	45,078	91		<-8> (-8.0 %)	712 1.5 %
Reserve account	945	218,260	944		<-1> (-0.1 %)	40,841 1.4 %
TOTAL					<-9> (-0.9 %)	41,553 1.4 %
CAPITALISATION						
Paid 25 %						
Withdrawn in Lump sum			1	14,346	1 100	34,438 1.4 %
TOTAL						

Source SNPF Member Services Department – Quarterly Report April – June 2004

Table 4.21 SNPF membership withdrawals

Type of Withdrawal	1999	2000	2001	2002	2003	TOTAL
Number of Withdrawals						
Attaining 55	328	280	295	420	189	1512
Medical/Incapacity	875	251	113	129	60	1428
PRO (Migration)	114	1,223	1,016	935	470	3,758
Total Numbers	1317	1,754	1,424	1484	719	6,698
Amounts Withdrawn						
Attaining 55	3,588,662	3,116,752	3,072,957	5,148,951	2,207,071	17,134,393
Medical/Incapacity	4,103,919	1,332,966	1,076,679	1,245,571	997,023	8,756,158
PRO (Migration)	288,668	5,203,949	3,753,976	3,803,227	2,331,238	15,381,058
Total Amounts	\$7,981,249	\$9,653,667	\$7,903,612	\$10,197,749	\$5,535,332	\$41,271,609

Source: Annual Reports: 2001,2002, Jan-Jun 2003 (6 months)
PRO is Permanent Resident Overseas

However there are other ad-hoc approvals for withdrawal and the total picture is shown in Table 4.22 below which shows the total value and growth rate of withdrawals from the fund which is in contrast to the table above, which only illustrates the major categories.

Table 4.22 Total withdrawals and growth rate

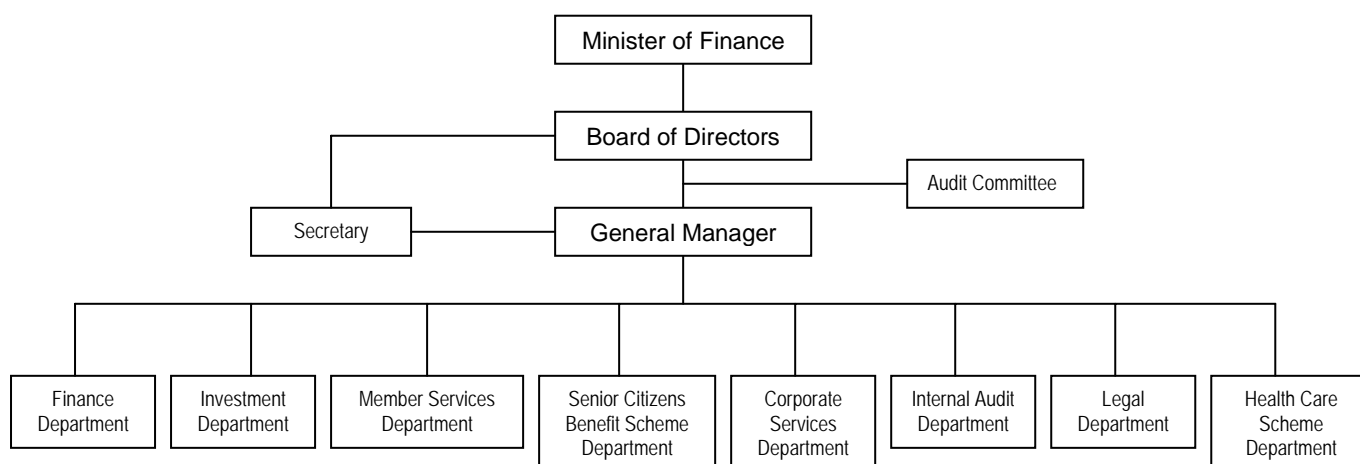
Year	Total Number	Total Amount	Growth Rate (per cent)
1999	1,976	11,374,013	8.9
2000	2,549	12,401,986	9.0
2001	2,217	10,938,687	(11.8)
2002	2,500	13,366,673	22.2
2003	1,422	7,231,924	8.2

Source: Annual Reports: 2001,2002, Jan-Jun 2003 (6 months)

(vi) Operations and Information Technology

The SNPF is managed by a tripartite board that reports to the minister of finance. The organisation had 171 staff in June 2003 including 7 in Savaii and is administered by the GM through 9 departments including the Senior Citizens Benefit Fund and the Savaii sub-office.

The IT department in SNPF comprises 8 staff who operate and maintain most of the hardware and software required for the fund. Until recently, the data and operating systems were located on a leased IBM AS400 mini-computer in the adjacent building and the link was an aerial cable between the buildings. The SNPF has now purchased its own AS400 mini-computer using RPG software. The AS400 purchase contract covers operating system and upgrades until 2006 and a new maintenance contract will need to be re-negotiated after that.

Figure 4.4 SNPF organisation chart

The back up and disaster recovery strategy is to use one of the alternative AS400 machines in Apia owned by the insurance commission or another agency. The current platform is very stable and most workstations use MS windows 2000 SP4 or XP Professional and access to the network is via software and hardware firewalls. Controlling the software and systems operation assists in maintaining stability rather than the shared restricted access the SNPF had until recently.

The main contributions software (IMAS) was written in Sri-Lanka and provides the General Ledger (GL), accounts received, fixed assets and accounts payable functions. The IT department also maintains a variety of other programs that were either off-the-shelf programs or have been developed in-house. These programs provide the following functions:

- Contributions recording,
- Employers register,
- Investments (handles loan information),
- Pensions payments,
- Land debtors,
- Securities,
- Insurance,
- Term deposits,
- Cash receipting, and
- Imaging (photo identity for registration).

The SNPF database is the biggest database in Samoa and the management receive numerous requests from government and other agencies for data. However, the privacy laws prohibit the SNPF from providing personal data but regularly supplies statistics to the government and to other agencies

The Savaii sub-office is linked to the AS400 in Apia via microwave link which has proven to be extremely reliable with very little interruption to access. The Senior Citizens Benefit Fund expected to have their applications moved onto the AS400 in October 2004 and the connection (about 200 metres) will be made via wireless link.

4.9.2 Senior citizens benefit fund (SCBF)

Since November 1990 the government has provided a universal defined benefit payment to all senior citizens over 65 years of age. The benefits and administrative costs are funded by

the government and the Samoa National Provident Fund Board is also responsible for the management and operations of the program. SNPF vehicles are used each month to transport pay teams around the country to deliver the cash payments. Staff support, audit and information technology services are also provided by the SNPF as part of its corporate responsibility to the community. The cost of these services to SNPF in 2003 was WST 167,000.

The cash delivery system was introduced in 2003 to minimise overpayments caused by the effects of payments continuing after entitlement had ceased. This can occur when the pensioner dies or leaves the country for a period of more than 30 days. This improvement is reflected in the budget savings of about WST 400,000 in the 2004/2005 projections despite a slight increase in the number of pensioners. The actual expenditures in 2002 were WST 9,303,084 and WST 9,445,532 in 2003.

Table 4.23 Monthly payments history

Period	Monthly rate (WST)
July 2002 – June 2003	100
November 2001 – June 2002	100
January 2001 – October 2001	100
January 1999 – December 2000	80
July 1997 – December 1998	70
July 1995 – June 1997	60
November 1990 – June 1995	50

Source: SCBF – Report of operations & statement of accounts 2002/03

The pensioner population receiving benefits is shown in Table 4.24.

Table 4.24 Samoa senior citizens beneficiaries

Year	Males	Females	Total
2003	3,689	4,532	8,221
2001	3,635	4,268	7,903

Source: SCBF – Report of operations & statement of accounts 2002/03

The population census of 2001 showed 7,903 people aged over 65 years in Samoa and despite the fact that 303 of those surveyed in the census did not indicate their age, it is evident that the pension payments appear to have reached 100 per cent of the eligible population.

Table 4.25 Age distribution of pensioners

Age Range	UPOLO		SAVAII		Total
	Male	Female	Male	Female	
65 - 70	1,057	1,143	481	478	3,159
71 - 75	646	897	362	376	2,281
76 - 80	522	691	263	327	1,803
81 - 85	183	282	89	136	690
86 - 90	54	111	13	40	218
91 - 95	7	35	8	7	57
96 - 100	1	6	0	1	8
100+	2	2	1	0	5
Total	2,472	3,167	1,217	1,365	8,221

Source: SCBF – Report of operations & statement of accounts 2002/03

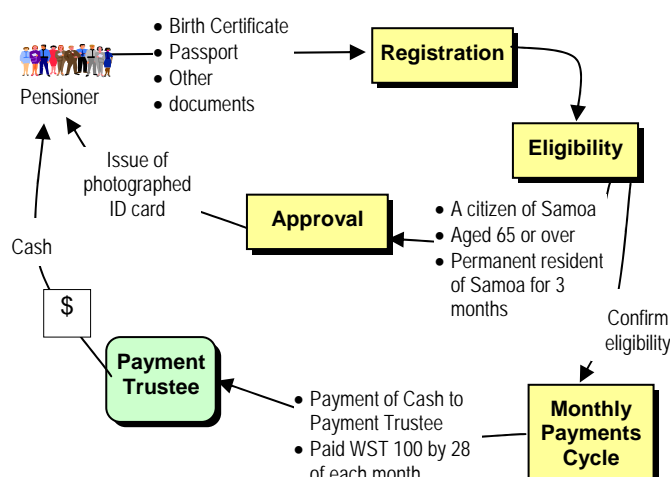
At its inception in November 1990, the fund had 3,848 pensioners and the current population is now 8,221, an increase of 114 per cent over the 12 years 8 months of operation, or an annual average increase of about 9 per cent. The increase in pensioner numbers for 2002 - 2003 of 858 or 6 per cent, is below the average for the past 12 years which suggests that (ignoring mortality rates) the growth may have saturated and almost all of the eligible aged people are receiving their entitlements.

As part of the eligibility confirmation and compliance processes the SCBF staff carry out checks to confirm addresses, death and absences overseas. A summary of the transaction caseload for the period July 2002 to June 2003 is shown in table 4.26.

Table 4.26 SCBF activity summary

Case type	Details	No. Cases
Deceased	Confirmed from payout, Health BDM	541
Unidentified	Mainly due to change of addresses	296
Investigation	Differences in birth dates/birth certificates & passports	2
Overseas	Confirmed from payout, immigration lists	687
Non valid accounts	Non renewed or lapsed bank accounts	13
Family differences	Warrantee or carer for pensioner	4
Debt recovery	Withholding to recover previous overpayments	18
Others	Non citizens and those non resident for 90 days	6
Re-activation	Cases resolved, debts recovered etc.	717
New Registration	New grants for pensions	858
TOTAL		3,142

Source: SCBF – Report of operations & statement of accounts 2002/03

Figure 4.5 Senior citizens Benefits processing overview

The benefits provided to pensioners include:

- Cash payment of WST 100 per month;
- Free health care including consultation, hospitalisation and pharmaceuticals;
- Free transport on government buses and ferries including to American Samoa;
- Assistance and mediation between pensioners and payment trustees; and
- General advice and assistance to pensioners.

The total staffing of the fund is nineteen including one staff member based in the SNPF office in Savaii. The payment cycle is the most work intensive period of the month where forty staff are required for two days of preparation for the cash breakdown followed by three days of distribution. During this period SNPF staff support the cash payment cycle and also provide much of the transport. Nine payout teams are deployed on Upolu and three teams on Savaii.

Apart from the registration and approval processes the SCBF undertakes a regular review program, particularly of the payment trustees, to ensure that pensioners are receiving their correct entitlements and that all claimants are entitled to payment. A six monthly survey is also undertaken to assess the quality of services and to determine pensioner needs. Inevitably the issue of increased pension rates is raised and the government has responded by increases to the introductory rate of WST 50 per month in 1990 to WST 60 per month in July 1995, WST 70 per month in July 1997, WST 80 per month in January 1999, WST 100 per month in January 2001.

The staff of the agency also have an advocacy role in settling disputes between pensioners and

trustees and in disputes about payment and services.

4.9.3 Workers compensation and accident insurance

The Accident Compensation Board (ACB) was established in 1979 and its current legislation (Accident Compensation Act 1989) was amended in 2003 to provide motor vehicle accident compensation to the whole of the population against the consequences of accidents. The 2003 amendment also renamed the ACB to the Accident Compensation Corporation (ACC), which is responsible to the Minister of Commerce, Industry and Labour.

The ACC provides the following services:

- Compensation and rehabilitation for workers injured at or in transit to work (conveyance),
- Compensation to dependents of workers who died as a result of workplace or conveyancing accidents,
- To provide safety promotion programs both at work and on the road, and
- Provide cover to workers for 24 hours per day, 7 days per week.

In addition to the workers compensation fund, ACC administers the motor vehicle accident fund (conveyancing fund) financed by a levy on motor fuel. The schemes are funded by:

- 1 per cent levy on gross earnings of employees paid to the fund by all employers, and
- WST 0.05 levy per gallon of fuel.

The compensation benefits are shown in table 4.27 below.

Table 4.27 Maximum accident compensation benefits

Maximum Benefits	Rate
Proportionate level of weekly payment for loss of earnings	70 %
Weekly compensation for loss of earnings	WST 400
Maximum period of payment of weekly compensation	Flexible
Maximum funeral expenses	WST 2,000
Maximum lump sum for permanent incapacity	WST 8,000
Maximum weekly payment for incapacity > 80 %	WST 400
Maximum period for weekly payment for incapacity > 80 %	Until recovered
Maximum payment for artificial limbs or prosthesis	WST 15,000
Maximum amount for overseas treatment	WST 15,000

Source: ACC – Annual Report 2003

The economic performance of the funds is sound and for the full year period to 31 Dec 2002 the operating surplus was WST 2,156,757 and for the 6 months to 30 Jun 2003 it was WST 1,495,719. It should be noted that from 30 Jun 2003 Samoa changed to the fiscal year Jun - July, replacing the calendar years previously used for accounting. Table 28 shows a summary of the accounts including income, expenditure and capital reserves for 2002 and part of 2003.

Table 4.28 ACC income, expenditure and reserves

Capital and Reserves	Workers Compensation WST	Specified Conveyance WST	30 Jun 2003 WST	31 Dec 2002 WST
Income				
Net fuel levy income	1,164,004	226,945	1,390,949	2,704,902
Interest	83,415	0	83,415	120,282
Fugalei market	461,408	0	461,408	954,740
ACB House	953,183	0	953,183	1,393,722
Other income	7,725	0	7,725	2,286
Sub total	2,669,734	226,945	2,896,680	5,175,932
Expenditure				
Compensation	40,229	100,567	140,796	498,068
Safety promotion & accident prevention	0	0	0	100,967
Fugalei market	302,445	0	302,445	572,183
ACB House	427,352	0	427,352	864,290
Debt/indirect expenses	259,880	270,448	530,368	983,667
Sub total	1,029,906	371,055	1,400,961	3,019,175
Surplus (Deficit)				
	1,639,829	(144,110)	1,495,720	2,156,757
Fund Balance 1 January	33,748,712	(2,981,284)	30,767,428	28,610,671
FUND BALANCE 30 Jun 2003	35,388,541	(3,125,394)	32,263,147	30,767,428

Source: ACC – Annual Report 2003

(i) Accident claims

During the six months to June 2003, the ACC received 86 new claims that were accepted by the board. This was 1.2 per cent higher than for the previous six months but 3.3 per cent lower than the annual average. Although 94 per cent of the claims received were determined and processed within the 6 month period, only 33 per cent were finalised and closed by the end of the period i.e. claimants declared medically fit and settlement completed. Of the claims received, 56 per cent were for workplace injuries, 34 per cent were motor vehicle injuries and the remaining 10 per cent were fishermen lost at sea.

In addition to the claims received a further 250 outstanding claims were still active from previous periods. Of these 80 per cent were for injuries that required long term treatment and rehabilitation and the remaining 20 per cent were trust funds administered by the board on behalf of minor dependents of accident victims.

As a result of the legislative changes made in September 2003, the number of outstanding active claims is expected to increase because of the provision to pay claimants who have suffered permanent disability of 80 per cent or

more, weekly compensation payments for the whole of the claimant's life or until recovery.

Work related accidents not involving motor vehicles totalled 40 for the six month period of

which 11 resulted in permanent incapacity necessitating long term rehabilitation, 7 cases requiring an average of 6 months incapacity to work and the remaining 22 were minor injuries with incapacities of duration 1 – 7 weeks.

4.10 Health situation

The health status of the Samoan population has improved significantly. Life expectancy is at 72.8 years for the total population. The infant mortality rate is 19.3 per 1,000 live births, the maternal mortality rate is 19.6 per 100,000 live births, and the under-five mortality rate is 13.7 per 1,000 live births. At least 96 per cent of infants are fully immunized. The whole of the Pacific region is polio-free.

Table 4.29 Leading causes of morbidity and mortality

Five leading causes of morbidity and mortality (2002)			
Morbidity (rate per 100 000 population)		Mortality (rate per 100 000 population)	
Spontaneous vertex delivery	1196.00	Cerebrovascular diseases	24.30
Pneumonia (unspecified)	560.00	Septicaemia	19.20
First degree perineal laceration during delivery	342.90	Congestive heart failure	15.80
Diarrhoea	150.50	Pneumonia	15.80
Acute bronchiolitis (unspecified)	148.30	Myocardial infarction	13.60

Ministry of Health Statistical Bulletin 2002 – review 1999-2002

Poliomyelitis, tetanus and diphtheria have been virtually eradicated in Samoa. Remaining mortality and high morbidity by communicable diseases call for a renewed commitment for effective communicable diseases control, management and surveillance. Typhoid and dengue are both endemic and periodically have reached epidemic levels in Samoa. Lymphatic filariasis is endemic in Samoa. Standardized antigen prevalence was 1.6 per cent in 2003. As the Samoa Government has made a firm commitment to the elimination of lymphatic filariasis by 2005, intensive Mass Drug Administration (MDA) has been carried out with 90 per cent, 96 per cent and 60.3 per cent of population coverage in 2000, 2001 and 2002, respectively. DOTS coverage and enrolment rate is 100 per cent for all tuberculosis cases, but case detection rate was 78 per cent of all types and 52 per cent of smear positive in 2000 based on WHO estimates.

There is also no HIV testing done among the old and new reported cases of tuberculosis. Main challenges for conduct of the effective tuberculosis control programme include nursing staff shortage, low awareness about tuberculosis passive case finding, insufficient management skills and coordination, and limited laboratory capacity. The first HIV/AIDS case was reported in 1990. Since then, a total of 12 HIV/AIDS cases (10 adults and 2 infants) were reported. Eight have died and the four remaining HIV-positive cases have not yet manifested AIDS. A survey funded by WHO in 2000 revealed a high prevalence of sexually transmitted infections that included 31.0 per cent for chlamydiosis and 20.8 per cent for trichomoniasis, in a population of 472 pregnant women between the ages of 18 and 45 years.

Non-communicable diseases are causing a great deal of morbidity and replacing communicable

diseases as the main causes of death.

Cardiovascular diseases are the number one killer. The prevalence of hypertension among adults aged 44–60 was 31 per cent for men and 25 per cent for women in 1995. Cancer was the fourth leading cause of death in 1999-2000. Leading cancers for both sexes are cancer of the digestive organs and of the lungs, claiming almost two-thirds of cancer deaths in 1995. Leading cancers for females are cervical cancers and breast cancer. Diabetes prevalence was 11.5 per cent of the adult population aged 25–74 years in 1991, almost a two-fold increase from 6.4 per cent only 13 years previously, and it is significantly higher in urban areas. Most patients with non-communicable diseases, especially from rural areas, present very late, and often in advanced stages with serious complications such as diabetic sepsis, blindness, stroke and disability.

Tobacco, unhealthy foods, and sedentary lifestyles have been identified as three important risks of non-communicable diseases. Prevalence of smoking in 1995 was as follows: 56 per cent in males aged 29–43; 60 per cent in males aged 43–60; 27 per cent in females aged 29–43; and 22 per cent in females aged 43–60. Samoans have high rates of hyperlipidemia. More than one third of people in every age and sex category, even the young people, had at least one lipid abnormality. A large proportion of the population suffers from obesity. The absolute prevalence of obesity (BMI¹⁹ >30 kg/m²) in adults aged 25–74 increased by up to 32.9 per cent over the period of 1978–1991 in urban and rural locations.

In the late 1970s and early 1980s, about 100 people attempted suicide each year. From 1983 to 2001, the average yearly number of suicide attempts was 36, with a death rate of 57 per cent

¹⁹ BMI or body mass index is the index produced by dividing body weight by the square of the height in metres.

or around 20 deaths. The suicide rate is 12 deaths per 100,000 population. Young people make the majority of suicide attempts. There has been lack of systematic studies and data on mental health burden. The absence of an overarching mental health programme in Samoa was consistently reported although community-based mental health nursing services are being delivered. There is no national alcohol and drug control programme. Major issues include lack of qualified psychiatrists and trained staff, limited availability of medications and insufficient financial resources. The Government and civil society have taken a series of actions to review and develop mental health legislation and a comprehensive strategy and policy.

Approximately 5.8 per cent of the GDP and 17.8 per cent of the total government expenditure is spent on the health sector. Per capita expenditure amounts to USD \$86. Government spending on health as a proportion of its total expenditure has notably increased from 10.2 per cent in 1991 to 17 per cent in 2001. For health care financing, 63 per cent was accounted for by public sources and 21 per cent by private sources (out-of-pocket for the private sector, including traditional healers). The remaining 16 per cent was provided by international donors and other sources. It is estimated that 44 per cent of total health expenditure occurred in the public sector, 18 per cent in the private sector, pharmacies (public and private) for 19 per cent, and the remaining 19 per cent related to overseas treatment.

4.10.1 Health services

The Samoan National Health Care System is dominated by the public health sector. The Ministry of Health provides primary, secondary, and limited tertiary care, and public health services through a network. Tertiary care, which basically is unavailable in-country, is provided overseas, generally in New Zealand and Australia. Major costs arising from overseas treatment are in particular related to renal failure and dialysis treatment, cardiac surgery and ophthalmology. It is thought, however, that the provision of specialized care would be too costly to establish and maintain. Over the last few years the profit-based private health sector has been expanding. An extensive network of women's committees co-manages publicly funded rural health services.

4.10.2 National health priorities

National priorities in health, which are identified

in *Strategy for the Development of Samoa 2002-2004, Opportunities for All*, include:

- improve primary health care and health promotion services;
- improve community services;
- improve health facilities;
- strengthen partnership with private sector; and
- strengthen Department of Health management

The principles of primary health care, health promotion and *Healthy Islands* have inspired health sector development in Samoa since 1983. Values such as equity, sustainability, quality and appropriateness of health services, including the concept of culturally friendly services, are the foundations on which the health sector is based.

The vision of Ministry of Health is: *By the year 2003 all Samoans will be living in healthy environments, well informed on, and participating in health matters, living healthy lifestyles and accessing essential primary, secondary and tertiary health services provided by the most appropriate health services providers in a safe, ethical, caring and empowering environment.*

The economic and public sector reforms, which have been undertaken since 1996, have significantly influenced the current policies, strategies and priorities being devised by the Ministry of Health. One of the Government's public sector measures is the devolution of financial and human resource management to the line departments within the context of strategic and corporate development focusing on key public functions. Health sector reforms have resulted in the following:

- The Department of Health has taken on a more strategic role in regulating and monitoring the health sector. Focus has shifted from the operational management of public services to strategic management and health policy development in the health sector in addition to operational service delivery programmes, and
- There has been an intensification and development of partnerships with the rest

of the health sector (formal and informal private health sub-sectors), the community, non-governmental organizations and other government agencies in national health services plans for both rural and urban areas.

By introducing the *Health Sector Strategic Plan 1998-2003* the Department of Health set out to achieve the reform challenges and embarked on a programme across three priority areas.

- Institutional strengthening is addressed at two levels: the health sector level and Department of Health organizational level. Sector-level reforms respond to government economic policies and private health sector expansion, and provide an agenda of key policy areas that are being addressed and developed during a five-year implementation phase, which formally started implementation in mid 2001. The Department of Health organizational reforms aim to improve its effectiveness and efficiency by implementing public sector reforms aimed to improve policy development, strategic planning, human resource and financial management, service delivery and developing partnerships between the Department of Health and other sectors. Through intensive collaboration with various development agencies, policy development has been a main focus, with successful endorsement of national drug policy and national HIV policy, and drafting of national blood safety policy and tobacco control policy (with references to obligations set out by the WHO Framework Convention on Tobacco Control [FCTC]). A comprehensive legislation review has been conducted with the development of a tobacco bill, and preparation for mental health legislation and HIV legislation. National health financing policy and strategy have been established, together with a national health account, and the health insurance scheme has been revised.
- Primary health care and health promotion with a specific focus on non-communicable diseases, child and women health issues, and communicable diseases surveillance and responses. Non-communicable disease policy and strategy are under development. Coordinating mechanisms, contingency plans and capacity in the Ministry of Health

for communicable disease control, surveillance, and outbreak response were established and strengthened during the outbreak of severe acute respiratory syndrome (SARS). Child health policy and strategy were developed aimed at rheumatic fever prevention policy as well as an injury prevention policy to protect the health of Samoan children. Due to the success of the National Plan of Action on Nutrition, food safety issues have been reviewed with specific policy recommendations.

- Improvements in public health facilities These include establishment of a national health care waste management system, strengthening strategic planning, management, and quality control for national hospital laboratory, infection control in clinical settings, health information and data, and medical record management.

4.10.3 *Women and health*

Women's health is greatly affected by lifestyle diseases, particularly increasing obesity and adult onset diabetes. Iron-deficiency in women has also become a significant health problem. To reduce the incidence of these diet related diseases, the Department of Health has been vigorously promoting the multi-sectored implementation as well as monitoring of the National Food and Nutrition Policy 1996. At the same time, the government is taking appropriate action to promote the importation of food items with nutritive value.

The population of Samoa has access to universal health care including, access to Maternal and Child Health (MCH) services which are well developed as the services are based on a network of district public health nurses who work in close collaboration with the women's committees in each village.

Although women generally have in complete accessibility to reproductive health services, the Contraceptive Prevalence Rate remains relatively low at about 31 per cent. Moreover, a leading cause of morbidity and mortality for women are the complications related to pregnancy and childbirth. The incidence of breast cancer and cervical cancer are reported to be on the rise, a situation which is exacerbated by the lack of screening procedures.

4.10.4 *Review of health care financing*²⁰

The main findings in relation to health care financing as identified by WHO are as follows:

- The level of health spending as per centage of Gross Domestic Product (GDP) is reasonably high in Samoa. However, health outcomes and quality of health services provided within the health system are relatively low compared to other countries with a similar level of health expenditure. Government resources are concentrated in urban areas and rural health facilities are poorly maintained and under-utilized.
- A small, sparsely populated country situation with isolated rural communes requires more resources to deliver health services to the entire population in the most equitable and accessible forms. This situation also requires rational organization and delivery of health services. The amount of national health expenditure within the health sector and its growth in recent years has been mostly associated with health service organization and health system factors rather than with the direct costs of health services.

These factors are:

- Extensive rural health service provider network built by community initiatives and nongovernmental organizations (NGOs) which are not necessarily based on actual population needs and financing feasibility;
- Unregulated practice and growth of private providers including traditional healers;
- Cost of imported drugs and supplies; and
- Direct and indirect costs associated with overseas treatment referrals.

Along with these factors, other potential cost-contributing issues also exist in the country and these costs include:

- Current and future trend of population growth and ageing;

- Increasing burden of lifestyle-related diseases;
- Increasing demand for good quality health services; and
- Investment needs to rationalize, upgrade and maintain the health service network.

Government funding is limited to about 60 per cent of the current health care financing pattern. The remainder comes from external funding and private out-of-pocket payments. More than 60 per cent of the public health budget goes to hospitals. Most rural health facilities are owned and managed by communes or NGOs like the Women's Committee, and the government provides only necessary resources including salaries of health workers, medicine and other inputs for their operation.

Currently, public health facilities are delivering health services basically free of charge or with minimal co-payments. But the services delivered in private health facilities or offered by the traditional practitioners are already charged. Therefore, the general population is becoming more and more aware of health care costs. The current government is also interested in pursuing and increasing the current level of user fees in order to increase personal responsibility for the health of each individual and rationalize the service utilisation pattern in public health facilities. These trends may gradually lead to increased awareness about health care cost. As a result, people may seek a protection mechanism against increasing health care costs in the near future.

The WHO also recommended that:

- Given the current situation, social health insurance should be considered, through a combination of compulsory and voluntary mechanisms for the relevant population sectors, as the preferred option, and
- A task force on health care financing should be set up that will consist of representatives from the Departments of Health, Treasury, Labour and Social Welfare, the National Provident Fund, public and private providers, employers, medical and nurse associations and other recognized NGOs.

This task force as such has not been created but a number of developments have been made towards the implementation of health insurance in the formal employment sector.

²⁰ These comments were extracted from a report by Dr. Baya from WHO Regional office in Manila following a visit to Samoa in late 2002. This visit set in motion the movement towards the introduction of health insurance in Samoa

The SNPF has produced umbrella legislation in the form of *The National Provident Fund Amendment Bill 2005* for the development of the *SNPF Health Care Scheme* and *Medinsure Scheme*. The scheme has been presented to the parliament and in February 2005 had progressed through the parliamentary committee process and expected to be debated during the May/June 2005 parliamentary sitting.

The amendment proposes to include the following sections in the National Provident Fund Act 1972:

- Including an additional board member to represent the medical profession,
- Replace the title of General Manager with Chief Executive Officer,
- Provide options for withdrawal of persons undertaking theological studies,
- Extend residential qualifications for benefits, and
- Modify rates of payments, and establishes the SNPF Health Care Scheme (HCS) and Medinsure Scheme (MS).

The amendment proposes:

- The cost of administration be borne by the HCS and MS will be met from the MS Fund,
- Establishment of a health care scheme,
- All employers will contribute to the Medisave Fund an amount equivalent to 6 per cent of wages payable to each employee, and may recover half of the contribution from the employee salaries. The section also prescribes the penalties and process for dealing with arrears and breaches of contribution requirements,
- The contributions will be paid to individual accounts that will accrue interest,
- Provisions are made for voluntary contributions,
- Credits in the fund will be used to fund premiums and co-payments prescribed in the Medinsure fund,
- Withdrawal provisions, similar to the other provident fund contributions apply to the Medisave fund, including payments on death, emigration etc,
- Balance in the fund is inalienable, and
- Provision to make regulations to effect the provisions of the amendment.

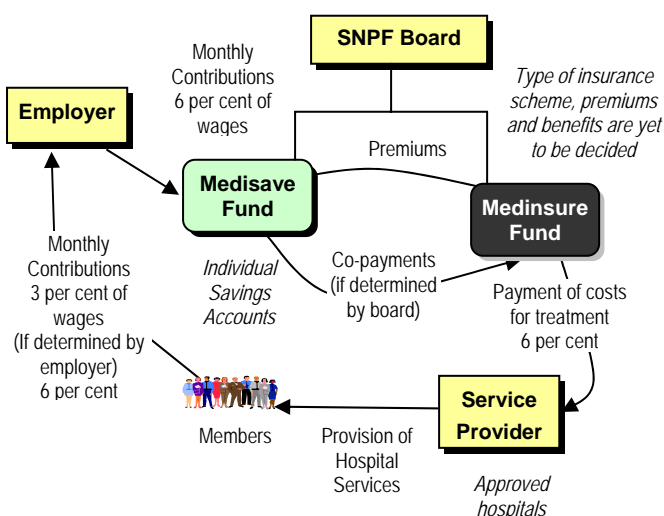
The second part of the amendment provides for:

- The establishment of the Medinsure scheme for the purpose of paying in full or part the costs incurred for treatment in an approved hospital,
- Premiums and co-payments for the member and dependant deducted from the balance of the Medisave Fund, details of these premiums and co-payments are yet to be determined,
- The information requirements and compulsory disclosures necessary for operation of the Medinsure scheme,
- Establishment of the Medinsure Fund that will be funded by premiums and co-payments which will be used to meet all payments to be made by the Medinsure scheme on behalf of members' treatment, and
- The provision to produce regulations including the following:
 - Specify membership eligibility,
 - Prescribing the conditions for claims,
 - Prescribing the benefits payable,
 - Prescribing the rate of premiums and co-payments,
 - Providing the details where refunds of premiums and co-payments may be made,
 - Establishing the information requirements, and
 - Establishing other requirements for the operation of the scheme.

A joint workshop is planned for all key stakeholders to assist the SNPF and the MOH to frame the necessary regulations for both the Medisave Fund and more importantly the Medinsure Fund. Whilst the Medisave Fund exhibits the elements of an individual accounts system, it only appears to exist for the payment of premiums and co-payments into the Medinsure Fund.

The structure of the Medinsure fund is not yet established and may well become a social health insurance scheme following the development of the regulations from which it will be established. It should be noted that there are no requirements in the legislation amendments to compel Medinsure to be a scheme based on individual accounts. An overview of the existing situation is shown in Figure 4.6.

Figure 4.6 Overview of SNPF health care proposal



4.11 Workplace conditions of service

Maternity Allowance is one of the workplace conditions of service in the public sector employment which provides for payment of 8 weeks salary for maternity leave and 5 days paid paternity leave. The conditions also provides for full payment of associated medical expenses. Maternity benefits are not compulsory in the private sector workforce and whilst some cover is provided by a few employers the most workers have no effective coverage.

4.12 Disability programs

In Samoa formal services for people with disabilities commenced in 1978 with the establishment of two special needs schools known as *Loto Taumafai* and *Fiamalamalama*. These schools accommodate people with all types of disabilities and are active in supporting the needs of those attending the schools. The government and the general population in Samoa have also supported the schools morally and financially.

In 1992, the government of Samoa passed the Compulsory Education Act which provided for compulsory education for all including those people with disabilities. This has resulted in the Department of Education increasing its involvement in the education needs of the disabled including the curriculum development and overall planning. In 2000, the department of education conducted a nationwide survey to identify the needs of the disabled children aged 0–14 years. This database enumerated 1,188

children with disabilities

As a result of the survey the Education Department initiated the following programs;

- Establishment of special education units at selected schools,
- Appointed a special education coordinator for curriculum development for disabled students,
- Introduction of compulsory special education units at the teachers training institution,
- Develop and maintained a database on disabled children, and
- Establish the network between government and NGO's to provide further support for disabled children.

In 2002 further research was conducted on disabled people over 15 years of age and a survey was conducted in all of the 330 villages and 23,079 households in Samoa. The survey identified a total of 2,874 disabled people over the age of 15 years or about 3 per cent of the adult population.

However when the 1188 children under 15 years of age are included there are about 4,062 disabled people in Samoa or about 2 per cent of the population.²¹ Table 4.30 below provides an overview of the disabled population over 15 years.

Table 4.30 Disabled population by location and gender

Location	Gender		Total
	Male	Female	
Samoa Urban	232	244	476
Samoa Rural	1,126	1,272	2,398
Total	1,358	1,516	2,874

Source: Report on Disability Survey 2002

The table shows more females than males; however this is consistent with the general population distribution by gender. Most of the disabled people live in rural areas posing particular problems in providing access and equity to education, health, employment and potential social security programs.

²¹ The per centage of the population provided in the report appears to be inconsistent with the population census which showed about 200,000 people in Samoa in 2002. However including children in the disabled figure may account for the discrepancy as children will probably be biased against disability from work, vehicle accidents, age etc

The labour force elements of the survey found that only about 25 per cent of the disabled were in paid employment and over 50 per cent assisted their families at home, presumably as unpaid workers and the remainder were not participants in the labour force. The survey also found that most of those not employed (about 80 per cent) were over 50 years of age.

About 29 per cent were involved in community activities and of those most (75 per cent) were over 50 years of age and had previous status as titled men, matai (titled men), married and unmarried females. The study recommended greater involvement of youth through local organisations, NGO's and church groups.

Other major findings in the survey were the shortage of special appliances for the disabled including assistance with mobility, access ramps and other prosthetics. This suggests further unmet social security needs where support for the disabled is a component of social assistance.

4.13 Informal social security programs

4.13.1 Church based welfare schemes

The religious orders in Samoa have a strong sense of social responsibility and provide church based caring systems in all parishes that include in-kind assistance, skills development and spiritual guidance. These programs are targeted at the key vulnerable groups within society; youth, women and the elderly. The churches also provide care and support to men through development groups.

All of the orders provide retirement pensions for their retired priests and pastors in the order of WST 100 to 200 per month. Some groups have retirement provisions that can be exercised after 25 years service or reaching age 65 and compulsory retirement at 70 years.

The extent of the contribution by the churches to the social budget in Samoa cannot be calculated but it is evident that a significant proportion of the support provided to disadvantaged groups is facilitated through the voluntary church based groups. This system supports and re-enforces *faa samoa* and is reflected in some elements of the informal economy survey conducted as part of this project and provided in chapter 5.

(i) Religious social support groups

Samoa people are active participants in the many religions that are a main feature of life in the country. Whilst the churches sponsor many social support groups this project team were unable to determine the extent of these services during the initial visit to Samoa. However it is evident that church groups have a major role in the re-enforcement of *Faa Samoa*.

Anecdotal evidence suggested that few Samoans would place aged parents in a home, however it is evident that aged people needing constant nursing and geriatric care could not be managed in their homes. Whilst the Little sisters of the Poor (see Box 1) cater for some of the poor aged patients it is evident that there is a pressing need for private nursing homes to cater for those with some independent means. With the ageing of the population and overseas migration of younger family members this need will increase.

Box 4.1 Church based aged care (ii) Voluntary provident fund membership for religious orders

A recent amendment to the provident fund legislation has provided for the voluntary membership to the SNPF for religious personnel especially priests and pastors. The membership accounts managers are currently actively promoting the fund to the various orders.

The Little Sisters of the Poor, a Roman Catholic order, provide the major aged care service in Samoa though the home for the aged, Mapuifagalele, established in 1970. The home operates as a charity, is open to all residents and operates through donations from the public and from collections conducted by the sisters. The home is only available to the poor and entry provisions are that the person must be old (>60 or 65 years), financially dependent, and come from poor families unable to support them. The home has a 65 bed capacity and currently has 15 vacancies due to a number of deaths over the past few months, prior to which it was at maximum capacity. Potential residents are assessed in their home environment by the sisters before acceptance into the home. Most residents are usually suffering from illness. Reflecting the strong cultural ties of Samoan Families, most residents would prefer to stay with their families; however, most are too sick or too poor to be able to provide adequate minimum geriatric care.

Medical care is provided through the government health care system wherever possible including weekly visits by the local doctors. However at times the home is required to purchase some medicines which may be unavailable through the government health care system.

The home employs 33 staff, complemented by 10 sisters who all work in three daily shifts to monitor and care for the residents. Fixed monthly costs are WST 40,000 per month and the additional maintenances and of food etc are usually provided by donations. It is not possible to determine the true cost of maintaining a resident in the home. The home is an impressive facility that provides care, nurture and entertainment to poor frail aged people.

(iii) *Traditional systems*

Faa Samoa is the traditional system which is an important consideration for social security and micro programs as *Faa Samoa* has been the mainstay of voluntary programs that ensure the basic needs of people are met. Its performance has been demonstrated consistently; particularly in the recovery of the country from natural disasters and a future study as part of this project will explore *Faa Samoa* in more detail and implications for formal and informal social security schemes.

4.13.2 *Micro programs in Samoa*

There are a number of micro programs operating in Samoa and they mainly focus on loans and income creation activities. Social programs are mostly informal and relate to *Faa Samoa* rather than formal micro-insurance or revolving credit/insurance programs. The current ADB sponsored financial governance reform program aims to strengthen legal financial frameworks, strengthen service providers and establish a loan guarantee fund based on term deposits and in proportion to the clients of the particular participating banks.

One of these programs *Micro Projects* is an EU funded program that aim to lead to income generation and to reduce rural poverty. These programs also focus on social and economic infrastructure development in the Education, Health, water supply, NGO's youth (in the form of training) and Culture (extension of carving, production of artefacts etc). Participants in these programs are required to provide 25 per cent of the funding themselves. The other pillar of the program is in the economic sectors where the aim is income generation, and these are generally group based schemes in agriculture, fishing, and tourism with participants required to provide 35 per cent of the total cost. The program is in the second year of a four year program and initial findings suggest that in Samoa it is not difficult to establish group schemes in villages by using the existing groups and social systems particularly the village groups and the chiefs. Other indications are that economic programs are best targeted at extended family groups because formation of new or specialised groups is a very difficult process.

(i) *Access to Credit*

Difficulties in accessing credit by rural farmers

and small businesses were cited as a major problem in the survey and during project visits. Reforms to the Development Bank of Samoa (DBS) in the late 1990s resulted in the elimination of all concessionary lending to agriculture. However, the impact on small farmers has been limited as DBS lends very little to small farmers. The primary sector receives little finance from the commercial banks, but there is some finance from other non-bank financial institutions. A small informal credit market exists but the amounts involved are small. As in many Pacific countries, access to capital for development is constrained by the inability to provide land as collateral. This is mainly due to the communal land ownership system. The ADB is supporting the development of a new micro-credit scheme through SBEC and the WIBF.

Access to credit in Samoa has improved substantially over recent years and a number of agencies, and banks and some credit unions provide facilities for loans. To minimise the concerns over credit ratings of individuals a Credit Ratings Company is being established in a joint venture with an agency from New Zealand, which will use its facilities to record and store the data in Auckland thus minimising the company overheads in Apia. The company will provide a scaled credit rating for loan applicants that will assist in the processing of loans and assist the lenders against bad creditors. In addition to the agencies shown below a new private bank (Pacific Bank) specialises in quick loans, paid within a few days by accepting as collateral motor cars, white goods etc. This is expected to create competition in the loan sector of the financial markets.

Women in Business Development Inc (WIB) is a non government organisation co-funded by NZAid and Oxfam NZ. The aims are to assist women to increase their incomes within the scope of their normal village and household tasks and to add value to villages. WIB, in return for a moderate fee manages the financial affairs of the business participants and assists in collection and distribution of funds to the small businesses. Assessment for suitability for loans is also made and successful applicants are referred to the Development Bank for loans. Most of the activity is in the development of a market for village products and reasonable incomes can be generated from the sale of organic coconut oil, although it is a labour intensive and physically demanding task. WIB

also encourages savings of some of the earnings to be deposited into bank accounts for future personal demands.

Many Samoans still sleep on woven mats made from pandanus leaves and the most highly sought after mats are those with a fine weave of around 16 to 20 fibres per inch. They are time consuming to make as they are woven by hand without looms and can cost in the order of WST 1,500 to WST 3,000 and take up to six months to complete. WIB negotiates with buyers and commissions village women to produce the mats. Production is supervised weekly and payment of around WST 100 is made to the women subject to satisfactory quality and quantity targets being met. Mat weaving is usually carried out each day for short periods between normal household chores. Promotion of the use of fine quality mats by senior community members has been instrumental in stimulating the demand and assisting families to maintain a regular income.

WIB currently services 108 villages in Samoa on Upolo and Savaii and has about 150 formal members producing mats²², noni and vanilla.

Development Bank of Samoa was established in 1974 to promote expansion of the economy, social advancement of the people and to provide short and long term loans, equity participation and financial and technical advice to any enterprise in Samoa. It is also responsible for the guarantee of finance provided by other sources and to identify and promote new business opportunities. The bank obtains its capital from the government and by borrowings from foreign and local sources including ADB, EEC, EIB, IFAD and the Samoa National Provident Fund. The Bank has 120 staff located in its office in Apia.

Table 4.31 Loans approved 2002

Sector	Loans	per cent	Amount (WST)	per cent
Agriculture	2,066	89.9	7,434,740	47.4
Industry	208	9.1	6,598,557	42.1
Social Services	4	0.2	363,000	2.3
Fishing	19	0.8	1,292,600	8.2
Total	2,297	100	15,688,897	100

Source: Development Bank Samoa, 2003 Annual Report

The loans approved in 2002 showed a reduction in lending for social services (schools, clinics

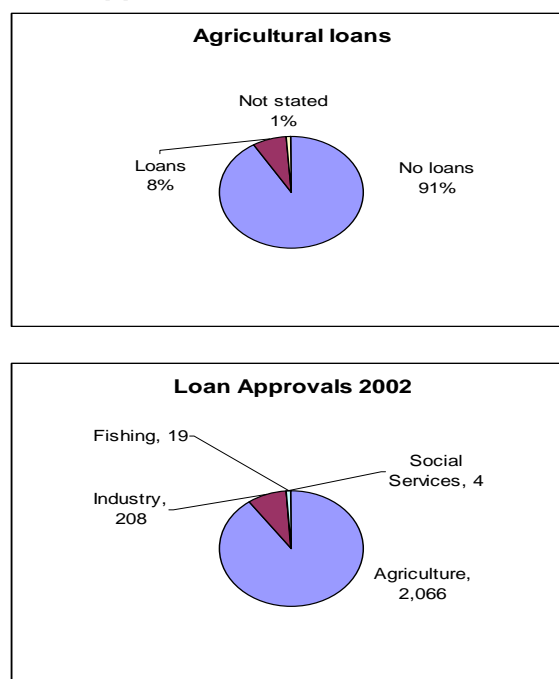
²² Mats are woven from spliced leaves from the pandanus palm, the finer the splice the more difficult and expensive the mat. Noni is the bitter fruit that is usually juiced and recognized internationally to have medicinal properties.

etc) and for fishing to only 1 per cent of the total loans written. The reasons for this were the low fishing catches in 2001/2 and the external donor funding of many social service initiatives.

The bulk of lending was for agriculture and includes micro finance for referrals from WIB and SBEC. The total value of loans at 30 September 2002 was WST 40,427,568.

Whilst the emphasis on microfinance is on agricultural loans the impact on the agricultural sector of the economy is still limited and Figure 4.7 shows the per centage of agricultural households availing themselves of loans. Anecdotal evidence suggests that high interest rates may be a limiting factor in take up of loans.

Figure 4.7 Total loans and agricultural loans approved 2002



Source SDB Annual Report 2003

Borrowers from the Development Bank must first undergo training on how to manage their business and finances. Referrals from WIB and SBEC will have undergone this training in their respective agencies before referral. Insurance for loans from external insurers are no longer available or viable to borrowers due to the lack of collateral or the high premiums charged. As a result the Development Bank through its credit union provides for its own insurance pool that in the event of death of the borrower, the credit union will cover half of the outstanding debt and match the savings deposit balance in the credit union. These measures are designed to promote

savings by borrowers and are consistent with the bank's role to promote membership in the credit union. It should be noted that membership in credit unions has waned over recent years and very few remain viable. The public sector union and teachers and nurses credit unions are exceptions.

The notional lending rate of interest in Samoa is about 11 per cent for secured lending from commercial banks. Interest rates to borrowers from the development bank is an inhibitor to expansion of loans with interest on the ADB loan funds set at 18 per cent and in August 2004 there were only three borrowers under this scheme. The government lends money to the Development Bank at 6 per cent interest which is lent to borrowers at between 10.5 per cent and 12.5 per cent depending on the degree of risk of the loan. The interest charged by other lenders to the bank range from 1 per cent for EEC loans to 9 per cent for SNPF loans. The differential reflects the risk the Development Bank undertakes in line with its responsibility for recovery of loans. Borrowers are also encouraged to repay loans by the offer of higher capital loans that will be provided to borrowers who have demonstrated reliability and regularity in repayment of the initial micro loans.

The loan default rate in 2002 was 7 per cent of the loan portfolio.

Small Business Enterprise Centre (SBEC) is a small business promotion agency that fosters small and medium enterprises in Samoa. SBEC assists prospective and existing businesses with small business training, writing business plans and nurturing the businesses. SBEC assesses the viability, potential and risk of the business and works in collaboration with banks for business loans and offers loan guarantees of up to 80 per cent of the loan of up to WST 20,000 for new businesses and WST 50,000 for business diversification and expansion. Applicants requiring less than WST 5,000 are referred to WIB or the Development Bank.

4.13.3 Life insurance in Samoa

The Life Assurance Corporation is a privatised government enterprise in Samoa that provides life insurance products for death only, endowment with life insurance and superannuation schemes. The company being the original monopoly insurer has underwritten most of the life policies in the country. However the

market is now competitive with the entry of the Colonial mutual company and two U.S. based firms although these currently focus mainly as brokers for other companies.

The company has about 10,000 current policies and most members are government or regular employees and make contribution by group employer deductions. About 150-200 new policies are written each month and about one-third of these are from workers in the informal and rural economies.

Examples of the type of policies offered include 20 year + endowment and death policies down to 10 year endowment policies which are the lowest. Contribution rates vary according to the policy but they range from about WST 20 per fortnight for a WST 5,000 policy to WST 30 per fortnight for a WST 10,000 policy.

4.14 The informal economy

Because of the concentration of the Samoan population in rural areas where about 76 per cent of families are devoted to agriculture for income and or subsistence then informal sector employment is correlated strongly to agricultural activities (Source: Annual Reports: 2001, 2002, Jan-Jun 2003 - 6 months).

The definition and classification of the informal economy is difficult in many countries because comprehensive data is often unavailable and informal economy studies are often limited to selected employment sections. The broadest definition for the informal economy includes those workers who do not receive regular income and have no contracted or enforceable employer/employee relationship. This usually includes a predominance of self employed, casual and unpaid workers in family businesses and those not registered or subject to labour laws.

Options for classification for Pacific Island countries is described in chapter 3 and in the Informal economy survey in chapter 5.

4.15 Summary of social protection programs in Samoa

Table 4.32 shows a comprehensive list of many of the major social protection programs that provide protection particularly for disadvantaged members of society. The responses in the

currently available columns generally refers to those widely available and where there is only very small isolated instances, the response has been *no*, although it is qualified in the remarks column. It should be noted that this is a

subjective view based on the best available knowledge at the time of compilation and is subject to change, as new programs become known.

Table 4.32 Social protection programs in Samoa

Sector and Programs	Currently Available		Remarks
Labour Market Vocational training Income generation programs Labour standards Apprenticeship training Gender equity programs Collective bargaining Structural adjustment assistance Micro enterprise development Anti-exploitative programs Affirmative action programs Occupational health & safety Social funds Job seeker program Labour exchanges	Yes	No No No No No No No No No No Yes	Not part of labour but part of microfinance Mostly fragmented but not in labour Unions are almost non existent except for the public sector union But only as part of informal microfinance schemes Operational but informal and not widespread
Social Insurance Old age pensions (SCBF) Disability benefits Survivor benefits Private pensions Maternity benefits Unemployment insurance Sickness insurance Social health insurance Workers' compensation	Yes Yes Yes Yes Yes Yes	 No No No No No No	Provident fund is mostly lump sum, although some pensions are paid on a voluntary basis. Universal pension to people > 65 years Part of SNPF, formal sector only Part of SNPF, formal sector only Minor mostly expatriate superannuation Part of public sector and employment conditions, formal sector only Under consideration, legislation prepared, awaiting decision Compulsory scheme together with motor vehicle accident.
Social Assistance Cash transfers for aged, widows & disabled Aged persons care programs Food for work transfers Food security programs In-kind education incentives School feeding programs Conflict compensation Utility subsidies Programs for disabled Homeless person assistance Medical rehabilitation Assistance to disaster victims Subsidised medical treatment	Yes Yes Yes Yes Yes	No No No No No No No No No No No No No	Church based program for aged persons home is only example One of the issues not required in Samoa Special education, private and family schemes, universal health care. Limited to critical cases evacuated to Apia or overseas Ad-hoc, only ministry to develop local plans is MOH Part of national health care policy
Micro schemes Micro loans Micro insurance Agricultural insurance Welfare funds Assistance for disadvantaged minorities	Yes	No No No No No	WIBF and SDB, minor loans, all islands NGO's only No central policy or development plans, sectoral only
Child Protection Child maintenance Family allowance Human rights Scholarships for disadvantaged Vaccination programs Nutrition programs Rehabilitation programs Assistance for homeless youth Anti child labour/trafficking programs	Yes Yes Yes Yes	No No No No No No No No	Based on the Food and Nutrition Policy 1996

The Central government accounts to 2002 shows that government expenditure on welfare continued at a low rate with expenditure on

welfare and the environment to be the second lowest sectoral expenditure after commerce. However the highest sectoral expenditure was on

education followed by health.

4.16 Summary of gender issues

The daily lives of the majority of Samoan women were regulated by customary law and practices that were based on female subordination and the stereotypical gender roles. However there have been steady changes in the economic, social and political lives of women in Samoa including increased participation in paid employment, an increasing representation in management positions, decreased fertility and a reduction in family size. Customary laws accord women a status of prestige in Samoan society. Gender ideology underlying Samoa's social system features complementary male and female roles, and the concept of family goes beyond the nuclear family. Family arrangements are thus complex and multifaceted and a married woman may be affected by the decisions not only of her husband, but also of members in her extended family. However, the traditional social safety nets are fast changing and have impacted on the family and the role of women. De facto married relationships occur, although there is considerable societal and church pressure against it. There is a rising incidence of teenage pregnancies and the number of female heads of households is increasing.

Rural women constitute 78 per cent of the total female population. Health indicators include infant mortality, high life expectancies of 65 for males and 72.5 for females, and the rates of immunization coverage are among the highest in the Pacific region.

No legislation exists regarding matrimonial property and the courts rely on the common law and precedent to determine the rights of each party. The dissolution of marriage is based on the principle of proving the 'fault of the other party.'

Women currently hold three of the 49 seats in the National Parliament. Only 'matai' or chiefly title holders are eligible to run for Parliament. Even though women have the same rights of access to chiefly titles as men, there is still a traditional preference for men to hold such positions which explains to some degree the under representation of women in the legislature.

The Employment Act 1972 forbids discriminatory actions by the State on the basis of sex and contains special provisions intended for

the protection of women from undertaking activities not suited to their physical capacity and

working late (specifically after midnight). International law does not automatically become the law of the country, but can serve as an interpretative tool. In this capacity, the Women's Convention and other international instruments can be used to monitor State activities. There is a generally accepted underlying principle that discrimination on the basis of gender is not a major issue in Samoa. The Act also promotes fair employment practices based on the principle of tripartism however, it does not specifically prohibit discrimination on the basis of gender or marital status.

Employment of women in the formal employment sector had increased from 30 per cent in 1991 to 43 per cent in 2001. Of the total workforce in the public sector, 58 per cent were women, reflecting the predominance of women in the teaching and nursing professions. The Ministry of Commerce, Industry and Labour proposes to review all employment laws as part of its 2003-2007 Corporate Plan. The public sector, however, currently enjoys better conditions of employment, especially for women, such as eight weeks paid maternity leave and up to six months leave without pay, as well as provision of paternity leave, flexible work hours, incentives for further study and vocational training. Women in the public sector have paid maternity leave for a period of 8 weeks and may continue on unpaid maternity leave thereafter for up to 6 months. Paid maternity leave in the private sector varies from none to 4 weeks with most companies granting a maximum of 2 weeks paid maternity leave although some private companies have also adopted similar maternity leave provision as those that apply in the public service.

Agriculture is the dominant sector in employment in Samoa and the participation rate of women in agriculture is 30 per cent. Total workforce participation is 33 per cent giving a ratio of 47 females for every 100 males in the workforce. In the public sector, 53 per cent of permanent public servants are women with temporary employees being primarily males. Currently women occupy the positions of CEO in 8 government departments and corporations which represent about 23 per cent of the positions, reflecting the

growing number of women in executive government positions.

Universal suffrage was introduced in 1991 which gave all Samoans 21 years and over the right to vote. Previously, only women registered in the Individual Voters Roll and registered as chiefly title holders could vote. Women also have equal rights to existing social security programs although this is somewhat limited by participation in the formal employment sector. National statistics are disaggregated so that there is a realistic portrayal of the national situation with regard to gender.

There remains a need to strengthen the promotion of women's legal rights and awareness by women of their legal rights so that they can have confidence in utilizing opportunities available to them. There is no official policy aimed at accelerating the areas of inequality or positive discrimination for women because there is the generally accepted underlying principle in some areas that discrimination on the basis of gender is not a problem in Samoa.

Ninety per cent of women in Samoa belong to an NGO and like cooperatives; they potentially offer a convenient group formation from which to build voluntary social security micro schemes. Effective groups are the key to these schemes and when they also have earnings focus the opportunity also exists to extend this to micro loans and savings schemes.

Access to credit and microfinance has become increasingly popular, and policies have particularly impacted women in the cottage industries where selected programs were directed. The micro-credit and small scale enterprises were targeted at rural enterprise to encourage women to participate in the economy's growth because 49 per cent of the economically active workforce was engaged in subsistence agriculture.

The participation of women in small businesses is one of the main channels through which women enter the economy. A significant number of micro-enterprises are operated by women receiving assistance for market research and training, especially in non-traditional areas such as manufacturing.

Literacy rates are 97.8 per cent for females and 98.6 per cent for males (1991 Census). Literacy and education are universal and attendance rates

at the primary and secondary levels are higher for females than males, however the dropout rate for both males and females after the primary level is high which partially reflects the selective process for entry into secondary school. The 2001 population census showed that 13 per cent of females have received tertiary education as compared to 26 per cent of males; 64 per cent females have received secondary education as compared to 58 per cent of males; and 37 per cent females have received only primary education compared to 42 per cent males.

4.17 Initial observations of social security programs

The *social security gaps* in Samoa are significant with the formal economy workers protected against some loss of income due to age, death and disability through the provisions of the SNPF. Basic health cover is provided by the government with a moderate charge levied on hospital care. Workers compensation is compulsory, the degree of compliance is high and the amendments to the legislation in late 2003 now provides for more supportive benefits including a pension for permanently incapacitated workers. Motor vehicle third party insurance is also compulsory and is funded by a fuel levy. Apart from selected private insurance and micro schemes through credit unions and union schemes the majority of the population have no social security coverage and workers in the formal economy have access only to selected programs. Limited coverage for loss of income from sickness, unemployment, maternity, invalidity and for widows is unavailable to almost all of the population. Only some of the population have access to retirement, invalidity or death benefits. Social assistance and welfare payments are provided only by NGO's and donor agencies.

There is *no central or coordinating agency* to promote policy development and provision of social services. Development and job creation are the government's main priorities with the majority of the population expected to benefit from the trickle down effect from the jobs created by the development programs. As in many other developing countries this has not eventuated with most economic growth being associated with low employment. This together with low economic growth has been insufficient to absorb the new entrants into the workforce resulting in pressure being placed on the informal economy which

continues to absorb the bulk of the new entrants into the workforce.

Whilst job creation is one of the surest ways to increase resilience of the population against poverty there needs to be some *balance between development and social security* which is the other means of increasing resilience against poverty. Social insurance, by way of the savings invested in the funds can moderate fluctuations in the economy and the effects of economic downturns can be minimised by social security payments from the funds. This tends to sustain individual domestic purchasing power which can support the local economy. Social security payments can also defer the time at which households begin to divest themselves of assets, mostly at considerable loss in order to sustain themselves in times of loss of income.

Assistance to *victims of natural disasters* is still very much reactive and the government's requirement for all ministries to develop proactive programs has apparently not yet been fully completed. It is evident that without a centralised social welfare policy unit the welfare and social assistance components of disaster recovery will be difficult to implement and individual sectoral programs are likely to lead to fragmentation of services. In order to alleviate the immediate effects of a natural disaster, a welfare program of immediate cash or benefits in kind can assist the local economy to recover more quickly by allowing purchase and recovery of local resources. However these in-kind and cash assistance programs need to have national and local components coordinated by the disaster recovery command team. Any social policy must take into account *faa Samoa* and be able to satisfy the governments aim to preserve and strengthen the social elements of *faa Samoa*.

4.18 Immediate technical assistance needs

In the initial visit by the CTA and Gender specialist the immediate needs that were identified and requested in Samoa included:

- The provident fund has extended its services to members by extending the availability of loans and has developed a substantial public contact profile, especially in its main office in Apia. It is likely to become the social security agency in any expanded

programme. An institutional improvement strategy should be considered in anticipation of this and is an element in the study of *Operations and IT in the SNPF* which is contained in chapter 17.

- The Ministry of Health and WHO have conducted preliminary studies on alternative means of increasing health funding including some form of social health insurance. As this is a common concern for most of the countries participating in this project, a feasibility study on health insurance options should be expedited. It was agreed with the country director of WHO that contact would be made with the respective offices in Manila to look at top down coordination and presentation of a common strategy for the government on social health insurance. It is highly likely that the proposed SHI legislation will be given assent by the parliament and policy and implementation strategies would need to follow as a matter of urgency.
- If the government wishes to achieve its goals stated in the budget preamble then some form of *social protection reform task force* should be established to coordinate the activities of the various stakeholders and to direct social policy at the national level. A subset of the task force may form part the steering committee for this project.

4.19 Conclusion

This overview report has identified a number of gaps in social protection coverage and particularly in the areas of social insurance in the formal economy, social assistance and welfare services and in micro programs especially outside the major urban areas. In phase 2 of the project a joint stakeholder workshops was conducted that used existing social security overview reports, surveys from informal and formal economy (provident funds members) workers and stakeholder inputs to identify the program gaps and priorities for extension of coverage. These recommendations were translated into feasibility studies of the major benefit types that formed part of the inputs to the final phase of preparing the national action plans for social security extension.

Chapter 5 Survey of Workers in the Informal Economy and Formal Employment Sector

5.1 Samoa informal economy survey

5.1.1 Background

The aim of the sample survey of workers in the informal economy was to obtain some indicative parameters about the workers and their priority social security needs, who provides or will provide for these basic social security needs, gaps in coverage and their potential to contribute to voluntary schemes. The survey also recorded some of the demographic and other details about the workers including their income patterns, work category, insurance and micro finance and membership of organisations.

5.1.2 Methodology

The survey was planned within the constraints of data availability and attempted to match the sample to the population distribution across the geographical zones where the informal employment sector occupations could be identified. Within the sample zones the participants were selected as randomly as possible and care was taken to avoid bias in the samples. Details of the data sources and sample selection are discussed below.

The data collection form and supporting instructions is provided in Annex 2. It should be noted that the terminology used in the form was interpreted by the data collectors and presented to the participants in local language. A critical issue in the conduct of the surveys was providing data collectors with a good understanding of the requirements and their ability to translate the terminology into colloquial language. The data was collected by members of the Samoa National Provident Fund following briefings and form testing by the staff. The samples in Samoa were taken from both islands Upolo and Savaii.

5.1.3 Sample selection

In Samoa there are 52,945 economically active members of the workforce. Of these 24,468 are wage and salary earners that suggest that there are about 28,477 economically active members in the informal economy. By using a rounded total of 30,000 for the formal economy a 1 per cent

sample for survey would be 300.

The 2001 Census found that 76 per cent of the workforce is employed in rural areas which have been defined by the Statistics department as being the three statistical divisions outside Apia Urban Area. Best estimates from the 2001 census suggests that about 70 per cent of the workforce is male and 30 per cent female and that the two exclusively rural occupations for non-wage earners shown above are mostly males.

The home workers are substantially female and the self-employed workers are likely to have a higher proportion of males. For the transport industry workers most of the participants are male. Based on these assumptions and in the absence of more detailed information about distribution of occupations in the informal economy, the following distribution of the sample was made:

Table 5.1 Rural urban sample

Informal Occupation	Proportional Estimates		Sample Ratio	Sample S=300
	Rural	Urban		
Farm and Farm Related Activities	35%		35%	105
Fishing	25%		25%	75
Home workers	10%	10%	20%	60
Self Employed	5%	10%	15%	45
Transport Industry		5%	5%	15
Total	75%	25%	100%	300

5.1.4 Survey locations

As 76 per cent of the population live on Upolo and only 24 per cent live on Savaii, and that Savaii is classified as rural by the statistics department, 24 per cent of the survey was conducted on Savaii and the remainder on Upolo. The estimate of the sample by occupation was based on estimates which were mapped from the 2001 population census although the distribution is only an estimate as there occupations were not clearly identified in the census along these lines.

Table 5.2 *Survey sample locations by occupation*

Informal Occupation	Location	
	Upolu	Savaii
Farm and Farm Related Activities	70	35
Fishing	50	25
Home workers	45	15
Self Employed	35	10
Transport Industry	15	
Total	215	85

Table 5.3 below showing the distribution of surveys by district and occupation types is a guideline only because it is based on estimates and not detailed population mapping. These locations were selected at random based on population densities obtained from the 2001 population census.

Table 5.3 *District sample size*

Informal Occupation	Districts (Sample size)	
	Upolu	Savaii
Farm and Farm Related Activities	Aana (25); Siumu/Safata (25); Aleipata (20)	Faasalelata (15); Gagaemauga (20)
Fishing	Aana (20); Siumu/Safata (15); Aleipata (15)	Faasalelata (15); Gagaemauga (10)
Home workers	Aana (5); Siumu/Safata (15); Aleipata (15); Apia (10)	Faasalelata (5); Gagaemauga (5); Salelologa (5)
Self Employed	Aana (10); Siumu/Safata (5); Aleipata (10); Apia (10)	Gagaemauga (5); Salelologa (5)
Transport Industry	Apia (15)	
Total	215	85

5.2 Informal economy survey findings

5.2.1 Aims and methodology

The scope of the survey was to obtain information from selected workers in the urban informal economy about personal details, education, employment, income social security needs, priorities and their capacity and desire to contribute to a social security scheme. During the survey, the interviewers provided informants with basic information about social security programmes available in Samoa, as it was anticipated that many people would have limited understanding of the concept. The choice of employment category and location was based on proximity to major cities, earnings capacity, high

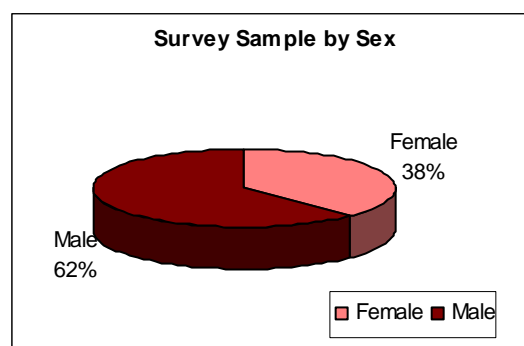
social risk and potential to create groups of workers with similar work and life interests. The potential to implement a future pilot scheme and a subsequent social security program was also a key consideration.

5.2.2 Key survey results

The questionnaires of the survey consist of 5 parts; (i) personal details, (ii) education, (iii) employment, (iv) income details, and (v) social security needs, priorities and desire to contribute. A summary of the key findings is presented below.

Personal details

The balance between sexes in the survey was biased towards males because of the type of industries chosen. Many of the traditional farmers, fishermen and transport workers were male. The predominant work areas for females in unpaid family care, family business and home workers were less accessible to the surveyors. The sample correlates reasonably closely to the 1991 census where 68 per cent of the workforce was males and 32 per cent female.

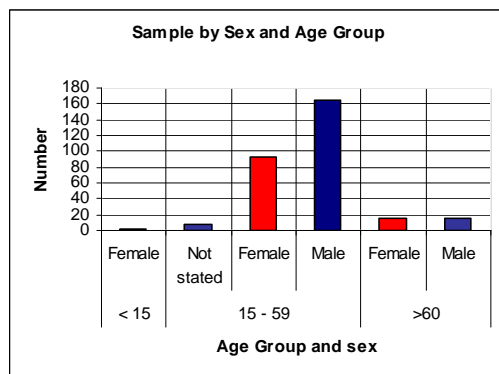


Age groupings

Age Group	Gender	Count
< 15	Female	1
15 - 59	Not stated	7
	Female	93
	Male	165
>60	Female	16
	Male	16
TOTAL		298

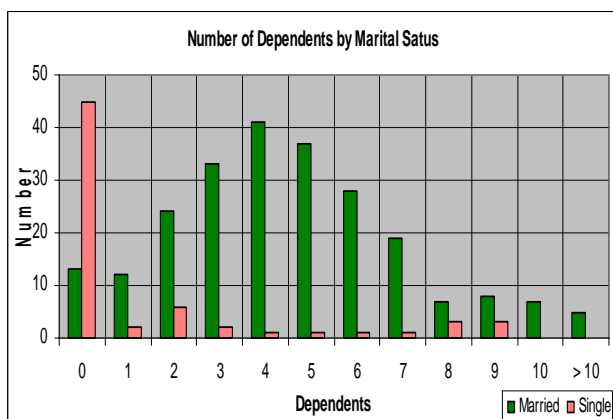
As expected the bulk of the sample identified people in the working age group aged between 15 and 60 years. The proportion of males reflected the overall gender ratio in the sample although in

the over 60 years age group the gender proportion was about equal.



Dependents

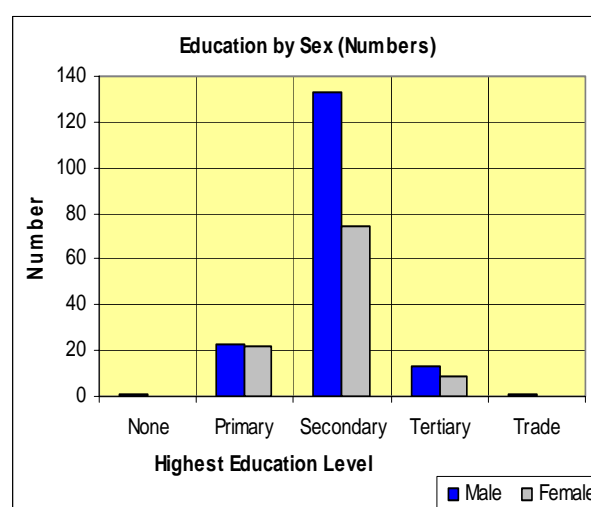
The number of dependents as shown in the following diagram follows a natural distribution curve with the mode around four dependents per family although the weighted average would be closer to 4.5 dependents per family. The number of single parents was 20 in the sample of 300, which represents about 6.7 per cent of the sample. Details about family size were difficult to estimate and the population census of 2001 provided a mean household size of 8 whereas the household income and expenditure survey only provided a break-up of families by size but not an average.



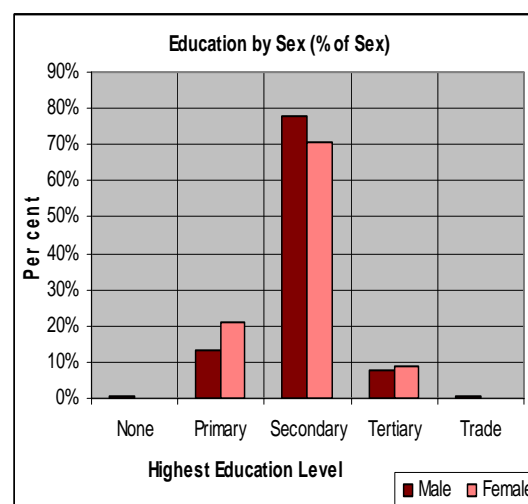
Education

The highest education attainment of the workers in the sample is shown in the following charts. In terms of absolute numbers in the sample, males represent the highest numbers in all categories of education. However when considered as a per cent of each sex in the second chart, it can be seen that a higher per cent of females have only achieved primary education and they also

have less representation in secondary achievement; however females have a higher per cent of tertiary achievement than males. These findings reflect the situation in Samoa however it is acknowledged that imbalance in education for females has been addressed and the national data shows increasing numbers of females completing higher education. These data reflect the high literacy rate in Samoa which the UNDP Country assessment report 2002 identified as 98 per cent and 100 per cent enrolment in primary school. High literacy rates imply that operating within a social security program and maintaining claim requirements should not pose any problems for the average adult Samoan.

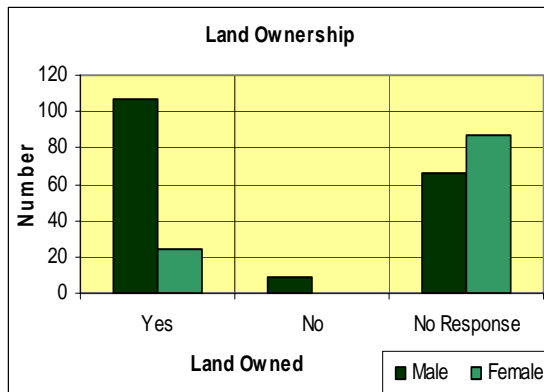


Land ownership



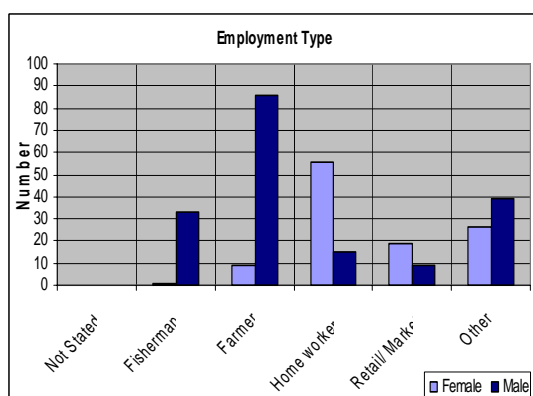
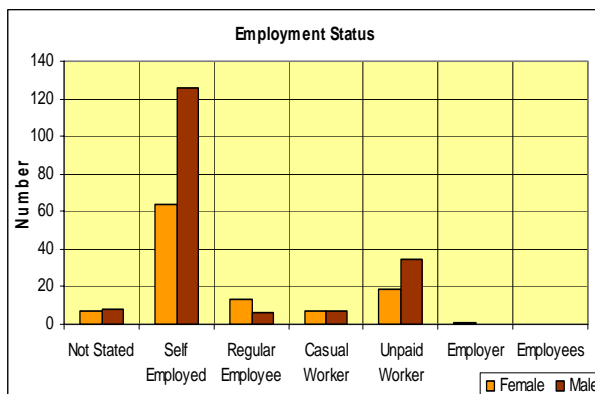
Land ownership posed some problems for surveyors and respondents alike and given that much of the sampling occurred in traditional villages and towns the ownership of land is not always clear. One of the benefits of *Faa Samoa* is

access and rights to land as part of an extended family group. It is generally accepted that the provision of support to the extended family is maintained by Samoans to maintain this ownership link, no matter where they reside. However many people in the sample saw freehold as ownership, which has been identified as the most likely cause of the high “no response” count for this question. The “yes” response demonstrates that land ownership is traditionally identified with males.



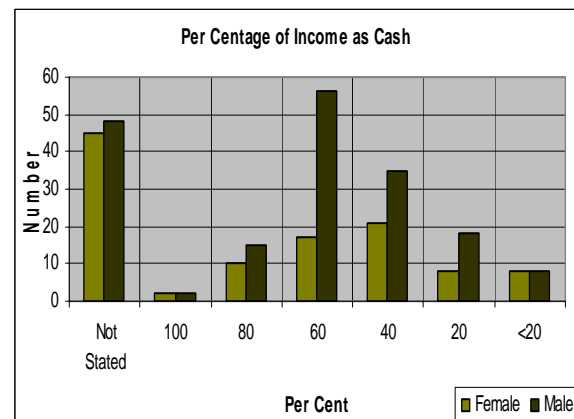
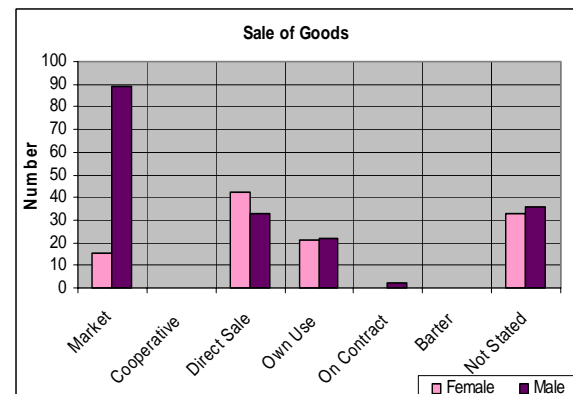
Employment

The employment status of the sample is dominated by self employment and unpaid workers. This reflects the traditional rural nature of the sample where families share the workload. The last two columns represent employers and the number of employees and it is clear that people didn't equate their status as employers or employees.



The employment types of the respondents in the sample reflect the nature of the rural areas in Samoa where fishermen, farmers and home workers together make up about two thirds of the occupations. The other category is a significant proportion of the sample and is closer to gender equality than any of the other categories.

Income patterns

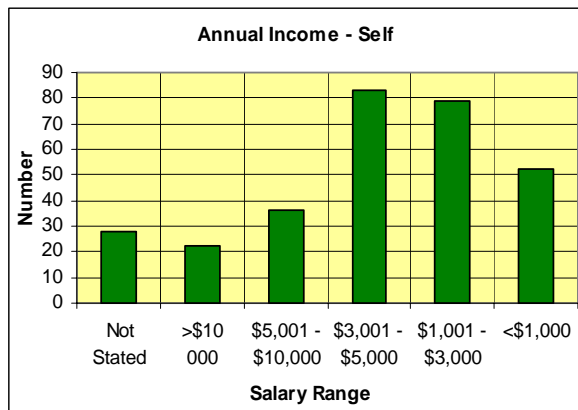


The question that asked respondents to estimate the per centage of their income that is cash was expected to be very difficult for informal rural workers; however more than two thirds of the sample were able to respond. The results show that about one third of the sample received about half of their income in cash. This would tend to magnify the impact of contributions that might be made as part of a savings or insurance program.

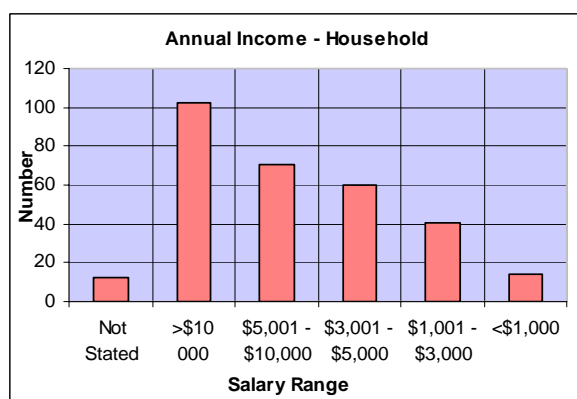
The main source of income for informal workers in the informal economy in Samoa is based on the sale of produce, typically copra, fish, fruit, vegetables and handicrafts. The results of this survey suggest that almost all produce is sold in markets or by direct sale with almost no sale through cooperatives. The cooperatives can provide an avenue for centralised contribution collection at point of sale for micro schemes that

can simplify administration. The alternatives are group building and maintenance which in most countries has proven to be an intensive and costly exercise.

Individual and household income

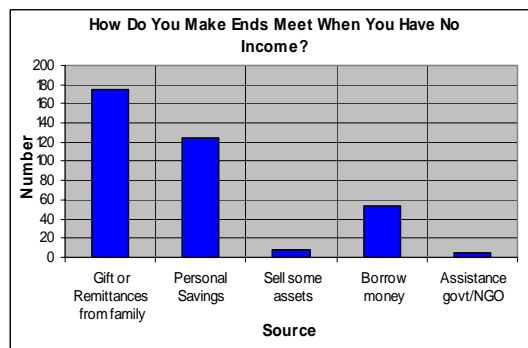


The majority of individual respondents earn less than WST 5,000 per year, however the mean income moves up the scale for households and the majority of respondents received between WST 5,000 and WST 10,000 per year. The SNPF²³ has identified that the modal salary is between WST 5,000 and WST 10,000 per year and the mean salary within that band was WST 7,189.

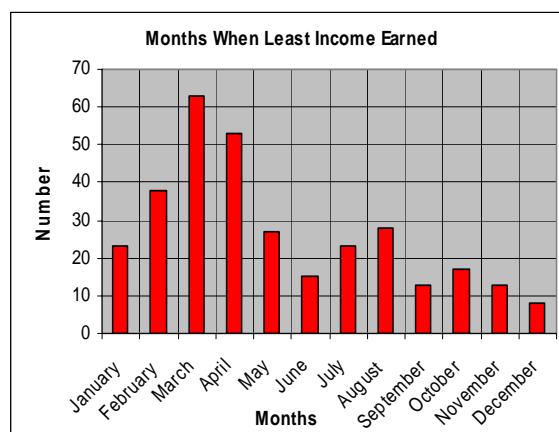
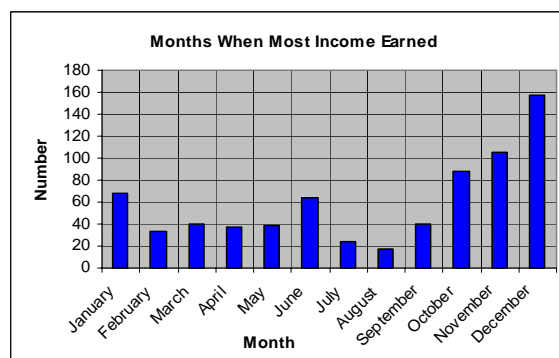


Respondents were also asked how they made ends meet when they had little or no income and the majority identified gifts and remittances from family. This supports the importance of remittances to Samoan family income and also one of the strengths of *Faa Samoa*. The low response to assistance from government and NGO's reflects the low level of social assistance

provided in Samoa to the working aged population. This response may have been higher had the over 60 years population been included and the senior citizens benefit payments may have been reflected in the responses.



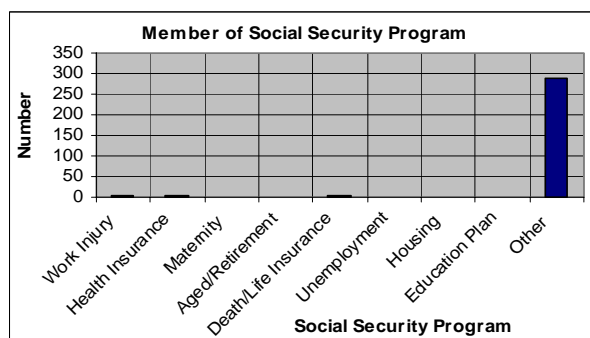
The earnings patterns of respondents were considered to identify the degree of fluctuation, which may have a bearing on any potential voluntary schemes. Erratic income or large fluctuations would place considerable pressures on regular contribution collection. However this may be moderated by the methods of receipt of income and the seasonal earnings may be paid in lump sums although this could not be determined in this indicative survey.



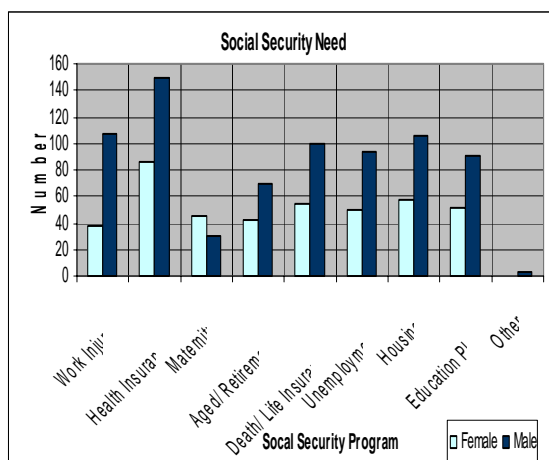
²³ Based on contributions Data over the period July to December 2004 and produced in February 2005. This period provided the most accurate period to accommodate payment of any contribution arrears.

Social security needs and priorities

In this series of questions respondents were asked about existing membership in social security programs. It must be stressed that the questions were phrased in colloquial language and in simple terms that described the program by its effects and not by title. The common social security program title on the charts is the translation. The results confirm the absence of any formal social security programs in the informal economy but the almost universal response of “other” suggests that people see *Faa Samoa* as a social security scheme. In a later question in relation to membership of church groups produced a very low result.

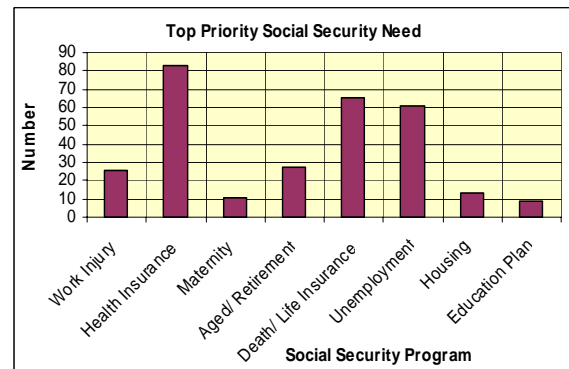


Respondents were asked to identify their social security needs in the same colloquial language for previous social security questions. In this case multiple needs were accepted and from a sample of 300 people 1192 needs were identified. It is interesting to note that health insurance was easily the most common need identified by both males and females, and males also identified work injury program as the second most common need.

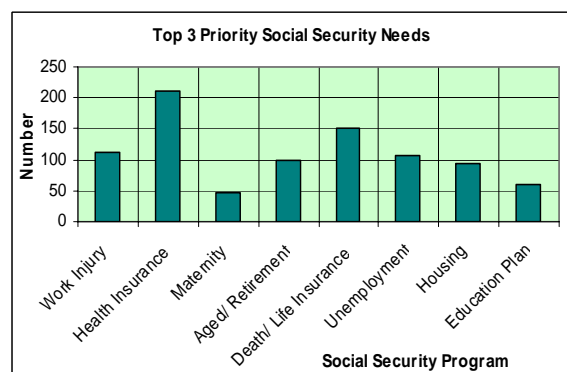


Respondents were then asked to nominate these needs in priority order and the following charts

show the highest priority needs. This chart shows that the health insurance program is most popular with life insurance and unemployment programs also rating highly. The low response to age/retirement programs may be reflected in the age groups i.e. working age and younger people. The low response to retirement programs is also most likely due to the universal senior citizens benefit program and some respondents may see that as a satisfied need.

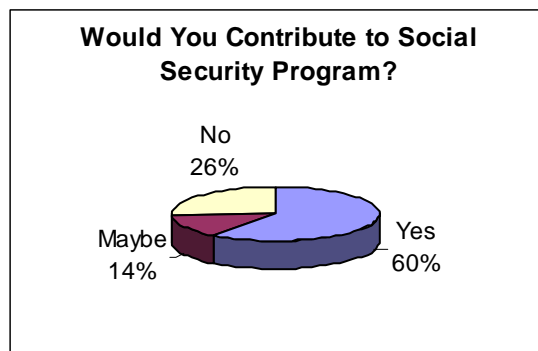


By grouping the top 3 priority needs identified by the respondents the priorities are somewhat moderated but health insurance remains the most critical need. Apart from death/life insurance four programs, work injury, retirement, unemployment and housing have similar levels of priority. Maternity and education programs were the lowest priority, although given that females represented only about one third of the sample this rating may be skewed.



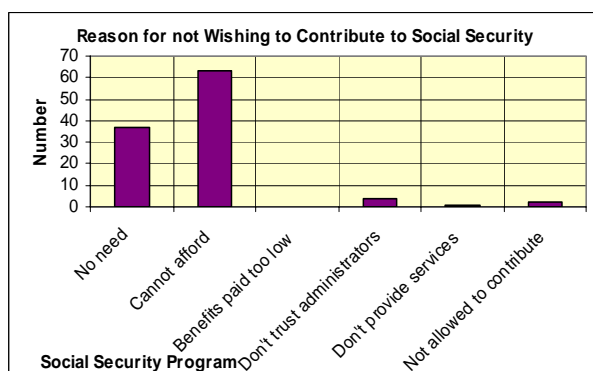
Social security contribution

The response to the question about willingness to contribute to social security programs produced a surprising result of 60 per cent of respondents willing to contribute. Whilst there were no details provided on what level of contribution was required, or what benefits could be provided for different contribution levels, it is a positive point from which to explore the options for contributory social security schemes.



Of the reasons for not wishing to contribute, “no need” may represent the strength of *Faa Samoa* and the family remittances levels. It is obvious from the income levels that many people could not afford to contribute which was the highest response, although less than half responded because this question was only asked of people who answered “No” or “Maybe” on the previous question (willingness to contribute).

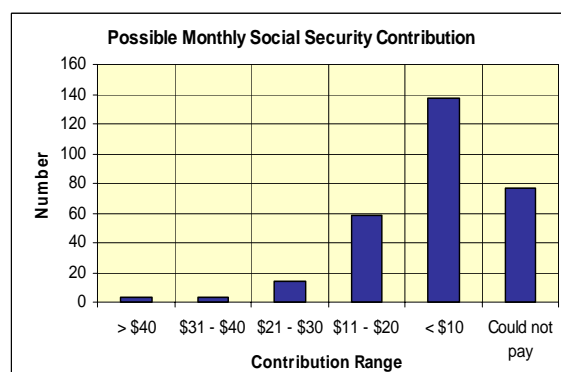
It is interesting to note that there were very few responses to the negative options like low benefits, trust in administrators etc.



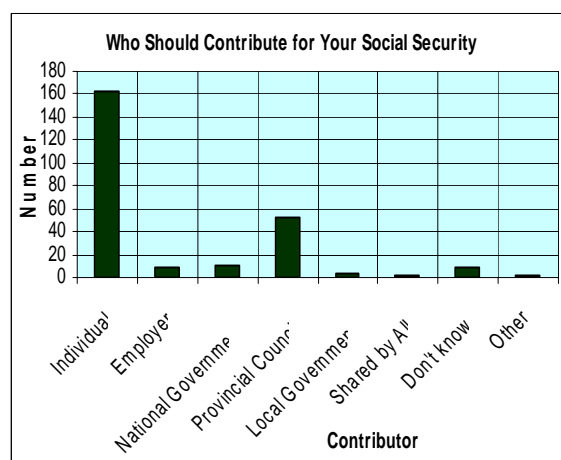
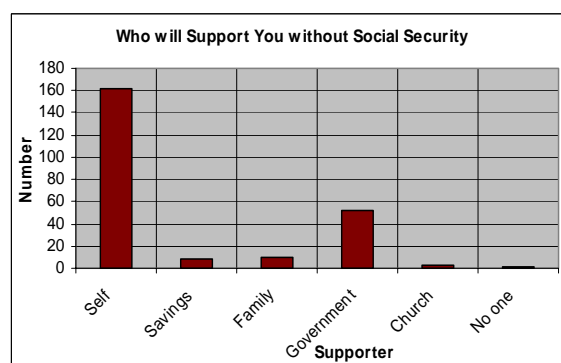
In response to who should contribute to social security, “the Individual” was the most common response by over half of the respondents. This concurs with the willingness to contribute of about 60 per cent of those who participated in the survey. The various government levels drew only 20 per cent of the responses.

The level of contribution will ultimately determine the quality of benefits provided in any voluntary scheme. The amount volunteered by those surveyed is fairly modest and on their own would not provide for substantial benefits. Only about 28.6 per cent of those surveyed could contribute more than WST 10 per month and about 45.7 per cent could only contribute less

than WST 10 per month

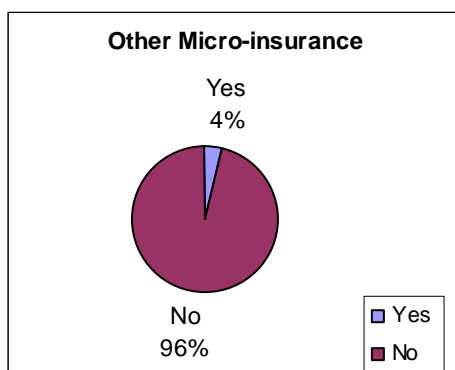
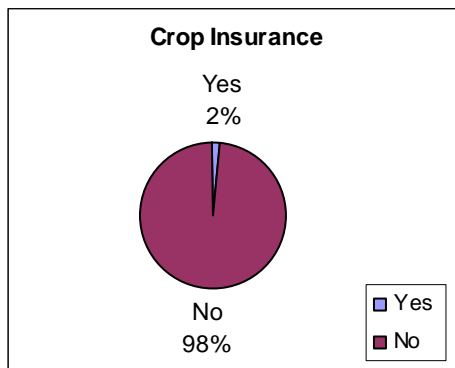


The responses to how people will be supported without social security are somewhat inconclusive in that people believe they needed to be self supporting. This is probably a statement of reality and what happens now. Given the situation with regard to *Faa Samoa*, a higher response from family support could have been expected.



Insurance and micro schemes

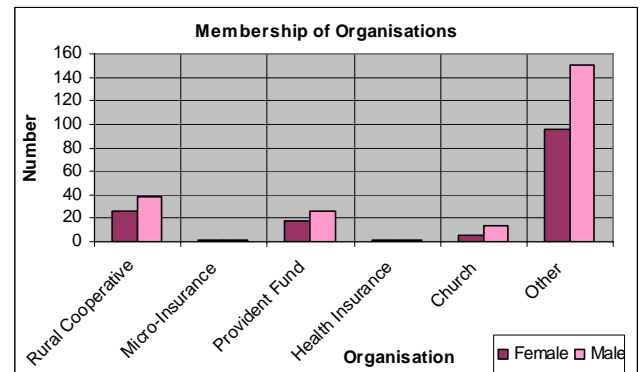
The two forms of insurance represented in these charts reflect the general low acceptance of insurance in Samoa, however whilst not part of this survey life insurance endowment policies are reported to be popular. However micro-insurance across the country is probably as low as indicated in the chart.



In relation to micro-loans the survey found that more than 85 per cent of respondents had no micro loans and the main reason for this was that micro loans were not available in their location. Where respondents had micro loans they were fairly evenly apportioned between males and females. This may be partly due to the pro active nature of some NGO's from WIB in supporting small business loans to women. Compared to other Pacific countries a 15 per cent acceptance rate for micro loans is relatively high and this also reflects the active and operational development bank that offers a range of loans for business development.

Membership of organisations can be a useful way of identifying established groups with common interests that may be able to form the nucleus of micro loans or insurance schemes. Whilst rural cooperatives have the highest membership in the

survey sample it is interesting to note that almost no one in the survey sold their produce through cooperatives. The responses for "Other" were very high representing almost the entire sample. The reason for this is not clear. It is also interesting to note the membership in the provident fund but it is unclear whether this is from previous employment or from voluntary membership.



5.2.3 Identification of priority needs and contributory capacity

It is evident from the initial results of the surveys of the informal economy workers that there is a high need for some form of social protection. The results confirm that health insurance is one of the highest priorities; whereas work injury and age benefits were also high priorities in one survey, but old-age benefits and education loans were highest in other surveys. Whilst there is a demonstrated need for old-age benefits it seems that the premiums would be unaffordable to most informal economy workers unless there was some form of subsidy.

The social security needs of those in the informal economy differ according to their social and family status (women, children, youths, the elderly), the degree of hazard in the particular occupation (e.g. small farmers, fishermen, drivers of mini buses), the work setting (at home, on the street, in a sweat shop), the milieu (communities more than establishments), and their ability to make regular contributions to the insurance fund.

In trying to develop appropriate mechanisms to cover the risks borne by workers in the informal economy, it is important to understand the range and types of risks that are present and how they may be prioritized. The strategy on how the informal economy workers may adopt to manage these risks must be evaluated. This would allow

benefit packages and delivery systems to be designed that are fully responsive to the needs of workers in the informal economy.

In the case of the Samoa survey, the initial findings suggest that there will be very limited capacity for rural and urban informal economy workers to afford about WST. 30.00 per month for the modal provident fund contributions that are contributed by individual workers (WST 60 per month if the employer contribution is included); in addition to premiums for other programs. Whereas formal employment sector workers and employers contribute 5 per cent of gross salary each for the provident fund contribution, it would be difficult for workers in the informal economy without an employee-employer relationship to contribute the average amount without any form of cost sharing or subsidy. This is demonstrated in the survey where about 25.7 per cent of respondents indicated they could not make any contributions, 45.7 per cent could pay up to WST 10 per month and about 26 per cent could pay more than WST 10.00 per month.

However given the lower cost of living in the rural areas and the reduced capacity of informal economy workers to make voluntary contributions, it may be possible to develop micro insurance schemes that can cover the proportionately lower costs with a micro based scheme. The most positive findings from the survey suggest that people make savings, are

prepared to contribute to their social security scheme and are aware of their needs. This combination offers promise for micro schemes.

5.3 Samoa formal employment sector survey

5.3.1 Background

The aim of the sample survey of workers in the formal employment sector was to obtain some indicative parameters about the workers and their priority social security needs, who provides or will provide for these basic social security needs, gaps in coverage and their potential to contribute to voluntary schemes. The survey also recorded some of the demographic and other details about the workers including their income patterns, work category, insurance and micro finance and membership of organisations.

Total public sector employment accounted for 32 per cent of this formal employment with government departments being 22 per cent and SOEs 10 per cent. The private sector accounted for 26.8 per cent of formal employment. Yazaki EDS, manufacturing automotive wiring harnesses for export, is the largest single non-government employer and the fluctuation in its number of employees has a major impact on the economy. At its high point in 1996 the company employed around 4,000, more recently the number has been around 2000 – 2500. A garment factory which opened in 2000 is another major employer.

Table 5.4 Formal employment sector workforce

Private Sector Workforce						
Age Group	Males	%	Females	%	Total	%
15 – 19 years	143	2 %	465	10 %	608	5 %
20-29 years	2,924	41 %	2,430	48 %	5,354	44 %
30 – 49 years	3,566	50 %	1,910	38 %	5,476	45 %
50 years & over	499	7 %	231	7 %	730	6 %
Total	7,132	59 %	5,036	41 %	12,168	100 %
Public Sector workers (Permanent staff only)						
15 – 19 years	6	<1 %	9	<1 %	15	<1 %
20-29 years	422	26 %	650	31 %	1,072	29 %
30 – 49 years	972	60 %	1,188	56 %	2,160	57 %
50 years & over	218	13 %	272	13 %	490	13 %
Total	1,618	100 %	2,119	100 %	3,737	100 %

Source: Labour Market Survey 2000

It is interesting to note that the private sector workforce is fairly evenly distributed between the two age groups 20-29 years and 30-49 years which together represent 89 per cent of the private sector workforce. In the public sector (permanent staff), the majority of the public servants are in the 30 – 49 age group, about twice the number in the 20 – 29 years age group.

Table 5.5 Total formal employment sector employment

Sector	Male	Female	Total
Private sector employees	7,132	5,036	12,163
Public service employees (permanent)	2,119	1,618	3,737
Public service employees (casual or temporary) ²⁴	750	509	1,259
Total	10,001	7,163	17,164

Source: Labour Market Survey 2000

The table above shows that public service employees (permanent and casual) make up 29.12 per cent of the total formal employment sector workforce of which 78 per cent are permanent staff. Some further broad comparisons between the private and public sector workers are summarised below:

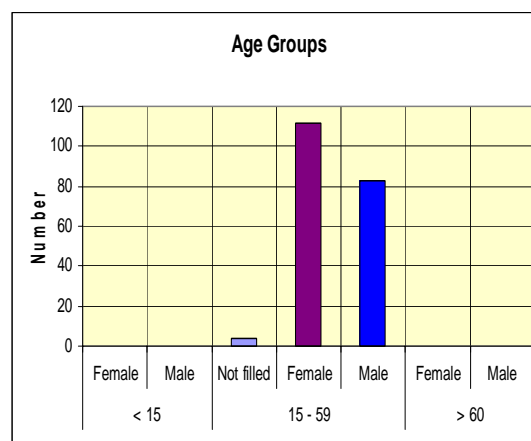
- The most recent labour market information in table 5.5 shows the total of 17,164 has now increased with the SNPF reporting 24,479 contributors for the period July to November 2004. Based on the details in Table 5.7 the formal employment sector workforce comprises 58 per cent males and 42 per cent females. The ratio between public sector and private sector is 29 per cent and 71 per cent respectively with 4,996 public sector employees and 12,163 in the private sector.
- In developing the sample for a formal employment sector survey of SNPF members, the same relativities could be used to approximate the current distribution of the formal employment sector labour force between public and private sector. A sample representing about 0.8 per cent of the current SNPF

members or 200 respondents was undertaken. Therefore the distribution of the survey sample was 58 in the public sector and 142 in the private sector.

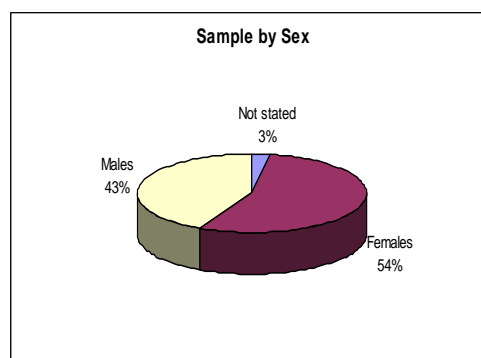
5.3.2 Key survey results

The questionnaires of the survey consist of 5 parts; (i) personal details, (ii) education, (iii) employment, (iv) income details, and (v) social security needs, priorities and desire to contribute. A summary of the key findings is presented below.

Personal details

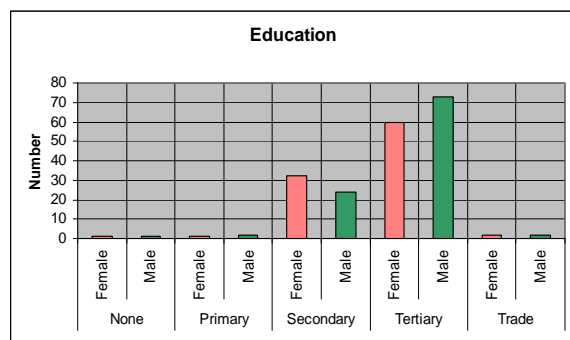


The survey responses identified that almost all of those surveyed were in the main employment age range of 15-60 years. The survey did not have a close correlation with the most recent labour market surveys with the sex ratio in the survey 43 per cent male and 54 per cent female compared to the labour market survey which identified 58 percent and 42 per cent respectively. The discrepancy is in the forms with no response to the question on sex.



²⁴ The male/female ratios for casual and temporary staff are only estimates.

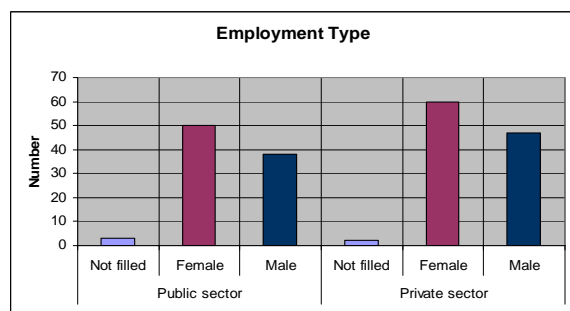
Education



The highest education level represented by the sample was tertiary level followed by secondary level. This contrasts markedly with the informal survey where the bulk of the respondents had only primary level education and there were some cases which had no formal education. This education level may be biased by the high proportion of public sector employees in Samoa in the formal employment sector and the education levels may reflect the public service entrance minimum standards.

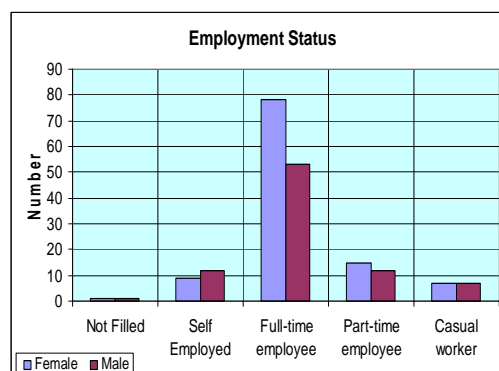
Employment type

The sample identified 45 per cent of respondents as being employed by the public sector and in the absence of accurate data this appears to be higher than expected although any deviation could be explained by the better access to public sector institutions and diligence in voluntary surveys.



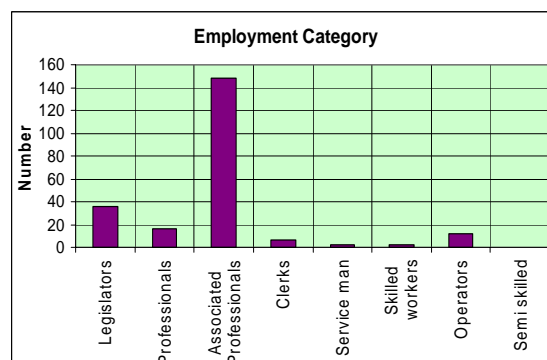
Employment status

The employment status of the sample was predominantly composed of full-time employees which is expected for the formal employment sector and validates one of the key definitions and characteristics of formal employment sector employment. The sample was also considered reasonably representative in that it included self employed, part-time and casual workers.



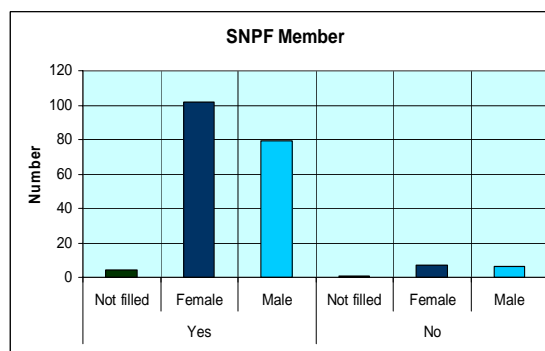
Employment category

Using the standard employment categories proved to be inconclusive as most respondents considered themselves to be associated professionals. The *legislator's* category was obviously completed by senior public servants although this cannot be substantiated.



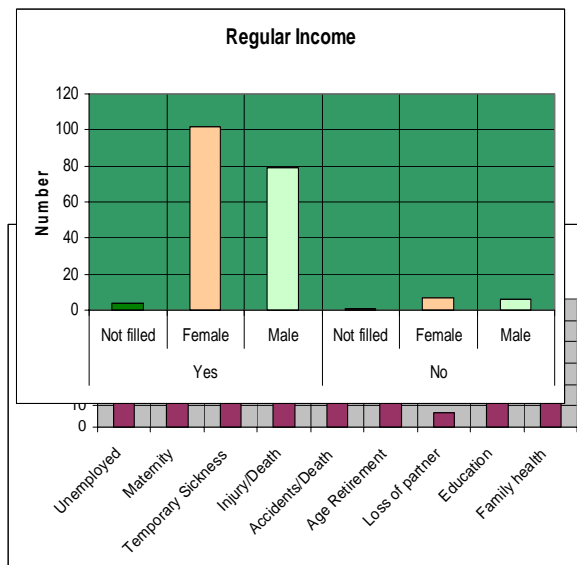
SNPF members

As expected the survey respondents were almost all provident fund members which suggests that compliance is relatively high and that the survey targeted the formal employment sector workers



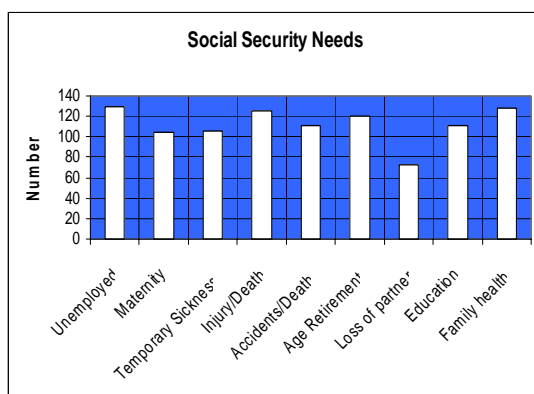
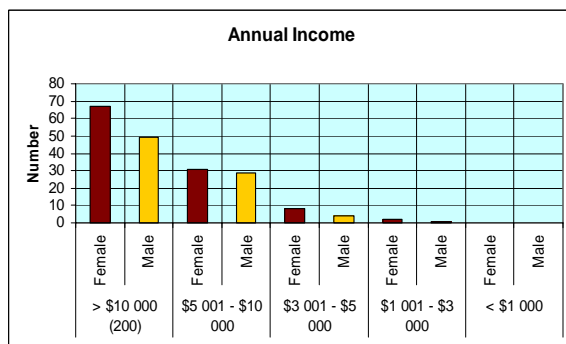
Regular income

As expected in the formal employment sector where the majority of workers were employed on



a full time basis, most workers received regular income. This contrasts with the informal economy workers where regular income earners were in a minority.

Annual income



The income band for the formal employment sector survey was perhaps a little narrow and the bulk of the respondents were in the highest

bracket presented on the form (> WST 10,000).

Social security needs

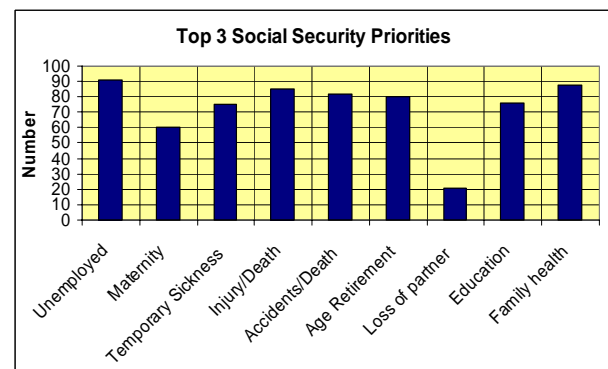
The respondents were asked to select as many needs as they considered essential and this explains why the total number of responses was more than four times the number in the sample. Respondents made more than one choice. The responses from this question produced unemployment protection as the main need. This is perhaps understandable but not altogether predictable, however, in a society where loss of income due to unemployment and in the absence of high rates of general insurance, the result could see a dramatic change to lifestyles.

Top priority social security needs

Respondents were asked to nominate their social security needs in priority order from one to eight. This outcome represents the number of instances where the need was identified as top priority only. Unemployment protection was clearly the top priority followed by age/retirement and family health.

Top 3 social security priorities

Given that it is very difficult to choose one

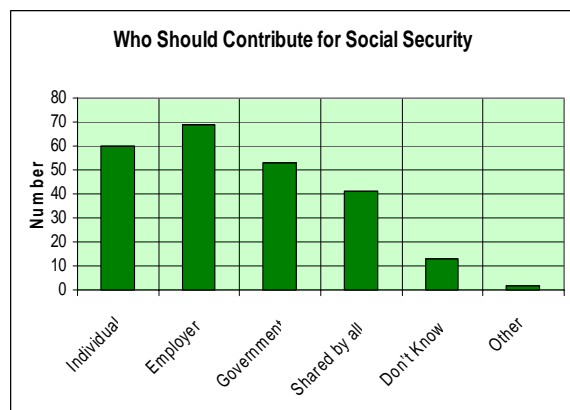


priority need when only about three of the nine contingencies are covered in the formal employment sector, the top three response were grouped to perhaps suggest a more indicative view of the needs. In this survey this re-inforced unemployment and health protection as clear priorities especially if injury and death are considered partially as health issues.

Who Should contribute to Social Security

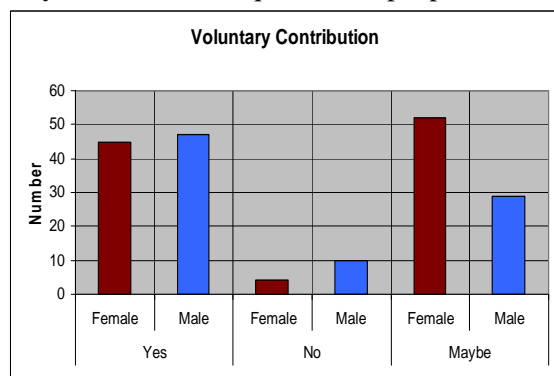
The responses to this question tended to reflect the status quo where for formal employment

sector employees the employer and individual currently share responsibility for the existing programs. However the governments also featured significantly which is status quo for health care but may be interpreted a little more widely if additional programs are included in the consideration.



Voluntary contributor to a potential scheme

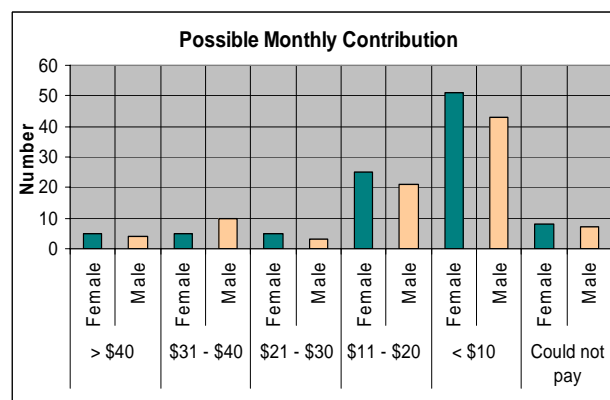
Responses to this question were very positive with over 90 per cent of respondents answering yes or maybe. Whilst it is recognized that this is very much a loaded question as people would not



be able to commit fully until the product was available, it does serve as an indicator to people's understanding that contributions may be necessary to obtain better services.

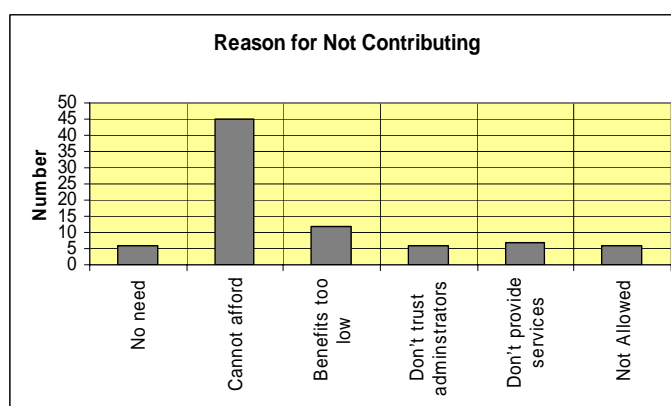
Potential monthly contributions

These responses suggest that about 50 per cent of people might contribute only <WST 10 per month and about 25 per cent might contribute WST 11 – 20. Whilst these figures may not be significant they indicate that in the absence of any proposal or program people would offer a value on contributions suggests that careful design of a tailored program may be able to entice people to



contribute meaningful amounts that could produce useable benefits. However a monthly contribution of less than WST 10 would not achieve a reasonable benefit in any program without subsidies or increase in the contribution.

Reason for not wishing to contribute



Respondents who indicated that they would not contribute or maybe contribute to a scheme were then asked to provide reasons. This is therefore a subset of the survey that represents about 25 percent of the sample. Whilst the *cannot afford* response is understandable the *don't trust administrators* and *don't provide services* would need to be investigated further in the design of any future schemes.

5.4 Comparison of formal and Informal survey findings

The table below provides a snapshot of some of the common elements from both surveys. It should be noted that the survey forms contained a different set of questions for each of the groups surveyed and some of the issues relating to land ownership, sale of good etc were not relevant to the formal employment sector workers. The purpose of this table is to compare and contrast the different and similar needs of the two employment sectors.

Table 5.6 Comparison between informal and formal surveys

Survey Elements	Formal Employment Sector (%)	Informal Economy (%)
Sample Size		
Males	43%	62%
Female	54%	38%
Education		
None	1%	-
Primary	2%	17%
Secondary	28%	75%
Tertiary	67%	8%
Employment Status		
Full time	67%	7%
Self Employed	11%	69%
Unpaid worker	14%	19%
Casual worker	7%	5%
Employment type		
Public Sector	46%	-
Private Sector	55%	100
Annual Income		
0 – 1,000	-	19%
1,001 – 3,000	2%	29%
3,001 – 5,000	6%	31%
5,001 – 10,000	31%	13%
Over 10,000	61%	8%
Top 3 Social Security Needs		
Unemployment	14%	12%
Maternity	9%	5%
Workplace Injury/Death	13%	13%
Death/Life Insurance	12%	17%
Age Retirement	12%	11%
Education	12%	7%
Family Health Insurance	13%	24%
Housing	-	11%
Would you contribute to Social Security		
Yes	49%	60%
No	7%	26%
Maybe	43%	14%
Who should contribute to Social Security		
Individual	25%	66%
Employer	29%	3%
National Government	22%	4%
Local government	-	22%
Shared by All	17%	-
Don't Know	6%	5%
Potential Monthly Contributions		
Could not pay	8%	26%
Less than \$10	50%	47%
\$11 - \$20	25%	20%
\$21 – \$30	4%	5%
\$31 - \$40	8%	1%
More than \$40	5%	1%

The following observations can be made on the key differences between the findings from the formal employment sector survey and the informal economy survey:

- Education levels are much higher in the

formal employment sector and the significantly lower standard in the informal economy has been identified by the informal economy respondents in that they have rated education support as one of their highest priorities;

- Informal employment sector respondents rated their loss of income as a much lower risk relative to other life cycle events than predominantly urban workers in the formal economy and the priority need for unemployment insurances reflected this difference being rated the highest need among formal employment sector workers;
- The informal economy survey showed more older people, more were married and the number of children per family were all higher than in the formal employment sector survey. Whilst some of this may be explained by the random nature of the survey the findings generally fit trends in the national statistics;
- The employment status in the informal economy survey indicated that most workers in the informal economy are self-employed whereas the formal employment sector survey showed that the majority of workers were full-time regular employees;
- Incomes found in the informal economy survey were generally lower than those in the formal employment sector survey both in individual incomes and family incomes, a trend supported in the national statistics;
- Existing social security coverage was almost non-existent in the informal economy with the coverage provided by the provident fund reflecting the responses in the formal employment sector survey. Both surveys reflected the individual and family nature of existing social protection support;
- Social security needs were similar in that both surveys considered health care as the number one by the informal workers and unemployment protection for formal employment sector workers. In both surveys age/retirement and education rated highly;
- A higher proportion of informal economy workers declared that they could not pay

any voluntary social insurance contributions than in the formal employment sector survey, and those that indicated they were prepared to contribute could only contribute much lower amounts than in the formal employment sector survey;

- Most formal employment sector workers surveyed indicated that the individual and the employer should contribute to social insurance whereas the informal economy survey strongly supported the government as the prime contributor followed by the individual. This may reflect the low incidence of regular employment in the rural survey; and
- One outcome of these surveys is that people both in the formal employment sector and the informal economy in Samoa have an interest in social security and would be prepared to contribute to a scheme that suits their needs and priorities. This finding provides a basis for a possible policy design in the form of pilot projects although any future proposed policy design should be tested with a more detailed and targeted survey.

5.5 Concluding remarks

There is a large unmet need for social security in the informal economy in Samoa. The extension of coverage to the urban and rural informal economy will require the efforts to (i) identify the social security needs for different groups of workers, (ii) determine their social risks, (iii) develop programs based on risks, income and needs, (iv) identify group collection and support mechanisms, (v) pooling and reinsurance to promote sustainability, and the appropriate role for the private sector and governments at all levels.

Results of the rural and urban informal economy surveys have demonstrated that a carefully structured program may be able to attract sufficient contributors to make a contributory scheme viable in terms of numbers, however the dispersed nature of the contributors, the variability of their income, their capacity to pay and the administration issues suggest that solutions will not be simple to develop or to maintain. The extension of social security to the informal economy is feasible if one could develop a viable scheme that is flexible, affordable, sustainable and well marketed and understood.

Chapter 6 Traditional Social Protection Systems in Samoa – Culture, Customs and Safety Nets

6.1 Broad patterns of findings

- The complex inter-relationship between the traditional and the modern expresses itself in virtually all aspects of Pacific community life, including the socio-political system, the economic system, systems of social security, gender relations, etc. Over the years islanders have selectively chosen aspects of both, which they find most convenient and workable when dealing with issues of everyday life. For instance, in the case of Samoa, traditional *matais* (chiefs) are the only ones mandated by the constitution to become parliamentarians. In Fiji and Vanuatu institutionalized systems of chiefly leadership to complement the mainstream political system exist. Many people survive by engaging in “social dualities” such as subsistence and market economy, individual entrepreneurship and communal participation, profit accumulation and redistribution etc.
- Traditional culture and customs are not seen as belonging to the past but as living and operational phenomena which serve contemporary needs. At the same time it can be used to define identity in a fast changing and increasingly complex world.
- Dramatic changes in the Pacific since independence have re-shaped the way tradition is conceptualized, operationalized and adapted. Pacific cultures do change and these changes have been due to the adaptive nature of Pacific people to the emerging challenges of globalization and modernity. Some aspects of culture such as land rights have evolved only as far as the needs dictate.
- Traditional Pacific societies are organic and integrated in the sense that no particular aspect, whether it is political leadership or socio-economic exchange, is autonomous. Instead these aspects are all intrinsically linked. For instance one’s political status depends on exchange for sustainability and legitimacy. Structure of society is linked to kinship relations and landownership is linked to status and kinship links etc. To change one means changing other aspects as well.
- The country studies show that traditional systems of social protection are closely linked to systems of political governance, socio-economic exchange, gender role, conflict resolution mechanisms etc. Traditionally, there were no institutionalised systems of social protection as such but each component of social life (exchange, governance etc.) had a role in social protection. The entire kinship system itself, referred to as *veiwekani* in Fiji or *fa’a Samoa* in Samoa or *wantok* in Vanuatu and the Solomon Islands, provides the basis or foundation of social protection which sustain individuals and groups on a daily or occasional basis.
- Traditional forms of social protection are still very much practiced today in a variety of forms as we have seen in the country studies. They play a number of important parts by subsidizing the demands of the market economy and mitigating against the impact of economic pressures on the families concerned. They also allow for circulation and reproduction of certain traditional goods which would have otherwise disappeared. They also help to maintain social coherence at a time when families are disintegrating as a result of economic pressures. Furthermore they provide a sense of belonging and identity for people.
- Traditional forms of social protection exist in various forms such as collective reciprocity of goods and services, ceremonial exchange or even at a level of individual behavioural disposition where one is expected by custom to be generous. It can also exist at the level of cultural philosophy relating to ideals of altruism, selflessness, neighbourliness, etc. The levels

of practice and philosophy reinforce each other.

- The study has found that traditional forms of social organization and norms can be successfully used to facilitate and promote micro schemes. One of the pre-requisites of the market economy is individual entrepreneurship. Many Pacific communities, because of the integrated communal life they are part of and used to, find it difficult to adapt. This has been a cause of failure in many of the income generating activities.
- In all the countries studied there have been considerable successes in the integration of traditional values such as collective participation, sharing of resources, and social integration in micro schemes. The integration between modern women entrepreneurship and the traditional role of women as custodians of family welfare has been a significant factor for success. The use of the chiefly system as means of legitimization (as in Samoa) or debt repayment (as in Vanuatu) is another example. In situations where it is difficult to produce assets as collateral the use of social and cultural collateral has been seen to be appropriate and workable. Group investment based on community trust and good relations have produced positive dividends.
- It was also observed that some aspects of tradition tend to undermine the culture of savings. Some of these practices such as *fa'alavelave* in Samoa can be adjusted to make sure that the burden on the people is not too heavy. It is possible to strike a harmonious balance between tradition and micro schemes.

6.2 Some general recommendations

- Governments in the Pacific should recognize the importance of traditional norms and practices in micro schemes. Policies relating to development and micro schemes should have specific references to this.
- Those micro schemes which have been successfully integrating the two modes must

be given more support and encouragement and replicated elsewhere in other parts of the country. There should be an independent study of the reasons why this model has not worked in some cases and the mistakes identified should be rectified.

- Like in Samoa (where the government has discouraged the use of small mats for ceremonies) there should be some government guidelines (not rigid ones to allow for people to still make a choice) to ensure that certain traditional obligations are not impediments to poverty reduction.
- Because many of the micro scheme organizations operating within the countries studied work autonomously, it is important that there should be a national network set up by the government to ensure that there is a uniform national structure and process, and that these organizations (who in some cases may be competing against each other) can share experiences and lessons or success and failure, and learn from each other. This could be facilitated by creating a focal point which collects and disseminates detailed information about the micro schemes.
- Although the economic, cultural and political circumstances in the individual countries concerned are different, it is still possible to *import* success models to other countries. This may need re-adaptation but by and large there should be minimal problems.
- A training manual on tradition and income generation/business should be produced as a guideline for those involved in group and collective projects. While people *live* their culture, it is important to *teach* or provide an analysis of aspects of their own culture which they have only taken for granted. Experience shows that this can be reassuring and empowering the outcomes of the projects
- The family (nuclear or extended, depending on the circumstances) should be the primary target beneficiaries of the micro scheme projects, although the process may involve larger groups. For instance a project may involve the whole village, the ultimate beneficiaries would be the families and how they are able to sustain themselves.

6.3 Overview of study

6.3.1 *Executive Summary*

The chapter examines the traditional systems and customs in the Pacific, particularly focusing on the existing local social support systems and the characteristics that impinge on the success and sustainability of potential micro schemes in Samoa. This is to assist the local stakeholders and government to ensure that key elements of traditional systems and customs are taken into consideration when undertaking feasibility studies into social security programs, during workshops, and in the development and implementation of national action plans.

6.4 Traditional systems and customs in the Pacific: A comparative overview

6.4.1 *Socio-political structures*

The socio-political systems of the five countries studied had a number of important features some of which were similar to and some of which were different from each other. On the one hand there is the hierarchical and largely hereditary Samoan *matai* system and on the other hand there is the relatively egalitarian and “achieved” status of the Melanesian societies. Fiji is somewhere in the middle where both hereditary and achieved modes of socio-political rule existed side by side during the pre-colonial era until it was re-shaped by British colonialism along the lines of the hereditary and hierarchical system. One cannot really make generalizations about the “ideal” Melanesian and Polynesian systems because there are significant variations within these societies themselves. For instance in Solomon Islands, Polynesian as well as Micronesian communities exist side by side with Melanesians, and the same could be said of Fiji. Some communities in Vanuatu and Solomon Islands have hereditary modes of traditional leadership while some have egalitarian and achievement oriented political systems. In Kiribati traditional leadership sometimes takes both the achieved and inherited systems.

The traditional socio-political systems in all the societies studied are closely integrated to the economic, social and cultural processes. In particular they are very closely linked to customary systems of social protection.

6.4.2 *Land*

Land remains perhaps one of the most important sources of social protection in all Pacific societies. Most of the land in the countries studied is customary and communally owned. The socio-cultural systems are integrated to land in a social and spiritual sense. Thus land is inalienable from social life and vice-versa. This ensures that theoretically at least, everyone has access to land and its resources. In Solomon Islands and Vanuatu some places have matrilineal systems of landownership and some have patrilineal systems. Fiji, Samoa and Kiribati generally have patrilineal systems.

Land in all these societies is conceptualized in the context of three inter-related dimensions. The first is land as a physical entity for socio-economic sustenance. The second dimension conceives of land in relation to a complex web of social inter-connectivity which binds the land as a physical entity to socio-cultural relations. The third dimension links social relations to the spiritual and cosmological order of the ancestors. Thus land (referred to as *vanua* in Fiji and Vanuatu, *fenua* in Samoa, *hanua* in many parts of the Solomon Islands, *abana* in Kiribati) is conceived of as more than simply a physical entity and economic commodity as in industrialized societies. It is a complex whole that embodies the physical and the social, the social and the spiritual in a holistic way. Land defines identity and cultural legitimacy in a dynamic way. However, as a result of the demand for commercial development conflict over land has emerged as a major destabilizing factor.

6.4.3 *Economic exchange and reciprocity*

Reciprocity refers to the exchange of goods and services within the community. This was quite common in traditional Pacific societies where there was no universally used money as medium of exchange. It was a way in which goods circulated and people's immediate needs were satisfied. Today despite the existence of modern currency many Pacific communities, especially those who live in the villages, still practice various forms of reciprocity.

There are several types of reciprocity.

Specialized reciprocity refers to exchange of specific goods in a simultaneous fashion. Two

people may exchange goods, say a basket of yams in return for a mat, at the same time. Someone may need yams to hold a birthday feast for a child and the other person may need a mat for a new kitchen. The exchange satisfies both parties. Usually the social values of the exchanged goods are perceived as similar.

Generalized reciprocity refers to exchange of goods without any specific value or time bound in terms of *repayment*. There is a general understanding that the good deeds will soon be reciprocated when the need arises. *Kerekere* as in Fiji is a form of generalized reciprocity.

Imbalanced reciprocity is when goods exchanged are of different social values and sometimes, this may lead to conflict.

Redistributive reciprocity refers to collective exchange of goods through ceremonial processes such as *solevu*, (as in Fiji) death ceremonies, marriages etc. Kin-groups would collect goods such as coconut oil, mats, kerosene, pigs, cattle, taro etc. and eventually redistribute them amongst themselves at the end of the occasion. Reciprocity is an important social safety net mechanism in these ways:

- It ensures that various social needs of families are met without using money to buy things;
- It ensures that resources flow within a particular kin-group or locality thus helping to maintain self-sufficiency. It makes sure that perishable and non-perishable goods are always in circulation;
- It encourages mutuality in socio-cultural relations as a condition for intra-group support and social coherence.

6.4.4 Tradition and change

Traditional systems in the Pacific have been going through various degrees of change over the years as a result of modernization and industrialisation. Some communities have been changing faster than others. These changes have taken complex dimensions, rather than just a uni-linear path towards modernization as normally assumed. For instance in some cases one finds modern culture, institutions and processes dominating traditional modes of life. In other cases, the modern and the traditional shape each

other, consequently forming a new synthesis. Still, in some cases there are deliberate moves towards reviving and institutionalizing traditional culture as a means of engaging with the modern world. These complex syncretic²⁵ processes continue to shape the trajectory of social and cultural change in the Pacific.

Nevertheless despite these changes there are certain customary and traditional modes of culture which have survived over the ages and continue to form the basis of contemporary life. While there are some general similarities between the Pacific countries studied, there are also a lot of differences. It is thus not possible to make generalizations.

6.5 Country study: Samoa

6.5.1 Brief history

Samoans were part of the wave of Austronesian migration from South East Asia more than 8,000 years ago and was settled around 3,000-4,000 years ago, although Samoan mythology suggests that Samoans were created by god Tagaloa. Before European contact, Samoans had various forms of interaction in the form of trade and invasion with other Pacific neighbours such as Tonga, Fiji, Kiribati and Tuvalu. In fact the Tongans invaded and took control of Tonga for sometime while Samoans invaded and controlled parts of Kiribati.

By the mid-1770's European trading ships began arriving in Samoa leading to conflict between the Samoans and *papalagi* (Europeans). Violent skirmishes with Europeans continued for sometime and Samoa was regarded by Europeans as hostile and aggressive. However, the arrival of missionaries in the early 19th century led to wholesale conversions which dramatically changed the Samoan society.

By the late 19th century Samoa was carved up into two, the West under German control and the East under American control after a tense stand-off between the Germans, British and Americans. Authoritarian German rule invoked the wrath of Samoans who formed a resistance movement called the Mau Movement aimed at preserving Samoan culture and bringing about independence. After the defeat of Germany in World War I,

²⁵1. The amalgamation or attempted amalgamation of different religions, cultures or schools of thought.

Samoa came under New Zealand control but despite this the Mau movement continued with its agitation for independence. Thus finally a proposal was put before the United Nations in 1961 and Samoa became independent in 1962, becoming the first Pacific nation state.

Economic development after independence was not easy due to lack of resources, capital, technology and expertise which undermined aspirations for economic growth. Samoa consistently ranked as one of the most underdeveloped countries in the Pacific but by the 1990s it began to go through economic and political consolidation which led to high economic growth and stable governance. It is now seen as a growth model for other Pacific island states.

6.5.2 Traditional social and political system

The Samoan society exemplifies a situation where the modern and the traditional engage in a dynamic way. The customary ways of doing things is generally referred to as *fa'a Samoa*. The term *fa'a Samoa* encapsulates the totality of Samoan thinking, behaviour, practices and institutions. It is flexible in the sense that it can be adapted to any situation yet at the same time it has an element of permanence and continuity with the past. *Fa'a Samoa* provides the legitimizing ideology for ceremonies, traditional leadership, kinship system and ethos. The traditional socio-political system provides the mechanism for holding *fa'a Samoa* together.

Traditional modes of leadership still pervade not only at the village level but also at the national level. Socio-political leadership revolves around the authority of the *matai*, head of the *aiga* (extended family). The normative and cultural system binds the *matai* together is the *fa'a matai*, which encapsulates the culture of leadership, social solidarity and authority within the traditional Samoan society. It is the social organization which links together *matai* title holders. The *matai* title can be ranked in terms of paramount chief, chief or orator. Heir to the *matai* title can be all the sons, daughters or descendents of the title holder because it is assumed that all are *ranked* and no one is a *commoner*. Not all *matais* have access to *pule* or authority over family land. *Matais* are ranked according to seniority and only those with senior authority have the right to transfer rights to a lesser *matai*.

Traditionally there are two categories of *matai*: the *ali'i* and the *tulafale*. They have different roles and status. The *ali'i* titles are considered more sacred because of their supposed links to the Samoan ancestral god Tagaloa-a-lagi. The *tulafale* is more of an *executive* role involving special duties and responsibilities in the village, some of which deal with service to the *ali'i*.

The basic political unit is the *o le nu'u*, which, although can be translated in English as *village*, actually refers to a group of extended families which shares common history. This common history is outlined in the *fa'alupega*, the ceremonial greetings related to the *matai* names of seniority linked to the genealogy and origin of each village. Traditionally the village was a more or less autonomous political unit of its own with its own social organization and structure which were different from other villages. A group of villages would make up a district, and during earlier times warfare between districts defined political territory and influence in a dynamic way.

Each village consists of about 10 to 30 *aiga* and a Samoan would belong to several *aiga* through their mother, father, mother's parents and father's parents etc. *Aiga* membership is relatively flexible because one can be a member not only through blood but also through adoption. Links to an *aiga* is acknowledged through residence, service and loyalty. The *aiga* had full control of the titles and the decision for succession usually resided in the senior members deciding who should be the next *matai* title holder.

Villages are divided into social groupings based on age, sex, marital status and family rank, to which all members of the *aiga* belong. This process of social categorization ensures that members of the community go through appropriate forms of role development and socialization within the broader framework of social coherence.

Much of these social and political structures still exist in different degrees and manifestations today and continue to define the socio-cultural identity of Samoans.

6.5.3 Traditional system of conflict resolution

Disputes within villages are often dealt with by the *matais* who made up the *fono* (village council). As the head of the *aiga*, the *matai* has a

variety of roles, one of which is ensuring peace and stability in the community. The *matai* presides over disputes within or between families and usually their decisions are accepted by the community. Traditionally the *fono* made the laws of the village and breaking these laws would mean punishment in the form and intensity decided by the *fono*. Punishments would range from exile, or order the *aumaga* (strength of the village) to beat him or force him to sit in the sun for hours or to chew the bitter *teve* roots.

Disputes over titles become common when there were so many title holders and contenders to titles. Sometimes senior *matais* are directly involved in resolution of disputes but sometimes if the dispute goes beyond the power and jurisdiction of the *matai*, they are dealt with by the Land and Titles Court.

Minor disputes are dealt with within the family but as the magnitudes of the disputes grow the senior *matais* and the village council are involved. The churches also play a major role in the dispute resolution process in villages. The church ministers are accorded a very powerful status within the community and this makes them important players in the conflict resolution process.

6.5.4 Traditional socio-economic system

The traditional Samoan economy was largely subsistence in the sense that products were destined for consumption or redistribution. Accumulation was minimal as it was considered not to be appropriate in a situation of kinship exchange and collective ownership.

Division of labour was marked in the sense that women and men carried out different activities to support the *aiga*. There was also specialization in relation to expertise. For instance some women specialized in manufacturing valuable mats, *tapa* cloth, medicines and oils. Among the men the basic economic activities were agriculture, carpentry, hunting and fishing. Some of these, like fishing and hunting for pigeon were very complex and diverse and were associated with elaborate ceremonies that made them gentlemanly sports rather than simply for subsistence. There were specialized carvers and fishermen who used their expertise to control these activities.

These forms of expertise (*tufuga*) were

collectively harnessed in communal projects such as building a house. The men would build the *paepae* (foundation), cut the posts and transport them to the village, carved the beams, plaited sinnet cords to hold them together and put the thatch in place. On the other hand the women would carry the stones or crushed coral to put on the floor, weave the mats and plaited the binds from coconut leaves. Apart from these tasks women were also responsible for planting *tolo* (sugarcane) for thatch and laid the thatch on the roofs. They also beat *tapa* cloth (*siapo*) from the paper mulberry bark to make house curtains, bed sheets and mosquito nets, and printed on them *upeti* (stencil or stamp for printing or rubbing a design into *tapa*) made of coconut and banana leaves sown into pandanus leaves. The paint and dyes were made from charcoal and various materials from the surrounding bush.

Economic exchange was linked to systems of social obligations and social status. The *aiga* was the main unit for exchange. These are described in detail in the section on traditional forms of social security.

6.5.5 Traditional role and status of women

In many cases, villages were divided into two major gender groupings: the '*o le nu'u o tama'ita'i*' (the village of the ladies) and the '*o le nu'u o ali'i*' (village of the gentlemen). These refer to the different types of authority wielded by men and women. In the traditional context, the sisters of the highest *ali'i* had the highest authority over other women and in fact they also had a lot of authority within the *aiga*. This is due to (*feagaiga*) the special covenant of respect between a brother and a sister which accorded the sister special honour.

Central to the structure of the *nu'u o tama'ita'i* is the *aulaluma* a group to which all the women in the village belong. The role of the *aulaluma* was to look after the *taupou* (a virgin or a maiden holding the title of an important ancestress), keep the village clean and also to look after guests to the village. In terms of socio-economic activities, women were generally involved in weaving mats used for furniture, clothing and items for exchange. They also made oil from coconut which was used for scent. On the other hand the role of the *nu'u o ali'* centred around the *fono* (village council). They represented political authority as well as community discipline. They

were largely involved in hunting, fishing and house building.

The division of labour between men and women was clearly demarcated and defined their place within the gender and class hierarchy. The ranks of women were linked to their brothers' or fathers' traditional status. Samoa's socio-political structure has been largely patriarchal and continues to be so to this day. The traditional socio-political structure of Samoa still exists in various forms and provides the basis for the current political system.

6.5.6 Land tenure

In the traditional *fa'a Samoa*, lands were owned by the *aiga*, however, over the years there has been gradual individualization of land holdings, although this has not been considered legitimate by the Land and Titles Court and thus have no legal sanction. The transition has been due to the constant adaptability of the Samoan society to the emerging economic circumstances.

Landownership by the *aiga* was linked to the *matai* title and authority. This is because control over land is directly through acquiring the specific title which has *pule* (authority) over the land. One's access to the *aiga* land was largely determined by descent from the previous title holder but at times it can also be through exceptional service to the current title holder and not by direct descent from those actually occupying the land. Land was inherited by the title and not by individuals. Usually a *suli mini* (true heir) living with the family had the greatest access to the title. The *suli si'i* or non-resident heir living away does not have as much chances while a *suli fai* or adopted heir has the least chance. Non-resident *suli* would need to ask the *matai* for use of land and the *matai* would determine which piece of land to use. Leasing of land is the sole responsibility of the *matai*.

As a result of the demand for cash crops, individuals who have developed the land now prefer to pass on land to their immediate families thus individualizing the ownership system. Today the land tenure system is a mixture of both the new individual ownership and the old *aiga* ownership system. The confusion has resulted in increasing number of disputes over land. These disputes are dealt with by the Land and Titles Court.

6.5.7 Traditional forms of social protection

(i) *Fa'a Samoa*

The term *fa'a Samoa* refers to the Samoan way of doing things, the manner of the Samoans, the essence of Samoan life, etc. The concept encapsulates Samoan cultural identity and community. Traditional social protection mechanisms and practices are usually conceptualized in the light of how they reinforce or undermine *fa'a Samoa*. Increasingly, as a result of people's materialistic expectations and desires, the term *fa'a Samoa* is seen as a liability to participation in the market economy. There is another view that aspects of *fa'a Samoa* are still useful in providing social protection for relatives.

The *fa'a Samoa* acts as the major network for socio-economic sustenance of relatives and perpetuation of Samoan cultural identity. Although it has been changing over the years as a result of external influence, migration, etc. but it is still a strong way of maintaining social bond and cultural cohesion.

(ii) *Fa'alavelave*

Fa'alavelave (which literally means something which bothers you), is a generic term for socio-cultural responsibilities and obligations relating to occasions such as deaths, marriages, birth, etc. It involves ceremonies and the exchange of traditional wealth, such as mats, within and between *aigas*. On one hand *fa'alavelave* is perceived by many Samoans as a social burden, at the same time it is seen as a necessary occasion for consolidating social bonds and as a means of social exchange. Traditional wealth and food are collected and redistributed to relatives on occasions such as funerals and marriage. However, increasingly, because of the high demand placed on families and individuals to provide for *fa'alavelave* there is a lot of pressure to cut it down to manageable levels. In some cases people tend to collect so much money and goods for the occasions, thus diverting money away from the family. At times some *matais* may use *fa'alavelave* as a way of enriching themselves (*sue tupe le matai I le fa'alavelave*). The *fa'alavelave* has both positive and negative aspects.

(iii) Fa'amatai

Fa'amatai refers to the organization of *matai*'s and heir to the *matai* titles. It exists at different levels of the Samoan society and is divided into five groups: the *tamai tai* (daughters of the *matai*); *aumaga* (sons of the *matai*); *faletua ma tausi* (wives of the *matai*) and *tamaiti* (young children). The *matais* have responsibility as protector and guardian of *aiga* land, welfare and wealth. The *matai* is expected to give generously when distributing food and wealth. Because *matais* exert considerable authority there are also a lot of expectations on them to perform their protective and redistributive duties well.

(iv) E leaai se isi e tu fa'amauga

This is not strictly a system or process but a philosophy which shapes perception of equality and sharing within the Samoan community. This is a proverb which literally means *no one stands like a mountain*. It refers to equality regardless of wealth and prestige. It demands that wealth needs to be shared equally and being selfish and self-accumulation are considered social liabilities.

(v) O au nei o oe taeao

The term *o au nei o oe taeao* provides the socio-cultural framework for reciprocity. Reciprocity within the Samoan community is a normal part of the socio-economic organization.

(vi) Totoma

This literally refers to formal begging for goods or services when there is a need. The *totoma* system is a form of reciprocity where one asks for mats and even money. Usually people put social and monetary value to goods asked so that when it is their turn to donate they will be obliged to give something of the same value to what they were given. *Totoma* helps address some basic needs as well as social obligations. Refusal to donate can lead to a person being considered an outcast.

(vii) Auala

Auala (which literally means entrance or pathway) refers to non-reciprocal means of exchange and happens especially during funerals. While it helps relatives of the deceased in coping with expenses and bereavement it can also lead to asymmetrical reciprocal relationship. This refers to non-reciprocal exchange usually linked to

funerals to help relatives of the deceased. This is a way of maintaining social solidarity between the *matais* and the people. However, it is also seen as exploitative by some because it may lead to extraction of resources from some people by *matais*.

(viii) Si'i

Si'i is the process of traditional gift giving to the victim's family during death or mishap. Members of the community collect gifts through *totoma* and other means to help out families involved in *fa'alavelave* or other activities. This creates a very strong social bond within the families concerned and helps to maintain good relations. It provides avenue for exchange as well as accumulation for some.

(ix) Gift giving for spiritual security

This refers to giving gifts to the church. This contributes to a feeling of social cohesion, social responsibility, psychological comfort and spiritual security for people. Donating to the church is considered a prestigious and beneficial exercise with socio-psychological rewards. The two types of church gift giving are *me* (money given to church by families through competition) and *foai mo le faifeau* (donations or gifts for the church minister).

(x) Traditional systems of farming and fishing

Traditional fishing and farming skills are still being used in commercial fishing projects. This is an example of how traditional skills can be enhanced through modern commercial operations. A study done by a Samoan PhD scholar (Sonny Lameta) showed that traditional skills relating to farming and fishing are still alive in various places and have been successfully used to generate income. Samoan society has been changing quickly and people are modifying the old to suit the new and the new to suit the old.

(xi) Personal generosity

Giving generously to those who need help is a customary virtue. There is an emphasis on giving rather than taking. For example a person who comes back from fishing with a lot of fish can share his/her catch liberally with village members. While this is traditionally a socially desirable behaviour, it is now changing as a result

of “commercialized thinking”. But there are still cases of this happening.

6.5.8 *Changes in tradition*

The traditional system in Samoa has been undergoing dramatic changes as a result of modernization. Some of the most obvious changes are in the land tenure system, systems of governance, economic system, political structure, people’s demand for goods, people’s perceptions and attitudes. No village in Samoa still exists in a purely subsistence way of life and there is a continuous inter-action between the new and the old and they shape each other in a dynamic way.

The Samoan society has been resilient, yet susceptible to change and transformation. The changes have been largely selective, based on what the people themselves think are most appropriate in the circumstances. The *matai* system is still relatively strong especially in relation to *aiga* control as well as at the national level where only *matais* are allowed to run for elections. At one stage only the *matais* were allowed to vote.

The large Samoan diaspora overseas has contributed immensely to the changes at home through the remittance which has changed people’s well being, consumption patterns, demand for goods and expectations. Those who came back brought new ideas and modes of behaviour which have been responsible for the changes. It has also created a global Samoan society and identity spanning the globe. Samoan culture and identity is no longer limited to the national boundary but has expanded far and wide. Diaspora Samoans provide an important social security dimension to the families back in Samoa.

Educated Samoans also play a part in the transformation process. Many who are educated overseas see some traditional customs as incompatible with their own lifestyles. Many would criticize activities such as *fa’alavelave* yet they are compelled by social pressures from their *aiga* to contribute to the social obligations. The practice of *fa’alavelave* demands a lot of resources and time and many are beginning to look for more innovative ways to address the problem. The government itself has intervened by encouraging people just to use a big mat rather than a number of small ones in traditional ceremonies.

Despite the dramatic changes in Samoa, there is a strong cultural resilience to maintain some form of traditional identity. In part, this desire to preserve certain aspects of traditional culture is also a reaction to the changes taking place. The term *fa’a Samoa* encapsulates both the desire for cultural preservation and adaptation to the modern world. It is a dynamic concept which continues to redefine the identity of Samoans as they engage with the new and old. The Department of Education and Culture has been devising a curriculum to teach fundamentals of Samoan culture and language to students as away of strengthening Samoan culture. The government’s development plan for 2005 - 2007 also emphasizes the importance of maintaining social coherence in the context of traditional authority and culture.

6.5.9 *Government policy and tradition*

The Samoan government through its *Strategy for the Development of Samoa (2005-2007)*, has put in place a development framework which incorporates the importance of traditional culture in development. This is a shift away from the purely “econometric” approach of the earlier years. Instead of focusing only on growth as the main variable, the new approach is more integrative and socially and culturally responsible and responsive.

At one level, it is geared towards *economic and social welfare* and at another level it promotes *Samoan culture and associated social structures* which will *continue to be nurtured and strengthened as a basis for social peace and harmony*.²⁶

There are a number of ways in which the Samoan government is trying to integrate traditional culture into development:

- There is emphasis on village production not only as a way of alleviating poverty, also because the village provides the social sphere for the maintenance and reproduction of traditional culture. The village is an important unit for economic production as well as socio-cultural revival.
- The government is trying to re-adjust certain

²⁶ Samoan Ministry of Finance. 2005. *Strategy for the Development of Samoa, 2005-2007*. Apia: Government of Samoa, p17.

traditional cultural practices to minimize on social obligations yet still retain traditional cultural flavour. An example is the move to do away with producing several small fine mats for ceremonial presentation and emphasis on producing only one big mat (*le sae*). Fine mat is a very important form of cultural wealth which is exchanged through ceremonial occasions such as weddings, funerals, bestowing of titles etc. While trying to promote Samoan traditional forms of exchange, the government is also helping to advise people to do things which are affordable.

- The government has incorporated the role of the village mayor (*Sui Ole Malo*) into the agricultural improvement projects in the villages for the purposes of increasing productivity in the subsistence and small scale cash economic production.
- The conservation of traditional fishing grounds is being enforced by village *Alii ma Faipule* (village council). The village council consists mostly of *matais* (traditional chiefs) who in this case will work very closely with the fisheries division of the government.
- The role of the *Alii ma Faipule* is recognized by the government as *the paramount hierarchy in the Samoan village structure*. They are important in maintaining law and order and harmony in the village. The Samoan culture is seen as *unique* and *a valuable asset* necessary for maintaining peace and harmony in the villages and thus continued revitalization of Samoan culture is seen as important. For revival of Samoan culture, awareness and training programs have been suggested by the government and to operationalize this close coordination between various stakeholders such as the Ministry of Education, Sports and Culture (MESC), village councils, church leaders, NGOs, Samoa Tourism Authority and Ministry of Women, Community and Social Development is needed.
- The strengthening of traditional family values to maintain social and cultural cohesion. This is to be carried out through co-operation between relevant stakeholders like the church, Ministry of Education and community leaders.

Elements of traditions and customs that may impact on potential social protection programs including micro loans, micro insurance, social groupings, group organization and potential to make voluntary contributions to local schemes.

6.5.10 Micro schemes and links to traditional culture.

(i) South Pacific Business Development (SPBD)

Established in January 2000, the SPBD is based on the Grameen Bank micro-financing concept to help serve *those living in poverty in the Pacific Islands*.²⁷ It started operations in Samoa in response to the 1999 UNDP study that 48 per cent of Samoan families live in a state of food deficiency and hopes to expand to other Pacific countries later.

SPBD provides small, unsecured loans to groups of rural poor persons who then invest in areas which they are already familiar with. To date 2,727 businesses have been started and 3,720 loans have been distributed in 109 villages. That amounts to about USD 1,179,823.

The maximum for the first loan is USD 220 without any collateral required. An additional USD 200 can be loaned to help in home upgrading such as improved sanitation, access to electricity, proper roofing, proper foundation and running piped water. Another USD 100 can be loaned for the purpose of the children's education. The repayments are collected weekly by loan officers during centre meetings held in villages near the member's homes. Members are organized into groups of 4 to 10 and each member is responsible to the group. If a member defaults on the loan then the others are obliged to cover the repayments. Because no collateral is paid, this system ensures a sense of responsibility and trust and there is a social obligation to pay the loans. Failure to do so can lead to social shame. This is the essence of the concept of social and communal collateral.

The reasons for the success of the SPBD are:

- The SPBD approach is not purely commercial but also attempts to develop human confidence through *respect for each individual innate human integrity, drive and*

²⁷ See South Pacific Business Development, Information booklet.

self-esteem. In other words, personality development and nurturing of human potential through micro-enterprises underlies the philosophical thrust. Sociologically this is an important ingredient in ensuring empowerment of those in marginal socio-economic situations and provides the basis for community collateral;

- The use of social/communal collateral works well in a communally oriented situation such as Samoa. The use of traditional norms relating to communal respect and communal obligation blends well with the notion of social/communal collateral;
- The groups are self-chosen, in other words they themselves decide who should be part of the group. This ensures mutual relations and proper accountability based on peer monitoring;
- Clients and loan officers are trained in their respective responsibilities and roles and this continues on a regular basis;
- There is a close relationship between the loan officers and clients. A relationship of trust between these two groups is fostered based on traditional norms of respect; and
- There is a mutual integration between formal operational regulations and traditional norms. The consent of traditional chief is sought in the beginning before a branch is set up in a village. Certain traditional protocols are followed to ensure acceptance and accommodation within the village context, yet at the same time formal discipline in the form of adherence to SPBD regulations on loan repayment etc. is strictly observed.

However, SPBD is also faced with some problems including:

- Inability of some clients to adapt to the new business environment, given their village-based relationships;
- Pressures of social obligations and diversion of resources to fulfil these obligations; and
- Difficulty in securing land for micro

agricultural projects.

(ii) *Remittances*

In 2004 alone remittance made up WST 149 million, or one-third of the cost of imports for Samoa and the trend is increasing. Remittances from relatives overseas help to sustain family needs and social obligations at home. It also helps the Samoan diaspora to maintain a global family network and links to Samoan culture and identity

Almost every Samoan has a relative (close or distant) overseas. Money sent back home from relatives in the US, Australia and New Zealand help to subsidize the socio-economic needs of the relatives, some are directed to the church (for the purpose of prestige), some towards the *fa'alavelave* and some use them to start micro business. The amount has been growing steadily over the years. Remittance helps to sustain family needs and social obligations at home as well as maintains global family network and links to Samoan culture and identity.

(iii) *Small Business Enterprise Centre (SBEC)*

The SBEC promotes and fosters small and medium enterprises in Samoa through training, writing business plans, and nurturing the businesses. It provides an institutional link between clients and banks through assessment of the viability of business plans and risks involved. It guarantees loans of up to 80 percent of the loan relating to up to WST 20,000 for new businesses and WST 50,000 for business diversification and expansion. Small loans within the WST 5,000 limit are referred to WIB or the Development Bank. SBEC was set up in 1994 to encourage development of small business in Samoa and its focus has been largely on women.

SBEC does not provide finance but provides expertise for small business management training, advisory services, facilitation of access to finance, advocating positive changes in small business. SBEC operates two schemes: NZAid Scheme and ADB SBDP project scheme. Loans can be given on the basis of individuals, partnerships or cooperatives. The focus on women as clients is important because traditionally they have been the most important economic provider for the family. Women look after the household and hold the *ainga* together.

(iv) European Union micro projects

These are mostly aimed at improving communal amenities in rural areas such as infrastructures, school buildings, health centres, women centres, water tanks etc. It is based on community participation where villages through committees and *matais* identify appropriate projects through their traditional making process for funding. Individual projects are not funded. This is important in terms of ensuring that the benefits spread all around the community. The EU funding amounts to about WST 3.5 million annually. Although the projects are not strictly for income generation, they do, however, relate to public utilities projects which play important roles in facilitating collective well-being.

(v) Women in business

This is targeted towards women and involves projects in agriculture, weaving, small shops, food stalls etc. It is funded by Asian Development Bank and facilitated by Samoa Development Bank. Basically it does training and other professional help for about 300 members. The maximum to be loaned is WST 5000. The loans are based on social collateral – that is the family guarantees that the loan is paid. Failure to do this will mean family dishonour. This is where traditional kinship links are incorporated into the process to ensure repayment. Again this project recognizes the role of women as traditional pillars of family life.

(vi) Traditional fishing and farming skills

Traditional skills relating to farming and fishing are still very much in use in various places and have been successfully used to generate income. Samoan society has been changing quickly and people are modifying the old to suit the new and the new to suit the old.

Traditional skills help to subsidize modern implements and methods of farming and fishing. Because of the high cost of the new technology, nature of the terrain and the small size of the communities, traditional methods tend to be more appropriate.

(vii) Development Bank of Samoa (DBS)

The DBS provides short and long term loans, equity participation and financial and technical

advice to clients involved in any enterprise in Samoa. It is a facilitating institution which receives funds from various sources such as ADB, EEC, EIB, IFAD and the Samoa National Provident Fund and loans them to clients.

Most of the loans were for agricultural purposes and this includes micro-finance loans linked to Women in Business and SBEC. For micro-finance training carried out by the DBS is largely based on the mechanics of business management while training by WIB and SBEC are more focused on engaging the realities of community life.

The high interest rates (18 per cent) charged by the DBS is an inhibiting factor for small business clients. This, together with the traditional social obligations such as *fa'alavelave* and the fact that most agricultural micro finance clients are located in traditional villages has posed a major challenge to the success of the DBS small business scheme.

6.5.11 Reasons for the failures of micro schemes

Apart from the successes there were also failures in some of the schemes above. Some of these are:

- The practice of *fa'alavelave* puts a lot of pressure on families to commit so much money and resources and this diverts a lot of resources from the micro schemes. There is a general feeling that the *fa'alavelave* should be the priority since it is associated with family honour and prestige. For instance, putting up a big feast to please relatives and neighbours is considered an important social asset. Some people deliberately use village micro schemes as a means of funding *fa'alavelave* while in some cases, while the idea is to promote family welfare, the pressure of the *fa'alavelave* and the associated social obligations compel people to use up the profit made.
- The other traditional practices such as *totoma*, *auala*, *si'i* and *o au nei o oe taeao* have been identified as “barriers” to individual or family savings. Some of these practices are directly associated with *fa'alavelave* and some are not. These practices involve reciprocal exchange and borrowing and refusal to give is looked at with disdain.

- Use of resources for church activities in the form of *me* and *foai mo le faifeau* have also been identified as being responsible for the diversion and resources from remittances and micro schemes.
- In some cases there have been cases of *mis-conceptualization* of the micro-scheme. Some see it not as an entrepreneurial enterprise to generate income but a source of prestige in the village. To be involved in *fa'tauoloa* (selling and buying) or *pisinisi* (business) is associated with modern-mindedness, achievement and social worthiness, even if no plausible profit is realized.
- Apart from the *cultural* reasons there are basic operational and logistical reasons (also linked to the *cultural* reasons) for the failure of some micro schemes. Some of these are inadequate understanding of the business culture. Training in things such as book-keeping, saving, etc. are sometimes too mechanical to fit into people's cultural environment. Some, especially those who have had some basic education and have developed a certain degree of motivation, have been able to adapt while some have not been as adaptive.
- Another problem has been the tension between addressing long term and short term family needs. For instance some clients use the money they loaned for purposes which were outside the original intention. In one case, a woman used her money to pay off loan for her family car.
- The interest rate charged by financial lenders such as the ADB (though the Samoan Development Bank) and SPBD is about 20 per cent, which is considerably higher than the commercial bank rates. For those involved in subsistence and communal life this is an extra burden which has contributed to the demise of some businesses.

As a consequence of the above some micro schemes collapsed and some continued but with numerous problems. Some have been *inventive* enough to keep their business *running* by diverting money from elsewhere outside the business to pay for the loans. In a number of cases profits from *bingo* games were used to pay

for the loans. While it appeared on paper that the micro business was up-to-date with the loan repayment, the method used was outside the conventional business sense. The business would have died months earlier but the repayment of loan through bingo kept the donors' records in good shape.

6.5.12 **Recommendations on key traditional elements and social security**

Samoa is a society which has embraced selective changes, while developing a sense of resistance against total transformation and loss of traditional culture. This crucial factor needs to be understood in any attempt to use traditional modes of relationships and institutions to facilitate and advance micro scheme projects. The inter-relationship between tradition and modernity is complex and this complexity needs to be fully understood to identify some subtle and obvious factors which impact either positively or negatively on micro schemes. A number of recommendations can be suggested here.

- It is important to understand some of the specific cultural aspects which can be subject to both abuse and positive use. More importantly it is vital to understand the circumstances in which certain aspects of traditional culture can be used effectively or abused. Cultural auditing skills for donors are important in this respect.
- Certain aspects of traditional community life such as sharing responsibility and collective engagement are important inputs into the micro-scheme. Those who live in villages are still familiar with traditional norms and it's important to use these as basis for micro-schemes.
- Some villagers have proven to be successful on their own and it is important to encourage this rather than simply make every one fit into the collective mould. While some people find individual entrepreneurship convenient for their needs some might find that collective enterprise work better for them.
- The practice of *fa'alavelave* and other forms of reciprocity such as *totoma*, *auala*, *si'i* and *o au nei o oe taeao* still form the core of traditional Samoan socio-economic

exchange and is very important to re-shape some of these to ensure that they better serve the interests of micro scheme. This can be done by ensuring that money generated from micro schemes is not diverted to *fa'alavelave*. At the same time some of the goods acquired through *fa'alavelave* can be converted to cash which can then be reinvested into the micro-scheme.

- Instead of simply relying on loans from financial sources such as the ADB and SPBD (which charge up to 20 per cent interest), people should be encouraged to put in their own money from remittances and even community collection to set up businesses. The 20 per cent interest is significantly higher than commercial bank rates and for small micro schemes repayment is one of the biggest challenges. An extended family can collectively run a project using their collective resources.
- Experience has shown that the extended and nuclear families are the most reliable units for micro schemes. This is because these are the major focus of the traditional social protection system. Women tend to be the most reliable in terms of running family business because of their traditional role as guardians of family welfare. Men tend to be more inclined towards political leadership and control.

6.6 Summary of findings and major recommendations

The study has shown that traditional culture still plays a significant role in the daily lives of Pacific people. There is a complex process taking place where on one hand there is the influence of modernity and all its manifestations and on the other hand is the desire of Pacific people to maintain aspects of their traditional culture as a way of reinforcing their group and individual identity. Traditional forms of social protection are linked to the broader processes of socio-economic exchange and socio-political stability. The study has identified a number of significant aspects of tradition and social protection from the five countries studied which deserve attention.

(i) Key findings

The complex inter-relationship between traditional and the modern expresses itself in virtually all aspects of Pacific community life including the socio-political system, economic system, systems of social security, gender relations, etc. Over the years islanders have selectively chosen aspects of both which they find most convenient and workable when dealing with issues of everyday life. For instance, in the case of Samoa, traditional *matais* (chiefs) are the only ones mandated by the constitution to become parliamentarians. In Fiji and Vanuatu institutionalized systems of chiefly leadership to complement the mainstream political system exist. Many people survive by engaging in “social dualities” such as subsistence and market economy, individual entrepreneurship and communal participation, profit maximisation and redistribution etc.

- Traditional culture and customs are not seen as belonging to the past but as living and operational phenomena which serve contemporary needs. At the same time it can be used to define identity in a fast changing and increasingly complex world.
- Dramatic changes in the Pacific since independence have re-shaped the way tradition is conceptualized, operationalized and adapted. Pacific cultures do change and these changes have been due to the adaptive nature of Pacific people to the emerging challenges of globalization and modernity. Some aspects of culture such as land rights have evolved only as far as the needs dictate.
- Traditional Pacific societies are organic and integrated in the sense that no particular aspect, whether it is political leadership or socio-economic exchange, is autonomous. Instead these aspects are all intrinsically linked. For instance one's political status depends on exchange for sustainability and legitimacy. Structure of society is linked to kinship relations and landownership is linked to status and kinship links etc. To change one means changing other aspects as well.
- The country studies show that traditional systems of social security are closely linked to systems of political governance, socio-

economic exchange, gender role, conflict resolution mechanisms etc. Traditionally, there were no institutionalised systems of social protection as such but each component of social life (exchange, governance etc.) had a role in social protection. The entire kinship system itself, whether referred to as *veiwekani* in Fiji or *fa'a Samoa* in Samoa or *wantok* in Vanuatu and Solomon Islands provide the foundation of social protection which sustain individuals and groups on a daily or occasional basis.

- Traditional forms of social protection are still very much practiced today in a variety of forms as we have seen in the country studies. They play a number of important parts by subsidizing the demands of the market economy and cushioning the impact of economic pressures on the families concerned. They also allow for circulation and reproduction of certain traditional goods which would have otherwise disappeared. They also help to maintain social coherence at a time when families are disintegrating as a result of economic pressures. Furthermore they provide a sense of belonging and identity for people.
- Traditional forms of social protection exist in various forms such as collective reciprocity of goods and services, ceremonial exchange or even at a level of individual behavioural disposition where one is expected by custom to be generous. It can also exist at the level of cultural philosophy relating to ideals of altruism, selflessness, neighbourliness, etc. The levels of practice and philosophy reinforce each other.
- The study has found that traditional forms of social organization and norms can be successfully used to facilitate and promote micro schemes. One of the demands of the market economy is individual entrepreneurship. Many Pacific communities, because of the integrated communal life they are part of and used to, find it difficult to adapt. This has been a cause of failure in many of the income generating activities.
- In all the countries studied there have been considerable successes in the integration of traditional values such as collective

participation, sharing of resources and social integration in micro schemes. The integration between modern women entrepreneurship and the traditional role of women as custodians of family welfare has been a significant factor for success. The use of the chiefly system as means of legitimization (as in Samoa) or debt repayment (as in Vanuatu) is another example. In situations where it is difficult to produce assets as collateral the use of social and cultural collateral has been seen to be appropriate and workable. Group investment based on community trust and good relations have produced positive dividends.

- It was also observed that some aspects of tradition tend to undermine the culture of savings. Some of these practices such as *fa'alavelave* in Samoa can be adjusted to make sure that the burden on the people is not too heavy. It is possible to strike a harmonious balance between tradition and micro schemes.

6.7 General recommendations

- Governments in the Pacific should recognize the importance of traditional norms and practices in micro schemes. Policies relating to development and micro schemes should have specific references to this.
- Those micro schemes which have been successfully integrating the two modes must be given more support and encouragement and replicated elsewhere in other parts of the country. There should be an in depth study of the reasons why this model has not worked in some cases and mistakes rectified.
- Like in Samoa (where the government has discouraged the use of small mats for ceremonies) there should be some government guidelines (not rigid ones to allow for people to still make a choice) to ensure that certain traditional obligations are not impediments to poverty reduction.
- Because many of the micro scheme organizations operating within the countries studied operate autonomously, it is important that there should be a national

network set up by the government to ensure that there is a uniform national structure and process and that these organizations (who in some cases may be competing against each other) can share experiences and lessons or success and failure.

- To facilitate the national network there should be a central database which holds information about micro schemes.
- A training manual on tradition and income generation/business should be produced as guideline for those involved in group and

collective projects. While people *live* their culture, it is important to *teach* or provide an analysis of aspects of their own culture which they have only taken for granted.

- The family (nuclear or extended, depending on the circumstances) should be the primary target beneficiaries of the micro scheme projects, although the process may involve larger groups. For instance a project may involve the whole village, the ultimate beneficiaries would be the families and how they are able to sustain themselves.

Chapter 7 ILO Convention 169 for Indigenous and Tribal Peoples

7.1 Introduction

The ILO Convention 169 provides the framework for protection and treatment of *tribal* and *indigenous* peoples. The study looks at the applicability of the convention to the indigenous peoples of the ILO Pacific members, namely Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu. This issue is an important one for a number of reasons. Firstly these countries were at some point in their history under colonial rule and under the colonial system their indigenous institutions, political rights and economic development were directly controlled by the colonial powers. Now that they are independent, it is important to examine the extent and means by which the indigenous peoples have control of their institutions as the convention advocates and the implications of this on the indigenous population. Secondly, in all the five countries the indigenous population constitutes the demographic majority – in all cases except Fiji, over 90 per cent of the total population – and hold political power. Thirdly, because the governments in these countries are dominated by indigenous peoples, it is important to see whether the provisions of the convention applies to them in the same way that it applies to other indigenous groups in other parts of the world who are marginalized and subjugated.

The Fiji situation is the most complex because the indigenous population was a minority at one stage in history and also because the applicability of the convention has been a subject of debate between on one hand nationalists who want to use it to promote Fijian interests and on the other hand those who argue that the convention is not applicable due to the politically dominant position of indigenous Fijians. In the other countries where the indigenous population makes up an overwhelming majority, indigenous rights are taken for granted and debate on the subject rarely takes place. It is for this reason that there will be a more detailed analysis of the Fiji situation to help clarify the situation.

This chapter aims to examine the links between the ILO Convention 169 and the situation of indigenous peoples in the Pacific. In particular it makes references to issues of social security and

health. It also identifies some of the shortcomings of the convention and provides some recommendations for possible future review of the convention.

7.2 ILO Convention 169 and the Pacific: An overview

Article 1 of the ILO Convention 169 of 1989 applies primarily to:

- (a) tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations;
- (b) peoples in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonisation or the establishment of present state boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions.

Given the global changes since 1957 the convention is committed to providing the legal framework for greater autonomy for these peoples to exercise control over their own institutions, ways of life and economic development and to maintain and develop their identities, languages and religions. This is meant to remove the assimilationist orientation of the earlier standards. Many of these peoples are unable to enjoy their fundamental human rights to the same degree as the rest of the population of the States within which they live, and that their laws, values, customs and perspectives have often been eroded...”

Article 1 is based on the assumption that indigenous and tribal peoples in independent countries who may also be minorities who have been marginalized economically and politically by dominant institutions and cultures introduced from outside. It is assumed that these groups still maintain their inherited cultures which can be

differentiated in one way or another from other cultures.

Clearly the convention is conscious of the socio-economic, political and cultural marginalization of certain tribal and indigenous groups in situations where they have been assimilated into dominant cultures and systems and calls for their self-determination, at least to the extent of controlling their own cultural inheritance, institutions and means of livelihood. This applies to many tribal and indigenous groups who have been victims of colonial and post-colonial domination and whose rights have been undermined.

In the Pacific the convention has not really provoked any intensive debate because, except in the case of Fiji, in many cases because of the predominance of the indigenous population, the situation of the indigenous peoples have always been taken for granted. Although most Pacific societies have been under colonial rule at some point in their history, the indigenous populations have been the politically dominant, although significant economic power in some parts of the economy maybe in the hands of various minority groups. Perhaps the most unique situation is Fiji where the indigenous population was a minority from 1946 to 1996. Figure 1 (table and bar graph) shows the proportion of indigenous population in the five countries. Fiji has a slight majority of 52 per cent while Kiribati, Samoa, Solomon Islands and Vanuatu all have overwhelming majorities of over 90 per cent respectively. The numerical superiority of the indigenous groups have always been a feature of these countries since independence, except for Fiji which has been a bi-polar society where two major ethnic groups have always dominated the demographic as well as political landscape. The Indo-Fijian population overtook the Fijian population in 1946 and this reversed after 1987 as a result of Indo-Fijian migration out of Fiji following the 1987 nationalist military coup.

Table 7.1 *Proportion of indigenous population in Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu*

Country	Indigenous groups categories	Percentage of population	Status
Fiji	Fijian	52	Slight majority
Kiribati	I-Kiribati	98	Big majority
Samoa	Samoan	93	Big majority
Solomon Islands	Melanesian Solomon Islander	94	Big majority
Vanuatu	Ni-Vanuatu	98	Big majority

Sources: Derived from National Census Reports for Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu.

The minorities are largely non-indigenous migrants or those of indigenous and non-indigenous mixed blood. Only Fiji has a relatively large non-indigenous population of 48 per cent while the other countries have less than 10 per cent respectively: Kiribati, 2 per cent; Samoa, 7 per cent; Solomon Islands 6 per cent; and Vanuatu, 2 per cent. Figure 2 shows details of the non-indigenous population.

Table 7.2 *Proportion of non-indigenous population for Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu.*

Country	Non-indigenous groups	Percentage in relation to total population	Status
Fiji	Indo-Fijians, Others	48	Big minority
Kiribati	Tuvaluan, European, Kiribati-Tuvaluan, Kiribati-Others	2	Small minority
Samoa	Mixed, European	7	Small minority
Solomon Islands	Polynesian, Micronesian, Chinese, European, Mixed, Other	6	Small minority
Vanuatu	Part-Ni Vanuatu, Other Melanesian, Polynesian, Micronesian, Europeans, Chinese, Vietnamese, Others	2	Small minority

Sources: Derived from National Census Reports for Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu.

Apart from their numerical superiority, the indigenous populations also dominate political power. This has been the trend since independence, except for Fiji where competition over political power between Fijians and Indo-Fijians has been a dominant feature of the political system and a fundamental cause of instability.

7.3 Local definitions of indigenous

Ethnic and social identity is usually defined either internally by the group itself or externally by others. Article 1(2) of the convention emphasizes the importance of internal identity thus: Self-identification as indigenous or tribal shall be regarded as a fundamental criterion for determining the groups to which the provisions of this convention apply. Self-identification of indigeness is reflected in the official government categorization (such as in the national census reports) of the respective countries: Fijian in Fiji; I-Kiribati in Kiribati; Samoan in Samoa; Melanesian in Solomon Islands and Ni-Vanuatu in Vanuatu.

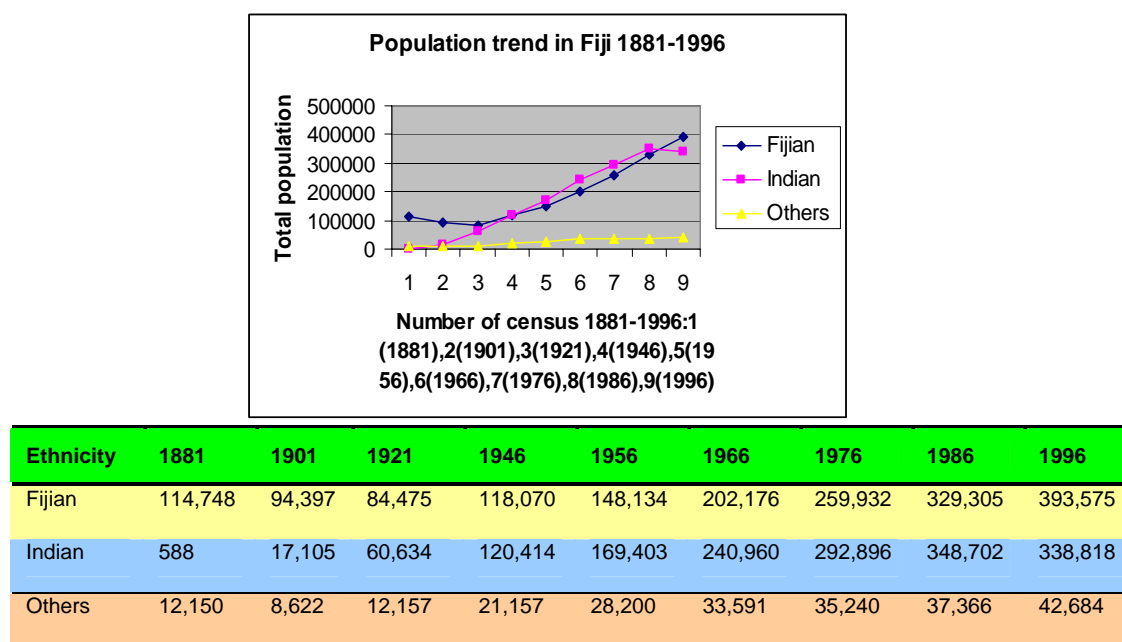
The question of whether those with mixed indigenous blood are classified as indigenous can be a problematic one. In Fiji one automatically becomes a Fijian in a situation where the father is Fijian regardless of the background of the maternal parent. This is also the case in other countries, except in matrilineal communities in Vanuatu and Solomon Islands where maternal influences are very strong.

The application of the convention to the indigenous situation in the Pacific is not as clear cut as maybe assumed. This is partly because in all the Pacific countries concerned, the indigenous community is the dominant group. The case studies which follow attempts to throw some light into the issue.

7.4 Case study: Fiji

Of all the five Pacific island countries, Fiji has the most mixed population with a bi-polar tendency compared to the others which are predominantly indigenous. The population trend since 1881 is shown in the graph below.

Figure 7.1 *Relative size and increase in population in Fiji, 1881-1996*



Source: 1996 Census of Fiji, Bureau of Statistics: 29

The graph shows the continuing dominance of two ethnic groups (Fijian and Indo-Fijian) in Fiji. The Indo-Fijians outnumbered the Fijian population in 1946 and by 1996 the trend reversed. From 1996 onwards Fijians became the

majority and given the current rate of demographic shift it is projected that by 2010 the indigenous Fijian population would make up close to 60 per cent of the population, a relatively large majority.

The *Others* category consists of a number of minority ethnic groups officially classified as Chinese, Europeans, Part-Europeans, Rotumans

and Pacific Islanders. Their respective sizes are shown in Figure 7.3. These groups constitute about 5 per cent of the total population.

Table 7.3 *Fiji's population by ethnicity, 1881-1996*

Ethnicity	1881	1901	1921	1946	1956	1966	1976	1986	1996
Chinese	+	+	910	2,874	4,155	5,149	4,652	4,784	4,939
Europ.	2,671	2,459	3,878	4,594	6,402	6,590	4,929	4,196	3,103
Fijian	114,748	94,397	84,475	118,070	148,134	202,176	259,932	329,305	393,575
Indian	588	17,105	60,634	120,414	169,403	240,960	292,896	348,702	338,818
P-Europ.	771	1,516	2,781	6,142	7,810	9,687	10,276	10,297	11,685
Rotuman	2,452	2,230	2,235	3,313	4,422	5,797	7,291	8,652	9,727
Pacific Is	6,100	1,950	1,564	3,717	5,320	6,095	6,822	8,627	10,463
Other	156	467	789	514	91	273	1,270	810	2,767
Total	127,486	120,124	157,266	259,638	345,737	476,727	588,068	715,375	775,077

Source: 1996 Census of Fiji, Bureau of Statistics: 29

7.5 The indigenous question

The figures show that the Fijian indigenous population was a minority for about 50 years (1946-1996). The question remains as to whether the situation of Fijians within the 50 years of demographic minority status could be said to constitute a situation of marginalization. This has to be seen in the broader socio-economic and political dynamics of the colonial and post-colonial situation. The British colonial system, which was established in 1874, had a number of significant characteristics outlined below.

- Through the centralized colonial state a homogeneous collective ethnic identity was created. The Fijian administrative structure set up under the 1876 Native Ordinance became the institutional means of political, social and cultural collective identification.
- The colonial *native policy* acted as a *protective* mechanism to shield Fijians from the excess of Western influence. For instance Fijian communal land was declared inalienable and a number of Fijian institutions such as the Great Council of Chiefs and Fijian Administration were set up to ensure that Fijians were kept within the bounds of their customary systems.
- The traditional socio-political structure, specifically the chiefly system was reconfigured to suit the demands of the colonial administration. In many ways this consolidated the power of chiefs and

institutionalized the chiefly system as part of the state structure.

- The protective colonial system institutionalized ethnic separation and also gave Fijians a sense of ethno-political distinctiveness compared to other ethnic groups. This became the basis for future nationalistic mobilization.
- The colonial system locked Fijians into communal village life, under chiefly tutelage, which marginalised them from mainstream economic development, professional development and education and as a result they continued to lag behind other ethnic groups in these areas. Over the years these became the basis for nationalist grievances and political conflict.
- The protective policy of the colonial regime gave way to the doctrine of *paramountcy of Fijian interest* which argued that as indigenous people Fijians had the right to be treated preferentially and later this was interpreted as the right to assume and maintain political power and dominance.

7.6 Economic situation of indigenous Fijians

It has been argued that Fijian political supremacy was a way of *balancing* their economic marginality. While the colonial policies provided *protection* for Fijian interests, it also created

conditions for economic retardation. However, over the years, especially after independence, attempts have been made to redress the imbalance. A few examples here may suffice.

As shown in Figure 7.4 the per capita cash income of Europeans and part-Europeans in 1953 was FJD 468, followed by Chinese (FJD 279), who were mostly shopkeepers, and then Indo-Fijians (FJD 113), while indigenous Fijians had the lowest per capita of only FJD 60.

Table 7.4 *Estimated per capita income by ethnicity, 1953 (FJD)*

Ethnic Group	Income per head (Cash and subsistence)	Income per head (Cash only)
Indigenous Fijians	121	60
Indo-Fijians	128	113
Europeans/Part-Europeans	468	468
Chinese	302	279
Other Categories	147	113

Source: "The Pattern of the Fiji Economy, The National Income, 1950-53." Fiji Legislative Council Paper No.44 of 1956.

Disparity was also visible in professional positions as shown in Figure 7.5. In 1958, of the total number of lawyers, doctors and dentists, there were 2 Fijians, 58 Indo-Fijians, 1 Chinese, 2 Part-Europeans and 74 Europeans. By 1966, only four years before independence, the ethnic proportion in relation to a number of middle class professions were as follows: lawyers (0 Fijian to 38 Indo-Fijians), doctors (1 Fijian to 12 Indo-Fijians) and dentists (1 Fijian to 8 Indo-Fijians).

Table 7.5 *Numbers qualified in selected professionals by ethnic group, 1958*

Ethnic Group	Lawyer	Doctors	Dentists	Total
Fijians	-	1	1	2
Indo-Fijians	38	12	8	58
Chinese	-	1	-	1
Part-Europeans	1	1	-	2
Europeans	17	51	6	74
Total	56	66	15	137

Source: Fiji Legislative Council Papers No.1 of 1960: 12.

The low number of Fijians in the middle class professions was indicated by income distribution. In 1967 for instance only 4 per cent of those with income above FJD 5,000 were Fijians compared to 16 per cent for Indo-Fijians, 38 per cent Europeans and 24 per cent Chinese. At the same time Fijians predominated in the low income bracket (FJD 0-1,000).

Figure 7.6 shows, the disparity in the managerial positions in 1986 were obvious with Fijians constituting only 23 per cent and Indians 77 per cent. This disparity continued (in fact slightly worsened) in 1996 with Fijians making up 22 per cent and Indians 78 per cent respectively. However, for the professional and technical staff the proportions are almost equal with Fijians making up 45 per cent and Indians 53 per cent in 1986 and 54 per cent compared to 47 per cent respectively in 1996.

Table 7.6 *Ethnic distribution of "Middle Class" occupational category, 1986 and 1996*

Occupational Category	Fijian		Indian	
	1986	1996	1986	1996
Managerial	487 (%)	1,292 (22 %)	1,603 (76 %)	4,548 (78 %)
Professional and Technical	7,124 (45 %)	13,699 (53 %)	8,450 (54 %)	12,351 (47 %)
Total	7,611 (43 %)	14,981 (47 %)	10,053 (57 %)	16,899 (53 %)

Source: Fiji Bureau of Statistics, 1989; 1998.

An area of disparity is in the corporate sector where Fijians constitute a significantly small minority compared to Indo-Fijians. For instance as Figure 7.7 shows, of the various managerial categories surveyed Fijians made up 22 per cent compared to 78 per cent for Indo-Fijians.

Table 7.7 *Ethnic distribution of corporate managers by category, 1996*

Man. Category	Fijian (No.)	(%)	Indian (No.)	(%)
Directors/Chief Executives	196	18	879	82
Small business managers	568	20	2,344	80
Specialist managers	193	40	285	60
Other department managers	335	24	1,040	76
Total	1,292	22	4,548	78

Source: Fiji, 1998:175

Disparity was also observed in the distribution of taxi permits where Indo-Fijians tended to dominate as shown in the figures from 1988 to 1994. But as a result of the government affirmative action policies since 1987 and the ministerial order to freeze granting of Indo-Fijian permits in 1990 Fijian taxi ownership increased significantly from a ratio of about 1:10 in 1988 to about 1:3 in 1994. Figure 7.8 shows details of ethnic distribution of taxi permits from 1988 to 1994.

Table 7.8 *Distribution of taxi permits by ethnicity*

Year	Fijian	Indian	Others	Total
1988	272	2,265	49	2,586
1989	272	2,265	49	2,586
1990	289 (+17)	2,260 (-5)	37 (-12)	2,586
1991	399 (+110)	2,274 (+14)	37 (nil)	2,710 (+124)
1992	554 (+155)	2,279 (+5)	46 (+9)	2,879 (+169)
1993	748 (+194)	2,235 (-44)	107 (+61)	3,090 (+21)
15 Jun, 94	988 (+240)	2,239 (+4)	124 (+17)	3,351 (+261)
16 Aug, 94	1,100 (+112)	2,239	139 (+15)	3,478 (+127)
11 Nov, 94	1,234 (+134)	2,239	153 (+14)	3,626 (+148)
31 Dec, 94	1,289 (+55)	2,239	155 (+2)	3,683 (+57)

Source: Fiji Dept. of Road and Transport, 1994: 18.

The distribution of various occupations in Figure 7.9 shows that while there are various degrees of disparity between Fijians and Indians in the categories shown, by and large there is an equal share of the respective occupations.

Table 7.9 *Occupational categories of economically active by ethnicity (Indo-Fijians and Fijians only), 1986*

Occupational Category	Fijians (%)	Indians (%)	Total
Professional, technical and related workers	45	54	15,574
Administrative and managerial	23	76	2,090
Clerical and Related workers	38	62	13,726
Sales workers	26	74	13,832
Service workers	60	40	14,479
Agriculture, animal husbandry, forestry workers and fishermen	60	40	102,614
Production, related workers, transport equipment operators and labourers	56	44	28,268
Workers not classified by occupation and unemployed	70	30	13,407
Total	56	44	203,991

Source: Calculated from Fiji Bureau of Statistics, 1989:52.

The occupational category which has a clear Fijian dominance is the civil service. There was a deliberate attempt after the 1987 military coup to allow for more Fijian recruitment into the civil service and the 1990 Constitution decreed that Fijians should constitute at least 51 per cent of the total number of civil servants. Figure 7.10 shows the number of appointments made in the civil service from 1991 to 1994 and Figure 7.11 shows the total number of staff in the civil service from 1991 to 1994. In both cases Fijians clearly dominated. The trend continues to this day. Currently, more than 60 per cent of civil servants are Fijians. The imbalance continues as a result of

resignations and migration of Indo-Fijians out of the country.

Table 7.10 *Civil service appointments, 1991-1994*

Year	Fijian / Rotuman	%	Indian / Others	%	Total
1991	594	58.6	417	41.4	1011
1992	1182	58.0	857	42.0	2039
1993	892	57.7	657	42.3	1546
1994	631	57.2	472	42.8	1103

Source: Fiji PSC, 1995:16

Table 7.11 *Total number of staff in the civil service by ethnicity*

Year	Fijian Rotuman	%	Indian / Others	%	Total
1991	9,296	55.8	7,360	44.2	16,656
1992	9,682	56.6	7,429	43.4	17,111
1993	9,631	56.8	7,317	43.2	16,948
1994	9,709	57.2	7,261	42.8	16,970

Source: PSC, 1995:15

Indo-Fijians predominate in areas of retail and wholesale as well as in agriculture, especially cane and rice farming. Nevertheless Fijians have in the last few years made tremendous inroads into these areas as a result of the affirmative action policies of the government. However, there are still aspects of economic development which are still causes for Fijian grievances which have in recent times become the basis for political mobilization and conflict. Because the government has always been Fijian dominated, except for a short stint in 1999 to 2000, it had the power to directly address the socio-economic situation of indigenous Fijians through preferential policies. The reaction from Indo-Fijians has usually been negative often labelling affirmative action policies as being "racist."

7.7 Political power

Since independence in 1970 political power has always been in the hands of the indigenous Fijians. The first Prime Minister was Ratu Sir Kamisese Mara, an Oxford educated Fijian paramount chief who ruled for 13 years until his Alliance Party lost the election in 1987. The Fiji Labour Party-National Federation Party Coalition won the election and Dr Timoci Bavadra a commoner Fijian became prime minister. The coalition lasted a month when the military, under the then Lt Colonel Sitiveni Rabuka, staged a military coup in support of Fijian nationalist agitation against the largely Indo-Fijian government. Since then political power remained

in the hands of indigenous Fijian political parties until 1999 when the Fiji Labour Party once again achieved victory at the polls prompting another nationalist coup a year later in May 2000. Again a Fijian political party, the Soqosoqo Duavata ni Lewe ni Vanua (SDL) in coalition with the nationalist Matanitu Vanua Party took over political power after the 2001 election.

Fijian political aspirations have been largely driven by the notion of protection of indigenous values through the dictum *paramountcy of Fijian interests*, which argues that as the indigene Fijians have the automatic right to perpetual political power. In addition to this are socio-economic grievances and distrust of Indo-Fijians to rule over them fairly. Thus, whenever political control shifted from their hands there was a tendency to mobilize politically to reclaim lost power and twice this had led to coups. The use of force to overthrow elected governments has been justified as serving the interests of the indigenous population.

7.8 Relevance of the ILO Convention 169

A number of factors need to be taken into consideration when assessing the relevance of Convention 169 to the Fiji situation.

Assessment of the socio-economic situation, especially in the area of employment and business shows that while Indo-Fijians are more dominant in the corporate sector Fijians generally dominate in the public service and are on par with Indo-Fijians in various occupational categories. The affirmative action policies of the government over the years have helped to consolidate a Fijian middle class whose professional and entrepreneurial skills are quickly matching those of other ethnic groups. The 1997 UNDP research on poverty found that the average income for indigenous Fijians was lower than that of Fijians but half the Indo-Fijian households was higher than that of Fijian households in the lower 5 (1-5) deciles. However Indo-Fijians tend to dominate the very high income bracket.

Politically Fijians have always dominated political power. With their numerical superiority now assured for the future as a result of continued migration of Indo-Fijians abroad, future political supremacy of Fijians is more or less guaranteed. While Fijians lag behind in various economic activities, they are not economically oppressed or

forcefully marginalized. They are also far from being politically oppressed given their dominance of politics as well as their own cultural institutions. Although there have been acts of injustice done to Fijians in the past such as alienation of their land, attempts have recently been initiated to address this. A lands claim tribunal will be set up to look into land claim matters. Fijians continue to control their own affairs through the Fijian Affairs Board, Ministry of Fijians Affairs, Great Council of Chiefs (GCC), Presidency (who is normally a Fijian appointed by the GCC), Native Land Trust Board and other institutions and socio-cultural processes. In fact over the years indigenous Fijians have been able to achieve many of the aims of the convention, through empowering policy initiatives, affirmative action and unfortunately through the use of force during coups. Thus at one level the provisions of Convention 169 for indigenous empowerment are already being carried out within the Fijian community. At another level, the spirit of the convention which is geared towards marginalized tribal and indigenous groups may not strictly apply to the Fijian situation because of the dominant position.

The use of the convention in the past to promote Fijian interest has been largely due to the different interpretations of Article 1(a). Advocates of Fijian supremacy have identified this section to legitimize not only Fijian empowerment, beyond that, Fijian hegemony. Article 1 can be interpreted liberally to refer to any indigenous or tribal group, no matter what their situation is. The key to contextualizing and specifying the target groups described in Article (1, 2 and 3) may be found in the second paragraph of the preamble which talks about adopting *international standards* to remove the *assimilationist orientation* of the earlier era. In the field of sociology of ethnicity, assimilation is usually associated with minority ethnic groups or sometimes politically weak majorities absorbed either by force or other means and circumstances to dominant ethnic groups or social systems. Many minority indigenous and tribal groups have become both minorities as well as politically disempowered in their own countries while in some cases the indigenous are still the majority but are significantly powerless in the face of hegemonic economic, political and military domination by others.

Furthermore, the preamble refers to the target groups thus: *These peoples are unable to enjoy their fundamental human rights to the same degree as the rest of the population of the State within which they live, and that their laws, values, customs and perspectives have often been eroded.*

In Fiji the indigenous Fijians still enjoy political supremacy and full political rights and are not assimilated into an oppressive culture, although over the years some extreme nationalists often referred to Indo-Fijians as being oppressive. The Indo-Fijian culture has historically developed separately but does not pose any threat whatsoever to the marginalization or destruction of Fijian culture, although there has always been a sense of cultural supremacy of Indo-Fijians over Fijians. Indo-Fijians often stereotype Fijians as lazy and stupid *jungali* (bushmen) while Fijians stereotype Indo-Fijians as cunning, selfish and greedy. The co-existence of the two cultures, despite their differences has had the potential to strengthen rather than destroy each other.

The indiscriminate use of the ILO Convention 169 by Fijian nationalists to justify political supremacy can be attributed to the lack of clarity of the provisions of the convention leaving much to be assumed. While it identifies the *indigenous* and *tribal* as target groups it does not clearly stipulate what sort of indigenous or tribal peoples are referred to. Thus either people take the definitions of these terms at face value or carefully search the other clauses of the convention for clarity.

7.9 Other minorities in Fiji

Minorities in Fiji are collectively categorized and referred to as Others or General Electors. A minority group is defined by UN Rapporteur Capotorti as:

*a group numerically inferior to the rest of the population of the state, in a non-dominant position, whose members – being nationals of the state – possess ethnic, religious or linguistic characteristics differing from those of the rest of the population and show, if only implicitly, a sense of solidarity directed towards preserving their culture, traditions, religion or language.*²⁸

This definition is very similar to the ILO 169 definition of indigenous and tribal groups. While one talks of indigenous and tribal groups another talks about minorities. Some minorities are indigenous and tribal and some are not. One would assume that there is commonality in perception and principles within and between the various UN agencies including the ILO especially in relation to the common aim of protecting the minority and vulnerable groups including the indigenous and tribal groups.

However, a significant feature of the minority groups in Fiji is that they are not indigenous to Fiji nor are they tribal groups with original socio-cultural roots in the country. They are mostly descendants of migrants from various parts of the world such as Britain, Europe, Asia (especially India), Pacific Islands and other places. Interestingly, many of them have Fijian maternal blood and are not officially classified as indigenous Fijian, except if they are formally accepted and registered by the mother's *mataqali* (extended family group) in the *vola ni kawabula*, the Fijian land and population register kept by the Native Lands Commission.

The minority groups in Fiji make up about 43,000 or 5 per cent of the population. These groups are listed in Figure 7.12 below.

²⁸ United Nations. 1991. Study on the Rights of Person Belonging to Ethnic, Religious and Linguistic Minorities. New York: United Nations. UN Sales No. E.91, XIV, para 568.

Table 7.12 *List of minority communities and brief historical background.*

Community	Brief Background
Asian	This is a very small minority, which consists of Filipinos, Burmese and other Asians who have taken up Fiji citizenship. They are mostly professionals.
Banabans	Mostly live on Rabi Island. Others live in various urban centres around Fiji. They were relocated to Rabi in the 1940s after their homeland, Ocean Island (in Kiribati), was used for phosphate mining.
Chinese	The 'first wave' arrived in the early 20 th Century and the 'second wave' arrived in the 1980s and 1990s. They are mostly businessmen and commercial farmers.
European	Some have been in Fiji since the 1800s and others came later. Europeans are mostly involved in business and professional occupations.
Gilbertese	Small communities of Gilbertese have been in Fiji for several decades. They have largely been 'invisible' from mainstream national life.
Melanesian	They are descendants of labourers forcefully brought to Fiji to work in plantations during the 1800s 'blackbirding' era. They largely live in communities around the main urban centres and also some rural areas.
Part-European	These are those of mixed European and Fijian descendants, usually of Fijian matrilineal linkage.
Part-Chinese	These are those of mixed Chinese and Fijian descendants, usually of Fijian matrilineal linkage.
Rotuman	Sometimes classified as 'Fijians' and usually accorded the same privileges as Fijians.
Samoan	Most have been in Fiji since the early 1900s and live in isolated small communities around Fiji. Samoans who came to Fiji two centuries ago have been absorbed into the Fijian community over the years.
Tongan	Tongans have been in Fiji for a number of centuries and have been absorbed through inter-marriage and cultural mix over the years. However, some of the late-comers now live in isolated communities.
Tuvaluan	Many live on Kioa Island and some live in isolated communities around Suva.
Wallis and Futuna	Many of these live in communal settlements such as the one in Tamavua. Many have been gradually absorbed into the Fijian community through marriage.

Source: Ratuva (2000)

The most economically prosperous and politically powerful of these are the Europeans, part-Europeans, Chinese and Asians (such as Burmese and Filipino) while the rest are largely marginalized groups. These marginalized groups have a number of common characteristics:

- They have been in Fiji for periods ranging from a century or more to a few decades only,

but are numerically inferior to the rest of the population.

- Most of them possess ethnic and cultural characteristics, which make them different from the rest of the population, despite years of social interaction.
- Some of them are slowly *disappearing* as a result of absorption through marriage and cultural assimilation into other communities.
- Most of them have been deprived of political recognition as distinctive ethnic groups in their own right as a result of their inferior numerical status and weak political bargaining position. They have been collectively labelled simply as *Others* or *Generals Voters*.
- Most of them have been economically underprivileged as a result of lack of development policies targeted specifically towards their particular needs. Due to political and economic neglect, many like the Melanesians are entangled in the vicious cycle of poverty.
- Most are landless as a community and continue to depend entirely on the generosity of some Fijian landowners, churches and other organizations, which provide them with land. Lack of land security contributes to their socio-economic marginality and vulnerability²⁹.

Because the convention focuses on indigenous peoples, it does not cover the plight of migrants who were indigenous elsewhere (such as Solomon Islands) and resettled in Fiji. Their situation in terms of economic prosperity, political power and social status is generally inferior than that of indigenous Fijians. While some integration has taken place, many still live in isolated communities around Fiji and maintain communal identities which have kept them distinct. It is important that the Convention 169 also address the plight of such people.

7.10 Case study: Kiribati

About 98 per cent of the population of Kiribati is classified as indigenous I-Kiribati. The other 2 per cent, as Figure 7.13 shows consists of minority groups such as Tuvaluans - 0.4 per cent; European - 0.12 per cent; part-Kiribati-Tuvaluan-0.9 per cent; part-Kiribati with others - 0.6 per

²⁹ See Ratuva, S. 2005. Ethnicity, National Identity and Church Unity: The Case of Fiji. Suva: World Council of Churches.

cent; and other ethnic groups - 0.3 per cent. The I-Kiribati population shares a common language with slight variation from locality to locality.

Apart from being the demographic majority the indigenous I-Kiribati are also politically and economically dominant. They control most of the land and resources and there is virtually no competition over control of these from the other ethnic groups.

Table 7.13 *Population distribution in Kiribati in terms of ethnicity, 1995*

Ethnic group	No.	%
I-Kiribati	75,901	97.7
Tuvaluan	273	0.4
European	119	0.2
Part Kiribati-Tuvaluan	695	0.9
Part Kiribati-Others	452	0.6
Others	241	0.3
Not stated	13	0.01
Total	77,658	100

Source: Secretariat of the South Pacific Community, 1995.

The requirements of the convention are already taking place. The I-Kiribati people have total control of the state, economic development policies and socio-cultural institutions. There is a major programme by the government to increase people's consciousness and appreciation of their culture through cultural education in schools and public awareness programs. The social security programmes such as micro-finance and health care are largely targeted towards the I-Kiribati. These programmes already fulfil the provisions of the convention and there is no need for further compliance. In this sense Convention 169 does not really apply to Kiribati.

7.11 Case study: Solomon Islands

About 94 per cent of the population of the Solomon Islands is indigenous Melanesian who speak about 100 different languages. The rest of the population consists of Polynesians - 3 per cent; Micronesians (from Kiribati) - 1.2 per cent; Chinese - 0.1 per cent, European - 0.16 per cent; mixed blood 0.7 per cent and others 0.1 per cent. The population distribution in terms of ethnicity is shown in breakdown is shown in Figure 14.

Table 7.14 *Solomon Islands population distribution by ethnicity, 1999*

Ethnic group	Number	Percentage
Melanesians	386,745	94.4
Polynesians	12,257	3
Micronesians	4,906	1.2
Chinese	464	0.1
Europeans	669	0.16
Mixed	2,870	0.7
Others	435	0.1
Not stated	696	0.17
Total	409,402	100

Source: National Census Report, 2000.

The Melanesians have remained politically dominant since independence, although the Chinese, despite their small number control a sizable portion of the economy. The minorities such as the Micronesians, Europeans and Chinese are descendants of migrants. The European population first established itself in the 1800s while the Chinese first arrived in the early 1900s. The Micronesians were resettled in the Solomon Islands after the Second World War.

Only the Polynesian community has been in the Solomon Islands since time immemorial. They still maintain a separate identity, language and culture in relation to the rest of the population. Despite their small number they are treated the same as all other citizens. In terms of commercial and professional achievements they are on average better off than the indigenous Melanesians.

The indigenous Melanesians in the Solomon Islands have control of the political, economic and socio-cultural institutions. The social security and health programmes are largely geared towards the indigenous communities. However, in the recent past there have been political conflict between people from different islands (in particular those from Guadalcanal and Malaita) as a result of competition over land, resources and power. Although there are about 100 languages and sub-cultural differences there is a general philosophy of *wantokism* (one people) which binds the indigenous Melanesians into a coherent social group.

Given the dominant position of the indigenous peoples and the pro-indigenous orientation of the government, the Solomon Islands already fulfils the underlying requirements of the convention and thus does not need to comply with the existing provisions. The convention therefore

may not apply in this case. It may not even apply to the minority groups many of whom are migrants.

7.12 Case study: Samoa

The total indigenous population of Samoa is 162,000 which is about 92 per cent of the total population of 177,000. The other officially recorded minorities are part-Europeans (*Afakasi*) who make up 7 per cent of the population and Europeans who make up 1 per cent. These are shown in Figure 7.15.

Table 7.15 *Samoan population distribution by ethnicity, 2001*

Ethnicity	Number	Percentage
Samoan	162,840	92
Part-European	12,390	7
European	1,770	1
Total	177,000	100

Source: National Census Report and other sources.

The indigenous Samoan category consists of various minorities - such as Tongans, Fijians, Tuvaluans, Solomon Islanders, Chinese and Niueans - who have been assimilated into the Samoan community and culture through inter-marriages over the years and have considered themselves Samoan. The Tongans first came to Samoa in the 1700s, intermarried and have settled in a number of places, the most notable being the village of Saina. Some still maintain links with their Tongan relatives, although they no longer speak Tongan. The Fijian community was started by a sailor who married into the local community and over the years the descendents established themselves in a village called Aaiofiti. The Tuvaluans, Niueans, Chinese and Solomon Islanders were brought in as labourers in the 1800s by the German colonial officials to work on the copra, cotton and cocoa plantations and have since been absorbed into the Samoan community. The descendants still live in villages such as Solomonafou for Solomon Islanders, Naioniue for Niueans and Elisefou for the Tuvaluans.

These minority groups were so small that they were easily absorbed through marriage into the Samoan community. They now consider themselves Samoans, speak Samoan rather than their original languages and also have access to *matai* and land titles including the associated

privileges. The indigenous Samoan community is not deliberately marginalized by any more powerful group nor are their human rights abused. The social security policies including micro schemes are largely geared towards them. They are the politically, culturally and economically dominant group and the requirements for empowerment and control of cultural institutions are already in place. For this reason the current provisions of the convention do not really apply to Samoa.

7.13 Case study: Vanuatu

As shown in Figure 7.16, 98 per cent of Vanuatu's population consists of the indigenous Ni-Vanuatu. The small minorities consist of part Ni-Vanuatu - 0.22 per cent; other Melanesians (such as Fijians and Solomon Islanders) - 0.11 per cent; Polynesians-0.06 per cent; Micronesians - 0.03 per cent; Europeans - 0.77 per cent; Chinese-0.15 per cent; Vietnamese-0.04 per cent and others-0.07 per cent. There is a good mix of minorities although the numbers are very small.

The Ni-Vanuatu population consists of many tribal groupings which speak more than 100 different languages. Because of the diversity of languages spoken a common pidgin dialect called *Bislama* is officially used to facilitate communication. The indigenous Ni-Vanuatu population is also politically dominant and still maintains its cultural institutions and traditional norms which define its identity in the modern world.

Table 7.16 *Vanuatu population distribution by ethnicity, 1999*

Ethnicity	Number	%
Ni-Vanuatu	183,919	98.4
Part Ni-Vanuatu	410	0.22
Other	202	0.11
Melanesians		
Polynesians	118	0.06
Micronesians	68	0.03
Europeans	1,448	0.77
Chinese	277	0.15
Vietnamese	87	0.04
Others	149	0.07
Total	186,678	100

Sources: National Census Report, 2000

In recent years Ni-Vanuatu local communities, with the support of the government, have taken the initiatives to revive some traditional means of socio-economic exchange through the formation of the traditional banks, establishment of customary educational institutions and

consolidation of local governance and leadership institutions. These are aimed at preserving Ni-Vanuatu identity, mobilizing people towards redressing socio-economic problems and ensuring effective adaptation to the modern changes. These are all in line with the ILO aim of moving towards empowerment and cultural self-determination.

Because of their dominant demographic and political position the indigenous Ni-Vanuatu do not experience any human rights abuse or marginalization by more powerful ethnic groups. The most economically vulnerable Ni-Vanuatu are usually the rural poor, compared to the educated Ni-Vanuatu and European urban elites who often make policies from a *distance*. Although Europeans and other minorities tend to have ethnicist perception of Ni-Vanuatu as *inferior*, this is *balanced out* by the fact that the Ni-Vanuatu have total control of the state. In the light of these factors the ILO convention 169 may not really apply to the indigenous people of Vanuatu.

7.14 Summary: ILO and indigenous peoples in the Pacific

- For the five countries studied the indigenous communities constitute the demographic majority. The proportion of indigenous population is Fiji 52 per cent, Kiribati 98 per cent, Samoa 92 per cent, Solomon Islands 94 per cent and Vanuatu 98 per cent. Except for Fiji all the other countries have indigenous populations of more than 90 per cent. Fiji's case is unique because between 1946 and 1996 the indigenous population was a minority and since the 1990s, there has been a dramatic decline in the Indo-Fijian population and a corresponding increase in the indigenous Fijian population. The current trend in Fiji shows that Fijian numerical superiority is bound to consolidate and increase more in the future.
- The indigenous communities in the Pacific control state power and in many cases, except for Fiji, do not have any political competition from any of the minority communities.
- While the dominant group in all the five societies is indigenous, the minorities are largely descendants of migrants. However, their social, political and economic statuses in the respective countries differ considerably. For instance in Samoa, the minorities have been totally absorbed into the Samoan community and are now considered Samoan. In the case of Kiribati the largest minority are the Tuvaluan and part-Tuvaluan, a result of the close historical association between the two communities. They were once part of the same country (Gilbert and Ellice Islands) under British rule. In Vanuatu and the Solomon Islands the minorities are still considered different from the indigenous people but may have access to land and other customary privileges through marriage. The minority ethnic communities in Fiji have special political representation through reserved seats in parliament unlike the other four island states where communal representation is not part of the political system.
- Control of state institutions by the Pacific indigenous peoples have enabled them to devise policies which would further reinforce their dominance such as affirmative action policies in Fiji, cultural revival initiatives in Vanuatu and Kiribati or reform of traditional institutions in Samoa.
- The social security and social protection measure in the countries concerned are largely geared towards the indigenous population. For instance in Vanuatu the revival of traditional currencies and customary means of exchange as well as the operations of micro-finance are largely geared towards addressing the socio-economic needs of the indigenous Ni-Vanuatu population. In Fiji considerable government development and social security initiatives in the forms of affirmative action and micro-finance schemes have helped the indigenous Fijian community improve some of its socio-economic situations. The same could be said about the situations in Kiribati, Samoa and Solomon Islands where the state policies on social security are generally geared towards the indigenous people.
- In all the countries studied there is a disparity in socio-economic wealth between the poor sections of the indigenous community and the educated urban elites. The rural poor are usually the most

disadvantaged and are most likely to retain aspects of traditional customs to cushion the effects of globalization. Some members of the minority communities are also disadvantaged and their problems are often the responsibility of the state.

- The situations in the five countries show that the conditions of the indigenous peoples have already been actively addressed by the largely indigenous states a situation which already fulfils the spirit of the convention. Although there are still problems such as poverty, these are not direct results of deliberate policies of ethnic marginalization but due to other reasons such as the lack of resources, weak governance mechanisms, lack of productive capacity, amongst other things. These are areas which the indigenous governments will need to look at as part of their long term development approach. The provisions of the convention which seek to protect and empower indigenous groups do not really apply to the Pacific indigenous communities studied because they are overwhelming majorities, control the state and have firm control of their cultural institutions.

7.15 Brief analysis and recommendations

- The ILO Convention 169 needs to be much clearer on the categories of indigenous peoples it is referring to. There are different contexts of indigenous peoples which need to be understood. In some cases, as in the Pacific, they are the demographic majority and the politically and culturally dominant groups, while in some cases the indigenous population may be the oppressed and marginalized minority struggling to empower and liberate themselves from the yoke of neo-colonialism, and domination by more politically and culturally dominant groups. In other cases some sections of the indigenous population may be responsible for undermining the rights of their own people as a way of maintaining power and control of resources. Indigenous elites with particular political and economic motives may use the indigenous discourse, institutions and name to further their interests. Abuse of human rights of vulnerable indigenous peoples by powerful members of the indigenous elites is common in many places in the world. Still in other cases, indigenous groups may be responsible for acts of human rights violation against migrant communities.
- These different contexts of indigenous peoples need to be understood and must be reflected in the convention. There should be explicit mention of the particular contexts of the indigenous peoples being targeted in the convention rather than making a sweeping generalization, as is the case now, which can be interpreted in many different ways. This can lead to situations similar to Fiji, where the convention has been interpreted by Fijian extremist nationalists to legitimize the violent overthrow of *non-indigenous* democratic governments and subjugation of non-indigenous populations. The way the convention is framed can easily be read to mean that all indigenous peoples suffer the same fate of being marginalized, forceful assimilation into a dominant culture and suffering human rights abuse.
- It is recommended that the convention recognizes the diversity of the indigenous situations and identifies the specific conditions to which the convention applies. This will help avoid the ambiguities and possible misrepresentations.
- A significant issue which the convention deals with is that of non-discrimination and equality, especially in relation to political rights, socio-economic status and gender. However, this is framed only in terms of the broader external relationship with other groups rather than within the indigenous communities themselves. In the Pacific in particular many of the cases of gender discrimination and political domination are practiced by more powerful indigenous groups on their own people. This also needs to be addressed in the convention to ensure that the interests of the vulnerable members of the indigenous community are protected from sections of the indigenous community who wield greater political power.
- The convention is silent on the fate of indigenous peoples from other places forcefully resettled as labourers elsewhere. In Fiji and Samoa the minority Melanesian population consists of descendants of labourers who were *recruited* during the

blackbirding period of the 1800s to work on the plantations. Many of these groups are small and extremely vulnerable. In the case of Fiji, they are landless and live in very marginal socio-economic conditions. There should also be provision in the convention to protect these groups.

- Within many Pacific communities the notion of *indigenesness* continues to be a cause for ideological contestation. In Fiji the attempt to define who an indigenous Fijian has become a big political and legal issue in the late 1980s and 1990s. Those with matriarchal Fijian links were considered *non-Fijians* except if one was listed in the *vola ni kawabula* or Fijian lineage and land register but this would need the consent of their mother's relatives. The conflicts in the Solomon Islands, Vanuatu, Samoa and Kiribati manifest the continuing tension between groups within the indigenous community competing for resources and legitimacy and the need to address the socio-economic and political problems existing in these communities. The threats to indigenous interests and rights in the Pacific consist of both external and internal factors. It is recommended that both these sources of threat should be addressed by the convention rather than just focusing on the *external* threat.
- The social security provisions of the convention should aim first and foremost at the weaker and most vulnerable members of the indigenous community. Some members of indigenous communities are more privileged than others and to frame them all together as a homogenous group has the effect of *camouflaging* the situation of the disadvantaged.
- The convention tends to focus on the preservation of indigenous culture and tradition in a static *museum piece* sense. Treating indigenous peoples in a patronizing way only weakens their position in the contemporary globalized situation. Instead of simply focusing on the notion of preservation the convention should be more innovative. It should encourage cultural innovativeness and how indigenous cultures can be harnessed and utilized creatively and positively to ensure adaptation and meaningful survival in the modern world. This could help the indigenous peoples not only revive their cultures; it would also enable them to transform their socio-economic situations in an empowering way. The examples of how indigenous Pacific communities have been able to utilize aspects of their cultures to generate income through micro schemes, as shown in the ILO study on tradition and social security, is a case in point.

Chapter 8 Gender Issues and Social Security in Samoa

Executive summary

There is a growing concern about inadequate social protection for workers in the formal sector, and for the Pacific Island countries the need to extend the protection to those who are not previously covered, particularly women. Current schemes in the five project countries studied do not cover the majority of the population and are confined to the formal sector.

Income insecurity is high in the informal sector and is due to the lack of opportunity that exists as a result of the lack of economic growth in the formal sector. Currently a large section of the workforce in the Pacific countries is outside the formal wage sector and is not protected by labour or social protection. Due to the specific structural and economic challenges faced by the Pacific Island countries increasing number of workers will continue to be absorbed into the informal sector.

In the absence of formal systems of social security, the working poor in the Pacific rely on the informal systems of social protection as well as their own resources such as the use of savings. Informal systems of social protection include support from relatives in the form of remittances or social or traditional networks called *kerekere* in the Fijian community, the *faá* Samoa in the Samoan society or *wantok* as in the case of Solomon Islands, Vanuatu. These services are usually inadequate and uncertain especially in times of economic crises such as happen in the Pacific with the ethnic tensions that have occurred in Fiji, Solomon Islands and Vanuatu.

An integral part of the International Labour Organisation's mandate is the promotion of social justice. The protection of women workers and the promotion of equality between men and women in employment have been areas of longstanding concern. The 1999 Decent Work Agenda, to which all the project countries are party, reaffirms these commitments. Other international, regional and national instruments adopted by the project countries in support of gender equality include CEDAW, the Beijing Platform for Action and the Pacific Platform for Action. Although the principle of equality of

opportunity and treatment between men and women at work is widely accepted in most countries in the world and in other sectors, in practice inequalities persist on a global basis.

It is important to underline that the status of women in the Pacific and the conditions of their lives have been shaped by a broader range of forces, notably their gender, ethnicity and social class, and the broader social, political and economic environment. Similarly, the legal status of women, in particular their position in respect of employment legislation, is crucially influenced by such factors. It is therefore important to understand these factors for a comprehensive analysis of the status of women in the Pacific. This includes the institutions, legislation and programmes in place to support the promotion of gender equality which determines their status and position in society. Education impacts directly on the status of women, the types of jobs available to them and their mobility within the employment sector.

Equal treatment in social protection, similar to programmes and activities implemented in any other sectors, assumes that men and women are in the same employment situations regardless of sex. Therefore measures for promoting equality in social security need to be developed based on an accurate assessment of the needs of men and women and a thorough assessment of the impact of social protection and social security systems on their positions.

The aim of the project is to improve the coverage and efficiency of social security systems in five selected countries in the Pacific sub-region including Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu, by developing and implementing national action plans for the extension and improved governance of social security systems and by conducting joint capacity building activities at the sub-regional level. *Based on a gender analysis and a gender needs assessment of social security, the project will develop social security policy which is more responsive to gender-specific needs and promotes greater gender equality.*

This chapter has to a large extent drawn extensively from the researches undertaken for the five project countries for the formal and informal sectors which also identified, in order of priority, the social security needs within each country. The chapter provides an overview of the current status of women in the workplace and discusses to some extent the major contributing factors.

Based on the findings of informal/formal sector reports this chapter identifies specific gaps based on these studies and makes recommendations for further gender analysis to be carried out on the different work patterns of men and women, the demographic changes and the changes in the structure of the labour markets.

A number of non-conventional social security schemes are in place that women have established to meet contingencies. There is a need to research and document these various schemes and devise ways to support such schemes with the development of policies and legislations and designing specific training to build the capacities of women and stakeholders involved in such schemes.

The opinions expressed in this paper are those of the author and does necessarily reflect the views of ILO.

8.1 Introduction

Social protection and social security provide an agenda primarily for reducing vulnerability and risk of low-income households with regard to basic consumptions and services. Analyses of current schemes reveal that they target the poor and vulnerable members of a society including health status, age, differences between formal and informal economy. Except for maternity benefits that benefit women directly, gender analysis has rarely been used to assess the various impacts of such schemes. Existing schemes in the Pacific such as the provident fund were introduced when the gender issues had not seriously entered the discourse at national or regional levels, resulting in minimal attention given to addressing the issue of gender inequality in these schemes. This social security project provides an opportunity to integrate gender equality into the various schemes that may be proposed for the countries of the Pacific region.

Gender refers to the social construction of the different roles and responsibilities assigned to men and women by all societies around the world. These often reflected a division of labour based on economic and biological needs and deemed effective at a particular point in time. They then became embedded in cultures and traditions over time. Even though economies and societies are in continual evolution, some practices persist and interact with new economic and social events that often lead to a lack of social cohesion in communities. These result in increasing gender inequalities in access to and benefits from resources available to a community. By and large, universally it is women that are usually the most disadvantaged.

Recent decades have seen significant efforts by all countries, to improve the status of women. This has been achieved particularly through their economic empowerment with access to education and training, paid wage employment and more women in business. Nevertheless, inequalities persist and as a result, women receive less income for their labour and acquire less wealth than men. They tend to be the majority amongst the poorest in most societies, especially those solely responsible for the livelihood of themselves and their children. Not all gender inequality is narrowly related to economic issues and there is today the emergence of gender issues of particular relevance to men, for example HIV/AIDS, fatherhood, men's health, higher occupational risks faced by men in mining, for example.

Social protection systems developed during the past decades in many countries tended to reflect certain models, based on formal economy structures and occupational structures of the labour market. In terms of gender, they often mirrored a male bread winner family model, with women as secondary earners. Women's contribution to society through care of families was not factored in, resulting in inequalities for example in pension entitlements. In recent times, the labour market structure and family structures have been changing significantly with women accessing jobs and occupations previously the domain of men. Increasingly, the sole male bread winner and nuclear family represent a minority of family types within the variety of family set ups today in many countries. These have also been influenced by rural to urban drifts and emigration. These changes have significant

implications for social protection systems if they are to be relevant for the population as a whole, viable, and not contribute to perpetuating gender inequalities.

Furthermore, the issue of extending social protection to both men and women not covered at all as they work is the major challenge today, especially as the informal economy is very large in many countries.

Addressing the high levels of poverty amongst women and children has been recognised by the international community as critical to the economic and social progress of nations. Therefore, many efforts are currently directed at the economic empowerment of women. Social protection systems in the informal economy which operate with a gender lens can be powerful instruments for introducing greater economic security to the poorest in our societies and provide a basis of stability and long term prosperity for nations as a whole. The ILO social security project in the five Pacific countries (Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu) is working along these lines.

The chapter acknowledges and underlines, based on other studies and existing evidence, that women are greatly disadvantaged both in the formal and informal economy. As a result they are more likely to be excluded in greater number, as compared to men, from social protection, or in cases where available, social assistance. These situations are the product of limited economic growth and the broader social, political and economic environment.

The first part of the chapter deals with the overview and briefly discusses the origin of gender equality and the various international conventions and regional declarations and commitments that exist, with specific reference to social security framework, to advance gender equality within the Pacific. This includes a brief gender analysis of the legislation, policies, programmes and budgets, of two countries, in support of gender equality and in the context of social security. The third part is a brief outline of the formal and informal economies and the social security implications this has on gender equality. An attempt is made, based on the findings of other specific commissioned reports, preliminary discussions during the country visits and the gender workshops undertaken in the project

countries, to analyse from a gender perspective the social security schemes that currently exist.

Part three looks at the roles of ILOs social partners in social security and makes recommendations for implementation for social protection initiatives that are gender responsive.

8.2 Overview

Social security in the Pacific Island countries is generally available only to people in formal employment who are obliged or entitled to participate in a variety of social insurance schemes. These schemes provide social insurance cover for retirement, work accidents, health, and death. The schemes are funded by contributions from employers, employees or a combination of contributions from both and managed by provident funds. For most of the Pacific Island countries the provident funds operate as de-facto social security or social assistance systems in the sub-region. There are however, serious limitations because provident funds are in essence individual savings schemes managed by the fund with the effect of redistribution or social solidarity limited as it entails little or no income redistribution or social solidarity.

In the absence of unemployment benefit or any organised form of social assistance, the provident funds also function as a social safety net that meet the immediate need for cash for the people who experience unexpected adversities such as economic crises or social unrest. These withdrawals from the fund are, however, at the expense of savings for retirement. This resultant limited retirement benefits results in more retired workers who have to rely on traditional family and community support. This family and community support is often provided by females who are also expected and responsible for looking after the aged and the family. This places additional burdens on the women whether they are working in the formal sector or as unpaid workers in the informal sector. This traditional support is however, fast breaking down as society transforms into a modern society. The continuous rural-urban migration, together with an increasingly monetised economy places further strain on cultural practices and traditional support systems.

8.3 Social security project in the Pacific

This project aims to improve the coverage and efficiency of social security systems in five selected countries in the Pacific sub-region including Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu by developing and implementing national action plans for the extension and improved governance of social security systems, and by conducting joint capacity building activities at the sub-regional level. *Based on a gender analysis and a gender needs assessment of social security, the project will develop social security policy which is more responsive to gender-specific needs and promotes greater gender equality.*

Social security systems in the Pacific sub-region are at different stages of development and are faced with major challenges both in terms of policies and implementation.

Social security is not only a basic need; it is a basic human right. However, in the countries in the Pacific sub-region, only limited numbers of people have access to limited extent of protection by social security systems. The lack of adequate social security represents one of the greatest challenges facing the countries in the Pacific. In the absence of comprehensive social security cover by the national system, the ultimate safety net is still provided by the traditional social practices and family support, which tend to weaken as the society transforms into a modern one. The absence of well-functioning social security systems is one of the major causes of poverty, ill health and high mortality.

From a gender perspective the project was constrained in many respects and had the effect of limiting a proper gender analysis of the needs of men and women, the division of labour between men and women, the constraints and/or opportunities, particularly the discrimination experienced by women, directly and indirectly. The specific country researches on the formal and informal sectors identified the needs and ranked in order of priorities the social security schemes of the samples population. However, as acknowledged by the specific country reports the sample surveys were biased towards males and may have affected the outcome of the surveys.

Similarly there is a need to further analyse the division of labour especially with regard to fisheries and agricultural activities. Surveys show that most men as compared to women are engaged in these two sectors. Specific surveys, however, need to be carried out to determine other fishing activities, carried out by women, are captured in these classifications. These activities include both pre-harvest and post-harvest such as processing, distribution and marketing and where women are mostly concentrated but are not seen as important and therefore become *invisible fisher folks*. As a result they do not appear in the official figures and statistics of island countries because the emphasis is usually on cash-based fishing such as outer reef offshore fishing and for export or other lucrative commodities such as beche-de-mer which are predominantly the domain of men.

This is the same for the agricultural sector where the tougher physical jobs of clearing land for planting are undertaken by men. Activities such as looking after gardens as in Fiji, for example, where the moulding of yams and tending to vegetables and harvesting of crops are all done by women are not taken into account. In many of these cases because of the patrilineal nature of such societies the fields and plantations are seen as belonging to men thus farming is their work and responsibilities and as such will be reflected in the kind of data collected.

This report will draw, to large extent, from the specific country reports undertaken for the formal and informal sectors and gender analysis is based on the finding of the surveys carried out.

Coverage problems

Similar to other developing and under-developed countries, large parts of the population in the Pacific Island countries such as those working in the rural and urban informal sectors are not at all or not adequately covered by social protection. The major constraints to the growth of social protection in these countries include:

- Existing programmes mainly cover workers in the formal sector with regular jobs, who account for a fraction of the labour force. Therefore the pool of potential contributors and beneficiaries is limited for contribution-based schemes. Also, due to

the absence of fiscal tradition in many of these countries, the revenue base which might be used to finance universal benefits is narrow;

- The scope and level of social security benefits are also inadequate. In most Pacific Island countries, national provident funds and worker's compensation are the only available social security benefits, which were implemented in the pre-independence days. Other types of much needed benefits such as health care, sickness, maternity, unemployment benefits are not available. Furthermore, the level of benefits provided from the existing schemes is not sufficient to provide adequate protection for the workers and their families;
- A straightforward savings scheme of the provident fund type fails to provide guaranteed national minimum benefit, as there is no pooling of risks. The members of the provident funds at retirement usually have no option but to receive their benefits as a lump-sum. Lump-sum benefits are vulnerable to pressures for speedy consumption by the recipients and their extended families;
- Workers compensation schemes are still based on employers' liability, which does not ensure the full compliance particularly by employers of small sized enterprises. Compensation is usually made as one-off lump sum payment only in the event of accident or disease directly resulted from work (excluding accidents during commutation), and benefits for rehabilitation, prevention and promotion of occupational safety and health are mostly not provided;
- Basic medical care is provided free by the Government for all nationals and includes hospital confinement, professional services, laboratory examinations and medicine. However, because of the inability of Government to allocate enough budgets, the quality of public health services is poor. In most remote islands, people go to clinics that may be staffed only by a trained nurse. Women still depend at childbirth on midwives or traditional birth attendants.

Major hospital services at tertiary level such as heart operations and dialysis are only available in one or two hospitals in the capital cities. For emergency cases, evacuation to Australia, Hawaii and New Zealand is possible under the referral system only if a panel of doctors approve the case to be *urgent and treatable*;

- Administrative arrangements for existing social security institutions such as the provident fund and social welfare ministries to collect contributions and/or pay benefits do not function effectively or efficiently that the scope of the programmes falls far short of meeting the needs of those entitled;
- Another major constraint is largely social and political. In countries such as the Pacific it is difficult to promote a greater commitment to solidarity between the haves and have-nots and to get the more affluent, secure workers to push for the extension of social security to the uncovered and poorer sections of the population who are unlikely to be able to pay their own way.

It therefore follows that existing schemes, developed and implemented at a time when gender equality was not a major focus and of concern within the Pacific, did not take into account the specific gender issues that occur due to the different employment conditions and situations of men and women. Under such situations women experience both direct and indirect discriminations. As in the case of Fiji direct discrimination is experienced by women under the provident fund withdrawal provisions where there is different treatment of newly married women and men. It can be argued that this is based on the idea that a woman is dependent on her husband, and where it is permissible for women to apply for partial withdrawal of her contribution upon marriage. This facility is not available to newly married men and it can be assumed that this is based on the notion that women, because of the newly and increased responsibility that comes with marriage, the withdrawal is to meet such expenses.

A thorough assessment of the indirect discriminations experienced by women in the

project countries is also necessary but due to time constraints, and where the visits were largely concentrated in conducting the one-day gender workshops, this was not possible. Specific examples were cited during the gender workshops and anecdotal evidence seems to suggest that such discriminations exist. In Kiribati for example a number of complaints were lodged with AMAK³⁰ by widows who (together with their children) were denied survivors' benefits under the provident fund at the death of their husbands. Benefits were distributed amongst the father and brothers. A major reason cited is the qualifying conditions required to be fulfilled by men and women. In a particular case the decision by the provident fund was upheld by the court based on his nomination before marriage. These situations call for a thorough analysis of the qualifying conditions that have the effect of discriminating against women and men and are contrary to the stated (*de jure*) provisions of the schemes.

8.4 Economic and structural framework of small island states

A key challenge faced by Pacific Island countries is the *small size of the domestic market*. This diseconomy of scale limits research and development and technical progress since small size inhibits the development of local technologies. Moreover, small domestic markets prevent the emergence of a competitive market and therefore can be expected to experience generally higher prices of inputs and of finished goods. Most Pacific Island states also possess a *small and/or poor domestic resource base* that results in a *narrow range of exports and export markets*. The need for specialization, highlighted by the above characteristics, tends to limit export-oriented domestic output to just a few products and renders it very vulnerable to external shocks and this vulnerability is likely to be exacerbated by a dependence on export markets in just a few countries. In view of the above the Pacific Island states are usually characterized by a *high level of openness to trade, high dependence on foreign aid and are highly vulnerable to natural disasters*.

These factors mitigate against development, and income generation and employment creation in

the formal sector is very limited. Annually only one-half of the 17,000 school leavers are absorbed into the labour market, with the residue of about 6,000 either entering the informal sector or joining the growing number of unemployed.

Consequently the growth of social security coverage in the Pacific Island countries is limited both as a function of limited economic growth and the lack of technical knowledge and expertise to develop and design schemes that are relevant to the Pacific Island countries. This is further aggravated when assessing the needs of both men and women from a gender perspective. Gender equality is often assumed with resultant policies and programmes designed as "one size fits all" and have the effect of producing further discriminatory practices. Applying a gender neutral approach in such given situations gives rise to further inequality because from the outset the socio-economic situations of men and women are often not equal.

8.5 International and regional instruments in support of gender equality in social security

The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), Beijing Platform for Action (BPA) and the Pacific Platform for Action (PPA) continue to be the driving force for the advancement of women's issues and concerns and gender equality within the Pacific region. These platforms contain commitments to gender equality in the areas of employment and social security

It is important to note, that despite commitments by governments to these various international, regional and national platforms and with some obvious progress identified, overall, gender equality is far from being achieved in all areas including political, social, economic and cultural. The review of the Beijing Platform for Action undertaken in March 2005³¹ confirms that most of the goals set out in these platforms have not been achieved. Barriers to women empowerment remains and the Pacific Island countries are no exception; if anything it is far worse for women because of the structural, economic and fiscal constraints faced by these countries. These situations combined with growing population,

³⁰ AMAK refers to the Aia Mwaea Ainen Kiribati the national women's NGOs

³¹ CSW meeting to review the Beijing Platform for Action was held in March 2005.

political and ethnic conflicts and limited opportunities for economic growth and income and employment creation are some of the impediments currently faced by Pacific women and indeed the world over. Women, despite their contributions to the economic development, continue to face discriminatory practices in the areas of employment. Discrimination in hiring, remuneration, promotion, training as well as inadequate sharing of family responsibilities and inflexible working conditions continue to restrict employment, economic and other opportunities for women.

8.5.1 Convention on the Elimination of All Forms of Discrimination against Women

At the international level the recognition and the articulation of the *rights of women*, as critical to the welfare of any nation, had its origins in the adoption of the Nairobi Forward-Looking strategy in 1985. Successive conferences were held to further promote gender equality, culminating in the Beijing Conference in 1995 and the subsequent 29th General Assembly meeting that was held in 2005 to review the progress made in the implementation of the Beijing Platform for Action endorsed in 1995.

The United Nations General Assembly in recognition of women's rights as human rights adopted the Convention on the Eliminations of All Forms of Discrimination (CEDAW)³² in 1979 which came into force in October 1981. The Convention defines what constitutes discrimination in the areas of social, political, economic and cultural context. It safeguards the reproductive rights of women and obligates the countries that have ratified the convention to put in place measures, in the form of legislations, judicial and administrative, that will contribute to the elimination of these discriminations and bring about gender equality for all.

With specific reference to social security, *Article 11, section (e)* of the convention deals with employment that states, amongst other things, the State Parties shall take appropriate actions to eliminate discrimination against women in the area of employment inter alia “the right to social

security, particularly in the cases of retirement, unemployment, sickness, invalidity and old age and other incapacity to work and the right to paid leave”. *Section (f)* guarantees “the right to the protection of health and to safety in working conditions, including the safeguarding of the function of reproduction”.

Article 13 states that women are to be accorded equal rights to benefits that accrue to families, either in their own rights or as parents, married or unmarried, such as children's allowances, housing allowances, public housing, health insurance or coverage, or other government subsidies or allowances.

General Recommendation 16 of the convention makes special proposals for women in the informal sector (for example unpaid women workers in family business) and the social security benefits that are available, that state parties take necessary steps to guarantee payment, for social security and social benefits to women where they are without such benefits.

All project countries of the Pacific, including the social security project countries, are parties to the convention. However to-date efforts to address gaps and constraints in relation to women's positions in the workplace have not been consistent within the Pacific Island countries by National Women Machineries (NWMs), NGOs and donor partners.

8.5.2 Beijing Platform for Action and the Pacific Platform for Action

The Commission on the Status for Women (CSW), mandated by the United Nations General Assembly, organised the Fourth World Conference for Women that resulted in the Beijing Platform for Action (BPA)³³ in 1995. Twelve critical areas are identified under the platform calling on governments, international organisations, private sectors and NGOs to take specific actions to advance gender equality in the specific areas.

Women's participation in both the formal and informal labour markets, over the decades has increased significantly. Whilst most are still engaged in agricultural and fishing activities they have at the same time become increasingly

³² CEDAW as of April 2003 has been ratified by more than two-thirds of the members of the United Nations including Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu.

³³ Beijing Platform for Action was endorsed by the five project countries in 1995

involved in micro, small and medium-sized enterprises and in some countries have become dominant in the expanding informal sector. These new employment opportunities are however, marked by low wages, little or no labour protection and lack of job security and social security. Very few women have broken the 'glass ceiling',³⁴ syndrome and even in such circumstances their mobility is confined to only a limited range of jobs. In recognition of this, the Platform for Action under its' *Strategic Objective F.5. "Women and the Economy"* identifies the need to enact, enforce laws and develop workplace policies to address "gender discrimination in workplaces and extend employment benefits and social security..." More specifically *Strategic Objective F.6.* calls on governments to "promote harmonisation of work and family responsibilities for women and men."

From the perspective of the ILO, the platform adequately reflects the mandate and interest of ILO and due recognition is given to International Labour Conventions including Section A on poverty, Section F on gender inequality in economic structures and Section I on human rights. Paragraph 168 makes specific reference to the safeguarding and promotion of basic workers rights, including the prohibition of forced labour and child labour including equal remuneration for men and women for work of equal value and non-discriminatory employment.

In preparation for the Beijing Conference, the Pacific region, made up of 22 Pacific Island countries and territories (PCITs), endorsed the Pacific Platform for Action (PPA) which formed the basis of the Pacific region's contribution and participation to the Beijing Women's Conference.

The PPA was endorsed in 1994 by the Secretariat of the Pacific Community (SPC) member countries.³⁵ It identified 13 critical areas requiring immediate attention and called on the governments of the region and civil societies to make available the necessary resources, both

financial and technical, to advance and address these concerns. The thirteen critical areas include: health, education, training, economic empowerment, agriculture and fishing, legal and human rights, shared decision-making, environment, culture and the family, mechanisms to promote the advancement of women, violence against women, peace and justice, poverty and indigenous peoples' rights. Central to these issues is the eradication of poverty particularly poverty with regard to women.

Although the PPA identifies economic empowerment for women as one of its critical areas, the platform falls short of providing an enabling framework with specific strategic objectives and actions to address social security issues for women and men in the formal and informal sector. This is attributed to the lack of capacities and technical know-how to allow a complete analysis of the employment issues by policy makers, civil societies and non-governmental organisations. Very few Pacific countries, like Fiji, have to date carried out studies and researches on the legal status of women and with specific reference to the employment legislation. In countries that have carried out such studies, these have been inconsistent due mainly to the lack of specialised expertise in this area. Therefore the extent of discriminatory practices both '*de jure*' and '*de facto*' experienced in the employment sector by both women and men have not been properly analysed and quantified. The lack of strong national women's machinery (NWMs) and NGOs dedicated to the review of such practices facilitates the perpetuation of a condition of gender inequality in the workplaces.

Attention to employment issues in the informal economy poses further challenges due to the lack of data/information, the unregulated nature of the sector and the lack of national indicators to accurately define the sector.

8.5.3 International Labour Organisation and gender equality

Integral parts of the International Labour Organisation are the promotion of social justice, the protection of women workers and the promotion of equality between men and women in employment, which have been areas of longstanding concern. Although the principle of

³⁴ Glass ceiling is a term used to describe the artificial barriers based on attitudinal or organizational bias that prevent qualified individuals from advancing upward in their organization into management level positions.

³⁵ Secretariat of the Pacific Community (SPC) serves 22 Pacific Island countries and territories through technical assistance, training and research. Australia, France, New Zealand, the United Kingdom and the United States as founding members are also members.

equality of opportunity and treatment between men and women at work is widely accepted in most countries in the world, in practice inequalities persist on a global basis.

The ILO promotion of equality found its origin in the Declaration of Philadelphia. The fundamental principle of equality of opportunity and treatment between women and men has been approached by ILO in three ways:

- 1 As a matter of **human rights** and essential condition for achieving effective democracy. The fight against discrimination on the basis of sex is considered a fundamental issue in protecting human rights;
- 2 As a matter of **social justice** and poverty alleviation, by improving women's access to employment and training and their conditions of work and social protection;
- 3 As a matter of **social and economic development**, by promoting the participation of women in decision-making and in shaping development and labour policies and practices that adequately respond to equality objectives.

Other ILO policy statements concerning women workers and promoting women's rights include:

- The Declaration on Equality of Opportunity and Treatment for Women Workers and the Resolution concerning the Plan of Action with a view to Promoting Equality of Opportunity and Treatment for Women Workers (1975);
- Resolution on Equal Opportunities and Equal Treatment for Men and Women in Employment (1985);
- The Plan of Action on Equality of Opportunity and Treatment of Men and Women in Employment (1987);
- Resolution Concerning ILO Action for Women Workers (1991); and
- Resolution concerning the Promotion of Gender Equality, Pay Equity and Maternity Protection (2004).

The 1975 Declaration constituted ILO's contribution to the 1st World Conference for Women in Mexico held in the same year. The 1985 Resolution was ILO's contribution to the Nairobi Conference, and it called for the intensification of action to be taken to implement

the provisions of existing ILO instruments concerning equality. The Resolution outlined a comprehensive set of measures for national as well as ILO action to be undertaken in various areas which included:

- 1 Equal access to employment and training;
- 2 Promotion of the full implementation of the principle of equal treatment for work of equal value;
- 3 Improvement of working conditions;
- 4 Harmonisation of family and job responsibilities;
- 5 Equal treatment in social security coverage;
- 6 Ensuring the full participation of women in decision making processes at all levels;
- 7 Establishing and strengthening national machinery to promote equality of opportunity and treatment effectively; and
- 8 Improving the database on women.

Other key equality conventions include the ILO Convention on Equal Remuneration (1951, 100), the Convention on Anti-Discrimination in Employment and Occupation (1958, 111), the Convention on Maternity Protection (2000, 183) and the Convention on Workers with Family Responsibilities (1981, 156). To-date most of these conventions have not been signed by the project countries.

The main purpose of the Plan of Action on Equality of Opportunities and Treatment of Men and Women in Employment (1987) is to ensure that issues relating to equality of opportunity and treatment are systematically included in each stage of the policy formulation, planning, and implementation in all ILO programmes and projects.

Despite these ILO commitments globally gender inequality continues to persist in workplaces. The ILO Pacific Regional office directly responsible for implementing the ILO mandate in the Pacific region is constrained, in terms of resources including financial and gender-specific capacity, to promote gender equality in a number of programmes undertaken by the office.

(i) *Decent Work Agenda*

The International Labour Conference in 1999 endorsed the Decent Work agenda and the overarching objective of the ILO to promote opportunities for women and men to obtain

decent and productive work, in conditions of freedom, equity, security and human dignity. The ILO Decent Work agenda is guided by four strategic objectives:

- 1 Promote and realise standards, fundamental principles and rights at work;
- 2 Create greater opportunities for women and men to secure decent employment and income;
- 3 Enhance the coverage and effectiveness of social protection for all; and
- 4 Strengthen tripartism and social dialogue.

Gender equality is a cross cutting concern in the Decent Work Agenda and strong efforts have been made to accelerate gender mainstreaming within each of the four strategic objectives with the development of specific gender indicators and targets.

ILO member states in the Pacific sub-region have been active in working with the ILO to develop and implement National Action Plans for Decent Work (NAPDW). The outcomes were presented at the Sub-regional Tripartite Forum on Decent Work held in Auckland in October 2003, which provided an opportunity to consolidate the significant progress in promoting the Decent Work Agenda across the sub-region. In their NAPDW, the following problems have been identified by the ILO tripartite constituents as major Decent Work deficits in respect of social security:

- 1 Limited coverage of social security, in particular for workers in the informal economy (Fiji, Kiribati, PNG, Solomon Islands),
- 2 Inadequate scope and level of social security benefits (Fiji, Solomon Islands), and
- 3 Problems of governance and sustainability of social security system (PNG, Solomon Islands).

In response to these deficits, the National Action Plans for Decent work (NAPDW) prescribe the actions for ILO support to the development of a national strategy for extension of social security coverage and to provide technical support for improvements in financial governance, investment policy and administration of social security benefits.

(ii) *Minimum social security standards*

Social security is the protection which society provides through a series of public measures against the distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from: sickness, maternity, unemployment, invalidity, old age, death, widows and sole-parents. It is composed of: social insurance, social assistance, family benefits, provident funds; and the provisions made by employers such as workers' compensation and other complementary programmes.

The ILO Convention 102: Social Security (Minimum standards), 1952 identifies nine main branches of social security which cover most if not all principal contingencies faced by workers and their families during the course of their lives. This includes:

- 1 Medical care,
- 2 Sickness benefit,
- 3 Unemployment benefit,
- 4 Old age benefit,
- 5 Employment injury benefit,
- 6 Maternity benefit,
- 7 Invalidity benefit,
- 8 Family benefit, and
- 9 Survivors benefit.

These international regional conventions and platforms reinforce and acknowledge that sustainable development, good governance and economic growth, eradication of poverty and democracy cannot be achieved without attention being given to gender equality particularly in the social security sector. The Social Security Project, as one of its main goals is to develop a social security policy which is more responsive to gender-specific needs and promotes greater gender equality, provides an opportunity to realise this stated goal. Furthermore, through the project, a number of technical experts have been brought into the region to work on a number of specific areas, which under the existing structure would have not been possible.

8.6 Social security in the Pacific Island countries

Social Security in Pacific Island countries is generally available only to people in formal employment and who are obliged or entitled to

participate in a variety of schemes. These schemes provide cover for retirement, work accident, health, and death. The schemes are funded by contributions from employers, employees or a combination of contributions from both and managed by provident funds through tripartite boards of management.

The present social security programs in Pacific countries, like most developing countries, were envisaged to capture a finite group of formal sector workers and ultimately extend the coverage over a number of years. This was facilitated by granting exemptions to various employers or employment categories in the initial legislation and regulations. However, over time it is evident that in general, these exemptions have not been removed and many of the schemes differ little from their original inception decades ago.

The current social security eligibility extends to employees of the military, civil service and private companies above a prescribed staff size and total payroll. The remainder of the population employed in smaller enterprises, self-employed in the informal economy, and the unemployed or aged rely on private insurance or support from immediate and extended families and the local community. In the short term, it is likely that social security provisions may be extended to include more of the people employed in the formal sector and the self-employed. In the medium term, additional programs of unemployment benefits and social assistance to selected sectors of the population may be possible. The extension of social security entitlements to the entire population will be a long-term goal in most Pacific countries.

The study into the progressive extension of social security eligibility to the wider population needs to examine the options for extension of eligibility to the excluded formal sector workers, and examine the needs of workers in the informal economy and in some cases for overseas migrant workers. The informal economy by its nature is difficult to quantify, and the lack of a standard definition and categorization of workers and their distribution has resulted in a limited availability of statistical data relating to workers in the informal economy. This is particularly true in most Pacific countries, many of whom have not completed labour market surveys and rely completely on the

limited labour information from population census conducted in five or ten year intervals.

The growth of the informal sector has provided much needed job opportunities for women; however, because of the unregulated nature of the sector, the dual role performed by women as workers with family responsibilities, and the lack of accurate needs analysis of men and women, women continue to be disadvantaged. For both the formal and informal economy women continue to face challenges such as the narrow range of occupations and the lower level of jobs that are available to them as female workers. Consequently this has not led to improved coverage of women workers under the existing social security protection schemes.

8.7 Economic and social conditions of women

It is important to underline that the status of women in the Pacific and the conditions of their lives have been shaped by a broader range of forces, notably their gender, ethnicity and social class, and the broader social, political and economic environment. Similarly, the legal status of women, in particular their position in respect of employment legislation, is crucially influenced by such factors. While it is an undoubtedly a useful and instructive exercise to undertake a focussed gender analysis and assessment of social security, and to develop a social security policy which is more responsive to gender-specific needs and promotes greater gender equality, there is however a need to be mindful of women's political and social status along with the cultural values that underpin this. Understanding the other, non-legal, forces that define the position of women in Pacific Island countries, including the barriers to their equality and advancement, are critical; and in a very practical way, this can also help guide measures such as recommendations for future actions and legal reform.³⁶

It is not the intention here to discuss in any depth the linkages between women's legal and social status, except for a few of these fundamental issues; and the dominant ideologies about women and gender relations. Suffice to state that the many anomalies in the Pacific countries current employment conditions for women

³⁶ The duration of employment by the current gender specialist did not permit this broad analysis to be carried out.

reflect persisting views about the desired gender division of labour and the subordinate status of women within this. A key feature is the expected domestication of women and the primacy attached to women's reproductive role as caregivers, nurturers and teachers etc; as well as their productive role as subsistence food providers within the family. Both of these roles are undervalued as well as unpaid even though it is such activities that women play a critical role in safeguarding family living standards. The contribution by women in these areas, such as looking after the aged and the young, indirectly contributes to the productive sector of the economy and there is a need to quantify and value this for economic computations.

These dominant ideologies about women and the gender division of labour appear to spill over into the public domain in such a way as to determine, overall, an inferior and disempowered status for women within the national economy of the countries studied. They directly contribute to the limited access women have to employment; the type of categories of work that are open to them; and their higher unemployment levels. Women's disadvantaged access to employment can have significant consequences; for example in the contributions and the consequent benefits that can accrue to them in social security benefits and aggravating the poverty levels that they are in.

Gender based cultural values place limits on women's occupational mobility particularly their promotion to positions of authority or seniority. They facilitate the more intensive, relative to men, exploitation of their labour, and they underline their generally lower incomes and poorer conditions of work. Indeed 'female' jobs are more often than not, low wages/salaries and low status, and a significant proportion engage women in servile capacity: offering some kind of community, public or personal service whether unskilled (domestic work, office cleaning), skilled (clerical work, personal assistants) or professional (nursing and teaching).³⁷ Even in these professional areas such as teachers there are gender-based income inequalities, as women tend to be concentrated, relative to men, in primary schools where pay is comparatively lower than secondary and junior secondary

schools. In Kiribati, for example, the 2000 Census³⁸ revealed that in total there were 15 female Head Teachers in primary schools as compared to 8 males, and a total of 3 female Head Teachers in secondary school as compared to 9 males for the same year. In respect of unemployment, women experience a higher level of unemployment compared to men in all the Pacific Island countries.

8.8 Education and social security

Occupational mobility, low status and lower income experienced by women are generally a direct consequence of education levels attained. As a result, social security and social protection benefits available to women can vary dramatically if it is not based on the practical assessment of their needs.

Steady progress has been made on achieving gender equality in educational participation in most of the Pacific countries and as a result a number of women have and are continuing to access positions of leadership in both private and public sectors. There are however, gender inequality in enrolments, at all levels in all the project countries, with disparities comparatively much lower in Samoa and Fiji³⁹. The disparity is partly attributed to the unequal number of males and females in the population as well as the issue of accessibility, affordability, and the socio-cultural factors such as preferences of boys over girls to attend school in situations of limited resources. For example in Kiribati, figures reveal that there are 37 junior/senior secondary high schools with an enrolment of 10,443 pupils as compared to 90 primary schools totalling 14,023 students. Tertiary education is provided by only 2 major providers, with students pursuing further specialised tertiary education outside of Kiribati mostly in Fiji, Australia and New Zealand.

More females than males have never been to school in most Pacific Island countries. The largest numbers of people without education are those living in rural areas. Lack of education is high in Solomon Islands, Vanuatu and Kiribati and low in Fiji and Samoa. In Kiribati, Vanuatu and Solomon Islands there is significant gender

³⁷ Labouring under the Law: A Feminist critique of employment legislation affecting women in Fiji by Atu Emberson-Bain and Claire Slatter, September 1993.

³⁸ 2000 Kiribati Census, Bureau of Statistics

³⁹ Triennial Conference of the Pacific Women and Pacific Ministerial Meeting on Women 2005, Volume 2. Technical Papers. Noumea, New Caledonia: Secretariat of the Pacific Community

inequality in educational participation with female enrolments tending to decline after the first few years of primary school and strong disparities evident in secondary and tertiary enrolments.

Overall at the primary level, figures show a disparity in female/male enrolment with a higher female enrolment both in terms of proportion and absolute numbers. These figures do not reflect retention and completion rates and therefore are not true indicators of overall education participation rates at the primary level. This is true for all levels of education and there is therefore the need for further data collation and analysis to reflect the accurate situation.

Table 8.1 *Proportion of the total population with “primary education” as the highest level of education.*

Country/Year	Urban		Rural	
	Male	Female	Male	Female
Fiji (1996)	24.0	24.0	35.5	34.5
Kiribati (2000)	54.2	54.0	67.5	65.7
Samoa (2001)	25.2	24.9	34.0	32.4
Solomon Islands (1999)	42.2	45.8	51.7	47.8
Vanuatu (1999)	55.7	60.5	70.0	68.8

Source: SPC Pacific Youth Database 2003

The review report of the PPA noted that there does not appear to be significant sex bias in the field of study. This however needs to be further researched because anecdotal evidence shows that there is a high concentration of women workers in sectors that are considered traditionally female areas and are closely related to their reproductive roles such as nursing and teaching. Within each sector figures reveal that women are highly concentrated at the lower rung of the hierarchy. Women also receive fewer scholarships than men particularly in countries where there are fewer girls than boys completing secondary schools.

Table 8.2 *Proportion of the total population with “tertiary education” for selected project countries.*

Country/Year	Urban		Rural	
	Male	Female	Male	Female
Fiji (1996)	13.2	10.1	3.8	3.0
Kiribati (2000)	1.7	1.0	0.5	0.3
Samoa (2001)	15.2	13.1	5.7	4.5
Solomon Islands (1999)	15.9	9.0	3.1	1.1
Vanuatu (1999)	4.0	2.5	0.3	0.2

Source: SPC Pacific Youth Database 2003

Although there is no significant difference between female and male in secondary education there is however sex disparity in tertiary education with less numbers for female as compared to males for all countries. This situation is critical in Solomon Islands followed closely by Vanuatu, Fiji and Samoa. The ethnic conflict within the Solomon Islands can be a contributing factor.

Table 8.3 *Proportion of the total population with “no education.”*

Country/Year	Urban		Rural	
	Male	Female	Male	Female
Fiji (1996)	2.7	4.7	3.5	5.5
Kiribati (2000)	5.7	6.9	6.9	8.6
Samoa (2001)	0.2	0.7	1.4	1.2
Solomon Islands (1999)	12.3	22.0	31.7	43.5
Vanuatu (1999)	6.2	7.0	17.1	21.0

Source: SPC Pacific Youth Database 2003

Table 8.3 above shows that the largest number of people without education live in rural areas and that more females than males have never been to school. There is considerable variation between countries. Lack of education and presumed illiteracy is high in Solomon Islands and Vanuatu and low in Fiji, Kiribati and Samoa, and is so much higher for females than males.

The foregoing reveals that women and young girls are still greatly disadvantaged when accessing quality education in all of the selected Pacific Island countries. Consequently with the existing social protection mostly in the form of provident funds, which is based on fixed rates of contribution calculated on the basis of salaries received, women therefore will continue to be disadvantaged as most of them are concentrated in sectors and/or levels that are lowly paid. With

figures showing a high proportion of women with no education and/or literacy it follows that the majority of these women will be employed either in the rural and urban informal sectors, or as unpaid family workers with no form of social security available to them.

There is definite need for increased adult education and raising awareness in the project countries on gender inequality and the issues that arise as a consequence. Most of the countries studied with the exception of Samoa⁴⁰ are patrilineal societies and gender sensitivity training⁴¹ carried out in the region shows the lack of awareness, amongst policy makers in every sector, and societies as a whole, on the issues of gender equality.

8.9 Institutional mechanisms, policies, legislations and programmes in support of gender equality⁴²

A brief discussion on the current status of the institutional mechanisms, policies, legislations and programmes in support of gender equality in Fiji and Samoa is necessary to assess the enabling environment without which the commitment to gender equality by governments, NGOs and the major development partners, including ILO, will be difficult to achieve. The project countries share similar historical, socio-economic, cultural and political backgrounds and therefore the issues faced in these two countries can be extrapolated for the five project countries.

Fiji and Samoa have endorsed the Pacific Platform for Action (PPA) with one of its strategic objectives “to develop and strengthen appropriate mechanisms that will continue to enhance the advancement of women at all levels”. The platform calls for strengthening of NWMs through the allocation of additional financial and human resources and integrating

gender equality in decision-making processes. Institutional Mechanisms for the Advancement for Women is one of the 12 critical areas of concern of the Beijing Platform for Action. Strategic objective (H) with regard to this area emphasises the need to integrate gender in the public policies, legislation, programmes and projects, and focuses on gender disaggregated data and information for planning and evaluation. The 2000 Millennium Development Goals emphasises gender equality throughout the document. It is however silent on the economic empowerment of women and has been criticised as adopting a minimalist approach on the issues of gender and development.

Fiji has consistently made international, regional and national commitments to gender equality. It has an established Ministry for Women and adopted a national action plan in 1999. There are now discussions to review the action plan. The Ministry has a large number of staff but is considered bottom-heavy with a lack of capacity to analyse sectoral policies and legislation including the employment legislation. Since 2000 the office has experienced a high staff turnover and has to an extent undermined the capacity within the Ministry. It has an operating budget but its development budget is very small and is mostly reliant on donor funding to carry out development activities including research. To date most of the programmes undertaken by the Ministry are focused on community service projects. There is a need to focus on policies and legislative reforms, and gender mainstreaming, being core mandates of government. An important area that the Ministry can focus on is the issue of gender equality in the workplaces. This change in focus will however, require a change in the structure of the Ministry and notably an increase in the capacity of staff to carry out policy and legislative reviews.

Promotion of gender equality in Fiji has benefited from a very strong active role played by the NGOs which has provided the much needed impetus of placing the gender issues in the national agenda. Their work in the areas of law reform and legal literacy, violence against women and women in leadership are notable achievements. Further efforts are required to maintain linkages and networking of the national women machinery with women's NGOs.

⁴⁰ The Samoa traditional system is based on the Matai System where the heir can either be a son or a daughter of the descendants of the title holder. Not all *matais* however have access to *pule* or authority over family land. *Matai* are ranked according to seniority and only those with senior authority hold this right.

⁴¹ The Pacific Women's Bureau undertakes as part of its programme gender sensitivity training and training of trainers around the region.

⁴² Triennial Conference of the Pacific Women and Pacific Ministerial Meeting on Women 2005, Volume 2. Technical Papers. Noumea, New Caledonia: Secretariat of the Pacific Community

Although Fiji has made significant legislative strides in comparison to other Pacific countries in the areas of criminal, evidence and family laws as well as the employment bill a lot still needs to be done. The 1997 constitution recognises equal rights of citizenship for both men and women and equal status of spouses of Fiji citizens, whether male or female. This overturns the former 1990 constitution discriminatory provision against female Fiji citizens. Furthermore the 1997 constitution contains a comprehensive Bill of Rights that forbids unfair discrimination on the basis of gender and allows for any laws or administrative action based on gender, *inter alia*, to be challenged or cited as discriminatory. The constitution also allows for affirmative action programmes of women.

Political stability and/or instability have had a profound impact on the performance of the national women's machineries. Fiji's political events have proven a setback for the promotion of gender equality both in terms of resources and being progressive. Domestic violence, as a consequence, and as recently reported in the media, has increased substantively as a result of a combination of factors. Ethnic issues have been the preoccupations of the day and it is to the detriment of innovative policies on gender equality or economic growth that would result in income and employment creation for both men and women.

As noted the national women's machinery in Fiji has been able to achieve some results in raising awareness on women's issues and legislative reforms. The Ministry has been active at the programme delivery level but has been less effective in terms of driving the policy and mainstreaming gender at the legislative and political levels. This is imperative if programmes such as the social security project supported by ILO are to have a sustainable impact and a strong technical national women machinery is a pre-requisite to promoting and achieving gender equality in all sectors.

Samoa has adhered to the international, regional and national commitments and is has been highly successful in promoting women to decision making levels demonstrated in the number of women that have attained higher tertiary qualifications, and the high number of women that are in executive positions as shown in the

research⁴³ undertaken in Samoa. The Ministry of Women has been successful in raising the awareness on the need for greater gender equality in Samoa and has formed a sound network with non-government organisations. The Ministry however, also needs to consider a redirection of its focus, and similar to the Fiji's national women's machinery, to focus on the legislative and policy reforms particularly with respect to sectoral policies. There is also a need to build the capacities of the Ministry to undertake such programmes within the Ministry.

It is essential to establish clear policy on women particularly in the areas of mainstreaming. Numerous activities have been undertaken to promote gender equality and raising the gender issues such as domestic violence. Other areas that need immediate attention are the review of laws. The Samoa Attorney General in the year 2000 noted *that there was no deliberate discrimination against women in Samoa however the gap identified calls for the review of outdated legislation inherited from its colonial past. This includes laws such as specific issues as sexual harassment and inequalities in the work place, e.g. the outdated Labour and Employment Act of 1972.*⁴⁴ It is unlikely that the Ministry is able to tackle this on its own due to the lack of technical expertise in-house. This is an area that ILO can provide the much needed technical support in the future to promote the review of the legislation.

Political stability and continuity in Samoa has played a pivotal role in the smooth transition towards reform and the stable role of the Ministry for Women. It can be argued however, that this has prevented the much-needed change at the policy and decision-making level. There is need to further advocate and implement the key areas identified in the Department of Women's policy.

Similar to Fiji, the Samoan Constitution not only forbids discrimination on the basis of sex but also states that *nothing shall prevent the making of any provision for the protection or advancement of women* (Article 15, Section 3 (b)).

The constitutions of the two countries and the various commitments made at the international,

⁴³ Ministry of Women. 2002. Directory of Women of Samoa.

⁴⁴ Triennial Conference of the Pacific Women and Pacific Ministerial Meeting on Women 2005, Volume 2. Technical Papers. Noumea, New Caledonia: Secretariat of the Pacific Community

regional and national levels provide the platforms for promoting and achieving gender equality. However, there are still wide gaps experienced between the stated policies and implementation of these policies. This situation applies to the entire project countries. That despite national women machineries being established the governments have lacked the political will to give it the real means to influence policies.

The lack of capacities within the Ministries in both countries is shown in the lack of integration with other government departments and ministries. Both countries have undergone public sector reforms and this has had a detrimental impact on the efforts of promoting gender equality in the two countries. Furthermore this also has had a direct impact of weakening the national women's machineries in terms of resources both financial and human.

The lack of sex-disaggregated data is a major drawback in the work to advance gender equality. It is found that no Pacific National Statistics Offices (NSOs) have a gender statistician in place and there are no dedicated gender sections to assess and analyse the official census statistics collated. Comparisons between countries of gender statistics are limited in several ways. Firstly they convey no information about the socio-economic or cultural contexts, or regional variation within countries. They tell us 'what' but not 'why'. More qualitative, as compared to quantitative, data and information is required to understand and analyse the underlying conditions of the gender inequality experienced by both women and men.

8.10 Equality Issues in social protection and social security

In many developed countries, progress has been made in eliminating direct and indirect discrimination in the access to social security and social protection although much remains to be done. For the project countries in the Pacific a number of major challenges exist in the implementation of social security and protection schemes. This includes extending the social security to those currently not covered under the existing schemes the majority of whom are concentrated in the informal economy. The lack of awareness, of social security and how it functions, at the policy level and lack of political

will has limited the introduction of a variety of social security schemes that would benefit the public at large and contribute towards the eradication of poverty.

Equal treatment in social protection, similar to programmes and activities implemented in any other sectors, assumes that men and women are in the same employment situations regardless of sex. More often than not this is not the case with conditions of employment different for both men and women. Gender discrimination exists in the labour market and applying the formal principle of equality in such situations gives rise to further inequality when social security benefits and contributions are based on employment history and contributions made. This is demonstrated in the formal economy survey undertaken for the five project countries, and with the exception of Samoa, the remaining four countries shows a disproportionately much higher proportion of males than females employed in the formal sector. Furthermore employment histories of women are often characterised by broken periods of employment having to take time off for reproductive responsibilities including looking after the children, the sick and elderly as well as for maternity leaves. These periods of 'unemployment' are taken either with reduced or without remunerations with the overall impact of reduced lump sum payments such as is the case under the provident fund schemes. Although the sample survey undertaken was biased in favour of the males, the result, it can be argued based on other developed country experiences, is representative of the whole formal economy.

Therefore measures for promoting equality in social security need to be developed based on an accurate assessment of the needs of men and women and a thorough assessment of the impact of social protection and social security systems on their positions.

While women have increasingly entered the labour market this has not led to improved coverage for women. Additionally their employment status continues to be characterised by lower wages, mediocre career prospects and precarious forms of employment. At the same time family situations have become more diversified and continue to change which in the majority of cases women continue to be mainly responsible for looking after the household and the family, and producing goods and services for

family consumption, for example in subsistence agriculture or by working as unpaid family workers in enterprises. Even where some benefits are provided such as family allowances and child care subsidies, these are often less generous than those based on paid employment due to the lack of financial resources provided by the State. In the case of Fiji, for example, for a long time the family allowance was 'pegged' at FJD 15.00 per month and was only increased to FJD 100.00 where it has remained since the year 2000. This is also reflected in the national budgetary allocations provided to the social sectors as compared to the economic sectors.

Research shows that in all the other Pacific Island project countries studied, the different work patterns that exist between women and men are not recognised and except in the case of Fiji family allowances or child care subsidies are not provided for. Even in the case of Fiji the family allowance is not a deliberate response to the different work patterns but as part of the scheme inherited from its colonial past. There is therefore the need to review existing social assistance provisions and the fundamental criteria on which they were originally designed in view of the changing socio-economic and cultural environment.

Current social security systems are based on the traditional notion of 'nuclear families' with men as 'head' of households and the 'breadwinner' in the families. Provident funds within the Pacific operate on similar assumptions where women are seen as the dependents of men and as a consequence benefits received are assessed on the premise of 'derived rights' rather than 'direct rights'. Women accessing funds from the provident funds for contingencies often undergo stringent criteria such as requirements for additional documentation. In the case of Fiji, women are able to partially withdraw their contributions on marriage. This facility is not available to men and it can be assumed that the rationale is based on the premise that women on marriage have 'inherited' family responsibilities and the withdrawal is to offset some of these costs.

There are also an increasing numbers of *de-facto* or *de-jure* female-headed households due to increase in divorce rates, single-parent families and where male heads of household are required to work overseas. An example of this is the

increasing number of males working on foreign fishing vessels in the case of Kiribati and Ni-Vanuatu⁴⁵ or those who have migrated to the urban centres or overseas for better job opportunities. Women having to maintain such households are more often very vulnerable to poverty. There is therefore a definite need to assess such situations and for governments to put in place measures to help mitigate against these factors.

Table 8.4 *Life Expectancy for the Social Security Project countries*

Country	Population	Population (%)		Life Expectancy (yrs)	
		Male	Female	Male	Female
Fiji	810, 421	51%	49%	64.5	68.7
Kiribati	84, 494	45%	55%	59	65
Samoa	176, 710	52%	48%	63.5	65.5
Solomon Islands	409, 042	51.70%	48.30%	64	66
Vanuatu	207, 586	51.25%	48.75%	65.6	69

Table 8.4 shows that in all the Pacific countries studied women are living longer than men. These demographic changes are factors for consideration and when social security schemes are linked to earnings, women who raise children are bound to be worse off economically because of the interruptions in their market work. On average, for the five countries studied, women live longer than men by 3.5 years, with women in Kiribati living longer by 6 years. There is however, little change in the trend in life expectancy, (Schoeffel (2004)), and it can be assumed that there has not been much change in the quality and coverage of health services. Currently available health statistics do not adequately disaggregate rural and urban data.⁴⁶ Health resources tend to be concentrated on curative services provided at hospitals but as people live longer and as the way of life changes more people are contacting non-infectious diseases such as heart, kidney and diabetes. The priority given to health care insurance in the various country surveys conducted is reflective

⁴⁵ Ni-Vanuatu is the name for indigenous people.

⁴⁶ Pacific Human Development Report, UNDP 1999

of this status quo. In countries such as Solomon Islands and Kiribati, which have the highest rates of maternal mortality and the lowest proportion of the supervised deliveries, and where comparison between the rural and urban women needs to be made, the low ranking given to maternity schemes is not surprising. As noted the surveys conducted, the sample was biased towards males and is reflected in the kind of data collected. There is need for further surveys to identify the specific needs of women which can only be adequately addressed with gender technical support of the sub-regional office.

Maternity protection for example is available to public sector workers and to the private sector under collective bargaining. These are however limited as in the case of Fiji where for the first three confinements a female civil servant enjoys the 84 days maternity leave with full pay and thereafter receives an allowance of FJD 5.00 per day. This is common in the project countries and is discriminatory to women. The proposed 2004 Fiji Employment Bill now under discussion proposes that for the fourth confinement and thereafter an increase of allowance to FJD 7.50 per day. This is discriminatory towards women where the benefits are based on contributions and length of tenure of employment and there are no compensations in the form of children or family allowances. Certain categories of women are (implicitly or explicitly) excluded from the benefits of maternity leave including those classified as casual workers. The Vanuatu Employment Act provides provision for maternity protection for a total of 24 weeks (12 weeks prior to and 12 weeks after delivery). Compliance and conformity to the Employment Act could be a subject of further study as the extent of adherence by private sector employers is unknown.

8.11 Survey of workers in the informal economy and the formal employment sector⁴⁷

The social security project aims to improve the coverage and efficiency of the social security systems in the five selected countries in the Pacific sub-region by developing and implementing national action plans for the extension and improved governance of the social

security systems and by conducting joint capacity building activities at the sub-regional level. Based on a gender analysis and a gender needs assessment of social security, the project will develop social security policy which is more responsive to gender-specific needs and thus promotes gender equality.

At the end of the project, the Governments and social security organisations will have formulated a comprehensive country program on social security in the form of tripartite national action plans based on the needs assessment survey and the financial and gender analyses, and taken steps for their implementation.

As a first step for the development of the national action plans on social security, a special needs assessment survey – the coverage mapping survey – was carried out. The survey focused on men and women who are excluded from the current system, i.e. those who work for small employers, the informal economy and home-based workers. In addition to basic characteristics (e.g. income level and pattern, family composition, health condition etc.) of the excluded people, the respondents were asked to prioritise social security needs as well as their capacity and willingness to participate in some form of risk pooling arrangement, including micro-insurance schemes

The purpose of the surveys was to provide a basis for the formulation of policy to extend social security coverage to the excluded population; in particular, workers in the informal economy where the lack of social security is largely concentrated.

In the context of globalization, there has been increasing informalisation of employment especially in developing countries. Contrary to earlier anticipation that the formal employment sector would absorb most workers as a result of economic growth and development, the informal economy has been growing rapidly and this trend is likely to continue in the foreseeable future. Hence, there is an urgent need for focused interventions in providing social security for workers in the informal economy.

The formal economy

The formal employment sector represents the more administratively visible part of the

⁴⁷ For extensive background information, survey and findings on the five project countries studied, the specific country reports are to be read in conjunction with this section.

economy and society, namely the public and private corporate sector, and comprises enterprises and the professional self-employed that have been accorded legal status and are regarded as legal entities.

This legal status is accorded through registration by professional associations, Ministry of Labour and the Ministry of Trade and Industry or their equivalents in each country. As legal entities, the enterprises are subject to labour laws administered by Ministry of Labour and to the ILO conventions that have been accepted by the respective countries. The formal sector in the countries in the study ranges from about 25 to 40 percent of the economically active labour force. Of this it is estimated that approximately 37 percent are women. With the exception of Fiji the public sector is the major employer within the countries of study.

The employment sectors in Pacific countries are measured by the National Statistics Departments in a National Population Census conducted every 5 or 10 years. Modifications through annual statistical returns from employers or by targeted labour market surveys of selected sectors of the economy are not common in Pacific countries. As a result the total dimension of the labour force is not necessarily complete in most countries. The basic classification of the formal sector is the *Legal Entity*, described as: - *Legal status of a company/unit of economic activity based on the requirement to register with the appropriate government agencies; usually the Ministry of Labour and the provident fund.*

The aim of the sample survey of workers in the formal employment sector was to obtain some indicative parameters about the workers and their priority social security needs, who provides or will provide for these basic social security needs, gaps in coverage and their potential to contribute to voluntary schemes. The survey also recorded some of the demographic and other details about the workers including their income patterns, work category, insurance and micro finance and membership of organisations.

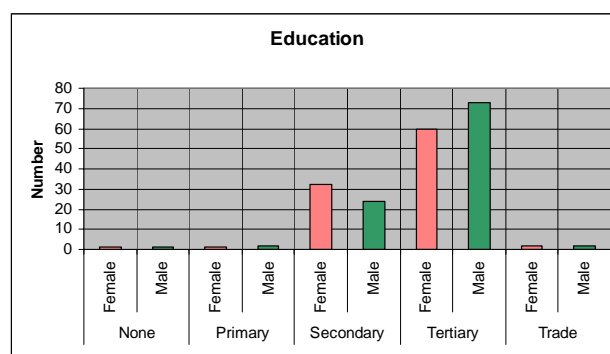
The employment status of the sample was almost completely composed of full-time employees which is expected for the formal employment sector and validates one of the key definitions and characteristics of formal employment sector employment

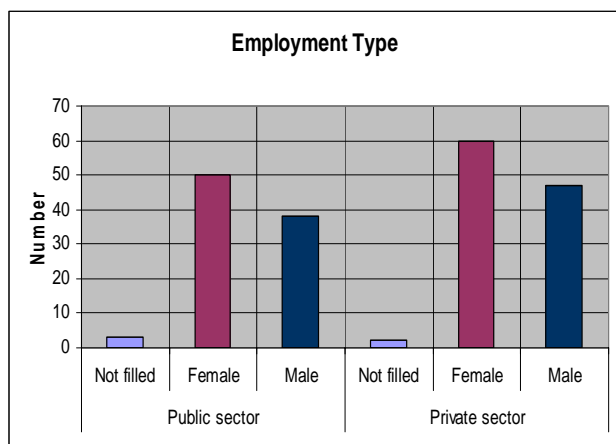
The formal employment sector in Samoa

Total public sector employment accounted for 32 per cent of this formal employment with government departments being 22 per cent and SOEs 10 per cent. The private sector accounted for 26.8 per cent of formal employment. Public service employees (permanent and casual) make up 29.12 per cent of the total formal employment sector workforce of which 78 per cent are permanent staff. The formal employment sector workforce comprises 58 per cent male and 42 per cent female. The ratio between public sector and private sector is 29 per cent and 71 per cent respectively with 4,996 public sector employees and 12,163 in the private sector. The survey did not have a close correlation with the most recent labour market surveys with the sex ratio in the survey 43 per cent males and 54 per cent female compared to the labour market survey which identified 58 percent and 42 per cent respectively. The discrepancy is in the forms with no response to the question on sex.

(vi) Education

The highest education level represented by the sample was tertiary level followed by secondary level. This contrasts markedly with the informal survey where the bulk of the respondents had only primary level education and there were some cases which had no formal education. This education level may be biased by the high proportion of public sector employees in Samoa in the formal employment sector and the education levels may reflect the public service entrance minimum standards.

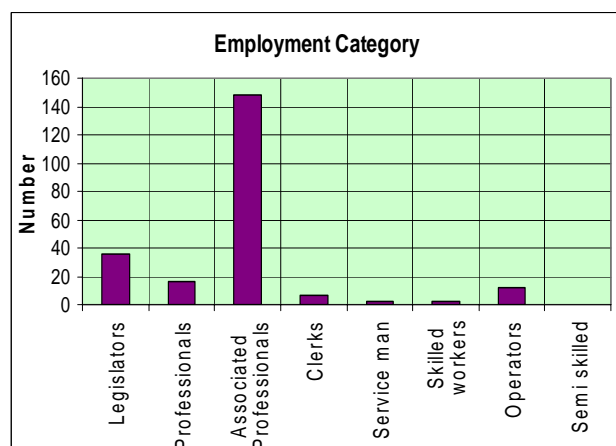


(vii) *Employment***Employment type**

The sample identified 45 per cent of respondents as being employed by the public sector and in the absence of accurate data this appears to be higher than expected although any deviation could be explained by the better access to public sector institutions and diligence in voluntary surveys.

Employment category

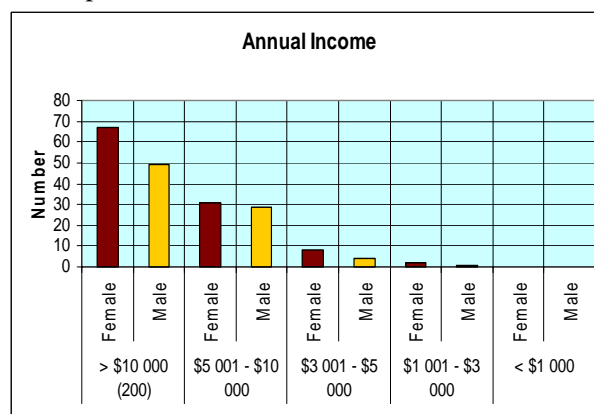
Using the standard employment categories proved to be inconclusive as most respondents considered themselves to be associated professionals. The *legislators* category was obviously completed by senior public servants although this cannot be substantiated.

(viii) *Annual Income range***Annual Income**

The income band for the formal employment sector survey was perhaps a little narrow and the

bulk of the respondents were in the highest bracket presented on the form (> WST 10,000).

The income band for the formal employment sector survey was perhaps a little narrow and the bulk of the respondents were in the highest bracket presented on the form (> WST 10,000).

(ix) *Social security*

The most recent labour market information shows of the total 17,164 employed in the formal sector the Samoa National Provident Fund has reported an increase to 24,479 contributors for the period July to November 2004. Responses received during the survey identified the three top social security needs as workplace injury/death, followed closely by death/life insurance, age retirement and family health insurance. In response to the question who should contribute employers and individuals were identified followed closely by government. On the question of whether they are willing to make additional contribution to extend coverage 49 per cent were willing with a further 43 per cent recorded as likely to contribute. About 50 per cent were willing to only contribute less than WST 5.00 reflecting the high dependency on government to provide such services and on the traditional system of support.

(x) *Analysis*

The finding of the formal sector survey correlates with the SPC research and confirms that there is sex disparity in tertiary education with less numbers for female as compared to males in Samoa. The Samoan situation where there is a high number of women holding executive positions in the private and public

sector⁴⁸ and the relatively high annual income range enjoyed by women as shown in the research demonstrate the success of mainstreaming women in decision-making by the NWMs and women's NGOs and to some extent the matrilineal society in Samoa. Although the employment type and category are not sex disaggregated it can be assumed that women even in the Samoan context are still concentrated in large numbers at the lower levels.

8.12 The informal economy

The project undertook specific sample surveys of workers in the informal economy to obtain some indicative parameters about the workers and their priority social security needs; who provides or will provide for these basic social security needs, gaps in coverage and their potential to contribute to voluntary schemes.

The ILO concluded in the 1970s that the informal economy was both efficient and profitable and there emerged the view that it should be promoted as a strategy to tackle structural inequalities and to meet the basic needs of the poor. Continuing rural-urban migration and economic shocks caused by environmental conditions, conflict and poor governance reaffirmed the importance of the informal economy in terms of work and income generation.

The definition and classification of the informal economy is difficult in many countries because comprehensive data is often unavailable and informal economy studies are often limited to selected employment sectors. The broadest definition for the informal economy includes those workers who do not receive a regular income and have no contracted or enforceable employer/employee relationship. This usually includes a predominance of self-employed, casual and unpaid workers in family businesses and those not registered or subject to labour laws. Many enterprises in the informal economy may be registered with local authorities and finance regulators such as the Ministry of Finance or the taxation office, but have not been accorded legal status under the definition of legal entity by the Ministry of Labour, and have not been identified by the provident fund.

In most Pacific countries the bulk of the workforce is still employed in traditional agricultural occupations, and most workers in the informal economy are in rural areas in the agricultural sector.

While the formal economy has a tendency to produce *jobless growth*, the informal economy continues to absorb the bulk of the job seekers who annually enter the labour market. These jobs are created with little capital and without any subsidy from the state. These informal enterprises often rely on indigenous resources, including re-cycled materials, and produce predominantly for local markets. The entrepreneurs mobilise their own financial resources via family networks, savings clubs and rotating credit systems. Accommodation for newcomers is provided and training given on the job. Many workers in the informal economy also maintain strong ties with their places of origin, and often foster plans to return. Urban to rural remittances, particularly from the capital cities in Pacific countries and from expatriates working overseas, occur on a very large scale and for many village households this capital flow has even become the major source of household income.

Apart from generating work and income for a large proportion of the population, in most cases more than 60 per cent, of total employment, the informal economy is also a major supplier and distributor of basic services and needs such as water, food, clothes and shelter. In urban areas the self-built housing sector meets a substantial amount of housing needs. Without the informal sector the majority of the urban population would have difficulty surviving in the city.

Options for classification can include degree of employment mobility and assets, geographical location or broad employment activities. In the case of most Pacific Island countries the broad employment category appears to be an efficient classification parameter because of the limited range of occupations and the domination of the agricultural sector in employment of the population.

In the absence of any formal classification of the informal economy a reasonable occupation based classification is listed below. This classification was used to design an informal economy survey that would provide a close correlation with the

⁴⁸ Directory of Women of Samoa 2002, Samoa: Ministry of Women

structure of the informal economy and at the same time be able to be randomised within that structure.

8.12.1 Informal economy classification

Predominantly Rural

1. Farm and farm related activities comprising subsistence farmers, small landholders in specialised or mixed farming, landless farm workers and unpaid family members.

2. Fishing, where this is the major income source. It is recognised that in some households, income and subsistence will be derived by a combination of fishing and farming.

Mostly rural some urban

3. Home workers including craft workers, mat weaving, garment making and housemaids.

4. Self employed workers including micro-entrepreneurs, small traders and miscellaneous enterprises.

Mostly Urban

5. Transport industry workers including taxi drivers, small repairers and other small transport passenger and freight services.

8.12.2 Informal economy priority needs survey

For each of the project countries a sample survey was undertaken. The aim of the sample survey of workers in the informal economy was to obtain some indicative parameters about the workers and their priority social security needs, who provides or will provide for these basic social security needs, gaps in coverage and their potential to contribute to voluntary schemes. The survey also recorded some of the demographic and other details about the workers including their income patterns, work category, insurance and micro finance and membership of organisations.

Samoa⁴⁹

Based on an initial research undertaken by the project a summary of the social insurance and social assistance programmes in place are as follows:

Social insurance

- Old age pensions - through the provident fund and paid as a lump sum, although some pensions are paid to those with reasonably large balances in the fund. Universal pensions are paid to people over 65 years.
- Disability, survivor benefits – available through the provident fund for formal sector only.
- Private pensions – available for only a small section of the community, mostly expatriate
- Maternity benefits - are available to part of the public sector and in certain situations it is part of the employment conditions.
- Workers compensation – compulsory scheme

Social assistance

- Programmes for disabled special education, private and family schemes universal health care.
- Assistance to disaster victims – available on an ad hoc basis.
- Medical rehabilitation – limited to critical cases evacuated to Apia or overseas.
- Subsidised medical treatment – part of national health care policy.

In the sample survey carried out in Samoa the balance between sexes in the survey was biased towards males representing 62 per cent as compared to 38 per cent females because of the type of industries chosen and correlates reasonably closely to the 1991 census where 68 per cent of the workforce was male and 32 per cent female. Many of the traditional farmers, fishermen and transport workers were males. The predominant work areas for females in unpaid family care, family business and home workers were less accessible to the surveyors. Total number of dependants per family of the sample size was four. Total number of single families was 20 in a sample size of 300.

In terms of absolute numbers the males represented the highest numbers as compared to females for all education levels. However when considered as a percentage of each sex it can be seen that a higher percentage of females have only achieved primary education and they also

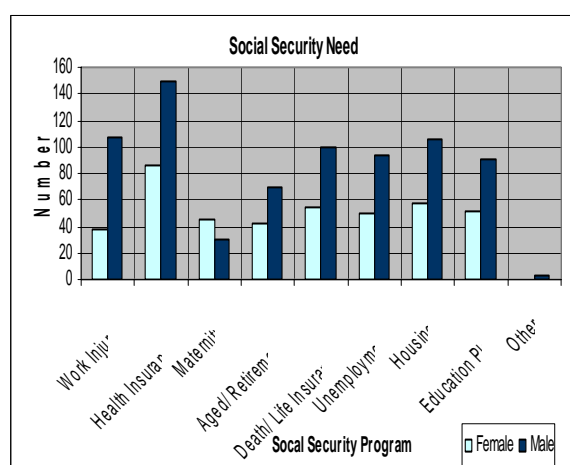
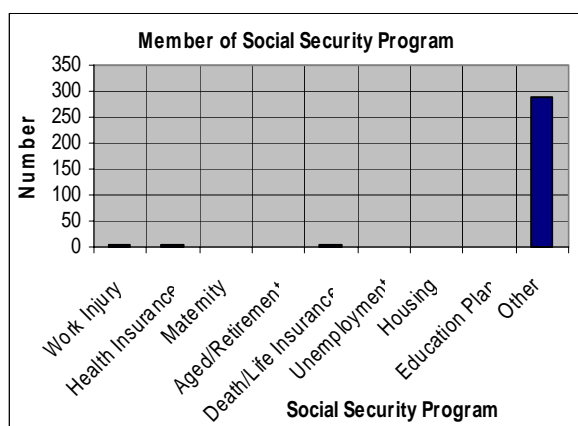
⁴⁹ For further details refer to the Chapter 5

have less representation in secondary achievement, however females have a higher percentage of tertiary achievement than males.

The employment status of the sample was dominated by self-employed with males representing the highest numbers as compared to women. For employment types farmers and fishermen dominate with men making up the largest number. As expected women dominate the home worker and retail/market activities.

(i) *Social security needs and priorities*

In this series of questions respondents were asked about existing membership in social security programs. The results confirm the absence of any formal social security programs in the informal economy but the almost universal response of “other” suggests that people see Fa’a Samoa as a social security scheme. A later question in relation to membership of church groups produced a very low result.

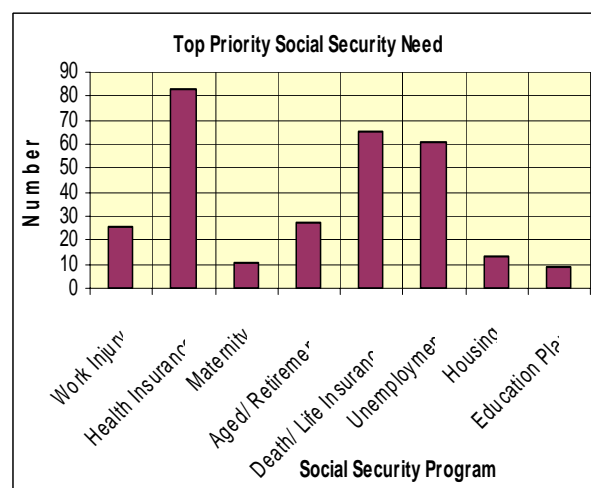


Respondents were asked to identify their social security needs. It is interesting to note that health insurance was easily the most common need by

males and females and males also identified work injury program as the second most common need.

Respondents were then asked to nominate these needs in priority order and the following charts show the highest priority needs. This chart shows that health insurance program is the most popular with life insurance and unemployment programs also rated highly. The low response to age/retirement programs may be reflected in the age groups i.e. working age and younger people. The low response to retirement programs is also most likely due to the universal senior citizens benefit program and some respondents may see that as a satisfied need.

By grouping the top 3 priority needs identified by the respondents the priorities are somewhat moderated but health insurance remains the most critical need. Apart from death/life insurance four programs work injury, retirement, unemployment and housing have similar levels of priority. Maternity and education programs were the lowest priority, although given that females represented only about one third of the sample this rating may be skewed.



(ii) *Analysis*

Similar to Fiji the sample survey carried out in Samoa the balance between sexes in the survey was biased towards males because of the type of industries chosen. Many of the traditional farmers, fishermen and transport workers were male. The predominant work areas for females in unpaid family care, family business and home workers were less accessible to the surveyors.

This also reflects the status of women even in the urban informal sector where they are employed as unpaid workers in family businesses or as part-time workers. Many of the traditional farmers and fishermen were males. The predominant work areas for females in unpaid family care, family business and home workers were less accessible to the surveyors. There is however, a need to look further at the job categories particularly farmers and fishermen as most of the activities undertaken by women are overlooked and not considered by planners and enumerators so women become the 'invisible' farmers and fisher folks. Ratings for maternity programs, housing and education were very low and whilst it can be attributed to the low ratio of females as compared to males in the sample size it confirms the high proportion of female home workers in the informal economy who in the case of Samoa dominate home workers and retail/market. Health Insurance was clearly the highest priority followed closely by age retirement, workplace injury/death and death/life insurance. Addressing the issues of health insurance will to a large extent also meet the specific needs of women such as accessibility to quality health care.

8.13 Conclusions and recommendations

It is important to underline that the status of women in the Pacific and the conditions of their lives have been shaped by a broader range of forces, notably their gender, ethnicity and social class, and the broader social, political and economic environment. Similarly, the legal status of women, in particular their position in respect of employment legislation, is crucially influenced by such factors.

This report begins with the premise that women are greatly disadvantaged both in the formal and informal economy. As a result they are more likely to be excluded in greater number as compared to men from social protection or in cases where these are available, such as social assistance, these are often very insignificant. These conditions are the product of limited economic growth and the broader social, political and economic environment. Specific gender studies need to be carried out to determine the linkages between these factors and the marginalised status of women in the Pacific Island countries.

For all five project countries the results of the sample surveys conducted confirm the absence of any formal social security programs in the informal economy. Furthermore the almost universal response of "other" suggests that people see traditional and family-based systems as a social security scheme. Credit unions and church membership also produced significantly high result. In the case of Samoa when asked how they made ends meet when they had little or no income, the majority identified gifts and remittances from family. Remittances in some of these Pacific Island countries including Samoa, Fiji, and to some extent Kiribati followed by Vanuatu have become a major source of foreign exchange. Evidence seems to suggest that these informal social security mechanisms can be efficient in ensuring a minimum level of standard of living and survival. These transfers have shown that they serve to act as insurance against risk mitigation, income shortfalls, help during sickness and support for the elderly. Whilst people would still argue that these traditional support systems are intact, evidence shows that this is not the case as society becomes more monetised. Initially the link to the place of origin may be still strong as first generation migrants move overseas. This however, is unlikely to continue with successive generations. Furthermore in adverse situations reliance on such traditional systems are not guaranteed.

More importantly from a gender perspective there is an inherent bias in the reliance on such informal systems of social security provisions. In all the Pacific Island countries studied, which are similar to other developing countries, the burden of "other" or social security provisioning by extended families falls heavily and disproportionately on women, particularly in the case of care for elderly and children. This calls for external intervention to either support or replace these informal mechanisms. Specific research is required to assess the magnitude of such remittances, who is largely responsible for such remittances, with figures disaggregated by sex, the impact that it has in meeting the contingencies that arise within families and society; and to make recommendations for the type of schemes and the support that can be provided by government and non-government organisations.

For all the project countries studied the main social insurance benefits available in the formal sector include:

- **Disability and survivors benefits** – through the Fiji National Provident Fund and are only available to workers in the formal sector. Provisions are limited in that the lump sum payments do not cover beneficiaries for the rest of their lives;
- **Employment injury insurance** - available through employers and private insurance schemes. Currently this is on the basis of employers' liability and compliance by the employers and private insurance compliance is questionable;
- **Maternity benefits** - are available to the public sector and in certain situations it is part of the employment conditions. Under collective bargaining these are available to the private sector;
- **Old age pensions** - through the provident fund some pensions are paid to those with reasonably large balances. Universal pensions are paid to people over 65 years in the case of Samoa, for Kiribati for people over 70 years old. In the case of Fiji, Vanuatu and Solomon Islands old age pensions are not available, with lump sum payments only paid by the provident fund.

Social insurance is social security financed by contributions and is based on the insurance principle where there is pooling of risks and spreading of benefits to cater for contingencies that may happen during ones life cycle. Contributions may be earnings related or based on a flat-rate. Under statutory schemes contributions from employees are matched by an obligatory contribution from employers or the state. For developed countries this is generally the form of social security implemented. This is not the case for the five Pacific countries studied where there is no social insurance in place. The provident funds operate as 'de-facto' social security systems but fall far short of the objectives of a social security system. Social protection is limited to the formal sector workers because the premium is often beyond the reach of those employed in the informal sector. Alternatively the irregularity of wages of those engaged in the informal economy would make continuous contribution impossible. Furthermore, such schemes, as found in the countries studied, are confined to the urban

centres and whilst there is a growing informal economy they normally fall outside of this network. As noted it is this informal economy that is not usually covered by social security and *because it is heavily dominated by women* they are excluded from social protection. The question of financing is beyond the scope of this report but various options can be explored⁵⁰.

The sample survey carried out confirms that home workers and casual labour are dominated by women in the five countries and there is a need for governments to find innovative ways to expand social insurance to informal workers. Measures for consideration, subject to further research, include:

- Removing legal restrictions on scheme membership;
- Improving advocacy and information dissemination about the schemes; and
- Promoting voluntary schemes.

On the latter a number of these schemes are already in operation in Pacific Island countries such as VANWOODS in Vanuatu and WOSD in Fiji. In such instances the government not only could provide the enabling environment for such organisations to operate but to provide specific support that is needed by these groups such as:

- Policy and legal support to allow for and promote the setup of simple insurance programs which are attractive to self-help groups;
- Financial support in the form of access to credit facilities to start or improve economic activities, and to administer the social protection scheme; and
- Training and support services to enable women and men to organize and arrange for a social protection scheme which suits their specific needs.

Various forms and combinations of social assistance exists in the project countries such as family assistance, programmes for the disabled, family schemes, universal health care, assistance to disaster victims and medical rehabilitation. Some of these schemes such as assistance to disaster victims exist on an ad-hoc basis. In the

⁵⁰ Refer Maternity and Health Insurance studies in Chapters 9 and 10

case of medical rehabilitation these are limited to critical situations only from rural to the urban centres, but not inclusive of overseas treatment. Family assistance and assistance to the disabled are, wherever they are present, often less generous than those based on paid employment, due to lack of financial resources.

Most of these social assistance benefits are premised on the notion of no intra-family inequalities. However, studies have shown that inequalities within the family exist, including unequal access to (and use of) resources within the families. Moreover it is often found that women in such situations, even with meagre resources, are more than likely to spend their financial resources on the family needs and children as compared to men, who have a tendency to spend these on social needs. Further studies need to be carried out to determine the extent of such practices.

There has been a significant growth of female headed households (including single-person households and single-parent families) due to higher rates of marital breakdown, divorce, increased longevity of women, and male emigration. Households maintained by women alone, whether temporarily or permanently, and especially those with young children, are more vulnerable to poverty. Preliminary finding of the sample survey of 1,500 for the proposed health insurance scheme undertaken in Fiji showed that female-headed households have risen to 19 per cent as compared to 12 per cent recorded in the 1996 Census. This is confirmed by the preliminary 2005 HIES report prepared by the National Statistics Office.

Proposed future social protection schemes also need to take into account the different work patterns between men and women, the demographic changes, and the changes in the structure of the labour markets.

ILO commitment to gender is based on the *decent work for all strategy*. An essential feature

of the agenda is the entitlement to social protection for everyone, an objective which is still far from being achieved. The ILO however, can play an active role in promoting the ratification of the various relevant ILO Conventions for its member countries including the ILO Convention on Equal Remuneration (1995, 100), the Convention on Anti-Discrimination in Employment and Occupation (1958, 111), the Convention on Maternity Protection (2000, 183) and the Convention on Workers with Family Responsibilities (1981, 156). To date most of these Conventions have not been ratified by the project countries.

Furthermore the ILO Pacific Regional Office can play a proactive role in advocating and assisting the National Women's Groups in the project countries, in the review of legislation and policies to be consistent with ILO Conventions and mandate.

Evaluations need to be made to provide primary data on the effects and success of various social protection schemes that exist and how they impact women and children. This is imperative before any future schemes are implemented

Specific gender analysis and planning is imperative for the implementation of future schemes. This should include an analysis of the needs of men and women, the division of labour between men and women, the constraints and/or opportunities, particularly the discrimination experienced by women, directly and indirectly. It is also important to assess the capacities that exist to promote gender equality in the workplaces amongst the major stakeholders if gender equality in the workplace is to be achieved.

Although outside the ambit of this report and the project as a whole it is however highly recommended that the ILO Pacific Regional Office strengthens its capacity on gender analysis and planning to ensure that gender is mainstreamed in all its programmes and projects so as to fulfil one of the basic ILO principles.

PART II

FEASIBILITY STUDIES

- | | |
|-------------------|--|
| Chapter 9 | Health Insurance: Principles |
| Chapter 10 | The National Health Care Finance Scheme in Samoa |
| Chapter 11 | Social Security Pensions: Principles |
| Chapter 12 | Unemployment Protection: Principles |
| Chapter 13 | Unemployment Protection in Samoa |
| Chapter 14 | Social Assistance: Principles |
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Chapter 9 Health Insurance: Principles

9.1 Introduction

This chapter looks at social health insurance in two parts: *Policy Context* in the Pacific, with an overview to extend health benefits, (a social security contingency), to the populations of the region, given their common characteristics such as demography, the economy and current institutional set up for the delivery and financing of health care.

The second part contains some specific recommendations and outlines an implementation plan for moving forward in expanding social health insurance in Samoa.

The aim of this chapter is to assist the government and key stakeholders to understand the issues relating to social assistance schemes and to develop specific proposals relative to Samoa. The outcome responded to the specific requests raised by the stakeholders and outputs from social security workshops conducted by this project.

The recent WHO publication titled *Social Health Insurance - Selected Case Studies from Asia and the Pacific*⁵² provides a general framework to the policy makers and international development partners. This publication answers the key policy considerations for implementing social health insurance, and provides a thorough review of various schemes that are currently operating or have previously been administered in a number of countries in the region. A good body of literature in this publication is highly relevant for the Pacific Island countries.

Health care financing systems that enable the entire population to be covered would, in general, include two main funding mechanisms: financing from general tax revenues, and through social health insurance. WHO, in their recent review stated that *Before universal coverage is reached in most countries, voluntary and social health insurance schemes have played an important role in expanding coverage. Of the main funding mechanisms, social health insurance as the main*

source of health care funding is gaining greater attention in developing countries.

Examples of this policy shift are even occurring among the developed world. The Economist has recently published an article on the financing of U.K. National Health Service noting that the idea of switching to social health insurance instead of relying just on general tax revenue had been pronounced by various stakeholders since 2002.⁵³ Supplementing social insurance revenue with general tax is also a policy that many governments like France, Germany and Turkey resorted to in order to overcome the problem of the rising costs of health care.

In this part of the chapter, the issues specific to the Pacific Island countries are discussed. Financing of health care in each of the five countries under this review is classified as general-tax based. It will be argued in further sections that there are potential benefits to be had by introducing social health insurance as a secondary source of revenue in addition to general tax funding. It is not suggested that all of these countries should replace their general-tax based health systems with social health insurance. Given the characteristics of these countries on which we elaborate later, there is a need to investigate all financially feasible means of raising more revenue. It is our recommendation that all of these countries should ideally spend more on health to solve the looming health problems they will face in the next decades.

The health funds should also be used more effectively. Social health insurance based health systems generally speaking have a better score card in putting strategic purchasing arrangements in place; such as buying the best health care for the population instead of funding the health inputs such as hospital beds, doctors and drugs, which most general tax based systems have institutionalised and found difficult to change, once they became the status-quo mode of paying service providers.

Many transitional economies in Eastern Europe during the past decade and a half have switched

⁵² World Health Organization March 2005 ISBN 92 9022 239 5.

⁵³ "Financing health care-Searching for a miracle solution" Aug 18th 2005 from The Economist print edition.

to social health insurance and experimented with signing capitation based contracts with the primary health care physicians to improve doctors' earnings and encourage general practitioners to open practices in rural areas. It is possible for general tax based systems to engineer purchasing mechanisms, adopting incentive-based provider payment methods to improve service quality and contain costs. Such reform policies can be considered in conjunction with social health insurance implementation where the two financing methods can borrow from each other's best practice literature.

The ILO and WHO, as two international development partners, are collaboratively promoting the concept of social health insurance in developing countries and this review is consistent with this endeavour. In short, unless an alternative health financing reform is adopted, the Pacific Island countries face the risk of their health systems deteriorating over time. By taking the necessary action now, these health systems will avoid the looming funding shortages and decline in service quality. The conditions exist in most of the countries to embark upon alternative methods of health financing and will be discussed further in this report.

9.2 The policy context - readiness to implement health insurance

The relevant policy context for the health sector common in almost all Pacific Island countries including the five project countries, can be described as all having an *urgent need to reform health system delivery and financing to meet the growing demands of their populations*. The governments of the four and to a lesser degree Kiribati have acknowledged the need for this reform in various policy pronouncements as well as in their briefings and discussions with the consultant.

It was also identified in the informal economy survey conducted by this project, how the people in general perceived the need for improving public health services and that 'health' is one of the top priority contingencies for the role of the government to provide and finance as a core government responsibility. It may thus be fair to state that the national policy climates are ripe enough to implement change. This can vary in degree of effect in the delivery and financing of health services in each of these countries.

The ILO review focuses on social security related aspects of health financing reform. In particular, it examines whether social health insurance rather than private forms of pre-payment and savings-based mechanisms can be introduced in the project countries.

It is fair to say that such reform in isolation from the reform on health service delivery may have limited success. Furthermore, over reliance on national provident fund mechanisms may inadvertently cause an inclination towards extending benefits to the formal sector (or the relatively well-off), vis-à-vis the rest of the population living in the peripheral islands and village communities, economically considered as the informal sector (or relatively disadvantaged). The project preparation discussions concluded that starting from one feasible point of social security extension would be considered far superior than excluding the health contingency altogether. The assessment therefore focuses on starting with the formal sector first and gradually expanding health insurance coverage to the rest of the populations.

9.3 Common characteristics of the Pacific Island states

The Pacific Island states have common characteristics which should be taken into consideration for the design of the new health care financing and delivery system that the peoples of these nations desire. In summary:

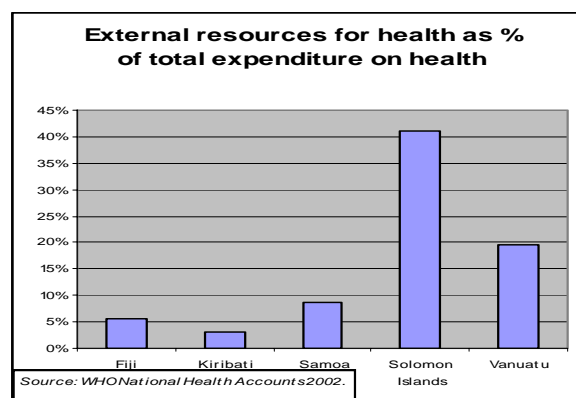
- Health is predominantly provided and financed by the state where ministries or Departments of Health fulfil a range of responsibilities such as owning and organizing service delivery units, staffing and recruitment and general policy implementation, which in its core includes public health functions such as infectious disease control, basic immunisations and maternal care, financing and implementation of health budgets provided by the state.
- All these five countries have national provident funds with a few decades of institutional memory. As the NPF predominantly caters for the formal sector, the reliance of the informal sector for the financing of health care will continue to be on the government.
- Public health financing is mainly through supply-side subsidies where the public-owned

health delivery units receive an operating budget appropriated through the budgetary process and often implemented by the Ministries of Health.

- The public health workforce is paid on a salaried basis. There are virtually no alternative provider payment methods implemented in any of the countries under this review such as capitation or case-based payment.
- User fees for health are becoming more common. While acute care at public in-patient care facilities is mostly free, many people in Fiji and Samoa consider a personal payment for health care as a natural mode of service obtainment. Private provision of services is thus growing due to increasing demand.
- All the five project countries have traditional and community based forms of social protection. Mobilising a voluntary fund pooling arrangement for a community member at time of serious illness, mainly through faith based organizations, is common, especially if the charitable contribution is considered essential for the community member to receive care outside their village/community, or even outside the country.
- Overseas referrals for tertiary care are common and all of these governments have bilateral arrangements with the host countries receiving these patients. It is also common that some people can have financial access through government funded overseas treatment programs, albeit the mechanisms for access to this benefit works less transparently.
- Disease patterns have shifted from communicable to non-communicable diseases across the Pacific. While malaria surveillance, disease control and treatment are considerably well-managed in most of the islands, the emergence of diabetes as a result of shifting dietary patterns is a serious concern. The long term repercussions of diabetes is to have more acute care beds for the treatment of advanced stage diabetes mellitus treatment including surgical interventions (for amputations and cardiac surgery etc), and renal dialysis.

- Capital spending during the past decade for improving facilities has generally been limited. Primary level facilities and most hospitals look run-down. A significant portion of bi-lateral aid from donors is spent on improving the facilities.

Figure 9.1 Donor funding for health



Donor support is an important source of finance for most of these countries such as Vanuatu and the Solomon Islands, and to a lesser degree for Fiji and Samoa. (Figure 9.1). It is also common to engage overseas trained doctors and surgeons to work in tertiary referral hospitals, where salary payments for them are sourced from the donors. While donor (external) funded health care of Kiribati looks a paltry 3 per cent compared to the other countries in this review, the surgical specialists in Kiribati are mostly overseas nationals funded externally. Private provision of health services is increasing and all of these governments (except Kiribati where even no private pharmacies exists), are looking into more public private partnership.

In further sections of this review, we will make references to these common characteristics in order to demonstrate their relevance to the recommended policy options.

9.4 Demand for financial protection for health

Demand for health services and demand for health insurance or more specifically *financial protection for health* follow different dynamics. While the informal sector population surveys have revealed a propensity for better health care access, it may not necessarily be translated that the respondents are demanding a contributory type financial protection mechanism. It may well be considered that the population purely

considers the government should allocate more budgets for health, and that they continue to receive all, albeit better quality, health care for free. The policy climate in Kiribati was inclined towards this option rather than creating a new or additional financial protection mechanism for the provident fund members. This is not surprising given the country is a moderately high spender for health (8.5 per cent of GDP which is on par with OECD averages) and out-of-pocket payments constitute less than 3 per cent of total spending (see Figure 9.2).

If the governments' fiscal positions are sound and health is considered a priority, there is virtually no further action to take other than allocating sufficiently large amounts for health. This, in all five of the countries, unfortunately is not the case.

The rising costs of health care is often far in excess of the level of the increase in general price levels which has pushed most governments to cut budgets and introduce cost-recovery in the form of official user fees for some of the health services. Token amounts for medical consultations or for diagnostic tests (pathology or radiology) are quite common while most acute in-patient care is provided free of charge. The demand for health insurance is closely correlated with the general notion of *how much health care is free and how much of it is for a price*. The populations of Fiji and Vanuatu have become accustomed to a user-pay based health system and in Samoa; the preference of even the rural people to be admitted to the only private hospital indicates the shift of population perceptions that health is becoming less of a free public good.

Figure 9.2 Health care financing profile

Source: Derived from data for the year 2002 in the WHO World Health Report 2005 Statistical Annex.

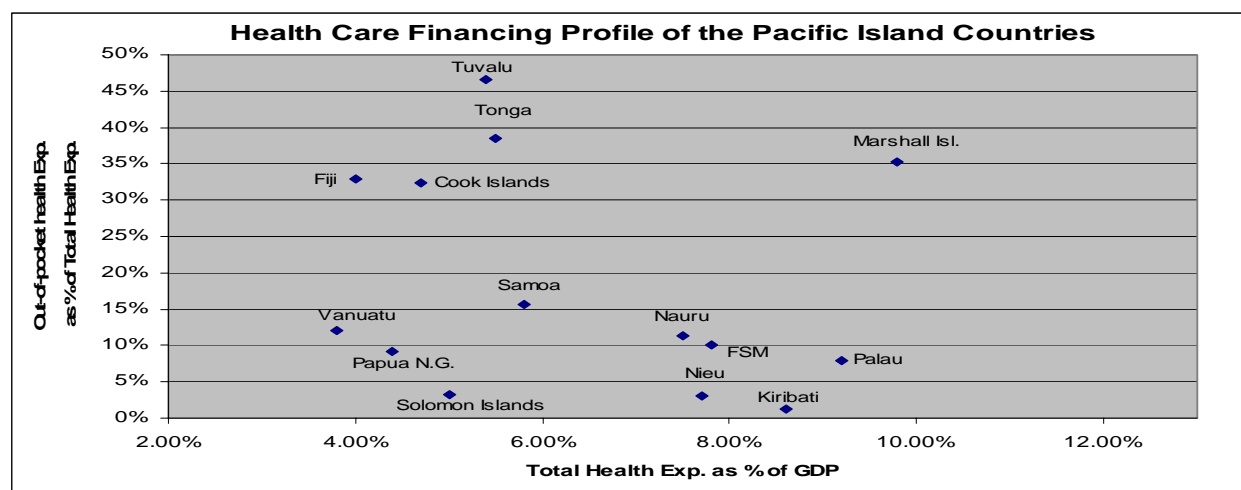


Figure 9.2 above reveals some of the health system specific issues pertaining to the countries under this review. The x-axis shows the share of national income spent on health and the y-axis shows the share of total spending on health that is funded out-of-pocket. Systems that are predominantly funded by out-of-pocket are generally speaking less equitable as the financial burden falls unfairly on the poor, old and sicker persons. Fijian households sacrifice a large portion of their disposable income on health as evidenced from the share of out-of-pocket funded health care at around 33 per cent.⁵⁴ Solomon Islands is a medium level spender (5 per cent of

GDP) and out-of-pocket payments constitute less than 5 per cent of total health spending. Samoa, like Solomon Islands, is a medium level spender, yet out-of-pocket payments constitute some 15 per cent, which is much higher than Kiribati and Solomon Islands. Kiribati is a high level spender yet households are least burdened with out-of-pocket payments.

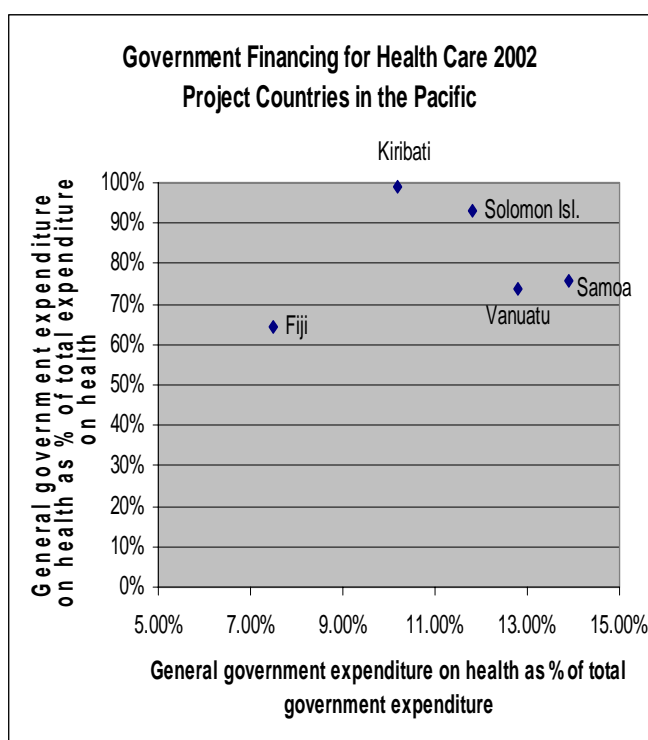
A policy challenge for the introduction of a pre-paid or contributory type health care financing system requires public support. If the health scheme is merely considered to be an additional source of income for the government, without accompanying benefits, such as improvement in service quality, then most members of the public will show reluctance to contribute to a prepayment or a tax specifically for health. This

⁵⁴ This comment has to be treated with caution. Fiji is distinctively a net recipient of foreign patients from the rest of the Pacific islands so the high out-of-pocket percentage includes payments made by cross-border patients.

was discussed with the NPF and MOH representatives to gauge the willingness of the fund members in particular and the general public to contribute specifically for health.

The policy environment in Samoa shows a willingness for the provident fund (SNPF) to take a lead for including a health contingency, albeit the approach was more of a savings-based method rather than a social-pooling based health insurance mechanism. Nevertheless, the policy makers have specifically put the option of social pooling as a special fund allocated out of deductions for individual savings.

Figure 9.3 Government financing of health care



The policy climate in Kiribati stands at the other end of the continuum where virtually no such pressure from the provident fund members exists for including a health contingency to the existing benefits provided. Despite budgetary limitations, all health care has essentially been free for decades and changing this status-quo requires a lead from more than one pressure group such as from the members of the Kiribati National Provident Fund (KNPF) alone.

Figure 9.3, shows information about government's role in financing of health care. The x-axis shows the percentage of total government spending committed for health. The

y-axis shows governments' share of total health spending. In all countries, governments account for more than 60 per cent of total health spending with Kiribati being almost fully funded by the government. These shares are generally speaking favourable in comparison with other developing nations where most health is funded by out-of-pocket spending due to governments' failure to allocate sufficient funds for health,

Health is a favoured sector among all governmental portfolios in Samoa accounting for 14 per cent of total government spending. This share is also the highest in comparison with the rest of the project countries. One reason for the high share of health is explained by having virtually no military spending in this country, whereas both Fiji and Solomon Islands having recently experienced political turmoil, have considerably large defence sectors in competition with other governmental portfolios, such as health. Solomon Islands has a major anomaly with regards to the government's role of providing finance to educational services. In the Solomon Islands the education sector, unlike health, has never been free, and households are accustomed to a user-pay based educational system and a free-entitlement based health system. This may explain the low-demand from this community for having financial protection for health.

Samoa's health financing reform program aims to shift part of the cost to the employers and formal sector employees as there is virtually little room left to expand government financing. Fiji, being the largest country in population among the five, has also embarked on a reform program to have a national health insurance scheme under the auspices of FNPF. The MOH of Fiji has been pushing this agenda forward while the FNPF is inclined towards a membership-based approach. MOH of Vanuatu has been considering a national social health insurance for quite some time, mainly due to policy advocacy by the WHO. However, their approach is inclined towards excluding the Vanuatu National Provident Fund involvement in the affairs of the new insurance mechanism.

In summary, the demand for social health insurance will be driven by two main factors:

1. How much of the health care is free or likely to remain free? and

2. How much service quality would improve with the advent of insurance?

Reducing the level of free health care will increase the demand for health insurance and this will more likely result in improvements to health service quality by the additional spending on health through insurance. People are more likely to pay for health care that provides a better quality service.

9.5 Insurance coverage issues

Assuming the project countries consider insurance financing for health care, it should be recognised that the reform will not be a zero-sum option for displacing all of government financing with health insurance. These two funding mechanisms will not be mutually exclusive under the Pacific context of reform, where the provident funds are expected to play a major role, but not necessarily the primary role, of funding health care.

In Samoa, some policy discussions have unnecessarily ended in a gridlock, where criticisms were made of medical savings (or a function of it for health insurance) to replace tax funding. None of the Pacific countries can finance all of their health spending by simply shifting the total cost burden to the formal sector. This does not make economic sense as it may render productive capacity to become overburdened and less competitive compared to the other countries' manufacturing, trade and service industries.

Health insurance is expected to play a top-up funding role. Therefore as the health insurance scheme cannot finance all of the funding needs of the health sector, details about what these funds will be used for, in terms of coverage of services and coverage of people must be determined.

9.5.1 *Unit of coverage, compulsory and voluntary mechanisms for expanding cover*

An important aspect of social health insurance is whether the proposed schemes would cover members only, or members and their dependents. Secondly, coverage can be compulsory or voluntary or both. Samoa's proposed National Health Care Financing Scheme has called for compulsory membership for the active

contributors and voluntary membership for their dependents. In many countries, social insurance schemes are often compulsory for the formal sector and voluntary for the informal sector.

A family-based approach for coverage is recommended. This is especially important when the unit of coverage of the social security schemes during the design phase is defined. Some schemes cover workers only or may impose limits on the number of family members to control costs (i.e. Indonesia). For the Pacific Island countries, it is recommended not to take the latter approach. All family members should be entitled to the same health benefits as the main contributor (worker, or other eligible beneficiary whose contribution is paid by a third party). It is also recommended to make the schemes compulsory for the family unit as a whole.

Samoa's voluntary approach for family members was critiqued as part of this consultancy and it was recommended to make registration of all spouses and dependent children compulsory.

As a transitional step, it may be considered to make formal sector coverage compulsory, and informal sector coverage voluntary. Currently, the policy thinking in the Pacific countries is adopting a dual-responsibility approach for financing health care. Accordingly, national provident fund induced insurance schemes are specifically designed to expand coverage to the formal sector (Samoa), assuming the informal economy would continue to be looked after by the government. There are limitations on the practicality of this approach which will be highlighted later in the chapter.

9.5.2 *Membership registration, verification and contribution issues*

A major challenge exists for NPF to register dependents of the active contributors when they embark on expanding social security benefits to include the health contingency. In practice, NPF information systems keep data only about the main contributor in their databases, and sometimes include a separate field for the spouse to establish survivorship. Family coverage requires modification to the NPF information systems, which is well within the capacity of the provident funds in the project. However, a number of considerations will come to play once the NPF become more than just an administrator

for retirement savings. The following considerations will constitute part of the business rules which the legislature will need to draft in the regulations which accompany them:

- Whether health insurance contributions will be levied on combined family income or on the income of the high income earner in a family with double income earners,
- Whether a health insurance card needs to be issued to verify the eligibility of the members at time of contacting health service facilities,
- What length of validity period would the health insurance cards carry; whether they would be valid for the length of contributory period or have a fixed term which is renewed periodically, and
- Whether the schemes would allow coverage for old age dependents on a compulsory or voluntary basis, with their inclusion carrying a surcharge on premiums.

It is recommended for the countries to give lesser priority for these types of issues which relate to the operational business rules.

9.5.3 Setting premiums and rating methods

Premium is an amount paid to an insurance carrier for providing insurance coverage under a contract. It constitutes a monetary payment made in advance for a defined benefit package. Contributions are often defined as percentage of salary (i.e. formal sector employees) or it could be a flat-amount collected periodically (monthly, quarterly, semi-annually or annually) from the informal economy and the self-employed.

The premiums are set by two methods: either by *community-rating* or *risk-rating*. Community rating sets insurance rates based on the average cost of providing health services to all people in a geographical area, without adjusting for each individual's medical history or likelihood of using medical services. With community rating, premiums do not vary for different groups of subscribers or with such variables as the group's claims experience based on age, sex or health status. The intent of community rating is to spread the cost of illness evenly over all subscribers rather than charging the sick or higher users more than the healthy. Social health insurance schemes use community-rating. Risk-rating on the other hand involves setting of

premium rates by insurers (often by private companies) for individuals and small employers by taking the health status of the insured people into account frequently pricing high-risk individuals and small employers out of the market.

Samoa's proposed national health financing scheme has legislated for a 6 per cent deduction from payroll for MediSave Scheme (an individual health savings account) and a flat amount per person for the MedInsure scheme (social health insurance) which was using elements of both community and risk-rating. The flat amount premiums were community-rated as far as earning level of contributor was concerned but risk-rated for the average family size, where large households had to pay a higher amount. If FNPF in Fiji opts to buy private group cover from a private health insurance agency, it would be highly likely that the insurer would impose risk-rated premiums to the provident fund members.

These issues will be elaborated on in the following sections. In general, priority should be the *main policy design of social health insurance schemes* rather than the business rules. The core design would define whether the scheme would be compulsory or voluntary, with or without dependent inclusion and whether premiums would be community or risk-rated. As a best practice approach, it is recommended that formal employment sector schemes be compulsory, inclusive of dependents, and premiums to be community-rated.

9.6 Organizational and functional issues

Generally speaking, social health insurance based health systems differ from general tax-based health systems with regards to the way basic functions such as revenue collection, risk pooling and purchasing arrangements operate. Secondly, a new administrative structure within the NPF or separate from the NPF may need to be set up for performing these functions. This must be assisted by a functional information system that has a strong decision-support component for assisting scheme administration, policy development and fraud control. Each of these issues are considered in the following section of the report.

9.6.1 *Administration of health insurance*

Given institutional presence of national provident funds in each of the five countries, it is feasible to entrust new responsibilities to the funds for administering health insurance.

Currently national provident funds perform three primary functions:

- Collecting retirement savings from their members (a payroll deduction)
- Managing and investing the funds
- Paying out a lump sum when members become eligible (or in some cases a monthly pension).

Health benefit payments, unlike lump sum pension payments are of a recurring nature from the time health insurance schemes are implemented. The schemes require administering benefits to more than just the main contributor if dependents are also included. NPF need to assess their administrative capacity to embark upon this new social security contingency. Given the size of their current membership pools, all the NPFs in the project countries are believed to be capable of administering health insurance, yet as seen in the Fijian case, other considerations may arise which may result in reluctance of a member-based agency to administer benefits for non-contributory members or the rest of the population.

The level of public trust in the NPF is also paramount. The 1998 street demonstrations for prudential failure of Vanuatu National Provident Fund, has resulted in some cynicism by members and the general public about the suitability of the provident fund to manage members' contributions. This is reflected in the Vanuatu MOH approach to set up a new board accountable to MOH for health insurance administration, if the country launches a national scheme.

After FNPFs decision to assess feasibility of purchasing a group-cover private scheme for their members, MOH of Fiji is looking into alternative mechanisms such as setting up a new para-statal agency for administering health insurance benefits for non-members.⁵⁵ Setting up separate

administrative bodies for social security administration is not uncommon in the rest of the world. The population size of Indonesia being large has been instrumental for setting up separate social security agencies like ASKES, JAMSOSTEK and JPKM catering for different population segments; respectively, the civil servants (ASKES), private industry (JAMSOSTEK) and the informal sector including the beneficiaries of free health care (JPKM and Kartu Sehat programs). In Turkey, social security is administered by three agencies, Emekli Sandigi for civil servants, SSK for private and state-owned enterprises and Bag-Kur for the self-employed. However, Turkey has embarked on a reform to merge the three separate entities under a single umbrella organization like that of Vietnam's Social Security Agency. Given the two countries have similar population sizes and sufficient corporate memory and institutional know-how accumulated over years, it may well be said that the trend is following a *single-agency* path instead of creating administrative layers and fragmenting the risk pools.

For the Pacific Island countries, a single health insurance administration is considered feasible. Setting up special divisions within national provident funds or independent health insurance boards accountable to the MOH may be efficient for the relatively small size of the project countries. Fiji being larger is an exception and will be evaluated in the following sections.

If national provident funds are chosen as the agency-responsible for health insurance, amendments to the national provident fund Acts need to be passed. Setting up new statutory authorities will require new legislation and may take longer.

9.6.2 *Revenue collection*

The capacity of a social insurance based health system to raise revenue is not fundamentally different from a general tax-based system. If the country in question has weak tax collection mechanisms, then a payroll based social health insurance revenue collection will suffer from the same kind of setbacks as the general fiscal management does. Social health insurance should not be seen as a panacea for solving the problem of raising all the revenue needed for funding health care. Most countries with larger rural populations in sparsely populated areas such as the Pacific have weak capacity to collect fiscal

⁵⁵ A recent review by the WHO following the change of policy direction of Fiji after communications with the ILO Consultant had called for evaluating the feasibility of this option.

revenue. This is also true for raising revenue from those that are engaged in the informal sector, rural and urban alike. However the importance of social health insurance revenue grows substantially larger as the country gets more urbanised and the formal sector grows bigger.

Another concern is the impact of social insurance premiums on government finances. In Pacific Island countries, the government is a substantial employer and payroll-based taxes ultimately require the government as the employer to finance the premiums. The impact of Samoa's proposed MediSave scheme was estimated to cost the government about 1 per cent of total recurrent public spending. This cost will probably be similar for Fiji but more substantial for Solomon Islands.

Social health insurance revenue from prescribed deductions on payroll can be classified as para-fiscal income as separate from general taxes (which is purely fiscal) if the collecting agency is different from the office of general revenue. While some reviewers classify the Australian *Medicare Levy* as a type of social insurance contribution, this is collected by the same federal revenue collection agency, the Australian Taxation Office and not by a para-statal social insurance organization like the Health Insurance Commission (Medicare Australia). In principal, collections need to be enforced either by the agency specifically set up for collecting social health insurance premiums or by the tax collection agencies.

As introduction of any new taxes require public debate, advocacy and acceptance, it is not an easy undertaking to legislate a new form of tax without having a justifiable reason for it. To gain stakeholder acceptance, transitional strategies can be implemented such as the one that was proposed for Samoa. As emphasised before, public trust in the agencies which are tasked with revenue collection will always remain important.

9.6.3 Transitional strategies for the Pacific Island Countries

It may be taken for granted why Samoa chose to adopt a Singapore-like medical savings scheme instead of a *traditional* social health insurance scheme. A medical savings scheme is member-based and not risk-pooled. It serves as a stock amount for the contributor unlike health insurance premiums which is essentially an

expense for the member and an inflow (premium income) for the scheme administrator. The unspent component of health insurance monies serves as a stock amount and kept in reserves for the benefit of all risk pool members and not just for the benefit of contributing member (as in the case for individual health savings accounts). If the current benefit outlays are less than the premium revenue, health insurance accumulates reserves and if the opposite is true then the reserves are drawn down for the benefit of all members.

The policy makers in Samoa have proposed a transitional process for readying the members for a social pooling scheme. While a 6 per cent contribution for medical savings is prescribed by the legislation, neither is this entire amount allocated for recurrent health spending as a pooled fund nor considered a saving for future health expenses only. It is currently envisaged that about a third or quarter of total medical savings would be socially pooled and the remainder will be invested for future retirement savings. The proposal was made attractive to the SNPF members by presenting *Medisave* as a cashable amount additional to the retirement lump sum if not spent during the working life of contributor.

It is too soon to make conclusive remarks about the strategy chosen by Samoa. However, it is recommended that the other project countries monitor progress in Samoa, as well as developing their own transitional strategies. For instance, the path favoured by FNPF to purchase group cover is expected to have limited success due to moral hazard issues prominent among private schemes. However it may also be taken as a transitional strategy to build pre-payment scheme know-how, which would eventually yield itself to become administered by the member's own agency (FNPF), or by a national health insurance authority.

(i) Risk Pooling

The existence of national provident funds in the project countries has its advantages and disadvantages. In one regard, it is much easier to raise revenue through an institutional setting that has established statutory presence. National provident funds can easily collect payroll-based deductions specifically for health from members' pay in addition to the retirement savings. On the other hand, these institutions are set-up to protect

and safeguard the interests of their members only. Broad-based risk pooling may not necessarily be in the best interests of the members, if the members are to be risk pooled with the rest of the population who have lower capacity to pay.

This very phenomenon is considered to be the root problem for the lack of consensus between FNPF and the MOH of Fiji, and to a degree between MOH of Samoa and SNPF. FNPF is not willing for their members to become part of broad-based risk-pooling. It can also be concluded that this agency prefers not to be the administrator of a national social health insurance scheme for the non-members.

Given Fiji's population, it may well be considered to have a fragmented risk pool, one for the formal sector (administered by FNPF), and one for the informal sector (administered by a new agency under the auspices of MOH). As a best practice approach, it is generally recommended for countries to have a single-risk pool, or simply, a national social health insurance scheme. However, if the reform program is hindered by divergence of opinion among various stakeholders, it may well be suitable to implement transitional steps where population risks are pooled separately.

(ii) *Benefit package*

The benefit package constitutes an important element of any health system design whether social insurance or tax based. In essence the benefit package defines the population entitlements to health care and provides guidance on inclusions and exclusions. The likely role of health insurance financing is a top-up funding option to tax, and the two sources not being mutually exclusive. As a top-up option, policy makers need to establish what services (benefits) will be financed by health insurance and what will be financed by general tax and who will benefit from these different sources of revenue.

During the design of health insurance schemes, most policy makers get pre-occupied with preparing detailed fee schedules for a couple of thousand or more medical and pharmaceutical benefits with varying degrees of co-payments which may be applied *to* or waived *from* various types of beneficiaries. Bosnia and Turkey are currently reviewing their existing schedules and Malaysia is aiming to develop a whole new scheme. This process unnecessarily burdens the

non-experts and delays the core reform program. It is highly recommended to separate the two issues which relate to benefit package design:

- Population entitlements to essential health care are not synonymous with a schedule of medical and pharmaceutical benefits. An essential benefit package is a short communiqué to the general public, in simple non-technical language that everybody can understand, what the government or a social insurance scheme warrants paying. As an example, an essential benefit package can be defined as all general practitioner consultations or contacts made at government owned health stations/clinics (instead of using the term primary care), all referred hospital care (instead of acute in-patient care), and essential drugs (instead of pharmaceutical benefits).
- A detailed schedule of medical and pharmaceutical benefits is a product developed for the health administrators from both provider side (doctors, clinics, hospitals) and financing side (insurers and agents like the ministries of health, finance, social security etc). The schedule contains an itemised list of medical and surgical procedures and interventions, treatment regimens, pharmaceutical products, medical supplies, prosthetic and orthotic appliances etc.

For expanding social security benefits in the Pacific Island countries, the focus should be on whether the health contingency would be included in the scope of work of the NPF, or alternatively whether a national health insurance administration should be set up. Irrespective of the option chosen, clear guidance should be issued to what each agency will provide, and for which segments of the population.

The entitlements of the social insurance scheme members in dual-funded systems should be defined separately. The key issue here is how to separate the financing responsibilities which arise from the existence of two funding sources (social health insurance and taxes). In established health financing systems where universal health insurance is the norm such as the National Health Service of U.K. and Medicare of Australia, all of the population has a defined health entitlement. If the proposed policy changes recommended by the




project in the Pacific Island countries occur, then the issue of *who provides and funds what* will become a policy issue.

The following display presents alternative packages of care that can be funded by general taxes and by social insurance taking the system characteristics of the Pacific Island countries into account.

Generally speaking, tax-funded benefits are best suited for those that are provided by public owned health service delivery units, whereas social and private insurance can contract with both public and private providers.

The dual responsibility issue for funding different packages of care has been highlighted in the review of Samoa National Health Financing Scheme proposal undertaken by this project. It was recommended that clear responsibilities for financing packages of care should be established once the SNPF starts collecting health insurance premiums. The practical examples include financing of renal dialysis which is already done by the government for the whole population whether they are members of the SNPF or not.

Box 9.1 *Alternative benefit package design for Pacific Island countries by source*

	General Tax funded benefits (from Public Providers only)
●	Primary Care: <ul style="list-style-type: none"> ▪ Rural health ▪ General Practitioner Consultations ▪ Basic immunizations ▪ Maternal care ▪ Primary Dental and School Dental
●	Essential drugs
●	Chronic Care <ul style="list-style-type: none"> ▪ Renal dialysis ▪ Diabetes patients ▪ Cancer patients
●	Medical Evacuation Overseas
	Social Health Insurance funded benefits and benefits provided to the beneficiaries of government funded Social Safety Nets for Informal Sector/Poor (from both Public and Private providers)
●	Acute in-patient care (apart from chronic care)
●	Specialist consultations and hospital outpatient services
●	Diagnostic services (pathology and imaging)
●	Ambulatory medical drugs (not covered by the essential drug list)
●	Overseas referrals (apart from Medical Evacuation)
	Supplementary Benefits (Social or Private Insurance funded and public or private provided)
●	Specialist Dental
●	Optometric
●	Elective surgery
●	Elective overseas referrals

The SNPF scheme in essence provides benefits only for acute in-patient care services. In other words all out-patient care either at primary or secondary level would continue to be funded by the state in the same way that it is now funded. The problematic issue concerns high cost acute care like renal dialysis which is already funded by state and whether these types of benefits would continue to be funded in the future after the SNPF scheme starts. For clarity, it is recommended to establish mutually exclusive funding responsibilities for the government and the SNPF. This recommendation applies to the rest of the project countries who wish to embark on social health insurance.

One final consideration with regards to the benefit package design concerns the private health insurance industry. In established health systems where universal cover is the norm, private health insurance policies mostly provide cover for the excluded services (such as dental, optometric etc) and elective procedures which can be done immediately at any private health care provider without being on the public provider waiting list. In such systems, the private health insurance becomes a supplementary cover scheme rather than positioning itself as a competing scheme to the scheme being provided by the government. Benefits excluded from the two main financing sources (taxes and social health insurance) can be included in supplementary insurance policies which can be offered by the social insurance agency itself by applying surcharge on current premiums or by private insurance companies as shown in the last part of Box 9.1

(iii) *Contracting with providers: balancing public and private provision*

One advantage of social health insurance based health systems is the the administering agencies have vis-à-vis tax based systems to purchase best possible health care for the beneficiaries. Purchasing is a function which involves contracting with the health service providers, public or private alike and agreeing on certain terms including those that relate to quality of care and the method of payment.

Public and private partnerships in provision and financing of health care often create controversies between various stakeholders which could well be ideologically driven (such as social/egalitarian versus liberal/market competition approaches

etc). For an objective view on this matter, reliance on evidence rather than siding with a particular ideology is essential.

Health systems which provide more choice are generally speaking more efficient than those that have only one type of provider. This holds true for purely private provided (and often funded) systems such as that of US which is not as cost-efficient as systems where public sector has a predominant role. In effect, existence of both public and private health care providers and social and private insurance can be considered more desirable than having a single choice. On the other hand, dominance of the private sector in both provision and financing of care is often a recipe for a faster increase in health care costs in comparison with systems where public has a more dominant role. Social health insurance funded systems often serve well for finding the right balance between public and private provision of health care.

One of the issues raised by the SNPF in Samoa was members' willingness to have access to better quality care including private hospital services. In the broad context, the SNPF scheme aims to create competition between public and private providers. One of the arguments that were put forward was the possibility for the MOH to open private wards to tap into revenue from the SNPF financing (insurance and medical savings). This is labelled as public/private partnership.

Solomon Islands is also considering whether to allow right-of-private practice for their government employed doctors in order to improve their salary levels. Unlike Samoa, this approach is expected to tap into private revenue sources (private insurance from Police and Teachers Association schemes and out-of-pocket/user pay funding). While this is well-intentioned, it is often difficult to establish how much of the doctor's time should be spent on public and private patients separately. Right of private practice often yields doctors spending more time with private patients and could well be a perverse incentive as has been evidenced in Turkey and becoming increasingly more common in Australia. After government's deliberate efforts to increase private insurance membership in Australia, specialist doctors who see their patients in public out-patient wards are increasingly recommending their patients see them at their private clinic to reduce waiting times.

After successive years of public service quality decline, Turkey is considering the proposed universal social health insurance scheme to become the sole agent for purchasing private health care. The aim is to have a lever on the control of incomes of doctors who practice privately. The Australian experiences can not be generalised due to differences between rural, urban and metropolitan practices. It is believed that rationing is taking place to some extent where low income earners who have more time to spend at public waiting rooms are opting for public provision and employed people with moderate/high incomes and less time to wait at public centres are opting for private insurance and private provided care.

An important dimension for the Pacific Island context is consideration of which health insurance administrators may opt for contracting with providers overseas. The options may include purchasing/financing whole medical teams to visit host countries to perform screening and surgical operations on scheduled time-frames as well as having a contract with them for sending patients to be treated abroad.

The success of Samoa and Solomon Island policy initiatives can only be evaluated in the long term. It is expected that health insurance will constitute an additional source of income to the public and private health service providers alike. It is recommended that policy makers operationalise social health insurance before providing incentives for the private sector to flourish. This will create a more balanced public and private provision of health care.

(iv) *Provider payment methods*

The design consideration should take provider payment methods into account. If user fees are applied, it may be considered that the formal sector social insurance scheme may pay for these fees while the excluded populations would have to pay them out-of-pocket. A fee-for-service payment mechanism is not necessarily the only option to be considered. It may well be possible for the insurance agency to establish a different payment method with the health care providers on terms that are different to what is applied to the general public.

Full literature on various provider payment methods and their potential advantages and disadvantages can be found in published sources

including the latest WHO review of Social Health Insurance Schemes in Asia and the Pacific. The following table (*see Display 5*) from WHO's draft paper titled *Strategy on Health Care Financing for Countries of Western Pacific and South-East Asia 2006-2010* provides an overview of various provider payment mechanisms that are currently applied today.

Instead of providing a literature review, it is preferable to highlight the main policy focus to the project countries in the Pacific. It is highly recommended to adopt payment methods that provide incentives to health service providers for improving service quality and establishing presence at close-to-client locations.

When Bulgarian and Romanian national health insurance agencies started to offer capitation based contracts to primary health care physicians (who were previously paid a salary), a good

number of general practitioners chose to open rural practices and a sizable number of specialist doctors of internal medicine, paediatrics and general surgery started to provide primary care services in addition to specialist services.

These types of provider payment options can be engineered by the MOH regardless of whether social health insurance schemes are introduced or not. Furthermore, the benefit package design is highly interlinked with the method of payment each financing agent (MOH, the NPF or the national health insurance authority) may choose. The exclusion of primary and secondary level out-patient care services in Samoa means the SNPF can not offer capitation-based contracts to general practitioners. For acute in-patient care services provided to SNPF insured members, it was recommended to adopt a case-based method instead of fee for service.

Table 9.1 **An overview of provider payment mechanisms**

Payment mechanism	Unit of payment	Economic incentive	Foreseeable effects
Fee for service	Medical procedures	<ul style="list-style-type: none"> Maximise number of medical procedures 	<ol style="list-style-type: none"> Limited prevention High Technology Supplier induced demand generation Rate discrimination Inequalities
Salary	Time worked	<ul style="list-style-type: none"> Minimize work effort 	<ol style="list-style-type: none"> Importance of salary raises and promotion Growth planning Circumstantial cooperation and competition among physicians
Capitation	Payment per registered person, based on membership or affiliation, and estimated cost of care	<ul style="list-style-type: none"> Maximize number affiliation Minimize costs 	<ol style="list-style-type: none"> Prevention Referrals Risk selection Under-servicing
Per diem	Payment to a hospital per night stayed per patient	<ul style="list-style-type: none"> Maximise number of stays Minimise average cost of stays 	<ol style="list-style-type: none"> Increased average length of stay Reduced cost of stays Unnecessary hospital admissions Reduced outpatient and day surgery
Per case	Payment to a hospital per admitted patient regardless of length of stay	<ul style="list-style-type: none"> Maximize number of admissions Minimize average cost of each admission 	<ol style="list-style-type: none"> Increased admissions Reduced average length of stay Readmissions Unnecessary hospitalizations
Budgets	Payment to a provider for an undefined activity within a period of time	<ul style="list-style-type: none"> Minimize costs Cap total spending 	<ol style="list-style-type: none"> Expensive implementation Compatible with planning Room for provider to manoeuvre

Source: Adapted from "Paying Health Care Providers in the Caribbean", Pinto M. Andersson B. WHO Pan American Health Organization, 2001.

Reprinted from "Strategy on Health Care Financing for Countries of Western Pacific and South-East Asia 2006-2010" WHO Western Pacific Regional Office, June 2005.

Similar policy reforms need to be considered depending on how the benefit packages are designed, how the provider lobby groups such as medical and nursing associations in the ILO project countries would welcome introduction of new provider payments and how well various stakeholders collaborate and participate in health sector or health financing reform.

Another issue relates to accounting and billing processes that need to accompany provider payments. Under a free-of-charge health system funded through a budgetary process with periodic cash or bank remittances to the health service provider, there is little a provider can do with a third party payer like an insurance agency. This has been an issue for Samoa's health system in general. While user fees are applied per night of stay at hospitals, the charges are considerably low (token fee) which are not commensurate with actual cost of care, nor are they considered to be the basis of charging SNPF for members' health benefits.

The public health systems in most Pacific Island countries especially Kiribati, Solomon Islands and Samoa have very little experience with accounting and billing systems suited to a fee-for-service type of environment. Even in Samoa where the health service provider can collect statutory charges from third party payers like Accident Compensation Corporation and the SNPF for the Senior Citizens Benefits Scheme, cost-recovery from them has been very small. Only private providers in Fiji, Vanuatu and one hospital in Samoa have accounting and billing systems which can be considered as a source of information for negotiations between a third party payer (insurance agency) and a provider on contractual terms that are agreeable by both parties.

It is not necessary for health insurance to assume a fee-for-service type provider payment method. Regardless of the chosen method, the policy makers may choose to collect co-payments for some health services from both insured members and the rest of the population which are not insured by the insurance scheme, yet eligible for tax-funded benefits. The Samoa proposal for instance called for co-payments for acute in-patient care which was critiqued by the project review. While we endorse high cost interventions to be covered by insurance schemes in order that they provide financial protection to the members,

collection of affordable co-payments from some services in order to circumvent excessive consumption or moral hazard⁵⁶ for non-essential services may need consideration.

(v) *Information systems*

It is highly recommended that an information system that can cater for dealing with third party payers is developed by the providers in order for health insurance to assume a meaningful role as a financing agent in the health sector. This information system does not have to be complicated and could well be developed on native decision-support platforms or desktop productivity software suites like MS-Excel (Spreadsheets), MS-Access (database).

Both hospitals (providers) and NPF (financing agents) need to have a functional information system which at the least should possess some interface that monitors health service use and expenditure. The active membership sizes of NPF in the project countries except for Fiji are manageably small. Therefore they don't demand a complicated transaction processing system as most large social insurance agencies elsewhere in the world use. All NPFs in the project countries possess a transaction processing system for managing retirement contributions, investments and fund withdrawals. Depending on whether personal loans are provided to the NPF members, some information systems like Samoa's possess typical credit grant, loan servicing and monitoring components. It is most likely that only minor capital and software development expenditures would be sufficient to scale the existing information systems of the NPF to accommodate a health insurance scheme. This may be another consideration for choosing the NPF option for introducing health insurance instead of setting up a new authority or agency specifically for health insurance.

9.7 Extending coverage to the informal sector - poverty focus

9.7.1 *Government-funded social safety nets*

An important factor which may impede project countries from taking action on introduction of social health insurance is the existence of the

⁵⁶ Moral hazard in insurance parlance refers to abuse of insurance benefit by insured people which yields to an increase in health expenditure.

informal economy, often a large segment of the population which has very little capacity to pay contributions. Social safety nets, not just for health but for other contingencies such as old age, educational access for the poor etc are considerations which all governments have to accommodate in social policy design. Without providing a full literature review on definitional aspects of social safety nets, we would like to emphasise the importance of designing social security systems which possess equity and solidarity traits in their core design.

Protecting the poor and vulnerable from ill health and poverty due to illness can be accommodated within social health insurance design. As previously mentioned, the Pacific Island countries already provide funding for health care, often through the supply side subsidies. Social safety nets need to be designed if the current supply side subsidies fail to deliver good quality and sufficient amount of health care to the population, and the policy makers then resort to cost recovery by introducing user charges for government provided care. This manifests itself with the amount of out-of-pocket funding for health care.

The share of out-of-pocket funding for health care in total health spending as demonstrated in Figure 9.2 provides an insight into the workings of health financing systems in the countries. In general, the five project countries apart from Fiji do not have large out-of-pocket payments for health. Yet the national averages may conceal that rural and poor people often sacrifice more of their disposable incomes for health care in comparison with the urban and rich. Apart from official fees, indirect costs of health care such as patient transport, expenses of accompanying family members for those who are hospitalised, and hidden costs such as loss of income during illness all place unfair burdens on disadvantaged people. Social insurance schemes may help alleviate the negative impact of these factors.

A government funded social safety net can change the direction of subsidies in order to improve financial access of those people who have low capacity to pay. Turkey, Vietnam and Indonesia have all set up government funded social safety nets for health. The *Greencard* scheme in Turkey, the *Health Care Fund for the Poor* in Vietnam and *Kartu Sehat* program in Indonesia provide cover to about one fifth of the populations in Turkey and Vietnam and one tenth

in Indonesia. Instead of providing bulk funding for all of the citizens in the provider budgets (hospitals and clinics), the governments may prescribe a premium amount per beneficiary and direct the subsidy to a purchasing agency such as the national health insurance authority. This option can be achieved in a way that is cost-neutral to the government. The same amount that is currently being spent or should ideally be spent on the poor can be set as a government contribution to the social health insurance scheme.

If the legislation of NPFs in project countries are modified to administer health benefits, the demand-side subsidies can be directed to these authorities who would then contract with the health care providers and channel the funds accordingly. The main advantage of a demand side subsidy is its superiority to make *money-follow-the-patient* rather than *money-follow-the-provider* who may or may not provide care if the population that needs the services is unable to access health care. Demand side subsidies may bring more transparency and accountability to the system as some countries have learned over the years.

Vietnam's experimentation with free health insurance cards for the poor in the past decade has indicated that even with the demand side subsidies, the poor had difficulty in financial access. More reform was introduced to bring the services to the populations that most need them. The changes included that entire ethnic, rural and remote communities were funded by the government by making incentive payments to the health care providers that provide services to the poor, disadvantaged and ethnic minorities.

Within the evaluation of the National Health Financing Scheme of Samoa, the negligence of the informal sector and the poor was evidenced in the core design. It was recommended to the policy makers to consider a demand side subsidy which can be paid directly to the SNPF. This agency has already been administering a government funded scheme for the senior citizens, and hence another government funded scheme which provides health insurance for the poor is not fundamentally different to the former. SNPF as the national administrator of the health insurance scheme can purchase health care to the eligible members on the same contractual terms as has been done for the contributory members,

shoring up solidarity and improving risk pooling. This option will most likely receive little attention at the moment but could well be experimented after five to ten years of implementation of the formal sector health insurance scheme.

The same policy may be considered by Fiji. In essence, if government funding for health care is limited, it is more equitable to prioritise funding health care for those that have no capacity to pay instead of providing low quality and low amount of care to the whole population.

9.7.2 *Community-based financing and voluntary health insurance schemes*

Community based financing, sometimes referred to as micro insurance does exist in many communities in the Pacific yet their level of effectiveness in providing financial protection to those that are suffering from ill health is undocumented. Community financing can be charity based like those provided by faith-based organizations where voluntary contributions are put in a common pool for handing out cash benefits to sick members. More advanced community based schemes take the form of a local community organization such as village administration, rural health clinic or a non-governmental organization administering the scheme. In Vanuatu, the trustee's board of *Ifira*, a relatively well-off island community, is paying monthly cash benefits to their senior citizens and they were considering an inclusion for a health contingency.

For Pacific Island countries, community-based health insurance would likely be of limited success. It is recommended that the government either ensures physical and financial access to rural and remote island communities through the supply side subsidies as they currently do, or through social safety nets as explained above by changing the direction of the subsidies to the demand side.

Pacific Island countries have also experimented with voluntary health insurance through professional associations. Teachers Unions/Associations in Vanuatu and Solomon Islands and Police Association in the Solomon Islands have voluntary health insurance schemes that provide supplementary cover often for private outpatient medical consultations and

drugs. The schemes cover the workers and their dependents yet they all experience the same kind of problems which any voluntary scheme faces such as adverse selection and to a limited extent, moral hazard. However, the existence of such schemes should be considered an advantage for these countries. The concept of pre-payment for health care among the formal sector is well established and populations in these islands demand better access and better quality health care.

It may thus be suggested for the Pacific Island countries to consider voluntary schemes for the informal economy which may use flat-amount premiums (rather than a percentage of earnings). This however has to be considered after organization and administration of health insurance is decided. NPFs can offer voluntary health insurance schemes to non-members similar to voluntary retirement contributions which have been experimented in Kiribati. In summary, it should be well established that voluntary schemes are highly susceptible to adverse selection and moral hazard yet many countries implement them in order to offer some financial protection for their citizens.

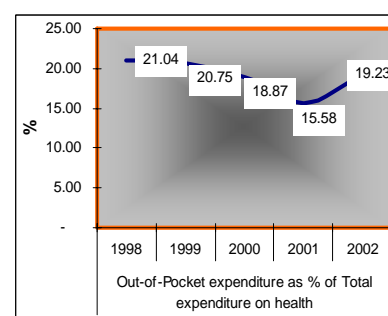
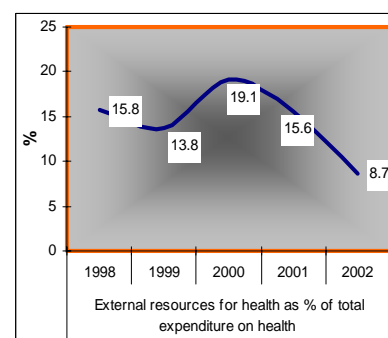
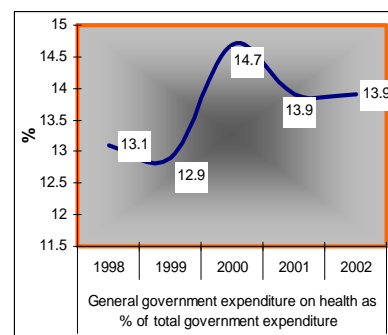
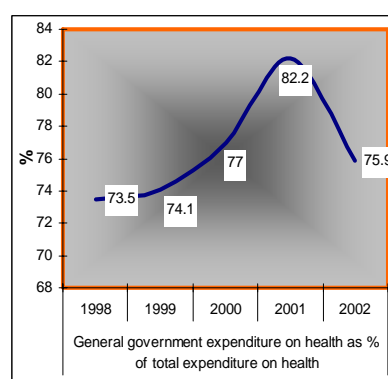
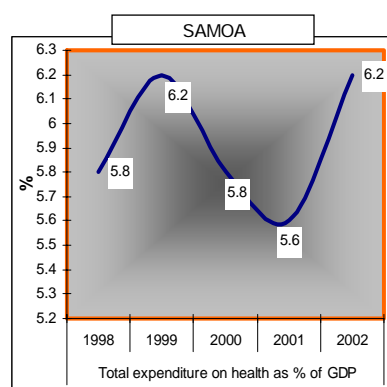
9.8 Country reviews

In this part of the chapter the basic health financing profile of Samoa is presented followed by a description of the policy context. The profile was prepared by using the latest National Health Accounts (NHA) data available at the WHO web site.⁵⁷ The policy context is based on written information made available to the project as well as through communication with various stakeholders.

⁵⁷ See www.who.int/nha/en for English language web site of country profiles and NHA data between 1997-2002. There has been a restatement of Samoa NHA data series from 1997 since they appeared in the Statistical Annex of World Health Report of 2003. We use the latest available information which covers 1998 to 2002.

9.9 Samoa

Figure 9.4 Shares of health funding in Samoa: 1998-2002

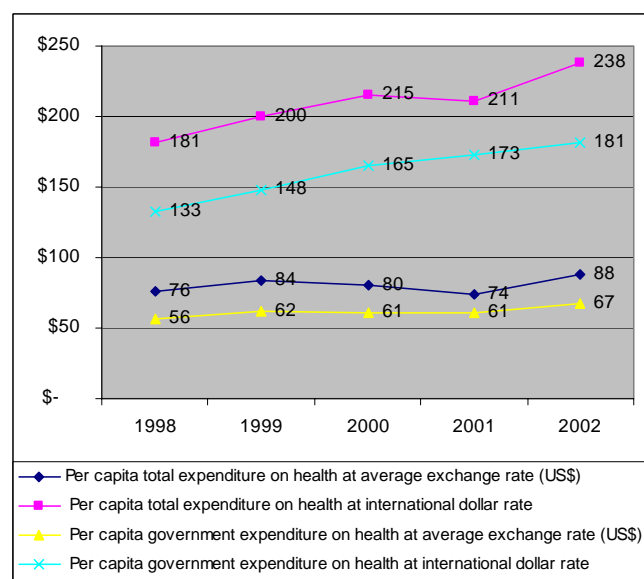


9.9.1 Basic profile

Samoa is a medium level spender on health both in terms of share of gross domestic product spent on health and in per capita. Government accounts about one third of total health spending. This ratio has gone up above 80 per cent in 2001 and then retreated back to its historical averages of 75 per cent.

Health accounts for a large share of total government expenditure. In comparison with other Pacific Island countries 14 per cent is the highest such ratio. Donors used to account for a larger share as high as 20 per cent in 2000 yet there has been a sharp fall in external funding for health. It is believed that Samoa's national health care financing reform which centres on health insurance is a more sustainable method in comparison to donor funding.

Figure 9.5 Per capita funding for health care in Samoa: 1998-2002



In purchasing power parity terms, per capita spending on health care and government funding for health are reasonably high given the level of income per capita in Samoa.

However, large fluctuations in exchange rates which have happened in the past may adversely affect imported health goods such as drugs and medical supplies. The recent gains in the exchange rates across the Pacific vis-à-vis the USD has made USD denominated drugs much cheaper in the past few years which have not yet been reflected in the national health accounts series.

Out of pocket funding for health care is about 20 per cent of total health spending which is fairly manageable yet this is higher than Kiribati, Vanuatu and Solomon Islands but lower than Fiji. This moderate share of out-of-pocket funding, on a positive note could well be displaced by health insurance and savings in the near future should the government pursue with the proposed reform.

9.9.2 Policy context

Samoa has already proposed introduction of a health contingency to the scope of SNPF work. This proposal has been evaluated as per the terms of reference of this consultancy and an evaluation report titled *Review of National Health Care*

Finance Scheme in Samoa has been submitted to the government in June 2005 and this report contains more detailed information about the relevant policy context.

9.9.3 Recommendations

1. That the Government of Samoa evaluates the recommendations made by the report on the review on National Health Care Finance Scheme and take appropriate action.
2. A separate ILO mission would be recommended for assisting the drafting of national health financing scheme regulations which will constitute the business rules of the proposed schemes with a particular emphasis on the socially pooled fund (MedInsure).

9.10 Implementation plan for expanding cover

In this section, a tentative implementation plan for Pacific Island countries is presented to introduce social health insurance and/or to expand social security benefits to include health.

There are two broad approaches to stage an implementation plan for the expansion of insurance coverage:

- Expanding coverage to various population segments: formal/informal, rural/urban, and level of income in population targeting. (Referred as *width* of coverage), AND
- Expanding the breadth (scope) of health benefits: This considers issues like what benefits would be provided and paid by the government, what would be paid by the social health insurance scheme as well what services at primary, secondary and tertiary level would be covered by these two main financing agents. (Referred as *depth* of coverage).

The two approaches are not mutually exclusive. It may well be considered to expand health insurance to the formal sector first with a narrow benefit package of acute hospital in-patient care, assuming that the relatively high cost of these events would allow sufficient financial protection to the covered persons.

Secondly, policies can be engineered in a coherent way by sequencing the key interventions

which would ultimately impact on the perceptions of the general public of health care and communicate the policy maker's chosen solutions which address them. The following sequence is complementary to the two broad approaches described above:

1. Introducing compulsory health insurance for the formal sector,
2. Introducing user fees, often commensurate with the actual cost of care for selected services,
3. Establishing social safety nets to protect the poor,
4. Introducing voluntary health insurance to the rest of the population, and
5. Gradually integrating all schemes under a single risk pool and improving the breadth of coverage.

Coherent as well as sequenced strategies have been implemented in many countries. In Vietnam for instance, the government introduced broad-based user fees simultaneously with social health insurance for the formal sector by starting with the civil servants and state owned enterprise employees. The policy on user fees communicates to the general public that health care which was previously provided free was no longer to be so. However, this was not implemented to displace tax-funded health care altogether which dates back to the times when the country organized its policies along socialist lines.

The safety-net policy aims to provide financial protection for some segments of the population who are not part of the formal sector social health insurance scheme. Preferably, and often deliberately by the legislature, fee exemptions are applied to protect the poor and disadvantaged (or those with no capacity to pay) from the financial burden of user fees.

In the fourth phase voluntary health insurance schemes are introduced for the rest of the population, especially the informal sector for them to join pre-payment schemes instead of being subjected to high user fees at time of illness. The voluntary farmer scheme of Vietnam which originated from the core principles of community based health insurance is now a fully-fledged government run health insurance scheme covering more than 600,000 people (2005). Before this scheme was developed, students had

been voluntarily insured for more than a decade which had generated sufficient know-how to the implementing agencies for expanding coverage. It has been evidenced in many supply-side funded systems that user fees, regardless of their magnitude, play a role in directing the subsidies to the relatively well off who can afford them. In the absence of social safety nets, user fees create complexity and unfair burdens to those that have no financial protection. Ideally the second (introduction of user fees) and third (setting up social safety nets) interventions should be done simultaneously in order to protect the population from falling into poverty due to ill health.

For Pacific Island countries, a similar sequencing pattern of policy initiatives is recommended. Extending social health insurance can be planned by starting from the formal sector or specifically the provident fund members. In the second stage, the governments may give some price-signals to the public by introducing user charges for some services. This should not aim to introduce cost-recovery as an alternative financing mechanism to that of general taxation. Fees can be introduced to low-volume health interventions which do not place unfair burdens on the relatively sick and high volume users. Private consultation rooms, diagnostic services, private wards and non-essential drugs can be considered under this category in order to generate demand for better quality health care. This may pave the way towards more insurance participation (demand) once they are on offer.

Thirdly a government funded social safety net can be developed for the poor and disadvantaged. In terms of income distribution classification, this safety net should ideally cover the lowest income quintile or the poorest one fifth of the country. All elderly persons with or without retirement security can be considered next, assuming those who have no retirement income would be eligible to the government funded social safety net developed during the second phase.

The remaining population without health insurance cover at the end of the third stage would normally come from the income distribution classes of quintile 2 (lower-middle), quintile 4 (upper-middle) and quintile 5 (rich). The formal sector or provident fund members often represent quintile 3 (middle income) and part of quintile 4 (upper middle).

Usually members of the upper two income quintiles who are not part of the formal sector (provident fund members) are the most reluctant to be part of a social pooling scheme. Given their level of incomes, the members of these groups prefer to self-insure themselves, obtain health care mainly from private providers and pay out-of-pocket when a need arises. The second phase of interventions is in fact developed to tap into revenue that can be generated from this demographic.

This group being from the informal economy, is different to subsistence farming and fishing communities and is the hardest population segment for expanding social insurance cover. The policies to include them in a national insurance scheme need to take some other considerations into account, the most important of which is their level of direct and indirect tax contributions. If they are considered as being lightly taxed or untaxed, which is often the case, then the only possible way to encourage insurance participation is through voluntary means. However, the level of voluntary participation will highly depend on the level of user fees imposed by public and private providers.

If social safety nets are well established to protect the poor as has been suggested under the third phase, it may well be considered to impose high official fees to create demand for voluntary health insurance. Level of user fees on the other hand has to be highly commensurate with the level of service quality. If service quality at public owned units is low, then imposing high user fees will simply drive high income groups out into private (including overseas) treatment if the acute care specialty is only available within public hospitals.

It is envisaged that expanding health insurance to the relatively well-off populations will probably be an issue after ten years of social health insurance experimentation in the Pacific. It is recommended that the policy makers of the project countries should prioritise the formal sector and the poor and disadvantaged segments first.

The final phase can be called the *Integration Phase* which is expected to be some five to ten years away from the implementation of the first phase. Integration involves gradually moving the three separate schemes; the formal sector health

insurance scheme, social safety nets and the voluntary health insurance members, under a single risk pool and possibly under a single administration. This “one roof” strategy is what Turkey has embarked on after half a century of experimenting with four separate schemes with disharmonised health benefits. If the schemes run under separate administrations, it is highly likely that they would evolve in different ways where some segments may have more comprehensive or better breadth of coverage (i.e. the formal sector), while the others are provided with limited health benefits (i.e. the social safety net beneficiaries). This path would foster inequalities between

people covered under separate schemes and generate inequitable distribution of health service consumption.

In order to strengthen solidarity which stands at the core of social health insurance, integration should be the ultimate goal. Once the schemes are fully integrated under a single risk pool, it is easier for the policy makers to harmonise the benefits as well as evaluating the option of expanding the breadth of coverage.

Chapter 10 The National Health Care Finance Scheme in Samoa

10.1 Executive summary

This report is an appraisal of the proposed National Health Care Finance Scheme in Samoa based on the proposal that existed in June 2005.⁵⁸ The observations, comments and suggestions are made for constructive purposes and are not intended to be an academic critique. The review aims to contribute to the existing policy debate by providing views and suggestions. These are borrowed from international evidence on similar reform undertakings elsewhere in the world.

10.1.1 Main points of this review

- The Samoa National Provident Fund (SNPF) proposal on *MediSave* and *MedInsure*, subject to a modification on the core design of *MedInsure* should go ahead. These options are financially sound given the current health financing system is still government funded through supply-side subsidies.
- The budget subsidies for health care are expected to continue for the foreseeable future and a more detailed reform program such as gradually changing the direction of the subsidy to demand side can be engineered after more evidence accumulates from the running of this new scheme.
- Most confusions, misunderstandings and disagreements between stakeholders and external contributors can be conceptually solved. This review aims to clarify these points with a constructive frame of mind, resolve them and bring policy makers to a common understanding of the real policy issues.
- The review concludes that benefits of *MedInsure Plus* and *MedInsure Total* can be incorporated into the core *MedInsure* Scheme rather than being introduced as voluntary schemes. Given the small size of the risk pool in Samoa, there is no need to

introduce separate voluntary schemes for specific type of health benefits.

- There has been considerable emphasis on technical issues such as premium calculation methods while the real aim of this reform was largely forgotten. The scheme aims to mobilise more financial resources for health in order to improve service quality. A clear distinction needs to be made between the core policy objectives embodied in the design of the scheme and the business rules which can be parametrically modified. This review highlights these points and makes concrete recommendations for Government of Samoa to consider while implementing this reform.

10.1.2 Summary of the main recommendations

1. Commence contributions to *MediSave* on 1st of July 2005 and launch *MedInsure* on 1st January 2006.
2. Make *MedInsure* coverage of dependents compulsory.
3. Set proper income thresholds for *MedInsure* using combined family income.
4. Make *MediInsure* contributions community-rated and simplify the method of calculating premiums per family.
5. Remove co-payments from *MedInsure*.
6. Review the policy by allowing *MedInsure* members to use their *MediSave* balances for private hospital in-patient care.
7. Consider a compulsory scheme for Overseas Treatment Benefits (OVT).
8. Establish an output-based provider payment method.
9. Maintain the current level of government health budgets.
10. Consider introducing a *MedInsure* levy on remittances from overseas.
11. Gradually extend *MedInsure* into a

⁵⁸ Authors disclaimer. The views expressed here in this report by and large belong to the author and may not represent the views of the ILO.

universal scheme.

12. Gradually expand the range of benefits to outpatient primary and secondary level care.

10.2 Analytical review

10.2.1 *Objective criteria for assessment of proposed reforms*

The following criteria were used for evaluating the proposed reforms against benchmarks:

- **Universality:** whether the proposed social health insurance reform is inclusive for all of the citizens or benefiting just some selected population segment(s) or some members of a segment (such as employed persons but not their dependents).
- **Poverty focus:** whether the proposed policies are pro-poor.
- **Cost-neutrality:** whether the proposed policies are cost-neutral to the government, employers and to the households such that in its own way the reform program changes the financing method without changing the financial impact on contributors. (i.e. translating out of pocket payments into pre-payment or converting supply-side budget subsidies to demand-side).
- **Public Affordability:** that the government spending on health following the implementation of the reform program will be within the government's existing expenditure frameworks without causing or increasing the budget deficits. As a benchmark, total government spending as percent of GDP should ideally not exceed 5.6 to 6 per cent to remain publicly affordable.
- **Private affordability:** that the households' total combined spending for pre-paid health care (premiums) and co-payments for services used does not exceed 8 per cent of disposable household income for all quintiles except the lowest quintile which should ideally be less than 5 per cent for the reform program to be deemed privately affordable.

- **Sustainability:** that total health spending in Samoa does not exceed 8-9 per cent of GDP after the reform.
- **Financial protection:** whether the proposed policies protect individuals from catastrophic health expenditure so that combined high-cost, low-volume or medium-cost high-volume consumption of health services expenditure for a given household in a year does not exceed 40 per cent of non-food disposable household income. This may be examined in conjunction with the overall design of the social health insurance system to include some social safety nets for excessive household spending on health.
- **Administrative cost-effectiveness and capacity:** that the cost of administering the new scheme is less than 5 per cent of total revenue from premiums and budgetary subsidies. The human and non-labour resources will be sufficient to manage the new scheme with a reasonable level of new recruitment and training, given the total administration budget.
- **Degree of risk-pooling:** measuring to what degree the risk pools would be fragmented after the new policies are put in place. A large degree of risk pooling across the population is highly desirable for administrative efficiency and simplicity. It also creates more equitable distribution of benefits across the members.

10.2.2 *General observations about the proposed reform and long-term perspectives*

The SNPF proposal is labelled as "National Health Care Finance Scheme" and not just a scheme for the SNPF members and optionally for their dependents. Most discussions however focused mainly on the SNPF members. Subject to specific criteria, the scheme is also open for the rest of the community. At the outset, the scheme is not universal but has a potential to become a universal scheme over time. If existing SNPF members and their dependents are covered by this scheme, almost half of the Samoan population would be covered by a formal insurance scheme for acute in-patient care services rather than a

fully tax-funded system for all levels of health care.

The reform should ideally be expanded over time to include the informal sector, starting with those that have no capacity to pay. Turkey, Indonesia and Vietnam have introduced government funded social safety nets for health care. These are administered as social health insurance schemes unlike Samoa's proposed system where supply side subsidies to health care providers allow free health care for all and not just the poor.

In future years, a demand side subsidy for those that have no capacity to pay can be set by the Government and the budget can be provided to SNPF for administering health benefits to the poor and vulnerable. This would be similar to the Senior Citizens Benefit Scheme. As the implementation of formal sector insurance progresses, SNPF is expected to accumulate sufficient know-how to cater for the rest of the population.

The consultant recommends that the Government of Samoa should view the SNPF proposal as a phased project starting with the formal sector and a long-term strategic view to make it a national scheme for the whole population.

10.3 Review of MediSave

MediSave is a health savings account based on prescribed deductions of 6 per cent of payroll (salaries and wages). Part of the deposits are used to purchase pre-paid health care plans (*MedInsure* Schemes) of three types branded as *Standard*, *Plus* and *Total*.

A medical savings account type of scheme similar to that which originated in Singapore may be suitable to a large metropolitan island state where the incomes are considerably high and where the banking system has the capacity to manage the transaction processing needed for the flows in and out of the accounts. A similar initiative for the urban health insurance scheme in the People's Republic of China has largely been a failure due to physical constraints on the banking infrastructure where among other issues 300 million accounts needed to be created.

Unlike the failed scheme in China, the SNPF has adequate capacity as a fund manager to manage the proposed *MediSave* accounts. While capacity constraints do not constitute a problem,

consideration should be given to the administration of provider benefits. SNPF has little prior experience in this area except for the Senior Citizens Benefit Scheme which includes health benefits. The health component of the allocated budget for Senior citizens is rather small and cost recovery by providers has been relatively insignificant.⁵⁹ With the advent of this reform, there will be a need for SNPF to build capacity and improve skills of its staff to contract with the health care providers and settle benefit payments efficiently and in a timely manner.

As the core *MediSave* plan has been endorsed by the government in the National Provident Fund Amendment Act of 2005, this review focuses on the transfer of *MediSave* funds into the *MedInsure* scheme which is yet to be established. This is recommended as the core social health insurance reform which policy makers should focus on.

The amendment to the SNPF legislation provides a general framework for medical insurance and leaves the business rules for the running of the scheme to the regulatory process (by-laws, regulations etc). The degree of risk pooling will be a prime outcome of these regulations. *MediSave* is not a pooled fund, yet some part of medical savings will be socially pooled within the *MedInsure* scheme.

10.4 Review of MedInsure

10.4.1 The proposal

In the current proposal, *MedInsure* is only compulsory for the contributory members of SNPF and is optional (voluntary) for their dependents. Total *MedInsure* premiums for a household are based on the size of the family, the age structure, and the income level. The benefit package covers hospital in-patient care provided by public providers only. It incorporates co-payments which according to one option would be linked to income where low income earners pay lower co-payments per night of hospital stay and high income earners pay a higher amount. Another option used in the proposal provides for

⁵⁹ Latest NHA data indicate roughly WST 84,577 has been collected by public hospitals out of the Senior Citizens Scheme. Given the fact that the covered population has the highest health care need, the amount paid out of this fund is relatively small. This renders that government's involvement in financing of health care for 65+ is still through supply side subsidies.

a flat co-payment per night of hospital stay for all.

10.4.2 Design complexity

The main design complexity of the proposed scheme is in its approach of using risk-rating when it comes to the size and age-structure of the family but incorporating a community-rated approach for member premiums and co-payments. It is considered paramount that policy makers do not design a scheme with a grey-area between:

- Social health insurance with community-rated premiums and compulsory membership, and
- A private health insurance scheme with risk-rated premiums and voluntary membership.

It is also highly recommended to simplify the design to make it easy for the ordinary members to comprehend.

10.4.3 Financial protection

Box 10.1. Is MedInsure an effective financial protection mechanism?

For example, a low income family which earns WST 3,300 per year with an annual contribution of WST 198 to his/her *MediSave* account and paying a *MedInsure* premium of around WST 87¹ (for a family of four). The total cost of a 10 night stay at the hospital with a WST 12 co-payment per night (WST 120) would exceed total *MediSave* credits for that year. An in-patient episode that resulted in a length of hospitalisation longer than the country average of 4.5 days, could result in a large payment by the households. This may also happen when more than one member of the family is admitted to the hospital in a given year and while each individual stay may be about the average, the total length of stay in terms of the family may be lengthy. These possibilities may render the proposed *MedInsure* scheme a weak financial protection mechanism for some of the members.

An objective criterion is to look at whether *MedInsure* serves as a financial protection mechanism for the member. The use of co-payments renders it a weak financial protection mechanism. As the co-payments are a function of the length of stay in hospital, a more than average length of stay can easily cost more than the member's annual deposit to *MediSave* or even the entire balance if there are no protective caps

provided for *MedInsure* (See Box 10.1). Co-payments are an integral part of any health system, but they serve to deter people from excessive use of services and for cost recovery. Had *MedInsure* been designed as a scheme for all levels of health care (primary, secondary and tertiary), then the policy makers would have had sufficient justification for incorporating co-payments for medical consultations and non-essential drugs. However, the current scheme aims to provide financial protection for acute in-patient care. In-patient episodes result from medical referrals rather than self-referred care and it is needed when all primary and secondary level interventions fail. For this reason, there is no need to deter people's use of the service by using co-payments. The amount of co-payment revenue should ideally be part of the provider payment method of the insurance agency which is addressed in further sections of this report.

10.4.4 Adverse selection

As the proposed *MedInsure* scheme is voluntary for dependents, it is highly likely that members with low health risks will opt out while those with higher health risks will join the scheme. This is referred to as adverse selection and evidenced in almost all voluntary schemes. Another danger is that such schemes suffer from membership *churn* over a period of years. Those that joined in the first year may not continue their membership in subsequent years if they perceive the co-payments are excessive and may question *what is in it for them to stay*. Alternatively previously healthy members who remained outside the scheme may consider membership as their health problems increase. This has been evidenced in the voluntary schemes of many countries such as Vietnam, Turkey and in private health insurance schemes in Australia.

10.4.5 Premiums

The complexity in the setting of premiums is proportionate to the design of the scheme. The SNPF proposal sets an income threshold of WST 6,000 per year whereby those that earn lower than this cut off would pay lower *MedInsure* contributions and those earning more would contribute more. In the proposal, none of the premium calculations provided for different family structures or considered double income earners in a family. Discussions with SNPF revealed that a sizeable number of existing SNPF members are from double income families.

Business rules applied to such families can be complex. For instance the premiums for dependent's of a double income family would have to use the applicable premium rate of the higher income earner (Bulgaria, Romania) or families will register their young age dependents with the lower income earner in the family in order to pay a lower premium. A more equitable approach is to use an income threshold for the combined family income. Given the fact that SNPF information system can capture this information, a simpler approach for premiums is recommended and options discussed in later sections of this report.

10.5 Review of MedInsure Plus

This scheme proposes collection of additional premiums from members for private hospital benefits. Similar to *MedInsure*, it is also voluntary, the premiums are risk-rated and co-payments would apply.

The calculations provided in the proposal suggest the scheme would operate with the principle of *money following the patient* for the government subsidies. Accordingly, the scheme suggests a fixed percentage of the equivalent government cost of providing care in a public facility for an income group be channelled to a private provider if the patient chooses to go to a private institution.

This suggestion is administratively complex and can not be evaluated with full confidence to guarantee that it would be cost neutral to the government. If the status quo supply side subsidies are to continue to provide free or subsidised health care to the rest of the population (non-SNPF members), such a policy would divert the government subsidies towards those that are more affluent⁶⁰.

The government budget for health care provides for all levels of health care (primary, secondary and tertiary). Within the public health service delivery, some health professionals work at various levels on a rotational basis while receiving a salary from the government hospital. To direct budget subsidies according to the in-patient care provider choices of *MedInsure Plus* members would mean part of the government

budget for all levels of care would be directed to tertiary care. Although the budget subsidy calculations are made using National Health Accounts data for in-patient care only, these are base year figures and are subject to change once the reforms start. They can not be assumed to remain unchanged (as a fixed policy variable) in future years.

This financing proposal and the parallel reforms on provision of services such as making public hospitals autonomous will cause substantial changes in the financing of health care and the way funds flow from:

- Members to insurance (SNPF),
- SNPF to providers,
- Government to SNPF, and
- Government to the providers.

During early stages of reform, it is strongly recommended not to engineer a scheme where the government finances would be used to subsidise private providers.

There is no compelling need to introduce *MedInsure Plus*. If the SNPF members would like to receive private hospital care, then an alternative could be to allow for members to use their personal *MediSave* balances to pay the gap between the SNPF payment to the provider and the total charges of the provider.

SNPF, at its own discretion, can choose to direct the same amount of payment to a private provider which it has set to pay for a public provider. Because SNPF *MedInsure* Administration is a strategic purchaser acting on behalf of its members, there are justifiable reasons for using part of *MedInsure* premium income to pay private hospital expenses. This however does not apply for the government subsidies as the government has the responsibility to finance health care for the whole population.

Should the SNPF choose to subsidise part of the private hospital costs out of *MedInsure*, it would result in lower amounts flowing to public providers. Given the fact that there is only one private health care provider (*MedCen*) in Samoa, this is not expected to have a material impact on public hospital finances in the short term. *MedCen* has only 20 beds and assuming that:

- MedCen operated at 75 per cent occupancy

⁶⁰ In all societies, formal sector is almost invariably better off than the informal sector with more secure incomes. Samoa is no exception and there is no reason why an affluent group should be favoured more by the government while the less well off are subjected to lower level care.

- level (efficiency),
- SNPF share of private cases was less than 76 per cent of total MedCen admissions, and
- The gap between the private charge and the insurance (MedInsure) payment would come from MediSave.

This would roughly equate to less than 20 per cent of total *MedInsure* covered hospital admissions in a year. In other words, public admissions would still account for 80 per cent or more of total SNPF membership in-patient care health service use. (see Annexe 10).

While *MedCen* is the only private provider, it is feasible for public hospitals to set up private wards/beds. A *MedInsure* incentive for private hospital care implies that more money can flow out of *MediSave*. In return this would allow public providers to access members' *MediSave* funds to increase their revenue from non-budgetary sources.

10.6 Review of MedInsure Total

It is understood that there is a demand pressure from the members of the formal employment sector to have access to overseas treatment but the current government funded OVT (Overseas Treatment Program) mechanism does not work transparently.

The proposal for *MedInsure-Total* is voluntary with risk rated premiums per person and presumably no co-payments. An implicit assumption in the design is that those that do not join this insurance scheme would still be eligible for Government OVT program. This would render a fragmented risk pool for an extremely high cost type of benefit. The scheme would be highly susceptible to adverse selection. The method of contribution does not make it compulsory for the whole family unit to contribute. In fact any member or his/her dependent can join and pay the applicable premium for the age-band (used for risk-rating) while the rest may opt out.

If a single national health insurance scheme is institutionalised for overseas treatments, domestic service improvements can be engineered to cater for a large pool of persons. Investments can be planned to commission new service delivery units or outsource medical teams from overseas to have scheduled visits and perform operations which

are not available domestically.

It is not recommended to introduce *MedInsure-Total* either as a stand alone voluntary scheme or as an add-on benefit option in *MedInsure Plus* (a combined benefit plan). If the original design proposed a combined-benefit plan, it would have minimised the risk of adverse selection. This review concludes neither option *MedInsure Plus* or *MedInsure Total* should be experimented with.

It is proposed to consider an alternative design for OVT with the following features:

- Setting an affordable flat rate per capita premium,
- Making it compulsory for all MedInsure members to be pooled in a separate account (fund) within SNPF,
- Setting thresholds for combined family income, whereby the flat amount per family member is set on a progressive scale,
- To make the scheme sustainable, a waiting period of about 3 years can be considered,
- Placing limits on total OVT benefit pay-outs, and
- To improve transparency, contracting with an independent overseas medical evaluator which would certify whether the referred cases warrant overseas treatment based on objective criteria set by the regulators.

The total premium paid by a family would change according to family size. It should be considered as part of the overall design of the national health financing scheme. If a medical savings scheme such as *MediSave* has been considered an integral component of health care financing, then there are justifiable reasons for account holders to be able to use part of their *MediSave* to cover the gap between total cost of OVT and the benefit limit set by SNPF rather than the government or SNPF providing for the entire cost of the treatment.

10.7 Provider payment methods

In Samoa much of the attention on the evaluation of the new scheme has focused on whether *MediSave* would be in surplus or deficit. The prudential balance of any insurance scheme is certainly important. In this evaluation of the proposal, total cost of *MedInsure* (premiums) to members, vis-à-vis *MediSave* revenue was taken into account as a measure of prudential

soundness. The carry-over reserves of *MedInsure* after health benefit payouts (health expenditure) were not taken into consideration. This in fact is a function of the form of provider payment method reflected in the design of the new scheme.

What matters is how providers would change their behaviour once this new incentive scheme comes into play. *MedInsure* is an additional source of income to hospitals over and above what they receive from the government budget (supply-side subsidies). Hospitals have predominantly been dependent on government budgets plus some collection of insignificant amounts from user charges (cost recovery), which could be described as token fees for some services.

The WST 4 per night of stay in hospital is one cost recovery measure which has been relatively unsuccessful. It is not universally enforced especially if some patients are deemed to have no capacity to pay. It almost functions as a gratuity payment mechanism if patients comply with it.

Discussions with the MOH and TTM hospital have revealed that, even the two non-budgetary sources of income, ACC⁶¹ (Accident Compensation Corporation) and Senior Citizens Benefit Scheme has not been effectively utilised to improve cost recovery. This evidence was one of the reasons why the Government of Samoa has decided to make public hospitals autonomous entities. This reform program which is to take effect on 1st July 2005 (concurrent with the date of effect of *MediSave*) will mean large changes in the way service providers interact with their clients, the patients and their financing agents (GOS Budget, ACC and SNPF).

A crucial aspect of any health financing scheme is the method by which providers get paid. The current proposal endorses a fee-for-service type of payment method. Accordingly, hospitals would have to set up their accounting and billing systems suited for dealings with SNPF and ACC. It is expected that accounting and billing systems at autonomous hospitals will not be fully

operational in a short period and be able to receive payments from non-budgetary sources; however, it should not be taken as a prerequisite that this is necessary. Consideration should be given to negative outcomes that may result out of this fundamental change. Public providers can not establish high user charges in order to extract payments from non-budgetary sources while the people outside these schemes are still to be serviced. The outcome of the new scheme should not result in the establishment of financial barriers for access to hospital services by non-SNPF members.

It is highly recommended that the two reform initiatives are not allowed to evolve independently, namely:

- SNPF providing some financing of the hospital system through *MedInsure*, and
- Hospital autonomy and the provision of health care.

Policy makers should have full oversight in order to minimise the potential negative consequences of user fees on the households and to maximise the synergistic impact of the twin policies (user charging and availability of insurance) to the community's betterment.

It is believed that even after *MedInsure* comes into effect, there may be very little in provider generated benefit claims if a wait and see approach is chosen by SNPF. This review recommends SNPF to take a more proactive approach and negotiate contracts with clear payment terms as explained in more detail in further sections of this report.

A passive approach for dealing with this issue may lead to a build up of reserves that may be just as perilous as having a shortage of funds. While Vietnam's health system is chronically under funded, its health insurance scheme carries a huge reserve which has been damaging to its own reputation as well as creating antagonism between the agency and the providers and members. Instead of waiting for hospitals to set up accounting and billing systems for a fee-for-service type of health financing, a case-based payment method should be considered for contracting. Accordingly, the providers would receive a fixed sum per admitted case regardless of length of stay.

⁶¹ Accordingly, all treatment costs related to accidents and injuries caused at workplace or by motor vehicle has to be funded out of ACC. However, this agency has been mainly functional for compensating victims. Cost recovery for health care services provided to accident victims have been quite low similar to SNPF Senior Citizens Benefit Scheme which by design is supposed to provide payments to health service providers for services rendered to eligible persons (65+ year olds).

Case-based payments generally take into account the complexities and co-morbidities of patient episodes using fairly complicated developmental processes often referred as *DRG-Casemix* (Diagnosis Related Groups). This is not a path that is recommended for Samoa given the limitations of the system and availability of data and capacity to collect them. Rather a simple average case payment which can be defined as a function of total *MedInsure* revenue and expected number of admissions in a given year could be used as a starting point. This amount would be adjusted by changes in health prices.

Input costs such as wages of health care workers and prices of drugs and medical supplies can be used to build an index for price adjustment as well as accommodating a reward element for the health care workers for increased productivity.

As the experimentation with case-based payment evolves over time, different amounts per admitted case can be applied by using major diagnostic categories or complexity of acute interventions. In any health system, maternity, general surgery, general medicine and paediatrics often account for more than half of in-patient activity. While a single average payment per case would be sufficient for the first two years, two new case payments may be introduced: one for cases that require surgery and one without (general medicine). Also, day-only procedures can be priced differently than the other acute episodes which require an overnight stay.

In the calculations provided in the Annexes of this report, a single payment amount per admitted case has been used. This produces a simple projection model for policy makers to be better informed about how output based funding works and why it is necessary to be more proactive. This method would also simplify the transitional process for the hospitals and can be used for contractual dealings by them with ACC, SNPF and other third party payers.

The reviewer acknowledges that SNPF plans to use output based funding for health care. The measures explained above would be a step forward on this issue albeit with due care that costs are kept under control.

10.8 Review of calculations, financial analysis of the proposed schemes

A alternative view presented by another organisation in 2005 that the scheme would be in deficit was grossly overstated. This evaluation had assumed the national health care system would transform from tax-based budget funding to full insurance based funding for the entire population. As this is a transitional process and the budget subsidies are expected to continue for some time the conclusions made by that reviewer was misleading.

As explained in the previous sections, there is a possibility for some members to use all of their *MediSave* balances due to limited financial protection provided in the current design. But this would not be globally applicable to all income bands and it can easily be cured by changing the scheme's design as discussed in previous sections.

In the alternative presentation the statements on "deficits" consolidates balances for all of *MediSave* individual balances which in reality is not a pooled fund. A more objective evaluation has to focus on sustainability of *MedInsure* which is a socially pooled fund. It is more useful to estimate on a rolling year basis, the level of reserves this scheme would carry.

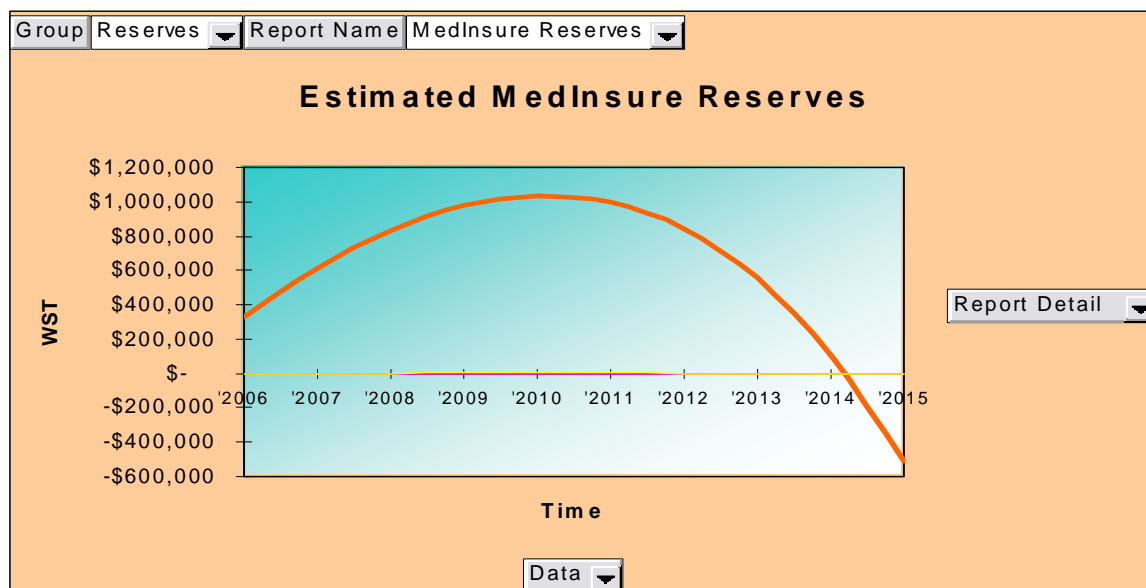
The alternative evaluation also underscores the fact that some variables in the design are exogenous and some are endogenous. While the policy makers may have no control over the demographic structure of the risk pool (SNPF members) and the probability of admittance to hospitals (exogenous), the level of premiums and provider payment methods and co-payments are policy variables (endogenous) which can be controlled by the government as more information is collected once the schemes start.

Supporting tables for the alternatives and for recommendations are provided in Annexes 5 – 11.

The chart below (see Box 10.2) shows estimated *MedInsure* reserves for 2006 - 2015 based on the following assumptions:

- Employment or membership growth of 1 per cent per annum and nominal wages to rise by 2 per cent per annum,
- 25 per cent of annual MediSave contributions would be deducted as MedInsure premium per year,
- Rate of hospital use (7-8 per cent at present) would rise by 0.65 per cent per annum due to ageing and higher demand from members once the scheme starts,
- MedInsure payment to health care providers per admitted case to be no less than 90 per cent of the break-even amount based on total MedInsure premiums in a year, divided by estimated number of cases in that year,
- Payment per case (admitted patient) by MedInsure to providers to rise by a nominal 4 per cent per annum,
- Annual rate of return on investments would be 7 per cent, and
- MedInsure, if properly managed would not suffer a deficit.

Box 10.2 Projected reserve carryovers of MedInsure: deficit or surplus?



This is subject to good scheme design and proper policy assumptions (endogenous) after taking all other exogenous variables into account such as growth in employment, wages and rate of service use (hospital admissions). Regulators can make these policy decisions and take corrective action if too much reserve build-up occurs or the reserves start to get depleted beyond sustainable levels (such as the period after 2013 as shown in the graph).

10.9 Financial impact of MediSave on government finances

The latest government payroll data of April 2005 shows spending of about WST 7,540,000 on salaries and wages for government employees which suggests an annual government salary liability of WST 90,480,000. This would render

the annual cost burden of *MediSave* to the government's budget of about WST 2,714,400 (assuming the government contributed 3 per cent of salary to the scheme and the employees contributed 3 percent). The 2005-2006 total government expenditure is estimated to be approximately WST 230 to 250 Million which would render cost of *MediSave* at about 1.13 per cent of the total national budget.

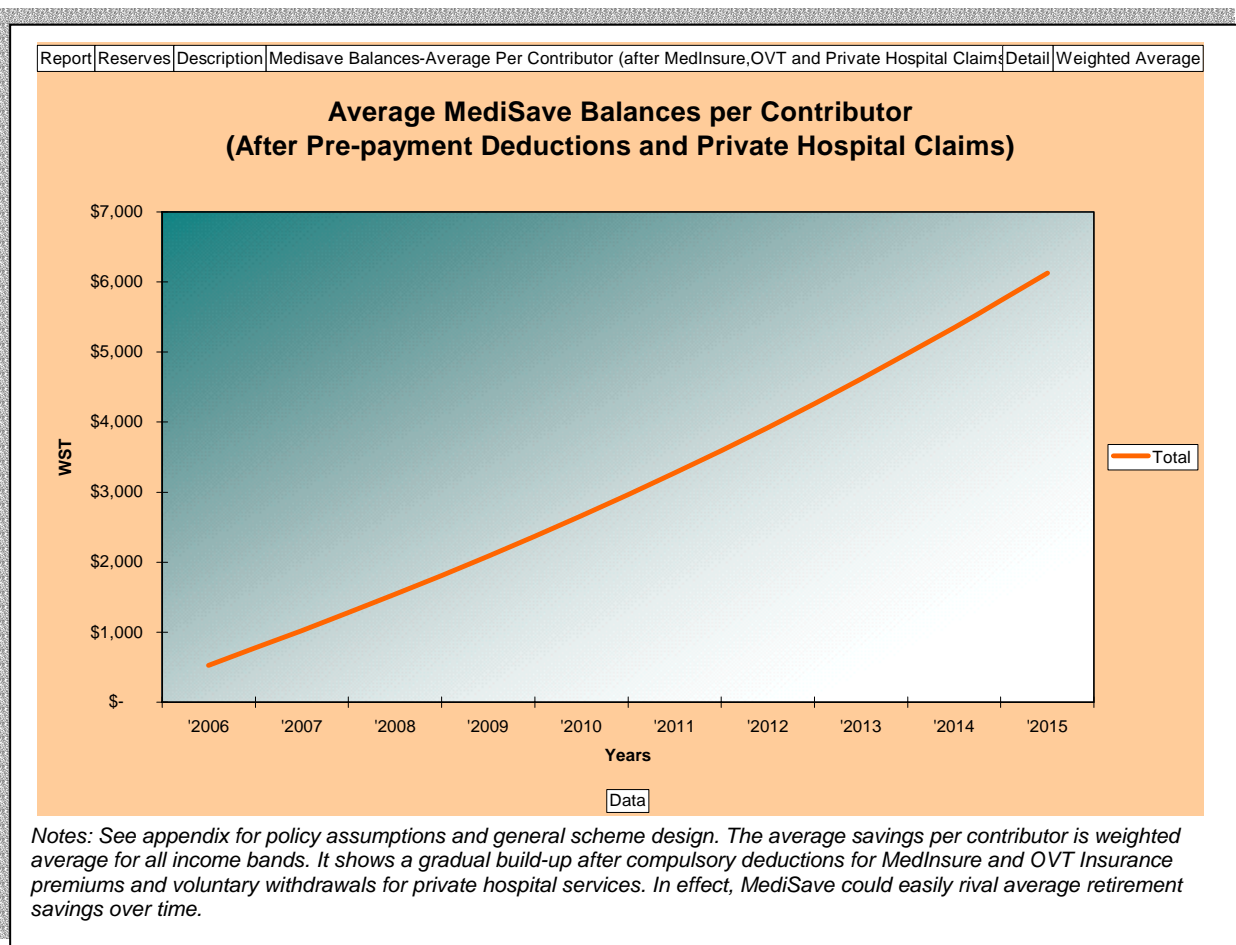
This burden of *MediSave* on the government budget should ideally be absorbed by all departmental portfolios. It would be unjust if all of this additional cost is deducted from the health budget in lieu of *MedInsure* provider payments, which is estimated at about WST 3 million (see Annexes 5 - 12) would make up the difference.

For *MedInsure* to be successful, it should serve as a top-up income to health service providers. If the health budget was reduced by the cost of government employee contributions to *MediSave* and then made up by payments out of *MedInsure*, the reform would be revenue-neutral to the public health service. There would be no incentive for the providers to improve service quality and recruit additional staff which they urgently need

to cater for the increasing demand.

According to approximate figures provided by MOH, TTM hospital has a shortage of 20 doctors and 80 nurses. With the introduction of the SNPF proposal, the additional injection of funds would be more than sufficient to recruit staff and overcome this shortage as well using part of the funds to set private beds.

Box 10.3 Projected average MediSave balances per contributor



Should the cost of *MediSave* be reflected as a reduction in all of the government portfolios, the health sector should get a budget cut of no more than WST 300,000. Treasuries around the world through the normal budgetary process may impose minor budgetary cuts in the form of “productivity dividends” on all departmental portfolios in order to push the public sector to work more efficiently. The productivity dividends do not necessarily mean the total budget of a portfolio would be reduced overall. In the case of MOH, a budget increase of WST 1 million can be planned with a productivity dividend of WST 300,000 which would imply a departmental

portfolio would have a budget rise of WST 700,000.

Discussions with MOH have revealed that there has been some wastage in the use of funds for drug and medical supplies procurement, which in their reckoning will improve once the hospitals become autonomous entities. This would imply that the health budget overall may be reduced by a slight amount. The approximate figures of WST 270,000 - 300,000 or about one tenth the cost of *MediSave* to the government can be taken as an approximation in the absence of absolute data.

It is also possible to find alternative sources of revenue such as levying workers' remittances from abroad. It may be possible to introduce a levy on all remittances from abroad at about $\frac{1}{1000}$ - $\frac{2}{1000}$ of any remitted amount. This could be branded as a *MedInsure* levy to gain acceptance from the general public provided that these funds were be used to help improve health services. A bank debits tax has been used in Australia for this purpose for more than a decade and effective from 1st of July 2005 will be abolished. The *Medinsure* levy unlike in Australia may not be levied on bank debits but instead, on bank credits which have an identifiable foreign source. According to some estimates, the amount of workers remittances is high enough to rival salaries and wages, approximately USD 140 - 200 million per year. A 1 per thousand Medicare levy would produce about WST 340,000 a year which would cover one tenth of the total cost of *MediSave* and it would work as an indirect mechanism for income from overseas to contribute a token amount to the state revenue.

10.10 Impact of new health financing reforms on funding of packages of care

While *MedInsure* is primarily designed as a funding and financial protection mechanism for acute in-patient care, there are various aspects of the scheme design and the Samoan health system that warrant attention. High cost interventions such as renal dialysis, management of diabetes mellitus including some level of curative interventions and overseas treatments are implicitly described to be funded out of the government budget. These are considerably high cost treatments and it is proposed that government's responsibility to fund them should continue.

The SNPF proposal has one important aspect which is to exclude pre-existing conditions. This is reflected in the amendments to the law where the regulators are entrusted with specific powers to request medical check-ups, diagnostic tests etc from the members. This is rather problematic if due consideration is given to the long term administration of this scheme. Instances for consideration include the following:

- Does it mean that a member with a renal failure today will continue to be funded by the Government and another who develops

it later will be funded out of MedInsure?

- Assuming a member who has pre-existing diabetes, then all funding of medical and pharmaceutical care will remain the responsibility of the government and if the patient needs acute hospital care say for amputations, will MedInsure deny payment to the public provider?
- If a person voluntarily joins MedInsure Total, presumably their OVT will be funded by this scheme. Does this mean a MedInsure member who opted out of MedInsure Total will be funded out of the government budget?
- Why does the scheme try to protect the financial health of MedInsure (on behalf of its members) and shift the cost to the government, when the protection of the government's financial health (fiscal balance) benefits the whole society?

These issues constitute another important aspect of the scheme design. Ideally no patient should be left with uncertainties regarding who is responsible for financing the health care they need. This should be solved by establishing clear responsibilities for funding packages of care.

The policy to "exclude" pre-existing conditions implies there will be fragmentation of the risk pool in future years. In other words, some SNPF members will be funded out of *MedInsure* (those who developed a chronic health condition later) and some from the government budget (those that already had it). This is not an ideal situation. The identification and administration of these fragmented entitlements may be considerable.

As a solution, it is recommended to establish packages of care and assigning clear responsibilities for their funding. For instance, the government budget can be prescribed to fund the following:

- All preventive and promotive care and public health interventions (immunisations, screening programs etc),
- All outpatient care at hospital and non-hospital based services,
- Funding and management of chronic diseases including renal dialysis, diabetes mellitus etc, and
- Capital expenditure for public hospitals.

Once these clear distinctions are made, *MedInsure* benefits can be more easily defined as:

- Recurrent spending on acute in-patient care excluding government funded services for chronic care,
- Subsidising private health care, and
- Overseas treatment.

If analysed carefully, these packages of care are almost entirely mutually exclusive OVT being a stand-out exception. This in fact can be engineered over the long term. While it is not practical to deny non-SNPF members' financial access to OVT in the short term, it can be a good selling point to attract more members to SNPF not just for health but for retirement benefits as well.

The informal sector participation will always be difficult but if the earlier suggestion made for the Government of Samoa to establish a social safety net for the poor eventuates, then the only excluded categories will be those that belong to the upper income quintiles.⁶³ This is elaborated in more detail in the next section. Once the SNPF administered *MediSave* and *MedInsure* schemes gain recognition among members as a proper financial protection mechanism with good access to private and overseas treatment, those that have the capacity to pay will have an incentive to register as members.

10.11 Poverty and gender focus - scaling up *MedInsure*

Given that the current proposal is not universal and the expectation is that the insured pool will come from people who have a formal source of income; the policy is pro-wealthy. Only within the contributory categories, the *MedInsure* premiums are income rated as per the proposal, which renders the scheme moderately pro-poor. With the design options suggested in this review, the weaknesses can largely be overcome.

For those that belong to the lowest income quintile, a government-funded social safety net can be designed to fund the premiums for inclusion under the *MedInsure* Scheme together with the formal sector contributory members.

This can be designed as a cost-neutral scheme to the government whereby, the current supply-side

subsidies provided to health care providers can be converted into a prepayment amount. The total funds provided to the insurance scheme can then be channelled back to the providers (public and private) via the purchasing agreements engineered by SNPF's *MedInsure* Administration. This in fact is not fundamentally different from how the Senior Citizens Benefit Scheme operates, except the health component is not budgeted by an activity-based or service utilisation based method. The budget is for monthly benefits, inter-island transport and concessions for health.

Exclusion of dependents especially non-working female spouses would render the proposed SNPF scheme with a low gender focus. While participation among women in formal sector employment is considerably high, it should be given due consideration that inclusion of spouses and dependent children would render a more complete range of insurance funded benefits to members. This is the prime reason why this evaluation recommends *MedInsure* to be compulsory.

With the inclusion of female spouses, all *MedInsure* members can receive ante-natal, natal and post-natal health care benefits. There is no compelling reason to exclude dependents from health insurance benefits given that most insured persons have a family. If their dependents are excluded, members would still be incurring out-of-pocket payments to receive these benefits.

It should not be assumed that supervised deliveries and maternity services can be obtained free of charge from government owned health facilities and that exclusion of spouses would render no disadvantages to households. If a health insurance scheme is being introduced, public or private providers will have compelling reasons to cost and price all hospital-based services. It would be administratively unjust to have some hospital services free (such as stays in maternity wards or services for children and newborns) and some services for a fee, given that hospital-based health care workers will all be receiving salary or other compensation from the same employer. Furthermore, such a design would create pressures from female members to receive births from private providers when the spouses of male members who have opted out can only receive treatment from public providers.

⁶³ Assuming all of quintile 1 or one fifth of the population with the lowest income will be covered by this safety net.

10.12 Recommendations

10.12.1 **Start MediSave on 1st of July 2005 and launch MedInsure on 1st January 2006.**

The legislation for *MediSave* is ready and does not require any prerequisite regulations for its operation. It is not money lost, it will remain in the savings of members and the six-month period will provide some breathing space for all parties to prepare themselves. During this period SNPF can prepare for the launch of *MedInsure* and hospitals can get their accounting and billing systems in place. The reform for public hospitals to become autonomous entities is also scheduled for 1st of July 2005 and it is not anticipated that any billing can take place for *MedInsure* Members for which *MedInsure* can pay-out benefits. The six month period will also resolve the anticipated problem of some members not having enough balance in their *MediSave* accounts to fund claims and premiums. One solution offered to solve this was for SNPF to provide a start-up fund.⁶⁴

10.12.2 **Make MedInsure dependent coverage compulsory**

The current scheme design with co-payments under *MedInsure* (see later points), may render members to conclude *what is in it for me?* and opt out. If the scheme remains voluntary, it will result in what is referred as *adverse selection*; those with large risks will join and the rest (healthy) will opt out. The safeguards for not covering pre-existing conditions will not work at most times. Families are more aware of the state of health of their members than SNPF and the policy makers. Alternatively many healthy dependents may register initially only to withdraw in subsequent years and to re-register once health problems arose again.

10.12.3 **Set proper income thresholds for MedInsure using combined family income**

Between 1st July 2005 and 1st January 2006, SNPF should request all members to register all

their dependents that they wish to be covered under *MedInsure*. This will produce a profile of the total risk pool as well as providing SNPF with a more complete picture about single and double contributors in a household. Following this process, the policy makers should set proper income thresholds using combined family income and the percentage of *MediSave* deductions for *MedInsure* as explained below.

10.12.4 **Make MedInsure contributions community-rated**

Figure 10.1 Medinsure contributions

MedInsure Contribution Rate	
0-5000	17.00%
5001-10000	20.00%
10001-15000	22.00%
15001-20000	25.00%
20001+	30.00%
Weighted Average	25.36%

The current SNPF proposal suggests a risk-rated premium for *MedInsure* whereby total deductions from a contributor's *MediSave* account will depend on the size of the household and the age structure. Alternatively, contributions could be defined as a function of *MediSave* credits in a year. This would render *MedInsure* a social health insurance scheme and the contributions would be based on ability to pay. *MedInsure* deductions can be set on a progressive scale as a fixed percentage of annual *MediSave* deposits for each family unit. The calculations provided in the Annex uses a flat percentage of annual *MediSave* contributions. A progressive scale for high income earners is proposed to make the scheme more equitable and fair (see table above). These are policy variables and can be changed.

10.12.5 **Remove co-payments from MedInsure**

Under the current proposal, a member's *MediSave* account can in fact become negative if total in-patient co-payments which depend on the average length of stay of the member and his/her dependents are substantially high. In order to overcome this situation and to make *MedInsure* more attractive to the members, co-payments for in-patient care should be removed. *MedInsure* should function as a financial protection mechanism and this approach would make it so.

⁶⁴ Source: SNPF Proposal for National Health Care Finance Scheme December 2002, pg 18 Section 4.10 on "Start up Period".

10.12.6 Alternatives to *MedInsure Plus*: use of *MediSave* balances for private hospital in-patient care

Instead of introducing *MedInsure plus* for private in-patient care, members could be permitted to use their *MediSave* balances to pay for the gap between *MedInsure* Benefit pay-out and private hospital cost. This means, *MedInsure* would channel the applicable public health service cost (price) to the private provider if the *MedInsure* member chooses to be treated as a private patient. At the current capacity of existing private beds, this interim arrangement would suffice to allow high income earners to obtain private care.

10.12.7 Alternatives to *MedInsure Total*: a compulsory scheme for overseas treatment

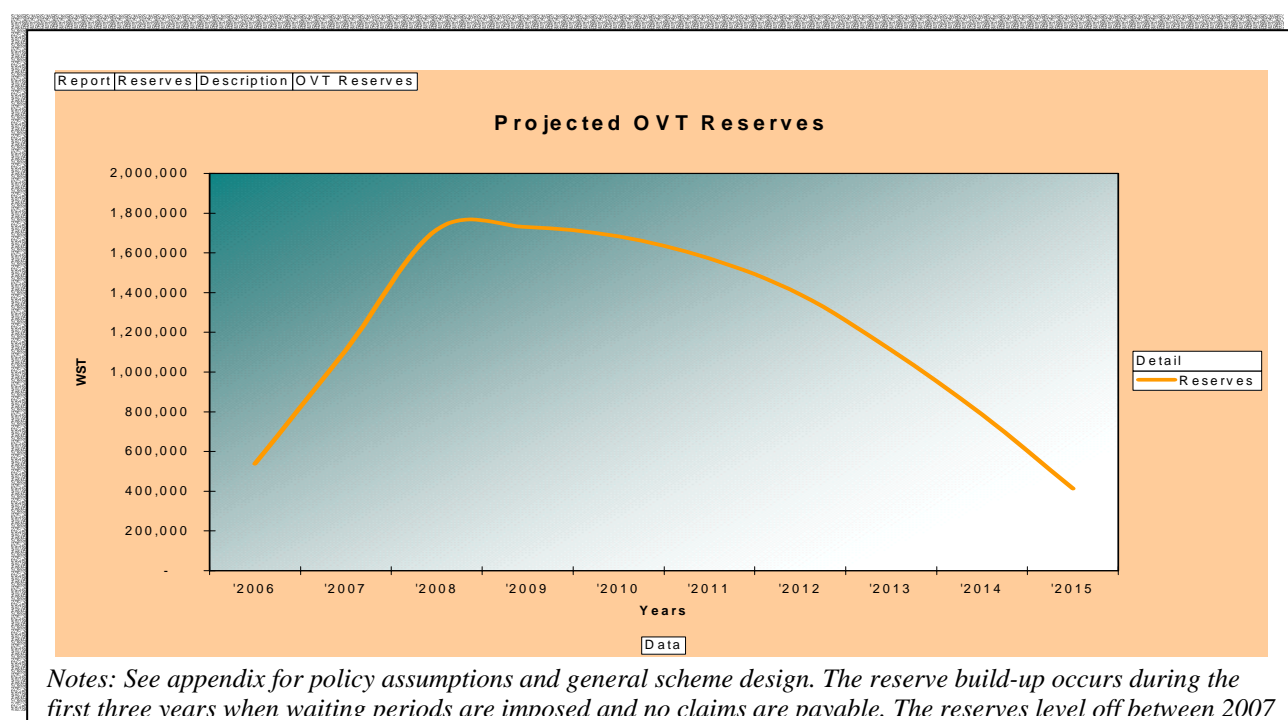
MedInsure Plus will certainly suffer from adverse selection. A modified design should be considered where the scheme is compulsory for all members with a flat charge of around WST 5-10 per member depending on the level of income and applying a three year waiting period for a build up of sufficient reserves before benefits are payable. Capping of benefits could also be considered with limits on cash benefit pay-outs whereby the difference between actual cost and the benefit pay-out would be covered from members *MediSave* account. Incorporating the current government OVT scheme to serve as a safety net, such as paying out the gap if the cost of treatment is higher than the benefit limit should also be considered. These viable options are provided as “food-for-thought”. In fact, it would be much easier to increase the *MedInsure* contribution rates to a weighted average level of 30-35 per cent and incorporate OVT benefits in the core social health insurance scheme. This evaluation was made separately in order to evaluate the prudential health of the two funds as shown in separate projections for the reserves of the two schemes.

10.12.8 Establish an output-based provider payment method

Be proactive in dealing with health service providers. Contracting is an important function which should not be dealt with in a *laissez-faire* way. If SNPF chooses to let members decide where to receive services without negotiating the terms then costs may increase beyond the capacity of the insurance scheme. In the short term, it is not expected that hospitals will be able to put in place an accounting and billing system and have proper management information systems with a capacity to cost their services. The existence of budget subsidies will also make it difficult to fully cost and price their output. Delays by providers in setting up their health information systems may lead to a build-up of reserve in *MedInsure* which is equally not favourable. Members’ contributions for health care should very quickly translate into good quality health services rather than sitting accruing in savings accounts.

For these reasons, an output based provider payment method should be set up such as case-based payment for each hospital admission regardless of length of stay. Initially the break-even cost per admitted case should be calculated using estimates of *MedInsure* revenue and estimated number of hospital admissions. About 90 per cent of this break-even level should be used to establish the base-year payment amount. The residual 10 per cent would provide a sufficient buffer against escalation in volume (e.g. admitted cases being higher than estimated) for the current year and for a reserve carry-over for future years. The base-year contracted amount could be adjusted for changes in health prices such as wage and price index of drugs and medical supplies and to incorporate a financial incentive to reward good performance.

Box 10.4 Projected overseas treatment insurance reserves



10.13 Keep current level of health budgets in place

The Government's commitment to fund health care should continue. The introduction of *MediSave* and *MedInsure* should not result in a reduction in government's current health care budget. The new national health financing scheme is intended to serve as an additional source of income for the health sector to *top-up* what has been provided already. If the current supply-side subsidies for public health care providers are reduced, it would not render improvements in service quality and activity levels. The additional cost of *MediSave* for the government as an employer is estimated at about 1 per cent of government revenue⁶⁵ should ideally be absorbed across all departmental portfolios and not just by the health portfolio.

10.14 Consider introducing a MedInsure levy on remittances from overseas

Overseas remittances are large enough to rival

formal salaries and wages. A bank credits tax could be considered and be branded as *MedInsure* levy at a token rate of around $\frac{1}{1000}$ or $\frac{2}{1000}$. For average remittances of around USD 200-500, this levy would be expressed in cents and may receive general public acceptance.

10.15 Gradually make MedInsure a universal scheme

Adopt a long-term strategic approach to make *MedInsure* a universal scheme over time. *MedInsure* and Senior Citizens Health Scheme would provide coverage to about half of the Samoan population. In principle if a health insurance scheme works well, then there will be a demand from the public to participate as members. However, there will always be a segment of the society which has little or no capacity to pay. As the people above the age of 65 are already protected by a government funded health care safety net all that is required is a method of improving the access of the poorest one fifth of the population.

The present health care system provides for universal coverage through the government budget. With the introduction of the SNPF Financing Scheme, the providers are expected to change their behaviour. User charging will

⁶⁵ 3% *MediSave* employer contribution applied to the April 2005 Payroll figures of 3,889 staff and ST 7,540,000 salaries and wages yields cost of the new scheme to the government at around ST 2.7 million. If this has been offset against the health budget of ST 38 million, the sector would suffer 7% reduction in allocation.

become common practice. Fee paying patients either from those that are better off financially or those who have SNPF health cover may well receive more attention than those with little or no income and they may be disadvantaged. For this reason, the supply-side subsidies should be translated to demand side. Government can adopt a cost-neutral method by translating the existing level of provider budgets into a pre-payment amount which can be provided to SNPF for administering health benefits to eligible persons; the poor and vulnerable. The existing supply side subsidies would then get directed through to the demand-side.

A health system which is geared to increase user charges while still being dependent on supply-side subsidies creates financial barriers for people who have no capacity to pay. The directed supply side subsidies then benefit the wealthy, who can afford the fees. Once the lowest income group is covered, the rest of the population outside the SNPF membership can either pay directly or voluntarily join SNPF both for retirement and health benefits.

If user fees are increased substantially in the absence of a safety net, it could be damaging to the society. However, if the poor and the older people have financial protection, substantial rises in user fees may encourage more participation into health insurance. One caveat is identifying the poor is not a simple undertaking yet many countries have developed mechanisms which Samoa can adapt. *MedInsure* should gradually be expanded to the rest of the population.

10.16 Gradually expand the breadth of benefits to outpatient secondary and primary level care

The future of the scheme should not be limited to the current scope of benefits. As in-patient care and OVT carry high costs, it is justifiable to create a financial protection mechanism for these services first. However, if the health system adapts well to this financing reform, there is no reason why primary and secondary care should be excluded from health insurance funded benefits through the establishment of clear guidelines for

packages of care and their funding methods. Funding of chronic illnesses such as renal dialysis, diabetes and cancer may still require substantial government support. Primary and secondary care however can easily be incorporated into *MedInsure*. It should be noted that under the current proposals *MediSave* will always carry large personal savings credits.

This review has forecast that less than 30 per cent of *Medisave* would be spent on *MedInsure* and OVT plans. The remaining 70 per cent could easily be used to increase the breadth of coverage for outpatient specialist consultations, primary care visits and pharmaceutical benefits.

10.17 Conclusions

The general tax-funded health service which caters for the whole of the Samoan population is about to be transformed into a hybrid form of medical savings and social health insurance based health financing system funded by levies on payrolls. The motives behind this change need to be understood carefully. For a country that spends 6-7 per cent of GDP on health (moderately high given the income level of the country) where 60 per cent of this total comes from public (government) sources, the existing system compares favourably to international benchmarks. However, *spending relativities to national income alone may not guarantee that sufficient amounts are spent per head of population to provide acceptable quality and adequate level of care.* There is a need to mobilise more resources for health care and a new source of funds from the formal employment sector. This should be implemented in a way that total funds raised through the new method does not yield a reduction in existing government spending on health care as long as total health spending remains at sustainable levels.

This review concludes that, these recommended changes to the core design of *MedInsure* would improve the efficiency, effectiveness and acceptability of the scheme and support the long-term view of expanding coverage to the rest of the population.

Chapter 11 Social Security Pensions: Principles

11.1 Introduction

This chapter deals with the main issues which provident fund board members and executives, public servants, other stakeholders and the wider public raise concerning statutory retirement protection systems set up by governments. The chapter is in the form of questions and answers. Recommendations for further reading are provided.

11.2 Why do governments enact legislation about social security retirement benefits?

Another way of asking the question is *Should people not be left to look after themselves and their dependants after they retire?* Much attention is paid to the form, qualification conditions and administration of retirement benefits, but the basic question, why or whether governments should be involved, is now only raised by those who favour a diminished size and role of the state or who embrace an anti-statist ideology. It is useful to recall why governments enact legislation pertaining to retirement benefits.

Germany established **social security pensions** (or **public pensions**) at the end of the 19th century in response to the social conditions which had resulted from the industrial revolution.

Reasons for government action include:

- The current consumption needs of workers in wage and salaried employment often leave them with little or no funds to save for their retirement.
- Even if they have funds which they could save, workers are often myopic. They fail to set aside funds for their retirement or underestimate the amount which they should set aside. A scheme with tax-favoured worker and employer contributions can generate the funds necessary for a retirement protection scheme.
- In societies which have heretofore supported older persons through strong extended family and clan links, these links are weakening as a result of industrialization, urbanization and ageing of populations.

- Mandatory retirement provisions protect members of society from having to support others who have been improvident.
- Governments seek to meet the needs of society, and they no doubt bear in mind the increasing numbers of retired persons whom they wish to be satisfied voters.
- A public pension system based on **risk pooling** (sometimes referred to as a **social contract** between generations or **solidarity**) can be designed to provide for redistribution, for example within a generation, from high to low income earners or from healthy persons to those who become disabled.
- If the state is responsible for paying civil servants' pensions, a public scheme covering all persons in wage and salaried employment in the public and private sectors can relieve the state budget from (some of) the cost of non-contributory civil servants' pensions.

It is generally accepted that governments have an implicit – and sometimes explicit in the constitution – obligation to organize systems of social protection for the persons for whom they are responsible, and to ensure that the schemes are properly governed. At the same time, participants in the schemes – workers and employers – have an obligation to abide by the conditions of the social security scheme. If any of these conditions is unfulfilled, the social security scheme will fail.

11.3 How has public retirement protection evolved?

The years of recovery and economic growth and the independence of former colonies following World War II were a time of development and expansion of social protection. The landmark ILO Social Security (Minimum Standards) Convention 1952 (No. 102) provided a framework and guidelines for national social security schemes. This convention became the basis for ILO advice to policymakers and the establishment of social security schemes in developing countries.

In many former British possessions, a form of **defined contribution** scheme, a **provident fund**,

was set up around the times they became independent. Often the principal objective was to create domestic capital and it was thought that a lump sum at retirement was appropriate given national social circumstances. Outside of the South Pacific most national provident funds have been converted into social insurance pension schemes (sometimes with a small retirement lump sum as well), for example, in the English-speaking Caribbean, Ghana, India, Nigeria and Tanzania. The Singapore Central Provident Fund has introduced compulsory annuities.

In the 1970s, in the industrialized countries economic conditions (e.g. the 'oil shocks') led to a period of diminished growth and consequent consolidation of the gains in social protection which had been made in the previous 25 years. It became clear that lower rates of economic growth would not permit unlimited expansion of social protection – the schemes had to take into account not only social security needs, but greater attention had to be paid to the national economies in which they operated. In Chile, the failure of multiple social security schemes led to the introduction in 1981 of a new system of providing pensions which has had an impact on public pension schemes elsewhere in the following decades.

After 1990 the transition countries which had followed the Soviet system of state budget financed social security had to reform their social security protection schemes. In 1994, a World Bank publication⁶⁶ promoted the adoption of public pension systems based on the Chilean model. Elsewhere, financial and demographic realities – which have often been breathlessly and irresponsibly asserted in the media – have led countries to re-examine their public pension schemes to assess whether they are meeting their objectives and whether they are financially sustainable. Are schemes meeting the needs of workers in the face of current and likely future labour market conditions – part-time, casual, teleworking and clandestine employment, homework, increasing female participation in the labour market?

11.4 Who is covered by public pensions? Why has coverage not expanded?

The contributory retirement benefit schemes which were set up in developing countries in the 1950s and 1960s were founded on the basis of the development models which were in vogue at that time. It was assumed that as wage and salaried and self-employment expanded, the social security schemes which had been established for these workers would gradually expand to cover most workers, just as had happened (or was happening) in the industrialized countries. For a number of reasons (e.g. national macro-economic mismanagement, high rates of population growth, the effects of structural adjustment measures) in developing countries the expected expansion of formal employment beyond civil servants and workers in still nascent private sectors has not occurred. Instead, national social security schemes providing retirement protection typically cover around 20 percent of workers. The vast majority of workers in self-employment, in subsistence agriculture and in the informal economy remain uncovered.

In recent years, attention has focused on how to provide retirement protection to uncovered workers. Clearly, except perhaps for smallholders who sell produce to a central marketing agency, a contributory social insurance scheme is not generally applicable. To meet this need, the ILO and the World Bank both advocate social pensions.

11.5 Why should the main retirement benefit be a pension?

In other words, 'What is wrong with lump-sum benefits'? While evidence is largely anecdotal, it is widely agreed that lump sum payments at retirement are rapidly dissipated due to immediate consumption by the recipient and his or her family, extended family and clan. There may also be traditional and religious obligations which the recipient uses the lump sum to fulfil. There is little evidence that recipients of lump sums (who were in wage and salaried employment before retiring) have been able to use them to set up successful small businesses.

Lump sums provide very limited retirement protection, and whatever protection they might provide is further reduced if members can withdraw part of their lump sums before

⁶⁶ Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth, World Bank, 1994, Oxford University Press.

retirement, for example by taking non-repayable loans or advances or pledging their provident fund balances as security for loans. While the reasons for these withdrawals may be justifiable – housing, redundancy, education, marriage – allowing these payments (or potential payments in the case of pledges) means that the provident fund becomes a **compulsory savings scheme** from which members may draw under certain circumstances, not a retirement benefits scheme.

In a provident fund, each member bears the investment risk, the risk that the fund's investments will produce inadequate returns and his/her savings will lose their real value. The **objective of a retirement benefit** is to produce a continuing, regular, dependable income throughout a person's retirement years and after his/her death provides protection to the immediate survivors. Only a pension which is inflation adjusted can achieve this protection.

This does not mean that a lump sum should not be paid at retirement. Indeed, some of the obligations of retiring persons may require a lump sum, and in any event it would be difficult to change entirely from a lump sum payment to a pension scheme. But, the principal benefit should be a pension. Whether and what amount of lump sum can be provided depends on the total contribution rate.

11.6 Does converting provident fund balances into annuities provide adequate retirement pensions?

Recognition that lump sums provide inadequate protection has led some provident funds to let members voluntarily opt for an annuity, i.e. payment of the lump sum in the form of pension for the life of the retiring person or the joint lives of the retiring person and his/her spouse.⁶⁷ While this is a positive step, conversion of provident fund balances into annuities fails to provide adequate pensions for the following reasons:

Provident fund balances generally produce inadequate annuities, especially when members have made withdrawals from their accounts before retirement;

Annuities lose their real value when they are not adjusted to take into account increases in the cost of living;

Members cannot estimate the amount of the annuities they will receive in advance;

⁶⁷ Pensions and annuities both refer to periodic payments and are often used interchangeably. Annuities generally refer to periodic payments which are purchased with a lump sum. Periodic payments from a social insurance scheme are called pensions and normally are payable for the life of the pensioner.

Provident funds generally have low retirement ages which result in small annuities.

In any event, voluntary social security arrangements are notoriously unsuccessful.⁶⁸

11.7 What is adjustment (indexation) of pensions? Why is it necessary?

Inflation erodes the purchasing power of pensions which are not adjusted to take inflation into account. For example, if the annual inflation rate is 3 per cent, an annuity of \$1000 is worth only \$863 after 5 years, \$744 after 10 years, \$63 after 15 years and \$554 after 20 years. Hence, a person who used \$1000 to buy a basket of goods and services at retirement would be able to buy barely half of the same basket 20 years later. If the annual inflation rate were 5 per cent, after 20 years the basket would have been reduced to almost one-third the size it was at the time of retirement.

Pensioners can be protected against this loss in the purchasing power of their pensions by adjusting pensions to take inflation into account. In the preceding example, the pension would be increased annually from \$1000 to reach \$1159 after 5 years, \$1344 after 10 years, \$1558 after 15 years and \$1806 after 20 years. In this way the standard of living of a pensioner is protected since the pensioner can always buy the same basket of goods and services. Some schemes also let pensioners participate in workers' productivity gains by adjusting pensions according to the rate of wage increase rather than the rate of consumer price inflation.

10.8 What retirement protection is possible for workers without regular incomes?

Traditional social security schemes are contributory – workers and employers both contribute to them. Workers without regular incomes include workers in the informal economy⁶⁹ and in self-employment and subsistence agriculture. These workers have no employers, and their capacity to contribute

⁶⁸ Even with favourable annuity rates, according to the Fiji National Provident Fund Annual Report for 2003, the annuity take-up of retiring members was only 37%.

⁶⁹ The broadest definition for the informal economy includes those workers who do not receive regular income and have no contractual or enforceable employer/employee relationships. This usually includes self-employed, casual and unpaid workers in family businesses and those not registered or subject to labour laws.

(voluntarily or otherwise) as self-employed persons is very limited. Inviting self-employed persons to voluntarily join a contributory scheme generally does not attract many of them.

In recent years, attention has focused on how to provide social security protection to these uncovered workers. Clearly, a contributory social insurance scheme is not generally practical. To meet this need, the ILO and the World Bank both advocate **social pensions** (also referred to as **universal pensions**, or **citizens pensions** when they cover citizens only).⁷⁰

Social pensions do not aim at replacing workers' regular incomes – the persons they are designed to protect do not have regular incomes. Rather, they seek to alleviate or prevent poverty by providing a fixed periodic payment related to the national level of subsistence. Typically, they are paid to all residents (or citizens) over a relatively high age. They are financed from general taxation, and generally cost from one to two per cent of GDP. Means-testing would appear to reduce the cost of social pensions, but this requires an extensive assessment system and creates the potential for abuse and corruption. Social pensions paid to persons who do not need them can be 'clawed back' through the income tax system.

Social pensions can be administered by the institution which operates the contributory social security scheme, or by another branch of government which has the infrastructure required to make the monthly payments. In the South Pacific region, Kiribati and Samoa have social pensions. Elsewhere, they are found in Brazil, Botswana, Namibia and South Africa.

Social pensions can obviously be abused for political purposes – promising higher pensions or a lower pension age. A statutory mechanism to control potential abuse should be set up, for example, a requirement that the legislature receive an actuarial study of the budgetary implications of any proposed change before the change is enacted. To help avoid politically motivated increases in social pensions, automatic adjustments to take into account inflation could be applied.

⁷⁰ *Age and security* published by HelpAge International has an excellent explanation of social pensions.

11.9 What retirement protection is possible for wage and salaried workers?

Retirement protection of workers in wage and salaried employment seeks to replace a portion of their incomes at the time of their retirement and to smooth workers' consumption over their working and retirement lives. From the ILO Social Security (Minimum Standards) Convention No. 102, for an average wage earner with a spouse of pensionable age, the minimum income replacement pension after a full working career (30 years) is 40 per cent of the workers' earnings at retirement. Pensions are also payable to workers who become disabled and to the survivors of workers or pensioners who die. To finance their retirement pensions, workers give up some of their income while they are working in order to receive regular incomes after they retire.

This sort of retirement protection is provided through a public social insurance pension scheme. This is a defined benefit scheme where the pension is defined by a formula. For example, the retirement pension formula could be 1.5 per cent of a workers' pensionable earnings times the number of years the worker has participated in the scheme. After 30 years of contributions, this formula would produce a replacement rate of 45 per cent of the workers' pensionable earnings. In practice, more complicated formulas are usually applied. The formula should relate the pension directly to contributions made by a worker and be designed to avoid abuse. For example, when the retirement pension is calculated according to a formula which applies a workers' earnings near retirement to the period during which the worker contributed to the scheme, there is a potential moral hazard since workers can seek to manipulate the timing of their contributions and the pensionable earnings used to calculate their pensions in order to reduce their contributions and inflate their pensions.⁷¹

⁷¹ In the mid-1990s an innovative approach to defining and financing public pension schemes, **notional defined contribution** (NDC) accounts, was developed. During the accumulation period a NDC scheme operates like a provident fund except that the notional accounts are not credited with annual interest, but are revalued annually in accordance with an index (e.g. the rate of increase in wages or in GDP). When a benefit is payable, the notional balance of an individual's NDC accumulation is converted into periodic pension payments. Contributions are used to pay current pensions on a pay-as-you-go basis; hence members' accounts are 'empty', and their accumulations are 'notional'. Members cannot know the amount of pension they will receive in advance. The NDC system is applied in Sweden, Italy, Poland and Latvia.

In a defined benefit scheme workers can know in advance the proportion of their pre-retirement earnings that will be replaced by a pension, and the pension can be adjusted to reflect increases in the cost of living after retirement. The scheme can permit **redistribution** both within and between generations, for example by providing a minimum pension subject to strict qualifying conditions.

In the past, public social insurance pensions were often designed to provide the only retirement protection, and replacement rates were sometimes 70 per cent or more after a full working career. The current approach is to build retirement protection from a number of components (called pillars or tiers) where a modest public social insurance pension, is Pillar 1. For example,⁷²

- Pillar 0* Social pension payable to all citizens or residents (financed by the state budget).
- Pillar 1* Public social insurance pension (financed by workers' and employers' contributions).
- Pillar 2* Occupational or personal pension plans.
- Pillar 4* Personal savings.

What are the risks of a public social insurance pension scheme? If the scheme is too generous, it can become unsustainable. There is also the political risk that the government will alter the benefit formula (although governments do this at their peril). Unlike a provident fund, the investment risk is borne by the defined benefit scheme (and ultimately the government as guarantor of the scheme).

If a provident fund is converted to a pension scheme, members' service and contributions under the provident fund must be taken into account.

11.10 What is an appropriate retirement age?

Clearly, the **normal retirement age** or **pensionable age**, the earliest age when members who fulfil other qualifying conditions (e.g. years of service) can begin receiving full retirement pensions has an important effect on the cost of a social insurance pension scheme.

In a social insurance pension scheme, retirement means ceasing gainful economic activity. It does not include quitting one job and taking up another. If a pensioner continues working, his/her pension may be reduced to take into account the pensioner's earned income. Members sometimes have the option to retire before the normal retirement age (usually up to five years earlier) and receive reduced pensions, or they can defer their retirement until after the normal retirement age and receive increased pensions.

Normal retirement age in Pacific Island national provident funds is 50 (Kiribati, Solomon Islands) or 55 (Fiji, Samoa, Vanuatu). From the point of view of a provident fund's finances, the age when a member can receive his/her provident fund balance is immaterial. The fund simply pays the individual member's own balance and there are no financial implications for the fund or other members of the fund.

This is not the case in a social insurance pension scheme where members' contributions are pooled and payments are made to a retiring member for the rest of his/her life and to his/her survivors. A low retirement age means that the scheme would be too expensive – the contribution rate would be too high and/or the public pension scheme could not be sustained. As a rough guide, a pension payable from age 55 costs 15 to 20 per cent more than the same pension payable from age 60, and if the pension is payable from age 65, it costs 20 to 25 per cent less.

Table 11.1 shows the **life expectancy** at birth and at age 60 for persons in Pacific Island countries. Life expectancies for selected industrialized countries are included for comparison. Life expectancy at a specific age is the average number of additional years males and females at that age could expect to live if current mortality levels observed for ages above that age were to continue for the rest of their lives. For example, in Fiji a newborn is currently expected to live to age 69.8 and a person aged 60 to age 76.3.

In setting the retirement age for a social insurance pension scheme, it is the life expectancy at higher ages which is important. In OECD countries the most common normal retirement age is 65, and in developing countries it is 60. In many countries the ratio of average working years to average retirement years is approximately two to one. For example, in Table 11.1, in South Pacific Island

⁷² These pillars are based on a World Bank definition.

countries the projected 2025/30 life expectancy at age 60 is around 20 years. The average working years would then be ages 20 to 59 and the average retirement years ages 60 to 79. An appropriate retirement age for a social insurance pension scheme would be age 60, and the current retirement age should be gradually raised to age 60.

Retirement age must also be set to avoid persons retiring when their skills are still needed. A low retirement age is often perceived as a partial solution to youth unemployment – retiring persons are replaced by unemployed youths – but evidence that this happens in practice is lacking. From *World Population Ageing 1950-2050*, in 2000-2005 the under age 15 population in most Pacific Island countries is around 40 percent of the total population (33 percent in Fiji). By 2045-50 this youth population is projected to decrease to 20-25 percent of the population (18 percent in Fiji). Under this scenario, the problem of unemployment will gradually diminish, and then the issue is apt to be maintaining a work force which can produce output for the entire population.

Table 11.1 South Pacific Island Countries – life expectancy at birth and age 60

Country	Age	1950/55	2000/05	2025/30	2045/50
Fiji	0	52.5	69.8	74.7	77.8
	60	-	16.3	19.0	21.0
PNG	0	34.7	57.7	67.9	73.2
	60	-	13.7	16.6	18.7
Samoa	0	46.0	70.0	75.5	78.0
	60	-	17.5	20.1	21.4
Solomon Is.	0	45.4	69.2	75.2	78.3
	60	-	16.1	19.2	21.4
Vanuatu	0	42.0	68.8 ²	74.2	76.5
	60	-	16.8	19.2	20.5
Micronesia ³	0	52.0	73.1	77.4	79.5
	60	-	18.6	21.0	22.4
USA	0	68.9	77.5	81.1	82.6
	60	-	21.8	24.0	25.1
UK	0	69.2	78.2	81.4	83.0
	60	-	21.5	23.8	25.0
Australia	0	69.6	79.2	81.4	83.0
	60	-	22.6	24.0	25.1
Japan	0	63.9	81.5	85.6	88.0
	60	-	24.4	27.6	29.5

Source: *World Population Ageing 1950-2050*, Population Division, United Nations Department of Economic and Social Affairs (ST/ESA/Ser.A/207), New York.

² From table 2.1 of the *Demographic Analysis Report* of the 1999 Census of Vanuatu, joint (male and female) life expectancy at birth is 67.3. For urban areas, it is 71.9.

³ Including Kiribati, Guam, Nauru and successor states to the Trust Territory of the Pacific Islands.

11.11 What is the effect of population ageing?

Population ageing – the process whereby older persons become a larger proportion of the total population – is the result of two decreases, first in fertility rates and then in mortality rates. The decrease in fertility rates means that on average fewer children are born per woman over her reproductive lifetime. The drop in mortality rates results in increases in life expectancy (see Table 11.1). Population ageing has profound national social, economic and political implications.

The demographic effect of population ageing can be illustrated by the **support ratio** – the potential number of persons aged 15 to 59 per person aged 60 and over. Table 2 illustrates support ratios in Pacific Island countries from 1950 to 2050. Support ratios before 2000 are subject to data deficiencies. Those for 2025 and 2050 are based on population projections. Support ratios for selected industrialized countries are included for comparison.

Table 11.2 South Pacific Island Countries – Support ratios

(potential number of persons aged 15 to 59 per person aged 60 or older)

Country	1950	1975	2000	2025	2050
Fiji	10.8	12.4	10.7	4.9	2.5
PNG	9.1	14.2	13.6	9.3	5.3
Samoa	12.3	16.1	7.6 ¹	9.1	4.3
Solomon Is.	16.9	9.6	12.1	10.3	6.1
Vanuatu	11.5	11.4	10.6 ²	8.0	4.6
Micronesia ³	19.3	13.8	8.0	5.5	4.2
USA	4.8	4.1	3.9	2.3	2.0
UK	4.0	2.9	2.9	1.9	1.5
Australia	4.9	4.7	3.9	2.3	1.9
Japan	7.4	5.5	2.7	1.5	1.1

Source: Based on *World Population Ageing 1950-2050*, Population Division, United Nations Department of Economic and Social Affairs (ST/ESA/Ser.A/207), New York.

¹ The year 2000 support ratio for Samoa is affected by substantial out-migration.

² From table 2.1 of the *Demographic Analysis Report* of the 1999 Census of Vanuatu, the support ratio is 10.3.

³ Including Kiribati, Guam, Nauru and successor states to the Trust Territory of the Pacific Islands.

Taking Fiji for example, in 2000 there are 10.7 potential workers to support each person aged 60 or more. In 2000 it is projected there will be only 4.9 potential workers per aged person and in 2050 there will be 2.5. The support ratio decreases by about one-half between 2000 and 2025 and by one-half again in the next 25 years.

In Pacific Island and most developing countries, the pace of the reduction in the support ratios is rapid, much more rapid than it has been in the industrialized countries. Hence, developing countries have much less time to adjust to the ageing of their populations. Decreasing support ratios place a greater burden on the working population. In countries such as those in the South Pacific with strong family, kin and community social **support systems**, these systems will be put under rapidly increasing strain as the support ratios decrease. Social pensions payable to all and social insurance pensions payable to retired formal sector workers can mitigate this strain, and thereby help to maintain communal support systems.

11.12 How are social insurance pension schemes financed?

The financial system of a social security pension scheme refers to the manner whereby funds are made available to pay benefits. Funding refers to creating a reserve fund, which generates investment income that along with contributions is used to pay future pensions. A defined contribution scheme (e.g. a provident fund) is fully funded – the total of individuals' accumulations is (or should be) equal to the reserve fund. At the opposite extreme is the pay-as-you-go financial system, where no reserve funds are set aside and current benefits are paid from current contributions.

In the industrialized countries, mature public social insurance pension schemes are often financed on the pay-as-you-go system and there are low or no reserves. In new social insurance pension schemes in developing countries, where for many years there will be relatively few pensioners compared to contributors, contribution rates are set to create reserves under a partially

funded financial system.⁷³ This is necessary in a new scheme because for many years the total annual pension payments will increase since:

- the number of pensioners will increase as new retirees qualify for pensions;
- increasing longevity means that pensions will be paid for longer periods;
- the average amount of new pensions will increase:
 - since new retirees will have more years of service.
 - since new retirees' pensionable earnings will increase along with increases in their earnings;
- pensioners will receive cost of living increases in their pensions.

Under a partially funded financial system, the contribution rate to pay pensions and produce the desired level of reserves is set for an extended period (e.g. 20 years). The contribution rate must be increased in the future depending on the actual experience of the scheme.

Contributions to social insurance pension schemes are pooled. There are no individual accounts or balances attributable to each member. Rather, each member has an account which records his/her accrued rights to a pension. Consequently, there are no personal accounts from which members can borrow. Any loans by the scheme to members must be repaid and be on a commercial basis.

Provident fund members are used to having their personal individual accounts, and are apt to resist pooling their contributions to provide pensions under a social insurance pension scheme. Even if the average period of payment of a pension after age 60 is now over 15 years (see table 11.1), they are concerned that they might die early and not receive all their contributions back in pension payments. A pension scheme can be designed to guarantee that the payments to a pensioner and his/her survivors will be equal to at least the total amount of his/her contributions to the scheme.

⁷³ The public systems in Canada, Japan and the USA are partially funded.

11.13 Is a financial system based on full funding better than a partially funded system?

No matter how they are financed, all pensions are transfers of resources from active workers to inactive retired persons at the time the pensions are paid. Amounts paid in pensions, which pensioners then convert into goods and services that they consume, are equal to consumption (and investment) which workers forego. The goods and services which workers and pensioners share must be produced by workers at the time pensions are paid. Under the pay-as-you-go system the transfer is direct through contributions (or taxes) paid by workers. Under the funded system, pensioners liquidate assets which they have accumulated by selling their assets to workers. In both cases, and in the case of partially funded schemes, workers' disposable income is reduced by the amount of resources transferred to retired persons.⁷⁴

As the demographic burden increases (i.e. support ratios decrease) workers must support increasing numbers of pensioners. In a pay-as-you-go financed scheme it is uncertain whether the declining relative proportions of active workers have the capacity to pay the pensions of increasing numbers of pensioners. But funding a pension scheme does not reduce this burden, since it is uncertain whether there will be a systemic decline in asset values when pensioners seek to realize their assets by selling them to the same declining relative proportions of active workers.

Support of increasing numbers of retired persons is possible only if output grows – only if economic growth is sufficiently robust to generate the resources to be transferred to retired persons without unduly depriving active workers. The fundamental issue is whether the system of financing pensions causes output to increase. Like provident funds, the reserves of a public pension scheme increase output only if they can be productively invested.

⁷⁴ Owner occupied housing is an exception to the transfer from active workers to pensioners and assets which are sold abroad do not involve a transfer of domestic resources.

11.14 How do social insurance pension schemes promote national economic development?

One reason – perhaps the principal one – why provident funds were set up was to generate domestic savings for national development. The proposition that a provident fund or (partially) funded pension scheme stimulates economic growth is intuitively persuasive. A funded scheme should increase saving and the increased saving should result in increased investment and thereby increased output. Empirical evidence of the funding/savings link has, however, been inconclusive. The second component of the proposition – increased investment leads to greater economic growth (and not simply inflated asset values) – depends on the availability of efficient and productive investments. This is problematical in countries with underdeveloped national capital markets.

Funded social security schemes may be seen as instruments for developing domestic capital markets. A vibrant capital market requires laws governing the ownership and transfer of property, a reliable banking system, a functioning securities exchange and effective regulation of financial institutions along with the will and capacity to enforce the regulations. While funded social security schemes can help to develop capital markets, the basic financial infrastructure is a prerequisite. Fiscal measures may be a more effective means of developing national capital markets.

The principle objective of a public pension scheme is retirement protection. Other objectives are subsidiary. National economic growth is necessary to sustain the scheme, and the scheme must be financed and operated in order to promote economic growth.

11.15 What governance is appropriate for a social insurance pension scheme?

A sound governance structure is essential if any social security scheme is to meet its objectives. Sound governance means that persons involved in the governance and operations of a social security pension scheme recognize their responsibilities and exercise them with integrity, and that they are made responsible and culpable for their actions (or inactions). They must bear in mind the long-

term perspective of pension schemes which extends for generations.

The *first level of governance* is the political body which enacts the scheme. The legislation should be of an enabling nature so that the normal operations of the scheme can be conducted without interference. For example, if a scheme must seek legislation to implement an increase in pensions to take into account inflation, it may well decide to forego the increase since the ensuing debate would result in a review of the entire scheme. A public social security scheme should report annually to the legislature on its operations, and at specific intervals (e.g. every five-years) the legislature may schedule a thorough review of the scheme.

The *second level of governance* is the board of directors of the social security scheme. The responsibilities of this governing body should be consistent with the overriding objective of the social security scheme which is to pay the promised benefits. The board must strive to maintain the financial sustainability of the social security scheme by monitoring and managing the risks associated with the scheme, including in particular the demographic, financial and broader economic risks. As in a provident fund, internal and external auditing of the accounts of the scheme is necessary. Periodic (three or five yearly) actuarial valuations of a public pension scheme should be undertaken to assess whether, under the financial system adopted, the contribution rate and expected investment income are sufficient to finance future benefits and sustain the scheme.

Despite tripartite representation (with worker, employer and government representatives) on the governing bodies of most social security schemes (as set out in ILO Convention 102), boards' governance has often been inadequate. Governing bodies are becoming more representative with the appointment of other elements of civil society (e.g. pensioners), and on some boards members with specific expertise are appointed. Board members must act as trustees/custodians of members' contributions to the scheme. They have a fiduciary responsibility and should be held legally culpable for actions they take which are not in the best interest of the members of the social security scheme for which they are responsible.

Everywhere, boards of social security institutions are asserting their independence, especially their independence from interference or influence by government or politicians. This does not mean that the board acts without reference to the framework established by the legislation or the policies of the government. Nor does it preclude appropriate consultations with parliamentary and government officials or other government agencies. Governments are the ultimate guarantors of social security schemes, and governments have a legitimate interest and responsibility for the schemes.

While governments appoint board members, they should not be able to remove a board member on a whim or if the member's position on an issue is contrary to the wishes of the government. The relationship between social security institutions and governments should be more like the relationship between central banks and governments.

The *third level of governance* involves the management and administration of the scheme. Clearly, managerial and technical competence is critical, and these attributes must be properly rewarded in order to attract and retain high calibre staff. It is the scheme's managers and technicians who provide advice to the board and ensure that clients of the scheme are properly served.

Sound governance of a social security scheme leads to improved client service, increased transparency, informed debate, performance standards and improved compliance. It creates public confidence in the scheme. Members appreciate that the scheme's principal objective is to provide them with social protection, and that it is seeking to achieve this objective in an open manner.

11.16 How can social security funds be productively invested?

A sound governance structure is a prerequisite for the effective investment of provident fund or public pension scheme funds. The International Social Security Association has developed *Guidelines for the Investment of Social Security Funds* which deal with setting investment objectives and the organization of the investment process (see <http://www.issa.int/pdf/GA2004/2guidelines.pdf>).

The board of the social security scheme should appoint an **investment committee** responsible for developing an investment policy and investment strategy, recommending the policy and strategy to the board, overseeing implementation and evaluating effectiveness. Like the board, the investment committee should be independent from political influence or interference. Since a provident fund or a partially funded pension scheme is often the most important financial institution in a country, appropriate consultations must be held with government officials and agencies, notably the Ministry of Finance and central bank. But this does not mean that government should be able to direct or dictate the scheme's investments, interfere in the scheme's operations or (in the worst case) plunder the scheme's assets. While the views of national financial authorities are a legitimate consideration in setting the investment policy and strategy, they should not be involved in implementation of the strategy.

There are two **primary objectives** for the investment of social security funds:

- **security** – the investments should assist the social security scheme to meet its commitments in a cost-effective way;
- **profitability** – the investments should achieve maximum returns subject to acceptable risk.

A subsidiary objective, **social and economic utility**, may also be taken into account. Investments with social and economic utility can include, for example, some private sector initiatives and state enterprises; low-cost housing; health, transportation and communications infrastructure; old-age facilities; tourism; and projects such as student loans which develop human resources. These investments can make substantial contributions to economic growth, however their economic rates of return may not be reflected in short-term financial rates of return. By contributing to national economic growth, these investments can improve the long-term financial status of a social security scheme by ultimately increasing the number of members and their earnings and the rate of return on investments.

There should be well-defined criteria for determining the circumstances and extent the social and economic utility of an investment will be taken into account. Where investment in a

particular venture is considered desirable by the government and/or the board of the social security scheme but the returns are likely to be below market rates, the investment should be structured so that a subsidy is provided to the scheme from other government resources in order to avoid compromising the fiduciary responsibilities of the social security scheme to its members. If an investment is insufficiently secure for the investment of social security funds, a government guarantee should be sought.

The *Investment Guidelines* provide that 'No minimum level of investment should be prescribed for any given category of investment'. This applies in particular to **government securities**. Some governments have simply absorbed the investments of social security schemes, sometimes at below market rates, and used the funds to cover deficits. The availability of social security funds can also encourage governments to be profligate. On the other hand, governments have legitimate borrowing needs. If they cannot borrow social security funds, they will have to borrow elsewhere, perhaps at higher interest rates. The service of this debt will be the responsibility of taxpayers, the same persons who are contributors to the social security scheme. In developing countries, limitations of domestic capital markets generally result in significant investments in government securities. Governments should borrow social security funds, just as they borrow from other lenders, and the loans should be at market rates of interest.

Abuses by governments of funds they have borrowed from captive social security institutions have inspired calls to privatize social security in the expectation that private managers would be less susceptible to specific investment (and other) directions from the government and that they would invest more aggressively. It is not clear that privatization insulates social security schemes from political interference.⁷⁵ Nor, since private managers would be investing in the same market as the public scheme, is it evident that they will be able to perform better than the public scheme. Multiple private managers would also be more expensive than a single public scheme investor. An alternative is for the public scheme to define the investment policy, strategy and benchmarks, and to allocate funds for investment

⁷⁵ Events in 2001 in Argentina where private fund managers under the mandatory defined contribution system were ordered by the Government to transfer deposits to the state-owned bank cast doubt on the conviction that privatization would liberate pension funds from political risk.

by competing private investment institutions whose performance is then monitored by the public scheme. In this way, the public scheme would continue to be administered as before and the investment function would be shared. The investment performance of the public scheme could also be compared to the performance of the private investment institutions.

Whether investment leads to greater economic growth (and not simply inflated asset values) depends on the availability of efficient and productive investments. In developing countries provident funds and partially funded social security pension schemes face **liquidity** problems: they have funds to invest, but limited appropriate domestic investment opportunities. The easy solution to this dilemma – countries in this situation should invest abroad – ignores the national development and macroeconomic implications of exporting capital. In this case, the greater security which foreign investment might provide to persons covered by a pension scheme is incompatible with the goal of increasing national output.

While social security institutions prefer to invest 'in bulk' – to be 'wholesalers' of funds – excess liquidity leads them to undertake **financing of projects**. Project finance requires specialized management expertise which may not be found in social security institutions. Consequently, there can be a significant investment risk, and the effective management of the social security scheme may be put in jeopardy if its senior staff must divert their attention from running the scheme to overseeing projects.

In some countries, provident funds and partially funded social insurance pension schemes have been made subject to 'financial services legislation' and the **prudential supervision** of the body which administers the legislation, often the central bank. This can be a positive measure. It must, however, be recognized that a public social security scheme is very different from a commercial financial institution. A social security scheme has an indefinite time horizon; it is not subject to being 'wound up'. Pension scheme liabilities are long-term and partially funded social insurance pension schemes (and provident funds) seek to invest for long periods. Consequently, their investment performance should be measured over long periods. They should not be monitored in the same manner as

private financial institutions which for competition reasons must seek high short-term returns. Indeed, a short-term investment horizon can be detrimental to both the national interest and to the interests of members of a social security scheme.

11.17 Are public pension schemes gender neutral?

In so far as the pension amount is concerned, males and females are treated identically even though higher female life expectancy means that females will on average receive their pensions for longer periods than males. (At one time it was common to have a female retirement age up to five years lower than the male age, but this provision has largely been eliminated.)

However, pensions received by females are generally lower than male pensions due to females' absence from the labour force to bear and raise children and the lower wages typically received by females. Since public pension schemes pool contributions, females can be compensated for the time they spend rearing children by crediting them with service for the period when they are not contributing to the pension scheme. (Such a redistributive arrangement is not possible in a provident fund or defined contribution scheme where the benefit depends on each individual's own contributions.) The lower wages received by females are a result of labour market discrimination which is not susceptible to equitable resolution by a public pension scheme. A minimum pension guarantee can provide a 'floor of protection' to both males and females.

In some schemes, a female's right to a widow's pension was derived from her husband, and she could lose her right in the event of divorce or separation. This discrimination is being replaced by arrangements for splitting acquired benefit rights in the case of divorce or separation. In countries where female labour force participation is substantial, there is a trend to individualizing of benefits whereby a female's right to a benefit is entirely independent of her spouse.

11.18 Is there a 'crisis' in public pension schemes in industrialized countries?

The issue is ageing of national populations and 'over-promised' pensions. Declining support ratios and high replacement rates – 70 per cent and above, much higher than a modest replacement rate – in some maturing pay-as-you-go financed public pension schemes in industrialized countries threaten the future sustainability of the schemes. The identification of population ageing as an impending public pensions crisis which requires immediate action spawned articles in the popular press which exploited the alleged crisis and created uncertainty and doubt about their pensions among members of the public schemes. It was frequently claimed that the social insurance pension model was flawed and should be replaced by a defined contribution system. A radical structural reform was often advocated, sometimes with the support of private sector bodies which saw a potential commercial opportunity.

Certainly, the schemes in question must be reformed, but there is time to take a measured approach to reform. Reforms to social insurance schemes typically involve raising the contribution rate, increasing the number of active contributors relative to pensioners (e.g. by raising the retirement age), and/or decreasing the living standard of current and future pensioners (e.g. by lowering replacement rates or by lowering cost of living adjustments). Reforms are politically difficult, and in order to avoid a 'reform deadlock' and be accepted they must be based on a broad national consensus. Reforms of their defined benefit schemes have been adopted in Canada, Germany and Japan, and are under discussion elsewhere.

11.19 What is the Chilean reform model?

The reform of the public pension system in Chile has received much attention. In Chile, by the end of the 1970s political manoeuvring, unrealistic and inequitable pension promises, mismanagement, inflation and currency devaluation had brought the public pension schemes (there were several defined benefit schemes covering different sectors) into disrepute. The schemes were discredited, their partial funding financing had effectively become pay-as-you-go and they had become

unsustainable. In 1981 Chile enacted a structural (paradigm) reform which replaced the defined benefit schemes with a defined contribution scheme based on privately managed individual accounts.

During the accumulation period the individual accounts are credited with investment income annually just like members' accounts in provident funds. The difference is that in Chile the individual accounts are managed by private managers, not by a public institution. At retirement, members convert the balances in their accounts into pensions by buying annuities from private annuity providers or opt for 'programmed withdrawals' over a period. The latter provision gives individuals a choice which can result in their outliving the periodic payments and perhaps resorting to the guaranteed minimum pension paid by the state. The government set up a sophisticated supervisory authority to ensure that the private managers operate in the best interest of the account holders and annuitants.

Advocates of a Chilean style reform expected privatization to avoid the risk of political interference, and competition among private managers to produce higher investment returns for members and thereby higher pensions. In addition, national savings rates were expected to rise, capital to be more efficiently allocated, labour markets to become more efficient and national economic growth to increase. The Chilean reform focuses more on macroeconomic than on social policy considerations, and tends to be favoured by finance ministries and resisted by labour and social welfare ministries.

As in a provident fund, members in a defined contribution individual accounts scheme bear the investment risk, and the risk that their defined contribution individual account balances at retirement will be insufficient to provide them and their dependants with adequate retirement incomes. They have been empowered to make their own choices (e.g. to select and change private fund managers), but generally they do not have either the information or the knowledge to take informed decisions. In their dilemma, there is no shortage of professional advisers and salespersons to assist them. The resulting switching of fund managers complicates the administration, increases administration expenses and can abet evasion of contributions. While investment managers are free from direct

government interference and demands to which funded publicly managed schemes can be subject, generally the composition of the investment portfolios of different managers is remarkably similar. This may be attributable to regulations constraining investments, or simply due to the depth of the domestic capital market which offers few investments suitable for social security funds. Consequently, managers' rates of return are not significantly different.

Annuitization at retirement has proved to be problematical. All private annuity providers face the same investment and future reinvestment constraints and uncertain future annuitant mortality, as well as marketing and administration expenses. Since potential annuitants can opt for programmed withdrawals, the providers face adverse selection as persons who perceive themselves to be unhealthy will not opt for annuities. In order to index annuity payments so they keep up with inflation, private annuity underwriters must invest in indexed securities which largely restrict them to inflation indexed bonds issued by the government.

The close link between contributions and benefits in the individual account schemes has not created the expected incentive for participants to comply with the statutory contribution conditions. Myopic behaviour and current consumption needs have predominated over prudent saving for retirement and levels of compliance are low. In privately managed individual account schemes, administration expenses (including the high cost of advertising and salespersons' commissions) reduce the funds members accumulate to buy their pensions. This alone is a compelling reason for public pension schemes to be administered as natural monopolies by government departments or statutory bodies.

Adaptations of the Chilean model have been implemented in a number of Latin American countries and some countries in Central and Eastern Europe and the former Soviet Union. Experience with the model has considerably diminished enthusiasm for it. (See *Old Age Income Support in the 21st Century*, World Bank, Washington, 2005.)

10.20 What are the administrative prerequisites for a social insurance pension scheme?

This chapter has focused on retirement protection policy issues. A social insurance pension scheme requires an efficient administration and a 'client service' approach to members, otherwise, no matter how well-designed the scheme is, it will not meet its objectives and it will rapidly be discredited by those whom it is designed to protect.

A provident fund already has a management information system, and the administrative infrastructure and system to collect and record contributions. The contributions system can be adapted to the requirements of a pension scheme. A system to record and make periodic pension payments on time and at remote locations throughout the country must be developed.

The necessary systems can be developed or adapted from existing systems elsewhere. It is important to allocate sufficient time to systems development so the pension scheme can be fully operational from the day it is inaugurated.

11.21 Pensions in Samoa

11.21.1 Samoa National Provident Fund (SNPF)

(established 1972)

(i) Mission

'To keep safe members contributions, and to generate from the resources provided by these contributions the greatest achievable benefits for members and their dependents during retirement and in the event of earlier death or incapacitation.'

(ii) Coverage:

- Compulsory: public and private sector employees under age 55
- Voluntary: any persons not defined to be employees by the legislation.

(iii) Contributions:

10 per cent of gross wages shared equally by the employer and the employee.

(iv) Benefits:

Amount: employee and employer accumulated contributions with accrued interest.

Payable in the event a member:

- Attains age 55 (payable optionally as an annuity),
- Dies,
- Migrates permanently,
- Suffers physical or mental incapacity,
- Undertakes theological studies,
- Transfers to a Permitted Fund,
- 1998 amendments to the legislation provided for payment in the event a member:
 - ceases employment after age 55
 - rejoins the SNPF for five years (possibly less) after withdrawing at age 55
 - is age 50 to 55 and the member's account has been inactive for five years.

Prior to the 1998 amendments, a member attaining age 55 had the choice of:

- a reduced joint life annuity with his/her spouse receiving 50 per cent of the full annuity and with the spouse's annuity payable for ten years;
- one-quarter of the balance in a lump sum and an annuity as in (1);
- the entire balance in a lump sum provided it is less than WST 10,000.⁷⁶

The optional annual annuity payment is 10 per cent of the balance in the member's account at age 55. The annuities are 'cash refund annuities' whereby a member is guaranteed payments at least equal to the total of the balance converted into an annuity.

The 1998 amendments removed the WST 10,000 upper limit in (3) and provided that a member under age 65 in receipt of an annuity could receive the remaining payments in a lump sum.

If the SNPF is unable to pay any amount which it is obliged to under the legislation, the Samoa Government guarantees any shortfall by making a loan to the SNPF.

A Special Death Benefit of WST 2500 is financed from the General Reserve Account.

(v) Governance:

A tripartite Board is appointed by the Cabinet on the advice of the Minister of Finance who receives recommendations for appointments from the bodies concerned. The Board consists of: Chief Executive Officer of the Ministry of Finance (Chairperson), Attorney General, public servants representative, private sector employees representative, farmers representative, two employers representatives, manufacturers association representative, all churches representative, and the chief executive of the SNPF.

(vi) Loans/Advances:

Members can borrow from the SNPF up to 50 per cent (45 per cent prior to November 2002) of the balances in their accounts. These small loans to members are made at a concessional rate.

Since members' balances cannot be alienated, they cannot pledge their balances as security for loans with other financial institutions.

11.21.2 Observations on the Samoa National Provident Fund**(i) Coverage**

According to the Samoa 2001 Census the total population was 176,848 and 52,945 persons age 15 and above were economically active. 26,305 persons were in paid employment, of whom around 5,000 were employed in public administration.

According to SNPF data, in 2001 the scheme had 20,048 active contributors. At 30 June 2004 there were 21,318 contributors of whom 63 were voluntary members. This leaves around 60 per cent of the labour force without coverage in the event of old-age, invalidity or death.

It is not possible for a contributory social security scheme such as the SNPF to cover most workers who are in the informal economy and in self-employment and subsistence agriculture. The Senior Citizens Benefit meets in part this shortfall in coverage.

⁷⁶ WST refers to Samoa tala.

(ii) Compliance

The SNPF has a Compliance Division which has broad inspection powers, and access to administrative and legal procedures which it uses to enforce compliance. The SNPF is recognized as having effective compliance, and aggregate SNPF data on its members is used by other Government departments.

(iii) Interest credited to members' accounts

The legislation requires that members' balances be credited with a minimum interest rate of 4 per cent. Returns on the SNPF's invested assets, rates of interest credited to members' accounts and the real rate of return to members (after deducting the rate of inflation) are shown in table S1. SNPF members have generally received positive real rates of return on their accounts. The reason for their small account balances is not inadequate interest on them.

Table 11.3 SINPF rates of return (%)

Year	Return on Portfolio	Credited to members	Inflation rate	Real return to members
1996	12.0	7.5	7.0	0.5
1997	10.5	7.5	11.2	-3.7
1998	10.6	7.5	-0.1	7.6
1999	10.7	7.5	0.3	7.2
2000	9.95	8.0	1.1	6.9
2001	8.7	6.0	3.7	2.3
2002	8.4	7.6	8.2	-0.6
2003	4.3 (6 mths)	3.0 (6 mths)	0.1 (6 mths)	
2003/4	8.3	6.8	na	-

Source: SNPF data; ILO LABORSTA table 7A (calendar year average rates of inflation)

A negative real return on members' accounts during the accumulation period means that (excluding contributions made during the year) at the end of the year the real value of the account balances is lower than at the beginning of the year, i.e. the balances in the accounts can buy fewer goods and services at the end of the year than they could at the beginning. In a defined contribution (provident fund) scheme, members bear the risk that real interest rate will be negative. (Members who make withdrawals from their accounts for current consumption may in fact be acting in their own best interest if real returns on their accounts are negative)

(iv) Investments

Table 11.4 shows an adjusted distribution of SNPF invested assets.

Table 11.4 SNPF invested assets at 30 June 2004 (WST 000s)

Asset class	Domestic	Foreign	Total (%)
Cash	5,316	629	5,945
Term deposits	36,058	5,131	41,189
S/T	41,374	5,760	47,134 (18%)
Global fund		2,094	2,094 (1%)
Members' small loans	74,160		74,160 (28%)
Government securities	26,524		26,524 (10%)
Other loans/advances			
Commercial	16,333		
Community	18,127		
Loans in arrears	25,511		
S/T	59,971*		59,971 (22%)
Equities		10,122	10,122 (4%)
Property	45,949	2,448	48,397** (18%)
Totals	247,978	20,424	268,402

* Before provision for doubtful loans (\$11,296,000).

** Property adjusted from \$51,168,000. See note 14 in 2003/04 Annual Report.

For many years, small loans to members (currently up to one-half of the balances in their accounts) have constituted the principal investment of the SNPF. Members make much use of this facility, regularly making some repayments and then re-borrowing from the SNPF. These loans create no risk for the Fund since they are entirely covered by the balances in the borrowing members' accounts. The risk for the borrowing members is that when they reach age 55, their lump sums will generally be only about one-half as large as they would have been without the loans. In effect, one-half of the total contribution to the SNPF is used to produce a lump sum at retirement and one-half is used to operate a small loans facility. Clearly, members need credit, but equally clearly they and their dependants need social security during their retirement.⁷⁷

The SNPF is allowed to invest 10 per cent of its assets abroad, and 7.6 per cent of its assets are foreign.

(v) Special Death Benefit (SDB)

The amount of the SDB is shown in table 5. Clearly, the amount of the SDB should be increased and the SNPF 2003/04 Annual Report notes that the Board intends to review the SDB. Rather than adjust the SDB to take into account inflation since the WST 2,500 amount was set in 1988, the new amount could be set with reference to average (or minimum or median) wages in 1988 and currently. It would be possible to deduct a small amount from members' accounts each year to finance a substantial increase in the SDB.

⁷⁷ The need for adequate retirement protection is dealt with in a brochure explaining the Parliamentary Pension Scheme Act, 1998. The response to the question 'Why cannot the members borrow from the scheme as in the past?' is ... 'The purpose of the scheme is to provide sufficient monetary benefits either on retirement, death or when a member no longer becomes a *faipule*.... If borrowings are allowed, then the scheme could not protect or guarantee a member's pension. One of the main reasons for this scheme is to avoid or reduce the possibility of a member becoming destitute when he or she is no longer a *faipule* and has no other income.'

Table 11.4 SDB maximum amounts

Year	Maximum amount (WST)
1972-80	200
1981	300
1982	500
1983	800
1984-86	1000
1987	1500
1988-	2500

Table 11.5 shows the number of Special Death Benefits paid and SNPF withdrawals due to death in recent years.

Table 11.5 Number of SDB payments and SNPF withdrawals due to death

Year	Number of SDBs	Number of SNPF withdrawals due to death
2000	83	118
2001	104	104
2002	90	146
2003 (6 mos)	57	89
2003/4	127	228

Source: SNPF Annual Reports

While not all members of the SNPF who die will be eligible for a SDB payment to their survivors, the difference between the number of withdrawals from the SNPF due to death and the number of SDB payments is remarkable.

(vi) Withdrawals

Table 11.6 shows withdrawals from the SNPF by three principal causes in recent years. Migration (including the intent to migrate) is the major cause of withdrawal in most years. The number of withdrawals at ages over 55 (due to ceasing employment after age 55 or withdrawal after rejoining the SNPF for five years following withdrawal at age 55) indicates that a significant number of persons continue working to an age greater than 55, the earliest retirement age.

Table 11.6 Number and amount of SNPF withdrawals by selected causes

Year	At age 55		After age 55 (No.)	Migration (No.)	Total (No.)
	No.	Amount (\$000s)			
1999	328	3589	266	875	1976
2000	280	3117	447	1223	2549
2001	295	3073	499	1016	2217
2002	420	5149	630	935	2500
2003 (6 mos)	189	2207	324	470	1422
2003/4	377	3957	748	1090	3186

Over the period 1999 to 2004, the average amount of lump sum payments at age 55 has varied little from WST 11,000. This is the average balance remaining after repayment of outstanding small loans when the age 55 retirement benefit became payable.

(vii) Conversion of lump sum benefits into annuities

The conversion of a WST 11,000 lump sum into an annuity would produce a pension of WST 1,100 per year from age 55 which would not be adjusted for inflation – not an attractive alternative to the lump sum. Table 8 shows that since the legislation was amended in 1998 allowing persons at age 55 to opt for a lump sum instead of a pension there have been virtually no new pensions.

Table 11.7 Number of SNPF pensioners

(at the end of the financial year)

Year	Retired persons	Spouses	Orphans	Eligible (at age 55)
1996	1086	223	87	430
1999	895	245	54	328
2000	856	216	88	280
2001	819	225	71	295
2002	785	240	65	420
2003/4	731	261	43	377
May 2005	699	269	38	

The average amount of annual retirement pension in May 2005 was WST 1,272 for retired persons, WST 612 for spouses and WST 132 for orphans. Nearly all of these pensions first became payable before 1998, and inflation since then has drastically reduced their real value.

11.21.3 Pensions

The SNPF is providing a savings and loan facility for its members, but it is not meeting the objective of providing them with protection during their retirement. Only about half of the total contributions are accumulated to produce lump sums at age 55, and in any event, it is generally recognized that lump sum benefits are rapidly spent.

Samoans benefit from strong community ties and support. In the future, demographic ageing will strain this system. In Samoa, ‘support ratios’ – the number of persons aged 15 to 59 available to support persons aged 60 and over decreases significantly in the future⁷⁸

Table 11.8 Support ratios

Year	2005	2050
Support ratio	7.6	4.3

In other words, while in 2000 there are nearly eight persons of working age who are available to support persons age 60 and over, in 2050 there will just over four persons of working age. In order to sustain the system of community support, aged persons will need more resources of their own than those which can be provided by the Senior Citizens Benefit Fund. A social insurance pension scheme can provide these resources for wage and salary workers who are covered by the provident fund.

A social insurance pension can provide much better retirement protection than a lump sum provident fund benefit.⁷⁹ The pension is related to an employee’s earnings history, and it is adjusted periodically to take into account inflation. In a social insurance pension scheme it is the scheme as a whole and the government as the ultimate guarantor of the scheme that assume the investment risk, not each individual member.

If half of the current contribution must in effect

⁷⁸ Demographic ageing is the result of declining fertility rates and increasing life expectancies, especially at the higher ages. Data are from *World Population Ageing 1950-2050*, Population Division, United Nations Department of Economic and Social Affairs (ST/ESA/Ser.A/207), New York.

⁷⁹ All the provident funds in the island states in the Caribbean have converted to pension schemes, and with the exception of Swaziland, in Africa provident funds have been converted or are in the process of being converted to pension schemes. In Africa the conversion has usually included a pension and a lump sum payment.

continue to be allocated to provide small loans to members, an amount greater than the remaining half of the 10 per cent contribution rate would be required to permit a modest pension scheme to be set up.⁸⁰ If a small lump sum is also to be paid at retirement, the contribution rate would have to be higher still. The appropriate contribution rate would be determined by an actuarial valuation. Contributions to the pension scheme would be pooled and would not be available to loan to members except on a strictly commercial basis.

The SNPF normal retirement age is 55, the age when the provident fund pays the accrued balance. According to United Nations estimates, the current joint (male and female) life expectancy at birth in Samoa is 70 years.⁸¹ But what is important is the life expectancy of persons at the upper ages – 55 and 60. The United Nations estimates the current joint life expectancy at age 60 for Samoans to be 17.5 years, and the joint life expectancy in 2050 to increase to 21.4. In other words, on average, Samoans aged 60 now live to age 77.5. Retirement age should be set with reference to life expectancies at the upper ages – the lower the retirement age, the more expensive the pension scheme will be. Retirement age would have to be raised gradually to age 60.

The design and financing arrangements for a public pension scheme are major undertakings involving wide consultation with stakeholders and an actuarial valuation. A multitude of design and financing issues must be decided, including:

- Retirement age,
- Qualifying period for old-age, invalidity and survivors pensions,
- Pension benefit formula,
- Integration of the pension with the Senior Citizens Benefit,
- Financial system to be applied,
- Provision of a minimum pension benefit,
- Transitional arrangements (including equitable arrangements to take into account members' periods as contributors to the SNPF and withdrawals which members have made from the fund),

⁸⁰ In the ILO Social Security (Minimum Standards) Convention No. 102, for an average wage earner with a spouse of pensionable age, the minimum pension after a full working career (30 years) is 40% of the worker's earnings at retirement.

⁸¹ From *World Population Ageing 1950-2050*, Population Division, United Nations Department of Economic and Social Affairs (ST/ESA/Ser.A/207), New York.

- Method of adjustment of pensions to take into account inflation, and
- Amount of lump sum benefit or portion of total contribution to be allocated to produce a lump sum.

Reform of the SNPF into a social security pension scheme could proceed in two stages:

11.22 Public information/awareness campaign

(i) Public information/awareness campaign

There must be widespread support for the conversion of the provident fund to a social insurance pension scheme. In addition to support of the Board and management of the SNPF, the active support of concerned ministries, SNPF members and workers' organizations, and employers must be sought. The campaign would usually include public meetings and extensive use of the media. It is necessary to generate support for a modest pension scheme, while not creating unrealistic expectations.

The campaign is a national effort which must be directed by respected national leaders who champion the reform of the provident fund. The ILO can provide documentation and similar support to the campaign, but the impetus for reform must be national.

(ii) Technical planning

Support for the conversion leads to the appointment of a planning committee consisting of the tripartite partners and other interested parties. The planning committee should set out a target timetable for the design of the pension scheme and actuarial valuation, the drafting and enactment of legislation establishing the scheme, and implementation of the scheme. Proposals for the design and financing issues mentioned above must be formulated and an actuarial valuation undertaken. The outputs of these activities would be presented to the planning committee, and once agreed they would be widely publicized. Once the proposals have been accepted, legislation can be drafted. Widespread support for the pension scheme should facilitate passage of the legislation.

(iii) Implementation planning

At the same time technical planning is underway, an implementation committee should be set up to deal with pension scheme administration issues, especially the information technology requirements and arrangements for making monthly pension payments throughout the country. Once an outline of the scheme has been agreed, the forms which will be required and systems can be designed. Staff requirements must be ascertained, staff recruited and arrangements made for staff training.

Technical and implementation planning must proceed according to a well-defined and realistic time frame. International expert advice is likely to be required. The ILO can help to design a project to cover the technical planning and implementation of the reform. Loans or donor assistance to finance the project can be sought, but a provident fund is generally the largest financial institution in a country and it is not always recognized that the assets of a provident fund are held in trust for its members, hence donors are reluctant to allocate scarce technical cooperation resources to projects involving provident funds. Since reform of a provident fund will benefit the current and future generations of members, it is not necessary to seek loan or aid funds since a provident fund can pay for the project itself and amortize the cost over a long period (20 years or more). The ILO has wide experience implementing such projects which are financed by the institution involved.

11.23 Samoa Senior Citizens Benefit Fund (SCBF)

(established 1990)

The government established the Senior Citizens Benefit Fund as a means of recognizing and appreciating the service and contribution of older citizens to the country and its development. The scheme was designed not to replace the culture of family tradition, but to enhance the rights of aged persons to dignity, equality and a long life. The cost of the scheme, including administration expenses, is paid from the state budget.

The non-taxable monthly benefit is payable from age 65. In 2000 it was extended to permanent residents. Beneficiaries are also entitled to free medical care and medications at Government hospitals, and to free inter-island ferry travel. The

cost of these services is reimbursed to the Health Department and Samoa Shipping Corporation.

Since November 1990, the monthly cash benefit has been as follows:

Table 11.9 Monthly pension cash benefit

Benefit from:	Amount (\$)
Nov. 1990	50
July 1995	60
July 1997	70
Jan. 1999	80
Jan. 2001	100

It is currently proposed to raise the monthly benefit to WST 120 or WST 125. Parliamentary approval is required for an increase in the Senior Citizens Benefit.

The scheme is administered by the SNPF. Identification cards are issued. Originally payments were made through commercial banks. Due to bank fees and the inconvenience for persons living in rural areas without banking facilities, since 2001 the monthly payments have been made in cash by 12 teams of three persons each who travel throughout the country. Payment in person also minimizes overpayments to pensioners who have died or who have been absent from Samoa for more than 30 days (which is condoned for medical reasons).

11.24 Observations on the Senior Citizens Benefit

The Senior Citizens Benefit is much appreciated in Samoa. It is reported that the recipients use the benefits for family expenses including education and support of unemployed and indigent family members and for traditional and religious obligations. The regular income enhances elders' status in the community.

Table 11.10 Senior citizens benefit in 2002/03 (WST 000s)

Allocation	Amount
Pensions	9,446
(Number of pensioners in June)	(8221)
Medical care	572
Travel	326
S/T	10,344
Administration expenses	544

Source: SCG 2002/03 Annual Report Statement of Cash Flow

Senior Citizens Benefit expenditures in the 2001/03 and 2002/03 fiscal years are shown in Table 11.10. Since 1995/96, the scheme has cost 1.1 to 1.2 per cent of GDP, or 4.2 to 5.7 per cent of the Government's current expenditure.

Table 11.11 shows the number of pensioners in recent years.

Table 11.11 Number of senior citizens pensioners

Year	Number of pensioners (in June of year)
2000	8063
2001	8221
2002	8213
2003	8221

According to the 2001 Census of Samoa, the number of persons age 65 and over was 7904. Some persons over age 65 are not eligible for the pension (un-condoned absences of more than 30 days), and presumably the attraction of a cash benefit led other older persons who had not been counted for the census to present themselves for the pension. Clearly, the scheme reaches virtually all those persons over age 65 who are eligible.

In order to estimate the future expenditure on senior citizens pensions and the financial implications of any increase in the monthly pension or of lowering the age from which the pension is payable, it is necessary to make demographic projections. From the census, the potential number of new pensioners, provided they survive to age 65 and are eligible for a pension, is shown in table 11.12.

Table 11.12 Basis for demographic projection
(from 2001 census)

Year	Age in 2001	Potential new pensioners
2003	65+	8221 (actual pensioners)
2004	62	776
2005	61	758
2006	60	699
2007	59	827
2008	58	814

Applying appropriate mortality rates to the potential new pensioners will produce estimates of survivors at age 65 in each year. An estimate of the number of survivors at age 65 who will not be eligible for a pension must be deducted from the estimated number of survivors. This will give

the estimated potential new pensioners each year. Similarly, each year by applying appropriate mortality rates to pensioners age 65 and older, the estimated number of deaths which must be deducted from the number of pensioners can be obtained.

A more difficult estimate is the future cost of medical care and medications at government hospitals. This will normally increase as the average age of pensioner's increases.

As an alternative to politically motivated increases in the amount of the pension payable to senior citizens, the pension could be adjusted annually in accordance with changes in the cost of living. A disadvantage of this approach is the volatility of the Samoa consumer price index (see Table 11.3).

11.25 Further reading

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Chapter 12 Unemployment Protection: Principles

12.1 Introduction

This study has been produced against a background of worsening global employment trends, growing concerns about the serious problem of youth unemployment and slow progress in achieving gender equality at work. At the end of 2004 global unemployment was estimated as 184.7 million which was a slight improvement over 2003 but welcomed as the first such decrease in a decade. However, the fact that the global growth rate in 2004 was as high as 5 per cent but produced only 1.7 per cent more jobs was highlighted at the International Labour Conference 2005 as a grave concern over the imbalance between globalisation and growth and job creation *when more than a billion people are either unemployed or are considered as working poor*.⁸²

ILO Global Employment Agenda in regard to labour market policies notes that in a globalized economy where competition has intensified, labour markets work best when there is an institutional environment that allows adjustment flexibility for firms whilst ensuring income, social and employability protection for workers. A shift is noted towards more flexible forms of employment and from employment protection at the company level towards social protection on a more collective level. The implication for developing countries is that they have to gradually stabilise and formalise their labour markets which calls for the introduction of labour standards and labour market institutions. *It is the embeddedness of private and public sector employment in a network of labour market institutions such as unemployment benefit, re-employment services and training schemes which is a condition for the management of change and a condition for decent work that can hardly be created by the private sector without the support of labour market institutions.*

In this context the number of unemployment benefit schemes has gradually increased in recent decades reaching 68 in 2004. These schemes have a long history in industrialised countries but were more recently developed in Central and Eastern Europe and in some middle-income developing countries. There are few schemes in developing countries. In some of the latter, the main strategy has been to organise labour intensive projects for infrastructural development. Such projects and programmes have directly assisted unemployed and under-employed persons by providing work that is scheduled for the off-season in rural areas at rates of pay that appeal only to the lower paid and hence achieve targeting objectives. These are persons who, in the main, are unlikely to be covered in contributory social security schemes which mean that this method of assisting the unemployed should continue if an unemployment insurance scheme is developed at a later stage primarily for persons in the formal sector.

The term *unemployment protection* should be understood to mean the full range of measures through the promotion of employment, employment services, vocational training programmes, and income support to assist the unemployed to find suitable employment. There are two main types of unemployment benefit schemes; social insurance systems that pool contributions and other income in autonomous funds from which benefits are paid (unemployment insurance schemes), and unemployment assistance schemes that apply social assistance principles of means-testing to determine entitlement to cash payments during unemployment. Some of the longer-established unemployment insurance schemes in industrialised countries also provide unemployment assistance to benefit recipients who are still unemployed and qualify under means test rules when their entitlement to insurance benefits is exhausted, and these schemes may also ensure financial support to persons who are ineligible for insurance benefits.

This chapter comprises:

- Relevant concepts, principles and standards,
- Unemployment protection in practice, and

⁸² Quoted in the ILO press release on the speech by the Director-General Juan Somavia at the ILC 6 June 2005 who also stated that "We must repair the disconnect between economic growth and job creation, rebalance priorities, revalue work and target the right investment policies. We must move employment and decent work fully into the mainstream of the international development debate"

- Development of unemployment protection.

In addition summary information on selected unemployment insurance schemes in Asia is given in section 12.3.5 and an overview of the unemployment insurance scheme in Thailand, as an example of a scheme in a developing country, is provided in section Appendix 12B.

12.2 Relevant concepts, principles and standards

12.2.1 ILO instruments on unemployment

The relevant ILO Conventions define the contingency of unemployment and prescribe the standards of unemployment protection. The first such Convention was approved at the first session of the International Labour Conference in 1919. However, some ILO instruments on this subject are now outdated and this report focuses on the post-war Conventions numbers 102 and 168 and the Recommendation 176 respectively and explains only those aspects that are directly relevant to this study. The titles of these instruments are as follows:

- Social Security (Minimum Standards) , Convention No. 102 of 1952,
- Employment Promotion and Protection against Unemployment, Convention No. 168 of 1988, and
- Recommendation on Employment Promotion and Protection against Unemployment, No. 176 of 1988.

12.2.2 Employment policy and unemployment benefits

Article 2 of Convention No.168 makes the stipulation that systems of protection against unemployment, and, in particular the methods of providing unemployment benefits, should contribute to the promotion of full, productive and freely chosen employment, and are not such as to discourage employers from offering and workers from seeking productive employment. This constitutes an important guideline for the design, adaptation and implementation of unemployment benefit schemes.

The emphasis on employment is evident from the stipulation in Article 7 that each member shall declare as a priority objective a policy designed

to promote full, productive and freely chosen employment by all appropriate means, including social security. Such means should include, inter-alia, employment services, vocational training and vocational guidance

12.2.3 Definition of the contingency

The basic concept in the Social Security (Minimum Standards) Convention (No. 102 of 1952) is of *suspension of earnings due to inability to obtain suitable employment in the case of a person who is available for and capable of work*. A further requirement that the applicant should be *actually seeking work* is contained in the Employment Promotion and Protection Against Unemployment Convention (No.168 of 1988). This is the definition of **full unemployment** in Convention No.168 which is at the core of the definitions found in national legislation governing unemployment benefit schemes that increasingly in recent years have stressed the requirement that benefit applicants are genuine job-seekers for whom the cash benefits are for the purpose of subsistence whilst they take sufficient time to find *decent work*, to use the term and concepts developed by ILO.

12.2.5 Suitable employment

This is a key concept that has to be understood and implemented in administering national schemes. Article 21 of Convention No.168 stipulates that benefit may be refused, withdrawn suspended or reduced when the claimant refuses to accept suitable employment. This situation may arise in the course of monitoring or enforcing job search rules and the employment services officials consider that, all things considered, the job available is reasonable and appropriate for the unemployed person but are unable to convince him or her to apply for it or take it, as the case may be. In determining whether employment is *suitable* account should be taken of:

- The age of the unemployed person,
- Their length of service in their former occupation,
- Their acquired experience,
- The length of the period of unemployment,
- The labour market situation,
- The impact of the employment in question on their personal and family situation, and

- Whether the employment is vacant as a result of an on-going labour dispute.

Recommendation No.176 lists the circumstances where the concept of suitable employment should not apply:

- Such as where the employment concerned involves a change of occupation which does not take account of the abilities, qualifications, skills, work experience, and retraining potential or involves a change of residence to a place where suitable accommodation is not available,
- The conditions and remuneration are appreciably less favourable than those generally granted in that occupation and district,
- The vacancy results directly from a stoppage of work due to an on-going labour dispute, and
- Reasons other than the above make it not unreasonable, taking into account the family responsibilities to refuse the job offer.

In practice, interpretation of such guidelines may still differ between unemployed persons and the employment services and may lead to disputes, the application of sanctions in the form of benefit suspensions and, in some instances, to appeals to labour courts or their equivalent to resolve such disputes.

11.2.6 *Partial unemployment*

Convention No.168 also extends unemployment protection to partial unemployment which is defined as:

- Loss of earnings due to a temporary reduction in the normal or statutory hours of work, and
- Suspension or reduction of earnings due to a temporary reduction of earnings due to a temporary suspension of work without any break in the employment relationship for reasons of, in particular, economic, technological, structural or similar nature.

This convention states that each member shall endeavour to provide the payment of benefit to part-time workers who are actually seeking full-time work on the basis that the total of benefits and earnings from part-time work may be such as

to maintain incentives to take up full-time work. However members may make a declaration under Article 5 in order to defer implementation of provisions on partial unemployment.

12.2.7 *Qualifying periods*

The conventions do not contain specific provisions on the duration of qualifying periods and stipulate only that the qualifying period should be such as to preclude or prevent abuse.

12.2.8 *Cash benefits*

Article 15 stipulates that benefit shall be calculated in such a way as to provide the beneficiary “*with partial and transitional wage replacement and, at the same time, to avoid creating disincentives either to work or to employment creation*”.

Rates Where the benefit is based on the contributions paid by and on behalf of the unemployed persons or in respect of the previous earnings, Convention No.102 prescribes a rate of 45 per cent for a man with a wife and 2 children whilst the Convention No.168 prescribes 50 per cent. In other types of systems, where benefits are at standard rates or are based on need, the rates must be fixed at 50 per cent of the minimum wage or of the wage of an ordinary labourer or at a level that provides the minimum essential for basic living expenses, whichever of the three alternatives is the highest.

Duration As regards duration, a waiting period of up to 7 days is provided for and the duration of payment is prescribed as throughout the contingency in principle but this can be limited as follows:

- Under Convention No.102 where employees are protected for up to 13 weeks within a period of 12 months and, where residents with insufficient means are protected, to a maximum of 26 weeks in a period of 12 months, and
- Under Convention No. 168, up to 26 weeks in any spell of unemployment or 39 weeks over a period of 24 months but, if a country has obtained a temporary exception from this requirement under Article 5, the duration may be limited to 13 weeks over any period of 12 months.

Convention No.168 stipulates in Article 19 that the duration of payment to seasonal workers may be adapted to their occupational circumstances. Some schemes aim to limit the entitlement to the normal working period and to exclude the off-season periods when there is no loss of earnings to be compensated.

12.2.9 Other benefit rights

Convention No.168 contains other important provisions concerning other benefit rights:

- Where the unemployed persons were entitled to medical care for themselves and dependants by virtue of their previous employment (for example, through a social health insurance scheme) Article 23 provides that this entitlement may be maintained for persons in receipt of unemployment benefit, and
- The periods of benefit should be taken into account for rights to pension benefits, medical care and sickness and maternity benefits after the end of unemployment.

This means that persons who are members of an integrated and comprehensive scheme and cease to contribute because of unemployment would not lose all rights during the period of unemployment and be forced to obtain and pay for medical care from other sources for themselves and their families. Furthermore, by crediting periods of unemployment benefit the contribution records of the unemployed would not depreciate affecting entitlement to short-term benefits when back in work and their rights to pension protection in future. However, such provisions may not be applied where a declaration has been made by a country where it is justified by the extent of protection of its social security system.

12.2.10 Restriction on benefit entitlement

In addition to the suspensions in relation to refusal of suitable employment, Article 21 of Convention No. 168 prescribes other circumstances where benefit may be refused, withdrawn, suspended or reduced, including:

- When it has been determined that the person concerned had deliberately contributed to his or her own dismissal, or

has left employment voluntarily without just cause,

- During the period of a labour dispute, when the claimant has stopped work to take part in a labour dispute or when he or she is prevented from working as a direct result of a stoppage of work due to this labour dispute,
- When the claimant has attempted to obtain or has obtained benefits fraudulently, and
- When the person concerned has failed without just cause to use the facilities available for placement, vocational guidance, training, retraining or redeployment in suitable work.

12.2.11 Financing

Convention No. 102 prescribes that the cost of benefits and the administration of the scheme shall be borne collectively by way of insurance contributions or taxation or both in a manner which avoids hardship to persons of small means and takes into account the economic situation of the country and the classes of persons protected.

The total of contributions by employees shall not exceed 50 per cent of the total contributions except those for family benefit and employment injury benefit.

12.3 Unemployment protection in practice

12.3.1 Objectives and roles of unemployment benefit schemes

The main purpose of social insurance and social assistance systems for the contingency of unemployment is to provide financial support whilst the unemployed person obtains re-employment with the help of organised employment services and, where necessary, re-training schemes. Other objectives are:

- To help maintain aggregate consumer demand during periods of economic difficulties that have led to extensive unemployment and to prevent or minimise a downward spiral of further economic decline that could cause more rounds of job losses,
- Promote better utilisation of labour by encouraging unemployed workers to find

appropriate jobs and, where necessary, develop their job skills to meet current demands of the labour market, and

- Help industries to maintain skilled work forces as trained workers are not forced to seek other jobs, and thus are free to return when job openings occur.

The introduction of unemployment insurance, or an unemployment assistance scheme, such as those in Australia and New Zealand, may have an effect on aggregate disposable income, consumption and savings. Benefit entitlement might deter some workers from seeking rapid reintegration into the labour market as it is intended to provide a breathing space to find suitable jobs. In the case of short-term schemes that may be implemented in developing countries to provide a proportion of the unemployed modest levels of income support for limited periods, the effect on the overall cost of the scheme and the economy as a whole should be negligible. There are only marginal effects to be expected on average labour costs and on consumer price levels.

On the other hand, there are economic costs of not having any unemployment benefit system. They result from:

- Passive or active resistance by workers to structural change and unwillingness of the workforce to cooperate in the introduction of new technology due to concerns that some may lose their jobs⁸³;
- Political tensions and social unrest when large numbers of workers have to be laid off;
- The tendency to claim other social security benefits (invalidity benefits, cash sickness benefits) when the contingency of unemployment is not covered; and
- The temptation to establish other more costly and less effective schemes to provide protection in the event of job loss (employment assistance programs).

The contingency of short-term and frictional unemployment can be considered a risk that can

be protected under social insurance principles of pooling risks and finances in autonomous funds. The special characteristics of unemployment relate to the difficulties of predicting or projecting the extent of unemployment which could arise from one or more of numerous economic factors and, furthermore, could be localised and temporary at one extreme or widespread and structural in nature at the other. As industries adapt to market forces and introduce new technological methods that place new demands on employees they may be expected to be increasingly subject to re-training, more mobile and adaptable. In such circumstances, unemployment benefit schemes have a key role in adapting labour supply to demand.

In the context of more open economies in the era of globalisation the importance of such schemes is enhanced. However, the limited number of unemployment benefit schemes worldwide, and notably in developing countries, underlines the difficulties of designing and administering these systems effectively in countries where coverage is narrow, job creation is limited and relatively large informal sectors exist.

Information on the experiences of unemployment benefit schemes is provided in the following sections.

12.3.2 Overview

Whilst unemployment benefit schemes operate in all industrialised countries there is some variation in the standards of protection they provide. One group that includes Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden and Switzerland is noted for the extensive coverage and high level and long duration of unemployment insurance benefits, which may be backed up by unemployment assistance for workers who do not qualify or have exhausted their entitlement to insurance benefits.⁸⁴ These countries generally have high levels of employment protection. A second group that includes Australia, Canada, Japan, New Zealand, the United Kingdom and the United States provide relatively lower levels of income

⁸³ "The existence of a good unemployment insurance system creates a feeling of security among the workforce which can greatly facilitate structural change and technological innovation that workers might otherwise perceive a threat to their livelihoods." Social Security A new consensus" ILO Geneva 2001

⁸⁴ The main sources for this section are "Social Security A new consensus" ILO Geneva 2001 and the International Workshop on the Role of Employment/Unemployment Insurance under the New Economic Environment, Seoul, Korea September 2001.

protection and more limited employment protection.

In Central and Eastern Europe, new schemes were introduced near the end of the 1980s which have since been subject to reforms, especially to limit benefit duration; one of the main concerns has been the limited coverage of these systems. In some middle-income developing countries unemployment benefit schemes are in their early stages of development facing the need to extend coverage and increase the effectiveness of re-employment strategies. In some Latin American countries government finances the schemes (Brazil and Chile) and rates of benefit are in the range 40 to 80 per cent of previous earnings. Barbados pays 60 per cent of average earnings for a maximum of 26 weeks. In China the levels of income protection provided in local jurisdictions are generally low and the scheme in South Korea, which has succeeded in extending coverage quite widely, pays only 50 per cent of average earnings for periods related to length of insurance and vary from 3 months to a maximum of 8 months for persons with disabilities, or are aged over 50 and have over 10 years insurance.

In many of the long-established schemes, in addition to the intensive support for job-search activities at the individual claimant levels the basic strategy is to stimulate job creation and re-employment through active labour market programmes. For example, in Japan the government subsidises selected enterprises that are experiencing difficulties where it appears that a financial injection will prevent job losses (rather than merely postpone the inevitable), and also to encourage the hiring of hard-to-employ older workers; furthermore, other measures are brought to bear to avert closures or extensive job losses. In addition, the scheme, which has the title of Employment Insurance to signify its principal objective, pays allowances during vocational training, transportation, moving and lodging expenses to trainees and to persons seeking employment outside the immediate commuting area and certain other costs associated with re-location for the purposes of re-employment.

The Swedish system has long accorded a high value to vocational training and promotes a widespread training culture to improve capabilities of the work force with the emphasis on regular updating and increasing the relevance of vocational training for changing labour market needs. Wage subsidy programmes have been in

operation since the 1930's. One issue was whether wage subsidised jobs should be at the same pay rate as other jobs. In practice, wages have been at benefit or minimum wage levels. Trade unions and others debate the value of wage subsidies for providing employment because of concerns that certain enterprises try to exploit wage subsidies schemes. The programmes included support for small companies, job creation in regions with high unemployment, and subsidised jobs for unemployed persons.

Some of the main active labour market programmes in Germany are as follows:

- Support for further vocational training,
- Job creation measures to provide temporary jobs for long term unemployed persons,
- Wage subsidies using resources otherwise payable as benefit in order to provide temporary employment,
- Integration subsidies, the purpose of which is to obtain permanent employment for disadvantaged workers by compensating employers for lower performance,
- Recruitment subsidies for new businesses to employ up to two unemployed persons,
- Subsidies for recruiting long-term unemployed persons, and
- Start-up grants for persons entitled to benefit but wishing to start businesses may be entitled to a lump sum of 6 months benefit.

Most countries keep such policies under review to evaluate their effectiveness and adapt them to changing requirements.

12.3.3 Costs of unemployment benefit Schemes

A study carried out under the auspices of the ISSA Technical Commission on unemployment insurance and employment maintenance has analysed the costs of unemployment benefit schemes, using data from 32 national systems⁸⁵ As the study indicates, the main factors that determine such costs in a national schemes are:

- The unemployment rate,
- Access to the programme as reflected by the ratio of beneficiaries to the unemployed, and

⁸⁵"International evidence on unemployment compensation prevalence and costs" Wayne Vroman, Economist, Urban Institute USA.

- The level of income support as indicated by the replacement rate which is measured by the ratio of average payments to the average earnings amongst the covered worker.

The main findings were that amongst 32 countries for which data was available for the analysis:

- The costs were highly varied during the 1990s across the 32 countries,
- Costs were highest amongst the OECD countries reflecting the wide scope of the schemes and high benefit levels, and
- High costs were most pronounced amongst countries with combined unemployment insurance and unemployment assistance schemes.

A simple average of the 32 countries found that the cost rate as a percentage of payroll was 2.03 per cent for the 1990s but there is some variation for the component regions and groupings due to the basic differences in the structure, scope and standards of income protection, as follows:

- OECD -3.20 per cent,
- East and South Asia- 0.18 per cent,
- Central-Eastern Europe-1.33 per cent,
- South America-0.34 per cent, and
- Others-0.02 per cent.

12.3.4 Recent reforms

In general, over recent decades as countries have implemented employment policies as a high priority, the roles of unemployment benefit schemes have come under scrutiny and, in some instances, reforms have resulted that are designed to reduce expenditures and increase the re-employment rate of the unemployed beneficiaries. These reforms have taken place against a background of rising unemployment and increasing uncertainty about future employment growth. Another factor which must be acknowledged is that, in many countries, systems of cash benefits for the unemployed have less public support than for other types of social security protection. This is because of the belief that amongst the unemployed there is a proportion who have no real intention of urgently seeking another job and are satisfied with the income from benefits, whether or not this is supplemented by undeclared earnings from clandestine work.

The dilemma of the scheme administrators and particularly the employment offices, is that, whilst aiming to provide effective and professional services to all persons on the unemployment register, they must prevent waste of resources and fraud and deter persons who aim to exploit the system. One important point is that many of the genuine job-seekers succeed in finding work through their own efforts since it is common for persons to use personal initiatives to find work rather than be provided with job offers at the employment offices. This limits the possibility of employment offices offering suitable work to such persons and to apply sanctions to those who refuse without good cause. However, the enforcement of suitable job and training offers and penalising refusals by means of benefit reductions is one of the most effective administrative procedures available in the implementation of the job-seeking systems.

(i) *Australia*

One of the key provisions in the Australian unemployment assistance scheme, which is based on the principle of means-testing, is the “activity test” that demonstrates the eligibility of claimants to *Newstart Allowance* (NSA which is for persons aged 21 to pension age) and *Youth Allowance* or YA (for young people aged between 16 and 24 who are either studying full-time if between 18-20 and are unemployed and looking for full-time work). The main impetus for changes was to ensure that only genuine job-seekers should qualify for cash payments and to maintain the supply of labour by encouraging the unemployed to actively seek work and to accept suitable employment.⁸⁶

The main changes included:

- The introduction of a Job-seeker Diary issued to recipients of NSA and YA to record details of job-search for checking and review purposes,

⁸⁶ “ Unemployment insurance : Importance and potential for developing countries: Unemployment assistance in Australia: Recent developments” Graeme Hope, Department of Family and Community Services; ISSA Meeting of Directors of Social Security Organisations in Asia and the Pacific, Malaysia, November 1999.

^{86a} “ Unemployment insurance : Importance and potential for developing countries: The Canadian experience : Administering benefits for the unemployed-a 60 year voyage” J. Mc Whinnie, HRD Canada; ISSA Meeting of Directors of Social Security Organisations in Asia and the Pacific, Malaysia, November 1999.

- Enforcement of employer contact certificates to be signed by employers as proof of contacts by job-seekers,
- Re-definition of “unsuitable work” to expand the scope of job-seeking activities
- A Work for the Dole initiative to foster work habits through work for the community in exchange for unemployment allowances, and
- Simplification of activity test breach penalties under which claimants who fail the activity test for the first or second time incur a benefit reduction of 18 to 24 per cent respectively for 26 weeks, whilst a third breach within a two-year period attracts an 8 week non-payment period; whilst serving these penalties it is still necessary to keep up job search activities.

In the administrative sphere, 1997 saw the creation of *Centrelink* to improve services to social security beneficiaries and job-seekers. This organisation integrates the delivery of income support with the functions of registration for re-employment, assessment and referral for labour market assistance. The reforms replaced the public employment services with Jobs Network which comprises public, community and private providers of employment services who are paid on outcomes—that is, when they place an unemployed person in a job. The unemployed persons have the right to choose the providers they prefer which increases the pressure of market forces on these providers to maintain competitiveness through technological and other improvements in their systems.

As in other countries, these reforms were introduced after careful assessment of the strengths and weaknesses of the current systems, and this process continues to ensure that the objectives of facilitating re-employment are met in the most cost-effective manner.

(ii) *Canada*

Canada introduced unemployment insurance in 1940 and the scheme has undergone extensive revisions at various stages in relation to changing social and economic conditions in the country. This process of change has culminated in the introduction of Employment Insurance (EI) in 1997⁸⁷ which replaced the scheme that was

transformed by legislation enacted in 1971. The coverage is now extensive amongst employees, including federal government employees, with the self-employed excluded, although persons engaged in fishing are covered in a separate scheme. The changes introduced 1971 had extended coverage, enhanced benefits, reduced qualifying tests and had prescribed limited penalties for persons who voluntarily gave up work or were dismissed for misconduct. At various times as a reaction set in to the generosity of the new scheme, amendments were enacted that were designed to reduce expenditures and the scope for abuses, including provisions to tighten eligibility rules and to enforce job-search.

After considerable and lengthy research and public debate, the EI system was adopted which has tightened eligibility and curtailed the duration of benefit payments. *The purpose of the EI reform was, in fact, to discourage people from dependency on public funds, and, instead, to encourage employment. This has meant more investigations and control activity and stiffer penalties for both employers and claimants who have committed fraud.* The changes include:

- Stricter qualifying rules that also curtail entitlement duration,
- Stronger penalty and repayment provisions in fraud cases,
- An improved system for data matching in fraud cases,
- Where the unemployment is due to voluntary leaving an indefinite disqualification is applied, and
- Refusals of suitable jobs or training result in benefit disqualification of between 7 and 12 weeks.

The focus has shifted to active measures to stimulate employment. There are targeted wage subsidies, self-employment assistance to support persons starting new businesses, targeted earnings supplements and job creation partnerships to help unemployed persons to acquire work experience. Following this comprehensive reform, some concerns have been expressed that this has gone too far and now some categories such as part-time workers, who are predominantly female, may have difficulties in qualifying. It appears that the debate in Canada on this important programme is still on-going and that the process of change is likely to continue.

(iii) *United Kingdom*

In the 1990s concerns arose that despite satisfactory economic growth relatively large numbers of social security beneficiaries were of working age. The UK Government's approach to maximising the numbers in work is through:

- More active personalised labour market policies to move more beneficiaries into work,
- Measures to ease the transition into work, and,
- Measures to ensure that work pays better than welfare.⁸⁸

More active labour market policies. Claimants to job seekers allowance must agree to an action plan for job search and have to report every two weeks to the Job Centre for review of progress. Failure to comply leads to sanctions that result in the reduction or termination of benefit. Although generally successful, it was decided that this system needed more intensive targeting for particular groups. Special programmes which are termed *New Deals* were devised. Summarised below is a selection of typical categories that present challenges to many unemployment benefit schemes.

New deal for young people. This offers special help to 18 to 25 year olds unemployed for six months through intensified support on careers advice and job search for 4 months followed by mandatory full-time activity through one of the following options:

- Work experience with an employer or a voluntary organisation,
- Training or education directed at particular occupations, and
- Practical help in applying for jobs, including interview practice.

Subsequent follow-up takes place to ensure that experience is utilised to ensure career prospects are enhanced. The initial evaluation indicated that long-term youth unemployment was reduced by about 40 per cent and that the system is close to self-financing. One of the success factors is

considered to be employer involvement in the design of the scheme.

New deal for the long-term unemployed. This focuses on persons over age 25 who are unemployed for 18 months or more (initially for 24 months) and consists of personal adviser services for job search, a wage subsidy and opportunities for full time education and training. In the first two years over 250,000 had joined the scheme and over 45,000 had found jobs. From April 2002, when the scheme was extended to persons unemployed for eighteen months or more, the unemployed have to undertake three months mandatory activity on similar options to the new deal for young people.

New deal for 50+ From April 2000 persons aged 50 or more and unemployed for six months or more were given personal advisers, training support and employment financial credits of amounts according to whether the aim is full-time, part-time or self-employment.

The introduction of Job-Centre Plus was a noteworthy development after decades of reliance on coordination between the offices of the Department of Social Security and employment exchanges under the Ministry of Labour. In October 2001 Job Centre Plus was established by merging the Benefits Agency from the Department of Social Security and Employment Services from the Ministry of Labour into a single operational unit. This comes under the newly-created Department of Work and Pensions. The purpose is to emphasise work rather than welfare as the major objective of the system. Personal advisers for clients and enhanced IT systems are key features which aim to provide efficient services to employers and clients of the system.

One of the obstacles to re-employing persons on social security benefits has been the disincentives created by gaps in cash flows in the transitional period and the loss of some entitlements accruing to long-term beneficiaries. This has been addressed by extending the duration of certain types of cash benefits for persons so that they overlap with initial earnings and ensure that they have sufficient financial incentives to re-enter the work force and rely on their earnings.

⁸⁸ The main source of information is a country paper presented at the International Workshop on the Role of Employment/Unemployment Insurance under the New Economic Environment, Seoul, Korea September 2001.

12.3.5 *Analysis of unemployment insurance schemes in Asia*

Figure 12.1 in Appendix 12A, contains summary information on 6 of the unemployment insurance schemes in Asia, comprising one of the oldest in Japan launched in 1947 and the newest that were introduced in Turkey in 2000 and Thailand in 2004. This description highlights the coverage, financing, qualifying conditions, benefit entitlement and administration as illustrating some national approaches to the main features of interest for this study.

(i) *Coverage*

This is often introduced at a late stage in the development of national systems of social security protection and it is to be expected that the new scheme will be extended to the same types of insured persons, with the exception of voluntarily insured persons and self-employed contributors who are usually ineligible for this form of social insurance. This is the situation in Turkey and Thailand whilst the delivery of unemployment insurance benefits was delayed by 24 months in Mongolia from the date of introduction of the new comprehensive social insurance scheme in order to build up the finances of the unemployment insurance branch

The scheme in China that was brought into force in 1986 had as its main target the employees in state-owned enterprises which typically employed 90 per cent or more of urban employees and were due for re-structuring, involving the redundancy of many millions of workers across the country. The scheme has now been extended to urban enterprises and institutions. Japan has achieved very wide coverage amongst all types of employees, including separate schemes for civil servants, seamen and day labourers (or casual workers), except for enterprises with fewer than 5 regular workers in the agriculture, forestry and fishing sectors. The latter are entitled to join the scheme voluntarily but the enterprises and their employees opting to join pay higher contribution rates that are based on past benefit experience.

The Republic of Korea has made rapid strides to extend the unemployment insurance scheme that was launched in 1995 that came under severe pressure when the Asian financial crisis caused extensive unemployment in the country. Special schemes were established for categories not covered by the main scheme. However, the

scheme is not compulsorily enforced amongst enterprises with fewer than 5 workers in the agricultural, forestry, fishing, hunting sectors, or small-scale construction projects or amongst domestic workers all of whom have the right to membership on a voluntary basis.

(ii) *Financing*

Unemployment is a short-term contingency which is difficult to predict with the same degree of accuracy as for other social security contingencies. The main determinants of unemployment benefit costs are the coverage, extent and duration of unemployment amongst the protected groups and the standards of income support. A pay-as-you-go system is appropriate with a contingency reserve of a minimum of 6 months benefit expenditure. This system, which is backed up by a government guarantee of solvency, has advantages over holding substantial reserves that may be vulnerable to diversion.

The cost of administration of the fund has to be estimated and issues may arise about the method of financing employment services and training schemes. There is no standard pattern but generally the unemployment insurance fund is responsible for the costs of administering the fund but not the employment services, and training schemes which may be financed mainly or entirely by government budgets. These two types of services are available to the population as a whole, including new job-seekers who were not previously insured, and not only the unemployed. In such situations, the social security organisation may pay for the services provided through a formula related to numbers and costs of claims work at the employment offices and the costs of training courses that were provided to the unemployed. Practices vary in regard to these different types of administrative costs.

Three of the countries rely on bi-partite financing whilst three also make use of government subsidies. Consequently, there is some variation in the contribution rates charged as Mongolia levies a total of 1 per cent shared equally between employers and employees compared with a total of 4 per cent in Turkey consisting of 1 per cent each by employees and the government and 2 per cent by employers. As already mentioned, Japan has introduced some differential contribution rates for employers and employees whilst government provides 25 per cent of benefit costs (33.3 per cent for the special scheme for casual

workers) and 12.5 per cent of special allowances for new-born children and for older workers.

In the Republic of Korea, which operates an Employment Insurance Scheme (EIS), employees, pay 0.45 per cent and employers are charged between 0.7 and 1.3 per cent according to the size and type of enterprise. These variable rates are related to the vocational training systems which come within the framework of the Job Skill Development Programme; the latter is seen as crucial for economic development on the premise that the country can obtain a comparative advantage through a skilled workforce. The separate fund finances training for employees as well as the unemployed. Another feature is that employers may obtain low-interest loans from this fund for the purpose of establishing vocational training systems and purchasing equipment. The EIS scheme operates three funds for unemployment benefit, job skills development and employment stabilization respectively. One of the latter's aims is to support enterprises financially through difficult periods by means of loans in order to prevent or minimise lay-offs.

(iii) Qualifying conditions.

As a short-term benefit, the qualifying conditions relate to recent periods of insurable employment which in some instances is combined with a requirement for a longer basic period of unemployment insurance contributions paid at any time since entry into unemployment insurance. Another series of conditions are applied in relation to employment – that the claimants are registered at the employment office and are capable of and available for work and usually that they are actively seeking work.

The objective of the insurance conditions is to balance requirements for proof of covered employment with the needs of the unemployed for a partial replacement income. Mongolia imposes a strict qualifying test of 24 months contributions paid at any time and 9 monthly contributions in the 9 months preceding the unemployment. The qualifying condition in Turkey consists of a minimum of 600 days of contributions in the last 3 years including the 120 days before the unemployment commenced. In contrast, the rule in China is a minimum of one year insurance, Japan calls for 6 months contributions in the last 12 months, or 1 year of insurance in the last 2 years for part-time workers, Korea stipulates only 6 months coverage

in the last 18 months and Thailand 6 months contributions in the 15 months preceding the commencement of the unemployment.

(iv) Benefit entitlement

In general, benefit rates are set so as to ensure a basic level of income and adequate incentives to return to full earnings status, and duration also is carefully determined in order to allow a reasonable but not too lengthy amount of time to obtain re-employment. Countries in this selection provide examples of different approaches such as standard systems in some countries and variable entitlements according to factors considered important in others.

In **China**, local governments set the benefit rates between the public assistance scales and the local minimum wage and pay for up to one year where the unemployed person has less than 5 years insurance, 1.5 years for from 5 to less than 10 years and 2 years for persons who have contributed for 10 years or more. The replacement rate is relatively low in the context of low-reemployment rates.⁸⁹

The Republic of **Korea** applies a 7 days waiting period and pays 50 per cent of insurable earnings for between 90 days, which is for persons with from 6 to 12 months coverage, and a maximum of 240 days for those with 10 or more years coverage or are over age 50 or are disabled; the benefit rate is protected by a proviso that it cannot be less than 90 per cent of the minimum daily wage whilst the maximum is prescribed in monetary terms (currently KRW 35,000). The scheme is also able to assist persons who need to move to other areas for employment purposes by paying a national job-seeking allowance and other expenses; benefit duration can be extended for the purpose of income support during training.

Japan has developed a complex system which takes into account several factors in determining the rates and duration of benefit, including the levels of average earnings as the amounts payable vary inversely to the benefit of lower-paid workers, the age of the unemployed if between age 60 and 64, whilst benefit duration is related to reasons for the unemployment and may be increased for other reasons. The rate is between

⁸⁹ Unemployment Protection System in China: Reforms, Progress and Challenges" Vivian Chen, World Bank, presented at the ISSA General Assembly, Beijing, September 2004

50 and 85 per cent (or 45 to 80 per cent for those claimants who are between 60 and 64 years old) and this is payable after 7 waiting days for between 90 and 150 days according to such factors as:

- Length of coverage,
- Age,
- Reasons for the unemployment, and
- Job prospects.

Additional periods ranging from 30 to 210 days can be paid in case of unemployment caused by an industry in recession which makes re-employment more difficult, with claimants undergoing training or suffering from physical or mental stress. The scheme also provides a series of special payments such as older worker allowance, new-born child allowance and family care leave benefit, and provides financial support for persons who relocate to take up jobs in other areas.

Mongolia relates the benefit amount to length of insurance. The rate is set at 45 per cent for up to 5 years insurance, 50 per cent for between 5 and 10 years, 60 per cent for from 10 years to less than 15 years and 70 per cent for 15 years or more. The maximum benefit duration is 76 working days which commences when the period of severance pay is completed.

Thailand also uses the 7 waiting days rule and pays the persons who are involuntarily unemployed 50 per cent of previous average earnings for up to 180 days in a period of one year. Claimants who left their jobs voluntarily are entitled to 30 per cent for a maximum of 90 days in the period of one year. This is an unusual provision that was included at the request of trade unions concerned about instances of enterprises that did not formally make workers redundant but ceased or were unable to pay them leaving them little option but to leave and seek other jobs whilst their complaints are investigated. In fact, this category of claims for voluntary leaving was the largest in the first year of paying benefits, as explained in Appendix 12B that describes this scheme.

Turkey sets the minimum monthly benefit at 50 per cent of average earnings over the last 4 months which is payable for varying periods related to length of service - 180 days for workers with 600 days of contributions, 240 days where

900 days were paid and for 300 days if 1,080 or more days were paid into the scheme.

(v) *Administration*

All unemployment insurance schemes have to apply both insurance and labour market conditions and therefore need to establish suitable arrangements to coordinate these functions, including compatible computer systems linking the social security and employment offices respectively for exchanges of information on claims. The scheme in China is administered by local social insurance agencies in municipalities in collaboration with the local networks of employment offices. The unemployment insurance scheme in Japan comes under the jurisdiction of the Ministry of Health, Labour and Welfare and is implemented by the Employment Insurance Sections of the prefecture Labour Departments and the Public Security Offices which collect contributions and pay benefits. In the Republic of Korea the Korea Labour Welfare Corporation collects contributions and the Employment Security Offices pays the benefits. In Mongolia the State Social Insurance General Office (SSIGO) administers an extensive and integrated scheme and in the case of unemployment insurance the SSIGO collaborates with the employment services under the Central Employment Office. Thailand operates a comprehensive social insurance scheme through the Social Security Office (SSO) under the Ministry of Labour and has launched the unemployment insurance in collaboration with two other organisations under the Ministry – the Departments of Employment and of Skills Development respectively. The Social Insurance Institution in Turkey has added unemployment insurance to its existing scheme and administers it in conjunction with a national network of employment service offices.

12.4 Development of unemployment protection

12.4.1 *Policy framework and issues*

(i) *Employment as the prime objective*

Undoubtedly, employment creation is the overarching goal of countries of all types, and developing countries are formulating their own national policies and strategies in this sphere. The general discussions on social security held at the

International Labour Conference in June 2001 included the subject of Income Security for the Unemployed and Employment. In the debate, numerous references were made to the particular problems of developing countries and the prime need for measures to assist the unemployed through such measures as labour intensive employment projects and by carefully designed unemployment insurance schemes within the framework of active labour market policies to help the unemployed. Some of the main points in the conclusions concerning social security were as follows: *For persons of working age the best way to provide a secure income is through decent work. The provision of benefits to the unemployed should therefore be closely coordinated with training and retraining and other assistance they may require to find employment. Unemployment benefits should be designed so that they do not create dependency or barriers to employment. However, benefits must be adequate. Where it is not deemed feasible to establish a system of unemployment benefits, efforts should be made to provide employment in labour intensive public works and other projects as is successfully done in a number of developing countries.*⁹⁰

(ii) *Role of unemployment benefit schemes*

This study has shown that unemployment benefit schemes are part of a system to return unemployed persons to suitable employment consisting of policies and strategies for job creation, comprehensive employment services (comprising as a minimum, assessment, vocational guidance, advice on job search and access to vocational training programmes). The issue for many developing countries as they implement and adapt employment policies to changing economic situations is whether and when to introduce an unemployment benefit scheme.

Unemployment protection can be provided in different ways. It is widely recognised that the requirements for establishing an effective unemployment insurance scheme are difficult to meet in the majority of lower-income developing countries and that a more feasible strategy may be to provide employment through labour-intensive public works and similar projects. A key step therefore is to define target groups and the appropriate methods of assisting them. Public

works projects are designed for the unemployed and under-employed persons who are generally low-skilled and part of the *working poor* in rural and urban areas. This type of action involves the commitment of public funds to carefully-designed projects that contribute to the improvement of the infrastructure, and, as such, constitute a valid strategy to cope with part of the unemployment problem. For workers in the formal sector who are members of contributory social security schemes there is a choice of methods between unemployment insurance and unemployment assistance schemes, but it is assumed that such a scheme would be self-financing through contributory social insurance and not a form of unemployment assistance financed by government revenues for which there are many competing priorities. The extension of coverage of national social security schemes is a prime aim which is important for unemployment insurance schemes that should protect persons particularly vulnerable to unemployment as well as those in secure jobs.

Policies for job creation may encompass the establishment and expansion of effective networks of employment service offices linked to labour market information technology systems and vocational training schemes which may use private as well as public sector providers. The development of such systems would increase the feasibility of, and may be considered as pre-requisites for, establishing a modest unemployment insurance scheme that can play a key role in providing adequate levels of income support for a limited duration to enable the unemployed to take sufficient time to find decent work with the aid of the employment services, if required. On the other hand, introduction of a scheme before the economy has the capacity to generate an adequate supply of new jobs on a regular basis and when the labour market institutions are not fully established means that the system may become liable for cash payments for longer durations than estimated raising issues of solvency and whether objectives can be achieved.

(iii) *Severance pay*

Issues may arise when severance pay is prescribed under labour protection legislation. This type of benefit may stipulate payments by employers to workers who are declared redundant (and possibly also on retirement) and may consist of entitlement to a certain number of weeks or

⁹⁰ Conclusions concerning social security in "Social Security A new consensus" ILO Geneva, 2001

months pay per year of service within some limits. Employers may resist proposals for them to pay into unemployment insurance schemes as well as to provide severance pay. Article 22 of Convention No.168 provides for the coordination of severance pay and unemployment insurance as follows:

Where protected persons have received directly from their employer or from any other source under national laws and regulations or collective agreements, severance pay, the principal purpose of which is to contribute towards compensating them for loss of earnings suffered in the event of full unemployment:

- the unemployment benefit to which the persons concerned would be entitled may be suspended for a period corresponding to that during which the severance pay compensates for the loss of earnings suffered; or
- the severance pay may be reduced by an amount corresponding to the value converted into a lump sum of the unemployment benefit to which the persons concerned are entitled for a period corresponding to that during which the severance pay compensates for the loss of earnings suffered, as each member may decide.

This would mean that an employee who receives 3 months severance pay could have the following adjustments in unemployment benefit:

- A delay of 3 months in entitlement to benefit or a reduction of 3 months in the duration
- As above but on a partial basis such as a delay or reduction of 2 months in respect of the 3 months severance pay.

Very little information is available on the adjustments made, if any, in some countries in the entitlements under these two schemes (however, the example of Mongolia is given in section 11.3 (iv) above), but it appears that in many countries rights to severance pay are unaffected by the introduction of unemployment insurance. The main alternative possibilities in regard to severance pay and unemployment benefits are:

- Treat them as separate and complementary benefits,

- Reduce severance pay entitlements to some extent or phase out altogether with the introduction of the unemployment insurance scheme, and
- Adjust entitlements under unemployment insurance to compensate for the expenditures on severance pay.

National systems of social protection are built-up gradually and it may well be appropriate in particular countries to adjust the existing entitlements in relation to new benefits for the same or similar contingency after careful reviews and social dialogue. The guidelines for this type of adjustment should include the preservation of acquired rights to benefits and rights in the course of acquisition under the employment contracts and legislation on labour protection and social security.

12.4.2 *Conditions for the introduction of limited unemployment insurance protection*

In the majority of developing countries the paramount objective is to adapt and revitalise the economy to raise the living standards of the population and improve employment generation. When expansion of the economy and development of the private sector gain more momentum and economic indicators show consistent improvement, this situation may in due course warrant investments in employment services and labour market information as well as increases in vocational training programmes to counter skills shortages that can slow progress in economic development and employment generation. Such a range of developments could provide a basis for considering the role that a suitable modest unemployment insurance scheme could play in adapting labour supply to demand and maintaining progress in implementing decent work priorities

The analysis conducted by the ISSA Technical Commission on unemployment insurance and employment maintenance found that decisions to introduce unemployment benefit may be linked to improvements in a country's income and to its geographic area.⁹¹ The latter refers particularly to trends that occurred in Eastern Europe when

⁹¹ International evidence on unemployment compensation prevalence and costs" Wayne Vroman, Economist, Urban Institute USA.

unemployment insurance schemes were introduced as a political imperative in some countries to cope with the new phenomenon of unemployment although all pre-requisites were not necessarily met. Such trends can develop also from the introduction of a number of national schemes in a particular region, such as East Asia. As regards higher per capita incomes, the study found that the generally low income levels of the newly independent countries after 1949 contributed to the generally slow pace of adoptions of unemployment benefit schemes after that date. However, social and political factors that vary in importance from country to country may have considerable significance in the decision-making process on this issue.

The low number of even short-term unemployment insurance schemes in developing countries is not surprising considering the requirements for the introduction of unemployment insurance. Essential conditions include:

- A sound or reasonably sound economic situation generating consistently higher demands for labour and improving affordability, as indicated by improved per capita incomes amongst the insured population,
- Support for the investment of public funds in organizing the network of employment centres and training schemes,
- A wide consensus on the establishment of the contributory unemployment insurance scheme, especially the essential sense of solidarity amongst the insured employees for a system of pooling risks in contrast to

defined contribution schemes with which they are familiar since some may expect to draw heavily on the scheme and others may envisage never claiming,

- A well-functioning national network of employment service centres operating with access to suitable vocational training courses, and a system of active labour market programmes that can be brought into force when necessary; and
- An efficient social insurance administration with consistently low contribution arrears and the capacities to gradually extend coverage and to collaborate with employment centres in the implementation of unemployment insurance, the most difficult to administer efficiently of all social insurance schemes.

It is most advisable that social protection policies are developed in conjunction with labour and employment policies and this applies particularly strongly to the contingency of unemployment which underlines the importance of close and coordinated planning in this sector. In most developing countries there is a lack of a central or coordinating body for the formulation of national social security policies and strategies through extensive social dialogue, although it is of paramount importance to establish clear priorities for social security development in every country considering the limited contributory and administrative capacity. National Steering Committees will therefore undertake this vital function when drawing-up national action plans for the future development of social protection in each country.

Appendix to Chapter 12 – International experience

Appendix 12A Unemployment insurance schemes in selected Asian countries

Table 12.1 Unemployment insurance schemes in selected Asian countries

Country & date of law Coverage of the scheme	Contributions			Qualifying Conditions	Benefit Entitlement
	Employee	Employer	Government		
CHINA 1986. Local government administered social insurance scheme Employees of urban enterprises & institutions & state- owned enterprises, regardless of location.	1% gross earnings	2% of gross payroll	Support from municipal government budgets	Minimum of 1 year insurance, involuntarily unemployed, not receiving OAP, registered and regularly reporting at employment service agency and actively seeking employment Benefit may cease or be suspended for refusing suitable job offer	Local governments set rates at levels higher than local public assistance benefit but lower than the local minimum wage. Payable for a maximum of 1 year for less than 5 years coverage, 1.5 years for 5 to less than 10, and for 2 years maximum for 10 years or more
JAPAN 1975 Employment Insurance Employees under age 65. Voluntary coverage for firms with fewer than 5 regular workers in agricultural, fishing and forestry industries. Special schemes for casual workers, seamen and civil servants.	0.75% of earnings: 0.80% for agricultural, fishing, & forestry & construction workers	1.05% of payroll; 1.15% for agricultural, fishing, & forestry workers and 1.25% for construction workers	25% (33..3% for daily workers) of benefit costs and special allowance and 12.5% of costs of new-born child and older workers allowances	6 months insurance in last 12 months (or 1 year of insurance in last 2 years for part-time workers) Registered for employment, capable of, and willing to work. Unemployment not due to voluntarily leaving, serious misconduct, refusal of job offer or non-attendance at suitable training course (otherwise disqualified for from 1 to 3 months)	Between 50 and 80% of claimant's average daily wage over last 6 months (higher % for lower paid) or 45 to 80% if between 60 and 64. After a 7 day waiting period benefit is payable for between 90 and 150 days according to length of coverage, age, reasons for unemployment and job prospects. Additional 30 to 210 days possible in case of unemployment due to an industry in recession, claimant is undergoing training or suffering from physical or mental illness. Minimum daily benefit is JPY 1,696 and maximum is JPY 7,935. In addition the scheme pays older worker allowance, new-born child allowance, family care leave benefit and special daily or monthly allowances.
REPULIC OF SOUTH KOREA 1993 implemented in 1995 All employees below age 65. Voluntary coverage for agriculture, forestry, fishing and hunting businesses with fewer than 5 employees and small-scale construction projects (net costs below KRW 20million) and domestic employees.	0.45 % of annual wages before tax	Between 0.7 and 1..3 % of annual payroll (depending on type of business)		At least 6 months coverage in last 18 months Must be registered for employment, capable of and available for employment. Unemployment must not be due to labour dispute, voluntary leaving, misconduct or refusal of suitable job offer	Benefit is equal to 50% of insured 's average daily earnings during the 3 months prior to unemployment and is payable after a 7 day waiting period for 90 days for those with between 6 and 12 months coverage, for 240 days with more than 10 years coverage or aged 50 or over or is disabled Minimum rate is 90%of minimum daily wage and maximum is KRW 35,000.

Country & date of law Coverage of the scheme	Contributions			Qualifying Conditions	Benefit Entitlement
	Employee	Employer	Government		
Exclusions: Persons newly employed after age 60, casual workers employed for less than 80 hours per month, family labour and the self-employed. Special schemes for civil servants, private school employees, military & employees of the special post office					
MONGOLIA 1994 Implemented in 1995. All employees. Self-employed may join the main scheme voluntarily but not for unemployment insurance.	0.5 %	0.5%		Has paid 24 months contributions at least and contributed continuously for last 9 months before unemployment. Is capable of available for and is actively seeking work.	For up to 5 years insurance. benefit is 45 % of average earnings over last 3 months subject to a minimum of 75% of the minimum wage and payable for maximum of 76 working days commencing on the day following the expiry of the period of severance pay provided under the Labour Law. For from 5 -10 years insurance 50% is payable, from 10 to 15 years the rate is 60%, and 70% for 15 years or more
THAILAND 1990 Implemented in 2004 All employees aged 15-60. No voluntary coverage for the unemployment insurance scheme	0.5 % of gross wages	0.5 % of monthly payroll	0.25% of monthly wages	6 months contributions in last 15 months before unemployment Registered for employment, ready and able to accept a suitable job, unemployment not due to dishonesty or a criminal offence against employer or neglecting duty for 7 consecutive days or causing serious damage to the workplace.	For involuntary unemployment, 50% is payable for up to 180 days in a period of one year; for voluntary unemployment benefit is 30% for up to 90 days during a period of one year. A 7 day waiting period applies to each claim
TURKEY 1999 Implemented in 2000 Employees aged 18 or more working under a service contract in public or private sector Exclusions: civil servants, workers in agriculture, forestry, domestic service, military service students and the self-employed	1% of monthly earnings	2% of monthly payroll	1% of monthly earnings	600 days of contributions in last 3 years before unemployment, including the last 120 days before unemployment	Minimum monthly benefit is 50% of average earnings over last 4 months. Duration is 180 days for workers with 600 days of contributions, for 240 days if 900 days paid, and for 300 days if 1,080 or more days were paid.

Source: Main source "Social Security Programs Throughout the World: Asia and the Pacific, 2004, SSA USA.

Appendix 12B – Unemployment insurance in Thailand

12B.1 Background

The Social Security Act that was promulgated in Thailand in 1990 provides for all 9 social security contingencies but, unlike other branches of the scheme, no date was given for the introduction of unemployment insurance. No particular priority was accorded to it due to good economic development and some uncertainty about the role and suitability of this type of social security. Employees in both white and blue collar jobs were thrown out of work when the Asian financial crisis occurred in 1997 and this changed the attitudes to unemployment benefits. Discussions and planning exercises took place and ILO provided technical assistance to the Social Security Office (SSO) for the design and costing of a suitable unemployment insurance scheme. However, the finalisation of the scheme and a decision on its introduction took some time as extensive social dialogue took place in the course of which changes were made in the standards of the scheme. It was finally introduced with effect from January 2004.

The main provisions of the scheme are summarised below.

12B.1.1 Coverage

The social security scheme covers all enterprises with one or more workers on a compulsory basis. The scheme does allow some voluntary coverage but this does not apply to unemployment insurance.

12B.1.2 Financing

The total contribution is 1.25 per cent of insurable earnings. This is contributed through the system of tripartite financing that is in force for other branches of the scheme. For unemployment insurance the shares of contributions are as follows:

- Employers and employees each pay 0.5 per cent of insurable earnings with a ceiling of THB 15,000 per month
- The government pays 0.25 per cent of insurable earnings on the same basis as employers and employees

12B.1.3 Entitlement

The conditions to be satisfied are:

- At least 6 contributions were paid within a period of 15 months before the commencement of unemployment,
- Registered with the employment office for further employment,
- Being able to work and being ready to take a suitable job if offered,
- No objection to job training,
- Must attend at the employment office as frequently as necessary,
- Unemployment is not caused by,
 - performing duties dishonestly,
 - intentionally committing a criminal offence against the employer,
 - intentionally causing damage to the employer,
 - seriously violating work regulations or rules or lawful order of the employer,
 - neglecting duty for 7 consecutive days without reasonable cause,
 - causing serious damage to the employer as the result of negligence, and
 - being imprisoned by a final decision except for an offence which has been committed by negligence or is a petty offence.
- Not being entitled to old-age benefits, and
- Not a voluntarily insured person under article 39 of the Act.

Provided that the above conditions are satisfied, entitlement is from the eighth day from the last day of employment and comprises:

- Employment services,
- Job training,
- For persons who were laid off cash benefits of 50 per cent of average insurable earnings for up to 180 days in a period of one year, or
- For persons who resigned from their jobs 30 per cent of average insurable earnings for up to 90 days in one year.

The inclusion of voluntary unemployment is controversial and was introduced at a late stage after a period of negotiation amongst the stakeholders. The contention of the trade unionists was that in some instances workers

were left unpaid and found themselves with no option but to leave for other jobs after lodging complaints with the labour office. This could be due to serious financial problems, or the collapse of the enterprise, but in some instances such employers were seeking to avoid liabilities for severance pay which is payable to workers declared redundant and not those who resign from the their jobs.

The final agreement was to include voluntary leaving provided that the unemployment insurance benefit is only 30 per cent of insurable earnings and is payable for a maximum of 90 days. The importance of the provisions on voluntary leaving is shown by the fact this is by far the largest category in the claims statistics in Table 1 below. Another method of covering such situations followed in some other schemes is by inclusion of the condition that whilst voluntary unemployment may be excluded the unemployed may be able to claim on the grounds that resignation was justified by *good cause*. This contention may be submitted to an arbitration court or labour committee for a ruling.

12B.1.4 Claims experience and procedure

Data on unemployment insurance claims to unemployment benefit over the period from July 2004 to June 2005 are given in Table 1.

Table 12.2 Claims data July 2004 to June 2005

(Costs in millions of THB)

Category	July-December 2004		January - June 2005		TOTALS	
	No.	Costs	No.	Costs	No.	Costs
Lay-off	5,432	73.07	9,499	216.27	14,931	289.34
Voluntary	8,102	73.32	12,546	36.42	20,648	109.74
End of Contract	2,188	8.25	733	9.04	2,921	17.29
Totals	15,722	154.64	22,778	261.73	38,500	416.37

Source: SSO Thailand

The most notable feature is that 53.63 per cent of claims were on the basis of voluntary leaving, whilst redundancies accounted for 38.78 per cent; however, almost 70 per cent of benefits expenditures was on lay-offs due to the higher benefit entitlement for this category. Another feature was the increase in claims from 15,722 in the first 6 months to 22,788 in the second period of 6 months in 2005. This may be due to a combination of factors such as:

- Higher unemployment,
- More persons qualifying, and
- Wider dissemination of information about the scheme amongst the workforce.

12B.1.5 Procedure

The SSO administers the scheme in collaboration with the Department of Employment which operates a network of Government Employment Offices. Vocational Training Programmes are organised by the Department of Skills Development

When a worker leaves employment the employer submits a form to the local SSO office giving the date of separation and the reason for the termination of the employment. The worker should report to the Government Employment Office (GEO) to register for re-employment as the first step. If there is no immediate prospect of re-employment during the 7 days waiting period the worker completes SSO form at the GEO to claim unemployment benefit. This information is passed to SSO so that the entitlement issues can be addressed in the interim period before payment is due at the end of the month. The GEO will first interview the claimant on his/her efforts to find work and if it certifies that the worker is eligible, SSO checks the insurance conditions, determines average earnings and proceeds to make a payment to the claimant's bank account for the number of benefit days.

This procedure is of the one-stop type to assist the unemployed, ensure that the emphasis is on re-employment and avoids pressures on SSO offices from claimants who want cash payments, which was the practice of many persons before the launching of unemployment insurance and insistence on provision of bank account numbers. The SSO is able to monitor any other benefit claims that could be made such as to sickness or maternity benefits which would conflict with the unemployment insurance claim that the person is available for and capable for work. Subsequent payments are made at monthly intervals on the basis of GEO rulings that the claimants meet all of the labour market conditions. Benefit payments cease on re-employment, completion of the maximum duration, or a finding that the claimant does not satisfy the conditions imposed at the GEO regarding willingness to take up work or training proposed by the GEO.

12B.1.6 *Financing*

Over the period from January 2004 to June 2005 the total contribution income of the unemployment insurance Fund was THB 10,753.98 million. The main expenditure was THB 416.37 million on benefits, as noted above.

12B.1.7 *Final comments*

In June 2005 the Thai Government announced some measures to conserve energy in view of the

impact of the high oil prices. It is possible that some economic contraction may occur and that the role of the unemployment insurance scheme may come more sharply into focus. The initial experience may have allayed concerns about the viability of an unemployment insurance scheme but careful monitoring and evaluation will be necessary during different economic situations so that the scheme can be adapted as necessary to economic and labour market requirements.

Appendix 12C Barbados unemployment benefits scheme

12C.1 Background

Within CARICOM, Barbados, which has a population of 267,000, is the only country that has an unemployment insurance programme. This scheme is administered by the National Insurance Board (NIB) and has been in existence since July 1981. The NIB also provides pensions, and benefits for sickness, maternity and employment injury. The total contribution rate is 14.39 per cent which is distributed into the separate funds for each branch of the scheme.

The initial contribution rate for unemployment insurance was set at 2 per cent and shared equally by the employer and employee. Since then this rate has been adjusted 6 times but the 50/50 relationship between employer and employee has remain unchanged. There have also been several changes to the benefit rate and maximum duration. In 1981, benefits were 40 per cent of average insurable wages for a maximum of 13 weeks. Today, 60 per cent of average insurable earnings is payable for up to 26 weeks. The following two tables show the main changes made to benefit provisions and the contribution rate since 1981.

Table 12.3 Major changes to benefit provisions

Month of Change	Benefit Rate & Maximum Duration
July 1981	40% of AWIE for up to 13 weeks
April 1984	50% of AWIE for up to 13 weeks
June 1985	60% of AWIE for up to 26 weeks
October 1991	60% of AWIE for first 10 weeks + 40% of AWIE for next 16 weeks
June 1996	60% of AWIE for up to 26 weeks

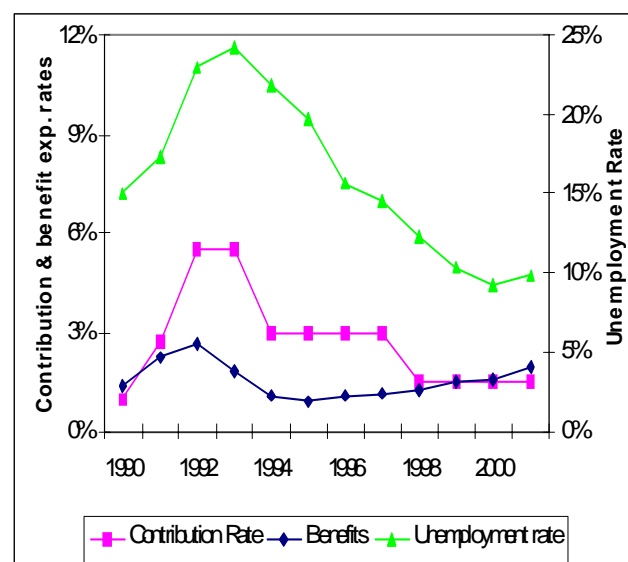
AWIE – Average Weekly Insurable Earnings

Table 12.4 Changes to contribution Rate

Month of Change	Combined Contribution Rate
July 1981	2.0%
May 1987	1.0%
October 1991	2.75%
December 1991	5.5%
January 1994	3.0%
September 1998	1.5%

The following chart shows how the Barbados national unemployment rate (top curve on the chart) changed between 1990 and 2001, how the unemployment insurance contribution rate has been adjusted and the actual level of benefit expenditure. During a recession in the early 1990's unemployment reached almost 25 per cent. In response, the combined contribution rate (centre curve on the chart) was increased to 5.5 per cent and benefit expenditure (bottom curve on chart) approached 3 per cent of insurable wages. With benefit expenditure of less than 1.38 per cent since 1993, there have been two rate reductions and presently the unemployment insurance contribution rate stands at 1.5 per cent of insurable earnings. Since 1995 benefit expenditure has increased gradually, surpassing income in 2000 and 2001. However, large annual surpluses in prior years have resulted in the unemployment fund being very well funded, with reserves now of 3.5 times annual expenditure.

Figure 12.1 Barbados unemployment, contribution & benefit expenditure rates, 1990 to 2001



The Barbados experience confirms that unemployment expenditure tends to be cyclical and more volatile than the traditional short-term social security benefits. As a result, authorities there have responded on several occasions by changing the contribution rate when necessary. Some characteristics of the Barbados unemployment insurance scheme are:

- The unemployment benefits fund is separate from the national insurance fund,
- Permanent government employees and self-employed persons do not contribute and are thus not covered,
- The employer and the employee share contributions equally,
- The contribution wage ceiling is the same as for other national insurance benefits,
- To qualify, claimants must have been insured for at least 52 weeks, and
 - Have 20 weeks weekly contributions in the three consecutive quarters ending with the 2nd quarter preceding unemployment,
 - seven weekly contributions in the 2nd quarter preceding the one in which unemployment began.
- Benefits are 60 per cent of average weekly insurable earnings,
- Benefits are payable for a maximum of 26 weeks in any continuous period of unemployment, or for an aggregate of 26 weeks in the 52 weeks preceding,
- If the entitlement to benefit is exhausted, a new unemployment benefit may not be payable until the expiration of 52 contribution weeks from the last week in which benefit was paid, and
- The first 3 days of a period of unemployment are treated as a waiting period. If however, unemployment lasts at least 3 weeks, benefit is payable from the first day.

Table 12.5 Highlights of recent unemployment benefit scheme experience

Scheme Element	2001	2000	1999
Unemployment rate	10.4%	9.3%	9.9%
Contribution Rate	1.5%	1.5%	1.5%
Expenditure as a % of Ins Wages	1.94%	1.55%	1.49%
Average Duration (benefit days)	69	67	68
# Claims Approved	15,946	10,533	10,570
# Claims per thousand contributors	162	109	106

12C.2 Severance payments scheme

Whilst many countries enact legislation on entitlement to severance pay when workers are retrenched, it is sometimes difficult for enterprises that have run into difficulties to pay all entitlements. In addition, there are problems of compliance with some types of employers who try to evade such financial commitments. Barbados has established a severance payments scheme that ensures that workers are paid either by their employers or by the severance fund on behalf of the employer. Employers pay 1 per cent of insurable earnings into the fund. Entitlement to severance pay requires completion of 104 continuous weeks of employment with the same employer. Benefits are:

- 2.5 weeks of basic pay for each year worked up to 10 years,
- 3.0 weeks of basic pay for each year worked between 10 and 20 years, and
- 3.5 weeks of basic pay for each year worked between 20 and 33 years.

Under the scheme,

- 1 Employers pay severance pay to their employees and are entitled to a 25 per cent refund from the fund, and
- 2 If employers refuse or cannot make these payments to their employees the fund pays the employee and claims from the employer.

12C.3 Unemployment insurance in the Republic of South Korea

12C.3.1 Overview of the employment insurance system

Although the Republic of South Korea began to develop social security protection only in the 1970s it rapidly extended the scope of coverage of contingencies and persons, notably in respect of health care and old-age protection. A lower priority was given to unemployment protection due to low levels of unemployment and disagreements over the need for an unemployment insurance scheme. It was realised that active labour market policies were essential and a comprehensive system was developed over the long-term called employment insurance comprising unemployment insurance, job training and employment maintenance and promotion subsidies. This is coordinated with other elements of the safety-net system including:

- The Livelihood Protection Programme for the poor,
- A Life Stabilisation Fund for the unemployed whose assets fall below a specific level, and
- A Public Works Programme for the unemployed and spouses of low-wage workers.

12C.3.2 Coverage of unemployment insurance

The unemployment insurance scheme, which was launched in 1995, initially covered enterprises with 30 or more employees and excluded important categories of workers especially part-timers and daily paid workers employed for less than 30.8 hours per week. Coverage was rapidly extended under the impact of the Asian financial crisis which severely affected the country. Unemployment reached unprecedented levels and affected sections of the labour force previously accustomed to secure employment. The unemployment insurance scheme was extended stage by stage until by October 1998 enterprises with 1 or more workers were included. Finally, from July 1999 part-time and daily paid workers employed for a month or more were brought into the scheme. This expansion programme was coordinated with the progressive extension of active labour market measures, such as subsidies for vocational training programmes, to smaller firms until they applied to those with 1 or more worker from October 1998. In addition small businesses with less than 5 workers in agriculture, hunting and fishing are allowed to join voluntarily

12C.3.3 Sources of funds

The scheme was originally financed by contributions of 0.6 per cent of the payroll shared equally by employers and workers and the total contribution for the entire system including labour market measures such as training was fixed at 1.5 per cent. From March 1998 the total contribution was increased to 3 per cent of payroll. Each element in the system has its own premium rate. The current contribution rates are 0.5 per cent for workers and between 0.9 and 1.5 per cent for employers according to the variations they pay for the training programmes related to size of enterprises.

12C.3.4 Benefits

Eligibility for benefits depends on the normal labour market conditions and that contributions have been paid for a minimum of 6 months in the 18 months prior to the unemployment. The benefit rate is 50 per cent of the workers' earnings in the month prior to the job loss. The minimum benefit is 70 per cent of the minimum wage. The duration is related to the length of insurance and to factors such as age and disabilities which provide in broad terms an indication of the difficulties of obtaining re-employment. The maximum benefit periods (in months) are as follows:

Table 12.6 Maximum benefits period Republic of Korea scheme

	Length of insurance (years)			
	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years
Insured under age 30	3 months	4 months	5 months	6 months
Aged 30 to 50	4 months	5 months	6 months	7 months
Over 50 and persons with disabilities	5 months	6 months	7 months	8 months

As an incentive for persons to find jobs quickly, those job-seekers who find a job within half of the maximum duration for their age group and circumstances, receive a lump-sum payment of one-third of the remaining amount of unemployment benefit.

In addition to the cash benefits health insurance continues to be available for up to 12 months provided that the laid-off worker pays his or her share of the contribution, in which case the health insurance society concerned has to pay the employers share. Further coverage depends upon the worker paying contributions to certain subsidised health insurance societies.

12C.3.5 Issues

During one review of the scheme it was found that the average numbers of unemployed persons was about 1.4 million persons of whom only about 0.8 million persons or 56 per cent received any form of support as follows:

- 0.15 million from unemployment insurance,
- 0.30 million from public works projects, and
- 0.35 million from the livelihood protection scheme for the poor.

The coordination of these programmes is therefore an essential condition for strengthening the protection provided to vulnerable groups. Priority is given to the expansion of coverage, but one of the major concerns is the extent of non-compliance especially amongst the smaller enterprises and in respect of daily paid workers. In the Korean labour market employees are classified as regular, temporary and daily employees. Temporary employees may be on fixed or indefinite terms and are used by enterprises to regulate numbers on the payroll as they can be readily dismissed and without severance pay. Daily paid workers are employed for fixed periods and automatically cease to be on the payroll. Certain types of employers tend not to declare these two types of employees for social security purposes. The main weakness is the lack of adequate rules on employer record-keeping for

these workers which hamper efforts of inspectors to detect irregularities. Welfare measures have been augmented to meet needs of the low-income persons who fail to qualify for unemployment insurance benefits.

The scheme maintains regular analyses of claims and has identified both long-term unemployment and recurrent unemployment as serious problems. The latter is concentrated amongst the non-regular workers and underlines the problem that it is precisely the most difficult to cover groups which are the most vulnerable to the risk of unemployment. Extension of coverage and strengthening of enforcement are therefore important elements in strategies for further development of unemployment insurance in the country.

Chapter 13 Unemployment Protection in Samoa

13.1 Summary

This report looks at options for introducing an unemployment benefit into Samoa.

A number of options for providing such a benefit are examined. The conclusions are that the most feasible option is a short term unemployment insurance benefit is for *workers involved in formal employment*. This will deal with a large part of the problem of the initial impact of job loss in Samoa, and will be a significant improvement in social protection for the groups covered. However, other policies will also be needed to deal with unemployment and under-employment affecting those who are not part of formal employment in the labour force.

A short term unemployment insurance benefit would have the following proposed characteristics:

- Coverage would be workers employed in the formal sector, essentially those now required to contribute to the Samoa National Provident Fund (SNPF),
- Funding would come from small extra levies on employers and/or employees contributing to the SNPF,
- Eligibility would begin once an employee had been a contributing member for a specified period, suggested as one year,
- The benefit duration would be time limited,
- Benefits would be paid as a specified percentage of the covered wage of the employee who experienced involuntary loss of employment, and
- The system would most probably be administered by a new division of the SNPF.

In terms of process to set up an unemployment insurance benefit, it is essential that extensive consultations be undertaken with government, employers and employees to explain the options, and to determine:

- The priority of unemployment insurance in relation to other social security priorities in the period ahead,
- The features contributors are prepared to pay

for by extra contributions, and

- Whether the new coverage could also extend include other options such as a period of paid maternity leave.

13.2 Introduction

Samoa like many other developing countries has an unemployment problem. At the time of the last household survey in 2001, Samoa had an urban unemployment rate of 4.95 per cent. Rural unemployment is more difficult to define and measure. Many would-be job seekers in the rural areas are also engaged in semi-subsistence fishing and farming, and in informal economy activities designed to provide some cash income, but would prefer regular cash employment. However, with the current state of the employment market in Samoa less than half of the annual crop of school and tertiary study leavers can expect to secure wage and salary employment in the formal economy.

Further, while the tourist industry has been growing, other industries are going through a period of instability, and may require rationalisation. All these factors suggest that instability in employment including periods of unemployment may affect many in formal employment in Samoa over the next few years.

Total formal or paid employment recorded in the 2001 census was estimated at around 26,900 persons, about 51 per cent of the economically active labour force. A further 23,433 were employed in unpaid family work activities, while 49 per cent were not economically active or in informal employment, either cash-based self employment or semi-subsistence rural production. This employment pattern creates problems in setting up a sustainable unemployment benefit system in Samoa. Options which would be feasible in an economy with most of the labour force in formal sector employment are not really feasible in Samoa at present. Of the feasible unemployment benefit options, the one which would seem to best suit the employment pattern of the Samoan economy and its existing institutional structure would seem to be an unemployment insurance benefit for workers in formal employment. For other unemployed or

underemployed groups some other options would seem to be more suitable. These other options are also commented on briefly in this Chapter.

Samoa has a well established and active national provident fund. This would seem to be well placed to add the administration of an unemployment insurance benefit to its existing functions.

13.3 Options for support of the unemployed

A number of different options have been considered for dealing with the financial problems faced by the unemployed. Those considered in this study included:

- A universal unemployment benefit,
- Employer redundancy payments,
- Employer redundancy insurance,
- Individual unemployment savings accounts, and
- Unemployment insurance.

13.3.1 A universal unemployment benefit

One option assessed is a universal unemployment benefit funded by taxes paid to all job seekers unable to find regular paid employment. This is the system which operates in New Zealand and Australia.

However, such a system is unsuitable for current Samoan conditions because of the high proportion of the workforce involved in the informal economy, many of whom would prefer to have regular paid employment in the formal employment sector. A universal unemployment benefit could trigger benefit claims by many thousands of these people. The fiscal cost would be extremely high, and the *not in employment* conditions of such unemployment benefits would also discourage activity in the informal economy, including traditional farming and fishing.

Accordingly, this option is not considered feasible at this stage for Samoa.

13.3.2 Employer redundancy payments

A third option is to make individual employers responsible for lump sum redundancy payments when workers are laid off from work. This

approach has a number of merits and is a significant advance on the status quo. However, sole reliance on redundancy payouts also involves a number of weaknesses, including:

- The Pacific experience is that lump sums get spent very quickly. Periodic benefit payments last longer,
- The amount of redundancy paid is usually related to length of employment. This is not necessarily related to the time a worker is unemployed before finding another job, and
- When businesses collapse or go bankrupt, there is no money to pay redundancy, and the discharged workers usually receive little or no redundancy payments. This was a major problem in Asian countries and particularly in Indonesia following the 1997-98 economic crisis.

13.3.3 Employer redundancy insurance

A further option is to have compulsory redundancy insurance by employers. Employers would pre-pay premiums so that the insurance company could pay out once redundancy occurred. It may be noted that in this option the insurance companies would probably place differential premiums on higher risk industries.

Redundancy insurance is an improvement over straight employer liability, since workers are more likely to get paid, but it retains the other two sets of problems noted above. Also, because of uncertainties about costs and payout rates, individual insurance companies would probably quite reasonably ask for higher average premiums than would be needed in a national unemployment insurance scheme, and least in the early years.

13.3.4 Individual employee unemployment savings accounts

A further option is to require all employees and employers to pay into a compulsory savings scheme account in the name of the employee which could be accessed when unemployed. The balances not accessed at the time an employee retires could be added to retirement benefits.

This scheme would operate as an increase in SNPF premiums, but the extra premiums deposited into a separate individual account until retirement.

A problem with this approach is that in order to

build up large enough balances in each individual account to cover individual unemployment risk, very high contribution rates would be needed. The lack of *risk pooling* would mean that such a scheme would skim off a much larger percentage of wages or payroll than an unemployment insurance benefit.

Another problem with individual accounts of this sort is that there would then be pressure to access the money for many other sorts of contingencies. In turn this would tend to undermine the unemployment protection aspects of the scheme. This is already a problem with SNPF retirement benefit accounts

13.3.5 Unemployment insurance benefit

The system which seems best suited to Samoan conditions is a short term unemployment insurance benefit for workers in formal employment. It also seems logical that the system should be administered by the SNPF. The reasons for these conclusions include the following:

- Workers in formal employment are the most immediately affected by job loss, and the fact of it occurring can be readily established. For informal economy self employed, the real employment and income situation is harder to establish,
- Putting contributions into a pooled central unemployment benefit fund shields the money from the individual pressures to access it for other purposes,
- The SNPF already exists, and has contributory arrangements in place for the group who would be covered by this benefit. It also knows what their declared employment income is. Hence, additional administrative costs could be kept relatively low. The main extra requirement would be to set up a periodic payments system for this group,
- A logical contributory base exists to fund the scheme in the form of identified wages and payrolls. However, there would still need to be a decision about how any premium cost was split between employers and employees,
- The SNPF collects regular data on contributors, and has a high coverage rate of the formal employment sector. It usually knows when someone gets a new job in the formal employment sector. Hence, it already has much of the apparatus in place to police

an unemployment benefit system, at least for those remaining in formal employment.

Reasons for proposing that the period of benefit payment system be short term only include the following:

- The need to keep premium costs down to an affordable level,
- Problems of knowing what people are earning if they move into the informal economy and do not have earnings declared to SNPF, and
- The need to retain incentives to seek work.

As noted earlier, for informal economy job seekers and those who have never worked in paid employment, other options seem more suited to their needs.

13.3.6 Interface between redundancy and unemployment benefits

If redundancy payments are in operation when unemployment insurance benefits are introduced, thought will need to be given to the interface between the two systems. Options include:

- Ignoring redundancy entitlements for the purpose of unemployment insurance benefits,
- Offsetting all or part of the redundancy payment against benefit entitlement, thus delaying the start date of payment of unemployment benefit, and
- Reducing redundancy payments by part or all of unemployment benefit entitlements, and factoring this offset into the sharing of premium contributions to unemployment insurance between employers and employees.

13.4 What would short term unemployment insurance cost?

The cost of unemployment insurance benefits expressed as a percentage of covered wages (the basis for SNPF contributions) depends on a number of factors:

- The unemployment rate for insured workers,
- The average duration of unemployment benefit payments,
- The ratio of unemployment benefits to covered wages, and
- Administrative costs.

A number of calculations have been undertaken to show the possible range of premiums required to support an unemployment insurance scheme. At this stage the figures are *indicative only*, based on estimates and have not been subjected to actuarial assessment. Fund experience would eventually build up actual data.

13.4.1 Unemployment rates

Unemployment rates go up and down over time, so the rates assumed for an unemployment benefit scheme need to be set at the medium or longer term average. The 2001 population census showed an unemployment rate of 4.95 per cent in the actively employed labour force. However the Labour market Surveys in 2001 showed an annualised staff turnover rate in the formal employment sector that varied between 12 per cent and 50 per cent that varied between salary rates and gender. The degree to which the stated unemployment figures reflect current reality is not known and is impacted on the way people move between formal and informal employment and short and long term migration. However, it is expected that the average unemployment rate of workers in formal employment qualifying for the benefit would be substantially lower than this for the following reasons:

- The 4.95 per cent unemployment rate and annualised turnover includes people who were previously in the informal economy, school leavers, and other new job seekers and also by external migration. These groups would not be *benefit eligible* because they were not previously employed in the formal economy and had not paid the required unemployment insurance contributions,
- It is proposed as part of the scheme design that a person would have to have been employed and contributing to the unemployment benefit fund for around one year before benefit eligibility was triggered, and
- The *long term unemployed* would eventually drop out of the eligible group once their period of benefit eligibility expired.

Calculations have been done on three annual alternative *insured unemployment rates* of 7, 5, and 3 per cent. In terms of Samoa's current economy, these may be seen as high, medium and low rates for formal employment sector workers. However, rates could go higher in a major economic crisis, and could fall to low single figures in prosperous times if the Samoan

economy experienced a period of sustained high growth.

13.4.2 Duration of payment

The average duration of benefit payments depends both on how long people tend to be unemployed, and the time limit set for receiving the benefit. For example, if the average unemployment duration is 6 months, then an 8 per cent average annual unemployment rate for insured workers means that 16 per cent of the insured labour force is likely to be unemployed at some stage during the year. If the average unemployment duration is 4 months, then the proportion unemployed at any stage during the year with an 8 per cent average unemployment rate would be 24 per cent.

For the purpose of calculations, an average duration of 6 months is assumed. Actual experience will demonstrate what the true figure is.

For benefit duration limits, options of 3, 6, and 9 months are examined. These are expressed as 13, 26 and 39 weeks. These are assumed to be equivalent to the following actual average durations on benefit, since many would exit benefit before the time limit cut in. Again, actual figures would emerge from fund experience. However, analysis of SNFP account turnover figures should shed more light on this issue.

Table 13.1 Average benefit duration assumptions

Time Limit	Average Actual Duration Assumed
13 weeks	9 weeks
26 weeks	13 weeks
39 weeks	16 weeks

13.4.3 Ratio of unemployment benefits to wages

Three options are costed. In each case the *covered wages* are the average wages for the previous 12 months declared to SNPF for unemployment insurance purposes.

- Benefits 70 per cent of wages,
- Benefits 60 per cent of wages, and
- Benefits 50 per cent of wages.

For simplicity the ratios are simply taken as percentages of wages. In practice some schemes

will have caps on the highest level of payments, and may also have minimum benefits for full time workers.

13.4.4 Cost figures

Using these figures, and excluding for the present administrative costs, the levies on wages required to pay benefits on these bases would be as follows. The figures in each of the three columns are the percentage of wages required to be paid in premiums, excluding administrative costs.

Table 13.2 Case 1 - Cost of benefits at 70 per cent of wages

Time Limit on Benefit	Unemployment Rate of Insured Workers (% of Insured Workers)		
	7%	5%	3%
	Contributions required (% of Salary)		
13 weeks	1.69	1.21	0.73
26 weeks	2.45	1.75	1.05
39 weeks	3.02	2.16	1.30

Table 13.3 Case 2 - Cost of benefits at 60 per cent of wages

Time Limit on Benefit	Unemployment Rate of Insured Workers (% of Insured Workers)		
	7%	5%	3%
	Contributions required (% of Salary)		
13 weeks	1.46	1.04	0.63
26 weeks	2.10	1.50	0.90
39 weeks	2.59	1.85	1.10

Table 13.4 Case 3 - Cost of benefits at 50 per cent of wages

Time Limit on Benefit	Unemployment Rate of Insured Workers (% of Insured Workers)		
	7%	5%	3%
	Contributions required (% of Salary)		
13 weeks	1.21	0.87	0.52
26 weeks	1.75	1.25	0.75
39 weeks	2.16	1.54	0.93

13.4.5 Administrative costs

If the national provident fund administers the unemployment insurance benefit fund, then many of the potential costs will already be covered by the existing deduction procedures from employers and employees. This includes premium collection systems and fund investment activities. The main difference would be that the extra premium charged would be credited to the central unemployment benefit fund rather than the SNPF members own account.

It would be possible to use some other body than the SNPF to run an unemployment insurance benefit system. However, this would involve higher administrative costs because of the need to duplicate facilities. It would also mean employers having to deal with two separate organisations for payroll deductions; however it is done this way in some countries.

However, even with SNPF running unemployment insurance, there will still be some extra costs of running the system. This would include calculating benefit entitlements for those who were made redundant, setting up an application and periodic payment system, and policing the system for fraud. The periodic payment system would need to be larger than the present system used for SNPF pensions, as there would be more cases to handle, and a much higher turnover rate per case.

The fourth quarterly report (30 June 2004) showed 21,318 contributing members and 63 voluntary contributions, a total of 21,381 active contributors. An estimate of yearly administrative costs has been calculated as follows.

Table 13.5 Estimation of annual administrative costs

Parameters	Estimates
Covered formal sector workers	21,318
Proportion claiming benefits per year	16%
Number claiming benefits per year	3,410
Number per week (50 week basis)	68
Average number per case worker per week	10
Casework staff needed	6.8
Total staff including general administration	10
Assumed average annual salary of staff	WST 12,000
Salary Costs	WST 120,000
Other Costs	WST 120,000
Total Annual Costs	WST 240,000
Cost per covered worker per year	WST 70.38

On the basis of current average wages and salaries of those paying into the SNPF this would amount to a levy of about 0.10 sene in the WST per contributor salary. This would need to be added to the premium amounts calculated in the tables above. Set up costs for the first year including a new computer system would be much higher than this, but could be covered from part of the inflow contributions in the first year of operations.

13.4.6 Cost implications

While at this stage these figures are indicative only, several relatively obvious conclusions emerge:

- The higher the unemployment rate, the higher the premium needed,
- The shorter the benefit eligibility time limit, the lower the premium needed,
- The lower the benefit/ wage ratio, the lower the premium needed, and
- With the SNPF as administrator, additional administrative costs as a percentage of covered wages and salaries would be relatively minor when spread over all SNPF contributors.

However, the more important finding is that a modest short term unemployment insurance benefit scheme could be set up for formal employment sector workers with premiums of 1.5 to 3.5 per cent of wages on the basis of current unemployment levels. The specific premiums needed would depend on the ratio of benefit to salaries chosen, and the time limit on the benefit. Fluctuations in covered unemployment levels would also affect the level of premium needed, but this should average out over time.

13.5 Administering the fund and its reserves

The unemployment benefit fund would need to build up reserves to cover future payments. It may be noted that this would occur automatically in the first year, since premiums would be flowing in for 12 months before anyone became eligible for unemployment benefit payments. If the economy was reasonably stable, this would generate sufficient reserves to cover one year's payments, and no much larger accumulation would be needed. However, there would be some uncertainty about future unemployment levels, and it might be desirable to set initial premiums at a margin above the estimated average actuarial

need level. Reserves equal to perhaps two years estimated average future payments could be a target in the first few years of the fund's operations.

If reserves kept on accumulating, options would be to cut contribution rates, or to increase the generosity of the scheme, or to use the surplus to pay for other options such as paid maternity leave. Conversely, if a surge in unemployment depleted reserves, options would be to increase contribution rates, or trim back on the generosity of the scheme.

13.6 Other considerations

As set out, the scheme structure assumes that contributors would not become eligible for unemployment benefit until they had paid contributions for 12 months. It would be possible to vary this by setting some other conditions, such as having paid contributions for 12 of the past 18 months, and having been in regular employment prior to job loss. This would widen eligibility for those with unstable employment.

Another possibility would be to give an unemployment grant equal to a refund of contributions made for those who became unemployed after less than 12 months of contributions.

13.7 Other options – paid maternity leave

Women workers would have the same rights to unemployment insurance benefits as men. However, many women are also likely to have to take periods of leave if they give birth. It would be possible for a small increase in contributions rates to add paid maternity leave to the insured employee rights at the same time that unemployment insurance was introduced. This would bring the conditions for most private sector workers into line with the public sector conditions for paid maternity leave.

It would also be possible with a further increase in contribution rates to add in a short term sickness benefit for those who had used up their quota of employer-provided sick pay.

13.8 Dealing with other aspects of unemployment and underemployment

While the proposals would deal with much of the short term impact of job losses in the formal employment sector of the workforce, there would be other unemployment issues not addressed by this approach. These include:

- School leavers,
- Other new job seekers,
- Workers in the informal economy, and
- Formal sector workers whose unemployment benefits expire.

It is not proposed at this stage of Samoa's economic development that unemployment benefits be extended to these groups. Instead, the focus for these other groups should be on:

- *Job and skills training.* Samoa has had to import skilled workers to carry out many jobs while local people are unemployed because they do not have the needed skills. A greater focus on skills training would assist in this area
- *Rural Development.* Samoa has much underutilised rural land which needs to be farmed properly. Solving the land leases issue would greatly assist in this area.
- *Business Development Grants.* Samoa already uses this approach, although evaluation of scheme effectiveness is needed. Issues include appropriate selection of people, and providing matching practical and business skill training in tandem with any grants.
- *Community Employment Schemes.* These are schemes paid for out of public funds which employ job seekers on community projects such as infrastructure improvement or local social services. Characteristically, low wages are paid, and jobs may only be part time to avoid undermining agreed minimum wage levels for full time employment. This means that the community workers will tend to exit to better paid regular or seasonal employment when this becomes available. This limits the build-up of numbers dependent on state funding.

It is usually important to have women on the local project selection committees, so that projects

providing jobs suitable for women as well as men can be selected.

13.9 Setting up an unemployment insurance benefit

The process for setting up an unemployment insurance benefit system for workers in formal employment can be a lengthy one, though the length of the process depends on the degree of initial consensus and government commitment to the objectives. Steps in the process would include:

- Preliminary consultation with employee and employer organisations and Government to identify the degree of support for the objectives, and the level of unemployment support the parties are prepared to pay for. This process could include:
 - Identifying acceptable contribution levels and what these would mean in terms of feasible benefit levels and time limits for benefit payments,
 - Looking at interfaces between redundancy payments and unemployment insurance, and
 - Identifying acceptable cost splits between employees and employers,
- Developing more specific costing and administrative proposals. This stage could include:
 - A statistical analysis of SNPF data to clarify unemployment turnover rates and their benefit cost implications,
 - Preparing more detailed costings of the administrative arrangements for the scheme, including staffing, equipment, computer systems, and accommodation,
 - Developing a full model of scheme options, and
 - Indicating a possible legislative and administrative timetable.
- Putting draft proposal and options to employers, employees, and government to clarify which of the options should proceed as the final scheme.
- Seeking cabinet approval and drafting appropriate legislation including the date the system would begin, and agreement on the source of funding for set-up costs.
- Obtaining legislative authority by the passage of a bill,

- Setting up an implementation team to put the administrative processes for the system in place,
- Implementing the collection of premiums, and
- Setting up the unemployment benefit payment arrangements.

This process could take two years. However, timing would depend on the degree of agreement between the social partners on the broad outlines of the scheme, and the legislative priority accorded by government.

13.10 Conclusion

It appears to be feasible to set up an unemployment insurance benefit scheme in Samoa. The scheme at this stage would need to be confined to employees in the workers in formal employment, in essence the group now required to be national provident fund members. It does not appear to be feasible in current economic

conditions to extend scheme coverage to informal economy workers and those in the traditional semi-subsistence sectors. For these groups other income and employment support approaches are suggested.

The type of unemployment benefit scheme which appears to be most feasible is a short term unemployment insurance benefit funded by contributions from employers and/or employees. The cost sharing between these two parties would need to be resolved as scheme design develops.

Also needing to be resolved would be the time duration of the benefit, and benefit/wage relativities. These decisions will affect costs and the premium levels needed to fund the scheme. However, in general terms cost levels could be in the range of 0.5 to 2.16 per cent of covered wages, depending on scheme generosity.

The Samoa National Provident Fund is the logical body to administer such a scheme, and should be able to do this at moderate administrative cost levels.

Chapter 14 Social Assistance: Principles

14.1 Introduction

This chapter provides an overview on social assistance patterns and options as part of the wider ILO technical co-operation project on Social Security in the five Pacific Island Countries of Fiji, Kiribati, Samoa, Solomon Islands, and Vanuatu. It provides a background for considering the possibility of using social assistance approaches for addressing some of the poverty and social problems which have emerged in these Pacific Island countries.

Each of the five countries are developing societies in which at present a minority of the labour force is employed in the formal economy. The majority of the labour force is involved in the informal economy, which consists of varying degrees of self employment in the money economy, and subsistence production in the form of farming, fishing and gathering for household use. Some households may also obtain some cash from migrant remittances or land lease rents, though this incidence varies widely between the 5 countries.

Table 14.1 Country populations

Country	Population
Fiji	881,000
Kiribati	101,000
Samoa	178,000
Solomon Islands	523,000
Vanuatu	203,000

Source World Factbook Website

In varying degrees each of the countries concerned has faced new social problems as the impacts of modernisation and globalisation have affected traditional societies. Only some of these contingences are covered by any form of formal sector social security, and then only for parts of the population. In some cases traditional forms of resource sharing and reciprocity have further developed to meet these new needs. In other cases unmet needs have emerged, or traditional support mechanisms have eroded. It is this second set of situations for which social assistance approaches may be appropriate, since contributory social insurance is difficult to organise for the informal cash economy, and unaffordable for low income households and subsistence producers.

Table 14.2 Selected human development indicators comparisons

Country	Adult Literacy	Life Expectancy	Human Development Index
Fiji	93.7	69.2	0.758
Kiribati	n.a.	61.3.	n.a.
Samoa	99.7	70.4	0.769
Solomon Islands	76.6	72.4	0.624
Vanuatu	53.0	62.1	0.570

Sources World Factbook Website and UNDP Report 2004.

The specific situations in the five countries are extremely different. Hence any overview of social assistance options will include many which are unrealistic for particular countries in the light of their social and economic situation, values, and fiscal and administrative possibilities. Specific options which are relevant to the actual situation of each of the five countries will be the focus of the second part of the social assistance study.

It should also be noted that while the 5 countries project focuses on social security, the analysis used in this report is based on the wider concept of social protection. This wider concept is more relevant to the situation of Pacific Island countries, where a large part of the population is involved in the informal economy, including a substantial subsistence element not based on cash transactions, and traditional forms of social protection have been based on resource sharing linked to kinship, local community, and systems of reciprocity.

14.2 Social protection in traditional societies

The current ILO and other definitions of social protection still focus mainly on formal sector schemes, with the variety of social protection mechanisms which operate in many traditional societies covered only by the term *informal schemes*.

In the Pacific these informal or traditional schemes are of crucial importance and in most of the 5 countries included in the study are currently more important for the majority of the population than existing formal sector social protection arrangements.

A fuller description of the traditional systems operating in the five countries is given in the companion project report *Traditional Social Protection Systems in the Pacific – culture, customs and safety nets* (ILO Suva 2005). This information is also contained in chapter 6. This sets out and describes some of the key traditional arrangements in each of the five countries studied.

These include:

- In **Fiji** these systems include *Kerekere* (asking for aid based on reciprocity), *solesolevaki* (joint communal labour), and *Solevu* (large scale mobilisation and redistribution of community resources, *Soli vakavanua* (communal collection and accumulation of funds) and the concepts of *vakaturaga* (chiefly behaviour) and *yalo solisoli* (social generosity).
- In **Samoa** the traditional mechanisms seen as part of *Fa'a Samoa* (the Samoan way). These include *Fa'alavelave* (a term which includes willing acceptance socio-cultural responsibilities), *Totoma* (asking, based on expectations of reciprocity), *Aula* (non-reciprocal giving), and *S'i*, (traditional gifts to victims of mishaps or the family of the deceased).
- In **Kiribati** traditional arrangements include resource and labour sharing amongst the *utu* (extended family), *karekare* (taking turns at joint work with non-utu members), *te aiai* (sharing fire, now related to arrangements to supplying toddy), *Bubuti* (requests for gifts based on family relationships), *Te Katabetabe* (burden sharing, especially at funerals), and *Tekaonono* (Food sharing with people outside the utu).
- In **Vanuatu** practices vary and are described in different languages by different terms. These include resource sharing amongst the *Wantok* (a traditional social-cultural network of people with shared language, history, and genealogical lines), and ceremonial gifts at festivals (*nekowiar* or *toku*).
- In the Solomon Islands a *Wantok* system also exists, and here also this acts as a vehicle for mutual assistance between Wantok members.

While each country has somewhat different systems, and within Vanuatu and the Solomon Islands large differences exist between groups, there are certain common characteristics which also tend to be found in many other traditional societies. These include:

- Resource sharing within nuclear families based on primary family relationships,
- Resource sharing and joint activities amongst members of extended families based both on primary relationships and expectations of reciprocity,
- Resource sharing, joint activities, and risk pooling amongst wider community groups linked by common descent, culture, and/or residence, based both on cultural values and expectations of reciprocity, and
- In some cases, concepts of non-reciprocal giving, often based on religious concepts.

In the Pacific in particular there is a substantial traditional overlap between family and kinship, land ownership, wider community, and shared cultural values. The social protection elements of the system cannot be easily separated from the cultural and economic matrix within which they operate.

14.3 Modern extensions of traditional systems

Much discussion of the role of traditional social protection systems in modern society focuses on the extent of their erosion in the modern period. However, in one important area in the Pacific they have actually expanded in scope. This is the development of cash remittances to extended family members by Pacific migrants who move to the towns to take up cash employment, or move abroad to do the same thing.

Migrant remittances from abroad are now a major part of the economies of Samoa and Tonga, and are becoming a major factor in the Fijian economy. In cash terms these are far more important in aggregate terms to these countries than for example foreign aid. In Kiribati the earnings of seamen and fishermen employed abroad on foreign vessels are now an important source of extended family cash resources.

However, some qualifications need to be made about the role of migrant remittances as an element of social protection:

- There is no very clear relationship between the level of migrant remittances a family (or communal group or church) may receive, and the actual degree of poverty or need. Remittances are received by families with members abroad. The needy with no earning family members abroad do not receive remittances.
- Remittances from individual family members resident abroad tend to decline over time as the date of migration becomes more distant. Hence, the continuation of migrant remittances depends on a continued fresh flow of emigrants to richer countries of settlement destination or temporary employment. High migrant movements have been a characteristic of the recent period for several of the five countries, but cannot be relied on to continue at this level for ever.

The reasons for the eventual decline in individual migrant remittances are various. Migrants are predominantly single or childless adults. At this stage of their life cycle the wages that can be earned from even unskilled work in a developed country provide a surplus of disposable income to fund remittances. As the migrants form their own families and have children, their cost of living rises and less or nothing is available as a surplus to send back. A similar phenomenon has been noted amongst rural Fijians who move to the Fijian cities to take up employment.

However, it also seems that there are other factors which affect migrant willingness to remit, and/or the range of relatives to whom they will still send assistance:

- Long absence tends to erode the closeness of extended family ties,
- The eventual realisation by many of the migrants that they will probably not return to live in their home village erodes the motive to send back money to keep alive their rights to family or communal land,
- The migrants may be affected by the individualism of the host societies, and
- Remittances may be increasingly perceived by the migrants as a largely non-reciprocal relationship.

When working age adults with children are resident in their original village, the contributions they make to the extended family in the form of produce or cash are part of a reciprocal

arrangement from which they also benefit. Grandparents or other family members may look after their children while they work. They have access to family or communal land to grow food, and can also use the land to erect a dwelling. Hence, the arrangements are genuinely reciprocal and mutually beneficial.

For the migrants abroad however a different situation applies. If both spouses work they must pay for child care. They must also pay for food, accommodation, transport, and the raft of nuclear-family related expenses. The former reciprocity is largely absent or notional. Hence, both willingness and ability to send money may erode.

14.4 Traditional systems in modern circumstances

Migrant remittances aside, several comments need to be made about the potential ongoing role of traditional mechanisms to provide social protection, particularly where they remained based in a subsistence or semi-subsistence rural economy:

- The traditional transfers are largely geared to meeting subsistence and cultural needs. They are not well geared to meet modern additional needs such as school fees, medical care, and things requiring cash outlays,
- Because access to assistance is heavily linked to family and communal relationships, and past reciprocity, people in need who do not have these appropriate relationships and behaviour history may get little,
- The system does not effectively accommodate strangers who migrate into the area,
- If the whole extended family or community is poor, ability to provide assistance to the needy is similarly limited. The risk pooling group may not be large enough, and
- Linking of entitlements to rank and social status in some cultures may not concord very well with modern ideas of equality, including in particular gender equality for women.

With these qualifications however, traditional systems will need to provide at least part of social protection in Pacific Island countries for the

foreseeable future. None of the five countries are yet at a stage of economic development which would allow the funding of the full range of formal social security and social protection programs found in the developed industrial economies.

To the extent that traditional systems cannot meet modern needs, or the systems themselves are eroding, other options need to be considered. A number of these options can be regarded as being in the nature of social assistance.

14.5 Poverty in Pacific Island Countries

Public social assistance schemes are designed to prevent poverty and destitution, and to meet basic needs. These terms have a variety of meanings, so it is useful to begin by summarising what is meant by poverty and how this applies to situations in Pacific Island countries.

The first concept of poverty is that of primary or **absolute poverty**. People living in absolute poverty cannot feed themselves or their families adequately, are dressed in rags, and are homeless or have only some type of hovel for a shelter. This type of poverty, also called destitution, is found in some parts of Africa and Asia. It is rare or absent in Pacific Island countries, at least so far. This fact often leads people to say that *there is no poverty in the Pacific*.

However, the second concept extends to secondary or **comparative poverty**. People affected by secondary poverty usually have enough to eat and are adequately clothed, though their food intake may not always have all the required nutritional components. They have some type of housing, even if it is not very satisfactory, lacks facilities, or is overcrowded. However, they are faced with a constant struggle to pay bills as they do not have enough cash income to pay for what have become basic needs in modern society. Hence they cannot pay school fees, medical bills, or contribute substantially in the expected manner to the social and religious activities which are a part of the Pacific lifestyle. They have enough for subsistence, but not more, or not much more. This type of poverty is relatively common in the Pacific, though people are affected by it to varying degrees. It is called comparative poverty because the people affected by it are poor in relation to what is normal in their society. Another term for this is financial hardship. It may also contribute to what is called **poverty of**

opportunity where for example children drop out of school because their parents cannot afford the associated costs.

The third concept is that of **vulnerability**. People in this situation usually have enough to feed, clothe, and house themselves, and to pay regular bills. However, they have no margin or safety net. Illness, unemployment, or crop failure will quickly push them into poverty. This situation is also common in the Pacific, notably where there is no formal social security for the majority of the population, and traditional social protection arrangements have eroded.

This range of situations then raises the question as to what are the *basic needs* that a social assistance system should provide for. This is a question to which there is no absolute answer, since it depends on the economy, culture, and fiscal possibilities of each country. However, in a Pacific context the needs that a social assistance system should address at a minimum would seem to be:

- Preventing absolute poverty or destitution, and
- Ensuring access to key services, notably health and education.

For the wider social security system the longer term aim is to develop measures which offset vulnerability and contribute to income adequacy. However, the immediate priorities in development are more basic than this. The Pacific situation would seem to fit the diagnosis of the June 2001 ILO conference, which concluded that the highest priority is to extend social security to those who have none. Given that many of the Pacific poor are in a situation where contributory social insurance is not currently a feasible possibility, this suggests that social assistance type measures are likely to be one of the priority approaches to extending social security. However, there are also other options for some groups, which will be commented on later. Also, in a longer term context thinking about improving the social security coverage of the formal sector needs to be included in the assessment of options.

14.6 General issues for social assistance systems

While social assistance systems included in the social security systems of developed countries

tend to focus mainly on cash benefits, other forms of social assistance are also common, more particularly in developing countries.

Using social assistance cash benefits as a major vehicle of assistance to the poor and disadvantaged is an approach which requires a number of factors to be in place for the system to work effectively. Most of these factors are also required for sector specific forms of social assistance. These include:

- An adequate source of funding,
- A definition of the unit of assistance (individual, family, household) which fits the social realities of the society concerned,
- An accurate system for identifying individuals claiming benefits,
- An effective administrative system which can accurately assess the real economic circumstances of the claimants,
- An effective payment system which can reach the claimants who may be located in remote areas,
- Design features which minimise as far as possible tendencies for benefit claimants to become benefit dependent, and
- Adequate anti-fraud systems.

By their nature, social assistance systems require a considerable amount of administration, and this needs to be factored into the costings.

14.6.1 Funding sources

The funding sources for social assistance are usually the general revenues of the government or public authority, though in some cases designated special taxes may be levied. An issue in countries with two or more tiers of administration is the extent to which costs should be borne by local governments as distinct from the central government. For example in the United States the cost of social assistance (called *Welfare* in the U.S.) is split between the Federal and State Governments. In Fiji the cost of the social assistance system scheme known as the Family Assistance Scheme is paid for from central government revenues.

14.6.2 Assessment unit

The appropriate assessment unit for looking at who needs social assistance raises significant

problems in a Pacific country context, where people are members of extended families and other wider groups. Basing assessment only on the individual or nuclear family may mean the social reality of resource sharing and reciprocal obligations is being ignored. However, assuming that the people concerned are being effectively supported by their extended family may also not reflect the true situation. This is a problem for which each country must find its own solution.

14.6.3 Identification

Accurate identification of individuals is a problem of varying size. It is most difficult where populations are large, people move around frequently, and birth registrations and other civil records are poor. Social assistance systems usually require claimants to produce identity documents (e.g. birth certificates, or identity cards where these exist), and may issue their own identity cards to the beneficiaries. Lack of accurate personal identification may mean that money goes to the wrong people, or people who are entitled miss out.

14.6.4 Economic situation of claimants

Assessing the real economic situation of claimants is difficult in countries where there is a lack of centrally held data on incomes and assets. Extended family issues make this particularly complicated in Pacific countries. However, unless the administration is set up to do an adequate assessment, the twin problems of needy people missing out and fraudsters claiming benefits they are not entitled to will emerge.

14.6.5 Effective payment systems

Effective payment systems are also needed. This is a particular problem for remote areas. In many Pacific countries most people do not have bank accounts or even access to banks. Choices need to be made between cash payment systems, vouchers, and the use of payment agents. Each of these systems has both advantages and drawbacks. After experimenting with a bank-based alternative for paying its Senior Citizens Benefit, Samoa opted for mobile payment teams which delivered the benefit to each village.

14.6.6 Welfare dependence

Designing social assistance systems to minimise the growth of welfare dependence and the handout mentality is a problem in all countries. Cost may be kept down by cutting assistance sharply as beneficiaries earn some other income, but in turn this may discourage work effort. No country has resolved this problem in a completely satisfactory way. Factors which help include restricting social assistance to people who cannot help themselves, and using other options such as special employment for those assessed as being able to work.

14.6.7 Anti-fraud

Finally, anti-fraud checks need to be built into the system. Whenever money is being given away, some people who are not entitled to it will seek to find ways to get their hands on it. This included benefit staff as well as benefit claimants, so the anti-fraud measure need to extend to regular checks on systems and staff, and on payment agents, as well as on claimants.

14.7 The scope of social assistance

Universal payments to specified demographic groups such as universal pensions for older people or universal family benefits for children are not normally classified as social assistance in the technical sense of the term. They may be assimilated into the concept if there are grounds for believing that virtually the whole demographic group is poor or disadvantaged, and hence that making a universal payment is the administratively simplest way to deliver on the social assistance objective. However, payments to specified demographic groups may also form part of a social assistance system in the following ways:

- Payments targeted against income and/or assets, such as the Australian means tested pensions for older people, or the New Zealand income tested family support payments to some families with children, and
- Allowances for children built into the payment rates for the amount of social assistance granted to a poor household. The way these payment amounts are built up to reflect family or household composition is called an Equivalence Scale.

Support for children or older people or other groups in need may also take the form of targeted assistance with health or education costs, or provision for other types of social services. This is commented on in more detail in the following section of social assistance by sectors.

14.8 Social assistance in kind by Sectors

Apart from cash benefits, social assistance systems may also apply in individual sectors. This is also referred to as assistance in kind. In virtually all these cases the assistance relates to “basic needs” plus education and health.

14.8.1 Education

Targeted assistance or scholarships to children from low income and disadvantaged backgrounds is frequently used where free education is not fiscally affordable. To allow poor children to go to school and/or prevent early dropouts they may receive scholarships or fee concession. An example of such a scholarship programme was the Indonesian scholarship programme set up as part of the Social Safety Net programme following the 1997-98 Asian crisis.

The Indonesian scholarships, which were distributed by local school-based allocation committees, were successful in stopping the large school drop out pattern which had accompanied earlier economic crises. However, problems with the programme included leakage of scholarship grants to children from non-poor families, plus the fact that the grants seldom reached children from poor families who were not attending school in the first place.

Targeted assistance of this type may also apply to tertiary study. Also, sometimes extra assistance is needed by poor children attending nominally free schools to cover the costs of books, uniforms, travel, and the like. In Fiji remission of school fees is used as a way of targeting education assistance to children from low income families. Samoa also has a similar scheme, though in practice it is seldom accessed.

14.8.2 Health

Where people seeking health care are charged fees, special assistance to the poor may apply.

One option is to give health cards to the poor which entitle them to free or concessional treatment, with the government reimbursing the providers. Examples include the Indonesian health cards for poor people, and the New Zealand Community services cards.

Another option where there are fee-charging public hospitals, clinics and dispensaries, is to exempt some categories of people deemed to be poor from paying these fees. An example of this is the exemption of recipients of the Samoan Senior Citizens Benefit from payment of hospital fees.

14.8.3 Food

Direct allocation of food by governments to poor people is rare. The main exceptions are situations of natural disasters or famines, or emergency refugee situations. However, a number of NGOs in countries such as Australia, New Zealand and the US run food banks. These involve direct gifts of food to poor people.

Somewhat more common are various forms of concessional food assistance programmes for poor people. Examples include:

The U.S. Food Stamps programme. Poor people (mainly social assistance beneficiaries) are given these stamps with designated values in exchange for a small co-payment. The stamps can then be used to buy food in many food shops. The government then reimburses the shop for the value of the food purchases represented by the food stamps. A type of food stamp programme also formerly existed in Sri Lanka.

Another variant is the Indonesian Rice Subsidy Card which entitles poor people holding the card to buy government provided rice at a cheap price. The amount permitted to be bought per family is limited to 20 kilos per month.

The New Zealand government sometimes provides emergency food vouchers to some social welfare claimants while their claims for regular benefits are being assessed.

Food concession rather than cash assistance tends to be given when Governments see priorities in meeting basic needs, and where there may be suspicions that cash aid will be diverted to other purposes.

14.8.4 Accommodation

Accommodation assistance to the poor is frequently found as part of broader social assistance systems. A number of mechanisms exist.

- **Direct provision** of *social housing* to low income people. Examples include U.K. Council Housing, U.S. Public Housing, French *HLMs*, and New Zealand State Housing. Fiji also has a public housing program. Direct provision involves supplying poor people with houses or apartment provided at low concessional rents.
- Some countries may give **direct grants** to low income people for housing construction or alteration. An example is the Fijian housing grants which are part of the Poverty Alleviation Programme. Qualifying poor people can get grants of up to FJD 5,000 for housing construction and FJD 3,500 for alterations.
- **Concessional interest** loans for low income people to build or buy houses were formerly part of the New Zealand housing policy.
- Accommodation **cost subsidies** for low income people include the New Zealand Accommodation Supplement. This covers, rent, mortgage, and board cost, and is subject to income and assets tests of eligibility.

14.8.5 Transport

Transport cost concessions are extended to low income or disadvantaged people in some countries. Samoa for example gives free inter-island ferry travel to recipients of the Senior Citizens Benefit. Fiji provides free school transport for children in remote or outer island areas without schools.

14.8.6 Disability services

People with a range of disabilities have needs which are additional to those without physical or mental impediments. These may include things such as artificial limbs or modification of housing which lie on the margin between the Health and Social sectors. A social assistance approach funds these needs for low income people.

14.8.7 *Maternity*

Medical costs associated with maternity may be paid for low income women in countries with social assistance schemes for the poor.

Paid maternity leave however is normally part of employment-linked rights in the formal sector, and is usually funded by social insurance contributions or employer liability arrangements. In principle however it could be funded by public revenues. In New Zealand this is the case, though again this applies only to women in paid employment.

Extending the principle to all women via social assistance raises major problems of practicality in situations where there was no identifiable prior cash income to be lost. This is often the situation in Pacific Island countries where the majority of women are in the informal economy, and may be classified as unpaid family workers or domestic carers, even though part of their daily activity is involved in informal production.

14.9 *Using the tax system for social assistance*

Countries which have highly developed tax systems may also use these systems to fund some social assistance. For example the New Zealand tax system allows claims for family support for low and moderate income people with children to be offset against their tax liability. Fiji allows a tax concession for support of disabled relatives.

However, it should be noted that this approach is only feasible and equitable when most people are taxpayers in the cash economy. Tax concessions are largely irrelevant to poor people in the subsistence sector, since they have little or no cash income to tax in the first place, and so no income tax liability to be offset.

14.10 *Other poverty reduction options*

Options for reducing poverty amongst the poor and disadvantaged are not confined to social transfers such as social assistance. Some other options are presented in the following paragraphs.

14.10.1 *Special community employment*

For able bodied poor people able to undertake work a better option than social transfers will sometimes be special community employment in infrastructure and social service projects.

Payment for undertaking this work is usually set close to or slightly above equivalent levels of social assistance payments, or unemployment benefits when these exist. The work undertaken is usually on infrastructure projects, such as repairing roads, clearing weeds and scrub, or on providing labour for needed social services. Work allocated may sometimes be part time or part week only to avoid undermining agreed wage standards for full time employment.

Special community employment projects of this sort have been used in Indonesia and New Zealand, and also in a number of African countries.

The advantages of this approach include the following:

- Severe poverty is reduced,
- Useful works or services are carried out to the benefit of the community,
- The otherwise unemployed retain a work ethic, and can gain pride from their contribution,
- With payments set below normal wages, the special workers have an incentive to exit the system when regular or seasonal work becomes available, and
- The requirement to undertake work acts as a way of screening out people with other options who might otherwise claim social assistance.

However, some cautions need to be borne in mind when considering setting up a community employment option:

- The system costs more per person to operate than passive social assistance payments. This is mainly because supervisors with adequate understanding of the tasks to be performed need to be appointed, and there are also other overhead costs such as provision of materials and tools and equipment for many projects.

- Regular supervision is needed to ensure that the work is actually carried out. Indonesian experience was that in poorly supervised projects work was often not done, or not done well,
- A vigilant eye needs to be kept on those responsible for implementing the community work projects. The New Zealand experience in the 1980s was that some local authorities, and even some NGOs, when allocated special workers then quietly reduced their numbers of regular paid workers, and let the community workers paid for by the government take over the tasks. The Indonesian experience after 1997-98 was that some of the implementing authorities paid much higher levels of allowances than set out in the regulations, hired fewer people than they were paid for, and gave jobs to people who were not poor, and
- Adequate provision needs to be made for employment of women as well as men. A complaint about the Indonesian schemes was they focussed on providing jobs done mainly by men, but not women. This affects the range of jobs which need to be included in community employment schemes. Including social service type projects expands options for women as well as for men who are not very physically fit. Having women on the advisory committees which select projects for community employment would assist in this issue.

Overall, care needs to be taken to ensure that the community work chosen for projects is something extra of benefit to the community, and not work which would otherwise be carried out in any case by wage workers, self employed, or community volunteers.

An issue with some community employment schemes with low weekly payment rates is whether they undermine agreed minimum wage standards. Where this is an issue an option is to make the period of paid employment less than a normal work week. This could take the form of community employment for 2 or 3 days a week, or half days only.

Part time employment has some disadvantages in terms of continuity of work on particular projects. However, there are also some offsetting

advantages. Supervisors can supervise two groups of special workers rather than only one, and this keeps down some overhead costs. Also, the community workers have more time to engage in job search or subsistence production.

14.10.2 Universal benefits

A further option is to pay universal benefits to groups such as the very elderly where there are grounds for concluding that most of the group are in fact in poverty.

Universal pensions are more expensive than targeted social assistance pensions, since they also go to people who may be rich or middle income, including those who already have retirement pensions from contributory or employer provided schemes. These people are excluded from entitlement in social assistance type pensions.

However, in some societies a universal pension may be a way of solving some policy dilemmas such as the administrative cost and political unpopularity of means tests on pensions. Also, universal pensions can provide a separate income for older women, who may not otherwise have any separate source of income.

A trade-off for the higher cost of universal pensions may be the setting of lower pension rates, and a higher pension entitlement age.

In the case of South Africa the universal pension for the elderly appears to have been beneficial. Living standards of the elderly improved, and studies showed that some of the assistance was also spent on other extended family members, such as grandchildren. Also, adult children were more willing to take older people into their homes when they could make a cash contribution out of their pension

The South African case was of course quite distinctive, since the great majority of older Africans were living in poverty before the pension was introduced. This situation is not necessarily found in other countries.

In the developing Pacific universal retirement pensions are paid in Samoa from age 65 and Kiribati from age 70. Amongst the developed countries in the Pacific New Zealand has a universal pensions from age 65, but Australia has an income and assets test on its retirement

pension. Elsewhere in the world universal pensions are rare. Amongst developing countries Botswana, Mauritius, Namibia, Nepal, and Bolivia have some form of universal retirement pension or grant, but most other developing countries do not. Amongst the developed countries they are also rare, since the main reliance is on contributory social insurance and other contributory pensions. However, several Scandinavian countries have a low level universal pension which complements a predominant use of contributory social insurance pensions.

One other group which is sometimes the beneficiary of universal benefits consists of children. New Zealand had a universal family benefit up till 1991, though it was paid at a low rate. This benefit was abolished in 1991, and family assistance retargeted to low and moderate income families only.

Universal family benefits usually only emerge when birth rates show signs of dropping below population replacement level. The current demographic situation in the Pacific Island States is very different from this.

14.10.3 Universal sector in kind programs

A further option is to create universal entitlements to core *in kind* programs designed to meet basic needs. Examples include free education and free health care. Such programs are usually provided by public sector agencies or private and NGO organisations funded by the government. This is an approach which has been used in some Pacific Island countries. For example Fiji has free public health services.

Universal programs are expensive, and budgetary considerations may rule this option out. A further problem is that free universal systems are sometimes significantly under-resourced in many developing countries. In Fiji for example there are complaints that government pharmacies may sometimes lack some prescription drugs. In Indonesia in low income districts the public hospitals were also short of prescription drugs.

Free services provided without user charges also do not necessarily mean free access to these services by poor people. For example, although tuition may be free in public schools, money has to be found by the families of the students for books and materials, school uniforms, activity

fees and *voluntary* donations, and transport to schools. These extra costs may make schooling unaffordable for some children from poor families.

Similarly public health services may be free in the sense that no user charges are levied, but poor people living in remote areas may not be able to afford the transport costs of accessing these facilities. This may require a residual role for social assistance to fund travel costs. In Fiji for example the Government pays the cost of transporting patients from remote areas who are referred to a public hospital.

Overall, free public provision systems work best where they are well resourced, and some supplementary consideration occurs for the poor.

14.10.4 Legally enforcing traditional obligations

Another option is to use the legal and administrative system to enforce generally accepted obligations of other persons to support the dependent poor person:

- In Singapore adult children who are earners are legally required to support their elderly parents if the latter are poor. In a recent court case the Singapore judge ordered the adult children to support an indigent father, but also said that the father had to move out of his existing apartment and move into a smaller and cheaper place before this was required to be done,
- Most developed countries have some form of maintenance or child support to supported deserted spouses and children. This approach also occurs in some developing countries. Fiji for example has a court based maintenance system, though the Fiji Department of Social Welfare advised that more than half of the required maintenance payments are in arrears,
- New Zealand has a Liable Parent Scheme where assessed amounts of child support levied against an absent, divorced or separated parent is collected by the tax department. New Zealand also has a bilateral agreement with Australia whereby each country will collect the liable parent contributions from each others citizens when these people shift between countries in order to avoid their financial obligations to support their children, and

- The United Kingdom has a Liable Relative scheme which may apply where children are required to be supported by government benefits.

The possibility of effectively using the legal and administrative system to enforce some traditional obligations to support dependents depends on several factors:

- The acceptability to the population of doing this. Some traditional obligations may no longer be regarded as reasonable to enforce, as they were really of a voluntary nature,
- The real economic situation of those required to pay. If the liable person is also poor, there is not much chance of getting support, and
- Administrative feasibility. Actual enforcement requires an effective administrative collection system.

14.10.5 *Promoting community support options*

Short of legal enforcement, the government and community leaders can promote community ways of providing for the poor and disadvantaged. One rural community in Fiji for example set up a

program where its members provided one day of work a week on communal vegetable gardens which provided food for the poor. In urban areas voluntary food banks are also an option. The scope for this approach will vary from country to country.

14.10.6 *Development*

The main way out of poverty for most of the population is linked to economic development and the expansion of economic opportunities this brings. However, most development issues lie outside the fields of social assistance and social security.

14.10.7 *Choosing options*

Pacific Island countries have limited resources and hence must take particular care in determining which of the various options for assisting the poor and disadvantaged should be considered.

This section sets out a *menu* of options, some of which may be relevant to each particular Pacific Island country. More specific proposals relevant to Samoa are discussed in the next chapter.

Chapter 15 Social Assistance in Samoa

15.1 Summary

This chapter looks at issues of priorities and feasibility for social assistance in Samoa.

Samoa is a lower middle income developing country which does not have and cannot yet afford the range and scale of formal social security provision found in the developed industrial economies. It also still has a largely intact extended family and local community system referred to as *Fa'a Samoa* which has traditionally met many of the needs catered for by formal social security provision in the industrial economies. This is described in more detail in chapter 6, *Traditional Social Protection Systems in the Pacific – culture, customs and safety nets*.

However, the economy is gradually modernising and formal sector employment growing in place of the more traditional semi-subsistence style of rural living. With these changes new social protection needs are emerging, and the capacity of the traditional Samoan system is being stretched.

These considerations point to the need for careful consideration of priorities in developing social security in tandem with changes occurring in the economy and the social changes which tend to accompany economic development. This includes consideration of the role of social assistance.

Social assistance in developed industrial economies largely takes the form of targeted cash transfers to the poorest and most disadvantaged sectors of the community, with the transfers funded by public revenues. In this context social assistance is part of the broadly defined social security system. In many developing countries however, social assistance is often in kind, and includes concessional access to social services such as health and education. In this context social assistance is more accurately considered within the wider context of social protection. This is the context applied in the case of Samoa.

Developing social assistance approaches which are suitable for the Samoan context is challenging. The extended family situation, reciprocal obligations, migrant remittances, and the right of access of most people to communal

land resources make it very difficult to assess the real economic situation of individuals, families, or households. This needs to be kept in mind in developing policies to meet the needs of the disadvantaged.

The more detailed sections which follow the extent to which social assistance approaches may be appropriate in dealing with some of the issues considered is assessed.

15.2 Introduction

Samoa consists of a group of tropical islands situated in the South West Pacific in the same general region as Fiji and Tonga. The land area is 2,785 square kilometres, most of which is found in the two main islands of Upolu and Savaii. It also has a large maritime zone. The population in 2001 was 176,710, and population density was a moderate 63 persons per square kilometre of land area.

Samoa has a strong traditional cultural pattern, and an economy which is a mixture of modern cash orientated activities and a traditional semi-subsistence rural way of life. As elsewhere in the Pacific, urbanisation is proceeding with some speed, though the population is still mainly rural.

Fa'a Samoa (the Samoan way) prevails in the social structure of the rural villages and also to a strong degree still in urban Apia. This includes the institution of the Aiga (extended family) headed by designated Matai or chiefs, and village councils usually exercising a strong degree of social control over village life. Women's committees also play a large role in village life, including health issues. Communal land ownership of most land involving extended family use rights means that virtually all Samoans have theoretical access to land on which to build dwellings or cultivate crops. However, the more recent trend has been for urbanising Samoans to obtain individual title to the land their dwellings occupy.

Formal social security mechanisms are only partly developed, with many in Samoa considering that *Fa'a Samoa* replaces the need for many of the formal social protection mechanisms which have been developed

elsewhere. Samoa has an active national provident fund providing retirement benefits and small loans, and now provided a universal senior citizens benefit funded from taxation. It also has an accident compensation system and low cost health care in public facilities. However, most of the other ILO social security programme categories do not exist in Samoa, and there is currently little which could be classified as specific social assistance to the poorest groups.

15.3 Population and living arrangements

In the 2001 Census the population was enumerated at 176,710. Current estimates place the population at around 180,000. The 2001 census found that 75.9 per cent of the people lived on Upolu, and 24 per cent on Savaii. Within Upolu 22.1 per cent lived in urban Apia which now has around 40,000 people. The balance of the population is rural, though much of the area of North West Upolu surrounding Apia is beginning to assume some urban characteristics

Life expectancy is high for a lower-middle income country. In 2001 life expectancy at birth was 73.8 years for women and 71.8 years for men.

A high birth rate of 29 per thousand involving an average of 4.4 children per woman has produced a young population with a median age of 19.7 years in 2001. Of these 99 per cent are ethnic Samoans, including part-Samoans. Average household size is around 6.7 persons.

In the period 1991 to 2001 high net emigration offset natural increase of nearly 2.5 per cent a year, producing an actual rise of only 1 per cent a year in the decade. Most of the emigrants go to New Zealand, Australia, and the United States. Remittances from these emigrants are a major factor in the Samoan economy and balance of payments.

Around half of the designated active labour force is employed in the formal economy, though the proportion calculated depends on the definition used. If the part time economic activities of rural women and others are included in the definition, the informal labour force is more than half the total. Most of the informal economy workers are employed in semi subsistence farming, fishing, and crafts. However, their households are integrated to varying degrees in the cash economy

through some produce and craft sales, intermittent casual employment, and migrant remittances. Much of the formal economy employment is in the public sector.

Samoan households tend to be of the extended family type, though nuclear families are also frequently found in areas of in-migration such as urban Apia. In the 2001 census the relationship of household members to the designated head of household was as follows.

Table 15.1 *Types of households*

Relationship	Number	%
Head	23,059	13.2
Spouse	16,505	9.4
Own Child	63,714	36.3
Relatives	68,894	39.3
Others	3,171	1.8
Totals	175,343	100.0

Other relatives living in the household were actually more numerous than the number of the head of households own children living there.

15.4 Economy

In 2004 Samoa had a GDP of WST 1,042.4 million or about WST 5,600 per head. In U.S. dollar terms this amounts to around WST 2,100 per head at July 2005 exchange rates. Real growth rates in total GDP were around 6 per cent real in the period 1999 to 2001, but dropped to a little under 3 per cent a year in the period 2002 to 2004.

In Samoa imports are more than 10 times as large as exports. The key exchange earning sector is now tourism, followed by migrant remittances. Fishing and agriculture also make some contribution, though that of agriculture has declined, and much agricultural land is under-utilised. One consequence is that Samoa is now a large net importer of food. This has major economic consequences since the Household Income and Expenditure Survey indicates that 51 per cent of household expenditure is on food items.

Some indication of the shift towards import dependence for food can be obtained by comparing local production and import figures. In 2004 the added value of the agricultural sector was WST 84.1 million, and that of fishing WST

62.3 million, the two together comprising about 15 per cent of GDP. However, imports of food and agricultural products in 2003/04 amounted to WST 156 million. A full preparation of food accounts would require these figures to be adjusted for non-food items and for the value of agricultural inputs, exports, and transport, distribution and processing costs for both local and imported production. Overall though, the pattern is very clear. Food production for domestic use produced mainly by households tends to concentrate on low value easily farmed staples such as taro, bananas, breadfruit and coconuts. Imports include meat, and canned and processed foods, and are generally the more expensive items. However, in Apia imported canned fish is actually cheaper than fresh fish caught in the surrounding oceans.

Overall, imports into Samoa substantially exceed exports. In 2003/04 merchandise imports were valued at WST 425.3 million, and exports at only WST 40.8 million. However, net transfers in 2004 were WST 252.5 million including WST 142.1 million in net household transfers; and net service earnings WST 106.8 million.

15.4.1 Household incomes

At the household level income sources (defined to include transfers) are a mix of cash and subsistence production, with high levels of transfers involved. Only in the Apia urban areas are cash earnings from regular primary cash employment more than half of average household income. For Samoa households in the aggregate the pattern shown in the 2002 Household Income and Expenditure Survey (Table 15.2) was as follows.

Table 15.2 Household income sources

Household Income Sources	%
Primary Income	41.8
Other Income	2.5
Value of Own Produce Consumed	20.2
Value of Own Produce Sold	3.5
Value of Own Produce Given Away as Gifts	5.5
Value of Remittances Received in Cash and Kind	10.4
Value of Items Received as Gifts	16.2
Total	100

A striking feature of the household accounts was that recorded household consumption was nearly 30 per cent higher than household income. Part of this may reflect under-recording of income,

though debt-financed consumption appears to be part of the common pattern in Samoa. For example Samoa National Provident Fund (SNPF) members are permitted to borrow up to half of the value of their SNPF retirement savings as small loans. The 2004 NPF accounts showed member loans excluding housing of WST 74.1 million or equal to 33 per cent of accumulated member balances. This has the adverse long run consequence of reducing the value of net retirement benefits when they are finally taken.

15.4.2 Living standards

Average living standards in Samoa appear to be higher than would be expected from the level of GDP per head or the average level of household cash income. Additional factors include the gains to household budgets from emigrant remittances, foreign aid and NGO contributions, well developed public services, and access to family land for housing and production of household food. For example, only 4 per cent of households pay rent. The population appears to be well fed and adequately clothed for the climate. Most housing seems to be in reasonable condition. In rural areas this is often an adaptation of the traditional *Fale*, with corrugated iron roofing in the place of thatch. Most households have electric power connections and access to piped water supply.

The extent to which household consumption genuinely exceeds household income is unclear. On the basis of the household survey this pattern occurs for all income deciles except the top 10 per cent of households, where income and consumption are approximately equal. In the lowest income decile recorded expenditure was three times the level of recorded income. However, longitudinal studies would be needed to clarify what is really happening at the household level, since weekly incomes may vary in a manner which does not reflect longer term averages. There would also need to be an equivalence scale assessment in order to adjust for varying household size and composition.

One consequence of the differential between income and expenditure at the decile level has significant effects in reducing the disparity in household consumption levels. For example the income figures show that household in the top decile have incomes which are more than three times the Samoan household average of WST 445 per week, while incomes in the lowest decile are less than 20 per cent of the average. However, at

an expenditure level consumption in the highest decile is about 2.4 times the Samoan average, and in the lowest decile about 43 per cent of the average.

15.4.3 Poverty

The extent of poverty is a contentious issue in Samoa. One view held by many officials is that there is no poverty in Samoa, or at least no involuntary poverty. The opposite view is that many Samoan households struggle in poverty.

Much of the issue is a question of definition. There appears to be no absolute poverty in Samoa in the Asian or African sense of the term. There is no visible population which is half starved, homeless, and living in rags. Instead, what affects many households is comparative poverty or frequent financial hardship. Part of the issue is that the Samoan population has adapted to more modern consumption standards without necessarily having the regular sources of cash income to support this, and also to continue to support traditional Samoan cultural obligations. Cash must be found to pay for school fees, transport costs, electricity charges, water connections, and shop-bought foods. In addition Samoan families meet major contribution obligations to villages, churches, and extended family members. The converse of receipt of extended family assistance at times of need is the requirement to extend assistance in turn even when household budgets are already stretched.

One issue is the extent to which the costs of traditional obligations have escalated over time. In earlier eras food contributions to functions would involve only locally grown or gathered foods. Now families are expected to contribute things purchased from the cash economy, such as whole cartons of cans of fish. At the stakeholder workshop the view was expressed that these obligations have become increasingly burdensome on Samoan families. A recent attempt to *de-escalate* this process was a recent decision of Cabinet to ban the import of whole cartons of canned fish, and only allow the import of half cartons.

The 2002 Household Income and Expenditure Survey Found that 87 per cent of Samoan households had electricity bills, 50 per cent water charges, 25 per cent telephone bills, and 20 per cent charges for post office boxes. In addition 65 per cent gave donation to church or village, 70 per cent other contributions to church or village,

63 per cent provided local remittances in cash, and 18 per cent remittances in kind. And surprisingly 79 per cent sent remittances in cash overseas and 30 per cent remittances in kind. The overseas remittances sent were of course much smaller than those received. However, all of these features together add up to a constant pressure to obtain cash to fund the Samoan lifestyle.

15.4.4 Poverty measures

At the time of the 1997 Household Income and Expenditure Survey one definition of poverty found that 48 per cent of Samoan households had income below a defined poverty line standard. This finding produced considerable controversy, and the counter argument that the type of measures used did not reflect the reality of Samoan living conditions. These issues included the permeability of individual household budgets in relation to wider extended families and the effects of access to communal land for food growing purposes and housing.

An alternative definition in relation to the 2002 Household Income and Expenditure Survey found 7 per cent of Samoan households did not meet the minimum food outlay requirements, and were in *Food Poverty*. This did not necessarily mean that they did not fill their stomachs each day, but could mean that the nutrition intake other than of calories was not adequate. However, a specific nutrition survey would be needed to verify this calculation. It is understood that this is being undertaken, but at the time this publication was produced data were not available.

Other adequacy measure in relation to ability to pay other types of bills indicated that up to 20 per cent of households could not meet all their financial obligations if they conformed to normal Samoan expenditure patterns. This financial hardship or comparative poverty could then led on to a *poverty of opportunity* where for example children dropped out of school because the parents could not afford to pay for school fees, uniforms and other schooling costs, or perhaps took decisions which prioritised other costs ahead of schooling.

15.4.5 Employment and economic activity

The 2001 Census classified 52,945 people aged 15 or above as being economically active, including 5 per cent classified as unemployed. If those aged 65 and above are excluded, the total is

51,484, or just over half of the age group 15-64.

The composition of this economically active group was further divided as follows.

Table 15.3 Classification of economically active people

Classification of Economically Active	%
Employer	1
Employee	49
Self Employed	4
Unpaid or Assisting	47
Total	100

This pattern suggests that about half of the economically active population are in the formal sector, and about half in the informal sector, mainly in semi-subsistence production. It also suggests that labour force participation rates amongst people age 15 to 64 are very low.

The extent to which this represents a full picture is another issue. The people classified as economically active were only around half of the population aged 15 to 64, with most of the rest being involved in categories such as *domestic duties* or *students*. However, the census also showed that 69,179 persons aged 15 to 64 received income, a category which substantially exceeds the classification of economically active, including the unpaid group. How all these other people received income is not clear, presumably much was from the informal economy.

Similarly, the 2002 Household Income and Expenditure Survey recorded 18,413 men but only 298 women in the category *Plant/Farm/Fish for Consumption*, while 31,016 women were classified only under *Domestic Duties*. Since it is known that Samoan rural women traditionally involve themselves in gardening, shellfish gathering, and handicrafts, this disparity in classification suggests that the degree of involvement of rural women in the informal economy is undercounted by the technique of classifying people by their *main* role. This view tends to be supported by 2001 census data which showed that 8,341 women classified as domestic workers also involved themselves in handicrafts, 1,115 in agriculture, 135 in fishing, and 4,084 in undefined other activities.

There has been no full employment survey since 1984. A full survey would be needed to clarify issues such as this. The indications are that more

people are economically active than classified as such by *main daily activity* roles, and that more than half the people who are actually economically active are involved in the informal sector to varying degrees, though often on a part time basis. However, while a category of part time employment exists for the formal sector, it is not a classification which currently exists for the informal sector.

15.4.6 Government finances

Government current expenditure in 2004/05 was budgeted at WST 241.2 million, or about 23 per cent of GDP. Projections for 2005/06 are for a 13 per cent rise to WST 272.8 million. These figures exclude spending on grant and loan funded projects which are subject to separate financial arrangements.

Social services allocations for 2005/06 were WST 103.6 million, or about 38 per cent of projected government current spending. This included WST 54.5 million for education, WST 35.1 million for health, and WST 14 million for the senior citizens benefit.

The projected overall fiscal deficit for 2005/06 is WST 44.3 million. The fiscal situation is one where government faces heavy expenditure pressure in relation to its revenue resources, and an increasing proportion of capital and development expenditure is being financed by loans or grants. Hence new expenditure programmes need very strong justification

15.5 Social security and social protection in Samoa

Social protection in Samoa is currently a combination of informal and formal social security mechanisms. The informal mechanisms are largely those of the extended family and community, the social protection dimension of the *Fa'a Samoa*. Other informal mechanisms include access to communal land to grow crops or gather wild produce. However, several formal sector mechanisms exist, which are listed below. In addition there are also informal uses of formal sector institutions for purposes other than those for which they were originally designed. This includes the *small loans* facility for SNPF members, and the special distribution to members of WST 10 million from SNPF reserves following cyclone Heta in 2004.

Formal Sector mechanisms include the following:

15.5.1 *Senior citizens benefit*

All resident Samoans aged 65 plus are entitled to a Senior Citizens Benefit of WST 125 a month. Currently 8,492 people receive this benefit. This is funded from taxation and requires no contribution. In addition these benefits, senior citizens receive free health treatment in public facilities, including medication, and free transport on the public ferry between the main islands of Upolo and Savaii. This is also funded from the senior citizens vote. In past years about 90 per cent of the vote went to the cash benefit, 3 per cent on medical benefits, 2 per cent on fares, and 5 per cent on administration costs.

These ratios may change with the recent rise in benefit rate from WST 100 to WST 125 a month. The cost of the scheme is budgeted at WST 14 million in 2005/06, or about 1.3 per cent of GDP and 5.1 per cent of government current spending. The proportionate cost of the scheme can be expected to rise over time with the increasing numbers of older Samoans.

The distribution of the senior citizens benefit is administered by the national provident fund, which has a separate division set up for this purpose. Mobile teams take the money out to the villages, and pay the benefit in cash. This system has been found to be more satisfactory than the previous system of paying via the banks. The bank payment system meant that older people had to travel to town each month and wait in queues to be paid. They also faced bank charges and pressure from relatives to take up bank loans, which were then deducted from their benefit entitlement.

An amount of WST 125 a month is less than the cost of supporting a person in the cash economy. However, older people in Samoa hold an honoured place in their extended families, and are traditionally supported by them. The benefit provides some additional cash income to this group of senior citizens.

15.5.2 *National provident fund*

Membership of the national provident fund is compulsory for formal sector workers, with employers and employees each contributing 5 per cent of the covered wage, a total of 10 per cent. The main benefit is the payment of a retirement benefit which can be taken from age 55, and must be taken at age 65 or else interest accruals stop. There is also a death benefit of WST 5,000 in the

event of a member's death.

Currently there are around 22,000 active contributors, though accounts exist in the names of a very much larger number of individuals. For example there are over 49,000 zero balance accounts, mainly representing people who have emigrated and withdrawn their balances, plus some retired members. There are a few voluntary members from the informal sector. Since the number of active contributing members is somewhat less than the census enumerated number of formal sector employees, there must still be some non-participation by a minority of formal sector employees.

The retirement benefit is the accumulated contributions plus interest credited. This can be taken as a pension which is actually a ten year programmed withdrawal, or a lump sum, or some combination of the two. Most members opt for the lump sum option. At June 2004 there were only 1,035 pensioners. The heavy "revolving" draw down of member small loans means that most net retirement balances are not much more than half of the amount that might have accrued in the absence of such withdrawals. This element, plus the predominant focus on lump sums rather than periodic payments weakens the role of the NPF as a source of retirement income.

The Samoan NPF has had a good earnings record, and the most recent annual allocation of interest earnings to members' accounts was 7.5 per cent.

15.5.3 *Accident compensation*

Samoa has an Accident Compensation Corporation which covers work and non-work accidents for insured persons, and also universal motor vehicle accident insurance for the whole population.

Membership is compulsory for formal sector workers, with actual contributing membership being around 22,000. The scheme for insured members is funded by a 2 per cent levy on covered earnings, 1 per cent each being paid by employers and employees. No premium differentiation exists by industry category. The motor vehicle accident premium is a levy on vehicle fuel sales, including that for motor vessels. However, in practice the two sources of funding are pooled.

Benefits for formal sector workers include medical expenses plus payment of 70 per cent of covered wages for up to 5 years, after which

decisions are made on a case by case basis. Lump sum payments are made for permanent injury or death. The trend has been for case resolution to become more complex and time consuming as disputes over entitlements increase.

Over 90 per cent of cases however are for medical expenses only. These are paid on invoice. Assessment of occupational disease issues is a problem since Samoa lacks specialists in this area.

15.5.4 *Employer provision*

Some benefits are provided by formal sector employers, either by law or by custom or employment agreement:

- **Sickness Leave** is paid by employers on the basis of 10 days entitlement a year, after a year of employment, with the balance being cumulative. However, this applies only to the formal sector.
- **Paid maternity leave** of two months for women bearing children applies in the public sector. It does not legally apply in the private sector, though some employers provide paid maternity leave.
- **Job termination** for workers employed for 5 years or more entitles workers to 2 months notice, or payment of equivalent wages and salary in lieu of this notice.

15.5.5 *Government medical provision*

The government funds most of the cost of medical treatment in public facilities. Total government health expenditure is budgeted at WST 35.1 million for 2005/06,

There are some preventive public health measures at village level involving cooperation from women's committees, village provision of first aid, and village provision of non-prescription medicines. Nurses and sometimes doctors may also visit the villages. Apart from this, three levels of medical treatment need to be recognised:

- Primary health provided by government is provided from 10 GP/Nurse clinics, and also several small *district hospitals* and the referral hospital in Savaii. People also obtain primary health care from the main government hospital in Apia. The user charge is only 50 Seni (half a WST) between 8 a.m. and 4-30 p.m., and WST 2

after hours. The alternative is to provide doctors who charge higher fees, though this may involve less travel time and less waiting for treatment.

- Secondary care is provided at the government hospital in Apia. A limited range of provision exists, and the system is short of medical personnel. The charge is only WST 12 per night if a person is admitted. However, the Ministry of Health estimated that the real cost is actually about WST 300 per patient per night. The families of patients may be asked to provide food and clean bed sheets. The alternative to the government hospital is the private *Medicentre*.
- Tertiary and speciality medical care is not generally available in Samoa, though a dialysis unit is now being set up. A medical screening committee screens cases for overseas treatment in New Zealand, Australia and the U.S. This overseas referral costs 12 per cent of the health budget and covers only a very few individuals. Where referral is approved, the government pays medical and transport costs. Some of the medical treatment costs are also paid by a New Zealand Government aid scheme. However, average real costs for referral abroad were estimated by the Ministry of Health at WST 33,000 per case.

The issue of malnutrition amongst some infants and children is one on which definitive data is still not available. Health authorities currently think that the incidence is low. Conversely, obesity is an issue for the wider population, and is showing up in high levels of non-communicable diseases such as diabetes and high blood pressure.

15.5.6 *Medical insurance*

The Samoan Government has passed a law providing for compulsory medical insurance for formal sector workers, though the scheme is still to be implemented. The scheme, which is to be administered by the Samoa National Provident Fund, involves individual accounts and 3 per cent contributions each from employers and employees. On current plans it is understood that it is envisaged that the cover will extend to the insured worker plus 4 nominated family dependents. However, many practical details remain to be worked out.

Issues relating to this scheme are discussed in more detail in chapters 9 and 10

15.5.7 Education

Education is compulsory in Samoa for years 5 to 14. Provision comes via 165 primary schools and 44 secondary schools, with government, missions, and the private sector providing schools. In 2003 there were 54 thousand total students enrolled, being just over 39,000 in the primary schools and 14,800 in the secondary schools.

Average participation in ages 5 to 14 is around 95 per cent. However, participation is highest in the middle primary school years, and by year 8 of primary schooling only 84 per cent are still at school. Examination failure and financial pressures in the home appear to contribute to this drop out rate. However, participation rates appear to be edging upwards.

Of those who go to secondary school, 80 per cent last to year 12, but by year 13 participation has dropped to 46 per cent.

Tertiary study is provided at 2 universities, and a polytechnic. However, the polytechnic covers only 6 trades providing apprenticeships. Second chance education is generally absent. A number of those spoken to in various sectors expressed concern about the limited options for vocational development for school drop-outs and those teenagers and young adults who were not academically orientated.

Special needs programmes are provided by NGOs associated with the education system. These cover blind, deaf mutes, intellectually handicapped, and special needs individual tutoring. There are also 6 other special needs units attached to certain primary schools.

The government funds the teachers and text books, but schools also set other charges to cover other costs. Fees charged in the government primary system start at around WST 20 a term, but may be as high as WST 100 in Apia. Private schools set their own fees. At the secondary level fees are at least WST 50 a term. In addition there are extra fees for sports activities and other specialities. Parents must also buy school uniforms. Some children must also go to live with relatives in order to be close enough to a secondary school. However, the geographic availability of schooling has been improving.

University level study is cheap. A 100 level course at National University of Samoa (NUS) cost WST 112, and at USP about WST 200.

15.5.8 Other services

There is no general social assistance scheme in Samoa, and no Ministry of Social Welfare. Cases involving abused children are usually dealt with by Justice. Other welfare problems must be dealt with by extended families, communities, churches, and NGOs.

The traditional Samoan view is that the extended family is the mechanism to prevent child neglect and abuse. However, in some prominent cases of severe child abuse which have recently featured in Samoan courts the abusers were members of the child's extended family. This suggests a serious service gap in the Samoan government structure. Not all extended families can be relied on to protect all their members, and there would seem to be a need for a government service which can work with families, communities and churches to protect children.

A number of NGOs run programmes for people with disabilities, and programmes for youth and women. However, feedback from those consulted was that people with disabilities are a very disadvantaged group in Samoa.

The Little Sisters of the Poor run a home for frail or mentally confused elderly people who can no longer look after themselves and are not cared for by their families. This covers a very small percentage of older Samoans as most are cared for by their extended family members.

15.6 Social security gaps

Samoa has no unemployment benefit, and no permanent invalidity or disability benefit other than the ACC payments relating to insured people who have accidents. There is also no long term sickness benefit once employer sick pay liability has expired. No social assistance scheme exists and no formal provision for dependent widows, deserted wives, or sole parents. However, some court based maintenance provision may be sought.

The existing gaps in social security coverage and other areas of formal social protection are too large to be addressed at once even if fiscal considerations did not rule this out. Also, other considerations much as the maintenance of *Fa'a*

Samoa need to be considered. Hence, some prioritisation needs to be used. In discussing the options of the findings of the ILO Informal Economy survey for Samoa have been given considerable weight. Issues are looked at in terms of sectors and their related programs.

15.6.1 Retirement and old age provision

This area ranked moderately low in the informal economy survey. There is already a Senior Citizens Benefit for all plus the National Provident Fund for the formal sector. Also, older people hold an honoured position in the Samoan extended family, and are a priority for assistance from other family members and migrant remittances. Hence, this area is one of the better resourced parts of the social security and social protection systems in Samoa.

This being said, there are issues with the present arrangements for the Samoa national provident fund which tend to undermine its role as a provider of retirement income. These are:

- The high drawdown of member balances to fund small member loans means that many members enter retirement with as little as half of their notional accumulated contributions and earnings once outstanding loans are repaid,
- The predominant focus on lump sums rather than pensions leads to a situation where retirement benefits are often quickly dissipated, and the retired person is left with no regular cash income to live on, and
- The retirement benefit entitlement age of 55 is very low in relation to rising life expectancy in Samoa. It would be logical to phase this age steadily upwards over time.

Other areas where problems could emerge in the longer term are the following:

- The development of a group of unsupported older people whose working age relatives have all emigrated or moved to the city and do not send remittances. This situation is very rare in Samoa at present. If it became significant it would become necessary to consider some form of supplementary social assistance to this group, as the senior citizens benefit on its own is not enough to provide for unsupported elderly people.

- Frail or mentally confused elderly who cannot feed, dress, or toilet themselves and whose children cannot look after them. This is also a very small group at present, as most are looked after by relatives, with a few looked after by the Little Sisters of the Poor. However, this group will grow in size with rising life expectancy. At the same time, as Samoa economy develops more women will move into formal sector employment, and not be at home during the day. The need for institutional or paid care might then arise.

However, these are future problems, and for the time being a watching brief only is suggested.

15.6.2 Death/life insurance

This was the second highest priority in the informal economy survey, possibly because the informal sector does not have the death benefit provided by the SNPF.

Despite this ranking, it is not suggested that government provide any budgetary social assistance for this purpose. Instead, the issue could be used as a promotional selling point to get informal sector people with cash income to enrol in the SNPF and pay contributions.

Otherwise, this issue could be left to the private sector insurance companies to promote as part of their business.

15.6.3 Health and medical insurance

This was the area which received the top priority rating in the informal economy survey. It is not entirely clear what is driving this rating, as medical care in public facilities is cheap. However, issues may be the difficulties of accessing overseas medical care, and the awareness of policies for health insurance in the formal sector.

The details of health insurance proposals under way at present are still being worked through, so it is too early to make any comments on implications for the informal sector.

Another health issue which may need to be addressed by other means is malnutrition, especially amongst a part of the child population. If the nutrition survey finds any significant incidence of poverty-linked malnutrition, there may be a case for providing food supplements to this group

15.6.4 Maternity benefits

This was the lowest ranking of all the top three priorities in the informal economy survey. The reasons for this very low ranking are not clear. It may be that many recent mothers are non-earners anyway, and others in the informal economy do not lose much income, as handicraft production can resume fairly soon after birth. However, there would be numbers of women in the regular cash earning part of the informal economy for whom these conditions were not so.

In the formal economy options include extending paid maternity leave to private sector employees, or offering a maternity insurance add-on to SNPF programmes. The second option might also be attractive for women who were regular cash earners in the informal economy.

At this stage it does not seem to be a case for a social assistance approach.

15.6.5 Family or child benefits

Family or child benefits did not feature in the informal economy survey priorities. The support of children is seen in Samoan culture as the responsibility of the family.

For the time being assistance focussed on children should probably selectively prioritise areas of specific need, such as school fees for poor families and any malnutrition situations.

15.6.6 Work injury and permanent invalidity

Samoa has work injury cover for those in the insured formal sector, and cheap health care, but this area still ranked as a mid level priority for those in the informal economy survey. Again, the difficulty is how to measure income loss in the informal economy, and how to fund any scheme providing loss of income cover.

Possibly an option is to encourage voluntary ACC insurance by informal economy workers with significant cash income. To do this a premium structure and covered income relationship for such voluntary cases would need to be developed by the ACC. Otherwise residual cases of hardship may need social assistance.

For permanent invalids and those with serious disabilities there may be a case for a social assistance benefit. This might have to be

confined to situations where the invalid was the main earner for the household.

It may be noted that only 2,297 people in Samoa indicated in the 2001 Census that they had a disability. In the 65 plus age groups only 249 people cited disabilities. These figures are very low ratios by international standards, and suggest that Samoans only acknowledge disabilities when they are particularly serious.

15.6.7 Sickness

There is no sickness benefit, and this did not feature as a priority in the informal economy survey. Short term sickness is covered by employer provided sick pay. It would be possible to add longer term sickness benefit cover to SNPF programmes for the formal sector, with an additional levy added to pay for this, but timing seems bad in view of the large increase in contributions needed to cover health insurance. One further option would be to incorporate a medium term sickness benefit into health insurance.

It might eventually be possible to incorporate long term sickness benefits into some form of social assistance for the disadvantaged.

15.6.8 Unemployment

Unemployment was the third ranked issue in the informal economy survey. However, dealing with it in the current Samoan context is difficult because of the huge size of the informal sector and the large number of potential job seekers there.

It would be possible to set up a short term unemployment insurance benefit for insured workers in the formal sector at a cost of a contribution rate of 2 or 3 per cent of wages. This could be added to the provident fund set of programmes. However, this would not benefit people in the informal sector.

Timing of such a scheme would need to be weighed up against other plans. Employers and workers will soon have to absorb the cost of 6 per cent health insurance deductions, and this will put a constraint on other developments including unemployment insurance benefits for some time ahead.

For informal sector workers, particularly the young jobless the best options may be occupational training schemes, plus government

and community encouragement of work activity to bring underutilised rural land into cultivation. Doing this might require agricultural extension outreach to be focussed on a different and younger group of people. More agricultural production, provided it went into needed products, could help reduce the cost of food imports into Samoa.

Otherwise, the development of some form of social assistance to households which are too poor to support all their members could help deal with some of the problem.

15.6.9 *Sole parents, widows, and deserted wives*

These groups were identified by the Ministry of Women, Community and Social Development as being amongst the most disadvantaged groups in Samoa. Court ordered maintenance exists, but is often not paid. Otherwise, it is usually the woman's extended family which supports these groups.

For some of these cases social assistance may be needed.

15.6.10 *Education*

This was a low ranking priority in the top 3 priorities in the informal economy survey. However, the high drop out rates in schools indicate that while funding schooling may not be a problem for most people, there is a distinct minority for whom this is so.

A fees remission scheme for children from poor families exists, but is seldom used. The reasons for this are not clear. One view is that Samoan cultural pride prevents people admitting to being poor. The other reason cited by a SUNGO representative was that most people in the villages were unaware of the scheme.

There would seem to be a case for activating this scheme to encourage continuing school attendance by children from poor families who otherwise tend to drop out of school. Also, as noted, the issue of vocational training for non-academic youth has limited current focus in Samoa.

15.6.11 *Housing*

Housing had a mid level priority in the ranking of the top three social security needs in the informal economy survey. This is probably because the level of housing availability in Samoa is reasonably good in relation to income levels, although the pressure comes on when people move to Apia or the surrounding areas and have to re-house themselves.

The 2001 census listed 45,576 dwellings in Samoa, of which 41,038 were occupied. This excess of dwellings over the number of households appears to reflect the fact that household members will often occupy two or more adjacent *Fales* or other houses, while still sharing joint cooking and other household arrangements. In addition, vacant houses are kept in many villages to provide for visiting family members and other visitors.

By type, the classification of housing shown in Table 15.4 of the housing section of the census indicated a very diverse pattern of housing comprising two major types of housing construction approaches and many variants on the two.

Table 15.4 *Housing construction*

Building Type	Number
Open Samoan <i>Fale</i>	14,369
Open Samoan <i>Fale</i> with extension	2,821
Closed <i>Fale</i>	645
Closed <i>Fale</i> with Extension	458
Open European House	10,699
Open European <i>Fale</i> with extension	4,070
Closed European House	6,156
Closed European House with extension	5,492
European 2 or more floors	823
Samoan 2 or more floors	43
Total	45,576

Source: Population Census

The land ownership tenure pattern for these houses indicates some move away from the previous focus on customary tenure.

Table 15.5 Land tenure of housing

Type	No.
Customary	31,205
Freehold	10,567
Government	664
Church	1,630
Lease	1,510
Total	45,576

Source: Population Census

Housing facilities were also generally good.

- In water supply 23, 059 houses had exclusive piped water, and 19,125 had shared piped water. Only 1,844 relied on a well or spring, 416 on rain, and 1,489 on other sources,
- For toilets 23,059 had exclusive flush with septic toilets, 13,474 shared these, 849 had exclusive Piskoa type toilets, and 5,433 shared these. Only 3,136 used pit toilets, and 162 none,
- 45,248 houses had solid floors of wood stone or concrete. Only 328 had sand or other unsealed floors, and
- 21,433 out of 23,059 households had electricity as their main form of lighting.

This summed up to a favourable housing pattern in relation to GDP per capita.

At present this does not seem to constitute a case for social assistance in housing, as there is plenty of unoccupied housing in the villages.

15.7 Administering social assistance in Samoa

Actually administering social assistance schemes in Samoa is potentially very difficult. The wide extended family structure and the complex networks of reciprocal obligations make it very difficult to assess the real economic situation of any individual or household at any point in time. In addition issues such as diversity of income options, many of which do not show up in any official records, migrant remittances, and access to communal land for cultivation or housing purposes further complicate the assessment. The authority structure in villages may also mean that those locally nominated for any assistance on offer may not always be the most needy. There are also concerns about disincentives for self employment in the context of a situation in which much rural land is already underutilised. These

factors plus the desire to preserve the traditional *Fa'a Samoa* leads many Samoan observers to say that public social assistance is neither feasible nor desirable in Samoa.

This view needs to be balanced against the reality that groups such as the disabled are poorly provided for in Samoa, and the further reality that new social problems are emerging with modernisation which are not well catered for by present arrangements.

Alternatives proposed by those spoken to included a stronger focus on economic development at the national and village level, and focussing on assisting poor communities rather than poor individuals or households.

Certainly economic and community development are vital for Samoa's future, but they do not answer all social assistance needs problems. Some will need to be addressed by the public authorities. The approach suggested in this report is to start with the more obvious ones where problem effects are readily measurable, including malnutrition, school drop-outs, and severe disability.

In terms of approach it is suggested that a social welfare service be set up, with its field staff being given some power to authorise assistance to the most needy, though mainly in kind rather than granting of cash. The service could operate in conjunction with villages and other government authorities to determine whether there were other options than granting assistance.

In terms of school drop-outs for example the service would check with the local village and education authorities to find other ways of getting the children back into school. If assistance was the only option, the service could then authorise the activation of the existing fees remission scheme for that child.

Similarly, in the case of child malnutrition, if no extended family or village solution could be found, the service could authorise the funding of supplementary food with the correct nutritional content for the child or children concerned.

Where feasible, people with severe disabilities could be referred to appropriate services, though these are scarce in Samoa. However, working age people with severe disabilities may be the group for whom a payment analogous to the senior citizens benefit is appropriate. To contain costs,

payment might need to be confined to those who would otherwise be the main economic support of their households.

Sole parents, and widows and deserted wives with young children pose another and more difficult set of problems. In the first instance the service could seek to ensure that the extended family is assisting, and that maintenance obligations where relevant are being enforced.

In a Samoan context discussion could take place on whether maintenance obligations should extend to the whole family or even the whole Aiga of any absconding parent. However, this is a novel concept which needs to be thoroughly discussed. In some cases public cash assistance may be needed.

In the Samoan context it also needs to be discussed as to whether there should be a cost sharing arrangement with villages to meet part of the costs of any social assistance granted in that village. Village pride is an important thing in Samoa, and the knowledge that social assistance cases will cost them something may also stimulate the development of other local options, such as growing food on underutilised village land to support the disadvantaged.

15.8 Summary

Samoa is reaching the stage where extension of formal social security programmes will be needed to deal with the different situation of a mainly cash economy and increasingly urbanised population. While the *Fa'a Samoa* will continue to provide much social protection, other measures will also be needed. Indeed, at present Samoa is engaged in developing proposals for extending health insurance. The cost of this to employers and employees may mean that other contributory social security options may have to be put on hold

for some time ahead.

Samoa has virtually no existing forms of formal public social assistance, though some NGOs and church groups do work in this area. It also has no social welfare ministry or service. While most of the current social and economic problems facing households seem best tackled by other means, there does seem to be a case for some carefully chosen areas of social assistance. Implementation of some of these would seem to require a social welfare service to be set up.

Areas where a social assistance approach could be helpful include:

- School fees remission for children from poor families who might otherwise drop out from school. This involves activation of a scheme which already exists on paper,
- Food aid for children where malnutrition is diagnosed, and the family cannot afford the food needed,
- Permanent disability benefit for those incapable of working because of severe disabilities who are the main support of their household, and
- Income support for some sole parents, widows with dependent children, and deserted wives with dependent children when all other options for support have been exhausted.

The social assistance approach should begin by focussing on things which can be physically identified, such as child malnutrition, serious physical or mental incapacity, and school drop-outs. There might also be a need to involve local networks in assessing situations, though this would need to be operated in a way which avoided the possibility of local patronage situations developing.

Chapter 16 Employment Injury Schemes: Principles

16.1 Introduction

The purpose of this chapter is to outline and elucidate the concepts, principles and practice in the field of workers' compensation insurance. The term *workmen's compensation*, later broadened into *workers' compensation* in order to include female workers, had generally been replaced by *Employment Injury* as used in relevant ILO Conventions and Recommendations approved in 1952 and 1964, but will be retained in this paper in view of its prevalence in Pacific Island countries.

Compensation for work-connected injuries is the oldest and most widespread form of social security protection. Some European countries enacted legislation in the 19th century (Germany 1884, UK 1897 and France 1898) whilst Australia's and New Zealand's first statutes on the subject were approved in 1902 and 1908 respectively and 1908 was the date for the first legislation enacted in Canada and the USA. Even so, due to the special characteristics of this branch of social security it can be said to be still evolving in many countries, including some which have had very lengthy experience of workers' compensation insurance. One reason for this is the extensive scope of protection since the benefits comprise medical care, and both short and long-term cash benefits as well as rehabilitation and there is the potential to attain increasingly higher standards in these areas. Another significant concern is to extend coverage as widely as possible throughout and beyond the formal sector of employment. There is also the possibility of supporting in various ways strategies and programmes for the prevention of occupational risks as an important aim in a system of workers' compensation protection.

The broad range of objectives that may be pursued has produced different national responses which will be outlined in this report in order to illustrate the range of policies and strategies that may be adopted in reforms of existing schemes. The importance of this type of protection is underlined by the fact that, despite the progress in technology and the means of preventing accidents and occupational diseases, there is an unacceptable level of occupational

accidents each year. ILO and WHO estimate an annual toll of about:

- 1.2 million work-related deaths,
- 250 million accidents,
- 160 million work-related diseases, and
- that 4 per cent of the world's GDP is lost through various direct and indirect costs of these workplace accidents.⁹² Death, illness and injury on such a scale hinder efforts to accelerate social and economic progress.

It is important therefore to understand the theory and practice in this branch of social security, including the relevant ILO standards, as a basis for reviewing the existing schemes and deciding on the policies and strategies for strengthening the social security protection of the workforce against the consequences of occupational risks.

This chapter consists of three parts:

- Concepts, principles and standards of workers' compensation protection,
- Structure of workers' compensation insurance, and
- Reform and development of workers' compensation schemes.

Additional sections contain a wide range of information on key features of both employer liability and social insurance schemes for this contingency in selected countries and a description of the accident compensation insurance scheme in Samoa. The successful implementation of a social insurance scheme in a Pacific Island country may be of special interest to other countries interested in improving the standards of protection in this branch of social security

⁹² Report V (1) Recording and notification of occupational accidents and diseases and ILO list of occupational diseases. International Labour Conference, 90th Session 2002

16.2 Concepts, principles and standards of workers' compensation

16.2.1 *World-wide trends to develop more effective systems*

(i) *Adoption of "no-fault" system*

Countries with workers' compensation schemes in one form or another numbered 174 out of 177 in 2003 known to provide some form of social security.⁹³ The contingency of employment injury has had precedence because of the pressing problems of providing compensation to the victims of work-connected accidents (this term is usually understood to include both accidents and occupational diseases) and their families, since such accidents occur in every country whatever the levels of industrialisation. Most countries have gone through stages in their search for more appropriate and effective systems. Common law actions on the issues of liabilities and negligence were not an effective method of gaining adequate and prompt payment of compensation, since the process could be slow and costly with no guarantee of favourable outcomes. Countries searched for more suitable systems particularly as they became more industrialised. The introduction of workers' compensation schemes was a significant step forward under the doctrine of employers' liability for no fault compensation (usually with no right to sue for damages).

National legislation established workers' compensation schemes that came under administrative control by government bodies responsible for handling claims and supervising the system of determining liability and providing the prescribed benefits. The risk faced by employers is insurable and some countries stipulated that employers must insure against accidents so that payment of compensation would be guaranteed. Workers' compensation became an important branch for insurance companies. They determined the insurance premiums according to their assessment of the risks in the various industrial sectors and also their experience in paying out claims to individual employers. Obviously, this system gives incentives to employers to improve their safety and health records, or to conceal from the

insurance carriers their more serious incidents by not claiming (and instead settling directly with the injured worker or family) because of the impact on their insurance premiums. It should also be noted that, in practice in certain countries, commercial insurance has not always worked in favour of claimants due to efforts by some companies to maximise profits by rejecting and disputing claims seen to be borderline or not clearly within the scope of the insurance policies.

16.2.2 *Conversion into social insurance systems*

In general, the scope of the workers' compensation schemes has broadened over the years from the manual workers in heavy industry to cover all or most employees, including female workers. Some adopted the name of worker's compensation to indicate the wider coverage. Workers' compensation schemes have stood the test of time and have been refined and extended to deal with the many difficult problems in this field including changes in the nature of occupational risks to technological developments, and the increasing use of chemicals in industry and agriculture. However, some criticisms or weaknesses in the employer liability system can be noted:

- The legislation generally tends to define liability narrowly, to limit the medical and cash benefits and to exclude rehabilitation of disabled workers;
- Serious disputes over liability have to be resolved through the courts causing employer-worker confrontation and delays;
- Where employers have no insurance cover, the settlements in serious cases can lead to bankruptcies and closure of the businesses (and in some cases to pressures on workers and their dependants to accept lower sums);
- Most if not all schemes do not provide for pensions for serious permanent disability and death cases as there is no mechanism for this and therefore pay out lump sums which are a much less effective replacement for the earnings lost and contrary to the concept of providing periodical payments in long-term contingencies found in the relevant ILO conventions;⁹⁴

⁹³ Social Security Systems throughout the World 2003, Social Security Administration, USA and ILO sources.

⁹⁴ The main modern ILO Conventions are the Social Security (Minimum Standards) Convention (No.102 of 1952) and the Employment Injury Benefits Convention, (No. 121 of 1964).

- Resistance to claims by insurance companies leading to delays and rejections or settlements lower than legal entitlements; and
- From the gender perspective, female workers have tended to be disproportionately excluded by virtue of occupation whilst the absence of pensions has reduced the protection afforded to dependants who are primarily female.

The solution adopted by many countries has been to convert the workers' compensation schemes to social insurance schemes. Some regional examples are included in Table 16.8 such as India (1948), Japan (1947), Malaysia (1969), Pakistan (1973), Samoa (1978) and Thailand (1972). This trend can be noted also amongst smaller countries such as those in the Caribbean, including Barbados (1966), Guyana (1969), Jamaica (1965), St. Kitts (1985), Saint Lucia (2000) and St. Vincent (1997); the last 3 countries have populations of 38,000, 147,000 and 116,000 respectively (2003) similar to some Pacific Island countries.⁹⁵ By establishing autonomous funds for this branch all funds collected are available for the purposes specified in the legislation unlike the situation in employer liability schemes where profits and overheads of insurance companies issuing workers' compensation policies are lost to the system. Over 70 per cent of the schemes worldwide utilise social insurance principles of pooling risks and finances for work-connected contingencies, in other words replacing individual employer liability by the collective approach making it possible to provide adequate health and income protection conforming to the internationally accepted standards in this field.

16.2.3 *Development of roles in accident prevention*

Concepts of workers' compensation insurance have evolved from the central function of providing health and income protection on a no-fault basis for manual workers most at risk to systems with much wider coverage and broader objectives. This trend has been made possible by conversion of employer liability schemes into social insurance systems operating pooled funds to promote high standards of health and income protection. Supporting or strengthening accident prevention is an obvious interest for workers'

compensation schemes which have to bear the consequences of work-related injuries. The main reason for emphasising prevention as a primary or important responsibility of the insurance system is that protecting workers against injury and death should take precedence over providing adequate compensation after they have suffered accidents or contracted occupational diseases, although this is highly important. Nevertheless, various national approaches can be noted from a basic and generally passive role consisting mainly of supplying information on accidents to another government body with the main responsibility for Occupational Safety and Health (OSH) to the other extreme proactive role of the actual integration of accident prevention with the administration of workers' compensation insurance, and positions at points between these basic and ultimate positions. This topic is considered in more detail in section 9 of this report.

16.2.4 *Extension to whole population*

New Zealand adopted a new approach by extending insurance cover to the whole population including school-children and non-working adults. The financing for insured persons is through insurance premiums paid by employers and the self-employed and, in addition, revenue is collected by taxes on petrol sales and on motor vehicle licences. Government subsidises the benefits for non-earners. The scheme provides cash and medical benefits but also emphasises accident prevention and rehabilitation not only for the development of work skills but also for social integration. Samoa also has extended coverage widely so that in addition to all employees the scheme also protects the whole population against the consequences of specified conveyance accidents (full details are given in Appendix 16B to chapter 16).

16.2.5 *Extension to 24 hours coverage*

Some countries have broadened the concept of workers' compensation protection by extending the coverage of the scheme to 24 hours and 7 days per week. For Pacific countries the best example is provided by Samoa which introduced this extended cover from September 2003 and began to collect a contribution from insured workers of 1 per cent of insurable earnings to

⁹⁵ Social Security Programs throughout the World-the Americas 2003" (USA Social Security Administration)

finance it. The initial results in terms of claims for non-work-related accidents indicate the potential importance of this change in Samoa, as explained in detail in Appendix 16B.

16.2.6 ***Abolition of workers' compensation scheme***

However, there are differing views on the relative importance of workers' compensation and countries decide what is suitable and desirable for them. The Netherlands is an example of a country which abolished the separate work injury branch in 1967. This was due to the belief that there is no justification for differentiating between contingencies such as general sickness and incapacity for work due to accidents at work or occupational diseases or disability and death. In other words, the needs for health and income protection are the same regardless of the whether or not the cause is work connected. Since 1967 work-connected accidents in that country received exactly the same types of compensation as are provided under the general sickness and disability scheme.

16.3 **Relevant ILO standards**

ILO standards have had a considerable influence on the development of employment injury protection. The earliest ILO Conventions on this topic referred to *Workmen's Compensation* but this term was replaced by *Employment Injury* reflecting the extension of protection from the original target of manual workers in factories and mines to cover all types of workers and the expansion of female employment. The following list shows that the first Conventions were approved in 1921 and that a gradual evolution took place when the social security instruments were modernised in 1952 and 1964.

Table 16.1 ILO Conventions concerning employment injury

Convention No.12	Workmen's Compensation in Agriculture, 1921 (revised by Convention No.121)
Convention No.17	Workmen's Compensation for Accidents, 1925 (revised by Convention No.121)
Convention No.18	Workmen's Compensation for Occupational Diseases, 1925
Convention No.19	Equality of Treatment for National and Foreign Workers as regards Workmen's Compensation for Accidents, 1925
Convention No.42	Workmen's Compensation for Occupational Diseases, 1934 (revised by Convention No.121)
Convention No.102	Minimum Standards of Social Security, 1952
Convention No.121	Benefits in the Case of Employment Injury, 1964

The earlier conventions were focussed on specific requirements in respect of accidents and diseases respectively but the later instruments Conventions 102 and 121 are broader in scope. Some of the main principles in the latter are:

- Employment injury protection must be financed by employers as a continuation of the responsibility for workplace safety,
- Coverage should be at least half of the national workforce, or 20 per cent of all residents,
- The benefits shall comprise medical care in respect of a morbid condition and cash benefits;
- Eligibility for benefits may not be made subject to the length of employment, the duration of insurance or the payment of contributions; however, a period of exposure may be prescribed for occupational diseases,
- Benefits shall be provided throughout the contingency except that in respect of incapacity for work the benefit need not be paid for the first 3 days in each case of suspension of earnings,
- Benefits for longer-term contingencies, such as permanent disability and survivorship, should be in the form of periodical payments payable throughout the contingency (with an exception for minor degrees of disability for which lump-sums may be paid),
- Rates of such benefits shall be reviewed where, following substantial changes in the general levels of earnings where these

result from substantial changes in the cost of living, and

- Minimum standards for benefits (Convention No.102) include 50 per cent of lost wages for an eligible worker with a family (spouse and 2 children) and for a surviving spouse with 2 children, 40 per cent; these rates were increased to 50 and 60 per cent respectively by Convention No.121.

Convention No. 121 provides that countries shall define industrial accidents, including conditions under which commuting accident are considered, as industrial accidents. Social insurance schemes have tended to expand the scope of protection by including commuting accidents; for example, in Europe-Belgium, France, Germany, Greece and Spain, (but not Denmark or UK) and in Asia - India, Republic of Korea, Malaysia, Pakistan and Philippines, which may constitute the only real risk faced by many workers. This may be somewhat controversial initially in some countries as departing from the concept of an accident at work that in theory is preventable by the employer and can be verified by him as having occurred nevertheless. Furthermore, complications are inevitable because of personal aspects such as deviations from the usual route for shopping, leaving and collecting children from school and other reasons. Nevertheless this extension of liability has benefited workers in less risky occupations and therefore has been important for female workers.

An important feature of Convention No.121 is Article 26 which requires actions on prevention of occupational risks and rehabilitation. On the latter, countries are required to provide rehabilitation services which are designed to prepare a disabled person wherever possible for the resumption of his previous activity or if this is not possible the most suitable alternative gainful employment, and to take measures to further the placement of disabled person in suitable employment. These two functions of support for prevention and for programmes of medical and vocational rehabilitation are important features of modern social security systems on which information is provided in Section 16.10.

Initiatives to strengthen protection in respect of occupational diseases were taken in 2002 with the approval of the List of Occupational Diseases Recommendation, No.194. The conventions on

migrant labour call for equality of treatment in regard to eligibility rules and benefit entitlement and for reciprocal agreements among governments to ensure that migrants can receive compensation either at home or abroad. The relevant Conventions are shown in Table 16.2.

Table 16.2 ILO Social Security Conventions concerning migrant labour

Convention No.118	Equality of Treatment of Nationals and Non-Nationals under Social Security, 1962
Convention No.157	Establishment of an International System for the Maintenance of Rights in Social Security,1982
Convention No. 165	Social Security for Seafarers (Revised), 1987
Convention No.167	Safety and Health in Construction, 1988

ILO standards on occupational safety and health are of great importance. These are described in section 16.10 on accident prevention and rehabilitation.

16.4 Preferential standards for employment injury protection

Social security systems usually evolve over lengthy periods of time and the long duration of workers' compensation insurance may well influence the policies adopted for particular branches of social security. In the case of protection against the effects of work-connected injuries, this was often the first branch of social security and was envisaged as a replacement for the systems of claiming compensation under common law. Since the new doctrine included no right to sue employers for compensation it may not be surprising that initially the rates of benefits were relatively high. The first schemes were for manual workers only or specific categories in the riskier occupations. This background resulted in special or preferential standards for this contingency compared with the provisions for equivalent contingencies of a non-occupational origin. The UK was an example of this with a separate system of industrial injuries and higher rates for all benefits which in any case are not subject to any contribution conditions because of the principle that workers should have full protection from the beginning of the employment; however, the separate Industrial Injuries Fund was abolished in 1975 and now the levels of short-term and survivor benefits are identical to those for other claimants, but

disability attracts special higher rates and allowances.

The original justifications in the UK for higher scales of benefit was that certain industries in which workers were exposed to high levels of risk (such as underground mining and logging) were vital to the national interest and needed generous compensation systems to attract sufficient numbers of workers. However, a counter argument that the most significant basis for compensation is not the cause but the consequences of the injuries has been found

convincing in numerous countries. In other words, whether a worker is disabled for further employment by an accident at work or one unconnected with work his needs (for medical and cash benefits and rehabilitation) and those of his family are the same.

Nevertheless, differences in benefit levels remain in many schemes and the views of ILO Member countries are reflected in the standards adopted at various times. Table 16.3 shows the rates for employment injury.

Table 16.3 Rates of periodical cash benefits (percentages)

Contingency	Standard Beneficiary	Minimum Standard	Higher Standards	
			Convention	Recommendation
Employment Injury <ul style="list-style-type: none"> • Temporary incapacity • Permanent total disability • Survivorship 	Man with wife and 2 children	50	60	66 ² / ₃
	Man with wife and 2 children	50	60	66 ² / ₃
	Widow with 2 children	40	50	n/a
Sickness	Man with wife and 2 children	45	60	66 ² / ₃
Invalidity	Man with wife and 2 children	40	50	60
Survivors	Widow with 2 children	40	45	55

The prescribed rates for temporary incapacity may be compared with those for sickness (non work-related) for which the minimum standards (Convention No.102 of 1952) are 50 and 45 per cent of previous earnings respectively, whilst the higher standards in later conventions, Convention No.130 of 1969 for Sickness and Convention 121 of 1964 for Employment Injury are the same. The equivalent contingency of permanent total disability in the employment injury branch is invalidity in the pensions branch for which the prescribed rates in Convention No 128 of 1967 are 10 percentage points lower for the minimum and higher standards and 6²/₃ points under the recommendations. In the case of survivorship the minimum standards, are the same but the later conventions prescribe 5 points higher under employment injury.

Another reason why employment injury schemes may pay higher rates of long-term benefits in practice compared with pension schemes is because they do not impose contribution conditions and benefit entitlement is not related to length of insurance. For example, instead of accumulating pension rights under a formula based on average earnings and the number of years of contributions, which may mean that the

full rate is payable only after at least 30 years, persons with brief periods of insurance under the employment injury schemes can qualify for full rate permanent disability pensions, or their dependants can receive survivors pensions, based on the recent earnings at rates which are not related to the length of insurance.

16.5 Structure of workers' compensation Schemes

16.5.1 Organisational framework

(i) Overview of functions

Workers' compensation schemes may be established as separate schemes or part of a broader social security scheme. Employer liability schemes necessarily are separate schemes established under the auspices of the Department or Ministry of Labour, or equivalent, which is responsible for the implementation of the legislation and therefore has a supervisory role. The authority has the duty to ensure compliance with the law which entails duties such as the following:

- Receipt of claims and determination of entitlement under the legislation for compensation for settlement by the employers or their insurance companies;
- Enforcement of the legislation and action on complaints by employees or on evidence of non-compliance by employers;
- Maintenance of statistics and preparation of reports on the experience of workers' compensation on an annual or periodical basis; and
- Drafting of amendments to the law to bring it up to date or revise its provisions.

Social insurance schemes register employers and their workforce and establish systems of collecting and recording contributions, processing claims and finance and accounting for the employment injury insurance branch. These schemes may be administered by government departments or autonomous bodies supervised by boards appointed by the responsible Minister with either a tripartite or bipartite structure. The starting point is the receipt of claims supported by accident reports consisting of the victim's statement of the time, place and nature of the accident and the employers' report confirming the account and certifying that the accident took place as stated. The claim may be for medical care only, for medical care and cash benefits, or solely for cash benefits. The social security institution has to determine entitlement and ensure that benefits are provided as prescribed in the legislation. The essential first step is to determine whether or not the accident is compensable under the law according to the definition of the contingency in the legislation.

The following sub-sections deal with the subjects of coverage, definition of the contingency, medical care, cash benefits, rehabilitation, prevention of occupational risks and administration of workers' compensation schemes.

(ii) Administrative organisation

In their approaches to the organisation of social security schemes, countries may aim primarily to gain the efficiency advantages of a comprehensive unified system in which all branches are administered together, or may prefer to maintain a number of separate schemes which can provide more specialised services and give full scope to bipartite or tripartite management. Historical practices may account

for the current stage of organisation in some older schemes whilst developing countries may tend to start with a concept of a unified system. Stakeholders' views may be influential in this respect as they may wish to retain an existing system of governance of a workers' compensation scheme, in which they have gained expertise, rather than agree to it becoming a branch in a wider system under the supervision of a tripartite board. The technical differences between workers' compensation and other schemes, especially in the structure of the contribution systems, may influence decisions on maintaining a separate status. Where a number of separate schemes operate in a country they may agree on a unified system of collection of contributions through one institution for efficiency and cost reasons. France makes extensive use of joint contribution collection agencies in its system comprising separate national funds for sickness, pensions, family allowances and unemployment insurance organisations under bipartite management.

Another factor is the organisation of government itself since in countries with a federal constitution such as Australia and USA, in which workers' compensation is designated as a state subject resulting in separate legislation and differences between schemes in the country, whereas pensions are organised nationally to allow for migration of contributors between States. In Australia there is a national scheme for federal employees and USA also runs a federal workers scheme and a national scheme for miners (pneumoconiosis).

The UK, when reorganising social security after the Second World War chose to unify the separate schemes into one system and this may facilitate development of a fully coordinated system with interlocking benefits. A one-stop approach ensures that claimants who could have dual entitlement are provided with the appropriate benefit, which could arise when a claim for TDB is delayed due to queries about the eligibility of a particular accident and sickness benefit may be paid provisionally until the matter is resolved. Furthermore, overlapping entitlements such as to invalidity under a pension scheme or to permanent disability benefits from a workers' compensation scheme can be resolved readily compared with the difficulties where two institutions and separate legislation are involved. France chose to retain the separate schemes that come under tripartite supervision and prefer to specialise to improve governance and the

standards of protection. Consequently, there are separate national pension, sickness and family allowance funds as well as unemployment organisations. Administering the work injury scheme by the sickness fund ensures coordination with the provision of disability and sickness benefits.

Countries such as India and Pakistan have grouped branches providing sickness, maternity and employment injury benefit which facilitates the provision of medical care under the scheme. However, where the contributions are risk-rated the workers' compensation branch may be separately run even where it is grouped within the framework of the main social security organization, as in Thailand. Another approach adopted in the Philippines when the employer liability scheme was converted into a social insurance system, was to collect the uniform contribution rate through the main social security institution, but to establish a separate body responsible for the policy and technical development of the workers' compensation scheme.

Japan is an example of a country which merged all social security programmes under one government ministry after some decades of operating a comprehensive system through the Ministry of Health (pensions, social health insurance and family benefits) and the Ministry of Labour (workers' compensation and unemployment insurance). The Ministry of Health, Labour and Welfare was created in 2001 and became responsible for all branches. This unification calls for strengthened coordination amongst the different schemes in order to benefit from improved policy cohesion and across-the-board strategic planning.

Samoa established the Accident Compensation Scheme under the Ministry of Labour, which is also responsible for OSH programmes, separately from the Samoa National Provident Fund (SNPF) under the Ministry of Finance. Initially, SNPF collected contributions on behalf of the Accident Compensation Scheme but later the board found it advisable to take control of this function.

Due to the constantly evolving situation of work-injury insurance some countries have encouraged specialisation in regard to the requirements of different sectors of agriculture and commerce. The prime example is Germany with 35

specialised accident insurance funds functioning under the supervision of employers and trade unions with acquired expert knowledge of all health and safety issues in their sectors and able to undertake constant efforts to reduce accidents and occupational diseases as well as to rehabilitate the disabled and provide compensation.

16.6 Coverage

16.6.1 Employees

The focus of the workers' compensation and employment injury schemes is on employees, and the main trends have been the gradual extension of coverage from manual workers in higher-risk occupations to more and more categories sometimes, with maximum earnings limits for inclusion, until most social insurance schemes now cover most or all insured employees who come within the scope of the social security legislation. This can be seen in the examples in Table 16.5, such as China, India, Malaysia, Pakistan, Philippines and Thailand, and also is generally true of employer liability schemes, although some lag behind the overall trends and utilise features such as earnings limits (Kiribati, Singapore and Solomon Islands) or schedules listing covered occupations (India and Pakistan) to restrict liability (Table 16.6). The prospect is of further extensions of coverage in those countries which have yet to include the smaller enterprises in their schemes.

16.6.2 Other types of income-earners

New Zealand and Samoa stand out for their approach of protecting the whole population through one system. Other countries may extend coverage gradually from all employees to additional categories, one example being Germany which insures farmers, children attending nursery school, or school, students, persons helping at accident scenes and civil defence and emergency rescue workers. In other countries, whilst employees are the main target, the question arises about the risks faced by other categories of income earners. In general, obstacles to protecting own-account and self-employed workers for this contingency include:

- The absence of the control measure of employers' reports and certificates that accidents took place in particular

circumstances as a basis for determining employment injury claims, which leads to the possibility that the self-employed could suffer non-employment accidents and claim they had occurred during working hours and met requirements for medical and disability benefits,

- The immediate risks to the employment injury scheme as there are no contribution conditions in this branch,
- The relatively high benefit rates usually payable in this branch and the long-term pension liabilities arising from permanent disability and death cases, and
- The possibility of adverse selection where it is difficult to enforce the coverage to all types of self-employed and those at severe risk constitute a disproportionate proportion of those insured.

Another issue is that the standard schedule of disability ratings of loss of earnings capacity is appropriate to employees and may not be applicable to some categories of the self-employed since the prescribed earnings loss could be much less in practice in some situations, due to the disabled person's control over working practices and possible support from family members. For example, a small business such as a shop or workshop could function much as before with little or no earnings loss if the partially disabled self-employed person is able to delegate more functions to family members or his workforce.

On the other hand, the fact remains that many self-employed persons are entirely dependent upon their own manual labour and they, plus family workers in some instances, could suffer greater economic losses than employees as a result of serious employment accidents. Other categories who can continue in charge of income-earning activities with some restrictions may still be badly affected financially by the physical incapacity due to the accident. Furthermore, protection against the consequences of serious commuting accidents is desirable for all types of persons dependent on their earnings. These various considerations have lead some countries to require self-employed persons to participate in workers' compensation schemes or to permit voluntary coverage (Germany) which is sometimes only of specified categories of smaller enterprises in certain sectors. However, developing countries generally do not include self-employed persons in their

social security schemes or limit their inclusion to certain branches such as pensions of social health insurance schemes.

Examples of the broader scope of coverage (Table 16.9) are provided by Japan and the Republic of South Korea which allow voluntary coverage of the agricultural, fishery and forestry sectors with less than 5 workers and South Korea extends this to small-scale construction projects, domestic employees and the self-employed. Mongolia provides the option of voluntary cover for self-employed persons in view of the large numbers of cattle breeders who are dependent on their labour and face risks in their daily activities. In Europe, examples of compulsory coverage of self-employed persons and certain other groups are provided by Austria (self-employed), Denmark (self-employed in fishing and shipping), Germany (farmers), Italy (non-manual workers in dangerous work, self-employed in agriculture and domestic workers) and Portugal (the self-employed are compulsorily insured for employment injuries and may opt also for insurance against occupational diseases). Finland allows self-employed persons to join voluntarily.

16.7 Definitions of employment injury

16.7.1 General approaches

The definition of the contingency is a key feature in this branch of insurance. There may be significant differences in approach between workers' compensation schemes and employment injury insurance systems due to variations in their objectives. Whilst both types of scheme are designed to compensate workers and dependants for the consequences of work-connected accidents, usually workers' compensation schemes tend to be restrictive in order to limit employer liability, whereas employment injury schemes aim to compensate all cases of true employment injuries. The basic definition of an employment injury is the concept of a personal injury by accident arising out of and in the course of the employment, subject to the exclusion of self inflicted injuries and those caused by the serious and wilful misconduct of the workman concerned. Social insurance schemes often expand the basic definition of a personal injury arising out of and in the course of the employment by presumptions, such as that accidents *arising out of also occurred in the course of the employment, unless the contrary is*

proved. It is also usual to specify that accidents occurring in certain specific circumstances should be treated as employment injuries.

16.7.2 National examples

Table 16.7 contains some national examples of the main definitions in use in 7 European countries and 2 from developing countries in Asia. These emphasise the essential element of a work connection and that all such occurrences are employment injuries. For the smooth working of the scheme its liability must be clearly defined in order to facilitate claims and avoid doubt in the interests of the insured workers. Whilst in general accidents occurring during normal working hours in the employer's establishment are accepted as coming within the definition of an employment injury, unless evidence is produced to the contrary, favourable presumptions are needed because of the nature of some claims for borderline situations, such as when workers leave the usual workplace and suffer accidents, and questions arise about whether the absence was authorised and was for the purposes of the employer's business. Some national examples illustrate this point.

The social insurance scheme in Malaysia, which defines the contingency as a personal injury to an employee caused by accident or an occupational disease arising out of and in the course of his employment, provides examples of the presumptions which may be incorporated in the law to remove any doubt in certain situations. These include:

- (a) A general presumption as to an accident arising in the course of employment.

For the purposes of this Act, an accident arising in the course of an insured person's employment shall be presumed, in the absence of evidence to the contrary, also to have arisen out of that employment.

- (b) Accidents happening while meeting emergency.

An accident happening to an insured person in or about any premises at which he is for the time being employed for the purpose of his employer's trade or business, profession, vocation, occupation or calling shall be deemed to arise out of and in the course of employment if

it happens while he is taking steps, on an actual or supposed emergency at those premises, to rescue, succour or protect persons who are, or are thought to be or possibly to be, injured or imperilled, or to avert or minimise damage to property.

A similar liberal approach is possible in employer liability schemes and one example is the legislation in Kiribati. The Workmen's Compensation Ordinance, the main defects of which are found in the system of benefits and lack of provisions on compulsory insurance, contains liberal definitions of accidents clearly aiming to compensate employees for all accidents which could reasonably be considered as arising out of the employment. Accidents whilst travelling to and from work can be included in certain circumstances. Seamen employed in Kiribati ships are covered in respect of accidents which occur in Kiribati and elsewhere or on board or otherwise. There is no jurisdiction in the case of Kiribati seamen employed in non-Kiribati ships.

Brunei's employer liability scheme provides another example. Under the legislation, a worker is entitled to compensation in respect of a personal injury by accident arising out of and in the course of the employment. This standard definition is broadened by a series of provisions as follows:

- An accident arising in the course of the employment is deemed, in the absence of evidence to the contrary, also to have arisen out of that employment;
- Accidents happening whilst travelling to or from his place of work whilst with the express or implied permission of his employer using transport operated by or on behalf of the employer;
- Accidents happening whilst attempting to rescue persons in an emergency or to protect property;
- Accidents occurring whilst acting in contravention of orders or rules if the accident would still have happened and the acts were for the purposes of the employers' trade or business; and
- Accidents outside Brunei where the accident would have been compensable if it had occurred in Brunei.

The Brunei legislation contains presumptions in the workers' favour where they are diagnosed as

suffering from an occupational disease as employment within 30 days of the diagnosis in a specified occupation is taken as proof of having contracted the disease through the employment. Entitlement is also accepted where the worker contracts a scheduled disease within 12 months of ceasing to be employed in a specified occupation.

16.7.3 ILO instruments

ILO Conventions do not contain guidance on this key definition and the Employment Injury Benefits Convention No.121 of 1964 only specifies that commuting accidents should be included under prescribed conditions, but ILO Recommendation No. 121 provides that the following shall be treated as *employment injuries*.

- “(a) accidents, regardless of their cause, sustained during working hours at or near the place of work or at any place where the worker would not have been except for his employment;
- (b) accidents sustained within reasonable periods before and after working hours in connection with transporting, cleaning, preparing, securing, conserving, storing and packing work tools or clothes;
- (c) accidents sustained while on the direct way between the place of work and:
 - (i) the employee’s principal or secondary residence; or
 - (ii) the place where the employee usually takes his meals; or
 - (iii) the place where he usually receives his remuneration.”

Commuting accidents schemes may constitute a significant proportion of claims due to the traffic congestion prevailing in urban centres where the schemes cover the working population.

The basic element of *a personal injury by accident arising out of and in the course of employment* can be supplemented by the general presumptions in the preceding paragraph to ensure that borderline cases are within the scope of the law. This is done to assist genuine cases but also simplifies the adjudication processes. Employment injury schemes which do not include traffic accidents, because of the difficulty of applying clear-cut principles on employment injuries to a wide range of cases occurring outside the workplace and the employers’

jurisdiction, may make an exception for accidents involving workers travelling in the employers’ transport, as these are within his responsibility and can be verified. This would cover many workers where employers regularly transport groups of workers to and from the place of employment whether this is a construction site or an office.

A model definition of an employment injury, which includes both accidents and occupational diseases, therefore, is:

Employment injury means a personal injury by accident caused on or after the Appointed Day arising out of and in the course of employment. For the purposes of these Regulations an accident arising in the course of an employed person’s employment shall be deemed, in the absence of evidence to the contrary, to have arisen out of the employment.

Protocol 2002 to the Occupational Safety and Health Convention (No. 155 of 1981) provides the following definitions.

“Occupational accident: an occurrence arising out of or in the course of work which results in fatal or non-fatal injury”

“Occupational disease: any disease contracted as a result of an exposure to risk factors arising from work activity”

These definitions differentiate a work-related accident from the general concept of loss of earnings capacity from invalidity which should exclude cases falling under employment injury insurance. If the claim for employment injury benefits is rejected as not coming within the definition, it may, where the condition causes sufficient loss of earnings capacity and is permanent, qualify under the provisions on invalidity; however, this would be conditional also on the payment of sufficient contributions

16.7.4 Accidents whilst travelling

As regards commuting, the extension to risks involved in travelling to and from work is a departure from the concept of a workplace the safety of which is an employer’s responsibility; but this has become accepted since for many employees the main dangers occur during the daily journey from home to work and back again. However, this is inevitably complicated when employees deviate from the direct route for

personal reasons such as taking children to or collecting them from school, shopping or visits to a doctor. The basic question arises whether activities of this nature have severed the connection between the journey and work. The main requirements are that the journey is on the normal or direct route and that any such deviations are justified.

Even so this type of case may call for additional administrative efforts due to the range of personal circumstances which may occur and lead to borderline cases and difficult decisions. Police reports may be required to verify that accidents occurred at the time and place stated by claimants. Usually established schemes include commuting accidents, but not invariably, and some newer schemes may defer introducing this type of cover until there is sufficient administrative experience to cope with the difficult cases which occur under these provisions. Commuting accidents are widely covered in the older schemes in Europe (but not or not usually in Denmark, Norway, Italy, and the UK) the following examples of a typical set of provisions on this type of accident are:

- 1) *An accident happening to an insured person shall be deemed to arise out of and in the course of his employment if the accident happens while the insured person:*
 - (a) *Is travelling on a route between his place of residence or stay and his place of work;*
 - (b) *Is travelling on a journey made for any reason which is directly connected to his employment, or*
 - (c) *Is travelling on a journey between his place of work and the place where he takes his meal during any authorised recess.*
- (2) *If the accident under subsection (1) occurs during any interruption of, or deviation from, the insured person's journey made for any of the purposes stipulated in the same subsection, the accident shall not be deemed to arise out of and in the course of his employment.*

Another approach found in some schemes which have not legislated for general commuting accidents is to provide for only for accidents occurring when employer's transport is used.

An accident happening while a person is, with express or implied permission of his employer, travelling as a passenger in any vehicle to or from his place or work shall, although he is under no obligation to his employer to travel in any vehicle, be deemed to arise out of and in the course of his employment if:

- (a) *The accident would have been deemed so to have arisen had he been under such an obligation; and*
- (b) *At the time of the accident the vehicle was being operated by or on behalf of his employer or some other person by whom it is provided in pursuance of arrangements made with the employer, and was not being operated in the ordinary course of a public transport service.*

In the section references to a vehicle includes reference to a ship, vessel or aircraft.

16.7.5 Prescribed occupational diseases

Under the Convention No.121 Benefits in the Case of Employment Injury, 1964 an occupational disease may be defined in one of three ways:

- (a) By prescribing a list of diseases comprising at least those listed in Schedule 1 to the Convention (list system);
- (b) By stipulating a general definition broad enough to cover at least the those diseases enumerated in Schedule 1 to the Convention (general definition system); and
- (c) By prescribing a list of diseases in conformity with Schedule 1 and to complement it by a general definition (mixed system).

This Convention contains a list of 15 diseases which was increased to 29 in 1980. The mixed system is in wide use in European countries (for example, Denmark, Germany, Italy, Norway, Finland and Portugal.) The essence of the protection afforded to workers under employment injury schemes who may contract any of the diseases listed in a Schedule to the Act, is automatic access to the medical and cash benefits under provisions stating that where an employee is suffering from a disease included in

the list of occupational diseases it shall be presumed, unless the contrary is proven, to be due to the nature of his employment when he was employed in the relevant prescribed occupation at the time when or for the appropriate period before he developed the disease. Adding diseases to the official list is possible where this is permitted under the legislation (mixed system), but may be difficult in countries that do not have well-developed occupational health services and research activities in this field, or at least contact with international organisations able to advise on such issues. The fact that Japan in 1996 added 22 chemicals to the list of occupational diseases caused by chemicals as a result of careful monitoring of effects of substances used in workplaces suggests that other countries may face the same risks but are not yet able to assess this for workers' compensation insurance purposes.

Because of the difficulty that workers may face in proving that a disease is directly attributable to the victim's occupation, Recommendation 121 accompanying Convention No.121 provides that *unless proof to the contrary is brought there should be a presumption of the occupational origin of such diseases*

Industrialised countries usually have compiled lengthy lists of occupational diseases (Ireland 56, Germany 67 and France 98) but in many developing countries the legislation identifies about the same number as are listed in ILO Convention No.121 (for example, Malaysia 27) and very few occupational diseases are reported in practice due to weaknesses in diagnostic procedures and the state of development of occupational health services. Nevertheless, they do occur for example in industries with widespread use of chemicals or excessive dust problems or noise. In numerous countries the technology for detecting and treating such diseases lags far behind the trends for increasing use of dangerous substances in industrial, including agro-industrial, processes. Countries need to be vigilant and either engage in research themselves or obtain the results of appropriate research for use in protecting the workers concerned from contracting such diseases in the first place, rather than merely compensating them or their survivors if and when workers are diagnosed as suffering from these diseases.

Countries that have drawn up a list of diseases

for compensation and notification purposes, although lists differ in content and may not always contain minimum periods of exposure to the risk, include China, Finland, France, Greece, Republic of Korea, Malaysia, Myanmar, New Zealand, the Philippines, the Russian Federation and the UK. Countries that use a general definition may accept any disease considered to be occupational and related to work; examples are Australia, Sweden and the USA where general definitions of occupational diseases are provided by law. In Italy and Sweden recognition of such diseases is open-ended and not subject to severe restrictions.

A dual approach is followed in some other countries such as Germany and Switzerland which use an official list and also accept other diseases for which there is strong evidence of their occupational origin. In Japan occupational diseases are listed under 9 broad categories related to the agent or mechanism responsible for the disease, which is open-ended as additions caused by an agent or mechanism may be made. Countries that have developed this mixed system include Austria, Canada, Denmark, Finland, Islamic Republic of Iran, Mexico, Thailand and the USA (not all States).

After wide ranging discussions in recent years amongst the social partners on the subject of maintaining a sufficiently broad scope of occupational disease protection, and to respond to urgent needs to expand the list and simplify procedures for updating it (for example, in relation to serious concerns about SARS and avian flu) the ILO Conference in 2002 approved the List of Occupational Diseases Recommendation No.194. This prescribes that national lists of occupational diseases should be drawn up in consultation with representative organisations of employers and workers respectively, which should comprise at least the diseases listed in the ILO Convention No.121, as amended in 1980, the list annexed to the Recommendation, and a section entitled *Suspected occupational diseases*.

The annexed list stipulates categories or types of diseases; for example:

- (a) Diseases caused by chemical, physical and biological agents lists 40 types,
- (b) Diseases caused by target organ systems diseases names 14 such diseases,
- (c) Occupational cancer lists 15 categories, and
- (d) Other diseases and miners' nystagmus

(rapid eye movements, sleepiness).

16.8 Benefits

An employee unable to work due to an employment injury has two main priorities; ready access to adequate and affordable medical care and income replacement benefits for the duration of the absence. The social security benefits in this field range over

- Comprehensive medical care for injured workers or those incapacitated due to an occupational disease; and
- Income replacement benefits for temporary incapacity, permanent disability, and survivorship.

16.8.1 Medical care

ILO Conventions and most national legislation in this branch of social insurance accord first importance to medical care. The Social Security (Minimum Standards) Convention (No.102 of 1952) prescribes in Article 34 comprehensive medical care comprising:

- (a) General practitioner and specialist in patient care and outpatient care, including domiciliary visiting;
- (b) Dental care;
- (c) Nursing care at home or in hospital or other medical institutions;
- (d) Maintenance in hospitals, convalescent homes, sanatoria or other medical institutions;
- (e) Dental, pharmaceutical and other medical or surgical supplies, including prosthetic appliances, kept in repair, and eyeglasses; and
- (f) The care furnished by members of such other professions as may at any time be legally recognized as allied to the medical profession, under the supervision of a medical or dental practitioner.

The concept is of the scheme assuming responsibility for maintaining, restoring or improving the health of the person protected and his ability to work and to attend to his personal needs (Article 34 of the Social Security (Minimum Standards) Convention, No. 102 of 1952). This Convention provides that where a country has made a declaration under Article 3 that its economy and medical facilities are insufficiently developed it may be granted a

temporary exception from the provisions in Article 34 paragraph 2 and the medical care under the employment injury branch should include at least:

- General practitioner care, including domiciliary visiting,
- Specialist care at hospitals for in-patients and out-patients, and such specialist care as may be available outside hospitals,
- Essential pharmaceutical supplies as prescribed, and
- Hospitalization where necessary.

This list together with the provision of artificial limbs, when prescribed by a medical board, constitutes the minimum range of medical benefits to be provided under an employment injury scheme.

The Social Security (Minimum Standards) Convention and the Employment Injury Benefits Convention, (No. 121 of 1964) stipulate the principle that the medical benefits shall be provided throughout the contingency and free of charge to the insured workers who have suffered an accident or are diagnosed as ill due to an occupational disease. The Employment Injury Benefits Convention (No.121 of 1964) contains an additional provision of emergency treatment at the place of work of persons sustaining a work-related accident.

Table 16.8 shows that in general the selected social insurance schemes provide a wide range of medical care including surgery and hospitalisation which extends to the provision of artificial limbs and appliances with no cost or time limits at no charge to the injured persons. New Zealand requires a minimum payment but provides very extensive rehabilitation services, and Samoa allows overseas medical treatment up to a maximum of WST 15,000, whilst Thailand is an exception in that it imposes a cost limit of THB 35,000 (about USD 920 at the current rate of exchange) and this can be increased to THB 50,000 in certain circumstances.

Employer liability schemes, as shown in Table 16.9, tend to provide more restricted care which may be through public health services in some countries such as Hong Kong, Sri Lanka and Singapore. However, the legislation in Kiribati makes no provision for medical care presumably due to the fact that it was drawn up when public health services were expected to provide full

medical care to all citizens.

Under the social insurance schemes, only accredited institutions or medical or rehabilitation practitioners may provide medical care under the employment injury scheme. They are paid directly by the social insurance authorities, except in cases of emergency or other situations where reimbursement may be allowed by regulations. In any case, non-accredited providers should be paid only for emergency services and only for the duration of such emergency.

16.8.2 Cash benefits

(i) Temporary disability benefits (TDB).

The attending doctor should issue a medical certificate stating the duration of absence from work which is the basis for assessing entitlement to TDB. In general, absences may be relatively short-lived but a proportion requires prolonged treatment which may finally determine that the victim has suffered a degree of permanent disability. Consequently, the main features of TDB should be:

- No contribution conditions to apply;
- The rate should be related to recent earnings and set at a level which provides adequate income support but leaves incentives for return to work as soon as medically advisable; and
- Duration should be flexible enough for the various types of case which occur.

In addition, it is to be decided whether to invoke the provisions in relevant ILO Conventions⁹⁶ which permit non-payment of benefit for the first 3 days termed *waiting days*.

Although there is no standard pattern, it is evident from the examples in Table 16.8 that a number of countries provide quite high rates of TDB (for example, 80 per cent of recent earnings in Japan, Malaysia and New Zealand, 90 per cent in the Philippines and 100 per cent in China). Duration is extensive to allow for the serious cases for which the final medical assessment cannot be made for periods of months or even years. At some point if the beneficiary is still incapacitated for work a determination of

permanent disability has to be made by a medical board, even if it is provisional. However, some countries consider that it is inadvisable to award pensions prematurely because it is difficult to interest disabled persons in rehabilitation if they feel that restoring work capacity will have negative impact on their entitlement. Table 16.9, shows a broadly similar pattern in the employer liability schemes on rates and duration.

The workers' compensation benefits may be payable after up to 3 waiting days to avoid the expense of small claims as well as to deter possible malingering. Some minor cases do occur involving just 2 or 3 days absence from work and some medical treatment and these do not qualify for compensation under the workers' compensation scheme on the assumption that the loss of wages is not likely to cause hardship. However, if after excluding the 3 days from the first benefit payments, the incapacity continues for some time, the beneficiary has received only a proportion of his wages and it is possible that the loss of the first 3 days is more keenly felt. Also, if the insured person returns to work after medical certification that he has recovered, but he suffers a relapse after a few weeks, the question of again applying the waiting days has to be resolved. The usual practice in some of the social insurance schemes which have adopted the *waiting days* principle is:

- Where the incapacity lasts several days then pay the 3 days retrospectively; and
- Separate periods of TDB for the relevant accident within 8 weeks of each other are considered to be linked for the purpose of not applying the waiting days rules on the second occasion.

(ii) Permanent disability benefits rating and duration of the PDB awards.

Assessments of permanent disability are made by medical boards established by the workers' compensation schemes. They are guided by the schedule of disabilitys specifying the degrees of loss of earnings capacity attached to the legislation. The decision also states whether the condition is truly permanent or should be reviewed after a certain period, such as 2 years. In the latter case, the award would be for 2 years and the medical board would review the case in time to decide about the continuation of the award and whether this should be at the same or

⁹⁶ The Social Security (Minimum Standards) Convention, (No. 102 of 1952) and the Employment Injury Benefits Convention (No.121 of 1964).

a different rate. Otherwise, the assessment may be for life.

Most of such decisions are on relatively minor conditions with ratings below 10 per cent but all types of case occur over time from 1 to 100 per cent. The system of benefit rates is usually based on the level stipulated for permanent total disability (PTD) with lower percentages entitled to that percentage of the PTD rate. Therefore if 70 per cent of recent earnings is payable for 100 per cent disability (PTD), the amount for permanent partial disability (PPD) of 50 per cent would be 35 per cent of recent earnings. Where the medical board certifies that recipients of PTD require the constant help or attendance of another person, the benefit will be increased by a constant attendance allowance such as 25 per cent of the PTD rate.

The key issue is whether the benefit for a long-term contingency is in the form of a pension, as prescribed in ILO Conventions such as Convention Nos. 102 and 121 as a more effective method of income protection, or a lump-sum. Whilst social insurance schemes usually provide pensions protection, employer liability schemes pay lump-sums, as is evident from a review of Tables 16.9; pensions are payable in China, India, Japan, Malaysia, Pakistan, Philippines, and Thailand (but in the latter case these pensions are not payable for life), whilst New Zealand and Samoa are the exception as they provide lump-sums. and all of the employer liability schemes pay the benefit in this manner. Countries providing pensions undertake to maintain their value through periodical increases. Since the usual outcome of lump-sum payments is that they are consumed relatively quickly the persons concerned are left without adequate support and may become dependent on family support or social assistance.

Commutation of low level pensions. An exception to the principle of pensions for permanent disability is made in the case of slight permanent disability where the benefits may be paid in lump sums, calculated on actuarial principles. Lump-sum grants for the pensions below a level such as 20 to 30 per cent are calculated according to the duration of the assessment where this is provisional or for life, in which case the payment is determined according to the actuarial tables giving the present value of the benefits.

(iii) *Benefits in respect of deaths from an employment injury*

In the case of death from an employment injury, funeral benefits are paid in the form of one time grants and survivors are provided with pensions in social insurance schemes and lump-sums under employer liability legislation. The basis for benefit is usually the amount or entitlement of PTD payable to the deceased or to which he/she would have been entitled had a claim been made to PTD. Issues arise on the eligibility of dependant relatives and schemes necessarily design such benefits in accordance with family structures. Whilst widows are accepted as a priority beneficiary some schemes restrict widowers rights by imposing additional conditions such as that he is disabled and unable to work. Children may be entitled up to the age 18, or 21 if still undergoing full time education, usually with no age limit for disabled children. Parents are included in some schemes only if the prime beneficiaries have not received the full entitlement of 100 per cent of the amount of PTD the deceased was receiving or would have received if this had been claimed prior to death. The widow(er)s may receive 40-50 per cent and children 20-30 per cent and such awards change as children reach the maximum age allowing other persons to qualify.

Examples of survivor's pensions in Table 16.8 show variations in the actual rates allocated to spouses and children within the framework of the distribution of the PTD rate. However, the schemes in the Philippines, Samoa and Thailand also involve rights to lump-sums and Thailand limits the duration of the survivors pensions to 8 years. All of employer liability schemes included in Table 16.5 pay lump-sums only and this is the pattern found in such schemes elsewhere due to lack of funding for pensions. This issue is of special concern to widows and children who predominate amongst survivors for whom a guaranteed regular payment may ensure a reasonable standard of living and allow children to remain at school.

16.9 Financing of the Scheme

16.9.1 *Financial systems*

Workers' compensation schemes require two financial systems. For the *medical and short-term cash benefits (TDB)* the annual assessment or *pay-as-you-go* financial system is appropriate.

Under this system the resources raised year by year from contributions and other sources balance the expected costs year by year. In practice, a contingency reserve is needed against unforeseen changes in expenditures or falls in income. This may be 6 months average benefit expenditure for TDB and medical care.

For *long term benefits*, the principle is full funding of liabilities in the year in which these are incurred through the system of constituent capitals. This means that funding of all future payments for disability pensions and grants, funeral grants and dependant pensions awarded in a year is secured in that year; this is a different approach to the financing of old-age pension schemes and ensures that these costs are borne by the currently contributing employers and are not passed on to future contributors. Consequently, this system takes into account the future costs of pensions and lump-sum payments expected, according to projections, to be awarded each year.

Another responsibility of the scheme is to increase pensions periodically in order to maintain their value. These requirements are taken into account in the actuarial valuation.

An employment injury insurance fund should be established with contingency and technical reserves to receive all income from employment injury contributions and investments, and to finance expenditures on employment injury benefits and administration. An actuarial valuation of the scheme should be made at the stage at the original design stage and at regular intervals in order to assess the actual experience and adjust projections for the future.

16.9.2 Contribution systems

Since employers are liable for such compensation they are required to finance workers compensation schemes in almost all countries (however, Samoa introduced employee contributions of 1 per cent of earnings in 2003) but the question arising is whether these employer premiums should be uniform, as in other branches, or risk-rated as in private insurance. The main argument for uniform rates is that in comprehensive schemes covering a wide range of employees for several or all nine social security contingencies, the risks should be reasonably well balanced over time, and, furthermore, that risk-rating may not be a reliable

indication of future experience and cannot easily be applied to smaller firms. The proponents of risk-rating contend that this system provides strong incentives for strengthening safety measures and accident prevention, and also avoids the price distortion which results from low-risk industries subsidising high-risk industries.

Amongst social security schemes opinion seems to be sharply divided as those collecting uniform contributions argue that the issue of prevention and occupational safety and health is the responsibility of another part of the government machine and it is enough to supply information and statistics on accidents to these authorities whilst the schemes maintaining records of accidents and claims in order to apply experience rating at 3 yearly intervals point to evidence of the impact of this system. Table 16.5 contains information on 13 schemes of which 6 use uniform rates (India, Malaysia, Philippines Samoa and Vietnam) and 7 prefer differential rates (China, Indonesia, Mongolia, New Zealand, South Korea and Thailand).

The risk and experience rating system is practiced by insurance companies active in workers' compensation insurance which typically could charge approximately 0.20 per cent of payroll at the lowest risk level for activities such as office administration and over 10 per cent for those enterprises in sectors such as logging and construction. The dilemma is that the alternative would be to propose levying uniform contribution rates such as 1 per cent of earnings, in order to raise adequate resources, which would involve enterprises in less risky sectors paying higher contribution rates than under private insurance and those in the more risky sectors paying less. This would be resisted by employers in general and is contrary to strategies to provide incentives to employers to vigorously pursue accident reduction.

The system uses industry codes to determine the basic contribution for each enterprise according to the industrial sector it belongs to. For example, Thailand has listed 131 such codes. The industry codes should reflect the average experience of all enterprises in an industrial category and the second element is the merit or experience rate of individual enterprises which is determined over a 3 year period and applied in year 5 and may result in a reduction, increase or no change in the contributions assessment. A

description of the Japanese experience rated system is given in the following box.

Box 16.1 An experience-based premium adjustment system in workers' compensation in Japan

*In Japan, the premium of the Workers' Accident Compensation Insurance is set by type of industry. Currently, the premium of workers' compensation varies from 0.5% to 12.9% in 51 industry categories. The premium is reviewed every 3 years based on the performance during the preceding 3-year period. To provide employers with incentives for accident prevention, an experience-based system (called the merit system) is implemented. Under this system, the premium of an individual establishment can be adjusted upwards/downwards within the range of 40%. Those qualified for the merit system are medium and large sized enterprises (e.g. establishments with more than 100 workers, or construction projects whose value is more than JPY 120 million – about USD 1.1 million). Specifically, for each establishment, the following **balance ratio** is computed:*

$$\text{Balance ratio} = \frac{(\text{benefit payment during the last 3 years})}{(\text{premium during the same period})}$$

If this balance ratio is less than 0.75, then the premium (set by type of industry) is gradually reduced by up to 40 per cent. Contrary, if this ratio is more than 0.85, then the premium is increased by up to 40 per cent. This adjustment is applied to the premium in respect of work-related benefits. (A uniform premium is applied in respect of the commutation accidents, welfare schemes and administrative costs.) The adjusted premium is applied for the next fiscal year (e.g. if the period of balance ratio is 2002-2004, then the adjusted premium is applied for 2006). Moreover, small and medium sized enterprises which take certain measures on occupational safety and health can apply for the special merit system, which can adjust the premium within the range of 45 per cent.

In practice, only a limited percentage of enterprises apply for the merit system. Statistics in 2002 show that 87,428 (or 4.4 per cent) of 1,992,101 establishments applied for the merit system. Of these, 72,698 establishments (83.2 per cent) had the premiums reduced, 12,949 (14.8 per cent) had the premiums increased, and 1,781 (2.0 per cent) had the premiums unchanged. In both cases where the premiums changed, about half attained the maximum adjustment rate at 40 per cent.

Not all social security schemes have the administrative capacity to maintain detailed records and assess the claims experience of each employer. However, Thailand is an example of a developing country which launched its social insurance scheme for employment injuries in 1975 with the experience rating system and has reduced the contribution rates from over 4 per cent to between 0.2 to 2 per cent (recently reduced to 1 per cent for economic reasons). In certain other countries for example, Mongolia, the risk categories have been simplified into 3 for which the contribution rates are 1, 2 and 3 per cent respectively. This is intended as a broader risk rating system which is easier to administer whilst still providing penalties and incentives with the aim of reducing accident frequencies.

16.10 Accident prevention and rehabilitation

16.10.1 Accident prevention

Whilst workers' compensation schemes providing medical care and income protection after work-related accidents occur may wish to

support and encourage accident prevention for such reasons as:

- Prevention is a better service to insured persons than compensating them after the event;
- Fewer work interruptions contribute to higher productivity, and
- Scheme costs are reduced.

With respect to the prevention, there are about 70 ILO Conventions and Recommendations dealing with Occupational Safety and Health (OSH) matters. The following is a list of the major Conventions on OSH.

Table 16.4 ILO Conventions concerning occupational safety and health

Convention No.155	Occupational Safety and Health Convention, 1981
Convention No.161	Occupational Health Services Convention, 1985
Convention No.170	Chemicals Convention, 1990
Convention No.174	Prevention of Major Industrial Accidents Convention, 1993
Convention No. 81	Labour Inspection Convention, 1947

The Occupational Safety and Health Convention (No. 155 of 1981), together with its accompanying Recommendation (No. 164) and Protocol of 2002, prescribe the progressive application of comprehensive preventive measures and the adoption of a coherent national policy on occupational safety and health, while establishing the responsibility of employers for making work and equipment safe and without risk to health, as well as the duties and rights of workers. Particularly relevant to workers' compensation is the Protocol to the Convention (adopted in 2002), which stresses the need to strengthen recording and notification procedures of occupational accidents and diseases. The accident statistics from workers' compensation schemes provide useful information for the analysis of the national OSH situation, as explained below.

The Occupational Health Services Convention (No. 161 of 1985) and its accompanying Recommendation (No. 171) stress that occupational health services are entrusted essentially with preventive functions and responsible for advising employers, workers and their representatives on maintaining a safe and healthy working environment, as well as on the adaptation of work to the capabilities of workers. The emphasis of these instruments are placed on the roles, use of resources and cooperation rather than on administrative structures.

The Chemicals Convention (No. 170 of 1990) and its accompanying Recommendation (No. 177) represent international efforts to upgrade the national measures and harmonize regulatory standards. They emphasise the need to establish a coherent national policy of chemical safety ranging from the classification and labelling of chemicals to the control in all aspects of the use of chemicals. Particular emphasis is placed on roles and responsibility of the competent authority, suppliers and employers, as well as duties and rights of workers.

The Prevention of Major Industrial Accidents Convention (No. 174 of 1993) and its accompanying Recommendation (No. 181) aim to protect workers, the public and the environment from major industrial accidents, in particular through the prevention of major accidents involving hazardous substances and the limitation of the consequences of such accidents. It applies to major hazard installations with the exception of nuclear installations and radioactive

materials processing, military installations and transport outside the site of an installation other than pipeline.

In addition to the Conventions and Recommendations, the ILO has prepared a series of codes of practice relating to various sectors of economic activity and various types of dangerous equipment or agents. These codes of practices are intended to assist governments, employers' and workers' organizations in drawing up national regulations and guidelines, work regulations and collective agreements.

Accident prevention normally is funded from general revenues or special levies and employers may object to use of their contributions for this purpose; furthermore, the scope for action by workers' compensation schemes is limited where another government institution, such as the factory inspectorate, has the legal responsibility for OSH. In these circumstances, the workers' compensation schemes have the role of reporting accidents and supplying statistics to the OSH authority. It is vital that such data distribution arrangements work efficiently since accident prevention strategies need to focus resources where most needed. Japan is aware that over 90 per cent of occupational accidents occur in small and medium size enterprises (less than 300 workers) which employ at least 80 per cent of the workforce; furthermore the workplaces with less than 50 employees account for 70 per cent or more of the total accidents. Prevention tactics can be devised accordingly.

This becomes an issue where workers' compensation schemes are concerned about adverse trends and slower progress than expected in reducing workplace hazards but have little scope under the prevailing legislation for interventions to improve strategic planning and implementation of national action plans in this field. Another dimension is the inclusion of commuting accidents as accident prevention necessarily becomes broader in scope raising a new set of issues in the field of traffic safety. For example, schemes regularly receiving numerous claims in respect of motor cycle accidents may consider that corrective and targeted actions are urgently needed (regarding wearing of crash helmets, checking for unlicensed drivers, speeding checks etc) but the responsible authorities have resource and other constraints that delay progress; concerns may arise that as the proportion that are accepted as commuting

accidents receive medical care and financial compensation, this reduces the pressures for decisive actions to minimise the problem. In such situations the governing boards would be justified in examining ways in which the schemes' roles in accident prevention could be increased and the most effective ways of achieving significant improvements.

In some instances, the workers' compensation legislation permits the institution to allocate some resources for cooperation with the main OSH authority. For example, the Industrial Accident Compensation Insurance Act of the Republic of Korea allows fund transfers from the Industrial Accident Compensation Fund to the Industrial Accident Prevention Fund for the purpose of prevention. Malaysia is another case in point and the governing board of the social insurance system authorises an annual budget for this purpose to be spent on awareness campaigns and targeted measures to improve safety and health amongst the groups most at risk. Whilst the Department of Work Safety and Health is responsible for accident prevention its activities are supervised by the Social Security Organisation which has the role of facilitator⁹⁸. Thailand also allows the workers' compensation scheme to support prevention. The Workmen's Compensation Act stipulates in Article 28 that 22 per cent of the interest earned on investment of its reserves may be diverted to OSH purposes and for support for rehabilitation programmes.

As regards occupational diseases, a precaution stipulated in some countries (for example, in Japan and Pakistan) under labour protection legislation is a requirement for employees applying for jobs in sectors considered as posing health risks to undertake pre-employment examinations as a condition of employment, and also to require employees in such industries to have periodical examinations in order to make early diagnosis of serious diseases.

Countries using risk-rating contribution rates can make some impact on accident prevention due to the system of financial incentives and penalties. In Germany contribution rates have been reduced from nearly 5 per cent in 1960 to an average of

1.31 per cent in 2003.

A recent survey by the ISSA⁹⁹ Technical Commission on Insurance against Employment Accidents and Occupational Diseases brought out examples of an increasing interest in expanding the area of action beyond medical care and cash benefits to encompass prevention in full or to an extent.¹⁰⁰ In Quebec, reform of the workers' compensation scheme was initiated in 1990 to further prevention in the face of rises in the incidence of serious accidents and compensation costs; intensive prevention drives were initiated with stronger incentives in the system of premium determination for smaller businesses to form mutual help groups for establishing voluntary prevention groups. A similar initiative in Ontario resulted in a new legal basis for a stronger focus on prevention and the establishment of the Workplace Safety and Insurance Board to implement the law. Zimbabwe, which is the only African country to integrate compensation and prevention measures, established the Accident Prevention and Workers Compensation Scheme in 1990 to give a higher priority to prevention.

It is observed that governance of such combined schemes is given an impetus since both employers and employees have a keen interest in reducing accidents and readily cooperate in this field. The conclusion drawn was that the most effective approach was to integrate prevention with compensation in one institution, as in these examples.

Germany is a leading exponent of the integrated system for insured persons but in this instance it extends also to extensive rehabilitation. There are 35 statutory accident insurance funds active in sectors of agriculture and commerce which operate under the bipartite management of employers and workers. These funds are empowered to enact accident prevention regulations and to inspect enterprises. Their mandate is:

- Firstly to prevent accidents,
- When accidents do occur, to restore health and working capacity, and
- Finally, to provide benefits.

⁹⁸ "Problems and challenges of statutory accident insurance schemes relating to occupational diseases: Reporting, recording and statistics" Stefan Zimmer, Head, International Social Policy, National Federation of Industrial Employment Accident Insurance Funds, ISSA Conference Towards sustainable social security systems, Limassol, Cyprus November 2003.

⁹⁹ ISSA International Social Security Association

¹⁰⁰ Information in this part is primarily from "Conditions for implementation of reform of a work injury scheme", Joachim Breuer, ISSA Conference Towards sustainable social security systems, Limassol, Cyprus, November 2003.

The funds collect detailed statistics to pinpoint the areas for special attention, carry out periodical inspections of enterprises in enforcement of the accident prevention regulations, and hold seminars (18,000 to 20,000 per year) to disseminate up-to-date knowledge of regulations and new techniques to be employed in this sphere.

Australia provides another model for integration of prevention and compensation. A new body the Australian Safety and Compensation Council was recently established which, in replacing 6 different OSH regimes, is expected to further focus national efforts on consistency and also provide a national forum for the first time on workers' compensation. This change is important for the implementation of the national OSH strategy for 2002-2012 which sets targets for the progressive reduction of workplace injuries and deaths over this period.

Samoa's scheme accords first place to safety promotion and accident prevention and has developed strategies and performance standards in its Corporate Plan for 2003-2005 in this sphere of its work. The New Zealand Accident Compensation Commission has devised an injury prevention strategy for the country as a whole with the objective of *a safe New Zealand becoming injury-free*. This is envisaged as a strategic framework for injury prevention in society in general. ACC drew up an Implementation Plan from June 2004.

16.10.2 Rehabilitation

Medical care provided by workers' compensation schemes may be confined to the minimum necessary for treatment of the injury, which is the basic approach of many employer liability schemes, or have higher objectives more consistent with the concepts underlying the provisions in the Social Security (Minimum Standards) Convention, No.102 of 1952 that the scheme should assume responsibility for ... *maintaining, restoring or improving the health of the person protected and his ability to work and to attend to his personal needs*. Whilst social insurance schemes tend to pursue the higher objectives, some may, for lack of resources confine rehabilitation to medical rehabilitation, including the supply and replacement of artificial limbs and appliances. Other countries are able to cooperate with vocational rehabilitation

institutions by providing vocational guidance, arranging attendance at courses and paying allowances for the duration of the training. New Zealand places considerable emphasis on rehabilitation and Japan has established 39 hospitals across the country, which operate under the Labour Welfare Service to provide medical, vocational and social rehabilitation. Other Asian countries such as Malaysia, Philippines and Thailand are actively developing comprehensive rehabilitation systems. Extensive rehabilitation is the norm amongst the long-established schemes in European countries, including Austria, France, Germany, Spain and UK and in Canada and the USA.

16.11 Reform and development of workers' compensation schemes

16.11.1 Planning of reforms

This section addresses the issues of the reform and development of workers' compensation schemes against the background of growing and widespread interest, to a greater or lesser extent, in all types of countries in strengthening their systems of workers' compensation protection not only in respect of the central responsibility of providing adequate compensation in conformity with the relevant ILO standards but also in increasing support through one means or another for the promotion of occupational safety and health.

Previous sections of this study have elucidated the concepts, principles and relevant ILO standards of workers' compensation insurance and described the structure of employer liability and social insurance schemes with examples drawn from both developed and developing countries. It is evident from the information provided that workers' compensation insurance in numerous countries is undergoing processes of reform and modernisation in order to keep pace with and adapt to the changing world of work, new national priorities and evolving concepts of employment injury protection. However, these trends are less noticeable amongst Pacific Island states, which still rely on employer liability schemes although in certain countries some stakeholders of existing schemes which have functioned for many years are conscious of the need for changes and upgrading, but have lacked information on policies and strategies in similar countries which could serve as guidelines for policy formulation and technical planning. This

is in recognition of the fact that a pre-requisite for such planning exercises is an understanding of the objectives and experiences of other countries, including countries from the same region, in order to gain insights into the most suitable reform strategies. This study aims to contribute to this process. In addition, the findings of a recent survey conducted by the ISSA Technical Commission on Insurance against Employment Accidents and Occupational Diseases provide useful information which may be taken into account in determining the most suitable methods of action to effect the desired types of change.¹⁰¹

The ISSA survey showed that in addition to the dissemination of information on developments in this field the emphasis was on providing comprehensive rehabilitation and integrating prevention with the provision of compensation, as already discussed in section 16.10 above. The remaining three points are of special importance in any strategies for developing reform proposals:

- Involvement and participation of stakeholders,
- Administrative pre-requisites and specialisation of the insurance scheme, and
- Differential contribution rates.

16.11.2 *Involvement and participation of stakeholders*

From the information provided by responding countries, it was clear that the process of formulating reform objectives and strategies required the full participation of the social partners at all stages. The main point emerging from the examples provided was that involvement of stakeholders ensured that a consensus was achieved and a thorough preparation of the scheme and the legislation, which became the foundation for a smooth conversion and changeover to the new measures. Although the extensive consultations took time in the countries involved, the conclusion was that this ensured a speedier implementation phase and overall a sound basis for the sustainability of the new scheme.

The problem to be confronted in most countries is that employer liability schemes may be operating with little or no involvement of the social partners except occasionally at a forum such as a Labour Advisory Board or its equivalent. Where a contributory social security scheme is in force its governing board has no jurisdiction over workers compensation insurance and therefore some means has to be found, such as by setting-up an ad hoc working group or committee, to overcome this obstacle to close and continuous involvement of the stakeholders in the planning of any reforms.

16.11.3 *Administrative prerequisites and specialisation.*

The survey confirmed that adequate statistics, well-trained personnel and an effective administrative system were essential to planning and implementing a new scheme. One example is that the changeover from an employer liability scheme requires the registration of employers and employees and establishment of data bases to be followed by the collection of contributions. These basic functions must run efficiently if the scheme is to have a sound foundation. The provision of medical care under workers' compensation insurance is facilitated where social health insurance schemes are operating, and any existing systems for payment of cash benefits and including pensions could be utilised by a new scheme so the existence of such working systems would present options for bringing a new scheme within the auspices of the existing social security system as a separate branch with its own autonomous funds.

However, on this point, the survey brought out views that workers' compensation is complex and specialised and best administered as a separate scheme, but that this is not necessarily feasible in all instances, particularly in developing countries or those in transition. In such situations a possible solution would be to set up a separate branch to function within the framework of the social security system in as an integrated a manner as possible; the use of common databases, the contribution collection systems and benefit payment systems are examples of where savings and efficiency gains could be achieved.

In making such decisions the views of stakeholders and the costs of each option should

¹⁰¹ *Conditions for implementation of reform of a work injury scheme*, Joachim Breuer, ISSA Conference Towards sustainable social security systems, Limassol, Cyprus, November 2003.

be taken into account. One important consideration is that the major scheme is invariably the national provident fund which comes under Ministry of Finance in most countries whilst employer liability schemes are the responsibility of the Ministry of Labour or its equivalent. Since close coordination with OSH departments under the labour departments is essential, the first option should be to establish any new scheme under the auspices of the Ministry of Labour, which could facilitate the transition from the existing scheme to its successor.

16.11.4 Differential contributions

The report of the ISSA Technical Commission contains information on trends in various countries to use risk and experience rating of contributions to influence employers to increase efforts to reduce accidents and risks of contracting occupational diseases. It should be noted that in June 2003, the International Labour Conference in its discussions of ILOs standards-related activities in the area of occupational safety and health and concluded that national OSH programmes should include certain key aspects including occupational injury and disease compensation and rehabilitation systems that use experience rating and incentives.

However, as explained in the section on financing, this presents challenges to developing countries which have limited experience of the techniques involved in establishing and administering risk and experience rating contribution systems. Consequently, this is a major issue for countries aiming to reform their existing schemes and make prevention an important objective of the new system, together with high standards of compensation.

The risk and experience rating system is practiced by insurance companies active in workers' compensation insurance which typically could charge approximately 0.20 per cent of payroll at the lowest risk level for activities such as office administration, and over 10 per cent for those enterprises in sectors such as logging and construction. The dilemma is that the alternative would be to propose levying uniform contribution rates such as 1 per cent of earnings, in order to raise adequate resources, which would involve enterprises in less risky sectors paying higher contribution rates than under private insurance, and those in the more

risky sectors paying less. This would be resisted by employers in general and is contrary to strategies to provide incentives to employers to vigorously pursue accident reduction.

16.11.5 Conclusions

The information in this study may assist Pacific Island countries to develop their interest in improving long-standing schemes based on employer liability principles by enabling them to establish clear policy guidelines for reform. This can be best accomplished by extensive social dialogue based on improved understanding on what are feasible and affordable objectives in this field. As illustrated in this study, social insurance principles of pooling risks and finances in separate autonomous funds has enabled countries with similar social and economic conditions to those prevailing in the region to extend coverage and the scope of protection and to upgrade compensation benefits so that victims of work-related accidents can receive comprehensive medical care, including rehabilitation, and better designed short and long-term cash benefits, including pensions, which are more responsive to gender-specific needs.

With an autonomous fund conserving all contributions paid by employers for the purposes of the scheme and under the control of a tripartite board, thus strengthening governance, it will be possible to allocate some resources to accident prevention and support for occupational safety and health activities, assuming that the legislation has provided for this as an objective of the scheme, as well as to institute close coordination between the two systems. The example of Samoa which has operated a wide ranging scheme based on social insurance principles for 25 years may be of special interest to other countries in the region.

One of the key challenges to be met in reform of workers' compensation schemes will be how to institute suitable and feasible contribution systems and technical assistance may be required to develop capacities in this and other aspects of workers' compensation insurance.

Progress in this field in various countries would be consistent with the concept of Decent Work as involving the aims of enhancing the coverage and effectiveness of social protection for all and ensuring that Decent Work is safe work.

Appendix to Chapter 16 – International Experience

16A Summary of employment injury schemes in selected countries in Asia and the Pacific

Table 16.5 Coverage and contribution rates for workers' compensation -selected countries in Asia and Pacific

Country & date of first law*	Scope of Coverage	Contribution Rates
China 1951	Employees in state-run enterprises and some collective enterprises.	Employers pay differential rates (0.5%, 1.0% and 2.0%) averaging 1% of payroll.
India 1923 (Employer Liability) 1948 (SI)	Employees earning less than INR 7,500 per month in power-using enterprises with 10 or more workers.	Employers pay 4.75% of earnings for the sickness, maternity and Employment Injury scheme and workers 1.75%
Indonesia 1939 (Employer Liability) 1992 (SI)	Establishments with 10 or more workers or a monthly payroll of IDR 1 million.	Employers pay according to risk in industry 0.24 to 1.74% of payroll.
Japan 1911 (Employer Liability) 1947 (SI)	Employees in industry and commerce Voluntary coverage for agricultural, fishery and forestry sectors with less than 5 workers and special systems for seamen and public service.	Employers pay from 0.55% to 13.5% of payroll according to 3-year accident rate.
Malaysia 1929 (Employer Liability) 1969 (SI)	Employees earning less than MYR 2,000 per month unless already covered when earning less	Employers pay uniform rates of 1.25 % of payroll
Mongolia 1993 (SI)	All employees. Voluntary coverage of the self-employed.	Employers pay 1, 2 or 3% of payroll according to risk & claims experience. Self-employed -1%
New Zealand 1908 (Employer Liability) ACC (1974)	All insured persons including children employees and non-working adults, visitors and nationals travelling abroad.	Work injury benefits financed by employers premiums rated according to risk, and earmarked taxes (gas and vehicle licence fees). For non-work injuries, employee's contributions and general revenues, finance benefits.
Pakistan 1923 (Employer Liability) 1963 (SI)	Employees in selected industries and establishments with a minimum of 5 workers earning PKR 3,000 per month or less.	Employers pay 7 % of payroll for the sickness, maternity and employment injury scheme.
Philippines 1974 (SI)	All employed persons including those recruited to work abroad and domestic workers	Employers pay uniform rates of 1% of payroll.
Samoa 1960 (Employer Liability) 1978 (SI)	Employees for work-related accidents and entire population for motor vehicle or boat accidents	Employer and workers each pay 1% for work-related accidents. Earmarked tax of WST 0.05 per gallon of motor fuel for vehicle and boat accidents.
South Korea (Rep. of) 1953 (Employer Liability) 1963 (SI)	All employees. Voluntary coverage for small-scale construction projects agricultural, fishery and forestry sectors with less than 5 workers, domestic employees & the self-employed.	Employers pay from 0.4 to 31.9% of payroll according to risk in industry (average 1.49%).
Thailand 1972 (SI)	Employees in firms with 1 or more worker.	Employers pay from 0.2 to 2.0 % of payroll (presently 1% maximum)
Vietnam 1929 (Employer Liability), 1995 (SI)	State employees and non-State enterprises with 10 or more workers, foreign invested firms, and the industrial and processing zones.	Employers' total contributions for sickness, maternity and Employment Injury are 5%.

Main Source: Social Security Programs throughout the World 2002 (Social Security Administration of USA.)

*Employer Liability-employer liability SI- social insurance

Table 16.6 Selected employer liability schemes for workers' compensation

Country and date of first law	Scope of Coverage	Compulsory or Voluntary Insurance
Brunei 1957	All employees	Compulsory
Fiji 1965	All employees and apprentices.	Voluntary
Hong Kong 1953 (Employer Liability) 1971 (Social assistance)	All employees.	Compulsory
India 1923	Manual workers in employments scheduled in 1923 Workers' Compensation Act.	Voluntary
Indonesia 1939	Employees not covered by social insurance scheme.	Voluntary
Kiribati 1949	Employees earning AUD 4,000 per year or less.	Voluntary
Pakistan 1923	Employees in industrial establishments with 10 or more workers earning PKR 3,000 per month or less who are not covered by the social security scheme are covered by the 1923 Workers' Compensation Act.	Voluntary
Papua New Guinea 1958	All employees, including public employees.	Compulsory
Singapore 1933	All manual labour, except domestic staff, casual employees, family labour and salaried workers earning less than SGD 1,600 per month.	Compulsory
Solomon Islands, 1952	Employees earning SBD 4,000 per year or less.	Compulsory
Sri Lanka 1934	All workers except the police and armed forces.	Voluntary

Main Source: Social Security Programs throughout the World Asia and Pacific 2002 (Social Security Administration of USA).

Table 16.7 Definitions of employment Injury-selected countries

Country	Main Definition
Germany	Accident injury occurred in the enterprise and/or in connection with an occupation depending on the enterprise on the basis of a contract of employment or any other insured activity.
Greece	Accident injury occurred because of and during employment.
France	Any injury occurred as a result of or in connection with work, regardless of its cause.
Ireland	Personal injury incurred as a result of an accident at work, including diseases caused by such accidents or a prescribed occupational disease contracted in the course of insurable employment.
Italy	Employment injury produced by violent cause at work.
Sweden	Every accident or illness related to the working situation. Proof system. An injury is accepted as a work injury if it is clear that the person has suffered an accident or some other harmful influence at work. The injury must be presumed to be a result from the harmful influence if there are stronger grounds for such a presumption than the contrary.
UK	Personal injury caused while a person is at work or while he or she is working.
Malaysia	A personal injury to an employee caused by accident or an occupational disease arising out of and in the course of his employment in an industry to which this Act applies.
Thailand	Physical or mental injury or death suffered by an employee as the work employment or in the course of protecting the interest of the employer or according to the commands of the employer. Illness means illness suffered by an employee as the result of work caused by diseases incidental to nature or the condition of work

Main sources: MISSOC and national legislation

Table 16.8 Benefits for workers' compensation - social insurance schemes

Country	Medical	TDB	PDB	Survivors
China	Medical care, surgery, nursing, medicines, appliances, transport & hospitalisation.	100% of wage until recovery or permanent disability determined.	75-90% of wage if totally disabled. Disability allowance of 6 -24 months wages For partial disability from 10-30% of wage Minimum pension set locally.	40% of wage for spouse, 30% each for other dependants Lump-sum 48-60 month's wages Funeral grant 6 month's wages.
India	Treatment, surgery, hospitalisation, medicines, artificial limbs, & other appliances.	Benefit is payable from day 4 until recovery according to wage classes average about 70% of earnings.	Total disability ranges from rupees 19.60 to 175 per day according to wage classes. Partial disability rate is percentage in proportion to % loss of earnings capacity.	Widow: 60% of insured's TDB entitlement (average 70% of earnings) Orphan 40% if under age 18 or until daughter marries. Maximum of all pensions is 100% of TDB.
Japan	Medical care, surgery, nursing, hospitalisation medicines, dental care, appliances, & transportation.	Employer pays 60% of wage for first 3 days. TDB is payable from day 4 for 18 months maximum at 60% of average daily wage over last 6 months plus a Labour Welfare supplement of 20% of average daily wage subject to minimum benefit rate. TDB continues unless severely disabled when pension payable according to degree of disability.	For grades 1 to 7 disability, pension is 100 of average daily wage multiplied by degree of disability. For grades 8-14 lump-sum benefit of between 56 and 503 times average daily wage. Carers of severely disabled receive allowances.	Annual pension equal to average daily wage over last 6 months multiplied by between 153 and 245 days according to number of survivors. Eligible survivors are widow, widower, children, grandparents, grandchildren and dependant brothers and sisters (all except the widow must meet age or disability requirements).
Malaysia	Medical care, surgery, hospitalisation medicines,, appliances & medical and vocational rehabilitation.	80% of average daily wage payable after 4 days waiting period (waiting days payable if incapacity lasts more than 4 days).	90% of average daily wage if totally disabled. Partial disability is percentage of full pension according to degree of disability Lump-sums payable if disability less than 20 %. Constant attendance allowance of 40% of pension.	Full benefit is 90% of average daily wage payable at 60% to widow or widower, 40% to orphans (60% for full orphans) under age 21 or completion of 1 st degree no age limit for disabled child. If none of above parents siblings and paternal grandparents, if previously the insured's dependant.

Continued on next page

Table 16.8 Benefits for workers' compensation - social insurance schemes (cont)

Country	Medical	TDB	PDB	Survivors
New Zealand	Full range of medical care for which a minimum payment is required. Social rehabilitation without limits and vocational training for up to 3 years.	80% of gross earnings payable until return to work. Minimum benefit is NZD 256 per week or NZD 204.80 if under age 18. Maximum benefit is NZD 1,365.05 per week.	If 10% or more impaired, a lump-sum ranging from NZD 2,500 to NZD 100,000.	Survivor's pensions are calculated from 80% of gross earnings. 60% for widow(er)'s pension Orphan 30% for each child under age 18 or 40% if full orphan. 20% for other dependants Grant NZD 4,824.59 for spouse; NZD 2,412.30 per child or other dependant.
Pakistan	Social security clinics and hospitals provide general medical care, specialists, hospitalisation and surgery and transportation.	60% of earnings, 100% in Punjab and Sindh payable after 3 day waiting period (waived in Punjab) for up to 180 days.	75% of earnings (100% in Punjab) and percentage for partial disability according to loss of earnings capacity.	60% of total disability pension for widow or needy disabled widower. Orphans under age 16 - 20% or 40% for full orphan. If no spouse 20% for dependant parent. Total payable for all pensions is 100% of PTD.
Philippines	Medical, surgical and hospital services, appliances and rehabilitation.	90% of average wage in best 6 months out of last 12 months from first day for up to 240 days in a calendar year. Minimum 10 pesos per day, maximum PHP 200 per day.	115% of the sum of 300 pesos plus 20 % of average monthly credited earnings for each year of contribution in excess of 10, or 115% of 40% of average monthly credited earnings, or 2000 pesos, whichever is the higher. Plus a supplement of the higher of 10% of pension, or PHP 250, for each of 5 youngest children under age 21. Partial disability is PTD rate but payable for periods related to degree of incapacity. Minimum pension is PHP 2,000 per month.	Survivors entitled to 100% of PTD plus dependants supplement of 10% per child for 5 youngest children under age 21. The insured's monthly pension is payable for some categories of survivor for up to 60 months. The grant must be not less than PHP 120,000 in total.
Samoa	Reasonable medical expenses for first aid, dental care, transport, surgery and hospitalisation, plus artificial aids and rehabilitation.	70% of earnings subject to minimum of WST 35 per week up to maximum of WST 400 per week. Maximum duration is flexible.	For disability of 80% or more: a pension of 70% of earnings for life for 100% disability and proportionate amounts for lower assessments. For disability lower than 80%: lump-sum of up to WST 8,000 according to assessed degree of incapacity.	A lump-sum of WST 20,000 to dependants plus weekly compensation of 70% of wages for up to 4 years subject to a WST 200 a week maximum.
Thailand	All necessary medical, surgical and hospital services up to maximum cost of THB 35,000 or up to THB 50,000 in special cases.	60% of wage is payable after 3 days (payable later if incapacity lasts more than 3 days) Minimum monthly benefit is THB 2,000 and maximum is THB 9,000.	PTD is 60% of average monthly wage payable for 15 years. For partial disability 60% of earnings payable for up to 10 years according to degree of incapacity or as a lump-sum.	60% of earnings payable for 8 years or as lump-sum Pension amount shared between spouse, parents, children under age 18 (no age limit if student or disabled).

Main source: Social Security Programs throughout the World Asia and Pacific 2002 (Social Security Administration of USA.)

Table 16.9 Benefits for workers' compensation - employer liability schemes

Country	Medical	TDB	PDB	Survivors
Fiji	Medical and hospital care, surgery, medicines, appliances and transportation.	66% of weekly earnings payable after 2 day waiting period for up to 260 weeks and a maximum amount of FJD 16,000.	For total disability a lump-sum of 260 week's earnings and a percentage of this for partial disability according to degree of disability.	A lump-sum of 208 week's earnings subject to a minimum of FJD 9,000 and a maximum of FJD 24,000.
Hong Kong	Medical examination, treatment and appliances.	80% of the difference between earnings prior to and after onset of disability payable for maximum of 36 months.	A lump-sum of between 48 and 96 month's earnings according to age of the employee. Minimum is HKD 344,000 and maximum HKD 2,106,000. Partial disability benefit is appropriate percentage of PTD.	Grant of between 36 and 84 month's earnings according to age of the deceased with a minimum of HKD 303,000 and a maximum of HKD 1,764,000.
Kiribati	No provision for medical care under the Ordinance. Employer may be required to pay for artificial limbs.	The rate is 100% if the earnings are AUD 40 a month or less, 75% for monthly earnings of over AUD 40 but not exceeding AUD 60, and 66 ² / ₃ % for earnings higher than AUD 60 per month. TDB is payable after 3 waiting days with a financial limit of the lump-sum amount payable if the incapacity is permanent.	PTD is payable as a lump sum of 48 months earnings or AUD 25 000, whichever is less, and constant attendance benefit is another 25%. Benefits for partial incapacity are proportionate to the benefits for PTD according to the degree of incapacity.	Eligible dependants receive death benefits of a lump sum of 48 months earnings or AUD 25,000, whichever is less.
Pakistan	Medical examinations and treatment.	50% of monthly earnings for up to 1 year For a lung disease 33% is payable for up to 5 years.	For PTD a lump-sum of PKR 200,000 and partial disability attracts payments in proportion to degree of incapacity.	A lump-sum of PKR 100,000.
Singapore	All necessary medical care, medicines, hospitalisation, and appliances.	100% of earnings for up to 60 days if hospitalised and 14 days if not; thereafter 66 ² / ₃ % Maximum duration is 1 year.	PTD is lump-sum of 6 to 12 years earnings according to age subject to a minimum of SGD 49,000 and maximum of SGD 147,000. Amount for partial disability is in proportion.	Benefit is a lump-sum of 4 to 9 years earnings according to age subject to a minimum of SGD 39,000 and maximum of SGD 111,000.
Solomon Islands	Medical care, Medicines, and appliances.	0 - 100% of earnings according to the wage and the assessed degree of disability Maximum is SBD 160 per month Payable until recovery, death or certified as permanently disabled.	Lump-sum of 48 month's earnings for PTD and proportionate amounts for partial disability. Maximum is SBD 9,000.	Lump-sum of 36 month's earnings less and PTD already paid up to maximum of SBD 9,000. Maximum for a fatal injury is SBD 80,000. Courts allocate amounts to survivors.
Sri Lanka	Free of charge in government hospitals.	50% of earnings for up to 5 years. Maximum is 5,000 rupees per month.	A grant of between 21,168 and LKR 250,000 and for partial disability from 30% and 100% of compensation.	Lump-sum of between 2 and 5 years wages varying inversely to wage class. Minimum and maximum sums.

* Constant attendance allowance is payable

Main source: Social Security Programs throughout the World Asia and Pacific 2002 (Social Security Administration of USA.)

16B The accident compensation scheme of Samoa

16B.1 The accident compensation insurance scheme of Samoa

16B.1.1 Introduction

The Accident Compensation Scheme in Samoa has operated for over 25 years and constitutes a rare example of a social insurance scheme for work-injury amongst Pacific Island countries. For this reason alone it is of interest to countries which are concerned about serious deficiencies in their workers' compensation schemes and wish to gather information on how conversion into a social insurance system works in practice in a socio-economic setting with many similarities to the conditions in their own countries. However, the following other features of the scheme are of special interest:

- Cover for work-injury was recently expanded to a 24 hour 7 days a week basis;
- The scheme covers the whole population against the consequences of motor vehicle and boat accidents; and
- Emphasis on accident prevention and comprehensive rehabilitation.

The purposes of this Annex therefore are to:

- Describe the objectives of the scheme, its scope of coverage and systems of contributions and benefits; and
- Outline the main features of its organisation and administration.

To provide the social and economic context of the scheme, general information on Samoa is provided in the following section.

16B.1.2 General Information on Samoa

(i) Location, Population and Employment

Samoa is a small group of ten islands in the South Pacific Ocean, about half way between Hawaii and New Zealand. Most of the population is concentrated on the two main islands, Upolu and Savaii. The 2001 census found that the total population was 176,710 with a distribution of 52 percent male and 48 percent female. As the population growth rate is about 1.0 percent per annum the current population in 2005 is estimated as in excess of WST 180,000. GDP per

capita increased by about 3.2 per cent over the period 1995-2002. This reflects both the strong economic performance and low population growth rates as a result of out-migration. At the end of 2002, GDP real per capita amounted to WST 3950 (USD 1,230), increasing from WST 3,180 (USD 1,006) in 1995. The average real rate of GDP growth over the period 1995 – 2002 was 4.0 per cent which was followed by 3.5 per cent in 2003. The growth acceleration was driven by the manufacturing sub-sector, transport and communications, finance and business services, and agriculture, which expanded strongly after years of decline. Public administration, hotels and restaurants, and personal services also grew relatively rapidly, while construction grew at a modest rate of 2.5 per cent. The fishing industry experienced a 10 per cent decline due to unfavourable climatic conditions common to the region.

The Labour Force Survey 2000 found that 17,164 persons, of whom 7,163 were women and 10,001 were men, were employed in the formal sector. The survey revealed that paid employees were 93 per cent of the total and self-employed about 4 per cent with the remainder unpaid family workers and paid non-citizens.

(ii) Social Security Programmes

Samoa has a range of other formal social security programmes of which the following are explained below:

- The national provident fund;
- Senior citizens benefit fund (universal aged pension scheme); and
- Universal health care.

It should be noted that there is no sickness benefit through labour or social insurance legislation, which in many countries could be a factor in increasing claims under work injury by employees who are incapacitated for work due to a cause other than an accident, but find it possible to claim otherwise in order to receive an income whilst undergoing medical attention for a morbid condition.

(iii) Samoa National Provident Fund

The Samoa National Provident Fund (SNPF) was established in 1972 in parallel to the Government

Superannuation Fund which it superseded in 1994 when the two funds merged. The SNPF is managed by a ten member tripartite board comprising representatives from government, employers and employees. SNPF is a defined contribution scheme; 5 per cent is contributed from the members' wages and 5 per cent by the employer. Membership currently stands at approximately 66,000 and its assets and contributions were valued at USD 91 million as of December 2002. The fourth quarterly report (30 June 2004) showed 21,318 contributing members and 63 voluntary contributions, a total of 21,381 active contributors.

As in a number of Pacific Island countries none of the social security schemes provide pensions, it is noteworthy that SNPF offers the option of an annuity at age 55 years, or full withdrawal of balances in a lump-sum. Due to the generally low balances at age 55, as a result of withdrawals allowed under the legislation, most of the pensions are awarded to senior public servants and some private sector contributors who have sufficiently large balances in their retirement accounts to obtain reasonable monthly pension rates. Most members choose lump sum payment as the monthly pension rates would be insignificant. At the end of June 2004 there were 1,035 SNPF current pensioners

(iv) Senior citizens benefit fund (SCBF)

Since November 1990 the government has provided a universal defined pension to all senior citizens over 65 years of age. The benefits provided to pensioners include:

- Cash payment of WST 100 per month;
- Free health care including consultation, hospitalisation and pharmaceuticals;
- Free transport on government buses and ferries including to American Samoa; and
- Assistance and mediation between pensioners and payment trustees.

In 2003 there were 4,532 females and 3,689 males in receipt of these pensions. Benefit is now paid in cash to minimise overpayments which can occur when the pensioner dies or leaves the country for a period of more than 30 days.

(v) Health services

The Samoan National Health Care System is dominated by the public health sector. The

Ministry of Health provides primary, secondary, limited tertiary care, and public health services through a network of facilities. Tertiary care, which basically is unavailable in-country, is provided overseas generally in New Zealand and Australia. Approximately 5.8 per cent of the GDP and 17.8 per cent of the total government expenditure is spent on the health sector. Per capita expenditure amounts to USD 86. Government spending on health as a proportion of its total expenditure has notably increased from 10.2 per cent in 1991 to 17 per cent in 2001. For health care financing, 63 per cent was accounted for by public sources and 21 per cent by private sources (out of pocket for private sector including traditional healers). The remaining 16 per cent was provided by international donors and other sources.

It is estimated that 44 per cent of total health expenditure occurred in the public sector, 18 per cent in the private sector, pharmacies (public and private) for 19 per cent, and remaining 19 per cent related to overseas treatment. Over recent years the profit-based private health sector has been expanding.

16B.1.3 Overview of the accident compensation scheme

(i) General

The Accident Compensation Board was established in 1979 and its current legislation (Accident Compensation Act 1989) was amended in 2003 to extend cover of workers on a 24 hour and 7 days a week basis and to provide accident compensation to the whole population against the consequences of specified conveyance accidents. Some benefit improvements were introduced, including:

- Increase of weekly compensation from 60 to 70 per cent of earnings;
- Doubling of the maximum sum for permanent incapacity to WST 8,000, and
- Changing the maximum duration of pension payments for permanent disablement of 80 per cent or more from 5 years to until recovery which means for life in the majority of such cases.

The 2003 amendment also renamed the Board as the Accident Compensation Corporation (ACC). Board membership is prescribed in section 4 with the Minister of Labour designated as

chairman, the Commissioner of Labour as Deputy Chairman; and the Financial Secretary, President of the Chamber of Commerce, President of the Manufacturers Association and 5 other members (appointed by the Head of State, acting on the advice of the Cabinet) of which one should be a barrister or solicitor, one a doctor, one a public accountant, and two other persons who are acquainted with the customs and traditions of Samoa.

The ACC organisation chart is shown at Figure 16.1. The major functions of the ACC are the:

- Promotion of safety and accident prevention both at workplaces and throughout the community;
- Provision of compensation and rehabilitation for employees who are victims of work-connected accidents, including cover for 24 hours per day and 7 days per week, and for persons who suffer specified conveyance accidents; and
- Provision of compensation to dependents of persons who die as a result of workplace or conveyance accidents.

The ACC collects from employers in the private and public sectors 1 per cent of payroll and, since September 2003, 1 per cent of gross earnings from employees. The main reason given in the Annual Report for 2003 for the introduction of employee contributions was to finance the extended coverage on a 24 hour and 7 day week basis. A fuel levy of WST 0.05 per gallon of fuel is paid to ACC for the costs of compensation in respect of specified conveyance accidents. Two funds were maintained for work injury and conveyance accidents respectively until September 2003 when they were merged

(ii) Scope of Coverage

The Act specifies that any worker employed by any employer other than an exempted employer who suffers personal injury by accident arising out of and in the course of his employment is entitled to compensation and rehabilitation. The Act applies to any worker in any occupation whether or not the employment is for the purposes of any trade or business carried on by the employer and whether or not the employment is of a casual nature. These provisions were revised with effect from September 2003 to provide cover on a 24 hour and 7 days a week basis.

As regards **accidents**, the key definitions are as follows:

“Accident or personal injury by accident includes occupational disease to which the Act applies”

“accident covered by the Act” means an accident covered by special provisions in sections 15,16,17,18, 25 and 35 of the Act within the basic definition of a “personal injury by accident covered by this Act”.

The special provisions deal with the following situations:

- (a) Apprentices are covered whilst attending technical school or other places of training
- (b) A person who suffers an accident whilst acting in contravention of regulations or enactments applicable to his employment or of orders given to him will be covered if it is deemed that the accident would have occurred had the worker not acted in contravention as stated or without orders from his employer
- (c) Where the accident happens during any temporary interruption of work for a meal or refreshment the accident is deemed to arise out of and in the course of the employment if the accident would have been deemed so to have arisen had it happened at the place of employment and if:
 - (i) the accident happens on premises occupied by the employer; or
 - (ii) the accident happens on premises to which the worker had right of access during the temporary interruption of his work; or
 - (iii) the accident happens on premises to which the worker is permitted to resort during the temporary interruption of his work.
- (d) Where the accident happens while the worker is travelling to or from work by a means of transport, the accident shall be deemed to arise out of and in the course of the employment:
 - (i) If the employer has provided the means of transport primarily for the purpose of carrying workers employed by him; or
 - (ii) The means of transport has been expressly or impliedly authorised by the employer for the purpose; or
 - (iii) The employer has arranged with the worker or group of workers for the transportation of the worker to and from work by that means of transport and has paid or become liable to pay the whole or any portion of the fare or

cost of carriage of the worker by that means of transport.

- (e) Where an accident happens to a worker while he is travelling to or from work by the most direct practicable route between the place of employment and premises to which he has the right of access, or is upon any such premises, the accident shall be deemed to arise out of and in the course of the employment, if the accident would have been deemed so to have arisen had it happened at the place of employment.
- (f) If the preceding sub-paragraph does not apply, and an accident occurs to a worker while he is travelling directly to his place of work from his place of residence by a route which having regard to all of the circumstances was a reasonable one for him to follow the accident shall be deemed for the purposes of the Act to have arisen out of and in the course of his employment.
- (g) An accident caused by another person's misconduct, skylarking, or negligence is now covered provided that the worker did not directly or indirectly induce or collaborate to the happening of the accident by any act not incidental to his employment.
- (h) Injuries sustained whilst overseas by a worker who is temporarily absent from Samoa exclusively or principally for the purposes of his employment in Samoa are covered, and
- (i) Where the contract of service or apprenticeship under which the injured worker was working at the time of the accident was illegal the Board may deal with the matter as if the injured worker had been working under a valid contract of service or apprenticeship. Cases of victims under the minimum age can be treated similarly.

Under the amendments a specified conveyance is defined as follows:

- “(a) A motor vehicle, including a motor cycle or other means of conveyance on land, which is propelled by means of a motor or engine, or
- (b) A sea-going vessel which is propelled by means of a motor or engine where such vessel is travelling between two or more points in Samoa or which is intended to return to its point of departure in Samoa without calling at any point or place outside Samoa during the course of its journey”

This omits cover for airplane journeys as prescribed in the original Act. This was dropped due to other arrangements recently introduced for the insurance of airline passengers.

Section 19 which previously prohibited the payment of compensation in respect of self-inflicted injuries or death due to suicide, other than suicide resulting from an accident covered by the Act, was revised to extend entitlement in respect of self-inflicted injuries on the same basis to include personal injuries which were the result of a state of mind which itself was the result of an accident covered by the Act. In addition disqualifications are imposed on:

- Dependants of a deceased person for the receipt of compensation when that dependant has been convicted of the murder or manslaughter of that person; and
- A claimant who submits a claim in respect of a personal injury which was suffered in the course of committing a criminal offence and the injured person is convicted of the offence concerned.

The main purpose of these various special provisions is to remove any doubt in some of the borderline situations that can occur and so ensure speedy settlement of claims, usually to the benefit of the claimants.

(iii) *Benefits*

Medical benefits are defined as reasonable medical expenses for first aid, dental care, transport, surgery and hospitalisation, plus artificial aids and rehabilitation. Overseas medical treatment is permitted up to a maximum of WST 15,000. Whilst the main purpose of the ACC scheme is stated to be accident prevention, a high priority is accorded to physical rehabilitation in order to assist persons disabled through accidents to the maximum extent. WST 15,000 is also the new maximum for expenditures on artificial limbs or aids. Wheelchairs are supplied where necessary and are repaired and replaced throughout the lifetime of the disabled person. For the fitting of artificial limbs the disabled persons are sent to the Auckland Artificial Limbs Centre for a period of from 6 to 8 weeks for the fitting and training in the use of the artificial limbs. Persons wishing to undertake vocational training make their own arrangements with the polytechnic.

The compensation **cash benefits** for temporary and permanent disability and death are shown in

Table 16.10 below.

Table 16.10 Cash benefits for work injury

Temporary disability benefit (TDB)	Permanent disability benefit (PDB)	Survivors Benefits
After a 5 day waiting period 70% of earnings subject to minimum of WST 35 per week up to maximum of WST 400 per week. The 5 days are payable when incapacity lasts more than 5 days. The maximum duration is flexible.	For 80% or more disability: a pension for life or until recovery of 70% of earnings for 100% disability and proportionate amounts for lower assessments. For less than 80% disability: a lump-sum of up to WST 8,000 for total disability and proportionate amounts for partial disability according to assessed degrees of incapacity.	A lump-sum of WST 20,000 for distribution to totally or partially dependant survivors plus weekly compensation of 70% of full wages for up to 4 years subject to a WST 200 a week maximum. Trust funds for child dependents

Source: ACC – Annual Report 2003

For specified conveyance accidents the same benefits apply except that no TDB or pensions to survivors are payable. The ACC has progressively extended pensions protection linked with lump-sums in the case of serious permanent disablement and death although there is a general preference for lump sums rather than pensions amongst a proportion of beneficiaries and their family members. Generally, such lump-sums are quickly spent and few are carefully utilised for long-term income purposes with the support of pension payments for a limited period, as in the case described in Box 16.2.

Box 16.2 Tito's survival strategies after permanent total disablement

Tito was a school-teacher in Apia aged 27 when he suffered a fractured spine and complete paralysis of his upper body in a car accident in 1986. Under the ACB legislation he was then entitled to a pension of 60% of earnings which amounted to WST 44.94 per week payable for 3 years (the current law prescribes pensions for life in such cases) and a lump sum of WST 2000 in addition to medical care and rehabilitation. Confined to a wheelchair, Tito had every right to expect family support as the local community and family structures in Samoa (Fa'a Samoa) are very strong but he also took some positive steps to ensure he utilised the financial support to build up his capacity to support his family. These steps included purchase of a range of hand tools so that he could become a general repair man fixing lawn mowers and other household appliances, and establishing a brick manufacturing business. This is situated in his village where raw materials are available and is run by his brother and other relatives. The equipment was designed and produced by the local polytechnic which charged Tito WST150. The first bricks produced were used to build his house which is an important asset he was determined his family should enjoy. ACC will provide rehabilitation assistance throughout his lifetime which is mainly in the form of repairs or replacement of his wheelchair. In fact, Tito has become an accomplished repairer of wheelchairs so can rehabilitate older chairs for his personal use.

Claims after **fatal accidents** entail detailed enquiries into family relationships in order to determine whether any family members were totally or partially dependent as this is the basis for entitlement. The Act contains a broad definition of dependants in the Act as “*any other person who had a legal duty to support in whole or part at the time when the dependency had to be determined and includes any other person whom he might then reasonably regard, or have regarded himself, as having a moral duty to support in whole or part, and whom he was then supporting in whole or part, and includes a child of his born after his death, and dependent, totally dependent and partially dependent have corresponding meanings.* The final decision is made by the Board. Persons who wish for a review of a decision on a claim can request one from the Board and a further appeal lies to the Supreme Court.

Box 16.3 Survivor's benefits put to good use-Julia's trust fund

Julia was only a few months old when her father was killed at work in May 1990. His wife had moved to the USA and was ruled as neither totally or partially dependent on the deceased, and so was his de-facto wife, a school-teacher and Julia's mother. All compensation was payable to Julia, consisting of a pension of WST 33.85 per week for 3 years and a lump-sum of WST 20,000. The Board placed WST 2,000 in a savings account and WST 18,000 on fixed deposit. Over the years funds have been released for Julia's upkeep and school-related purposes. Julia's mother has never had to worry about the school fees, uniforms and books. Julia is now aged 15 and expenditure so far amounts to WST 19,135 but standing to her credit is the sum of WST 1,802.22 in her saving account and WST 21,751.13 on fixed deposit. Whatever funds have accumulated will be paid out to her at age 18 when ACC's responsibility ends.

The compensation for minors is paid into Trust Accounts with the guardian and ACC Manager as co-trustees of the account. As at June 2003 there were 153 trust accounts amounting in total to WST 678,992. The application of the provisions on adult and minor survivors is illustrated by Box 16.3

(iv) Accident prevention

Accident prevention is a primary aim of the ACC which works closely with the responsible government bodies - the Department of Labour in the field of workplace safety, and the National Road Safety Committee for specified conveyance accidents. The latter is chaired by the Transport Control Board of the Ministry of Transport, and other members are the Ministry of Police, Ministry of Works and the Ministry of Education. For work-injuries the Safety Promotion Unit of ACC supplies the Department of Labour with a monthly report of all accidents for follow-up and also undertakes very detailed analyses of all accidents (including the time, place, type, causes, profiles of the injured and the nature of injuries). The pattern for some years is that over 90 per cent of work injuries are sustained by male employees and under 10 per cent by female workers whilst the main sectors in order of percentages of accidents are services, construction and manufacturing. These types of regular analyses help to target safety campaigns and to evaluate their impact.

One example is the focus on preventing accidents involving children, in which ACC has had a leading role, having identified the fact that children featured in over 40 per cent of traffic accidents. The subject of road safety was first taught at schools as an experiment and was considered to have contributed to a reduction in the frequency of such accidents to about 25 per cent. A manual has been produced and road safety is now incorporated into the primary school curriculum whilst ACC continues its efforts on a broad front to develop higher safety consciousness at the workplace and in the use of motorised conveyances.

16B.1.4 ACC organisation and operations

(i) ACC vision and mission

Figure 16.1 shows the ACC organisation which is designed to carry out the mandate and

functions of the scheme. The ACC has drawn up a Corporate Plan for 2004-2007 which lists the core functions of safety promotion, rehabilitation, provision of compensation and sound investment strategies to maximise returns on investments and assets. The corporate vision for the accident compensation scheme is to become more responsive to the needs of the victims and the community, and the ACC mission is envisaged to endeavour within its means to reduce the social, economic and physical impact of personal injury by accident covered by the Act.

The corporate plan contains a detailed management plan with a series of specific aims, outputs, time frames and performance indicators for the achievement of its objectives in the fields of safety, rehabilitation, compensation, supporting services and the finances of the scheme. For example in regard to claims due emphasis is made on expediting settlements as follows:

- For personal injury claims - 70 to 80 per cent to be settled within 7 working days; and
- Fatal claims – 70 to 80 per cent to be settled within 4 to 8 weeks.

The following sections contain brief outlines of the main administrative activities for a contributory scheme of contribution collection and processing of claims and information on the finances of the scheme

(ii) Contributions collection

Contributions are paid and collected from wages by employers and should be remitted to ACC within 7 days of the end of the pay period. The sums payable are transferred according the employers' preferences at weekly, fortnightly or monthly intervals. The payments are paid in cash or by cheque without any accompanying schedule of employees. ACC accounts staff monitor contribution payments closely to detect under or non payments for prompt follow-up, and can collaborate with the National Provident Fund to check on enforcement problems with particular employers. Surcharges can be applied for late payments. Possibly due to the relatively small contribution levels, ACC has not experienced any significant compliance problems.

(iii) Claims processing

The following Table 16.11 contains statistics of the types of accidents for which claims were made over the period from 2000 to 2004. The main features noted are:

- Work injury and motor vehicle accidents are the largest categories and both show increases in 2003 and 2004;
- The new category since September 2003 of after hours injuries to workers reached 37 cases in 2004 and is likely to increase as the entitlement becomes more widely known; and
- Overall the ACCs responsibilities have increased significantly with the extension of coverage.

Table 16.11 Number of claims received by Type 2000-2004

Type of Claim	2000	2001	2002	2003	2004
1.Work injury	89	86	95	113	103
2.Workers injured after hours*	0	0	0	9	37
3.Motor vehicle accidents	89	96	80	110	117
4.Other specified conveyance accidents	5	2	2	9	2
5.Unrelated claims	1	3	0	1	1
Total	183	187	177	242	260

* Since September 2003

ACC has pinpointed the importance of quality service to covered persons and in particular has set performance standards for registration of accidents by the police and employers respectively, and for making and implementing decisions on entitlement. Employers have 5 days to report a work-connected accident and ACC strives to expedite such notifications and those on traffic accidents, but states that there is still room for improvement by employers and the

police. Once ACC has received the accident and medical reports the claims investigation unit undertakes an enquiry into the accident, which enables it to confirm the details of the accident and the amount of earnings stated on the accident report. This unit is then able to process and authorise payment. The Annual Report for the first 6 months of 2003 contains the information that it has achieved an average of 2.5 days to make the first payment compared with a 4 day average in the previous year. This is an acceptable standard and one of a type that is still an aim for many other national workers' compensation schemes.

This excludes fatal accidents as these cases require extensive investigation amongst dependants, who have to be interviewed on the question of financial dependency followed by cross-checking on the subject of maintenance of dependants. Such cases are given priority but take a few weeks to settle.

(iv) Financing

The financing of work injury insurance has continued on a sound footing, enabling ACC to extend the coverage and improve cash and medical benefits. Although the two funds have merged, Table 16.12 below contains separate figures which show that the workers' compensation fund had accumulated over WST 39 million at the end of June 2004 whilst the Specified Conveyance Fund had a deficit of over WST 3 million.

The merger of the funds is intended to stabilise the finances in order to meet higher expenditures in the future.

Table 16.12 Income and expenditure 2003-2004

30.6.2003	Income	Workers' Compensation Fund	Conveyance Fund	Total to 30.6.04
1,390,949	Net levy income	4,271,169	555,165	4,826,334
83,415	Interest	308,461	0	308,461
461,408	Fugalei market	927,896	0	927,896
960,908	Rent & other income	1,823,545	0	1,823,545
2,896,680	Total income	7,331,071	555,165	7,886,235
	Expenditure			
140,797	Compensation	410,721	293,406	704,127
427,352	Building costs	1,059,043	0	1,059,043
302,445	Fugalei market	605,213	0	605,213
530,368	Operating expenses	661,993	535,427	1,197,420
1,400,961	Total expenditure	2,736,970	828,833	3,565,803
1,495,719	Income over expenditure	4,594,101	-273,668	4,320,432
30,767,428	Fund Balance 30.6.03	35,285,559	-3,125,394	32,160,165
32,263,147	Fund Balance 30.6.04	39,879,660	-3,399,062	36,480,598

Source: ACC

16B.1.5 Concluding remarks

The concept of an accident compensation scheme both for paid employees and for the population as a whole has been carefully established and developed over the years, balancing proposals for wider coverage and improved benefit entitlements with consideration of affordability and feasibility. Both medical and income protection have been progressively enhanced, coverage has been expanded and, considering the social and economic costs and consequences of traffic and workplace accidents, the emphasis on safety promotion and accident prevention as a primary aim has significantly increased the impact of the scheme.

Table 16.12 above shows that the current year started with a total balance of over WST 36 million enabling ACC to look forward to more progress and development in the future in pursuit of its goals for improved protection of the population of Samoa.

16B.1.6 Samoan national statistics**Table 16.13 Total formal sSector employment**

Sector	Male	Female	Total
Private sector employees	7,132	5,036	12,163
Public service employees (permanent)	2,119	1,618	3,737
Public service employees (casual/ temporary)	750	509	1,259
Total	10,001	7,163	17,164

Table 16.14 Workforce by Industry and Sex

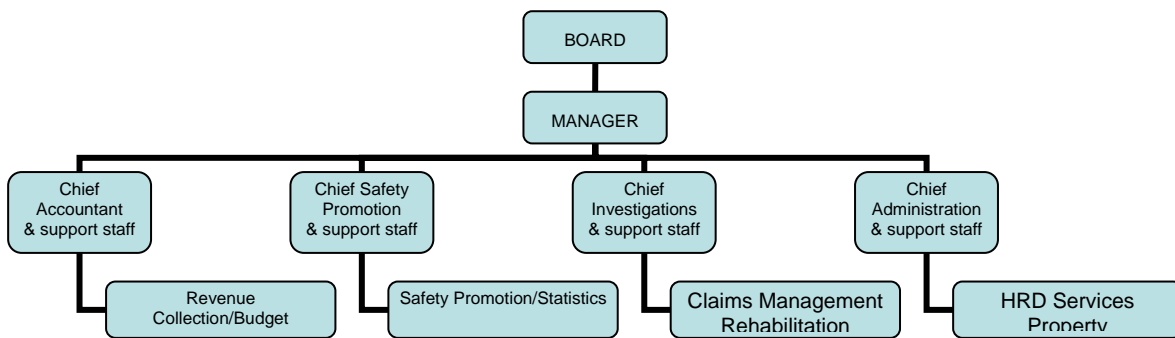
Industry	Male (%)	Female (%)	Total
Accommodation, cafes, restaurants	694 (51%)	679 (49%)	1,373-11%
Agriculture, forestry, fishing	172 (73%)	64 (27%)	236-2%
Building and construction	860 (91%)	87 (9%)	947-8%
Community social and personal services	515 (61%)	328 (49%)	843-7%
Education, welfare	393 (47%)	440 (53%)	833-7%
Electricity, gas and water supply	481 (90%)	53 (10%)	534-4%
Finance, insurance, real estate & business services	693 (54%)	591 (46%)	1,283-11%
Manufacturing	852 (34%)	1,665 (66%)	2,517-21%
Transport, storage and communication	1,280 (77%)	375 (23%)	1,655-13%
Wholesale and retail trades	1,193 (63%)	754 (49%)	1,947-16%
Total	7,132 (59%)	5,036 (41%)	12,168-100%

Source: Labour Market Survey 2000

Table 16.15 Employment status

Status	Males (%)	Females (%)	Total (%)
Self employed	256 (57%)	199 (43%)	453 (4%)
Paid employees	6,616 (59%)	4,657 (41%)	11,273 (93%)
Paid non-citizens	193 (63%)	114 (37%)	307 (2%)
Unpaid family workers	69 (51%)	66 (49%)	135 (1%)
Total workers	7,132 (59%)	5,036 (41%)	12,168 (100%)

Figure 16.1 ACC Organisation Chart



Chapter 17 Operations and Information Technology in SNPF

17.1 Background

The Samoan National Provident Fund was established in 1972, and is managed by a Chief Executive Officer who reports to a Board of Directors, who in turn is responsible to the Minister of Finance. The Board consists of 10 members and is of a tri-partite structure, representing members, employers, and the Government.

There are around 69,000 members belonging to the fund, of whom approximately 22,000 are active members. There are roughly 1300 employers contributing to the fund. The great bulk of the members belong to the public sector.

Membership of the fund is compulsory for all employees of both public and private sectors who are regarded as having formal employment. Domestic staff and employees below 14 years of age are excluded from compulsory membership.

Contributions to the fund are payable monthly in arrears by employers on behalf of their employees. The rate of contribution has been set at a total of 10 per cent of employees' wages, 5 per cent payable by employers and 5 per cent payable by employees. Employers may pay at a higher rate than 5 per cent on behalf of their employees if they wish to do so.

17.2 Benefits

When the balance of a member's account has reached WST 500, the member can apply for a personal loan, which may be up to 50 per cent of

the balance of the account at the time of the application.

Housing loans (minimum WST 50,000) are available to members to build a house on their freehold property.

A death benefit of WST 2300 is payable in the case of the death of a member who has a credit balance at the time of death.

Withdrawals from members' accounts are permitted on the following grounds:

- On reaching age 55 years,
- Being unemployed for 5 years or more and reaching age 50,
- Physically or mentally incapacitated,
- Permanent residence overseas,
- Entry to a theological college, and
- Death of the member.

On retirement, a member is given the option of a lump sum withdrawal or a retirement pension. For the pension option, the member may choose to have his fortnightly pension assessed on the full balance of his account over a 10 year period, or take 25 per cent of the balance as a lump sum, with the fortnightly pension assessed on the remaining 75 per cent of the balance over the 10 year period.

The pension is fixed-rate, and payable for the lifetime of the pensioner.

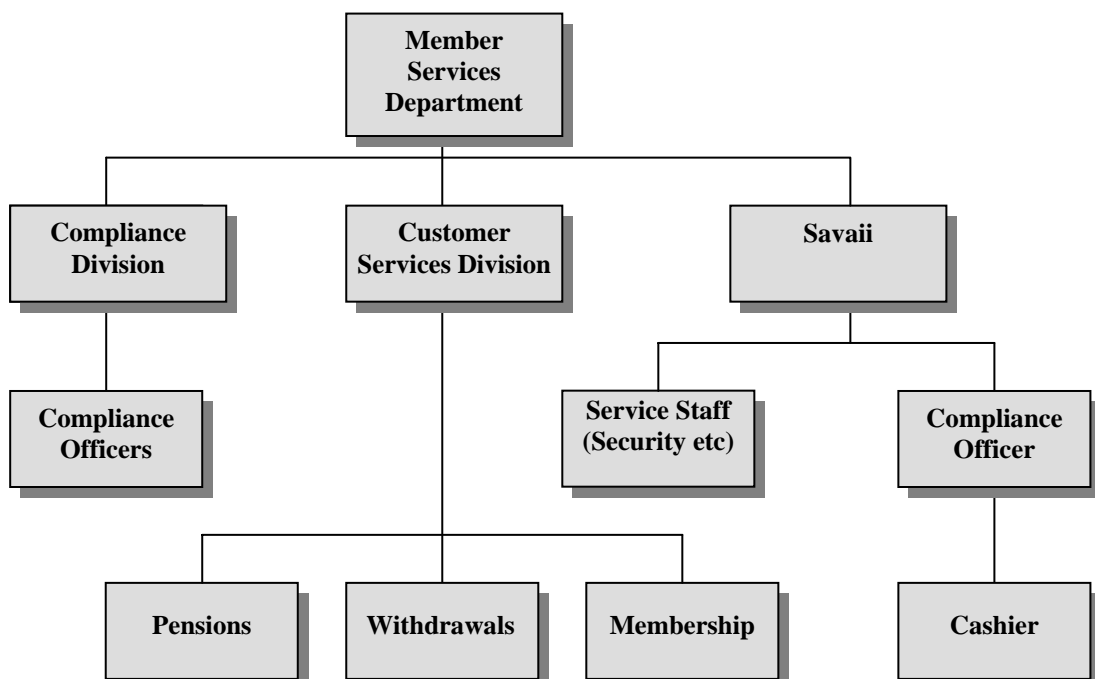
17.3 Administration

The SNPF has 161 staff in total – 152 staff in the headquarters office, and 9 staff in the branch office at Savaii.

The structure of SNPF is as follows:

Figure 17.1 SNPF organizational structure**17.3.1 Members Services Department**

The Members Services Department has a total of 41 staff (including 10 at the Savaii branch office) and is organized as follows:

Figure 17.2 Member Services organization

17.3.2 Compliance division

The Compliance Division deals with matters related to employers, eg receipt and recording of contributions, and inspection of employer books, compliance and prosecution activities, while the Customer Services Division deals with matters concerning members.

(i) Employer registration

Every employer is required to register with the SNPF by submitting an employer registration form (Form NPF1). The information on the form includes:


- Official business name,
- Employer address,
- Employer phone number/fax/email address,
- Name(s) of owner(s), manager, directors, shareholders,
- Justice Department registration number
- License number
- No. of employees

- Type of business (sole proprietor, partnership etc)
- Nature of business
- Location of business
- Branch address(es)
- Date business commenced
- Business name and SNPF Registration No. (if previously registered with SNPF)
- Date of first payment of employee wages
- Name, address of employer representative.

The Compliance Division deals with all matters concerning employers, including:

- Registration of employers
- Processing of change of details of employers
- The processing of contributions schedules
- Processing of under\overpayments
- The processing of surcharges applied to employers
- Inspections of employer records.

Figure 17.3 Employer Registration Form

SAMOA NATIONAL PROVIDENT FUND NPF1					
REGISTRATION OF EMPLOYER					
<div style="border: 1px solid black; padding: 2px; text-align: center;">REGISTRATION DATE</div>	<div style="text-align: center;">  </div> <div style="border: 1px solid black; padding: 2px; text-align: center; float: right;">EMPLOYER NUMBER</div>				
<div style="border: 1px solid black; padding: 5px;"> <p>I. OFFICIAL BUSINESS NAME: _____</p> <p>II. ADDRESS: _____ OFFICE PHONE: _____</p> <p style="text-align: center;">FAX: _____ EMAIL: _____</p> <p>III. NAME OWNER(S): _____</p> <p>IV. NAME MANAGER (if different from owner): _____</p> <p>V. NAME OF DIRECTORS (if any): _____</p> <p>VI. NAME OF SHAREHOLDERS (if any): _____</p> </div>					
<p>2. Registration Number (Justice Dept.): _____ 3. License Number (IRD): _____</p> <p>4. Total Number of Employees: _____</p> <p>5. Constitution of Business. Put X where applicable or print as required.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border: 1px solid black; text-align: center; padding: 2px;">Sole Proprietor</td> <td style="width: 50%; border: 1px solid black; text-align: center; padding: 2px;">Limited Company</td> </tr> <tr> <td style="border: 1px solid black; text-align: center; padding: 2px;">Partnership</td> <td style="border: 1px solid black; text-align: center; padding: 2px;">Others</td> </tr> </table> <p>6. Nature of Business: _____</p> <p>7. Location of Business Premises (Registered Office): _____</p> <p>_____</p> <p>8. Address of other premises or branches (if any): _____</p> <p>_____</p> <p>9. Date of Commencement of Business: _____</p> <p>10. If previously registered as an employer with the SNPF state Name and Employer Number - (if not previous Owner): _____</p> <p>11. Date when wages first paid/payable to employees: _____</p> <p>12. Full name and Address of Employer/Owner of Business, Principal Partner, Secretary, Managing Director. Signing the form on behalf of the employer:</p> <p>Name (Print): _____</p> <p>Home Address (not PO Box Number): _____</p> <p>13. I hereby certify the above to be True and Correct.</p> <p>Signature: _____ Designation: _____ Date: _____</p>		Sole Proprietor	Limited Company	Partnership	Others
Sole Proprietor	Limited Company				
Partnership	Others				

17.3.3 Operational procedures

The employer forms are processed by the Compliance Division, with the form and details checked and approved before being passed to the Data Entry Section for keying into the computer system, when a new employer record is created and details entered onto the temporary employer database. The company is issued an

SNPF employer number, which is written on the original registration application form, together with the registration date.

An edit sheet showing the details recorded on the system is produced by the computer, and the original application form and the edit sheet is returned to the Compliance Division for verification.

Compliance Division then verify the employer details on the application form against those on the edit sheet. If any errors are found, the details are returned to Data Entry for correction.

When all details have been verified as correct, approval is given for the “live” employer database to be updated. The employer is given details of his registration together with a sufficient number of employee registration forms and a “Guide for Employers” brochure.

The employer registration forms are filed away by Compliance Division.

(i) Change of employer details

Employer change of details advices are processed using the same procedures as the employer registration applications.

(ii) Contributions

Contributions are paid jointly by both employees and employers, each at the rate of 5 per cent of employee wages – a total of 10 per cent of wages. The contributions are paid monthly in arrears, payable by the end of the month following the month during which salaries have been paid (eg for salaries paid during January, contributions are payable to FNPF by the end of February).

Contributions can be paid by:

- Lodgement of cheque and contribution schedule with the cashier at the SNPF office
- Sending the cheque and schedule to SNPF by post
- Sending the cheque by post and the schedule by e-mail.

The monthly contribution payment is accompanied by a monthly contributions schedule which lists the individual employees on whose behalf the contributions are being paid; the schedule shows:

- The employer name, address and zone (the zone is a physical area allocated by SNPF to enable more efficient and cost effective use of its inspection resources)
- The SNPF employer number
- The month for which the contributions have been paid
- The SNPF Member number and name of each employee
- The pay periods for which contributions have been deducted (can be weekly, fortnightly or monthly)
- The amount of contributions paid on behalf of each employee for each pay period
- The total amount for the month to be credited to the employee account
- The total amount of the schedule for that month, payable by the employer.

Figure 17.4 Contribution schedule form

[illegible]

(iv) *Cash Receipts*

The receipt is printed out and given to the employer.

The schedules are then passed to the Finance Department for checking against the cashiers' receipts records at the end of day processing.

After checking by Finance Department has been completed, the schedules are passed to the IT Division for data entry. The employer records and individual member account records are updated with the contribution credits on a holding data

base, an edit sheet showing what has been entered on the computer system is printed out, and the edit sheet and the schedules are then passed back to the Finance Division for checking.

The cashier receives the payment and the schedule, checks the payment amount against the total amount payable shown on the schedule, and creates a receipt record on the computer for that employer:

Figure 17.5 Cash receipts screen

Session A - [24 x 80]

File Edit View Communication Actions Window Help

NATIONAL PROVIDENT FUND Cash Receipts

Options 1=Select 2=Recalculate 3=Print copy 4=Cancel

Recpt# Date Cheque Amount Received From stat

RECEIPT HEADER DETAILS

Receipt number.: 1234567

Receipt date...: 50505

Cheque Number...: _____

Bank Account Nr: _____ (if paid by cheque)

Receipt Total...: 1000

Received From...: DHJ04

19/037

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start Session A - [24 x 80] Document1 - Microsof... 4:20 PM

Figure 17.6 SNPF contributions schedule screen

Session A - [24 x 80]

File Edit View Communication Actions Window Help

Schedule Nbr..... KA240 Schedule Total..: 1717.34

Date..... 30505 Details total..: 1717.34

Employer Nbr..... 05029

Employer Name..... INA-LANIS' CATERING

Seq	Dlt	Line	Member	Amount	Name
1	-	1	FYV712-54	6960	SALA FAINUU
2	-	2	FZN767-43	10066	MARIA IOSEFO
3	-	3	HDK440-90	6692	JOSEPH MASELINO
4	-	4	ENP964-25	6250	RAYMONS LEAUMA
5	-	5	DZD361-60	8592	LUKA SAALEA
6	-	6	FPL719-20	9254	PALEALII VUI
7	-	7	FJD800-67	5834	FAATAUMAFI SAVALI
8	-	8	HSK269-98	7290	MOEGA MAULIO
9	-	9	FCJ249-47	10906	TAULAGO SOLOMONA
10	-	10	HKD530-97	5142	LEOTELEINUVESE SAVAIINAE

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F12 Return

12/010

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Finance Department then passes the schedules and edit sheets to Compliance Division for verification. The Compliance Officers verify the employer and member data on the edit sheets against the schedules, and return the edit sheets to data entry where correction is required.

When the Compliance Officers are satisfied with the verification process, approval is given to the IT Division for the live employer and employee databases to be updated.

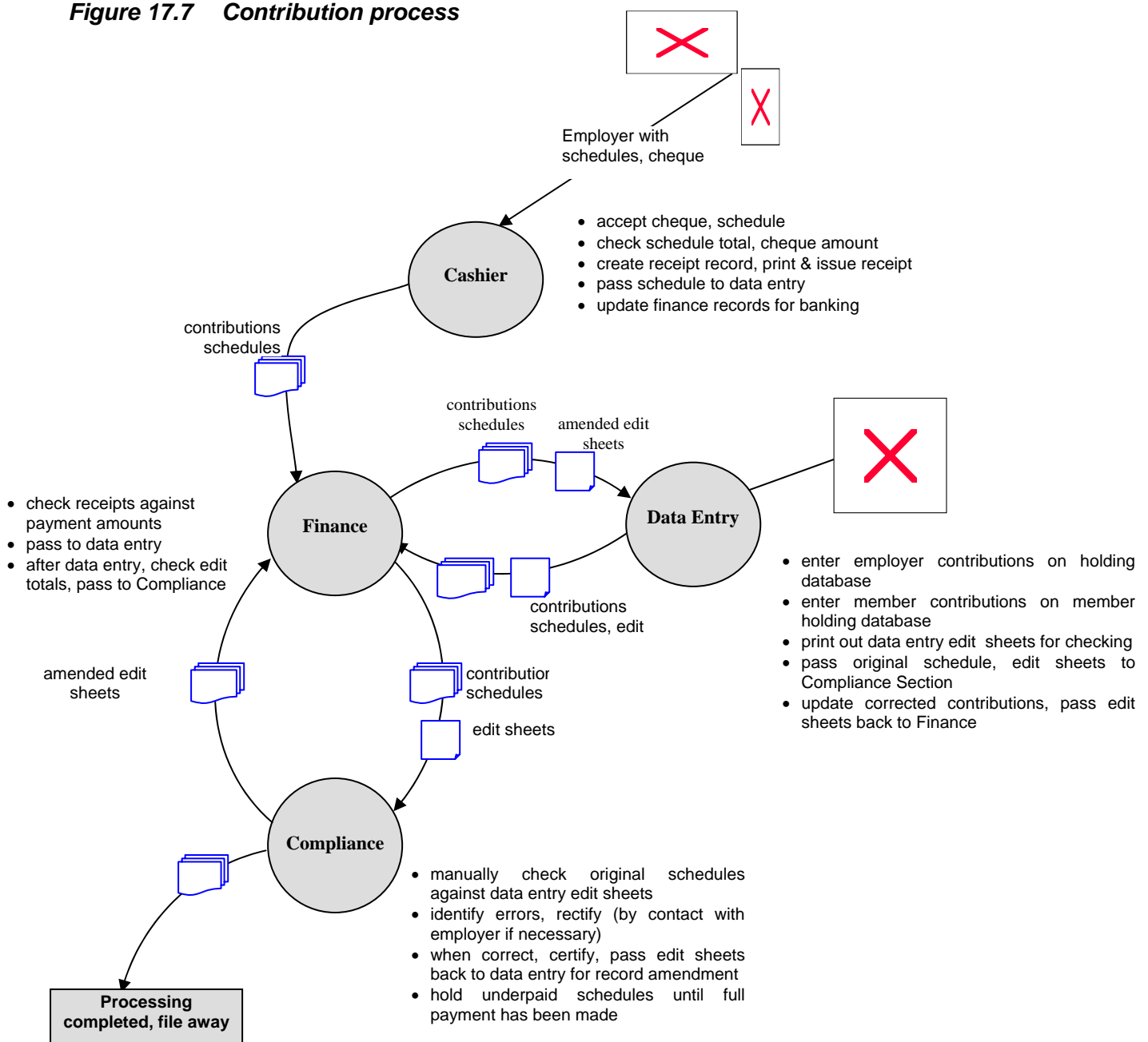
For cases where the actual amount paid by the

employer is less than the amount payable, an advice is issued to the employer and follow-up action taken by the Compliance Officers.

Surcharges for late payment are generated automatically by the computer system and applied to the employer accounts, and advices issued and followed up by Compliance Officers.

After all processing has been completed the schedules and edit sheets are filed away by the Compliance Division

Figure 17.7 Contribution process



Where an underpayment occurs the contributions schedule is held by Compliance Division and the live database not updated. A letter advising the employer of the underpayment and the requirement for full payment is sent to the employer; the contributions database is not updated until full payment has been made.

Where an overpayment occurs the schedule is processed as normal, and the employer is advised of the overpayment.

(v) *Surcharges*

Surcharges are generated automatically by the computer system. The system checks the date of payment against the due date for payment, and if the payment is late the computer automatically applies the 2 per cent surcharge and generates a letter advising the employer of the amount of surcharge applied.

The Compliance Officer prepares a Debit Note and refers the documents to the Senior Compliance Officer for checking. If correct, the Debit Note is endorsed and the documents passed to Data Entry for updating of the Employer Surcharge system, where the employer record is updated with the Debit Note information, and an edit list printed.

The documents are returned to the Compliance Officer, who checks the edit sheet against the original documents; if any errors, the edit sheet is corrected and returned to data entry for

correction.

The documents are then referred to the Senior Compliance Officer for final checking, then passed back to the Compliance Officer who issues the surcharge advice and demand for payment to the employer.

19.3.4 *Customer Services Division*

The Customer Services deals with all matters concerning NPF members, e.g.

- Registration of members, ID photographs, ID card issue,
- Nominees,
- Change details,
- Enquiries,
 - balance enquiries,
 - statements,
 - withdrawal enquiries,
 - loan enquiries,
 - entitlement enquiries,
- Examination and approval of claims for withdrawal, and
- Applications for loans.

(i) *Member registration*

To join the SNPF each member is required to attend the SNPF office to complete the New Member Registration form (Form NPF2) containing member details as follows:

Figure 17.8 *New member registration form*

Faaputuga Tupe mo le Lumanai Manuia Pepa mo le Resitaraina o Sui Fou					NPF 2	
WSNPF New Member Registration Form						
Suafa atoa Full name					NPF #	
Aso Fanau Birth date	Alii Male	Pepa Aloia # Document	Nuu na toifua ai Birthplace			
	Tamaitai Female					
Tuatusi Address			Telefoni Telephone	Pusa Meli P.O Box		
Faalefaiagaluega Employer				Nunera Faigaluega Empl #		
Suafa o le tane/ava Spouse's Name		Galuega Occupation			Saini Signature	
Suafa Tama Father's Name		Suafa Tina Mother's Name			Aso Resitara Reg Date	
Molimau Witness: Ou te faamaonia ou te iloa le sui ma sa ou molimauina foi lana saini. I confirm that the member is known to me and that I witnessed the affixing of his/ her signature.				Faamaoniga Confirmation: Ou te faamaonia o faamaunuga I lenei pepa e sa'o atoatoa ma e le'i resitaraina muamua a'u I lenei faalapotopotoga. I confirm that the information given in this form is true and that I have not previously been registered as a member of the Fund.		
Saini Signature						

The applicant must also provide either a birth certificate or a passport, and is also required to

complete a Nominee Form (Form NPF3), as shown below:

Figure 17.9 Nominee form (Form NPF3)

Faaputuga Tupe mo le Lumanai Manuia o Sui Filifilia a le Sui WSNPF Nomination Form			NPF 3
Suafa atoa Full name		NPF #	
Isi Suafa Other names			
Tuatusi Address	Telefoni Telephone	Pusa meli P.o Box	
Ua ou filifilia i latou nei ua taua i lalo e maua vaeveaga ua faaalila i a'u saofaga o i le NPF I hereby nominate the person(s) named below to receive the share indicated of the amount standing to my credit.			
1. Suafa Name Tuatusi Address Faia Relationship	Vaeveaga Shares	4. Suafa Name Tuatusi Address Faia Relationship	Vaeveaga Shares
2. Suafa Name Tuatusi Address Faia Relationship		5. Suafa Name Tuatusi Address Faia Relationship	
3. Suafa Name Tuatusi Address Faia Relationship		6. Suafa Name Tuatusi Address Faia Relationship	
Molimauiina e ofisa o le NPF Witnessed by officers of the Fund		Saini a le sui Signature of Member	
1..... 2.....		Aso Date	

The purpose of the nominee form is to nominate the person(s) who will be entitled to the balance in the member's account in case of death of the member.

The employee must attend the SNPF office with the birth certificate or passport, and is given the registration application to complete. The Customer Service Officer will create a member

record on the holding database system, enter the details from the registration card, and note the member number on the application form.

The Customer Service Officer then explains the nominee form requirements, and has the applicant complete this form. These details are also entered into the member's computer record on the holding database, and an edit sheet printed out.

Figure 17.10 Members registration screen

The screenshot shows a software interface for member registration. On the left, a table lists members with columns for 'Sel', 'Type', and 'Date'. The main area displays detailed information for Member DJW814-59, including personal details, birth information, and family details. A red box highlights the member list, and a blue box highlights the detailed view.

Member	Sel	Type	Date
DJW814-59	1	01 NPF-2	8/01/19
		02 NPF-8	18/10/19
		01 NPF-3	18/10/19

Member DJW814-59

NPF-2 for Member DJW814-59
 Date..... 8/01/1991
 Surname..... FULUASOU
 First name... POLETA
 Middle name..
 Other names.. TOULARA
 Birth date.. 27/07/1968
 Gender..... M
 Document....
 Birth place.. TUANAIMATO
 Address..... SINAMOGA
 Occupation.. 99000
 Telephone... P.O.Box...
 Spouse name..
 Fathers name FULUASOU TAUAI
 Mothers name FIAYAA FULUASOU
 CMD-12 Return Enter Continue

The Customer Service Officer then takes a photograph of the new member, (which is subsequently downloaded to the database) and which is placed on the application form via the imaging system, and types out the membership card (shown below), and obtains the member's thumbprint and signature:

Figure 17.11 Membership certificate

SAMOA NATIONAL PROVIDENT FUND O LE FAAPUTUGA TUPE MO LE LUMANAI MANUIA O TAGATA O SAMOA MEMBERSHIP CERTIFICATE Pepa Faamaonia o le Sui	
Full Name/Igoa Aloa	
Standard Name Igoa Aloaia	NPF Number Numera NPF
Birthdate Aso Fanau	Registration Date Aso Resitara
SIGNATURE Saini	THUMBPRINT Limamatusa
DATE Aso	

All documents are then passed to the Registration Officer, who checks that all documents are correct, and checked against the edit sheet. If

correct, the ID card and original documents are released for issue to the member.

The remaining documents are passed to the Membership Officer for a final check during which all registrations for the day are checked, and approved for final update of the live database by the IT Division. The registration documents are filed away by the Compliance Division.

(ii) Members change of details

For a change in the member's details, the member must complete a Change of Details form (Form NFP8) which is handed in at the counter of the SNPF office.

The procedures for the processing these forms are the same as those for processing the New Registration Forms by the Customer Service Officer and the Registration Section.

(iii) Enquiries

Enquiries are taken by the Customer Service Officers at the counter of the SNPF office, or through the telephone service. On production of identification the counter officers handle general enquiries such as account balances, loan information, and issue of statements by direct access to the computer system. More detailed enquiries are referred to the officers from the appropriate Division, eg Member Services, Investment & Property etc.

Enquiry screens available to assist in the handling of enquiries include:

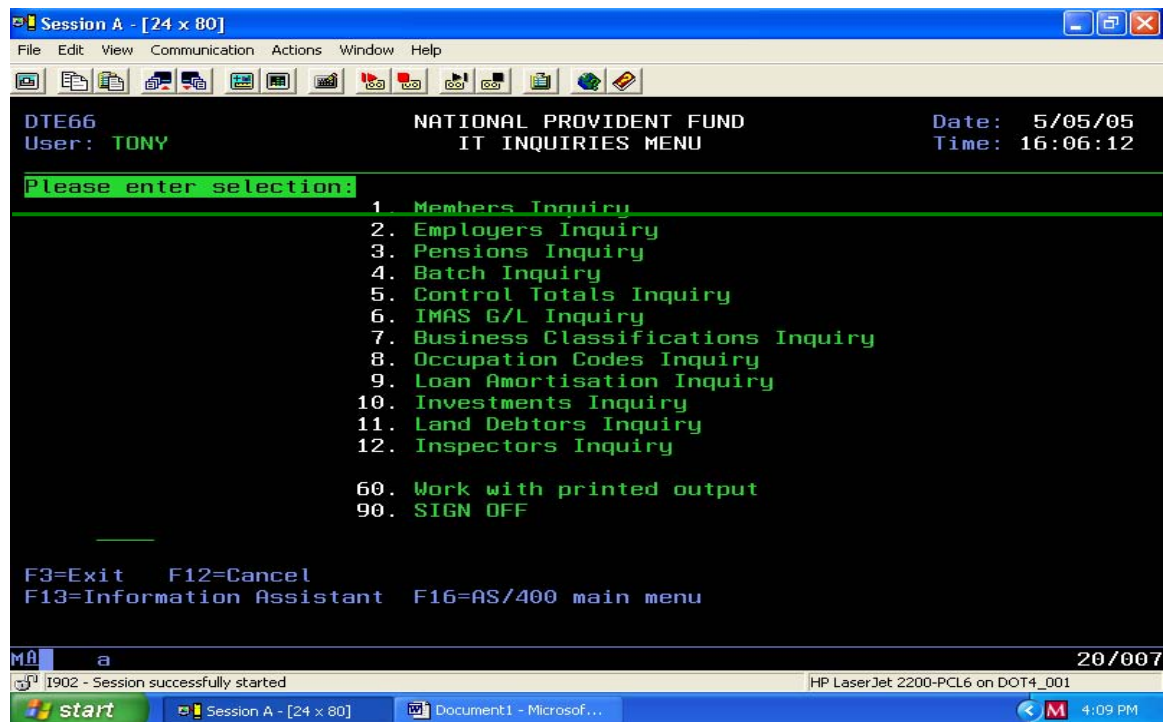
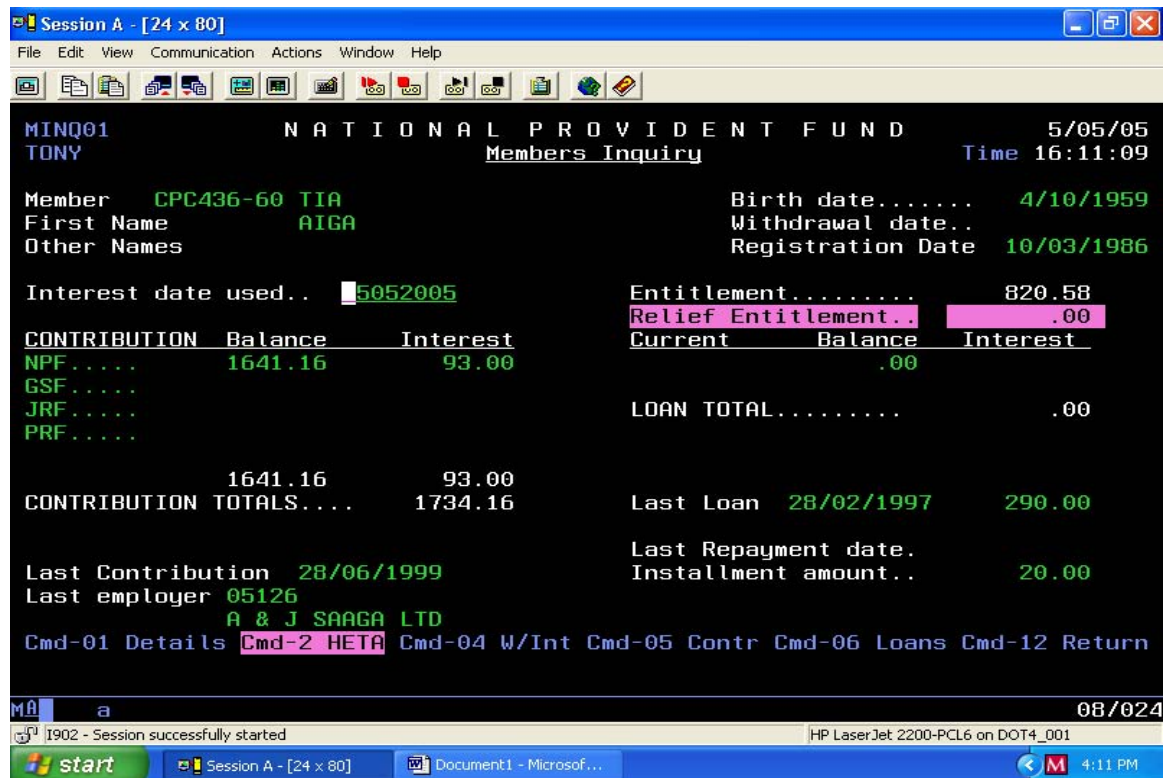
Figure 17.12 *Inquiries menu*Figure 17.13 *Member inquiry screen*

Figure 17.14 Contribution history

Session A - [24 x 80]

File Edit View Communication Actions Window Help

MINQ01 NATIONAL PROVIDENT FUND 5/05/05
TONY Members Inquiry Time 16:12:10

Member DJW814-59 TAULAGI Birth date..... 27/07/1968
First Name POULETA Withdrawal date..
Other Names Registration Date 8/01/1991

Select	Year	2005	NPF				Opening	Balance	
Date	Per	Typ	Empl	Ref/Sch	Ln	Batch	DEBIT	CREDIT	BALANCE
13-FEB	502	CON	1058	K7443	243	43600		12.80	737.03
08-MAR	502	CON	1058	K7983	252	43711		12.80	749.83
13-MAR	503	CON	1058	K8621	251	43909		11.52	761.35
04-APR	503	CON	1058	K9118	250	44105		11.52	772.87
10-APR	504	CON	1058	K9696	251	44290		7.68	780.55
03-MAY	504	CON	1058	KA165	253	44478		11.52	792.07
								67.84	

Bottom

Cmd-12 Return CONTRIBUTION HISTORY

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Figure 17.15 Small loans history

Session A - [24 x 80]

File Edit View Communication Actions Window Help

MINQ01 NATIONAL PROVIDENT FUND 5/05/05
TONY Members Inquiry Time 16:12:27

Member DJW814-59 TAULAGI Birth date..... 27/07/1968
First Name POULETA Withdrawal date..
Other Names Registration Date 8/01/1991

Select	Year	2005				Opening	Balance	
Date	Period	Typ	Reference	Batch		DEBIT	CREDIT	BALANCE
22-FEB	502	REP	2079956	43535			10.00	10.01
23-FEB	502	REF	0545462	43552		1		10.00
23-FEB	502	NEW	0545462	43588		360.00		350.00
28-FEB	502	INT	EDM INT	3		46		350.46
07-MAR	503	REP	1072699	43686			10.00	340.46
18-MAR	503	REP	2081228	43873			10.00	330.46
31-MAR	503	INT	EDM INT	44028		2.81		333.27
01-APR	504	JNL	FIN1359	44138			1	333.26
05-APR	504	REP	2082408	44060			10.00	323.26
19-APR	504	REP	3078729	44279			10.00	313.26
						363.28	50.01	More...

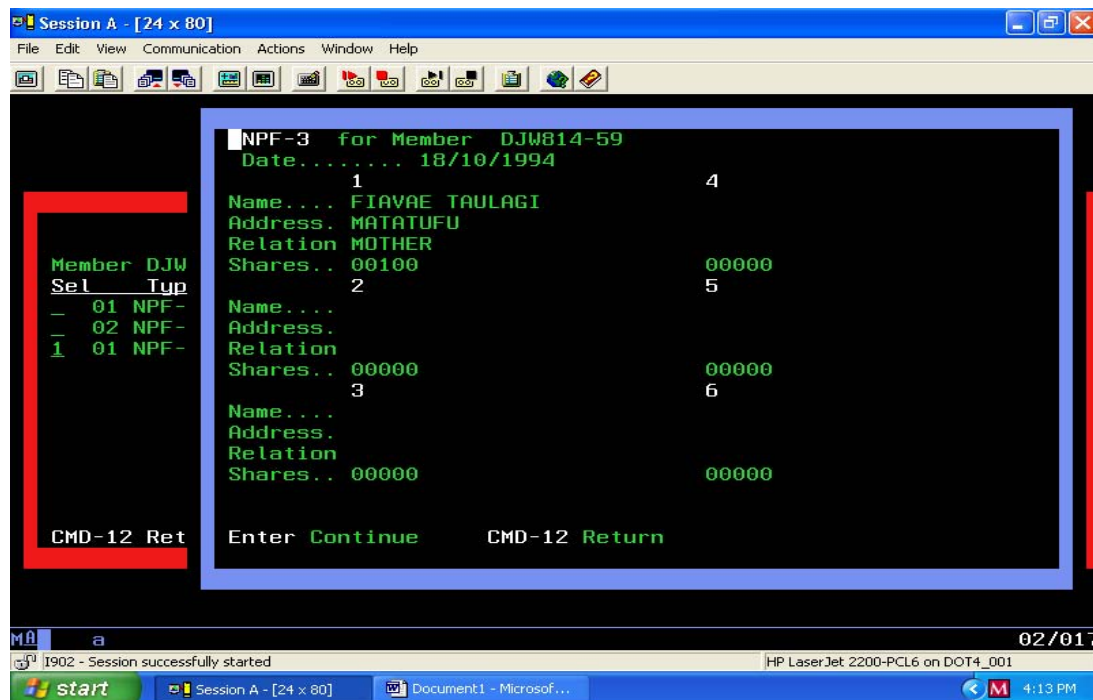
Cmd-12 Return SMALL LOANS HISTORY Cmd-11 Print

MA a 08/017

I902 - Session successfully started HP LaserJet 2200-PCL6 on DOT4_001

start Session A - [24 x 80] Document1 - Microsof... 4:12 PM

Figure 17.16 Nominee inquiry



(iv) Withdrawals

The NPF allows withdrawals only on providing proof of the following circumstances

- On reaching 55 years of age
- Being unemployed for 5 years or more and reaching age 50
- Being permanently physically or mentally handicapped
- Departing Samoa for permanent residence overseas
- On entrance to a theological college
- death of the member.

Age 55

Once attaining age 55, a member may choose to withdraw the balance of his account, or to leave it continue with the NPF, regardless of whether he /she continues to work or not.

At retirement (or any time after age 55), the member has the choice of a full lump sum withdrawal, or a pension of 25 per cent of balance and a pension based on 75 per cent of balance. The rate of pension is based on a 10 year life expectancy – if the member lives longer than 10 years, then his pension continues for life, being funded from the NPF reserves. If the member dies before the spouse, then the spouse continues to receive half the pension for life.

If the member dies before 10 years, the nominee

will be entitled to the balance. If the member dies before retirement age, the nominee(s) is/are entitled to the balance of the account. Claimant for withdrawal at age 55 only needs ID and proof of date of birth (eg birth certificate, passport etc), as only proof of membership of the fund and proof of age 55 is required. The member can continue working even if he is on a pension.

Age 50 and unemployed for 5 years or more

Members may apply for full withdrawal on reaching age 50 if they have been unemployed for 5 years or more. Proof of unemployment and proof of age is required.

Physically or mentally incapacitated

A member may apply for full withdrawal of the balance of his account if he/she has been proven to have a permanent physical or mental disability that will prevent them from being employed. They must provide a letter from their last employer confirming the cessation of their employment, and provide a medical certificate as proof of their disability.

The applicant will then be referred for interview by the SNPF medical panel.

Permanent Residence Overseas

Approval for withdrawal of the balance of the account where a member provides sufficient proof of permanent residence overseas, e.g.

passport showing permanent residence status.

Entrance to theological college

Members may apply for full withdrawal of the balance of the account where they have been accepted for entrance to a theological college. A letter confirming their acceptance into the college must be provided.

Death

On the death of the member, the person(s) listed on the nominee form are entitled to apply for a

withdrawal from the deceased member's account, according to the share instructions on the nominee form.

Where there are no nominees, the SNPF makes the decision on who is entitled to receive the balance of the account, with the assumption that the spouse has priority. Any challenges to the SNPF decision are referred to the court process for settlement. Where a nominee is less than 18 years of age, the share is held in trust until the nominee reaches that age.

Withdrawal procedures

Figure 17.17 Member details screen

Session A - [24 x 80]

File Edit View Communication Actions Window Help

MINQ01 TONY NATIONAL PROVIDENT FUND 5/05/05
Members Inquiry Time 16:11:09

Member CPC436-60 TIA Birth date..... 4/10/1959
First Name AIGA Withdrawal date..
Other Names Registration Date 10/03/1986

Interest date used.. 5052005 Entitlement..... 820.58
Relief Entitlement.. .00
Current Balance Interest

CONTRIBUTION	Balance	Interest
NPF.....	1641.16	93.00
GSF.....		
JRF.....		
PRF.....		
CONTRIBUTION TOTALS....	1641.16	93.00
		1734.16

LOAN TOTAL..... .00

Last Loan 28/02/1997 290.00
Last Repayment date..
Installment amount.. 20.00

Last Contribution 28/06/1999
Last employer 05126
A & J SAAGA LTD

Cmd-01 Details Cmd-2 HETA Cmd-04 W/Int Cmd-05 Contr Cmd-06 Loans Cmd-12 Return

MA a 08/024

1902 - Session successfully started HP LaserJet 2200-PCL6 on DOT4_001

start Session A - [24 x 80] Document1 - Microsof... 4:11 PM

The member attends the NPF office and requests a withdrawal.

The Customer Service Officer (CSO) checks the members ID (passport, birth certificate, membership card, photo) and the documentation, depending on the grounds for the withdrawal. The CSO the calls up the member record on the

computer system and checks the member details. The member details screen is printed out for checking by the Withdrawals officer.

The CSO checks the member details against the member details on the computer system then prints out the Withdrawal Disbursement form (Form SNPF21):

Figure 17.18 Withdrawal disbursement form

SNPF21

SAMOA NATIONAL PROVIDENT FUND

WITHDRAWAL DISBURSEMENT

FOR.: Inactive 5 Years (age 50-55)

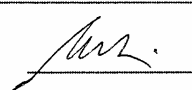
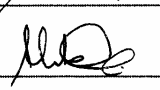
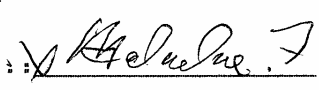
NAME.....: C MIARAI EMPLOYER.....: ITHDR DATE...: 2005/05/06 REV WITHDR...: LAST CONTRIB.: 1900/00/01	NPF No.....: DKL21 HOME.....: LEVI SALEIMO BIRTH DATE.: 1954/05/31 REGIS. DATE.: 1973/12/31
--	--

CONTRIBUTION DETAILS.	LOAN DETAILS.																																														
<table style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">And Balance</th> <th style="text-align: left;">Interest</th> <th style="text-align: left;">Charge</th> <th style="text-align: left;">Total</th> </tr> <tr> <td>PF.: 510.78</td> <td>28.90</td> <td>4.00-</td> <td>535.68</td> </tr> <tr> <td>RF.:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>RF.:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>JTAL 510.78</td> <td>28.90</td> <td>4.00-</td> <td>535.68</td> </tr> <tr> <td colspan="3">Contribution Adjustment</td> <td></td> </tr> <tr> <td>JTAL CONTRIBUTIONS</td> <td></td> <td></td> <td>535.68</td> </tr> </table>	And Balance	Interest	Charge	Total	PF.: 510.78	28.90	4.00-	535.68	RF.:				RF.:				JTAL 510.78	28.90	4.00-	535.68	Contribution Adjustment				JTAL CONTRIBUTIONS			535.68	<table style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">Balance</th> <th style="text-align: left;">Interest</th> <th style="text-align: left;">Total</th> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="2">Loan Adjustment</td> <td></td> </tr> <tr> <td colspan="2">TOTAL SMALL LOANS</td> <td></td> </tr> </table>	Balance	Interest	Total										Loan Adjustment			TOTAL SMALL LOANS		
And Balance	Interest	Charge	Total																																												
PF.: 510.78	28.90	4.00-	535.68																																												
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JTAL CONTRIBUTIONS			535.68																																												
Balance	Interest	Total																																													
Loan Adjustment																																															
TOTAL SMALL LOANS																																															

WITHDRAWAL DETAILS

And Withdrawn Interest	Charge
PF.: 535.68	28.90 4.00-

PROCESSING OFFICERS

Prepared by.....: 	I am applying to withdraw my contributions and accept the amount(s) of the withdrawal
Checked by.....: 	APPLICANT.....: 

APPROVED/DECLINED GM/MMS/AMMS _____ DATE.: _____

DISBURSEMENT DETAILS	Amount	Cheque N.	Received by	Date
ALUELUE FIAPAI	535.68	_____	_____	_____

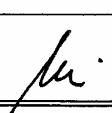

TOTAL DISBURSED.....: 535.68 RELEASED BY.....: _____

The claim and documents are then checked, and if incorrect, the CSO will discuss with the member to rectify the problem. If correct, the CSO then passes the documents to the Withdrawals Officer, who again checks all documents, determines the eligibility for withdrawal, which is the balance shown as at the date of the claim. Any further

credits are payable when the account has been finalised.

The Withdrawal Officer then requests the member to sign the application form, signs the form himself, and prepares and signs a Payment Disbursement Voucher:

Figure 17.19 Disbursement voucher

SAMOA NATIONAL PROVIDENT FUND							
DISBURSMENT VOUCHER							
DATE	PAYEE				NPF No/EMPL	CHEQUE NUMBER	
06/05/05	MALUELUE FIAPAI ✓				DKL21✓		
MEMBERS LOAN Section				ACCOUNT TYPE	REASON FOR PAYMENTS		
AMOUNT DISBURSED: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>				IMAS <input type="checkbox"/>			
INSURANCE: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>				NL <input type="checkbox"/>			
TOTAL LOAN: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>				PL <input type="checkbox"/>			
				DI <input type="checkbox"/>			
ADMINISTRATION CHARGE RBC No				WM <input checked="" type="checkbox"/>	175yrs		
				PX <input type="checkbox"/>			
No OF INSTALMENTS WK PN MN: <input type="checkbox"/> WK <input type="checkbox"/> FN <input type="checkbox"/> MN <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>				CX <input type="checkbox"/>			
AMOUNT OF REPMTS WK PN MN: <input type="checkbox"/> WK <input type="checkbox"/> FN <input type="checkbox"/> MN <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>				OTHERS <input type="checkbox"/>			
				<input type="checkbox"/>			
COMMENCEMENT DATE OF REPTS: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>				<input type="checkbox"/>			
ACCOUNT CODE				ANALYSIS			
				Bal 06/05 510-78			
				Drt 28-90			
				539-68			
				chg Dr 4-00			
				535-68			
PREPARED BY		CHECKED BY	ACCOUNTS	MANAGER	B/MEMBER	RECEIVED BY	TOTAL AMOUNT
							\$ 535-68
IMAS - INTEGRATED MANAGEMENT ACCOUNTING SYSTEM NL - NEW LOAN PL - PAYMENTS TO LOAN (REFUND)				DI - INVERSTMENT DISBURSMENT WM - WITHDRAWAL MEMBER PX - PENSION PAID		CX - CAPITALISATION PERSON	

The documents are then passed to the Senior Withdrawal Officer for final checking and approval. The Senior Withdrawal Officer then approves the application, and submits it to the appropriate authority for payment authorisation:

- Assistant Manager, Member Services for amounts up to WST 3000
- Manager, Member Services for amounts up to WST 10,000
- General Manager for amounts in excess of WST 10,000.

The claim and documents are then passed to Finance for preparation of the cheque. Finance Department updates its records, obtains the signature of the appropriate authority on the cheque, has the member sign the Disbursement Voucher and releases the cheque to the member.

The documents are the passed to the IT Division for the update of the live database.

After the update, the documents are returned to

the Withdrawals Officer, who passes the Disbursement Voucher to the Finance Department and files the remaining documents. There are approximately 60 withdrawals per month.

(v) *Pensions*

On retirement, a member is given the option of a lump sum withdrawal or a retirement pension. For the pension option, the member may choose to have his fortnightly pension assessed on the full balance of his account over a 10 year period, or take 25 per cent of the balance as a lump sum, with the fortnightly pension assessed on the remaining 75 per cent of the balance over the 10 year period.

The pension is payable for the lifetime of the pensioner – for the first 10 years, the pension is deducted from the pensioner's account. After 10 years, when the pensioner's account has a zero balance, the pension is funded from the SNPF reserve fund.

In the case of death of the pensioner within the 10 year period, the nominee is entitled to the balance of the account. Where the pensioner dies after the 10 year period, the spouse is entitled two one-half of the pension, payable for the lifetime of the spouse. Pensions are paid fortnightly into the bank account of the pensioner.

Withdrawal procedures

On approaching retirement (age 55 or greater), the member attends the SNPF office to enquire about retirement options. The CSO checks the members ID and call s up the member's record on the computer system, checks the member details, and retrieves the relevant paper files.

The member is referred to the Pension Officer, together with the relevant documents. The Pensions Officer explains the retirement options and conditions, and calculates the member's expected rate of pension and lump sum entitlement.

The Pensions Officer completes the application for pension and the assessment documents and passes them to the Senior Member Services Officer for checking and approval. The documents are then passed to the Assistant Manager and Manager (Member Services) for final checking and authorization, and returned to the Pensions Officer.

The Pensions Officer prepares a Payment Voucher, creates a pension file for the member and passes the documents to Data Entry for input into the Pension System holding database. The data entry section creates the computer record and prints out an edit sheet, which is returned, together with the documents, to the Pensions Officer.

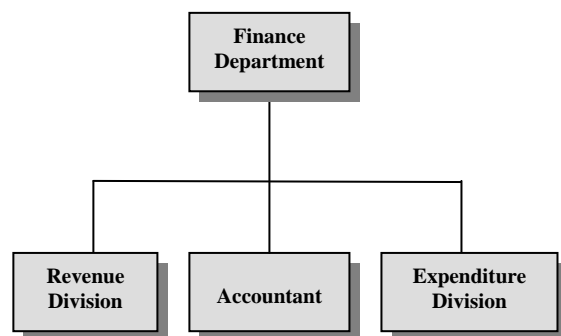
The Pensions Officer checks the edit sheet, returns the documents to the Assistant Manager for final checking and endorsement of the Payment Voucher before submission to the Finance Department for preparation of the cheque and payment to the member.

The edit sheet is returned to IT for the updating of the live database; the edit sheet is returned to the Pensions Officer, who checks that the member has been correctly entered into the pension payroll system, before filing the documents.

17.3.5 Finance Department

The Finance Department has 22 staff, organized as follows:

Figure 17.20 Finance Department organisation



(i) *Revenue Division*

All revenues (cash, cheques) are received by the 3 cashiers at the customer service area. Such revenues include payments for:

- Contributions,
- Surcharges,
- Contributions arrears,
- Member loan repayments,
- Investment loan repayments,
- Interest,
- Rent, and
- Service charges etc.

The cashiers:

- Enter the details of payments received on the computer,
- Create a payment receipt record,
- Print out the receipt which is handed to the customer, and
- Update the bank deposit record.

The receipt records on the computer system are available to the Compliance and the Finance Departments for checking.

Paperwork for all receipts is checked and maintained by the responsible section – Member Services Department for contributions, Corporate Services Section for office expenditure, Investment Department for loan repayments etc.

Revenue Division carries out a daily reconciliation of all payments received by checking the paper documents against the computer records – cashier receipts, cash, deposit records, contribution records, surcharges, arrears, loan repayments, rent, service charges etc.

For contributions, the edit sheets from the contribution schedules are passed to the Revenue Section after the checking has been carried out by the Compliance Section and data entry completed by the Data Entry Section of IT Division.

Revenue Section checks the edit sheet (total amount paid by the employer) against the cashier payment record, the bank deposit record (updates the finance records) and the total of member contributions from that employer and files away the edit sheets (and the schedules) after they have been received from Member Services Department.

Reconciliations including checking of bank statements are also carried out on a monthly basis.

Surcharges/arrears payments

The employer brings the surcharge/arrears notice(s) together with the payment and gives them to the cashier, who creates the receipt record on the computer, prints it out, issues it to the employer, and updates the banking record.

The cashier passes the surcharge/arrears notice to the Compliance Section, which allows them to

release the contributions schedule for data entry and update.

(ii) Expenditure division

The Expenditure Division is responsible for all payments made by the SNPF, including:

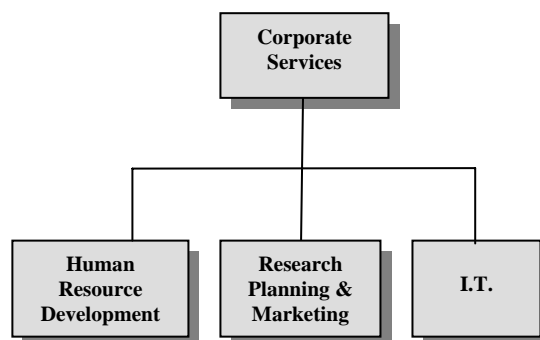
- Withdrawals,
- Pensions,
- Member loans,
- Investment loans, and
- Administrative expenses.

The Division receives all documentation relating to SNPF expenditure for checking and payment authorisation. All member withdrawals are checked by Expenditure Division before being passed to Data Entry for update and production of the payment voucher. Payment vouchers are returned to Expenditure Section for the preparation of cheques, and payment approval. After the payment has been authorised, the cheques are given to the cashier or direct to the member, the payment voucher is receipted, and passed back to Finance.

17.3.6 Corporate Services Department

The Corporate Services Department is organised as follows:

Figure 17.21 Corporate Services organisation



(i) Human Resource Development Division

The Human Resource Development Division is responsible mainly for all issues concerning resource management, personnel, and training and staff development.

There are 8 staff in the Human Resource Development Department, whose main functions are:

- Training (both internal and external, as both coordinators and facilitators),
- Staff development,
- Recruitment,
- Interviews, promotions,
- Staff support (e.g. financial assistance),
- Grievances,
- Discipline,
- Manpower resources (ensuring the staff are suitable and qualified),
- Maintenance of personnel records,
- Maintenance of timesheets, manual calculation of monthly working hours for salary purposes, recreation leave, sick leave etc,
- Processing of entitlements for resignations, retirements,
- Registry, correspondence,
- Records management and file storage.

The staff payroll system is computerised and managed by the Finance Department. The HRD actually checks the timesheets, calculates hours worked, overtime etc, and passes the documents to the Audit Department for checking before sending them to the Finance Department for entry into the payroll system.

Operating expenditure has been decentralised to the Department level. Each Department controls its own annual budget for administrative expenses, e.g. expenditure on such items as office furniture and supplies, computer equipment, vehicles etc. The Corporate Services Department provides advice and assistance where required, e.g. purchase of computer equipment, motor vehicles etc – however the individual Department is responsible for the actual purchase and funding.

A request for the purchase of an item is examined by the Department Manager or Assistant Manager, and if approved, is passed to the Finance Department for the issue of a Purchase Order. The Purchase Order is given to the originating Department, who in turn uses it to purchase the required items. When the goods are received, an invoice is sent to Finance Department, who obtains verification of the delivery of the goods from the Department, and proceeds with the payment process.

Finance Department updates the originating

Department's budget records, and a monthly report for each Department is produced showing details of the monthly expenditures and balance.

(ii) *Research, Planning and Marketing Division*

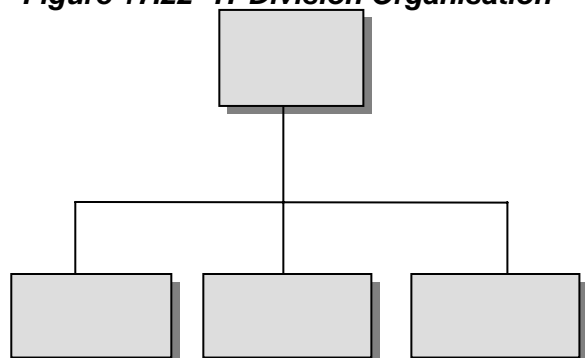
The Research, Planning and Marketing Division has 6 staff with the following main responsibilities:

- Undertaking surveys - these can be for many different reasons, e.g.
 - assistance with investment policy
 - investigation of customer satisfaction
 - corporate image of the NPF amongst the public
 - assistance for other Government departments or agencies,
- Gathering of information for the annual report,
- Development of annual and corporate plans,
- Public relations and information,
- Interviews with the media,
- Production of brochures, posters, calendars etc,
- Production of statistical and management information,
- Development of the annual report.

(iii) *IT Division*

The IT Division consists of 10 staff, the IT Manager with 3 staff in each Division, organised as follows:

Figure 17.22 IT Division Organisation



Data Entry Section

The Data Entry Division is responsible for entry of all data relating to the updating of employer and member records, including:

- Employer contributions
- Member contributions
- Member withdrawals
- Member loans
- Loan repayments
- Employer registrations
- Member registrations
- Nominee declarations
- Employer and member changes of circumstance.

After records have been entered, they are verified by the Compliance Division or Customer Services Division.

Applications Section

The Applications Section consists of 3 programmers who are responsible for the maintenance of the applications software, responding to requests from users for changes to the current applications, and for the design and development of new programs.

Requests for change or improvements to current systems are submitted by users to their Managers for discussion at the regular management team meetings, and approval is sought from the General Manager.

The principal systems maintained by the programmers are the employers and members account systems. The employer system is mainly used by the Compliance Division and provides for:

- The recording of the monthly contributions paid by the employer,
- The application of surcharges for late payments,
- The recording of non or insufficient payments
- The recording of whether legal action is under legal action by NPF,
- Changes to the employer details, and
- Recording of payment of arrears or surcharges.

Counter officers also have access to the system to answer enquiries.

The employee system is mainly used by the Customer Services Division, and provides for:

- The maintenance of member accounts, including:

- the crediting of the monthly contributions,
- the crediting of interest earned, and
- the debiting for withdrawals.

Technical Support Section

The Technical Support Division is responsible for the centralised data entry support for the SNPF, as well as task scheduling and data processing.

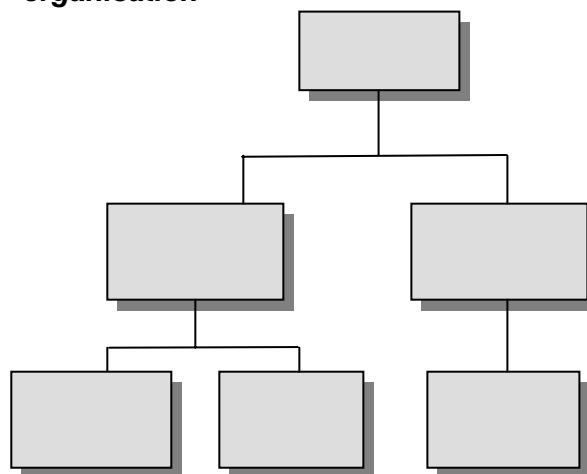
19.3.7 Investments Department

The main objective of the Investments Department is to “obtain the maximum sustainable return on funds invested on behalf of members”.

Investment categories include:

- Small loans,
- Other loans,
- Government securities,
- Short term deposits,
- Company shares, and
- Property/assets.

Figure 17.23 Investment Department organisation



(i) Investments 1

Member loans

Small loans are made available to members of NPF up to 50 per cent of the available balance of their account. Members must repay the loan over an agreed period of time.

Members apply to the customer service officer for a member loan; the customer service officer explains the rules and procedures concerning the

loans. The member is then attended by the Small Loans Officer who will check the loan application, call up the member screen to check that the requested loan does not exceed 50 per cent of the balance of the members account, and that there are no current outstanding loans.

After approving the loan, the application is passed to the Senior Small Loans Officer for checking and authorisation.

The application is then passed to the Expenditure Division for financial approval and processing, and preparation of the cheque for delivery to the customer.

Repayments of the loan are processed through the Revenue Division of the Finance Department.

Investment loans

Investment loans are available to eligible SNPF members. The most common of these are housing loans (minimum of WST 50,000) to assist members in the purchase of their own home. The applicant must satisfy the requirements of the Investment Department as to the security of the investment.

The operational process of processing the application for the loan is much the same as the small loan process, with the additional time-consuming tasks of onsite inspection and valuations, and the ability to make repayments.

Repayments are processed through the Revenue Division of the Finance Department.

(ii) Investment 2

Property Division

Properties Division is responsible for properties owned by the NPF. For the NPF Building, the NPF deals directly with the tenants. For other buildings, the rent collection, electricity and other debts are outsourced to building managers.

The Property Division is responsible for the preparation of debit notes for tenants for rent, electricity and other charges. Each tenant is issued with a tenant number, a sequential number created from a manual register. Each month the Property Division prepares debit notes itemising rent, electricity, water and other charges for each tenant, and delivers the original to the tenant, files a copy, and retains the third copy in the debit note book.

From the duplicate debit notes a report of debits delivered is prepared for the Assistant Manager.

Tenants then come to the cashier to pay the amount of the debit note; the cashier's records the receipt of the amount, prints out a receipt for the tenant, and the payment appears on the cash receipts list which is given to Finance Department.

Finance checks the cash/cheque receipt against the debit note book, and prepares 2 lists for Property Division; a list of amounts paid by tenants, and a list of tenants who are in arrears.

It is then the responsibility of Property Division to follow up on the arrears cases.

Land debtors

Where a customer has taken out an investment loan using property as security, and subsequently is unable to repay the loan, initial action is taken by the Loans Division to negotiate with the debtor to try to find a way for loan repayment. If negotiations fail, then the Loans Division passes the case to Property Division.

Property Division prepares the detailed paperwork for the Legal Department to initiate action for NPF to undertake possession of the property.

Legal Department complete all the legal activities required to take possession of the property, make a submission to the Supreme Court to the property to put the property up for mortgagee sale. If this fails, the Legal Division then advertises the property for purchase by public tender.

If the property is sold for more than the outstanding debt, the debt is cleared and the balance returned to the debtor; if the property remains unsold, it can be taken over by the NPF.

Equities

Details of all equities are held on paper files in the Property Division.

Term deposits

Details of term deposits are held on the computer system and monitored by the Finance Department.

Global bonds

Global Bonds are managed by a Fund Manager in Australia, who produces regular reports for NPF.

17.4 Information & Communication Technology

17.4.1 Background

The Samoa National Provident Fund (SNPF) is one of the early adopters of automation and computer systems in Samoa. Before 1991, a low level of computerization was introduced for the purpose of word processing and spreadsheet use at the SNPF.

SNPF introduced information technology in 1991 by subscribing to the services of Computer Services Limited that provides data processing bureau service for membership and contribution processing. 2 years later (1993), most of the membership and contribution information was available on-line for staff and customer service.

SNPF also provides the manpower, systems and technical support for the Senior Citizens Fund and is planning to provide a health insurance product soon. It also planned that SNPF will be responsible to for the entire operation of the Senior Citizens Fund in the near future.

17.4.2 Operational review

(i) Human Resources

ICT has 10 staff of which 7 are professional ICT technical staff while the 3 staff specialize in data entry, task scheduling and data processing.

Due to the number of staff at ICT, ICT staff are multi-skilled and cross-functional across the software development, hardware and operating system maintenance roles.

Two senior members of the ICT team have been either employed or associated with SNPF for at least 10 years. They have extensive technical and NPF business experience which is of major advantage for SNPF.

(ii) Software Development & Maintenance

Currently, ICT technical staff develops and maintain the majority of ICT business software systems that are core functions of SNPF:

- Contributions system (developed and maintained in-house by the IT division),
- Employers system (developed and maintained in-house by the IT division),
 - inspector inquiry, surcharges, occupation codes inquiry, business classifications inquiry
- Investments system (developed and maintained in-house by the IT division),
 - securities inquiry, insurance inquiry, loan amortisation inquiry
- Land debtors system (developed and maintained in-house by the IT division),
- Pensions system (developed and maintained in-house by the IT division),
- Cash receipting system (developed and maintained in-house by the IT division),
- Small loans system (developed and maintained in-house by the IT division), and
- Legal employer's subsidiary (developed and maintained in-house by the IT division).

The imaging and payroll systems were supplied or developed in conjunction with Computer Services Limited.

- NPF Imaging System (developed in conjunction with CSL, Samoa), and
- PayMAS Payroll Software (supplied and supported by CSL).

However there are a few exceptions to in-house developed software such as packaged software such as financials, word processing, spreadsheet and charting software.

- IMAS Accounting Software (general ledger, accounts receivable, accounts payable, asset management) supplied by Datec Samoa Ltd.
- Microsoft Office 2000 SP1 (Word, Excel, Outlook, PowerPoint, Access, FrontPage),
- Visio 2000 (Flowcharting Software),
- Adobe PageMaker 7.0 (Desktop Publishing),
- Adobe Acrobat Reader 5.1,
- Adobe Acrobat 5.0, and
- Macromedia Cold Fusion MX.

Based on the long list of information systems developed by the SNPF IT staff, the in-house systems cover most of the core functions that are critical to the operational responsibilities of the SNP.

The effective maintenance and operation of these

information systems are highly dependant on ICT staff and their technical skills and business knowledge that are portable in the modern global village. Therefore it is critical to continue to build capacity within the ICT team and to retain ICT skills by way of succession planning, transfer of knowledge, documentation, risk management and training to continue with the smooth operations of the SNPF.

During the review it was evident that management is aware of this important issue and have put in place plans to mitigate some of these risks.

(iii) Database

The IMAS system uses the IBM DB2 database which is an industry strength database. DB2 is a family of relational database management system (RDBMS) products from IBM that serve a number of different operating system platforms. According to IBM, DB2 leads in terms of database market share and performance. Although DB2 products are offered for Unix-based systems and personal computer operating systems, DB2 trails Oracle's database products in UNIX-based systems and Microsoft's Access in Windows systems.

The programming language RPG is used by the IMAS system. Report Program Generator (RPG) is a programming language developed by IBM in the mid-60's for business applications, especially generating reports from data. The newest version, RPG IV, is still widely used on AS/400 systems.

Therefore the DB2 database and RPG language will be continue to be supported and promoted by IBM for the foreseeable future, thus minimising the risk of the technology becoming obsolete in the foreseeable future.

SNPF IT staff develop and use in-house skills in RPG, AS/400 and DB2 to develop and maintain current information systems. Unfortunately, RPG, AS/400 and DB2 skills are not widely available in Samoa and in the South Pacific, so this expertise need to be imported from Australia or New Zealand as and when required.

(iv) ICT infrastructure maintenance

The same technical staff of the ICT team also

maintain the ICT infrastructure such as the computer network, hardware maintenance and user technical support with the assistance of ICT vendors.

The tasks performed by the ICT team require multi-skilling in software development, operational tasks and infrastructure maintenance and development. The major tasks are as follows.

- Maintenance of computer hardware, printers and servers,
- Software development and system analysis
- Implementation of software packages, and
- IT operational tasks such as data backup and offsite backup

(v) Data entry

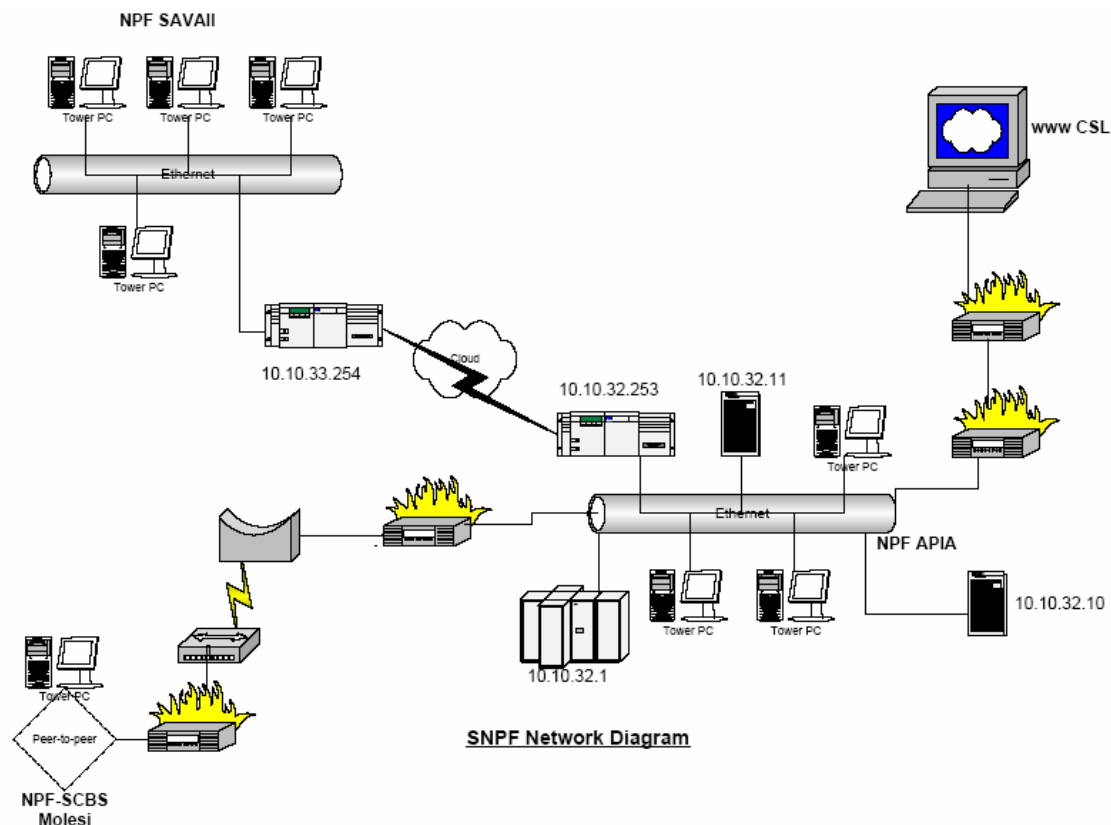
The functions of the data entry staff are to capture, enter and process almost all data for the entire organization based on the processing instructions from individual sections.

- Enter and edit contribution schedule data based on the advice of the compliance section,
- Enter and update member loan and investment records based on the advice of the investment section, and
- Enter and edit finance and accounting information based on the advice of the finance section.

The majority of the data entry and data processing is centralized at the data entry section. As the organization grows in size, increase in processing volumes, increase in paper flow traffic and the intent to improve customer response time, there may be a need to consider the decentralization of data entry and processing to the point in which the data or application form is received. However, this concept must be considered along with staff training etc.

(vi) SNPF computer network

SNPF has a wide area network (WAN) that connects the 3 SNPF offices in Savai, Apia and SCBS Molesi with a variety of communication technologies such as microwave, leased line and wireless bridges. The SNPF is linked to Computer Services Limited (CSL) for Internet.

Figure 17.24 Wide area network**(vii) Wireless connection**

A wireless bridge links the SNPF LAN to the Senior Citizen building LAN which is about 50 to 100 meters away. SNPF did not use wireless access points for internal networking at the time of the review.

Though wireless networking and communication technology has the advantages of flexibility, is relatively easy to install and of low cost, SNPF must be mindful of the network security and reliability risks of wireless technology compared to wired connections. SNPF must remain updated with the new security features such as data encryption, radius servers, broadcasting, and MAC addressing technology to safeguard the wireless connection at all times.

(viii) Internet services

SNPF has a business arrangement with the Internet Service Provider (ISP) Computer Services Limited (CSL) to provide electronic mail and web site hosting services. CSL currently stores and maintains the electronic mail system and database for SNPF.

However, SNPF has future plans to relocate the

electronic mail database to a SNPF computer server and self manage the electronic mail database to improve data and information security. However SNPF would continue to use the ISP for internet connectivity.

SNPFs plan to self manage their electronic mail database is encouraged to maximize data and information security. However the necessary hardware, software, technical skill levels and training must be considered to ensure the level and quality of service is improved or maintained at least.

(ix) Firewalls

From the network diagram provided, 4 firewalls provided the necessary separation and security for each segment of the SNPF wide area network. The following firewalls SNPF Savaii, SNPF Apia, SNPF-SCBS Molesi and CSL provide access security for each segment of the wide area network to provide unauthorized access and intrusion etc.

Firewalls consist of a combination of hardware, firmware and software components to provide the functions of a firewall. Intruders and hackers continue to improve their methods, software and

patterns in intruding targeted computer sites. In order to maintain the integrity of the SNPF network, it is suggested that a schedule be developed to continually keep the firewall hardware, firmware and software updated to detect and prevent new, unwanted intrusions and security breaches.

(x) Data backup procedure

SNPF corporate data stored for most ICT systems are backed up at the end of each working day to magnetic tape media by an assigned officer. In addition to data backups to magnetic media, data is also periodically copied to the older IBM AS400 computer server that is also designated as a Disaster Recovery machine in case the new IBM AS400 production system is not operational and out of service. By reusing older computer equipment, SNPF has adopted good strategy that minimizes computer system 'downtime' and maximizes the return on ICT investment.

Following good industry practice, the details of the data backup job is recorded and signed off in a manual register by the ICT officer assigned to the task. This register is kept in the room adjacent to the computer room.

It was observed that data backup tapes and the backup register were stored close to the computer server room. It is suggested as good practice to store data backup tapes, information relating to the DRP and disaster recovery server as far away as possible from the production system to minimize the risks of losing the production systems and data backups in a single disastrous event.

17.5 Conclusions and recommendations

17.5.1 Operations

The SNPF operations are more complex than other Pacific Island provident fund operations due to the decisions made to make a number of types of loans to members. The small loans options increase the counter traffic considerably, as does the option for investment loans. The need to monitor the repayment process also adds a considerable workload.

SNPF should consider undertaking a complete review of its operating procedures, every Department included, with a view to modernising its operations as an organisation as a whole. The

current operations appear to reflect the way things were done years ago, with a heavy reliance on the use of paper files. It would appear these manual systems have never been subject to review since the introduction of computer systems; the computer systems seem to have been used for data storage rather than to improving the operational environment.

The current processes are resource intensive and slow, leaving much room for improvement in service delivery to customers. There is much repetition in the processes, with paper files being passed from one section to another and back, and between Departments, in an inefficient manner. Every action should be questioned as to its need and effectiveness, and whether it can be eliminated or improved in conjunction with the use of the computer system.

The reliance on manual registers and paper files results is cumbersome, labour intensive operational processes. Computer systems should obviate the need to use paper files – information which is essential for processing should be stored on the computer – if it is in the computer the need for access to paper files should be rare, rather than regular, as is the case with current SNPF operations. Additionally, computer record systems are much more secure than paper file records; and of course paper files present a major accommodation problem, with the need for a considerable amount of storage space.

It is suggested that a Review Management Committee should be established to manage the review process; this should be at the Department Head level, including the IT Manager, and chaired by the General Manager. The role of the Committee initially would be to draw up a review strategic plan and timetable, and identify and allocate suitable resources to enable the plan to be properly implemented.

At the same time a study of resource requirements should be undertaken; the resultant new procedures should result in considerable resource savings by using the computer systems to minimise manual processing.

The goal should be to eliminate the use of manual recording completely, and to eliminate the use of paper files during processing.

(i) Employer registration

The Employer Registration Form needs to be examined with a view to seeing whether additional information should be included which could assist the inspectors in their compliance activities, especially in seeking out non-registered employers.

At the moment there seems to be no matching activities undertaken to find eligible employers who are not registered. Details such as the business registration number could be included, and matching sought from the business registration authority.

Issue of a certificate to employers could also be of benefit to SNPF, as both a public relations exercise and assistance in compliance. The possibility of including a requirement for each employer seeking licence renewal to produce a SNPF certificate could be investigated – no SNPF certificate, no licence renewal. There may be other authorities with whom matching could be undertaken – e.g. the Taxation Department.

(ii) Contributions processing

The most efficient method of the processing of monthly contributions schedules is the use of electronic media for delivery of contributions schedules, i.e. the employer recording the schedules on diskettes or CDs, or use of e-mail or the internet.

For the other employers the SNPF prints the schedules showing the details for each employee, but leaving the contribution amounts blank. SNPF should investigate the possibility of also printing out the amounts paid for the last month; using this method the employer only has to record on the schedule those cases where the contribution amount has changed.

This method ensures the accuracy of the contributions data, as it is printed from the SNPF computer records, and saves considerable time and effort during the monthly data entry process, especially where there are no changes in salary or contribution amounts. In these cases there should be virtually no data entry required, just a key to indicate posting should be carried out automatically.

Perhaps SNPF could do a survey (using the computer) of the schedules to see how much change there is in employee monthly salary to

give an indication as to how much of a saving would result from the introduction of this system.

Under the current system, the schedules are examined by the Compliance Section, then passed to the IT Department for data entry to a temporary file and the printing of an edit sheet. The edit sheet is then passed back to the Compliance Section for verification, after which the “real” update can be applied.

SNPF should consider the actual data entry being decentralised to the user areas, rather than centralised within the IT Department. Centralised data entry is an old practice, from a period when computers were in short supply, and personnel having computer skills were regarded as specialists. This is no longer the case, and it is now common practice for data entry to be undertaken by user areas, and results in a reduction in paper movement and more efficient processes.

(iii) Withdrawals

All standard in-house documents used during the withdrawal processing should be created by the computer system – payment vouchers, calculation sheets, cheques etc. In some provident funds the claim forms are called to the screen by the customer service officer at the counter, the claim data entered, and the completed claim form printed out and signed by the applicant. Thus the initial data entry is done at the point of contact with the customer.

17.5.2 Strategic planning

The long term operational and IT strategy also needs serious some serious examination and planning – this involves the close co-operation and involvement of all Departments. In association with the operational review, all Departments need to specify what they need in the long-term from the computer systems to increase their efficiency and effectiveness to the maximum.

One way to do this might be to examine the operational and IT systems of other Pacific Island countries.

This ILO project involves the review of the operations and IT systems of provident funds in 5 Pacific Islands – Vanuatu, Fiji, Kiribati, Samoa and Solomon Islands. While there are minor

differences in activities across the funds, the major activities of the funds are the same – registration of members and employers, keeping member/employer details up-to-date, monthly collection and recording of contributions, withdrawals from member accounts, investment activities, financial reconciliation systems, personnel systems, management information systems etc.

Each of these funds have developed independent computer systems to basically undertake the same general tasks, either outsourcing the development to external consultants (incurring significant fees) or developing the systems in-house. Ongoing remote maintenance of each of the systems by consultants in other countries is also proving to be a continuing and expensive problem for the funds.

For the future it may prove useful and economic to look at the possibility of a regional approach for application software development and maintenance. IT managers could form a Regional Provident Fund IT Management Team, meeting regularly to discuss new applications development needs (e.g. Health Insurance, Workers Compensation, Pensions etc) to ascertain what benefits there may be in taking a common approach – either outsourcing development of a single system for a number of users, or in-house development by one fund for use by all funds. A Regional IT technical team may be a possibility by pooling the skills of the IT officers of the 5 islands to develop new systems. Ongoing systems maintenance could be undertaken using the same approach.

The same collective approach may be able to be taken with the Operations Departments of each of the Funds. There are many good ideas used by each of the funds in their approach to their operational processes, and there is a lot to learn from each other by a pooling of their ideas to come up with a “best practice” approach. A regional meeting of IT and Operations Managers might be able to be arranged whereby each Island could give a detailed presentation of their operational processes and use of IT, with the idea of coming up with a “best practice” framework whereby all could benefit.

IT training and skills development could also be included in this approach.

Whatever the approach, the SNPF needs to

develop a strategic plan outlining what it needs to do over the next 3-5 years.

19.5.3 Training and skills development

Training and skills development are important ongoing requirements for any organisation, and it is recommended that there be an annual training needs assessment of staff, from which an annual training plan can be developed. Particular focus should be on management training, IT user training, and technical training for IT staff.

It is also recommended that job rotation for staff be given serious consideration as an aid to skills development, and as a way of implementing change within the organisation.

The operational review should result in major changes to the way the organisation operates, and this should provide ample opportunity for job rotation.

Particular attention should be given to technical training for IT staff. Most organisations are becoming more and more dependent on IT systems to perform their day-to-day operations; IT systems are undergoing change more swiftly than ever, and it is important to keep IT staff up-to-date with technological change.

One suggestion may be to combine with other Pacific Island provident funds who would have the same needs in investigating training requirements and courses and perhaps taking a regional approach to such technical training.

17.5.4 Information & communication technology

(i) Offsite backup

The current IT backup system is designed on a weekly, monthly, yearly, pre-special process and post special processing cycle. SNPF has an ICT industry standard backup system and adopted best practices that have the capability to recover data that is at least 12 months old.

SNPF has a semi-warm DR site located at Computer Services Limited, which is located two buildings away from the SNPF building. This warm site will cater for any disruptions to the production system located at the SNPF building.

However, it is recommended that a review be

undertaken of the risks of locating the current off-site backup only two buildings away from the SNPF headquarters operation and ICT centre.

It is standard practice to select an offsite backup location that eliminates the risk of losing the production and backup data in a single event such as a large fire or tsunami.

The review team was advised that a new branch office would be constructed several kilometres outside central Apia. This is opportunity to relocate the weekly offsite backup data further away from the SNPF headquarters and create an additional disaster recovery site for business continuity planning.

To further reduce the risk of data loss, it is also recommended to consider the option of storing a copy of corporate data and source code at an escrow site outside the country at least once a year.

(ii) Disaster recovery plan

ICT is one of the mainstream enablers of efficient customer service delivery. Therefore, it is important for SNPF to ensure that ICT services are available throughout normal office hours and have alternative plans in the event that the computer system is unavailable for an unreasonable period.

SNPF has indicated strategic intent to develop a disaster recovery plan (DRP) as indicated in the SNPF corporate plan 2005-2008. Currently, SNPF has developed a warm DR site to minimize computer downtime and disruptions to the production system. The ICT team has maximized the returns of ICT investment by re-using the superseded (old) IBM AS400 machine for this purpose without having to purchase more computer equipment for DR purpose.

However, in the absence of BCP, SNPF should continue with the development and implementation of the DRP for ICT based on the ICT risk profile, key business processes and basic customer services level.

(iii) Computer virus management

Computer viruses are a daily and a common problem for all ICT. To manage this problem SNPF has a corporate license to use the Symantec Norton Antivirus software. New computer viruses are a constant threat to computer systems. Thus new antivirus software updates are developed and

issued on a regular basis to counter the effects of the new computer viruses. For many organisations, it is a constant challenge to continue to keep the antivirus software updated for all computer servers and client computers including personal computers, notebooks and personal organizers.

As matter of procedure, SNPF regularly downloads new antivirus definitions from the Symantec Norton Antivirus web site and provides the updated antivirus version to all users to manually update their servers, personal computers and notebooks.

Often computer users forget or are not quick enough to update the antivirus during an epidemic, thus allowing their equipment to be infected with computer viruses and increasing the risk of ICT downtime, information security and loss.

Instead of manually deploying updated antivirus to each user and relying on each user to update the antivirus on their computers, it is suggested that consideration be given to the option of using the Microsoft Software Update Service (SUS) or other available software that automatically deploys as a background task to update new antivirus software as soon as the computer system is connected to the SNPF computer network.

In the case of the SUS, this functionality could also be extended to other software such as Windows updates and Windows in-house business software applications. SUS is provided with Windows Server products at no extra cost and could significant reduce the risks of information loss and ICT effort in updating software for client computers in a medium to large network at SNPF.

(iv) Client network connectivity management

The ICT team is currently responsible for most of the personal computers and other computer equipment. However there was some computer equipment such as computer notebooks that were not managed by ICT but connected to the SNPF network.

It is recommended that all computer equipment connected to the SNPF network be certified by ICT to:

- Ensure compatibility,

- Eliminate the conflict of computer operations,
- Only authorized software with the necessary information security features is installed, and
- Antivirus software is loaded.

(v) *IBM AS400 maintenance*

The IBM AS400 i-series machine is used for the production system while the old AS400 machine is used as the DR machine.

The IBM AS400 i-series is currently under warranty that will expire later in the 2005 year. In the current arrangement, spare parts for these machines are usually sourced from overseas as and when required only. ICT plan to activate the DR machine in the event of delays in the sourcing of spare parts for the production system. This arrangement assures minimum disruption of the IMAS system.

Since the IBM AS400 i-series is the main machine that provides the core SNPF ICT services, it would be prudent to consider renewing the support and maintenance arrangement with the supplier to ensure continued ICT services. It is also wise to consider an arrangement to store spare parts in the country to minimize the ICT service outage that would impact customer services.

(vi) *Uninterruptible power supply (UPS)*

SNPF has adopted good strategy to invest in the Uninterruptible Power Supplies (UPS) that are installed for most personal computers and computer servers. The UPS assist in minimizing damage to computer systems, data corruption, and unexpected computer system downtime due to electricity outages. It is recommended that SNPF continue to invest in and use UPS technology.

The SNPF building in Apia has an electricity backup generator to provide backup electricity in the event that the main source of electricity is disrupted. It is recommended that a test schedule be developed to regularly test the electricity backup generator to ensure that the equipment is operational and available when required.

(vii) *Digitization & workflow management*

Most of the SNPF business processes and core functions are based on standard paper based

workflow and data processing. It is recommended that consideration be given in the future to working towards the digitization of paper based documents and possibly electronic workflows using Electronic Document Management Systems (EDMS), file tracking and workflow software that has become available and more affordable.

The conversion of paper documents into digital or electronic format eliminates the physical limitation of paper, provides the opportunity to improve the member benefit application procession response times, reduces costs, and improves the management of records needed for retrieval at a later date. However, this idea needs to be considered with the business strategies and priorities in implementing such technologies.

At the time of the review, SNPF was working with CSL to provide an imaging solution to scan paper documents for storage and retrieval purposes.

(viii) *Integrated human resources and payroll system*

Human resources are now considered in modern businesses as one of the main resources and key drivers for business excellence. Thus, human resources must be managed effectively and strategically. To enable management to effectively manage resources in a systemic and informed manner, management must have access to individual, aggregate and analytical information regarding human resources.

Thus to store, retrieve and generate information on human resources, a human resource system provides the basic platform to effectively manage in an organization that is of such significant size as SNPF. In the future, SNPF could consider a HR system that is integrated to the payroll system to ensure consistency in management and remuneration of staff at SNPF.

(ix) *ICT representation at executive and management level*

As mentioned earlier, ICT has become a very important component of the enabling and enhancing the business to deliver good customer service. The influence of technology at the operational and strategic level will continue to grow. Thus it is recommended that ICT is adequately represented at the executive and management level.

(x) *Implementation of financial system modules*

The review team was advised that the current financial systems are manually produced using Excel spreadsheets and paper based documents. As a result, transcription errors and delays in generating reports are likely.

The lack of a proper financial system is identified as one of the key challenges for SNPF and is a source for errors, extra unnecessary work, reconciliation difficulties, duplication of data, questionable data integrity, internal control issues and decision making delays. Therefore it is prudent to resolve this issue to take advantage of efficiencies, internal controls etc.

So far, generation of the financial reports each month is largely due to the large effort put in by staff. However, there are efforts underway to introduce a computerized financial module that is part of the IMAS financial system that will be maintained by current ICT staff. The financial module is expected before the end of the year. The advantage of this option is the financial software system is at no cost (part of the existing operational system for the last 6-7 years but not implemented) and integrated with the other operational modules. The disadvantage of this system is the lack of documentation, knowledge, and technical support, which are some of the reasons for the delay in implementing this module.

ICT has recruited one ICT staff member with a background in accounting who has been assigned to implement this finance system.

Considering the limited experience in financial system design, management and the workload of the ICT staff, an alternative option is available to partner with a financial system provider. However, it must be highlighted that there are many service providers and industry strength financial and accounting systems available quite cheaply that could be implemented within a relatively short period of time.

This 3rd party system could potentially be integrated with the core SNPF operational system by way of electronic data interchange between the SNPF operational and financial systems. This option will provide SNPF with a financial solution that is of industry standard in a short period of time with a greater success rate.

Some standard financial systems that come to mind are ADPAC, Epicore-backoffice, GreenTree Financials, Platinum just to name a few.

(xi) *Electronic funds transfer to banks*

One day a week, SNPF issues payments to customers. As a result, a large number of customers call at the customer service area at the same time to collect cheque payments. On occasion the customer service area can become overloaded and as well all staff are busy with the payment process. In preparation for cheque payments, much effort is put in to processing the application, seeking approval, processing the payment in the computer system and manually writing out the cheque. This process is repeated each week.

It is recommended that a review of the processes to streamline and automate some of the time consuming and repetitive tasking be conducted, bearing in mind the need for internal controls to reduce the risk of error.

Some of the processes that could be automated are as follows:

- Computer generated and printed cheques and payment vouchers,
- Merge the payment voucher with the computer printed cheque to reduce the effort and errors,
- Electronic funds transfer (EFT) directly into the customers' bank account where the bank account details are provided,
- EFT the payment a day earlier to enable the banks to credit the funds into the customer bank account, and
- Mailing of the cheque payment via the postal system.

The review team was advised that SNPF had previously made attempts to transfer SNPF payment via electronic means to the banks but members faced delays in funds being deposited into their bank accounts. Therefore this service was discontinued.

(xii) *Telephone information centre*

Currently, customers usually visit one of the two SNPF offices. Occasionally customers use the telephone to enquire on SNPF services or relating

to a particular application.

The telephone system is one of the most important media for communicating with customers. As a result, SNPF has successfully installed a new Samsung telephone system at the Apia office. With the new telephone system and more telephone lines, it provides the platform for better communication with customers (internal and external). The new telephone system also provides a new business opportunity to develop a telephone information service or call centre service in the future for customers to contact SNPF using a phone.

The improved access to telecommunication in Samoa provides an opportunity to take advantage of telecommunication infrastructure and services to improve customer service, lower the cost of operations, introduce a new customer service channel and lower the cost of doing business with SNPF.

A telephone information service will encourage and enable the customer to use the phone to request for selected SNPF services and minimize the need for the customer to visit the office unnecessarily. As a result, it could lower the cost for the customer and SNPF. Other issues such as telephone etiquette, staff product training, identification of customers procedures, empowerment and customer acceptance needs to be considered for a successful 'call centre' implementation

This telephone service will be particularly important when SNPF introduces the medical insurance scheme when customers will urgently require information on their eligibility for medical insurance. In this case, there may be a need to provide a 24 x 7 telephone information service.

(xiii) Telephone call accounting system

SNPF has recently installed a call accounting system that registers outgoing and incoming telephone calls. This system has the ability to generate reports for management information.

However, this information is not used by management at this point in time. It is recommended that management use these reports generated to better manage telecommunication and communication within SNPF and with the public.

The management reports produced by the telephone accounting system will provide managers with the ability to analyse aggregate information for better decision-making, customer service enhancements, workflow control and cost control.

(xiv) Web site

Many modern and progressive organisations have implemented or are considering taking advantage of the www to provide customers access to corporate or product information.

SNPF has a web site (www.npf.ws) that provides valuable information regarding member services, investment, corporate and finance information for local and overseas customers. The web site also provides downloadable forms and web pages version in the local Samoan language.

It is recommended that SNPF continue to extend the web site to provide more information and also consider providing on-line customer information and the ability to transact in the future, when there is sufficient business justification and customer demand for electronic services in a 27 x 4 environment.

In maintaining the good corporate image of SNPF to the world (members and non-members), it is important to keep the information and content updated at all times. Therefore, it is recommended that the public relations section or equivalent take the responsibility to continually review and update the web site content and also provide new information such as SNPF news, employment opportunities, new procedures and services just to highlight a few.

(xv) System change management

Currently SNPF has a change management system that requires the requestor to write an office memorandum describing the change for the examination and approval by the manager and general manager.

To build on the success of the existing change management practice, it is recommended a standard change management form be designed that requires users to provide the necessary and specific information of the change. The new form could include the following categories:

- Details of the change requested,
- The strategy affected,

- Impact on change and persons affected,
- time required to complete the task and estimated cost of implementation,
- Procedural changes,
- Benefits of the change,
- Project coordinator,
- Test strategy and results,
- Back out plan, and
- User signoff.

(xvi) Financial systems

The SNPF corporate plan (2005–2008) identified the implementation of the IMAS Accounts Receivable (AR) module as one of the key strategies to improve the administration of the fund.

Based on discussion with management and potential users of the AR module, the AR module would provide major efficiencies and improvements to the workflow, reconciliation, person effort, and minimize the tedious reconciliation tasks and financial loss from the non-collection of payable amounts.

The areas that will benefit from the implementation of AR are as follows:

- Property management - generation of debit notes (invoices) and reconciliation,
- Small loan repayment - loan arrears management, and
- Investment loans - loan arrears management.

Currently the ICT team and users of the AR module are working on the implementation of the system which is scheduled to be completed by the end of the 2005 calendar year.

It is recommended that SNPF assign a project manager, a cross-functional project team and develop a detailed project plan to spearhead the implementation of the AR module.

The project team should be comprised of key persons from each area affected by the AR module. The project team would also provide a forum for coordination of activities, quick problem resolution and ownership of project decisions.

The detailed project plan would include project milestones, project tasks, persons responsible, task durations and the project critical path.

(xvii) ICT professional development and training

With the exception of the Integrated Management Accounting System (IMAS) and MS-Office, in-house ICT staff have developed all the computerized business applications used by SNPF. This means that the SNPF business is heavily reliant on in-house ICT staff to acquire the relevant competency and capacity to understand the system, maintain and introduce enhancements as required by the business.

To achieve the above, it is mandatory and critical to adequately develop and train the ICT staff for technical competency. Equally important is the need to develop the ICT staff and keep them up-to-date with SNPF business process changes, participate in product and process design at an early stage, and maintain an awareness of business plans and strategies.

As a start, it is recommended that SNPF conduct a training needs analysis for computer system users and professional ICT staff based on the corporate plan and future projects.

The results of the training needs analysis report will enable the development of a specialized ICT product training and development plan for ICT staff. Since ICT training is expensive, training must be prioritized, taken at the appropriate times (to maximize the benefits of training) and aligned to corporate goals or approved projects.

(xviii) Customer queue management system

The review team observed that the customer service area was filled with many customers who were making enquiries and consulting with customer service staff. Also members and employers visited the SNPF office to pickup and drop off contribution payments, contribution schedules, application forms and cheque payments.

This means that customer queues needs to be managed on a daily basis to ensure that customers are serviced promptly, courteously and effectively. To enable SNPF to deliver customer services effectively, management information such as the number of customer who visited, the type of service required the wait and serving times, number of customer agents available and peak teams may be required to make good judgments. Therefore, queue management technologies are available to assist with managing

the customer queues and also provide management with valuable information to determine the level of service and possible improvements.

(xix) *Edit and audit trail reports*

It was observed that many 'edit' reports were produced for contribution processing.

The data entry staff enter the contribution schedule data into the computer system while the verification of contribution schedules 'edit' reports is performed by the compliance section.

The data verification process compares the original contribution schedule and the edit reports produced by the computer system. The production of edit reports requires lots of printing time and paper.

Subsequently these 'edit' reports are printed and archived to provide an audit trail of any modification to the data. Over time, SNPF could accumulate many 'edit' reports that are unstructured, costly to produce and difficult to manage.

As an alternative, SNPF could consider verifying original contribution schedule forms with the data that is displayed on the computer screen and keep a computerized audit trail when data modification are required. At minimum, the computerized audit trail could record the document ID, name of the person who made the modification, data/time of the change, value before and after the change that is easily reproduced and accessible to authorized users when required.

(xx) *ICT steering committee*

Many managers have identified that ICT is an enabler for SNPF strategies, business plans and operational efficiencies. To achieve this end, managers suggested it was a good idea to create a committee called the ICT Steering Committee comprising key managers and senior staff to participate in addressing major ICT and business initiatives. This forum would create a participative and necessary linkage for ICT and business related issues. It would also prevent the 'silo effect' between business units, encourage cross functional co-operation and knowledge transfer between ICT and the business units.

It is suggested that the General Manager or Manager Finance chair the ICT Steering Committee, assisted by the Assistant Information

Technology Manager to spearhead system improvements and recommend major ICT decisions.

(xxi) *Energy saving policy*

Though SNPF does not have a formal policy regarding energy saving and efficiency, ICT staff practice energy saving by switching off the IBM servers during the weekends to promote energy saving.

To further ICT efforts in saving electricity, it is recommended that consideration be given to the following:

- Conduct an energy efficiency audit for SNPF,
- Review the energy efficiency of existing ICT equipment,
- Develop an energy efficiency policy for consideration and approval by management that includes the following:
 - Energy efficiency as one of the important criteria in the selection and procurement of any ICT or office equipment that consumes electricity
 - Create awareness in energy efficiency by switching off ICT equipment such as personal computers, monitors and lighting when not in use
 - Enable power management features for all personal computers, notebooks, printers, facsimile machines and air conditioning
 - Switch off lighting, heating and cooling equipment when not required.

This policy will assist in creating awareness to save electricity, cut unnecessary costs and promote efficient utilization of ICT resources.

(xxii) *User access to computer systems*

SNPF has provided personalized logins to all authorized users based on need and their role in the organization. As more business functions are performed using the computer system, it is critical to ensure that user access levels to all business applications such as IMAS, cashier receipting, and member benefit processing are controlled and auditable.

At the time of the review, computer system and business application access and the level of access is granted to users based on the best judgment of the ICT staff.

It is recommended that a standard form be developed that captures the relevant information regarding the required access, and provides for approval by line management for access to the system and business application. Relevant information may include:

- Duration of access (start and end date/time)
- Level of access for each business application module
- Justification for each access
- Line manager approval.

(xxiii) Information technology procedure manual

SNPF has an information technology procedure manual that documents the sequence of IT related steps and the key strokes required to produce the necessary information on screen, generate reports and update the database. This procedural manual is a very good start to providing users with information in relation to the use of the system, educating users of the operation of the systems and addresses some the technical support issues.

To further capitalize on the benefits of the procedure manual it is recommended that it be further enhanced to add the necessary business logic to provide a complete operational manual for SNPF.

(xxiv) Computerized internal controls

Many SNPF business processes are computerized and it may be expected that many more SNPF processes would be computerized in future.

To derive maximum benefit from ICT investment, it is recommended that SNPF use the ICT system to perform much of the repetitive work, standard tasks and internal control checks where practical to enable staff to spend more quality time with customers, and analysing and handling exceptions.

Over time, it can be expected that many manual internal controls will be replaced by the computerized internal controls.

One such hypothetical example of an internal control is the 50 per cent eligibility for member small loans where the SNPF computer system does not permit clerical staff to continue processing a member application when the requested amount exceeds the 50 per cent eligibility level. To process a small loan

exceeding the 50 per cent rule, it requires a senior officer with higher level to logon to the computer system to approve the small loan.

(xxv) Office space optimization

One of the identified constraints at SNPF head quarters is the shortage of office space for current and expansion purposes. The following probable ICT solutions could contribute to the optimization of office and desk space:

- Use flat panel monitors (LCD or LED) that requires less desk space,
- Promote the sharing of computer devices such as high speed network laser quality printers and scanners instead of the individual desktop printers which are usually of lower print quality,
- Use of slim line PC processors units and computer notebooks,
- Introduce the workstation setup for optimized office space use,
- Rerouting of electrical and data outlets and the use of wireless connectivity for office space optimization,
- Scanning of paper documents into digitized documents for multi-user access working documents instead of paper files. The original source documents could be secured and stored in an off-line and low cost storage area as a backup, and
- Standardize on the use of rack mounted and stackable equipment that takes up less floor space.

(xxvi) Paper records

It is inherent of the loan and provident fund business that it requires storage of information over a long period of time. Some example of the documents are mortgage documents, legal contracts, loan proposals, business agreements, titles, member registration documents, member nomination and employer registration forms just to highlight a few.

Most of the above mentioned source and original documents are stored on-site at level 4 of the Provident Fund building in Apia. In most cases, the documents are organized and secured in theft proof cabinets. A few documents are stored in fireproof cabinets.

It is recommended that a review be conducted of the risks associated with storing all documents in one site without the provision of backup copies of the original document.

(xxvii) Manual registers

Many manual registers that record the receipt of applications and documents exist within the organization. These registers are usually located in a convenient area. This enables SNPF staff to refer to these registers when the customers (internal and external) make enquiries.

It is recommended that the use of electronic registers be considered where applicable to derive some of the following benefits:

- Multi-user access to the register,
- The register data is backed up regularly and could be recovered if the information is deleted,
- The ability to search for specific information, sort the data, create aggregate information for analysis much more quickly,
- The ability to archive the information,
- Portability of the information,
- Changes to the information are auditable and could be secured,
- Passwords could be enabled to further secure the access to the document, and
- No physical storage space required.

(xxviii) Regional corporation

SNPF is regarded as a senior member of the provident fund family, and SNPF ICT is rated at a mature stage. The experience and knowledge gained after 15+ years of computerization is valuable to other provident funds in the Pacific. Therefore, it is recommended that SNPF participate in ILOs efforts to foster regional co-operation between provident funds and other social security organisations.

(xxix) Proposed health insurance scheme

SINF has planned to introduce a social health insurance scheme in the near future. At the time of the review, legislation was approved by parliament and efforts were underway to develop the details of the scheme.

Based on the experiences of other countries that have implemented such a scheme, ICT is prominent in delivering a medical insurance

scheme that generates higher customer service enquiry/transaction traffic, a need for immediate approval for customers and networking with other medical service provider agencies. It is common in medical cases that customers require urgent and prompt response to their queries and claim applications.

Thus much of the business process and ICT needs to be upgraded to meet the demands of such a medical insurance scheme. Since it may require a long lead time to deliver a finely tuned medical insurance information system, it is advisable to begin urgent discussions between the business operation and ICT to develop various business scenarios to enable ICT to prepare and align ICT infrastructure development, system development and other resources to deliver the medical insurance service.

Though the regulations are not finalized yet, it is advisable to set up a steering committee to develop a generic version of the administrative structures and scope of works required to deliver the service to members and their dependants.

The scope of works will be based on intelligent assumptions and will include the setup of an organization, human resources, finance/budgeting, office space, ICT and procedures just to highlight a few.

The scheme will require much administration design work. Some characteristics inherent of medical schemes that come to mind are as follows:

- An increase in the volume of transaction for the database and network,
- Additional PC technology to serve clients at customer service,
- 24 x 7 telephone service to answer enquires from the medical service providers and members regarding their eligibility for in-patient service,
- Medical claims processing and account maintenance, and
- Collection and data entry of data for the medical insurance scheme.

Chapter 18 Maternity Protection: Principles

18.1 Introduction

This chapter looks at issues related to the possible extension of maternity protection in Samoa.

The first part examines the nature of maternity protection policies internationally, with a particular focus on the nature and coverage of paid maternity leave.

The second part looks at the situations in Samoa, and examines the implication of extending the coverage of maternity protection. It concludes that the currently feasible options relate mainly to women in formal employment, essentially the groups now covered by provident fund membership. However, options for women in the informal economy are also discussed.

The third part looks at the possible costs of extending paid maternity leave in Samoa, using a model developed for the purpose. The indicative conclusions are that paid maternity leave in line with ILO conventions for those in formal employment could be funded by relatively small levies on the payrolls currently covered by provident fund membership. However, the figures differ somewhat for each of the countries.

Section 18.14 sets out the costing methodology using a calculation model to estimate indicative costs of paid maternity leave and section 18.15 sets out a standard model of Paid Maternity Leave for possible use in each of the five countries.

18.2 The nature of maternity protection programmes

All developed countries and most developing countries have a range of maternity protection programmes designed to cater for the needs of women workers who give birth to children. These programmes have been promoted by a series of ILO Conventions focussing on the rights of women workers, and the measures needed to promote gender equality in employment.

Key components of maternity protection programmes include the following:

- Free or subsidised health and maternity care, which may include pre-natal medical care, delivery, and post-natal medical care,
- Paid maternity leave for women who have to give up paid employment for a period of time because of pregnancy and childbirth,
- Maternity grants and/or nursing allowances to cover set up expenses and some ongoing expenses associated with having a baby, and
- Employment protection for the woman concerned.

In addition some developed countries (e.g. Sweden) may also provide for a period of paid parental leave for fathers. However, there is no ILO standard on this issue.

The most recent ILO analysis indicates that the vast majority of countries now provide for cash benefits during maternity leave for at least parts of their workforces. A further rather small group of countries which do not yet provide paid maternity leave may provide for a period of statutory unpaid maternity leave for women workers, with job preservation for those who take this leave. This is the situation in Australia, and was the situation in New Zealand up till the year 2002, though New Zealand now has paid maternity leave.

Some countries also extend maternity leave to cases of adoption of children.

The recent period has seen some increases in maternity protection, especially in provisions for maternity and parental leave in a number of developed countries. Currently the most extensive maternity protection programme coverage is in Europe and Central Asia. However, in the Pacific region developments in maternity protection have tended to lag behind changes elsewhere.

Data quoted in this chapter is the latest available from *Social Security Programs Throughout the World*, and the 2005 ILO publication *Maternity at Work* or from later material on web sites such as the Colombia University Clearinghouse on

International Developments in Child Youth and Family Policies, or from national social security websites. In some cases the national programme details will have changed since the material cited in this paper was made available.

18.3 Purpose of the programmes

Maternity protection programmes have a range of objectives:

- To ensure that both mother and baby receive adequate medical care,
- To cover at least part of the additional medical and other costs associated with pregnancy and childbirth,
- To provide for a period of leave for a mother to move through the later stages of pregnancy and to recover from childbirth,
- To permit mothers (and sometimes fathers) to withdraw from paid work for a period to look after the baby,
- To provide income replacement for a period of withdrawal from the paid workforce,
- To protect the employment of the women workers concerned, and ensure that the same job or an equivalent job can be resumed on return from maternity leave, and
- To contribute towards greater gender equality for women workers.

In some developed countries with sub-replacement fertility rates there may also be an objective of boosting the birth rate, though this is not generally so in developing countries. However, in the case of France maternity leave is extended from 16 to 26 weeks for the third child.

18.4 ILO conventions

Paid maternity leave and adequate medical care for mothers and children were early ILO priorities. Convention No 3 of 1919 laid down the principles, which included provision for 12 weeks paid maternity leave paid for out of public funds or a system of insurance for women working in public or private commercial or industrial organisations.

Convention 103 of 1952 also provided for 12 weeks of paid maternity leave, which was to include at least 6 weeks of post-natal cover. It also extended coverage to women in non-industrial and agricultural operations, including

women wage earners working at home. The level of payment was to be no less than two-thirds of the woman's normal earnings. Medical benefits were to include pre-natal, confinement and post natal care by a midwife or qualified medical practitioner, as well as hospitalisation if necessary.

The most recent convention is ILO 183, the Maternity Protection Convention of June 2000. This provides for 14 weeks of paid maternity leave for all employed women. Its recommendation 191 also encourages state parties to extend the period of paid leave to 18 weeks. The two thirds of earnings criteria is repeated, plus the requirement in Article 6 that cash benefits shall be of a level which ensures that the woman can maintain herself and her child in proper conditions of health and with a suitable standard of living.

ILO convention 183 Article 2 (1) extends maternity protection rights to all women workers, including those in atypical forms of dependent work. However, Article 2 (2) does allow ratifying members, after consulting with the representative organisations of employers and workers concerned, to exclude wholly or partly from the scope of the convention limited categories of workers when its application to them would raise social problems of a substantial nature. How coverage is to be applied in Pacific Island countries with large proportions of the labour force involved in informal and subsistence activities is one of the key policy issues needing to be addressed.

A consistent theme in ILO conventions is to advise against individual employer liability for maternity pay except in narrowly specified conditions, and for benefits to be normally funded from public funds or insurance premiums. Exceptions are admitted where there has been agreement between government, employers, and workers, or where individual employer liability was a pre-established component of national legislation.

To date only a minority of ILO members have fully ratified all of the conventions. For Convention No 3 there were 33 ratifications, for Convention No 103 there were 40 ratifications, and so far for Convention 183 as of February 2005 there have been 11 ratifications. However, while not fully complying with all of the convention requirements, most member states

have instituted some forms of maternity protection legislation, usually including paid maternity leave for at least some sections of the population of working women. Sometimes the reasons for not ratifying the convention are relatively minor technical differences in the programme content or coverage compared with the ILO Convention standard. For example, by the end of 2004 while only 11 of 142 countries analysed had ratified Convention 183, fully 44 per cent of them provided 14 or more weeks of maternity leave.

18.5 Organisation of maternity protection programmes

Characteristically both the medical expenses associated with childbirth and the income replacement costs of paid maternity leave are a relatively low percentage of total social protection costs in countries with these programmes. For example the New Zealand programme for paid maternity leave costs the equivalent of only just over 0.1 per cent of wage and salary payments. This is a particularly low figure, reflecting the low proportion of eligible births, and low wage replacement ratios for many women workers on paid maternity leave in New Zealand. However, most paid maternity leave programmes cost less than 0.5 per cent of salary and wage payrolls. Because of this, the costs of maternity protection are usually merged in with other larger social programmes for administrative convenience. Three patterns tend to predominate:

- In a number of countries both maternity health care and paid maternity leave are part of a wider social insurance scheme which also characteristically covers retirement pensions, sickness and invalidity benefits, and health care costs,.
- In another group of countries both maternity medical costs and paid maternity leave are part of the health insurance system, and
- In a third group of countries paid maternity leave is administered in conjunction with cash sickness benefits or cash social insurance, while maternity medical costs are covered by the separate public or national health system.

However, there are also a few countries with somewhat different patterns. In New Zealand for example paid maternity leave is funded from

general taxation, and the scheme is administered by the Inland Revenue Department. In Canada there is a linkage to unemployment insurance. A few countries have individual employer liability schemes for paid maternity leave. This is the case for several Pacific Island countries.

A common pattern is for one organisation such as a social insurance or health insurance fund to be the delivery agent for assistance, with another arm of government such as a Ministry of Social Affairs, Labour, or Finance being responsible for oversight of the organisation

18.6 Coverage of the schemes

The coverage of maternity protection programmes depends on the nature of the scheme in each country. Distinctions need to be made between the different components of programmes, particularly between maternity medical expenses and paid maternity leave.

In a few developed countries **paid maternity leave** is available to all residents (e.g. Sweden), or virtually all. In Mongolia however coverage is limited to citizens. In the Netherlands the unemployed are included. More commonly paid maternity leave in practice applies largely to formal economy workers covered by the relevant social insurance or sickness insurance schemes, or in some cases statutory employer provision schemes. In some developed countries the self-employed may be covered, while in others they may only be included if they have voluntarily joined the relevant contributory insurance system.

In many developing countries there is no coverage for informal sector women workers, who may be the majority of women workers but are outside formal employment-linked systems. In some other countries where maternity provision is part of the social insurance system, only employees of enterprises with more than a specified number of workers or covered, or else coverage is restricted to certain industries or geographic areas as shown below.

- In the United States only 5 of the 50 states have paid maternity leave, and unpaid leave applies only to enterprises with 50 or more employees.
- Domestic workers are excluded from coverage in a number of countries,

- including Argentina, Greece, the Philippines and Venezuela.
- Members of the employers family are excluded in some other countries, including Egypt, Korea and Uganda.
- Agricultural Workers are excluded in Bolivia, Egypt, and Sudan.
- Casual or temporary workers are excluded in Kuwait and Panama.
- Members of the Armed Forces are excluded in Greece, Somalia, and South Africa.
- Managers and Business Executives are excluded in Paraguay, the Philippines and Singapore.
- Workers earning over a certain ceiling are excluded in the Dominican Republic, El Salvador, and Mauritius.
- Civil servants are excluded from the national scheme in a large number of countries, (e.g. Japan, the Philippines and Mexico) but usually covered by separate public sector schemes.
- There may also be other legal limits on coverage. For example in Belize coverage of sickness and maternity benefits is restricted to the 14-64 age groups.

Coverage of **maternity medical costs** is usually wider than that of paid maternity leave. Maternity medical cover often extends to wives of insured male workers as well as insured women workers. In countries with national health systems, free or low cost maternity medical care may be available to the whole population. In countries without national health systems there may still be social assistance to provide free or low cost maternity medical care to low income mothers.

It should be noted that full implementation of ILO Convention 183 requires maternity protection coverage to extend to all women employees, with very narrowly prescribed exceptions.

18.7 Conditionality

All countries attach some conditions to at least part of the maternity protection scheme benefits. In countries where entitlements are tied to employment-linked contributory systems conditionality usually includes:

- A specified minimum period of scheme membership or qualifying employment. For example in Grenada a woman

claiming benefits must have been in covered employment for 30 weeks, including 20 in the more recent period preceding claim eligibility. In the Bahamas the requirements are 50 weeks paid up membership, including 26 paid in the year before the birth. In Peru the woman must have been covered at the time the child was conceived. However, in Russia the woman merely has to be registered, while in Sweden coverage is for all residents. The Netherlands includes unemployed as well as employed women in coverage.

- For paid maternity leave the requirement is usually that the claimant must stop paid employment for the period claimed. In cases where a voluntary earlier return to paid work occurs, the period of paid maternity leave is reduced accordingly.
- Some countries may limit the number of pregnancies covered. For example, in Singapore the coverage is limited to the first two children. Egypt allows maternity leave only twice during a period of employment. Sri Lanka cuts the leave from 12 to 6 weeks for a third or subsequent child.

There is also a type of *implicit conditionality* where levels of payment for maternity leave are linked to covered wages, since with these arrangements people with limited prior earnings would receive limited paid maternity leave. In the U.K a woman worker must have been earning 80 pounds a week in the relevant period to qualify for statutory maternity pay, or at least 30 pounds a week to qualify for the lower maternity allowance.

It should be noted that ILO Convention 183 requires that the conditions set to qualify for cash benefits should be such that they can be satisfied by a large majority of the women to whom the convention applies.

18.8 Periods of maternity leave

Most current maternity leave schemes provide for 12, 13 or 14 weeks paid leave, usually in the form of 6 weeks prior to delivery of the baby, and 6 to 8 weeks after this.

An increasing number of countries have moved up to the new ILO minimum standard of 14 weeks. However, a few countries provide for longer periods of leave. Austria, the Netherlands, and France provide 16 weeks, Russia and Estonia 140 days (20 weeks), the U.K. 26 weeks, Norway 52 weeks, and Sweden 390 days of parental leave, of which 30 days must be taken by the father. A number of countries also provide for additional leave for special cases where there are complications of pregnancy or of child or maternal health. In Barbados for example, an employee is entitled to an extra six weeks of leave for illness arising from the birth.

A few countries provide well under the periods set in ILO conventions. South Korea provides only 8 weeks of paid maternity leave, and Jamaica 8 weeks. Singapore normally provides only 8 weeks, though this can be extended in certain conditions.

A few countries have a tiered approach to maternity leave. An initial period may be paid, and then a second part unpaid. Greece provides paid maternity leave for 17 weeks, but thereafter unpaid leave for up to 3.5 months for each parent.

18.9 Who pays?

There are a number of different payment arrangements for funding maternity protection schemes, which usually reflect the funding arrangements applying to wider social protection schemes. In principle the costs may be borne by employers, the employees or other insured persons, or by the government.

- Individual employer liability schemes are not very common, but exist in Argentina, Bermuda, Botswana, Congo (Kinshasha), Mauritius, Saudi Arabia, Hong Kong, and Singapore. In the Pacific, individual employer liability schemes exist for Public Sector employees in Fiji, Kiribati, Samoa, the Solomon Islands, and Vanuatu, and for Private Sector employees in the Solomon Islands and Vanuatu. The U.K. also has an initial employer liability scheme in the form of statutory maternity pay. However, the employer can then claim a rebate from a common fund.
- Collective employer liability schemes in the form of employer-funded social

insurance are found in Sweden and Peru, where the employers pay all of the insurance premiums concerned.

- Shared contributions between employers and employees in the form of jointly funded social insurance are the most common pattern in the great majority of countries, both developed and developing. The premium costs are rolled into the premiums covering wider social insurance or health and sickness insurance covering employees.
- Arrangements where employees or other insured persons pay all premium costs for maternity leave insurance cover are uncommon, but are found in Kenya, Poland, and Chile. In Switzerland the insured person must also pay all the premium costs unless their employment agreement specifies otherwise.
- The Government may share some of the costs with employers and employees. This pattern of partial government contributions or deficit funding is found in France, Germany, Italy, Netherlands, Brazil, and Belize.
- The Government may fund all costs out of taxation. Government tax funding is common for maternity medical costs in national health systems, but rare for paid maternity leave. In New Zealand however government funding also extends to paid maternity leave, which is funded from general taxation.
- The system may be a mixture of two or more of the approaches listed above.

In cases where employees pay part of the cost of the scheme, the employee contribution is normally funded by both male and female employees. As noted, the cost is usually included in the levies covering wider social protection issues.

The ILO advises against relying on individual employer liability schemes for paid maternity leave. These may work against the interests of women workers as employers may then be reluctant to hire women who may become pregnant, or who are pregnant, or may seek to find reasons to discharge them in order to avoid the costs of paying for the maternity leave. Also, compliance with individual employer liability schemes is often problematic, particularly in developing countries, and this is currently the case in the Pacific. Individual

employer liability can also impose an excessive cost on small and struggling enterprises. Instead, the ILO promotes pooling of responsibility through the use of public funds or insurance premiums. Individual employer provision with all its limitations is better than no provision. However, pooled funding is a much better basis.

18.10 Level of paid maternity leave benefits

There is a fairly wide degree of divergence in the level of paid maternity leave in terms of the amount of cash paid. In most cases this is linked to the covered wage, with the ILO minimum standard being two thirds. This is usually interpreted as the normal wage paid for a specified period of time (e.g. earnings in the previous 6 months or previous year), or the wage upon which contributions have been paid for a specified period. However, the ILO convention does not specifically define the covered wage to which the minimum proportion applies.

- A number of countries, particularly in Europe provide for 100 per cent of the covered salary. Examples include Austria, France, Germany, Netherlands, Portugal Spain, and Russia. 100 per cent is also paid in Algeria, Argentina, Brazil, Mexico, and Peru, and Barbados. However, this is sometimes capped at a specified level, so that very high income earners do not receive full pay when they are on maternity leave. Caps on the amount paid operate in Belgium, Denmark, France, Luxembourg, the Netherlands, Slovakia, and Sweden.
- In some other countries only a proportion of normal wage or salary is paid. In the U.K. this is 90 per cent initially, in Italy and Norway is 80 percent and Hungary 70 per cent. Ireland is also 70 per cent, Finland 65 per cent, and Greece 50 per cent. In the Caribbean most ratios are in the range from 60 per cent as in Trinidad and Tobago to 70 per cent in Guyana. In the U.S. there is no national scheme, but some states have provisions. For those U.S. states with paid maternity leave the proportions rang from 53 to 75 per cent of normal wages. In Botswana paid maternity leave is set at only 25 per cent of wages.

- Some countries have tiered rates of payment. In Belgium the payment is set at 82 per cent of the covered wage for the first 30 days of leave, and thereafter at 75 per cent. In the U.K. maternity leave is paid at 90 per cent for 6 weeks, and thereafter for 12 weeks at the lower of a flat rate of 100 pounds per week, or 90 per cent of covered earnings. Saudi Arabia pays sickness and maternity benefits at 100 per cent of the wage for the first 30 days, and 75 per cent thereafter. Grenada pays at 100 per cent of wages for the first two months of leave, but 60 per cent for the last month.
- In Jamaica paid maternity leave is set at the minimum wage.
- In New Zealand payment is 100 per cent of normal wages up to a level equal to about half the average wage for full time women workers. Thereafter the payment is a flat rate.

18.11 Cost of paid maternity leave

As previously noted, paid maternity leave is usually one of the lower cost social protection systems in most countries with formal social protection systems in place. This can be measured by calculating what percentage of the wage and salary payroll is required to fund paid maternity leave. However, a number of factors influence the actual level of cost of paid maternity leave schemes. These include:

- *The average number of qualifying births per woman worker.* This is usually low in developed countries, partly because of low birth rates, but also because many women withdraw from paid employment for a period after the birth of their first child. Hence many second or subsequent births do not qualify for paid maternity leave. For example in New Zealand only around 30 per cent of births qualify the mothers for paid maternity leave, even though most women workers in New Zealand are employed in the formal economy. This pattern however varies by country. Countries with high provision of childcare facilities such as the Scandinavian countries are likely to see more mothers return to work between childbirths, and hence a higher percentage of qualifying

births. It is also possible that a similar pattern could occur in Pacific Island countries because of extended family care of the children of working mothers.

- ***The proportion of women in the paid workforce*** (or in Pacific Island countries, in the formal economy workforce). The costs of maternity leave are spread across both women and men workers, and hence the lower the proportion of women in the paid workforce, the lower the comparative cost.
- ***The ratio of the earnings of women qualifying for maternity leave to average earnings***. In most countries women on average still earn less than men, and this effect may be reinforced if women taking maternity leave are younger and more junior in pay status than women workers as a whole. Whatever the other problems this disparity creates, it has the technical effect of lowering the cost of paid maternity leave where this is linked to employee pay levels.
- ***The ratio of maternity leave pay to normal pay for the woman concerned***. In some countries this is 100 per cent, though the ILO standard minimum is only two thirds.
- ***The period of paid maternity leave***. The longer the period, the higher the cost. however, the 14 weeks provided for in the most recent ILO conventions is under 0.7 per cent of the time spent working in a 40 year formal economy career.
- ***The average length of working life in paid employment for workers as a whole***. The longer this is the lower the percentage levy needed to fund paid maternity leave.

It is probable that the average length of formal economy employment is lower in Pacific Island countries than in the developed countries because of movement between formal and informal employment. However, more statistical analysis will be needed to establish whether this significantly affects the costs of paid maternity leave, because young women also move between formal and informal economy employment. There would thus

be an offset in the form of a reduction in the proportion of qualifying births

- ***Administrative costs also affect the level of overall costs of paid maternity leave***. Since paid maternity leave is usually administered as an adjunct to larger social protection schemes, this tends to reduce the incremental administrative costs.

A model for estimating cost of paid maternity leave is shown in section 18.15.

18.12 Maternity discrimination

One of the key objectives of the ILO conventions is to seek to ensure that maternity does not constitute a source of discrimination in employment. This includes prohibiting pregnancy tests except in relation to work prohibited for pregnant or nursing women under national laws, or where there is a recognised or significant risk to the health of the woman and child.

Other protections include:

- Protection from discriminatory dismissal,
- Compensation in the case of dismissal,
- Guaranteed right to return to work to the same or an equivalent position, and
- Maintaining rights to employment-linked benefits while on maternity leave.

18.13 Issues for the five Pacific Island countries

18.13.1 Cost and coverage Issues

Key issues for each of the five Pacific Island Countries are who should be covered by any extension of maternity protection, and how it should be administered. Each country has a structural situation where the majority of women are outside the formal employment sector. At the same time each country has an established provident fund covering formal economy employment, and existing government provided health services funded mainly out of taxation revenue. These factors have a significant impact on what is feasible within current planning horizons.

Maternity protection schemes are usually low cost in the sense that they represent a low proportion of covered wages for those employed in the formal economy. For example in

developed countries paid maternity leave of say 14 weeks duration usually costs under 0.5 per cent of the aggregate wages of men and women workers in developed countries, even with full wages paid during the period of maternity leave. Maternity medical costs are also usually a low percentage of total health treatment costs in most countries. For this reason maternity protection programmes are usually aggregated in with larger social protection programmes such as sickness insurance or broader social insurance schemes.

However, while international experience is that maternity protection schemes are relatively low cost compared to the larger aggregates such as retirement pensions or health insurance, there are some specific issues affecting developing countries which need to be kept in mind in scheme design. Each of these considerations is relevant to the five Pacific Island Countries covered in this study.

- In many developing countries the majority of women workers are outside the formal economy, and hence have no existing social protection programmes to which maternity protection schemes could be added. This is the situation in each of the five countries, with the significant exception that there are existing national health services which include maternity medical services in operation in all five, and in the case of Fiji, a social welfare programme in the form of the Family assistance scheme.
- Many informal economy women workers as well as those engaged in family duties are low income, and would have difficulty in paying for insurance based maternity medical care or for a voluntary contributory income protection programme. This is also generally true in each of the five countries, though there are also significant variations in the degree to which women workers in the informal economy are regular cash earners.
- In the Pacific Island countries the percent of the formal economy payroll needed to pay for maternity protection costs for workers in the formal economy may be somewhat higher than in most other countries. This is because of the combined effect of much larger family sizes, and shorter average periods in formal

employment because of movements between formal and informal employment, and worker emigration. However, even after allowing for these factors, the required contribution rate is still likely to be comparatively low compared with other elements of social protection. The exact cost will depend on the design parameters of the scheme.

- Maternity linked medical costs may be a somewhat higher percentage of all medical costs in the Pacific than in most other countries. Factors which could produce this outcome include high birth rates, and the limited development of specialist medical services in most Pacific Island countries. The latter factor means that basic health service including maternity costs are a larger proportion of a smaller aggregate.

18.13.2 *Who would administer paid maternity leave?*

For each of the 5 Pacific Island countries in this study there are potential institutional *carriers* for maternity protection schemes, at least for formal economy workers. Each has a provident fund. Samoa has an accident compensation corporation and is planning to set up health insurance. Fiji has a family assistance scheme.

It should be noted that if maternity protection schemes are administered by provident funds, the contributions to fund them are different in nature to those currently going into individual provident fund accounts. The contributions to cover maternity protection are pooled in common funds, and constitute social insurance rather than defined contribution individual accounts.

Maternity linked medical costs are currently covered mainly by the government funded health services in all of the five Pacific Island countries included in the study. A key policy issue is whether this should continue to be the case, or whether employment-linked health insurance should be used to raise standards of maternity care for women workers.

18.13.3 *Existing paid maternity leave*

All five countries in the study already have some forms of paid maternity leave for some women workers, though on an employer liability basis.

- Vanuatu employment law and government regulations provides for 12 weeks maternity leave on half pay (full pay for Government employees). However, compliance amongst smaller employers is problematic.
- Samoa has 2 months paid maternity leave in the public sector. Some private sector employers also provide leave.
- The Solomon Islands requires 12 weeks paid maternity leave at 25 per cent of wage or salary. In the government sector the payment rate is 100 per cent of wages. Again compliance amongst smaller employers is a problem.
- In Kiribati public sector employees receive paid maternity leave for up to 12 weeks.
- Fiji provides public sector employees with paid maternity leave at 100 per cent of salary for 12 weeks, including 6 weeks after the birth. Payment at the 100 per cent rate is limited to the first three children. For subsequent births a lower flat rate allowance FJD 5.00 per day applies. A few private sector employers also provide maternity leave.
- Fiji has included in its new Employment Relations Bill 2005 provision for employers to provide 12 weeks of paid maternity leave at full pay – i.e. the rate the woman would have received had she been at work. Eligibility is based on employment for not less than 150 days, with Labour Department officials determining the apportionment between employers if the woman had more than one employer in the relevant period.

18.13.4 *Problems with existing maternity protection coverage*

In each of the five countries with paid maternity leave, only the arrangements for public sector employees are relatively satisfactory in terms of ILO Convention 103, though not the more recent Convention 183.

- For formal economy workers in the private sector, only two countries (Vanuatu and the Solomon Islands) currently have mandatory schemes under employment law. These provide for low rate maternity leave wages. An even more fundamental weakness is that they are individual employer liability schemes, and provide only haphazard cover in the case of employees in smaller enterprises. The proposed Fijian scheme for private sector employees, though providing for full rates of pay, is also an employer liability scheme.
- In all five countries the majority of women workers who are engaged in the informal economy have no forms of income replacement if they have to give up work because of pregnancy.
- Maternity linked medical care is also an issue. Each of the countries has a national health type system, though the quality of the care coverage is variable, particularly geographically, as remote areas have limited health facilities.

18.13.5 *Maternal and child health*

In each of the five countries the levels of infant mortality indicate that health aspects of maternity are still problematic. The figures quoted here are the latest estimates taken from the WHO Website.

Table 18.1 *Maternal and child health*

Country	Infant Mortality Deaths per Thousand Births	Maternal Mortality Deaths per 100,000 births
Fiji	17.76	35.29
Kiribati	43.00	103.00
Samoa	19.30	19.60
Solomon Islands	66.00	295.00
Vanuatu	27.00	96.30

Source: WHO Website November 2005

None of the five countries approaches developed country levels in terms of infant survival rates. Even in Fiji and Samoa infant mortality is three times the Australian or New Zealand level, while in the Solomon Islands it is ten times higher. Maternal Mortality is particularly high in the Solomon Islands, Kiribati and Vanuatu.

Only part of this problem can be addressed by maternal and post natal medical care for mother and infant. Other issues include the existence of safe water supply, and adequate sewerage and waste disposal systems. These are public health measures rather than medical treatment issues.

However, part of the problem can be addressed by better medical services. A key policy choice is whether to use *across the board* improved services for the population as a whole, or to let the formal economy lead the way with additional medical services funded by contributory insurance.

18.13.6 Institutional options – formal economy workers

There are a number of possible options for extending maternity protection for women workers in the formal economy. In the case of paid maternity leave, the options are as follows:

- Extend the provisions of Employment Acts,
- Add paid maternity leave to the coverage of the provident funds,
- Add paid maternity leave to sickness insurance cover,
- Add paid maternity leave to accident insurance cover,
- Include paid maternity leave in social welfare/family assistance cover, and
- Set up a new programme based on the taxation departments.

Comments on the feasibility of each of these approaches follows. The main criteria use in assessing the options are the feasible sources of data on the identity and earnings of claimants, the extent to which a payments mechanism can utilise existing channels, and the existence of methods to collect funding for the scheme.

(i) Extending the provisions of employment acts

An option is to extend the provisions of Employment Acts in each of the five countries to require employers to pay maternity leave to all qualifying women employees.

This is the currently proposed Fijian approach. It would also be an improvement on the status quo in Samoa, and Kiribati, and could accommodate some improvement in conditions in Vanuatu and the Solomon Islands. However, there are distinct limitations in this approach, as the experience of Vanuatu and the Solomon Islands already demonstrates.

- Employer liability programmes are difficult to enforce, with substantial non-compliance occurring amongst smaller employers,
- As well as missing out on paid maternity leave, women workers may face increased job discrimination or job loss if employers perceive pregnant women as being too expensive to employ,
- The cost of maternity leave can impact heavily and adversely on some small employers,
- The impact is also particularly heavy on employers with a high proportion of women staff. This is likely to be the case with the Fijian textile and clothing industries, and
- The approach is not one recommended by the ILO.

Hence, this is not the preferred option.

(ii) Adding paid maternity leave to provident fund coverage

A second option is to add paid maternity leave to the programme coverage of existing provident funds. This approach would seem to have a number of advantages:

- There is an existing data base on the declared earnings of women employees which can be used to calculate maternity pay entitlements,
- Additional administrative costs would be relatively low, because the administrative apparatus to collect funding and make payments already exists,

- Because costs are pooled, there would be limited adverse impact on individual employers,
- The situation of women who have multiple employers or who move between different employers is protected,
- Women workers would be protected against the risk of job loss from pregnancy, and
- The existence of paid maternity leave might boost voluntary provident fund membership by women in the cash earning part of the informal economy.

The main issues would be political acceptability of the approach, and the additional costs and how they were to be covered.

The cost of paid maternity leave in the Pacific could require additional payroll levies of between 0.3 and 0.8 per cent depending on the specific parameters of the schemes chosen and the country concerned. Details of indicative calculations for individual countries are shown in Part III of this report.

An issue is whether these extra levies should be paid by employers only, or shared between employers and employees. It may be noted that in the case of public sector employees and those companies now providing paid maternity leave, the cost of any extra levy would be largely or completely offset by the reduction in obligation to pay directly for maternity leave.

(iii) Adding paid maternity leave to health insurance cover

An option which would be viable in Samoa would be to add paid maternity leave to the proposed compulsory health insurance scheme. This approach could be extended if some other Pacific Island countries set up mandatory health insurance schemes.

In this case most of the considerations would be similar to those set out above for adding paid maternity leave to provident fund cover.

An advantage would be the possibility of including maternity pay in a package which provided for improved medical care for ante-natal, delivery, and post partum medical care in cases where existing public services are deemed to be inadequate. Maternity linked medical care could extend to wives of male employees as

well as women employees. This provision might help to overcome objections from male employees to contributing to a programme which otherwise benefited only women employees.

(iv) Adding paid maternity care to accident insurance cover

An option which also currently applies only to Samoa would be to use the accident compensation scheme as the vehicle for delivering paid maternity leave. This also has the existing data bases and administrative set-up covering formal sector employees.

While most of the considerations are similar to those for the provident fund and health insurance options, it may be a second choice only because the focus of accident compensation insurance is very different. This may mean that paid maternity leave does not fit particularly well with the rest of the business.

(v) Using the social welfare or family assistance scheme as a delivery mechanism

In the case of Fiji, an option would be to add paid maternity leave to the existing social welfare service known as the Family Assistance Scheme. This Fijian scheme already provides benefits at low rates to sole parents, and an option is to use the family assistance delivery mechanism to deliver a paid maternity leave scheme.

However, the administrative cost of doing this is likely to be higher than for several of the other options. The Department of Social Welfare which runs the FAS scheme would have no records of earnings of new mothers, and would have to obtain these either from employers, or more probably from the provident fund. It would also have to set up additional payment arrangements and compliance systems for checking on dates of return to work. If it was responsible for collecting levies to fund the paid maternity leave, it would have to duplicate the collection arrangements already existing for the provident fund.

Hence, on balance this does not look like a good option for formal economy workers. It could be an approach for giving some types of maternity

grants or subsistence assistance to informal economy workers.

(vi) *Using the tax department as the mechanism.*

A further option is to adopt aspects of the New Zealand model. This involves funding the cost of the scheme from general taxation, and using the taxation department to pay due amounts to women eligible for paid maternity leave.

However, there are problems with this approach for all five countries. In New Zealand income taxation is levied on the whole earning population. The New Zealand taxation department (Inland Revenue) also collects Accident Compensation levies. Hence it has good data on the earnings of the whole population. This is not the case in all of the five Pacific Island countries. Only part of the economically active population is covered by income taxation in four of the countries, while in Samoa there is no personal income taxation.

Hence, this approach does not currently seem feasible in the five Pacific Island countries.

(vii) *Summary*

Of the options considered above, adding a paid maternity leave programme to the existing provident fund programme coverage seems the most feasible option for administering paid maternity leave for formal economy workers in four of the five countries. In the Samoan case there would seem to be a choice between provident fund and health insurance as carrying agents for a paid maternity leave programme.

Fiji could potentially use its family assistance scheme to deliver some type of grant or assistance to informal economy workers.

17.13.7 *Interface Issues*

(i) *Dealing with the interface with existing paid maternity leave*

In setting a rate for the level at which payment is made, thought needs to be given to how to deal with the interface with any existing paid maternity leave arrangements. For example, if maternity leave is to be paid at two thirds of salary in line with the ILO minimum standards convention, this would create a potential

anomaly in cases where public sector employees and a few private sector employees already get 100 per cent of salary as paid maternity leave. Payment at a 100 per cent rate currently applies to public sector employees in Vanuatu, the Solomon Islands, and Kiribati. A few large private sector organisations also pay maternity leave at 100 per cent of salary.

Options for dealing with this differential include:

- Equalising all paid maternity leave at the new standard rate,
- Having differential levies for organisations which pay at different rates, and
- Allowing organisations with higher rates to pay supplements on top of standard paid maternity leave.

Equalising all maternity leave at the new standard rates would involve a downward adjustment of existing paid maternity rights in some cases, unless the new standard rate were to be 100 per cent of pay. In all other cases, the approach would be likely to lead to resistance to the new standard by workers currently covered by more favourable existing arrangements. Accordingly, this approach is not proposed.

Differential levies to pay for different percentages of paid maternity leave are in theory possible, but likely to lead to confusion and complexity in levy setting, and problems in determining entitlements when individual women move between different employers with different standards. Accordingly this approach is not proposed.

Allowing existing organisations with higher rates to **pay a supplement** on top of the new standard paid maternity leave seems the most sensible approach. This avoids complicating the levy and maternity pay setting arrangements. Provision for supplements could be incorporated in employment agreements where these are the existing mechanisms for such payments

18.13.8 *Problems with covering the self-employed*

One difficult issue would relate to levy rate setting for women workers in the informal economy who chose to become voluntary provident fund members in order to access the

paid maternity leave scheme. If women (but not men) from the informal economy became members, a standard rate of contributions set at the level applicable to wage and salary earners would not cover costs, since in the formal economy where provident fund membership is compulsory, both men and women (or their employers on their behalf) would be paying the extra levy.

A related problem would be with self-employed couples in the cash economy, who might choose to attribute most of their joint income to the woman in the year prior to giving birth.

There is no easy solution to this problem. A possible approach is a longer minimum provident fund membership period requirement before informal economy workers who join the scheme and become eligible for paid maternity leave. It may also be necessary to require joint membership of husbands and wives where they are involved in a joint economic enterprise, or even requiring all the members of this enterprise to join the provident fund.

18.13.9 *Maternity protection in the informal sector*

Developing options for improving maternity protection for women involved in the informal economy involves a more difficult set of issues. Outside of the group of women employed in the formal economy and covered by existing provident funds, there are three other main and partly overlapping groups of women who may be in need of some maternity protection measures.

- Women involved in self employment in the cash economy,
- Women involved in subsistence economic activities in the traditional economy, and
- Women largely involved in domestic and family duties.

The three categories are not mutually exclusive, as categorisation is an issue of predominant orientation. Women involved in family businesses which earn cash may themselves be unpaid family workers. Women largely involved in subsistence production for family and community use may sell some products or handicrafts for cash. Similarly, women involved largely in domestic and family duties may at times involve themselves in subsistence production or sale of some produce. There are

also some groups of women who do not fit in the three main categories, such as tertiary students.

The comments which follow relate to the three areas of maternity protection needs: income replacement, medical care, and out of pocket expenses.

18.14.10 *Income replacement*

Cash income replacement has the most relevance to the group of women who are cash income earners in the informal economy. In principle, this group could be incorporated into contributory maternity protection coverage either by:

- Extending the boundaries of mandatory membership of provident funds (or of other institutions incorporating maternity leave arrangements) to include categories of self employed, or
- Offering the option of voluntary Fund membership to self employed women in the cash economy.

In either case, membership fees would have to be set on a somewhat different basis to that applying to wage and salary earners. In principle, contribution rates for self-employed people need to incorporate both employer and employee contribution components. There is also the awkward problem that membership of self-employed women alone does not provide the same revenue flow as does a scheme levying both male and female employees, as is the case with most social insurance or provident fund schemes.

One possible solution is to offer a variant *standard* package for self employed women at different contribution rates to those applying to employees. Contributions would need to be determined actuarially on a different basis to those for employees.

A second option is a maternity savings scheme analogous to individual health savings accounts. The money saved could be accessed upon pregnancy leave, or if not accessed eventually added to retirement savings balances. However, this approach might not be suitable for young women workers, who would have little in their accounts in the event of early pregnancies. It also does not meet ILO convention standards.

For women in the **subsistence economy** or other non-earners there would seem to be no realistic contribution base, nor a measurable cash loss associated with maternity. This is not to say that there is not a real economic loss from not being able to engage in subsistence production for a period, but that it is difficult to see how this issue can be fitted into a contributory scheme.

Using government revenues to provide assistance to women (mainly sole parents) who are non-earners is already part of the Fijian social protection system, but not found in the systems in the other four countries, where traditional family and communal networks are responsible to provide this part of social protection.

18.13.11 Maternity medical care

Each of the five countries has a form of government provision of free or low cost medical services, including ant-natal and maternity care. However, the quality and coverage of this care is variable. Problems of service quality and availability tend to be larger in the more remote and isolated areas.

Outside of the improvement of the health systems per se, options which could improve maternity-linked medical care seem most feasible in **formal economy** via employment-linked health insurance or contributory maternity protection packages for employees. Inevitably, these will tend to be mainly urban based, since most formal economy employees in the five Pacific Island countries are in or near urban areas. Plans for health insurance are most advanced in Samoa, and it would be relatively easy to incorporate medical care in this package. Coverage could include:

- Professional ante-natal care,
- Childbirth and delivery, and
- Post natal medical care.

In the other four Pacific Island countries where mandatory health insurance is not currently envisaged, it would be possible to add this coverage into provident fund programmes, the cost to be covered by additional contributions. At this stage it is not possible to cost what funding this would require, as it would be first necessary to determine the split of existing maternity medical costs between any new

insurance cover and the government funded health services. This would require a separate costing exercise.

In relation to the **informal economy** improved maternity medical care, only the groups with significant cash income might be able to afford self-funded provision or voluntary medical insurance which incorporates adequate maternity medical care. For the currently larger groups involved in subsistence and semi-subsistence production, the feasible long term solution would seem to be improvement in the range and quality of government provided services funded from general revenues.

18.13.12 Out of pocket expenses

Giving birth to a child involves significant out of pocket additional expenses such as provision for clothing and bedding for the baby. These expenses of course continue as the child grows, but the issue of family allowances is outside the scope of this paper.

Current Pacific Island tradition is that these expenses are the responsibility of the family concerned.

In some developed countries there are birth grants when a baby is born to cover some of the out of pocket expenses. If this were deemed to be a priority in the Pacific, options could include:

- For those in **formal employment** it would be possible to add provision for a lump sum birth grant to the paid maternity leave or maternity medical expenses scheme. The extra cost of this could be incorporated in the levy said to cover the scheme.
- For those in the **informal economy** the options are less clear. Birth grants could be funded from taxation revenues, but would have to compete with other government priorities. Another option would be social assistance birth grants only to the poor. However, only Fiji currently has the administrative capacity to deliver such a programme.

At present then, for most of the countries concerned, the feasible option if birth grants are wanted is to include a lump sum birth grant in

the package applying to formal economy employees.

18.13.13 Summary

What is currently feasible in terms of introducing or extending maternity protection to employed women in the five Pacific Island countries depends on institutional structures as well as political and economic consideration of priorities.

There is a substantial degree of institutional similarity in the five Pacific Island countries.

- Each has only a minority of its population employed in the formal economy, with majorities of varying size employed in both subsistence and cash generating activities in the informal economy,
- Each also has a well established national provident fund covering wage and salary earners in the formal economy, and
- Medical care is largely delivered by government-funded health services providing free or low cost medical care.

Differences exist in four of the counties (Fiji excluded) in the degree to which paid maternity leave is already provided for in some sectors by employment laws or employment agreements. Other differences include the proposed setting up of sickness insurance in Samoa, and the existence of a family assistance scheme in Fiji.

Given this pattern, the feasible options for expanding maternity protection would seem to be as follows:

- For all five countries, paid maternity leave is currently feasible for employees in the formal sector of the economy. In essence, this is the same group of people who are currently subject to national provident fund membership. As will be set out in the next section, the cost of this is relatively modest.
- For four of the countries (Fiji, Kiribati, the Solomon Islands and Vanuatu), the most practical way to extend paid maternity leave to all formal economy employees is to add the programme to the coverage of the existing provident funds and finance it with a levy collected from the same payroll base as existing provident fund

contributions. In the case of Samoa, there is a choice of options of a stand alone programme addition to the provident fund similar to the other four countries, or making paid maternity leave a component of the new health insurance scheme.

- Other than voluntary membership, or extending the scope of mandatory provident fund membership, there is little that can currently be done to provide paid maternity leave to women involved in the cash earning part of the informal economy. The only other option would be tax-funded maternity grants, or in the case of Fiji, social assistance.
- There is even less option in respect of women in the subsistence economy. The only possible option at this stage would be tax-funded maternity grants, with Fiji again having a social assistance option.
- For maternity linked medical care, there are two options:
 - Adopt an insurance approach for women in formal employment only, and fund this by an extra levy added in to the levy needed to fund paid maternity leave. In the case of Samoa the option would be to add it in to the contributory health insurance package,
 - Increase tax funding across the board for improved maternity medical care for all women.
- For employment protection each country would need to review its employment act to ensure that women workers taking paid maternity leave were granted adequate protection against dismissal or failure to re-employ.

18.14 Cost estimates for individual countries

In the text which follows, indicative calculations have been made for the cost of paid maternity leave in Samoa. The costs are expressed as a percentage of the total payroll (men and women combined) in the formal economy. This has been assumed to be represented by contributors to the provident fund.

The levy rates required have been estimated in terms of the model in the Box.

For Samoa data and assumption used are as follows:

- Women are 40.3 per cent of the NPF membership.
- Average contributory wages of women appear to be about 91.7 per cent of the male plus female average.
- Emigration is very high in Samoa. Hence an average paid employment career within

the country has been assumed to be only 20 years.

- Total fertility per woman was 4.4 in 2001. The World Factsheet website assumes 3.01 in 2005, but this speed of drop seems implausible. Accordingly, an estimate of 4.0 has been used, with qualifying births at half this at 2.0 qualifying children per woman employee.
- As with the other cases, maternity leave is assumed to be for 14 weeks (alternative 12 weeks), at two thirds of the normal pay of the woman concerned.

On this basis the calculations are as follows:

$$\text{Cost Estimate} = \left[\text{Proportion of women in Labour Force} \times \text{Period of Payment} \times \text{Percent of Wage} \times \text{Eligible Births} \times \text{Ratio of Women's to total wages} \times \frac{1}{\text{Average Paid working life}} \right] \times \frac{100}{1}$$

$$\text{Cost Estimate} = 0.269 \times 0.667 \times 0.403 \times 2.0 \times 0.917 \times 100/20 = 0.663$$

Adding 10 per cent for administration indicates a needed levy on payrolls to fund 14 weeks paid maternity leave of **0.729** say **0.73** per cent.

For 12 weeks the required levy is **0.634**, say **0.63** per cent. Adding in 10 per cent for administration increases the needed levy rate to **0.39** percent, rounded to **0.4** per cent.

For 12 weeks leave the cost is **0.344** percent, rounded to **0.35** per cent.

The following table summarises indicative estimates by country.

Table 18.2 *Indicative estimates by country*

Country	Levy Needed to pay for Maternity Leave at 2/3 rd s of Salary	
	14 weeks leave	12 weeks leave
Fiji	0.3	0.27
Kiribati	0.45	0.40
Samoa	0.73	0.63
Solomon Islands	0.45	0.40
Vanuatu	0.40	0.35

Box 18.1 Calculation model

The cost of a paid maternity leave system for employed women workers funded by a contribution rate C, expressed as a percentage of wages for all workers (both sexes) in the scheme, can be estimated by the formula:

$$C = A + F \times T \times B \times E \times W \times (1/D) \times 100 \text{ percent}$$

Where

- C** is the estimated cost.
- A** is the administrative cost of running the scheme.
- F** is the proportion of women in the employed labour force covered by the scheme.
- T** is the time period the maternity leave is paid for.
- B** is the percentage of the female workers wage the maternity leave benefit represent.
- E** is the average number of number of eligible births per woman worker in the scheme.
- W** is the average ratio of women's wages to all wages (both sexes combined) for women workers claiming paid maternity leave.
- D** is the average paid working life of workers in the scheme.

The administrative cost figure will need to be calculated separately from other data which will depend on the country in question. However, the rest of the equation can be demonstrated by putting in representative figures.

Example 1

Suppose that women workers represent 40 per cent of the labour force covered by the scheme.
 The period of paid maternity leave is 3 months or one quarter of a year.
 The paid maternity leave benefit is paid at 70 per cent of the woman workers normal wage.
 On average, women workers in the scheme have 1.2 children while eligible for paid maternity leave.
 Women's wages for those claiming paid maternity leave average 90 per cent of wages for the covered labour force as a whole.
 Workers are employed for an average of 30 years in the paid work force covered by the scheme

On this basis the levy rate required to fund paid maternity leave is as follows:

$$C = A + F \times T \times B \times E \times W \times (1/D) \times 100 \text{ percent}$$

$$C = 0 + 0.4 \times 0.25 \times 0.7 \times 1.2 \times 0.9 \times 1/30 \times 100 = 0.252 \text{ percent}$$

Hence, a levy of 0.252 per cent on wages is required to fund this scheme, apart from administrative costs

As may be noted, the actual cost of paid maternity leave is likely to be able to be covered by a very low levy on wages or payroll.

Example 2

Suppose that women represent 45 per cent of the labour force covered by the scheme.
 The period of paid maternity leave is 14 weeks in line with ILO Convention No.183.
 Reflecting higher Pacific birth rates, women workers have an average of 2 eligible children while in paid employment.
 Paid maternity leave is set at two thirds of normal pay for the woman concerned, in line with ILO Convention.
 Women participating in the scheme earn an average of 85 per cent of the wages of all employees contributing to the scheme.
 Average length of employment in the formal sector is only 20 years for men and women combined.

On this basis the required levy rate to pay for the scheme (excluding administrative costs) is measured by:

$$C = A + F \times T \times B \times E \times W \times (1/D) \times 100 \text{ percent}$$

$$C = 0 + 0.45 \times 0.269 \times 0.667 \times 2.0 \times 0.85 \times 1/20 \times 100 = 0.686 \text{ percent}$$

Hence, a levy equal to 0.686 per cent of wages would be required to cover cost excluding administrative costs.

18.15 Comments on assumptions

The examples shown above is illustrative only, although the low percentage levy on wages or payroll calculated as needed to fund this scheme is in fact characteristic of paid maternity leave schemes as a whole. As regards each of the assumptions, the following comments are made:

- **Women in the workforce.** In most countries the proportion of women in the paid work force is under 50 per cent of the total paid work force.
- **Length of leave** Paid maternity leave in the range 12-14 weeks is the most common pattern, though a few countries provide for much longer periods, or add extra leave for *exceptional circumstances* such as medically traumatic births. A few countries (e.g. Sweden) also give some paid parental leave to fathers. The new ILO standard is 14 weeks
- **Level of payment.** The proportion of normal wages provided as paid

maternity leave varies widely. A number of European countries provide for full normal pay, i.e. a 100 per cent benefit/wage ratio. In the Caribbean a 65 per cent ratio is more common. New Zealand provides for full pay up to a figure which is about half the average wage, but thereafter no additional amounts are payable so a woman on average earnings receives only around half of her normal wage as paid maternity leave. The ILO standard is two thirds of normal pay or earnings.

- **Eligible births.** The number of eligible births may vary widely by country. It is low in countries with low birth rates, and is also affected by traditions of whether women tend to drop out of the paid labour force for a period after having their first child. In this case they would not be eligible for payment for subsequent births. In developing Pacific countries higher figures seem likely than in developed countries. How much higher is unclear, especially as census data for Pacific countries indicates smaller average numbers of children per woman in the urban areas where the majority of formal sector employment for women is concentrated.

Other offsetting factors could include the impact of temporary or permanent worker emigration in countries such as Samoa and Fiji. Movement out of the country of women workers, either for employment abroad or as spouses of migrating male workers, will tend to reduce eligible births occurring while in the country. The extent to which this factor balances against shorter average periods of contribution-paying employment in terms of net cost impact on a paid maternity leave scheme is unclear.

It may be noted that in New Zealand despite the predominance of formal economy employment for women, only 30 per cent of total births have qualified the mother concerned for paid maternity leave. This is despite the fact that the number of children per woman is only 2 on average.

- **Covered earnings.** In most countries women on average receive lower

actual pay than men even though the rate for the job may be identical. Factors causing the difference include occupational structure and job seniority. In the case of women in the peak childbearing years lower average seniority compared to other employed women may also push the wage ratio downwards. A further factor which could push relative rates of covered earnings downward is the effect of women returning to work and giving birth again before the eligibility period for a full rate of payment has built up. For example if eligibility was based on earnings in the previous 12 months, and a woman gave birth 10 months after returning to work, the payment rate would be $\frac{1}{6}$ th lower.

- **Duration.** In most developed countries long duration in paid employment is characteristic for men, and now increasingly so for women. Average length of paid employment may be significantly lower in developing Pacific countries because of movements to and from informal employment, and in some of the countries also because of worker emigration. If this is so, it will tend to push up the relative cost of paid maternity leave, since there will be a smaller base of total contributors in relation to maternity leave claimants.

18.16 A standard paid maternity leave model

Eligibility All women who have been contributing members of the national provident fund for the six months prior to giving birth.

(Alternative option: All women who are members of the national provident fund)

Covered earnings Average total earnings upon which provident fund levies have been paid in the 12 months prior to the claim for paid maternity leave. Where the woman concerned has been in contributory employment for less than 12 months, the earnings rate used for determining entitlement is

adjusted downwards on a pro rata basis.

Period of paid maternity leave. Fourteen weeks of paid maternity leave. Normally to be taken in the 6 weeks prior to giving birth, or the expected birth date, and 8 weeks afterwards, unless medical advice indicates otherwise, or the birth occurs earlier than expected.

Payment rate. Two thirds of covered average weekly earnings for the 14 weeks, or for a correspondingly lesser period if the claimant returns to paid employment before the 14 weeks have elapsed.

Status of payments. Paid maternity leave is treated as normal income for provident fund and taxation purposes. It attracts normal provident fund levies, and accrues normal entitlements other than paid maternity leave.

Administering body. The provident fund, or such other organisation as the government designates.

Supervising body. The Ministry of Labour or such other body as designated by the government.

Funding levy

Option 1. Levy paid by the employer.

Option 2. Levy cost shared between employers and employees as with provident fund contributions

Retention of rights. While on paid maternity leave the claimants retain all existing employment linked rights. Maternity leave counts as employment service for the purpose of calculating these other rights

Optional extras:

1. Maternity medical insurance to cover ante-natal, delivery and post natal care.
2. Lump sum maternity grants.

PART III

NATIONAL SOCIAL SECURITY ACTION PLAN

Chapter 19

National Social Security Action Plans

Chapter 19 National Action Plan for Social Security

19.1 Objectives of the national action plan

The National Action Plan for Social Security (NAPSS) is a final output of the ILO Project – *Subregional Initiatives on Social Security for the Pacific Island Countries*. Over the course of the project, major gaps in social security coverage have been identified by the technical review of social security and by the surveys of the formal and informal economy workers. A series of feasibility studies have been conducted in major areas of social security. These feasibility studies have formulated options on the potential social security programs and strategies on how they can be introduced or extended in Samoa.

The objective of the plan is to provide information for policy planners and stakeholders on key issues and feasible options to extend social security coverage in Samoa and to propose steps to translate these policy directions into national actions. The NAPSS will serve as a basis to develop future project strategies and provide guidance in implementing the key priority programmes at the national level.

The NAPSS is built on all the project outputs. Inputs to the plan were also provided by key stakeholders in two workshops, an initial workshop conducted in April 2005 and a final workshop in September 2005. Additional inputs were provided during a number of group and individual meetings and discussions. The draft plan was presented at the round table discussion on social security held on 15 December 2005 in Suva, which provided an opportunity to share the findings and get feedbacks from high level government authorities and social security organizations.

19.2 The national action plan

The scope of the NAPSS covers the following six programme areas:

- Social health insurance,
- Social insurance pensions,
- Unemployment insurance,
- Social assistance,
- Workers' compensation, and

- Maternity protection.

Each part comprises an overview of the programme and describes its background, gaps, needs, policy, gender issues, target groups, indicators, resources and implementation. In conjunction with policy analysis overview, a road map of a typical implementation strategy is outlined in short- and long-term. A summary of action plan at the end describes all of the programmes in terms of the rationale and outcomes. For more detailed analysis of the particular program, reference should be made to respective feasibility study in Part II of this sourcebook.

19.3 The purpose of the NAPSS

The purpose of the plan is to provide sufficient information for local key decision makers and stakeholders on the potential social security programs identified over the course of the project and how they may be introduced or extended in Samoa. The plan may therefore be seen as a suite of options that can be prioritised by the government for implementation to cover the gaps in social security programs in Samoa. It is recognised that implementation of more than one program will be difficult but the NAPSS and the supporting documents can be used as the basis for future consideration of social security development in Samoa. Some programs will have a much greater lead time and particularly where substantial changes are required such as pensions reform.

The NAPSS will be used as the basis for discussion with government and key stakeholders in order to develop future project strategies to assist in the implementation of the key priority programs and as a guide to local steering committees and technical teams.

19.4 General implementation strategy

Although the action plan is organised by individual social security programmes, an integrated approach should be taken to ensure that the reforms are strategically driven and that the limited resources are appropriately allocated to the priority programmes. Therefore it is essential that a high level tripartite steering

committee be established to coordinate the overall development of social security policy and programmes in Samoa. Core responsibilities of the tripartite steering committee are described as follows:

- Ensure the coordination of the policy development options and country priorities,
- Identify the appropriate institutions to implement social security programmes,
- Identify affordable and sustainable funding options,
- Monitor phased implementation of agreed priority programs, and
- Conduct publicity, promotion and awareness raising of social security throughout the implementation process.

The project management of implementation is intensive and highly skilled and it is most likely that specialist training at national level will be required.

A strategic coordinating group is also essential to ensure that the limited and appropriate resources are allocated to the priority programs. The project management of implementation is intensive and highly skilled and it is most likely that specialist training of local teams will be required.

19.5 Conclusion: The way forward

Effective extension of social security requires strong long-term commitment and continuous

efforts of the key stakeholders. It is important that the NAPSS is endorsed by Cabinet and recognised as a national priority.

The NAPSS identifies the key programmes for extension of social security in Samoa. It should be noted that a social security reform will require a sufficiently long lead time possibly three or more years in some cases. In some instances one social security organization may be involved in implementing multiple programmes. Given the long lead time and the limited capacity of the key agencies for developing and implementing programmes, the programmes must be prioritised so that only one or two programmes could be considered at one time. The plan can therefore be seen as a set of options that can be prioritised by the government for implementation to cover the gaps in social security programs in Samoa.

It is recommended that **social health insurance** programme be the initial priority for implementation with the possibility of including **maternity protection** given its relatively simple benefit processing requirements. The other programmes must be considered medium to long-term goals.

The ILO would be prepared, subject to financial resources being available, to provide further technical assistance in implementing this action plan and to conduct capacity building and trainings for improvements in governance and administration.

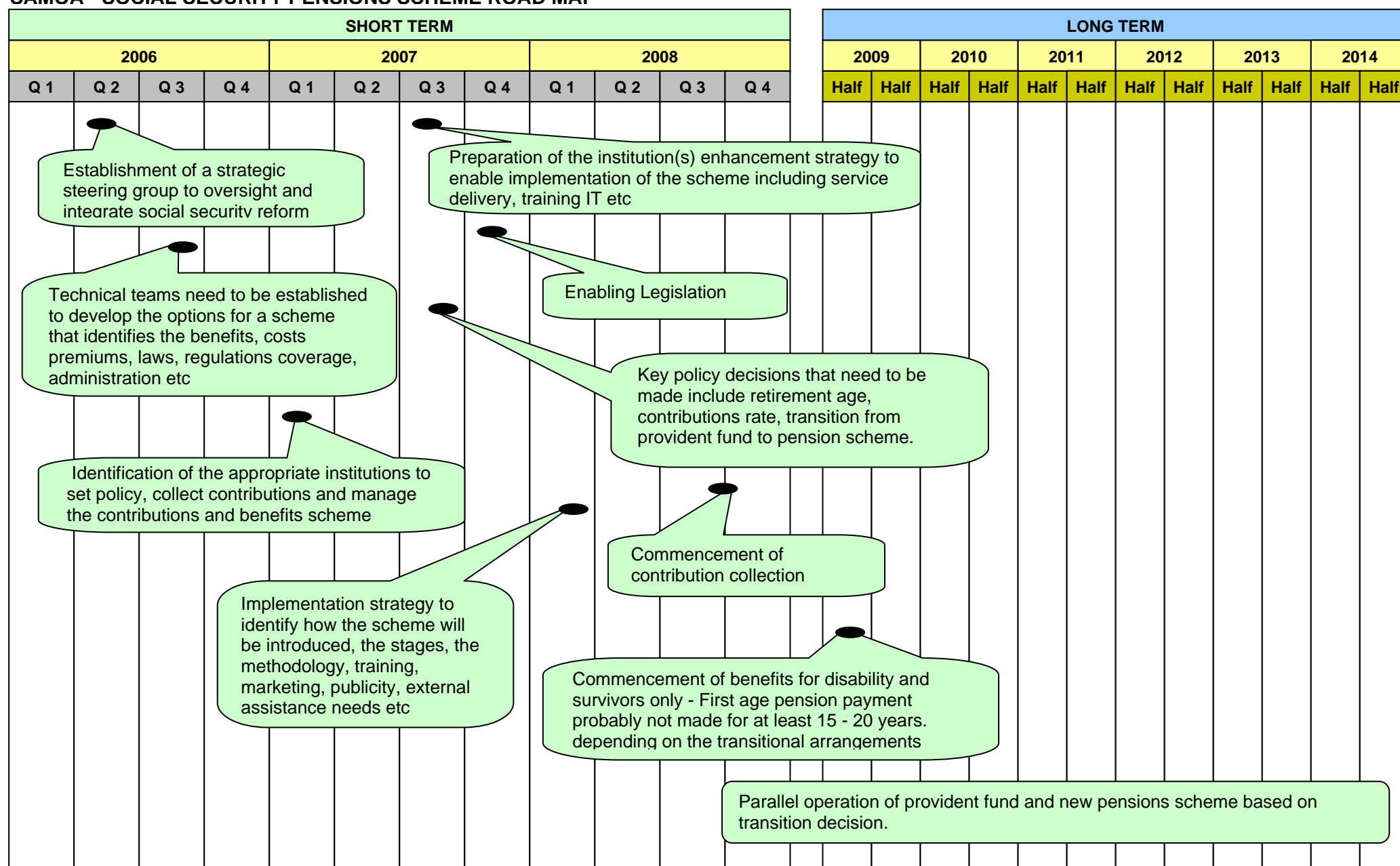
SAMOA		SOCIAL SECURITY ACTION PLAN - OVERVIEW			
Social Health Insurance		The Policy The government has proposed to split provision and financing by creating two independent boards. The proposed Health Financing Board would be instrumental in setting policy regarding health insurance. The initial stage of a social health insurance scheme would target formal sector (SNPF members) and their families; This would provide an additional and predictable flow of funds to the hospital and ensure budget sustainability. The cost of types of treatment covered could be either the responsibility of the scheme or the government or be shared by both. Subsequent expansion of the scheme could include ancillary benefits and provide voluntary or compulsory options for overseas treatment. The policy design should encourage the expansion and quality of health care services.		The Target Groups The initial target groups would be the formal employment sector workers and their dependents. A government funded social safety net should be considered for the poor/vulnerable. Other informal sector can be covered on a voluntary basis.	
				Long Term Indicators Long term indicators could see a reduction of external-to-hospital births, reductions in the number of people deferring essential treatment due to high out-of pocket expenses, particularly in remote areas. Quality indicators should improve with demand driven services instead of supply driven and the entry of private providers into health care management in Samoa.	
				Benefits of the Program The program would provide additional funding injected into the health care system (providing government expenditure continued at current proportions of GDP). This could result with improvement of range of services, retention of trained Samoan medical professionals and reduction in overseas treatments.	
				Resources The program will require a range of resources in the stages of development and initial set up of the scheme. Technical Assistance is required to improve medical data collection and analysis, to assist in policy development of the insurance scheme and in the transition of hospital management from government to quasi autonomous agencies managed by boards. Other resources will include the establishment needs and administrative resources for the insurer and the suppliers. Development of IT systems, for collection of contribution, payments and management information together with institutional costs will vary on the capacity of the SNPF and the hospital administrations. Some of these costs could be made available by the government, donors or by loans and defraying the setup costs over a long period.	
The Situation Samoa currently provides free primary, secondary and tertiary health services to all residents. Selected treatment in overseas locations is available. This is supported by expenditure of around 6% of GDP on health care and about 15% of health care costs are out-of-pocket expenses.		The Institution The SNPF is a logical institution to collect contributions and also to manage an insurance scheme with the least cost and development time. This is based on the current state of development of other government and para-statal agencies and supported by enabling legislation.			
The Needs Surveys conducted of both formal employment sector workers and workers in the informal economy rated health insurance as the highest priority social security need for themselves and their families.					
The Gaps and Coverage The coverage of a compulsory social health insurance scheme for formal employment sector workers would be about 17,164 workers, based on 2004 SNPF membership. With around 5 dependents per household a total of 85,800 people or 40% of the population could be covered by the scheme.					
The Gender Issues Women have special health needs and most of these can only be satisfied by out-of-pocket expenses. This causes a substantial reduction in income of informal economy and single parent families. The longevity of women and their predominantly care taker role makes health care a major issue for women.					
Implementation					
Reform Task Force A strategic group comprising the key tripartite stakeholders has been established to oversight the reform process and provide direction to the development teams.		Policy Development Technical teams need to finalise the development of the <i>regulations</i> for the scheme in accordance with the enabling legislation enacted by parliament.		Health Care Delivery Issues Health care professionals and hospital staff need to develop the statistical base to provide the information and costs on which future premiums and benefits of the scheme will be based.	
				Institutional Reform The SNPF and semi-autonomous hospital boards have been authorized to manage the scheme. Development time is needed to allow for the reform of the institution(s) to prepare service delivery, operations and IT for the scheme.	
				Implementation Strategy This will need to identify how the scheme will be introduced, the stages, the methodology, training, marketing, publicity, external assistance needs etc.	

SAMOA - SOCIAL HEALTH INSURANCE ROAD MAP

[illegible]

SAMOA		SOCIAL SECURITY ACTION PLAN - OVERVIEW			
Social Insurance Pensions		The Policy The initial stage of pension scheme policy development will involve decisions about the target level of monthly pension which a worker should receive after a full working career, and how to convert from the provident fund to a pension scheme. Given the important role that lump sum payments play in Pacific Island cultures, it may be desirable to pay a small lump sum at retirement in addition to a pension. Conditions for payment of pensions to disabled workers and survivors must also be settled. In view of the increasing longevity of Samoan people, an appropriate retirement age must be set. Practical administrative arrangements for making periodic pension payments and serving workers and pensioners throughout Samoa must be designed. Once the pension scheme for Provident Fund members is in place, the universal pension scheme could be enhanced to be more targeted towards those in need.		The Target Groups The initial target groups would be the formal employment sector workers and their dependents and with improvements and would be same groups as the current provident fund members. The informal economy will need special provisions and continuation of the government funded universal pension scheme should continue.	
The Situation The Samoa National provident fund provides the major retirement income for workers but only in the formal employment sector. Currently compulsory contributions of 10% (5% + 5%) of payroll are made on behalf of employees. Lump sum retirement benefits are paid at the retirement age of 50 years and on death, invalidity and migration. A special death benefit is also payable.				Long Term Indicators Long term indicators could see a reduction in disadvantaged age persons, homeless aged persons and improvements in aged care facilities. Other countries have identified an improvement in family ties when aged persons have some income and contribute to the family instead of being seen as a burden. These benefits are already evident in Samoa and may be partly due to the long term benefits of the Senior Citizens Benefit Scheme.	
The Needs Surveys conducted of both formal employment sector workers and workers in the informal economy rated retirement income support as the second or third highest priority social security need.				Benefits of the Program The program will reduce dependence of aged people on their families and the government and their spending from the pensions from the fund can sustain local economies particularly in town and villages. Replacing the lump sum with a lifelong pension will provide income security in old age where there is a 10 - 15 year gap between provident fund and universal pension.	
The Gaps and Coverage The compulsory retirement contribution through the provident fund covers formal employment sector workers only totaling around 19,068 workers. Around 77% of workers have no retirement income coverage and rely on traditional means and the Senior Citizens Benefit Scheme in old age.				Resources The program will require a range of resources in the stages of development and initial set up of the scheme. Technical Assistance is required to conduct initial actuarial studies and analysis, to assist in policy development of the insurance scheme and in the transition from a provident fund scheme to a social insurance pension. Other resources will include the establishment needs of the provident fund. Development of IT systems, for collection of contribution, payments and management information together with institutional costs will vary on the capacity of the SNPF. Some of these costs could be made available by the government, donors or by loans and defraying the setup costs over a long period. It is likely that the provident fund will continue to coexist alongside a pension scheme although not attracting any new members who will all be diverted to the new pensions scheme.	
The Gender Issues In Samoa around 65% of the formal sector workforce is males and therefore women benefit much less from direct retirement benefits although some benefits will occur through their role as spouses. However as most retirement benefits are in the form of lump sums which are mostly spent in a few years women will endure a longer period of old age due to their additions longevity over men with little or no retirement income.				The Institution The SNPF is a logical institution to collect contributions and also to manage pensions insurance scheme with the least cost and development time. This is based on the current state of development of other government and para-statal agencies in Samoa and its current role in retirement policy.	
Implementation					
Reform Task Force A strategic group comprising the key tripartite stakeholders needs to be established to oversight the reform process and provide direction to the development teams.		Policy Development Technical teams need to be established to develop the <i>options</i> for a scheme that identifies the benefits, costs premiums, laws, regulations coverage.	Pension Delivery Issues Pension regular payments will require new initiatives to allow distribution of payments often in rural and remote areas as some pensioners retire to their home islands and villages.	Institutional Reform The selection of the appropriate institution to manage the scheme should be made as soon as practicable to allow for the reform of the institution to prepare its service delivery, operations and IT for the scheme.	Implementation Strategy This will need to identify how the scheme will be introduced, the stages, the methodology, training, marketing, publicity, external assistance needs etc.

SAMOA - SOCIAL SECURITY PENSIONS SCHEME ROAD MAP



SAMOA		SOCIAL SECURITY ACTION PLAN - OVERVIEW			
Unemployment Insurance		The Policy		The Target Groups	
The Situation		The initial stage of an unemployment insurance scheme could be based on providing short term income replacement for workers in the formal employment sector. The term and rate of payments in terms of percentage of replacement salary will determine the cost of the scheme. Other factors like waiting period, period of payment in any year and minimum membership period will also influence the potential cost of the scheme. The primary focus of unemployment insurance schemes is to place claimants in employment and the range of active labour market programs must also be introduced alongside the benefit program. This usually involves the Ministry of Labour maintaining job seeker databases, vacancy notices and vocational training programs to get unemployed workers back into the workforce as quickly as possible.		The initial target groups would be the formal employment sector workers and their dependents. It is not feasible to include informal economy workers in an unemployment insurance scheme due to the difficulty in identifying employee/employer relationships, unemployment and a salary regular rate. Social assistance may be more appropriate for this group.	
The Needs				Long Term Indicators	
The Gaps and Coverage				Benefits of the Program	
The Gender Issues				Resources	
		The Institution			

SAMOA - UNEMPLOYMENT INSURANCE ROAD MAP

[illegible]

SAMOA		SOCIAL SECURITY ACTION PLAN - OVERVIEW		
Social Assistance		The Policy The recipients of social Assistance are the poor and disadvantaged and a range of categories and needy cases can be identified. Some of these categories include, poor families, sole parent families, homeless and land less people, disabled people, ex-prisoners and other people in need. The programs can provide cash assistance, in-kind assistance and subsidies or grants for special purposes. It can also provide special employment projects in local areas. The range of detailed policy needs to be determined based on the government and donor funding, local provincial funding and the needs in the community. The policy also needs to determine the degree of means testing and how it will be applied. The benefits rates need to be set to be able to alleviate poverty but also low enough not to inhibit individual enterprise and welfare dependence. The fraud control and prevention aspects need to be strong. The <i>Needs and Coverage</i> section shows the feasibility study recommendations.	The Target Groups The initial target groups could be low income families and individuals with special problems especially the elderly. Support to youth could be through education fee relief for children from poor families. The general community and can be assisted by an improved disaster relief program.	
The Situation Samoa Currently provides very little in the form of social assistance and the primary groups in need including the poor, the elderly, sole parents, disabled and youth must rely on traditional forms of support (Faá Samoa) or from donors. The government does provide basic health care and for primary education but out-of-pocket expenses are high.			Long Term Indicators Long term indicators could see a reduction of school dropouts and improvements in school attendance particularly for girls. There should also be improvements in the key poverty indicators for the elderly and for sole parent families. Training programs identified in the needs will also improve employability of school dropouts by vocational skills development.	
The Needs and Coverage Some of the key priority needs identified in the social assistance feasibility study included: A permanent disaster relief fund, Secondary education costs for children from low income families, hospitalisation costs, support services for the disabled, housing assistance for low income people, and training schemes for school leavers and drop-outs. Some informal programs exist through some labour unions and NGO's but this is localized and does not constitute access and equity for those in need.			Benefits of the Program The Social assistance program will support the disadvantaged and poor members of Samoan society where the traditional Wantok system has broken down or is unable to support all of its members. It will also mitigate against poverty particularly for those who are unable to support themselves. By targeting youth and families it can also mitigate against social distress and disruption resulting from poverty.	
The Gender Issues Despite equality under the law, in practice Samoan women are less likely to be in paid employment In the traditional economy tend to have fewer rights of use of customary land and are often not included in decision making. They are also less likely to be able to access training in various types of skills. Women also tend to bear the brunt of adverse social changes, including marriage breakdown, sole parenthood, and domestic violence. There is no formal social safety net in Samoa outside of traditional systems for most of these issues.			Resources The program will require a range of resources in the stages of development and initial set up of the scheme. Technical assistance is required to improve data collection and analysis of poor and vulnerable people and in the categories determined by the policy. Other resources will be needed to fund the eventual programs and assistance in determining the fiscal capacity and new sources of funding will be required. Other resources will include the establishment needs and this will depend on the institution chosen. Development of IT systems, for collection of contribution, payments and management information together with institutional costs will vary on the capacity of an existing institution if this is available. Some of these costs could be made available by the government, donors or by loans and defraying the setup costs over a long period.	
Implementation				
Reform Task Force A strategic group comprising the key tripartite stakeholders needs to be established to oversight the reform process and provide direction to the development teams.	Policy Development Technical teams need to be established to develop the <i>options</i> for a scheme that identifies the benefits, costs premiums, laws, regulations coverage, administration etc.	Benefits Delivery Issues The benefits programs are normally means tested and government. The type of benefits are usually for the poor and disadvantaged and special delivery methods are required to urban and rural areas	Institutional Reform The selection of the appropriate institution to manage the scheme should be made as soon as practicable to allow for the reform of the institution to prepare its service delivery, operations and IT.	Implementation Strategy This will need to identify how the scheme will be introduced, the stages, the methodology, training, marketing, publicity, external assistance needs etc.

SAMOA		SOCIAL SECURITY ACTION PLAN - OVERVIEW			
Maternity Protection		The Policy Maternity protection programmes have a range of objectives, including: <ul style="list-style-type: none">• ensure that both mother and baby receive adequate medical care,• cover at least part of the additional medical and other costs associated with pregnancy and childbirth,• provide for a period of leave for a mother to move through the later stages of pregnancy and to recover from childbirth,• permit mothers (and sometimes fathers) to withdraw from paid work for a period to look after the baby,• provide income replacement for a period of withdrawal from the paid workforce,• protect the employment of the women workers concerned, and ensure that the same job or an equivalent job can be resumed on return from maternity leave, and• contribute towards greater gender equality for women workers. Most current maternity leave schemes provide for 12, or 14 weeks paid leave, usually for 6 weeks prior to delivery of the baby, and 6 to 8 weeks after. The costs may be borne by employers, the employees or other insured persons, or by the government. The minimum standard for leave pay is 66.6% of salary in accordance with the minimum provisions of ILO convention No. 183.		The Target Groups The initial target groups would be the formal employment sector workers including the private sector workers. The beneficiaries will also include male workers especially those married with partners employed in the formal employment sector. Subsequent extension of coverage could consider support for women in the traditional and informal economy include some form of assistance towards health costs.	
The Situation Samoa currently provides public sector employees with paid maternity leave for up to 12 weeks. Private sector employees are generally not provided with any maternity benefits nor are the traditional and informal economy workers. This means that around 90% of the workforce is not covered by any maternity benefits.				Long Term Indicators Long term indicators could see retention of women in the formal sector workforce and an improvement in the gender statistics and employment of women in more senior positions. Maternity protection lessens the likelihood of women permanently leaving the workforce. Maternity protection and the medical and nutritional components should support a further reduction in the rates of maternal and infant mortality in Samoa.	
The Needs Although the surveys did not rate maternity protection as highly as other benefit, possibly due to the gender bias in the sample. Other forums and workshops identified maternity protection as a high priority among women workers.				Benefits of the Program Apart from the health and welfare aspects and benefits to the economy in general, maternity protection can improve the relationships between employers and employees by removing the potential conflicts and costs associated with employing women. The moderate contributions to maternity protection schemes in essence pre pays for maternity protection enabling the employer to cover the costs in employing temporary staff during the period of maternity leave.	
The Gaps and Coverage The existing gaps in maternity protection are large at around 85% of the workforce having no entitlement to paid maternity leave. However medical costs are covered by the universal health scheme where there is negligible out of pocket expenses. The only workers with maternity protection are the public sector workers who represent around 32% of the formal workforce.				Resources The program will require a range of resources in the stages of development and initial set up of the scheme. Technical assistance is required to assist in policy development of the insurance scheme. Other resources will include the establishment needs and this will depend on the institution chosen. Development of IT systems, for collection of contribution, payments and management information together with institutional costs will vary on the capacity of an existing institution if this is available. Some of these costs could be made available by the government, donors or by loans and defraying the setup costs over a long period. The costs of such a scheme are moderate and in Samoa a contribution rate of around 0.63% of salary could provide 12 weeks paid maternity leave for workers in the formal employment sector. Increasing this to 0.73 % could cover 14 weeks paid leave in accordance with the minimum provisions of ILO convention No. 183, Maternity Protection.	
The Gender Issues Maternity protection in the form of maternity insurance would support the employment of women in the formal economy and help to minimize some of the maternity discrimination of compulsory maternity leave. Many women appear to leave the workforce following childbirth which denies them equal participation and the benefits to the workforce and skills base.					
		The Institution The SNPF is a logical institution to collect contributions and also to manage an insurance scheme with the least cost and development time. However this is a major change in direction to the current core business of the SNPF. Other options need to be explored.			
Implementation					
Reform Task Force A strategic group comprising the key tripartite stakeholders needs to be established to oversight the reform process and provide direction to the development teams.		Policy Development Technical teams need to be established to develop <i>options</i> for a scheme that identifies benefits, costs premiums, laws, regulations coverage, administration etc		Maternity Benefits Health care professionals and administrators need to develop the policy and the costs on which future premiums, benefits and other components of the scheme are based.	
		Institutional Reform The selection of the appropriate institution to manage the scheme should be made as soon as practicable to allow for the reform of the institution to prepare its service delivery, operations and IT for the scheme.		Implementation Strategy This will need to identify how the scheme will be introduced, the stages, methodology, training, marketing, publicity, external assistance needs	



PART IV

ANNEXES

Annex 1	Selected International Experience in the Extension of Social Security
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Annexes

Annex 1 Selected international experience in extension of social security

Country	Target Groups	Organisations and Roles	Services & Programs	Methods of Financing	Status
India	Informal economy – rural and urban self-employed and home workers - for women workers only	Self-employed Women's Association is a registered trade union that in addition to it labour force activities has an integrated social security program.	<ul style="list-style-type: none"> • Health insurance • Health care • Loans insurance • Life/disability ins. • Labour market collective • Child care via co-ops 	<ul style="list-style-type: none"> • Premiums ($\frac{1}{3}$) • State subsidies and insurance companies ($\frac{1}{3}$) • Other subsidies from GTZ ($\frac{1}{3}$) 	Variable payment premiums to suit different income groups. Aims to achieve administrative and financial sustainability. Attempts to emulate social security in the formal economy by using extensive government and NGO participation in the delivery of services.
	Informal economy – rural tribal workers in Tamil Nadu	Action for Community Organisation, Rehabilitation and Development	<ul style="list-style-type: none"> • Credit fund • Savings scheme • Health insurance • Composite social security, death, disability and property damage (in conjunction with an insurance company) 	<ul style="list-style-type: none"> • Premiums • Fees 	Main emphasis on the scheme was on participative and collective action. Despite the successful introduction of health care and social security schemes the insurance renewals proved to be a problem when the group is inactive. A proposed solution is to link insurance to a credit loan scheme.
Columbia	Informal economy – urban poor	The Andes Mutual Association is one of the entities authorised to operate within the Colombian social security system	<ul style="list-style-type: none"> • Provides primary, • Secondary and tertiary health care services 	<ul style="list-style-type: none"> • Premiums • Other subsidies and grants from co-financing with municipal authorities & from solidarity funds from employer/employee contributions 	Operating since 1999 and all of the beneficiaries are defined as living below the poverty line. Subscription not as high as other 175 funds in the national system. Management by an elected assembly with two year appointments
Philippines	Informal economy – workers on more formal contracts	Cooperative Life Mutual Benefit Services Association Inc Role is to develop cooperative banking and insurance services to coops.	<ul style="list-style-type: none"> • Health insurance • Loans protection Ins. • Life/disability Ins. • Pensions • Coop officers protection 	<ul style="list-style-type: none"> • Premiums • Life savings plan that can be withdrawn on death or retirement • Premiums for loans protection are aged based 	Mutual agreement on earnings allows investment of funds in the national cooperatives federation to lend money and provide guarantees to cooperatives. Regional centres can retain 40% of premiums collected and the remainder pooled at national level. This promotes local as well as national development of cooperatives.

Country	Target Groups	Organisations and Roles	Services & Programs	Methods of Financing	Status
	Informal economy – rural and urban	Social Health Insurance/Networking and Empowerment aims to build up the national health insurance scheme to support local self-help initiatives	<ul style="list-style-type: none"> • Health insurance • Health care 	<ul style="list-style-type: none"> • State and municipal subsidies to fund health cover for the poor 	The program intends to integrate all existing health insurance schemes for informal economy workers into one national scheme. Family is the basis for cover and not individual. Support from GTZ to develop services, administration and technology.
	Informal economy – workers on more formal contracts	Angono Credit and Development cooperative scheme targets small businesses for loan protection, mutual support and medical services.	<ul style="list-style-type: none"> • Capital loans to small business • Loan re-insurance • Life/disability. • Basic medical services • Pensions 	<ul style="list-style-type: none"> • Premiums • Fees 	Although the scheme is small and targeted at small business it is a viable micro-system that supports members with loans for business, housing repair, medical and education purposes.
Bangladesh	Informal economy – rural workers on casual piece-rate labour	Grameen Kalyan is a non-profit company that aims to promote health and preventative illness. It acts as a health care insurer & basic provider.	<ul style="list-style-type: none"> • Health insurance • Loans insurance • Life/disability Insurance 	<ul style="list-style-type: none"> • Fees • Subsidies provided through the Grameen Trust and profits from the full rate of service fees for non-poor 	The schemes are variable and have a range of prices for each scheme. Cost recovery is about 65% but increasing with membership encouraged through the associated Grameen Bank and its members.
Bolivia	Informal economy – urban poor and in some rural areas	Tomas Katari Polytechnic Institute has focus on education, production, organization and social activities.	<ul style="list-style-type: none"> • Basic health care 	<ul style="list-style-type: none"> • Premiums • Subsidies from non-state development agencies, donors and others. 	Due to its international subsidies it is not yet a sustainable micro-insurance scheme and current role is to expand access to health care services. Aims to gradually achieve sustainability.
South Africa	Informal economy – rural and urban	South African Old-age pensions is a non-contributory means tested benefit paid from general government revenue	<ul style="list-style-type: none"> • Periodical pension payment 	<ul style="list-style-type: none"> • State Funded from general taxation revenues (non funded mandate to local provinces) until 1999 guaranteed by the national government 	All South African social assistance now administered through one agency, Dept of Welfare. Pension is an important payment to poor households, although leakage and fraud is about 10% of payments. Payments in rural areas is outsourced using security firm with mobile ATM's
Tanzania	Informal economy – urban	Mutual Society for Health Care in the Informal Sector is an insurance scheme sponsored by ILO. It is self-funding, provides choice between govt, private providers & infrastructure.	<ul style="list-style-type: none"> • Primary health care, • Secondary and tertiary care at government centres 	<ul style="list-style-type: none"> • Contribution by members at single rate or family rate 	Care options for the various groups in the scheme were capitation, case payment and enterprise clinic. Control methods were emphasised and clearance for medical treatment that had to be obtained from the group leader. To be replaced by photographed ID cards. The scheme has been successful & sustainable, is internally managed & funded. The risk has been minimised by combining groups into larger groups each of about 400 members.

Annex 2 Samoa informal economy survey form

Version 18 August 2004

Administration notes for data collectors

The purpose of this survey is to provide initial mapping on the social security situation for informal and rural people. It aims to get a broad view of their current social security needs and views and their capacity or willingness to contribute to a scheme.

You should anticipate a limited understanding of social security by the respondents and you may have to spend a few minutes at the outset to set the scene with basic information. The suggested minimum briefing is shown below. This briefing should be supplemented with the additional information provided by your coordinator.

Your contact person	Name:	Mr Talaloasa Vili Matafeo	Telephone:	(685) 21 241
	Address:	Samoa National Provident Fund	Fax:	(685) 20 888
		PO Box 210, Apia, Samoa		

The ILO wishes to thank you for your assistance in completing this survey.

Suggested Minimum Briefing to Participants

Thank you for agreeing to participate in this survey

The purpose of the survey is to collect information that will be used to make proposals to the government on how it could be possible to extend social security entitlements to people in the community. This survey is anonymous and **no records of your personal information** that could identify you will be taken. The data will only be used by ILO in the form of statistics.

What is Social Security?

Social security is a system where people (men and women) can be insured against life events that result in loss or restriction in their income. This means that people make regular contributions to a fund and if they lose their income for a variety of reasons then they can receive payments or services from the fund. These programs aim to provide income support and other assistance to people in times of need. The types of life events that are usually covered for are:

- **Unemployment** – workers who are insured can receive some part of their previous salary for a limited period if they are laid off work through no fault of their own,
- **Maternity** – payments are made to insured female workers for part of the period they are off work before and after childbirth and also for medical treatment,
- **Illness and invalidity** – insured workers can receive part of their salary if they are temporarily sick and unable to work or receive longer term payments should they be unable to work again.,
- **Accident or death** – insured workers receive income and medical expenses if they have a work related accident and their families receive a lump sum payment in the event of their death,
- **Widows and sole parents** – can receive payments subject to being the partner of an insured worker or if their insurance premiums are covered by the government, and
- **Age** – where retired workers who have made a certain level of contribution to the fund can receive a regular pension payment to support them in old age.

Other types of support can be provided to assist in education, housing and to raise children. ***People who have paid their insurance*** can receive a certain level of assistance that has been determined by the administrators of the program. In most countries this is funded by small regular contributions from individuals, by employers and in some cases by the government. The funds are usually kept in trust for all of the contributors and the investment earned from the funds helps to improve the level of benefits people can receive. The principle is very much like the Samoa National Provident Fund but a social security scheme can provide a wider range of benefits than the SNPF does at the moment.

Your help will be invaluable in the aim to provide social security benefits to everyone.

John Angelini
Chief Technical Adviser

Mobile (679) 990 6665

Notes

1. Personal Information		2. Education		3. Farmers/Fisherman		4. Land area		Ignore for fisherman
Age	<input type="text"/>	None	<input type="checkbox"/>	Do you own your land/boat?	Yes / No	> 5 acres	<input type="checkbox"/>	
Married	<input type="checkbox"/>	Primary	<input type="checkbox"/>	How much rent do you pay?	\$ <input type="text"/> p.m.	1.0 – 5.0 acres	<input type="checkbox"/>	
Single	<input type="checkbox"/>	Secondary	<input type="checkbox"/>	Risk of being evicted/losing boat?		0.5 – 1.0 acres	<input type="checkbox"/>	
# of Dependents	<input type="text"/>	Tertiary	<input type="checkbox"/>	High <input type="checkbox"/> Small <input type="checkbox"/> None <input type="checkbox"/>		< 0.5 acres	<input type="checkbox"/>	
Sex	M <input type="checkbox"/> F <input type="checkbox"/>	Trade	<input type="checkbox"/>	Nature of Crops grown/fish caught	<input type="text"/>			

5. Employment Status		6. Occupation		7. Do you have insurance on crops/boats?		9. Why no Insurance cover or micro insurance?	
Self Employed	<input type="checkbox"/>	Fisherman	<input type="checkbox"/>	Yes	<input type="checkbox"/>		
Regular Employee	<input type="checkbox"/>	Farmer	<input type="checkbox"/>	No	<input type="checkbox"/>	Not available here	<input type="checkbox"/>
Casual worker	<input type="checkbox"/>	Home worker	<input type="checkbox"/>			Unable to get cover (risk)	<input type="checkbox"/>
Unpaid worker	<input type="checkbox"/>	Retail/market	<input type="checkbox"/>	Yes	<input type="checkbox"/>	Benefits not high enough	<input type="checkbox"/>
Employer <input type="checkbox"/> Employees <input type="checkbox"/>		Other	<input type="checkbox"/>	No	<input type="checkbox"/>	Unable to afford premium	<input type="checkbox"/>

10. Income Pattern		11. Which months do you earn most income?		12. Which months do you earn No income?	
How do you sell produce?		January	<input type="checkbox"/>	July	<input type="checkbox"/>
Market <input type="checkbox"/> Own Use <input type="checkbox"/>		February	<input type="checkbox"/>	August	<input type="checkbox"/>
Cooperative <input type="checkbox"/> Contract <input type="checkbox"/>		March	<input type="checkbox"/>	September	<input type="checkbox"/>
Direct sale <input type="checkbox"/> Barter <input type="checkbox"/>		April	<input type="checkbox"/>	October	<input type="checkbox"/>
% of Income is cash (rest goods & food)?		May	<input type="checkbox"/>	November	<input type="checkbox"/>
100 <input type="checkbox"/> 80 <input type="checkbox"/> 60 <input type="checkbox"/> 40 <input type="checkbox"/> 20 <input type="checkbox"/> <20 <input type="checkbox"/>		June	<input type="checkbox"/>	December	<input type="checkbox"/>

13. Do you receive regular income?		14. How do you pay costs then?		15. Annual Income – Self	
Yes / No		Gift from Family	<input type="checkbox"/>	> \$10,000 (200)	<input type="checkbox"/>
		Personal savings	<input type="checkbox"/>	\$5,001 – \$10,000 (100 – 200)	<input type="checkbox"/>
		Sell some assets	<input type="checkbox"/>	\$3,001 – \$5,000 (60 – 100)	<input type="checkbox"/>
		Borrow money	<input type="checkbox"/>	\$1,001 – \$3,000 (20 – 60)	<input type="checkbox"/>
		Assistance govt/NGO	<input type="checkbox"/>	< \$1,000 (20)	<input type="checkbox"/>
		Accumulate Debt	<input type="checkbox"/>		

17. Are you a member of a Social Security program?		18. What Social Security programs would do you need?		19. What is your priority order Social Security program?	
Work Injury	<input type="checkbox"/>	Work Injury	<input type="checkbox"/>	Work Injury	<input type="checkbox"/>
Health Insurance	<input type="checkbox"/>	Health Insurance	<input type="checkbox"/>	Health Insurance	<input type="checkbox"/>
Maternity	<input type="checkbox"/>	Maternity	<input type="checkbox"/>	Maternity	<input type="checkbox"/>
Aged/Retirement	<input type="checkbox"/>	Aged/Retirement	<input type="checkbox"/>	Aged/Retirement	<input type="checkbox"/>
Death/Life Insurance	<input type="checkbox"/>	Death/Life Insurance	<input type="checkbox"/>	Death/Life Insurance	<input type="checkbox"/>
Unemployment	<input type="checkbox"/>	Unemployment	<input type="checkbox"/>	Unemployment	<input type="checkbox"/>
Housing	<input type="checkbox"/>	Housing	<input type="checkbox"/>	Housing	<input type="checkbox"/>
Education Plan	<input type="checkbox"/>	Education Plan	<input type="checkbox"/>	Education Plan	<input type="checkbox"/>
NONE	<input type="checkbox"/>				

Mark as a number 1 to 8. # 1 top priority

20. Would you contribute to Social Insurance?Yes ☐ No ☐ Maybe ☐**22. Who should contribute for your Social Security?**

Individual (self)	<input type="checkbox"/>	Local community	<input type="checkbox"/>
Employer	<input type="checkbox"/>	Shared by all	<input type="checkbox"/>
Employer & Employee	<input type="checkbox"/>	Don't know	<input type="checkbox"/>
National Government	<input type="checkbox"/>	Other	<input type="checkbox"/>

21. Reason for not wishing to contribute?

No need – happy with family arrangements ☐

Cannot afford to contribute ☐

Benefits paid by schemes too low ☐

Don't trust administrators of schemes ☐

Don't provide services I need ☐

Not allowed to contribute ☐

Need more information to decide ☐

23. Without social security, who will look after you when you are unemployed, injured, sick, aged, etc?

Self ☐

Savings ☐

Family ☐

Government ☐

NGO/Church ☐

No one ☐

24. How much (per month) could you pay for Social Security?

> \$40 (10) ☐

\$31 – \$40 (7.50 – 10) ☐

\$21 – \$30 (4 – 7.50) ☐

\$11 – \$20 (2.50 – 5) ☐

< \$10 (2.50) ☐

Could not pay ☐

25. Do you have other micro loans?

Yes ☐

No ☐

26. Why no Micro loans?

Not available here ☐

Unable to get loan (collateral) ☐

Repayments too high ☐

Capital not high enough ☐

Unable to afford deposit ☐

27. Membership of Organizations

Rural cooperative ☐

Micro Insurance ☐

Provident Fund ☐

Health Insurance ☐

Youth or Church ☐

Other ☐

*This question to be completed by Data collector***28. Demographic Information**Name of town/village/location

Predominant enterprise in the area

Fishing	<input type="checkbox"/>	Subsistence farming	<input type="checkbox"/>
Services	<input type="checkbox"/>	Plantation	<input type="checkbox"/>
Mixed farming	<input type="checkbox"/>	Retail, market centre	<input type="checkbox"/>

Remote location Yes ☐ No ☐Built-up area Yes ☐ No ☐Approx size of local community (people) Approx distance to nearest large town ☐ Kms ☐ HoursInterviewer

Date / / 2004

Other comments or Feedback.

Instructions to Data Collectors

These instructors are intended to expand on the questions and to provide guidance on the meaning of the questions, their purpose and the rationale behind the reason for seeking the information. All enquiries should be directed to the survey supervisor and the details shown on page 1.

In the event that a question proves to provide inconclusive answers or the data not valid because of difficulties in estimations then the question may not be used in the analysis, however data collectors should endeavor to estimate as accurately as possible the responses from the person being interviewed.

It is important that you do not create an impression in the mind of the respondent that social security is going to happen!! At all times you should stress that this is a survey and these questions are only about what is possible not probable.

1. This question is basic person data, although the number of dependents could pose a problem to some people about whether dependents are children only or other dependents like parents etc. All dependents in the household should be included.
2. Education is the highest level of education achieved by the respondent.
3. This question is intended to identify the costs and risks of losing income. Rent is in \$ per month, it is clearly applicable to most villagers who will in some way or other be linked to the land or sea for livelihood.
4. For small farmers the land area will indicate the degree of capacity to earn a living. Whilst it may not be immediately apparent we may be able to link income with land size to determine how poor or otherwise a small farmer may be.
5. The employment status seeks to identify broad occupation status only and the last question identifies whether the person is an employer and if so, how many employees he has. This may establish that an employer/employee relationship exists and together with income the potential for compulsory contribution to the provident fund.
6. Whilst there are a number of possibilities the most likely are in these areas for informal economy workers, once again the link to land or sea may be inferred from the data. It is likely that some people may be subsistence workers on both fishing and farming and response 3 fish/farmer would be the most appropriate.
7. Insurance on crop or boats is probably unlikely but it is essential that the question is asked.
8. Other micro-insurance may include village loans for welfare related purposes like death benefit programs, health care etc. This is different to micro loans used for development, machinery and other purposes. This is asked in Q 26.
9. The four most likely reasons for not having insurance are provided here and the respondents may identify with more than one but obviously if micro insurance is not available in the area then the first option is correct and the others irrelevant. The last 3 choices only apply if micro insurance is available in the area.

10. Income pattern has a number of choices which could be multiple, you should try to identify which is the greatest value and mark that. i.e. if own use and market are both options then you need to select the one which represents the greatest value. The second part, % of income in cash is the most difficult but respondents need to be able to apply a value to their in-kind consumption. You should not get too hung up on an answer as this is a very subjective answer but if a value can be stated by the respondent then using the local typical mean income may be used to best guess the % of income in cash.
11. For subsistence farmers they may identify all months where they get most income so you should check all months, although it is most likely that some months are going to be more difficult than others. This response could identify the periods where people may need most assistance or in conjunction with Q12 could indicate when contributions could most likely be made.
12. As above
13. This follows on from Q12 to identify the regularity of income; and
14. You should try to select the most frequent option of the options presented. This will assist in the identification of the local community options and by the frequency of answers how strong they are.
15. The annual income of the individual may present some problems particularly where the income is not all cash. Therefore the answers derived in Q10 about income patterns may assist with this response also. Once again this question is likely to be a best guess particularly for subsistence farmers.
16. This is the household income although we have titled it family income. You need to try to get an estimate of the income about other members of the family if known by the respondent.
17. Whilst the responses appear technical you can use simplified versions for the respondent, by phrasing the question in terms of benefits for “loss of job”, “support payments if you are sick” instead of unemployment benefit or sickness benefit.
18. The discussion in Q18 also applies to this question.
19. The priority is the final in this trio of questions and we are trying to find out here what the person feels are the most important needs for their own situation. You may not go right down the list as some people may only consider two or three important. However it would be useful if they could rate as many as possible.
20. This question needs to be explained carefully so the respondent understands what social insurance means. We need to explain the principle that if they contributed a regular amount to the scheme then they are current members and if one of the events they are insured for (e.g. sickness) occurs then they can be paid the benefit in accordance with the terms of the scheme. If they answer no then you need to go to Q22. If they answer yes go to Q 23.
21. This question is only relevant for those who indicated in Q21 that they would not be prepared to contribute to a social insurance scheme.
22. This provides options for respondents to indicate who should be responsible for their personal social security, i.e. who should be pay for their benefits as opposed to who should deliver the benefits. The purpose of this question is to find out who they think should und the schemes that will provide their social security benefits.

Annexes

23. In this question we need to try to find out who provides for their benefits now and who will look after them in the event of the typical loss of income events like unemployment, sickness, invalidity, age etc
24. This is a hypothetical in that we need to suggest that in spite of what has been said up to date if they had to pay for their social insurance, how much could they or would they afford to pay. You may well have to suggest that they would not have to decide this until a range of services was available. We need to ask them to assume that there were a range of services available and no one else was going to pay for them.
25. This is about micro loans, not micro insurance, for savings for any purpose and not loans for social security. Micro loans might be for development, crop improvement, housing etc.
26. Once again this question is for those who answer no to the previous Q. Here we are trying to find out why they don't have a micro loan, of course if they identify with the first option "no loans available here" then that is obviously the prime answer.
27. Membership of organisations may assist in the consideration of providing micro-insurance/loans where group based membership and collections have proven to be the most successful.
28. This question is for data collectors to complete to provide us with some demographic and physical characteristics of the area in which the respondent lives.

Annex 3 Samoa formal employment sector survey form

Notice to survey participants

Thank you for agreeing to participate in this survey

The purpose of this survey is to provide information about the social security situation for people in the paid workforce. It aims to get a broad view of their current social security cover, their needs and views and their capacity or willingness to contribute to an extended scheme.

The information will be used to make proposals to the government and to the SNPF on how it could be possible to extend social security entitlements to people in the paid workforce. This survey is anonymous and **no records of your personal information** that could identify you will be taken. The data will only be used by ILO in the form of statistics.

What is Social Security?

Social security is a system where people (men and women) can be insured against life cycle events that result in loss or restriction in their income. This means that people make regular contributions to a fund and if they lose their income for a variety of reasons then they may receive payments from the fund. These programs aim to provide income support and other assistance to people in times of need. The types of life cycle events that are usually covered for are:

- **Unemployment** – workers who are insured can receive some part of their previous salary for a limited period if they are laid off from work through no fault of their own,
- **Maternity** – payments are made to insured female workers for part of the period they are off work before and after childbirth. The benefits often include cover for medical costs due to childbirth.
- **Illness** – insured workers can receive part of their salary if they are temporarily sick and unable to work or receive longer term payments should they be unable to work again,
- **Invalidity or disability**– insured workers can receive longer term payments (usually pensions) if they are permanently incapacitated and unable to work again,
- **Accident or death** – insured workers receive income and medical expenses if they have a work related accident and their families receive a lump sum payment in the event of their death,
- **Widows and sole parents** – can receive payments subject to being the partner of an insured worker or if their insurance premiums are covered by the government, and
- **Age** – where retired workers who have made a certain level of contribution to the fund can receive a regular pension payment to support them in old age.

Other types of support can be provided to assist in education, housing and to raise children. ***People who have paid their insurance*** can receive a certain level of assistance that has been determined by the administrators of the program. In most countries this is funded by small regular contributions from individuals, by employers and in some cases by the government. The funds are usually kept in trust for all of the contributors and the investment earned from the funds helps to improve the level of benefits people can receive. The principle is very much like the Samoa National Provident Fund but a social security scheme can provide a wider range of benefits than the SNPF does at the moment.

Your help will be invaluable in the aim to provide social security benefits to everyone.

The ILO wishes to thank you for your assistance in completing this survey.

If you would like further information or wish to discuss any issues relating to this survey or the project please contact

Name: Mr. Uili Matafeo

Telephone: 21241

1. Your personal informationAge

Sex Male / Female.

Married ☐Single ☐Number of Dependents.... **2. What is the highest education standard you have achieved?**None ☐Primary ☐Secondary . ☐Tertiary ☐Trade ☐**3. What are the terms of your current employment?**Self Employed ☐Regular full-time employee ☐Regular part-time employee ... ☐Casual worker ☐**4. Are you employed in the private or public sector?**Public Sector ☐Private Sector ☐**5. What is your occupation?**Legislators, senior officials, managers ☐Professionals ☐Technicians and associated professionals ☐Clerks ☐Workers in services, shops, market sales ☐Skilled agricultural and fishery workers ☐Plant and machine operators, assemblers ☐Elementary occupations/semi skilled ☐Other (please specify) ☐**6. What is your gross annual income?**> \$10,000 (200) ☐\$5,001 – \$10,000 (100 – 200) ☐\$3,001 – \$5,000 (60 – 100) ☐\$1,001 – \$3,000 (20 – 60) ☐< \$1,000 (20) ☐

The SNPF currently provides social security benefits for age retirement, disability and for survivors in the event of the death of a member. Under certain conditions you may be able to get other benefits such as small loans, housing pledges, medical and education.

Other types of social insurance can provide benefits to replace income that has been lost through

- **Unemployment** – workers who are insured can receive some part of their previous salary for a limited period if they are laid off from work through no fault of their own,
- **Maternity** – payments are made to insured female workers for part of the period they are off work before and after childbirth. The benefits often include cover for medical costs due to childbirth.
- **Illness and invalidity** – insured workers can receive part of their salary if they are temporarily sick and unable to work or receive longer term payments should they be unable to work again.,
- **Accident or death** – insured workers receive income and medical expenses if they have a work related accident and their families receive a lump sum payment in the event of their death, and
- **Widows and sole parents** – can receive payments subject to being the partner of an insured worker or if their insurance premiums are covered by the government.

7. Are you a current member of the SNPF?Yes ☐No ☐**8. Do you have social security cover for any of the following events?**When you are unemployed..... ☐For maternity and childbirth ☐Temporary sickness..... ☐Permanent injury or death..... ☐Workplace accidents or death ☐Age retirement ☐Income support if you lose your partner ... ☐Education support for your children ☐Health insurance for you and your family .. ☐

9. Which of these social security services do you need?

- Income when you are unemployed ☐
- For maternity and childbirth ☐
- Temporary sickness..... ☐
- Permanent injury or death..... ☐
- Workplace accidents or death ☐
- Age retirement ☐
- Income support if you lose your partner ☐
- Education support for your children ☐
- Health insurance for you and your family.. ☐

10. Please list your needs in priority order (1 to 8), the most important being 1 and least important need being 8.

- Income when you are unemployed ☐
- For maternity and childbirth ☐
- Temporary sickness..... ☐
- Permanent injury or death..... ☐
- Workplace accidents or death ☐
- Age retirement ☐
- Income support if you lose your partner ☐
- Education support for your children ☐
- Health insurance for you and your family .. ☐

11. Who will look after you if you do not have these additional social security programs?

- Self ☐
- Savings ☐
- Family ☐
- Government ☐
- Religious group . ☐
- Non government organisation..... ☐
- No one ☐

Date / / 2005

12. Who should contribute for your social

insurance or social security?

- Individual (self) ☐ Shared by all ... ☐
- Employer ☐ Don't know ☐
- Government ☐ Other ☐
- (please specify)

13. Would you contribute for additional social security coverage for all of some of your priority needs?

Yes ☐ No ☐ Maybe ☐

14. If you are not prepared to contribute please indicate the reasons.

- No need – happy with family arrangements ☐
- Cannot afford to contribute ☐
- Benefits paid by schemes too low ☐
- Don't trust administrators of schemes ☐
- Don't provide services I need ☐
- Not allowed to contribute ☐

15. If you had no other options but to contribute for additional social insurance, how much per month could you contribute?

- > \$40 (10) ☐
- \$31 – \$40 (7.50 – 10) ☐
- \$21 – \$30 (4 – 7.50) ☐
- \$11 – \$20 (2.50 – 5) ☐
- < \$10 (2.50) ☐
- Could not pay ☐

Other comments you would like to make

Thank you for taking part in the survey

Annex 4 Statistics

Table A4.1 Gross domestic product of Samoa 2000-2004

GDP	2000	2001	2002	2003	2004
At Current Prices (WST Million)	761.6	834.0	885.0	947.9	1042.4
At constant 2002 Prices	891.3	874.4	885.0	914.6	948.2
Real Annual Growth	6.1%	6.8%	1.2%	3.3%	3.7%

Source: Ministry of Finance

Table A4.2 Merchandise trade balance (WST million)

Year	Exports fob	Imports cif	Balance
1995/1996	26.047	248.780	-222.733
1996/1997	30.501	254.535	-224.034
1997/1998	49.619	250.407	-200.786
1998/1999	47.858	345.956	-298.098
1999/2000	53.157	314.135	-260.978
2000/2001	49.851	412.937	-363.086
2001/2002	49.656	465.037	-414.381
2002/2003	41.343	423.669	-382.326
2003/2004	40.844	425.281	-384.437

Source: Central Bank of Samoa

Table A3.3 Balance of payments in million tala

Payment type	2003	2004
Merchandise trade net	-335.81	-402.28
Services Net	134.47	106.77
Household Transfers received	162.31	170.03
Household Transfers paid	-24.15	-27.88
Charitable Transfers received	53.32	73.19
Charitable Transfers paid	0.00	-1.48
Official Transfers received	3.70	51.37
Official transfers paid	0.00	-14.19
Current Account Balance	-1.26	-61.62

Source: Central Bank of Samoa

Table A4.4 Government accounts

Item	2003/04	2004/5	2005/06
	Actual	Budget	Budget
Current Expenditure			
General Services	70.6	78.6	88.7
Social Services	100.1	101.1	103.6
Economic Services	46.4	47.1	48.1
Less VAGST paid by Govt	-18.4	-17.7	-8.3
Interest on Public Debt	5.1	4.7	5.3
Other	0.7	12.8	30.5
Total Current Spending	204.5	241.2	272.8
<i>Of which</i>			
Education	50.9	52.0	54.5
Health	37.7	37.6	35.1
Senior Citizens Pension	11.5	11.5	14.0
Total Revenue	246.5	268.0	286.3
External Grants	71.2	241.4	71.8
Total Revenue plus Grants	317.7	509.4	358.1
Capital and Development Expenditure	122.1	276.7	129.4
Current Surplus or Deficit	42.0	26.7	13.5
Overall Surplus or Deficit	-8.9	-8.5	-44.3

Source: Ministry of Finance (except Capital and Development Expenditure estimate)

Note: The figure for Capital and Development Expenditure is an estimate derived by the consultant by deducting current expenditure from total expenditure. Total Expenditure in turn was derived by adding the overall deficit to the total of revenue and grants. This procedure may omit some loan financed activity.

It should also be noted that the 2004/05 expenditure situation is unusual because of the expenditure impact of the Pacific Games.

Annex 5 Exogenous assumptions for SNPF health schemes

FORWARD ESTIMATES

Report	Assumptions-Exogenous										
Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Admission Rate	Average-Country	7.94%	7.99%	8.05%	8.10%	8.15%	8.20%	8.26%	8.31%	8.36%	8.42%
Contributor Population	Membership Growth Rate		1%	1%	1%	1%	1%	1%	1%	1%	1%
Average growth rate of OVT Claims	Average	0%	0%	0%	0%	10%	10%	10%	5%	5%	5%
Average Number of Dependents per Contributor	Average-SNPF pool	4	4	4	4	4	4	4	4	4	4
Average Return on Investment per annum	Average rate of return		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Average Wages	Nominal Wage Growth rate per annum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Average Length of Stay	Public Hospitals	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
	Private Hospitals	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Growth rate of hospital service use (combined ageing and other effects)	Average per annum	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%
Occupancy Level	Private Hospitals	75%	75%	75%	80%	80%	80%	80%	80%	80%	80%
Average user charge per admission	Private Hospitals	\$ 2,000	\$ 2,100	\$ 2,205	\$ 2,315	\$ 2,431	\$ 2,553	\$ 2,680	\$ 2,814	\$ 2,955	\$ 3,103
Growth of Average user charge per admission per year	Private Hospitals		5%	5%	5%	5%	5%	5%	5%	5%	5%
Share of Private Admissions by Income Band	0-5000	1.00%	1.00%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	5001-10000	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	10001-15000	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
	15001-20000	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
	20001+	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
Annual Population Growth Rate	Average		1.60%	1.59%	1.58%	1.57%	1.56%	1.55%	1.54%	1.53%	1.52%
Annual price rise of user charge per bed day	Public Hospital		5%	5%	5%	5%	5%	5%	5%	5%	5%

Annex 6 Policy assumptions for SNPF health schemes

Report	Assumptions-Policy										
Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MediSave Contribution Rate											
	MediSave Rate	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
MedInsure Contribution Rate											
	0-5000	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%
	5001-10000	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
	10001-15000	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%
	15001-20000	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
	20001+	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
	Weighted Average	25.36%	25.36%	25.36%	25.36%	25.35%	25.35%	25.35%	25.35%	25.35%	25.35%
OVT Premium per Capita											
	0-5000	\$ 5.00	\$ 5.25	\$ 5.51	\$ 5.79	\$ 6.08	\$ 6.38	\$ 6.70	\$ 7.04	\$ 7.39	\$ 7.76
	5001-10000	\$ 7.00	\$ 7.35	\$ 7.72	\$ 8.10	\$ 8.51	\$ 8.93	\$ 9.38	\$ 9.85	\$ 10.34	\$ 10.86
	10001-15000	\$ 8.00	\$ 8.40	\$ 8.82	\$ 9.26	\$ 9.72	\$ 10.21	\$ 10.72	\$ 11.26	\$ 11.82	\$ 12.41
	15001-20000	\$ 10.00	\$ 10.50	\$ 11.03	\$ 11.58	\$ 12.16	\$ 12.76	\$ 13.40	\$ 14.07	\$ 14.77	\$ 15.51
	20001+	\$ 12.00	\$ 12.60	\$ 13.23	\$ 13.89	\$ 14.59	\$ 15.32	\$ 16.08	\$ 16.89	\$ 17.73	\$ 18.62
OVT Premiums											
	Premium Price Growth		5%	5%	5%	5%	5%	5%	5%	5%	5%
Growth rate of Budgetary Appropriations for Public Hospitals											
	Annual Average	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Annual price adjustment											
	Per benefit case (admission)		4%	4%	4%	4%	4%	4%	4%	4%	4%
Contracted Amount as percent of Break-even											
	Average per case	90%	93%	95%	98%	100%	103%	105%	108%	111%	114%
Contracted Amount of payment per case											
	Average per case	\$ 535	\$ 556	\$ 579	\$ 602	\$ 626	\$ 651	\$ 677	\$ 704	\$ 732	\$ 761
Waiting period for OVT benefits											
	Years	3	3	3	3	3	3	3	3	3	3
OVT Benefit Limits per member											
	Amount	\$15,000	\$15,000	\$15,000	\$15,750	\$16,538	\$17,364	\$18,233	\$19,144	\$20,101	\$21,107
Annual Rise of OVT Benefit Limits											
	Average		0%	0%	5%	5%	5%	5%	5%	5%	5%
Growth Rate of Private Beds											
	Average		0%	0%	10%	10%	10%	10%	10%	10%	10%
User Charge per Bed Day											
	Public Hospital	\$ 12.00	\$ 12.60	\$ 13.23	\$ 13.89	\$ 14.59	\$ 15.32	\$ 16.08	\$ 16.89	\$ 17.73	\$ 18.62

Annex 7 Population estimates

Report	Population
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Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Contributor Population											
	0-5000	5,806	5,864	5,922	5,981	6,040	6,100	6,161	6,222	6,284	6,346
	5001-10000	5,609	5,665	5,721	5,778	5,835	5,893	5,951	6,010	6,070	6,130
	10001-15000	2,727	2,754	2,781	2,808	2,836	2,864	2,892	2,920	2,949	2,978
	15001-20000	1,447	1,461	1,475	1,489	1,503	1,518	1,533	1,548	1,563	1,578
	20001+	2,516	2,541	2,566	2,591	2,616	2,642	2,668	2,694	2,720	2,747
	Total	18,105	18,285	18,465	18,647	18,830	19,017	19,205	19,394	19,586	19,779
Contributor Population-Shares by Income Band											
	0-5000	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%
	5001-10000	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%
	10001-15000	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
	15001-20000	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
	20001+	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total Population											
	Total	183,989	186,932	189,904	192,904	195,932	198,988	202,072	205,183	208,322	211,488
Total SNPF Health Membership											
	Total Membership	72,420	73,140	73,860	74,588	75,320	76,068	76,820	77,576	78,344	79,116
SNPF Health Insurance Coverage											
	Average	39%	39%	39%	39%	38%	38%	38%	38%	38%	37%

Annex 8 Salary and wages

Report	Salaries and Wages
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Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Wages											
	0-5000	\$ 18,766,963	\$ 19,333,528	\$ 19,915,248	\$ 20,515,934	\$ 21,132,681	\$ 21,769,461	\$ 22,426,898	\$ 23,101,926	\$ 23,798,771	\$ 24,514,249
	5001-10000	\$ 40,695,510	\$ 41,923,849	\$ 43,185,042	\$ 44,487,614	\$ 45,825,014	\$ 47,206,126	\$ 48,624,152	\$ 50,088,351	\$ 51,600,169	\$ 53,152,424
	10001-15000	\$ 33,101,413	\$ 34,097,732	\$ 35,120,664	\$ 36,170,875	\$ 37,262,184	\$ 38,382,677	\$ 39,533,085	\$ 40,714,157	\$ 41,940,880	\$ 43,200,386
	15001-20000	\$ 24,886,457	\$ 25,629,783	\$ 26,392,887	\$ 27,176,264	\$ 27,980,418	\$ 28,824,857	\$ 29,691,881	\$ 30,582,057	\$ 31,495,963	\$ 32,434,192
	20001+	\$ 106,507,110	\$ 109,716,716	\$ 113,012,103	\$ 116,395,420	\$ 119,868,864	\$ 123,481,426	\$ 127,190,542	\$ 130,998,631	\$ 134,908,167	\$ 138,972,275
	Total	\$ 223,957,453	\$ 230,701,607	\$ 237,625,945	\$ 244,746,106	\$ 252,069,161	\$ 259,664,546	\$ 267,466,559	\$ 275,485,121	\$ 283,743,949	\$ 292,273,526

Average Wages											
	0-5000	\$ 3,232	\$ 3,297	\$ 3,363	\$ 3,430	\$ 3,499	\$ 3,569	\$ 3,640	\$ 3,713	\$ 3,787	\$ 3,863
	5001-10000	\$ 7,255	\$ 7,401	\$ 7,549	\$ 7,699	\$ 7,853	\$ 8,011	\$ 8,171	\$ 8,334	\$ 8,501	\$ 8,671
	10001-15000	\$ 12,138	\$ 12,381	\$ 12,629	\$ 12,881	\$ 13,139	\$ 13,402	\$ 13,670	\$ 13,943	\$ 14,222	\$ 14,507
	15001-20000	\$ 17,199	\$ 17,543	\$ 17,893	\$ 18,251	\$ 18,616	\$ 18,989	\$ 19,368	\$ 19,756	\$ 20,151	\$ 20,554
	20001+	\$ 42,332	\$ 43,179	\$ 44,042	\$ 44,923	\$ 45,821	\$ 46,738	\$ 47,673	\$ 48,626	\$ 49,599	\$ 50,591
	Average for All Bands	\$ 12,370	\$ 12,617	\$ 12,869	\$ 13,125	\$ 13,387	\$ 13,654	\$ 13,927	\$ 14,205	\$ 14,487	\$ 14,777

Share of Wages by Income Band											
	0-5000	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
	5001-10000	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
	10001-15000	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
	15001-20000	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
	20001+	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note that the income band for 15,001-20,000 graduates to 15,001-21,000 after year 2014 at the current rate of average wage growth. As the average wage for the next band 20,001+ starts at 42,332 it would be more proper to label the two bands as 15,001-21,000 and 21,001+. The current labelling is kept intact as per the data provided.

Annex 9 Estimates for SNPF health schemes

Report	SNPF-Health Schemes
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Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MediSave Contributions per Account-Annual											
	0-5000	\$ 194	\$ 198	\$ 202	\$ 206	\$ 210	\$ 214	\$ 218	\$ 223	\$ 227	\$ 232
	5001-10000	\$ 435	\$ 444	\$ 453	\$ 462	\$ 471	\$ 481	\$ 490	\$ 500	\$ 510	\$ 520
	10001-15000	\$ 728	\$ 743	\$ 758	\$ 773	\$ 788	\$ 804	\$ 820	\$ 837	\$ 853	\$ 870
	15001-20000	\$ 1,032	\$ 1,053	\$ 1,074	\$ 1,095	\$ 1,117	\$ 1,139	\$ 1,162	\$ 1,185	\$ 1,209	\$ 1,233
	20001+	\$ 2,540	\$ 2,591	\$ 2,643	\$ 2,695	\$ 2,749	\$ 2,804	\$ 2,860	\$ 2,918	\$ 2,976	\$ 3,035
	Average	\$ 742	\$ 757	\$ 772	\$ 788	\$ 803	\$ 819	\$ 836	\$ 852	\$ 869	\$ 887
MediSave Contributions Total											
	0-5000	\$ 1,126,018	\$ 1,160,012	\$ 1,194,915	\$ 1,230,956	\$ 1,267,961	\$ 1,306,168	\$ 1,345,614	\$ 1,386,116	\$ 1,427,926	\$ 1,470,855
	5001-10000	\$ 2,441,731	\$ 2,515,431	\$ 2,591,103	\$ 2,669,257	\$ 2,749,501	\$ 2,832,368	\$ 2,917,449	\$ 3,005,301	\$ 3,096,010	\$ 3,189,145
	10001-15000	\$ 1,986,085	\$ 2,045,864	\$ 2,107,240	\$ 2,170,252	\$ 2,235,731	\$ 2,302,961	\$ 2,371,985	\$ 2,442,849	\$ 2,516,453	\$ 2,592,023
	15001-20000	\$ 1,493,187	\$ 1,537,787	\$ 1,583,573	\$ 1,630,576	\$ 1,678,825	\$ 1,729,491	\$ 1,781,513	\$ 1,834,923	\$ 1,889,758	\$ 1,946,051
	20001+	\$ 6,390,427	\$ 6,583,003	\$ 6,780,726	\$ 6,983,725	\$ 7,192,132	\$ 7,408,886	\$ 7,631,433	\$ 7,859,918	\$ 8,094,490	\$ 8,338,337
	Total	\$13,437,447	\$13,842,096	\$14,257,557	\$14,684,766	\$15,124,150	\$15,579,873	\$16,047,994	\$16,529,107	\$17,024,637	\$17,536,412
MedInsure Pool-Annual Revenue											
	0-5000	\$ 191,423	\$ 197,202	\$ 203,136	\$ 209,263	\$ 215,553	\$ 222,048	\$ 228,754	\$ 235,640	\$ 242,747	\$ 250,045
	5001-10000	\$ 488,346	\$ 503,086	\$ 518,221	\$ 533,851	\$ 549,900	\$ 566,474	\$ 583,490	\$ 601,060	\$ 619,202	\$ 637,829
	10001-15000	\$ 436,939	\$ 450,090	\$ 463,593	\$ 477,456	\$ 491,861	\$ 506,651	\$ 521,837	\$ 537,427	\$ 553,620	\$ 570,245
	15001-20000	\$ 373,297	\$ 384,447	\$ 395,893	\$ 407,644	\$ 419,706	\$ 432,373	\$ 445,378	\$ 458,731	\$ 472,439	\$ 486,513
	20001+	\$ 1,917,128	\$ 1,974,901	\$ 2,034,218	\$ 2,095,118	\$ 2,157,640	\$ 2,222,666	\$ 2,289,430	\$ 2,357,975	\$ 2,428,347	\$ 2,501,501
	Total	\$ 3,407,133	\$ 3,509,726	\$ 3,615,060	\$ 3,723,331	\$ 3,834,660	\$ 3,950,212	\$ 4,068,889	\$ 4,190,833	\$ 4,316,356	\$ 4,446,133
MedInsure Break-even level of payment per case											
	Average per case	\$ 593	\$ 600	\$ 609	\$ 617	\$ 625	\$ 633	\$ 642	\$ 650	\$ 659	\$ 668

Estimates for SNPF Health Schemes-Continued...

Report	SNPF-Health Schemes
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Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
OVT Premiums											
	0-5000	\$ 116,120	\$ 123,144	\$ 130,580	\$ 138,475	\$ 146,833	\$ 155,706	\$ 165,127	\$ 175,100	\$ 185,687	\$ 196,895
	5001-10000	\$ 157,052	\$ 166,551	\$ 176,607	\$ 187,285	\$ 198,589	\$ 210,592	\$ 223,297	\$ 236,787	\$ 251,108	\$ 266,270
	10001-15000	\$ 87,264	\$ 92,534	\$ 98,114	\$ 104,020	\$ 110,310	\$ 116,969	\$ 124,018	\$ 131,479	\$ 139,425	\$ 147,835
	15001-20000	\$ 57,880	\$ 61,362	\$ 65,048	\$ 68,948	\$ 73,076	\$ 77,496	\$ 82,175	\$ 87,128	\$ 92,371	\$ 97,920
	20001+	\$ 120,768	\$ 128,066	\$ 135,793	\$ 143,972	\$ 152,629	\$ 161,853	\$ 171,618	\$ 181,955	\$ 192,897	\$ 204,552
	Total	\$ 539,084	\$ 571,658	\$ 606,141	\$ 642,700	\$ 681,437	\$ 722,615	\$ 766,235	\$ 812,449	\$ 861,487	\$ 913,472

Average MedInsure Contribution per member

	0-5000	\$ 33	\$ 34	\$ 34	\$ 35	\$ 36	\$ 36	\$ 37	\$ 38	\$ 39	\$ 39
	5001-10000	\$ 87	\$ 89	\$ 91	\$ 92	\$ 94	\$ 96	\$ 98	\$ 100	\$ 102	\$ 104
	10001-15000	\$ 160	\$ 163	\$ 167	\$ 170	\$ 173	\$ 177	\$ 180	\$ 184	\$ 188	\$ 191
	15001-20000	\$ 258	\$ 263	\$ 268	\$ 274	\$ 279	\$ 285	\$ 291	\$ 296	\$ 302	\$ 308
	20001+	\$ 762	\$ 777	\$ 793	\$ 809	\$ 825	\$ 841	\$ 858	\$ 875	\$ 893	\$ 911
	Weighted Average	\$ 188	\$ 192	\$ 196	\$ 200	\$ 204	\$ 208	\$ 212	\$ 216	\$ 220	\$ 225

Total Prepayments (MedInsure and OVT)

	0-5000	\$ 307,543	\$ 320,346	\$ 333,716	\$ 347,738	\$ 362,387	\$ 377,755	\$ 393,881	\$ 410,739	\$ 428,434	\$ 446,940
	5001-10000	\$ 645,398	\$ 669,637	\$ 694,828	\$ 721,137	\$ 748,490	\$ 777,065	\$ 806,787	\$ 837,847	\$ 870,310	\$ 904,099
	10001-15000	\$ 524,203	\$ 542,624	\$ 561,706	\$ 581,475	\$ 602,170	\$ 623,620	\$ 645,855	\$ 668,906	\$ 693,044	\$ 718,080
	15001-20000	\$ 431,177	\$ 445,809	\$ 460,941	\$ 476,592	\$ 492,783	\$ 509,869	\$ 527,553	\$ 545,859	\$ 564,810	\$ 584,433
	20001+	\$ 2,037,896	\$ 2,102,967	\$ 2,170,011	\$ 2,239,089	\$ 2,310,268	\$ 2,384,519	\$ 2,461,048	\$ 2,539,930	\$ 2,621,244	\$ 2,706,053
	Total	\$ 3,946,217	\$ 4,081,384	\$ 4,221,201	\$ 4,366,030	\$ 4,516,097	\$ 4,672,827	\$ 4,835,123	\$ 5,003,281	\$ 5,177,842	\$ 5,359,605

Average Prepayment per Contributor (MedInsure and OVT)

	0-5000	\$ 53	\$ 55	\$ 56	\$ 58	\$ 60	\$ 62	\$ 64	\$ 66	\$ 68	\$ 70
	5001-10000	\$ 115	\$ 118	\$ 121	\$ 125	\$ 128	\$ 132	\$ 136	\$ 139	\$ 143	\$ 147
	10001-15000	\$ 192	\$ 197	\$ 202	\$ 207	\$ 212	\$ 218	\$ 223	\$ 229	\$ 235	\$ 241
	15001-20000	\$ 298	\$ 305	\$ 313	\$ 320	\$ 328	\$ 336	\$ 344	\$ 353	\$ 361	\$ 370
	20001+	\$ 810	\$ 828	\$ 846	\$ 864	\$ 883	\$ 903	\$ 922	\$ 943	\$ 964	\$ 985
	Average	\$ 218	\$ 223	\$ 229	\$ 234	\$ 240	\$ 246	\$ 252	\$ 258	\$ 264	\$ 271

Average Prepayment (MedInsure and OVT) as % of Salary Earnings

	0-5000	1.64%	1.66%	1.68%	1.69%	1.71%	1.74%	1.76%	1.78%	1.80%	1.82%
	5001-10000	1.59%	1.60%	1.61%	1.62%	1.63%	1.65%	1.66%	1.67%	1.69%	1.70%
	10001-15000	1.58%	1.59%	1.60%	1.61%	1.62%	1.62%	1.63%	1.64%	1.65%	1.66%
	15001-20000	1.73%	1.74%	1.75%	1.75%	1.76%	1.77%	1.78%	1.78%	1.79%	1.80%
	20001+	1.91%	1.92%	1.92%	1.92%	1.93%	1.93%	1.93%	1.94%	1.94%	1.95%
	Average	1.76%	1.77%	1.78%	1.78%	1.79%	1.80%	1.81%	1.82%	1.82%	1.83%

Annex 10 Service use estimates for SNPF health schemes

Report	Service Use										
Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Number of Admissions											
	Public Hospitals	14,613	14,943	15,279	15,621	15,970	16,324	16,685	17,052	17,425	17,805
	Private Hospitals	1,564	1,564	1,564	1,835	2,002	2,169	2,336	2,502	2,753	3,003
	Total	16,177	16,507	16,843	17,456	17,972	18,493	19,021	19,554	20,178	20,808
SNPF Members' Total Admissions											
	Public Hospitals	4,551	4,628	4,702	4,780	4,839	4,918	5,000	5,082	5,164	5,252
	Private Hospitals	1,198	1,217	1,238	1,258	1,298	1,319	1,341	1,362	1,386	1,407
	Total	5,749	5,845	5,940	6,038	6,137	6,237	6,341	6,444	6,550	6,659
Public Admissions-By Income Band											
	0-5000	1,826	1,857	1,886	1,918	1,930	1,961	1,994	2,027	2,060	2,095
	5001-10000	1,692	1,721	1,749	1,778	1,807	1,837	1,867	1,898	1,929	1,961
	10001-15000	563	572	582	591	601	611	621	631	641	652
	15001-20000	230	234	237	241	245	249	253	257	261	266
	20001+	240	244	248	252	256	260	265	269	273	278
	Total	4,551	4,628	4,702	4,780	4,839	4,918	5,000	5,082	5,164	5,252
Puplic Admissions Admission Rate											
	0-5000	7.86%	7.92%	7.96%	8.02%	7.99%	8.04%	8.09%	8.14%	8.20%	8.25%
	5001-10000	7.54%	7.59%	7.64%	7.69%	7.74%	7.79%	7.84%	7.90%	7.94%	8.00%
	10001-15000	5.16%	5.19%	5.23%	5.26%	5.30%	5.33%	5.37%	5.40%	5.43%	5.47%
	15001-20000	3.97%	4.00%	4.02%	4.05%	4.08%	4.10%	4.13%	4.15%	4.17%	4.21%
	20001+	2.38%	2.40%	2.42%	2.43%	2.45%	2.46%	2.48%	2.50%	2.51%	2.53%
	Weighted Average	6.28%	6.33%	6.37%	6.41%	6.42%	6.47%	6.51%	6.55%	6.59%	6.64%
Private Admissions-by Income Band											
	0-5000	18	18	19	19	39	40	40	41	42	42
	5001-10000	89	90	92	93	95	96	98	99	101	103
	10001-15000	303	308	313	318	323	328	334	339	345	350
	15001-20000	229	233	237	241	245	249	253	257	261	265
	20001+	559	568	577	587	596	606	616	626	637	647
	Total	1,198	1,217	1,238	1,258	1,298	1,319	1,341	1,362	1,386	1,407
Private Hospital Admissions Rate											
	0-5000	0.08%	0.08%	0.08%	0.08%	0.16%	0.16%	0.16%	0.16%	0.17%	0.17%
	5001-10000	0.40%	0.40%	0.40%	0.40%	0.41%	0.41%	0.41%	0.41%	0.42%	0.42%
	10001-15000	2.78%	2.80%	2.81%	2.83%	2.85%	2.86%	2.89%	2.90%	2.92%	2.94%
	15001-20000	3.96%	3.99%	4.02%	4.05%	4.08%	4.10%	4.13%	4.15%	4.17%	4.20%
	20001+	5.55%	5.59%	5.62%	5.66%	5.70%	5.73%	5.77%	5.81%	5.85%	5.89%
	Weighted Average	1.65%	1.66%	1.68%	1.69%	1.72%	1.73%	1.75%	1.76%	1.77%	1.78%

Service Use Estimates-Continued...

Report	Service Use
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Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Share of SNPF Members' Total Admissions											
	Public Hospital %	79%	79%	79%	79%	79%	79%	79%	79%	79%	79%
	Private Hospital %	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
	Total as % of Country Public Admissions	31%	31%	31%	31%	30%	30%	30%	30%	30%	29%
	Total as % of Country Private Admissions	77%	78%	79%	69%	65%	61%	57%	54%	50%	47%
	Total as % of Country	36%	35%	35%	35%	34%	34%	33%	33%	32%	32%
Total SNPF Hospital Admissions by Income Band											
	0-5000	1,844	1,875	1,905	1,937	1,969	2,001	2,034	2,068	2,102	2,137
	5001-10000	1,781	1,811	1,841	1,871	1,902	1,933	1,965	1,997	2,030	2,064
	10001-15000	866	880	895	909	924	939	955	970	986	1,002
	15001-20000	459	467	474	482	490	498	506	514	522	531
	20001+	799	812	825	839	852	866	881	895	910	925
	Total Admissions	5,749	5,845	5,940	6,038	6,137	6,237	6,341	6,444	6,550	6,659
Private Beds											
	Total	20	20	20	22	24	26	28	30	33	36
Estimated Number of OVT Claims											
	Total	-	-	-	40	44	48	52	57	59	61

Annex 11 Expenditure estimates for SNPF health schemes

Report		Expenditure									
Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Hospitals In-Patient Care-Revenue											
	Budgetary Sources	\$12,500,000	\$12,750,000	\$13,005,000	\$13,265,100	\$13,530,402	\$13,801,010	\$14,077,030	\$14,358,571	\$14,645,742	\$14,938,657
	From MedInsure	\$ 2,434,785	\$ 2,575,019	\$ 2,720,841	\$ 2,876,615	\$ 3,028,606	\$ 3,201,172	\$ 3,384,728	\$ 3,577,847	\$ 3,781,000	\$ 3,999,250
	From Other Admissions	\$ 478,656	\$ 515,857	\$ 555,997	\$ 599,050	\$ 645,412	\$ 695,188	\$ 748,545	\$ 806,032	\$ 867,636	\$ 933,720
	Total	\$15,413,441	\$15,840,876	\$16,281,838	\$16,740,765	\$17,204,420	\$17,697,370	\$18,210,304	\$18,742,450	\$19,294,378	\$19,871,627
Growth of Public Hospital Revenue-After MedInsure											
	Annual Average	23.31%	2.77%	2.78%	2.82%	2.77%	2.87%	2.90%	2.92%	2.94%	2.99%
Public Hospitals In-Patient Care-Revenue-% Shares											
	Budgetary Sources	81%	80%	80%	79%	79%	78%	77%	77%	76%	75%
	MedInsure %	16%	16%	17%	17%	18%	18%	19%	19%	20%	20%
	Other Admissions %	3%	3%	3%	4%	4%	4%	4%	4%	4%	5%
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total MedInsure Benefit Outlays											
	Public Hospitals	\$ 2,434,785	\$ 2,575,019	\$ 2,720,841	\$ 2,876,615	\$ 3,028,606	\$ 3,201,172	\$ 3,384,728	\$ 3,577,847	\$ 3,781,000	\$ 3,999,250
	Private Hospitals	\$ 640,930	\$ 677,139	\$ 716,376	\$ 757,067	\$ 812,385	\$ 858,549	\$ 907,784	\$ 958,880	\$ 1,014,808	\$ 1,071,391
	Total	\$ 3,075,715	\$ 3,252,158	\$ 3,437,217	\$ 3,633,682	\$ 3,840,991	\$ 4,059,721	\$ 4,292,513	\$ 4,536,727	\$ 4,795,808	\$ 5,070,641
Total OVT Benefit Payments											
	Total	\$ -	\$ -	\$ -	\$ 630,000	\$ 727,650	\$ 833,490	\$ 948,095	\$ 1,091,221	\$ 1,185,985	\$ 1,287,497

Annex 12 Estimates of reserves for SNPF health schemes

Report	Reserves										
Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MedInsure Reserves											
	Annual Break-even Number of Cases	619	1,100	1,439	1,629	1,666	1,546	1,260	805	174 -	641
	Fluctuation margin as percent of estimated cases	11%	19%	24%	27%	27%	25%	20%	12%	3%	-10%
	Total	\$ 331,418	\$ 612,185	\$ 832,881	\$ 980,832	\$ 1,043,159	\$ 1,006,671	\$ 853,514	\$ 567,366	\$ 127,629 -\$	487,945
OVT Reserves											
	Total	\$ 539,084	\$ 1,110,742	\$ 1,716,883	\$ 1,729,583	\$ 1,683,370	\$ 1,572,495	\$ 1,390,635	\$ 1,111,862	\$ 787,364	\$ 413,339
Marginal Contribution to MedInsure Reserves per case											
	Average per case	\$ 58	\$ 44	\$ 30	\$ 15	-\$ 1	-\$ 18	-\$ 35	-\$ 54	-\$ 73	94
Medisave Balances Cumulative (After MedInsure)											
	0-5000	\$ 934,595	\$ 1,962,826	\$ 3,092,003	\$ 4,330,137	\$ 5,685,654	\$ 7,167,769	\$ 8,786,372	\$ 10,551,894	\$ 12,475,706	\$ 14,569,815
	5001-10000	\$ 1,953,384	\$ 4,102,466	\$ 6,462,521	\$ 9,050,303	\$ 11,883,425	\$ 14,981,158	\$ 18,363,799	\$ 22,053,505	\$ 26,074,059	\$ 30,450,559
	10001-15000	\$ 1,549,146	\$ 3,253,360	\$ 5,124,743	\$ 7,176,271	\$ 9,422,481	\$ 11,878,364	\$ 14,559,997	\$ 17,484,620	\$ 20,671,376	\$ 24,140,151
	15001-20000	\$ 1,119,891	\$ 2,351,623	\$ 3,703,917	\$ 5,186,123	\$ 6,808,270	\$ 8,581,968	\$ 10,518,840	\$ 12,631,351	\$ 14,932,864	\$ 17,437,703
	20001+	\$ 4,473,299	\$ 9,394,532	\$ 14,798,657	\$ 20,723,171	\$ 27,208,285	\$ 34,299,085	\$ 42,042,024	\$ 50,486,908	\$ 59,687,134	\$ 69,702,069
	Total	\$10,030,315	\$21,064,807	\$33,181,840	\$46,466,005	\$61,008,114	\$76,908,343	\$94,271,032	\$113,208,279	\$133,841,139	\$156,300,297
Medisave Balances Cumulative (After MedInsure and OVT)											
	0-5000	\$ 818,475	\$ 1,715,434	\$ 2,696,713	\$ 3,768,702	\$ 4,938,085	\$ 6,212,164	\$ 7,598,748	\$ 9,106,037	\$ 10,742,952	\$ 12,518,873
	5001-10000	\$ 1,796,332	\$ 3,767,869	\$ 5,927,895	\$ 8,290,968	\$ 10,872,347	\$ 13,688,714	\$ 16,757,586	\$ 20,098,071	\$ 23,730,635	\$ 27,676,826
	10001-15000	\$ 1,461,882	\$ 3,067,453	\$ 4,827,708	\$ 6,754,425	\$ 8,860,796	\$ 11,160,392	\$ 13,667,750	\$ 16,398,436	\$ 19,369,735	\$ 22,599,559
	15001-20000	\$ 1,062,011	\$ 2,228,329	\$ 3,506,945	\$ 4,906,415	\$ 6,435,906	\$ 8,106,043	\$ 9,927,426	\$ 11,911,410	\$ 14,070,157	\$ 16,416,687
	20001+	\$ 4,352,531	\$ 9,137,243	\$ 14,387,566	\$ 20,139,332	\$ 26,430,949	\$ 33,305,482	\$ 40,807,251	\$ 48,983,746	\$ 57,885,854	\$ 67,570,148
	Total	\$ 9,491,231	\$19,916,329	\$31,346,828	\$43,859,842	\$57,538,083	\$72,472,795	\$88,758,760	\$106,497,699	\$125,799,333	\$146,782,093

Estimates for Reserves-Continued...

Report	Reserves
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Description	Detail	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Medisave Balances Cumulative (After MedInsure, OVT, Private Hospital Claims)											
	0-5000	\$ 818,475	\$ 1,712,896	\$ 2,688,740	\$ 3,751,544	\$ 4,907,809	\$ 6,148,079	\$ 7,489,862	\$ 8,940,901	\$ 10,507,340	\$ 12,196,542
	5001-10000	\$ 1,796,332	\$ 3,739,366	\$ 5,837,989	\$ 8,100,888	\$10,538,573	\$13,160,087	\$16,009,397	\$ 19,101,190	\$ 22,455,066	\$ 26,087,471
	10001-15000	\$ 1,461,882	\$ 2,905,022	\$ 4,329,017	\$ 5,733,597	\$ 7,223,633	\$ 8,825,569	\$10,545,746	\$ 12,388,808	\$ 14,364,083	\$ 16,476,671
	15001-20000	\$ 1,062,011	\$ 2,060,257	\$ 2,998,538	\$ 3,976,976	\$ 5,028,466	\$ 6,157,823	\$ 7,369,319	\$ 8,667,415	\$ 10,056,766	\$ 11,542,227
	20001+	\$ 4,352,531	\$ 8,318,308	\$12,634,541	\$17,325,194	\$22,414,028	\$27,931,514	\$33,904,703	\$ 40,364,020	\$ 47,341,777	\$ 54,872,108
	Total	\$ 9,491,231	\$18,735,850	\$28,488,826	\$38,888,199	\$50,112,509	\$62,223,072	\$75,319,026	\$ 89,462,334	\$104,725,032	\$121,175,019
Medisave Balances-Average Per Contributor (after MedInsure,OVT and Private Hospital Claims)											
	0-5000	\$ 141	\$ 292	\$ 454	\$ 627	\$ 813	\$ 1,008	\$ 1,216	\$ 1,437	\$ 1,672	\$ 1,922
	5001-10000	\$ 320	\$ 660	\$ 1,020	\$ 1,402	\$ 1,806	\$ 2,233	\$ 2,690	\$ 3,178	\$ 3,699	\$ 4,256
	10001-15000	\$ 536	\$ 1,055	\$ 1,557	\$ 2,042	\$ 2,547	\$ 3,082	\$ 3,647	\$ 4,243	\$ 4,871	\$ 5,533
	15001-20000	\$ 734	\$ 1,410	\$ 2,033	\$ 2,671	\$ 3,346	\$ 4,057	\$ 4,807	\$ 5,599	\$ 6,434	\$ 7,314
	20001+	\$ 1,730	\$ 3,274	\$ 4,924	\$ 6,687	\$ 8,568	\$10,572	\$ 12,708	\$ 14,983	\$ 17,405	\$ 19,975
	Weighted Average	\$ 524	\$ 1,025	\$ 1,543	\$ 2,085	\$ 2,661	\$ 3,272	\$ 3,922	\$ 4,613	\$ 5,347	\$ 6,126
Medisave Balances-Number of Years Equivalent MedInsure and OVT Premium											
	0-5000	2.66	5.35	8.06	10.79	13.54	16.28	19.02	21.77	24.52	27.29
	5001-10000	2.78	5.58	8.40	11.23	14.08	16.94	19.84	22.80	25.80	28.85
	10001-15000	2.79	5.35	7.71	9.86	12.00	14.15	16.33	18.52	20.73	22.95
	15001-20000	2.46	4.62	6.51	8.34	10.20	12.08	13.97	15.88	17.81	19.75
	20001+	2.14	3.96	5.82	7.74	9.70	11.71	13.78	15.89	18.06	20.28
	Weighted Average	2.79	5.33	7.87	10.43	13.06	15.74	18.49	21.33	24.24	27.23

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