Social Security – An Overview

The 1948 United Nations Universal Declaration of Human Rights stipulates that “everyone, as a member of society, has the right to social security.” In seeking to ensure economic security and social welfare for their citizens, states have developed social security systems to help those experiencing the financial consequences of contingencies such as ill health, loss of income, work injury, old age, death of the breadwinner, etc.

Figure 1 shows how collective social security is financed in many countries around the world, i.e. through employers and workers contributions as well as the State through taxes.

Figure 1: Collective Social Security System

Contribution of State

Social Security Scheme

Contribution of Employers

Contribution of Workers

Social Benefits

e.g. health care, pensions, injury insurance

In many countries, employers, employees, and the State collectively contribute to financing social security, which provides benefits for those in need of assistance. Properly functioning social security systems benefit all members of society and contribute to increase social and economic stability. Sound social security systems are particularly critical in times of economic crisis, to reduce the financial and economic impact associated with unemployment, underemployment and income reductions.

Social security systems can help families face the financial consequences of ill health (loss of income due to reduced working hours and productivity; cost of health care treatments). They can offer protection to workers in the event of invalidity, employment injury, maternity or retirement. Family benefits of various types also contribute to reduce the burden for families with children and contribute to the long term development of social capital. Employers also benefit from social security through increased workforce productivity and social peace. Social security systems also benefit the countries in which they have been developed through increased stability, security, social cohesion, reduction of inequalities and sustainable development.

Although the importance of social security is widely acknowledged, globally only one in five people has adequate social security coverage. Few developing countries have been able to provide basic social protection to their populations. In 2003, the International Labour Organization (ILO) made social protection one of its top priorities and launched a Global Campaign on Social Security and Coverage for All, in an effort to address the coverage gap. More recently, the United Nations system nominated the ILO and the World Health Organization as the lead agencies to develop an internationally agreed basic social protection floor. In the same spirit, Cambodia is actively pursuing its own encompassing social protection agenda by developing its own National Social Protection Strategy for the Poor and the Vulnerable which makes clear reference to the social protection floor.

---


Social Security in Cambodia

Efforts to establish a public social security system in Cambodia are recent in origin. In September 2002, Cambodia adopted its first National Social Security Law. The law and subsequent sub-decrees and Prakas stipulate the guiding principles of a mandatory social security system for private sector employees consisting of three pillars:

- Employment Injury Insurance (EII)
- Health Insurance Scheme
- Pension Scheme

With technical assistance from the ILO, Cambodia started to implement the National Social Security Law, beginning with the creation of a National Social Security Fund (NSSF) in 2007 and the introduction of mandatory employment injury insurance (EII) for private sector workers in 2008. The implementation of the health insurance and pension schemes is planned to follow.

National Social Security Fund

Under the auspices of the Ministry of Labour and Vocational Training (MoLVT) and the Ministry of Finance, the NSSF is the administrative arm of Cambodia’s emerging social security system. It is managed and monitored by a tripartite governing body, consisting of government, worker, and employer representatives. Having operated since 2007, the NSSF registers companies, collects membership contributions, manages the fund’s investments, and provides benefits to workers and their families.

Employment Injury Insurance Scheme

The EII is a compulsory social insurance scheme, which provides coverage for work-related accidents and illnesses to all persons working in Cambodia who are covered by the National Labour Law, regardless of their nationality, race, sex, religion, political opinion or social origin. This includes private and public sector workers (who are not subject to the Common Statutes for Civil Servants or by the Diplomatic Statutes), apprentices and temporary workers.

---

2 Sub-Decree No. 16/07 on the Establishment of a National Social Security Fund (Unofficial translation by CAMFEBA, www.camfeba.com/)
3 Law on Social Security Schemes (2002)
The EII scheme is designed to provide health care coverage for occupational risks including:
- Accidents that occur during working hours, regardless of the cause.
- Accidents that occur during a worker’s direct commute to or from work.
- Occupational diseases, which are illnesses that develop as a result of work.

Before the establishment of the EII, employers were directly responsible for the cost of medical treatment and lost wages arising from work-related accidents. Now, workers requiring medical treatment for occupational risks can obtain cost-free care at NSSF-recognized hospitals, or claim for reimbursement of authorized expenses for treatment provided at other facilities.

NSSF also provides workers with 70% of their lost wages when they are temporarily unable to work as a result of occupational risks. In case of permanent incapacity, benefits vary depending on the severity of the disability, and the worker’s age and wage. When medically necessary, the worker’s caretaker also may receive benefits (usually half the amount the worker is entitled to). If an occupational risk results in death, the NSSF contributes to the cost of the funeral, and also provides benefits to the worker’s family.

The EII scheme is financed by employer contributions and state subsidies. All companies with more than eight employees are required to register with the NSSF. The rate of employer contribution to the EII is set at 0.8 percent of each employee’s monthly pre-tax wage. However, the rate has been reduced to 0.5 percent during 2009 and 2010 for the country’s struggling garment and footwear sectors in order to reduce their costs during the global economic downturn. The remaining 0.3% is paid by the government.

Failure to comply with registration or contribution requirements is subject to punishment under the National Social Security Law.

Implementation started in Phnom Penh, Kandal, and Kampong Speu. During 2009, nearly 1000 companies registered with the fund and over 2500 claims have been filed (as of March 2010). Approximately 90% of the workers registered during 2009 work in the garment and shoe industries. NSSF plans to extend EII coverage to other regions and to scale up the number of companies registered in the near future.

---

6. MoLVT 2009: Prakas 133-09 on NSSF Rate Reduction for Garment (www.camfeba.com/)
7. NSSF 2010 (www.nssf.gov.kh/)
8. As of March 2010, coverage for temporary disability only applies starting on the 5th day of treatment or medically-prescribed rest. However, this limitation is expected to change. Employers are required to cover the first day of lost wages, regardless of the duration of the temporary disability.
9. Prakas 109/08
Health Insurance Scheme

Details on the timing and benefits of the governmental health care coverage have not yet been determined.

In the meantime however, the Groupe d’Échange et de Recherche Technologiques (GRET) and the Garment Manufacturers Association in Cambodia (GMAC) are piloting a new voluntary health insurance scheme for salaried workers in the garment industry. The Health Insurance Project (HIP) is to introduce a voluntary social health insurance that addresses the needs of both the workers, through the improvement of health status and the reduction of vulnerability and hardship in case of illness, and employers through improving the productivity of a healthier workforce.

For participating factories, the cost of health insurance contribution is estimated at 1,60$ per month, per insured worker. This amount does not include the administrative costs which are subsidized by the project. The payment of the premium is cost shared equally between the employer and workers.

Once enrolled in the programme, workers are covered for:
• Basic pre and post natal care
• Quality controlled health care (drugs, qualified medical staff) provided by public health facilities
• Health care costs related to traffic accidents and provision of a lump sum reimbursement to cover the transportation costs in case of hospitalization

The Health insurance project is a pilot project that will little by little gain knowledge and expertise in the average costs and frequency of contacts with health care sector, management of memberships, contributions and claims, management and monitoring of the relationships with health care providers. It is therefore a key project whose conclusions will serve for the design and establishment of the future health insurance scheme for the private sector employees.

Pension Scheme

The Pension Scheme, which is planned for 2012, will provide benefits for NSSF members when they retire or become disabled prior to retirement. Benefits include an old age pension and allowance, invalidity pension, and survivors’ benefits. To qualify for an old age pension, an NSSF member must:
• be at least 55 years of age
• have been a member of NSSF for at least 20 years
• have been contributing to the NSSF for at least 60 months during the 10 years prior to the date of entitlement.

Invalidity benefits are available to NSSF members who become disabled before the age of 55 if they have:
• been NSSF members for 5 years
• contributed to the NSSF for 6 of the 12 months prior to the disability.

Both workers and employers will contribute to support the pension fund. Like the EII, the pension scheme will be compulsory and will apply to all employees covered under the National Labour Law.

10 Law on Social Security Schemes (2002), Arts. 7-11.
11 Law on Social Security Schemes (2002); CAMFEBA 2008: NSSF Presentation (www.camfeba.com/docs/National_Social_Security_Fund_xNSSFx_Workshop_Presentation_CAMFEBA.pdf)
The Way Forward

The enactment of the National Social Security Law in 2002, the establishment of the NSSF in 2007, and the introduction of the EII scheme in 2008 reflect important progress toward ensuring economic security and social welfare for Cambodian citizens. Although Cambodia’s social security system is still in its infancy, many agree that the country is heading in the right direction. Cambodian Government, Employers and Workers organizations are committed to actively build a comprehensive social security system that is based on transparency, efficiency and good governance.

What people are saying about the NSSF

Miss Vanny
a garment worker, who was involved in a severe traffic accident in December 2008:

“I am wholeheartedly grateful for the help of the NSSF. Without its assistance, I would have died, as I had no money to pay the hospital. I hope the NSSF will keep up its services and help many others in similar situations.”

Miss Ou Vouchly
Information and Legal Officer of the Cambodian Federation of Employers and Business Associations (CAMFEBA):

“At first, I was very critical of the NSSF. But I have changed my mind because I have come to understand that this system has the potential to benefit those in need of assistance. I hope that they will soon extend services to small businesses as well.”

Additional information:

- Cambodian Federation of Employers & Business Associations (CAMFEBA) www.camfeba.com/
- CAMFEBA, Guidebook on National Social Security Fund for Occupational Risk in Cambodia (2010) (available in hard copy)
- ILO Global Campaign on Social Security and Coverage for All www.ilo.org/public/english/protection/socsec/pol/campagne/index.htm
- HIP Project: info-hip@mekongnet.com