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Government of the Netherlands

Social Protection for All Men and Women

A sourcebook for extending social security in Kiribati – options and plans

February 2006

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ILO Thirty years in the Pacific 1975 - 2005

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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 ILO 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 ILOs 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 for 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 Kiribati.

We wish to thank and acknowledge the support provided by the ILOs 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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February 2006

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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 planners to formulate the policy and strategy to extend social security coverage to the entire population of Kiribati.

As part of the ILO project *Subregional Initiative on Social Security for the Pacific Island Countries*, a series of research papers and feasibility studies has 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 a 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 analysing the challenges and strategies for extending social security coverage. Chapter 4 provides an overview of demographic and economic context and a review of the social security system in Kiribati. Chapter 5 presents and analyses the results of surveys of workers in both the informal and formal economies. Chapter 6 looks into traditional social protection systems in Kiribati. This is complemented by Chapter 7 which discusses the 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 on the social security system in Kiribati in particular.

Part II contains ten feasibility studies on extending social security coverage and covers core results of policy analysis. Chapter 9 discusses the principles applying to health care financing while Chapter 10 describes key principle issues on social security pensions and discusses their implications for Kiribati. Chapter 11 sets out basic principles on unemployment protection and Chapter 12 analyses the feasibility of an unemployment insurance scheme for Kiribati. Chapters 13 and 14 are devoted respectively to the principles of social assistance and the feasibility of its introduction to Kiribati. Chapters 15 and 16 deal with workers' compensation schemes and are organised in a similar structure. Chapter 17 focuses on maternity protection as part of gender-specific intervention. Chapter 18 is a report on the operations and information technology of the Kiribati National Provident Fund.

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

Part IV supplements with eight 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:
Copies 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, Samoa, Solomon Islands and Vanuatu.

Electronic copies of these publications are available from the project webpage at:
www.ilosuva.org/

Abbreviations

ADB	Asian Development Bank
APNGCR	Asia Pacific Network for Global Change Research (New Zealand)
BPA	Beijing Platform for Action
CCA	Common Country Assessment
CDF	Cooperative Development Fund
CEDAW	Convention on Elimination of All Forms of Discrimination Against Women (UN)
CESR	Committee on Economic, Social and Cultural Rights (UN)
CRC	Committee on Rights of the Child (UN)
CRP	Comprehensive Reform Program
CROP	Council of Regional Organisations of the Pacific
CSW	Commission on the Status of Women
CTA	Chief Technical Advisor
DFID	Department for International Development (UK)
DESP	Department of Economic and Sector Planning
EEZ	Exclusive Economic Zone
EFA	Education for All (UNESCO)
EIA	Environmental Impact Assessment
ESCAP	Economic and Social Commission for Asia and the Pacific (UN)
EU	European Union
EVI	Environmental (or Economic) Vulnerability Index
FAO	Food and Agricultural Organisation
FEMM	Forum Economic Ministers' Meeting
FIC	Forum Island Country
FNPF	Fiji National Provident Fund
Forsec	Pacific Islands Forum Secretariat
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GNP	Gross National Product
HDR	Human Development Report (UNDP)
HIES	Household Income and Expenditure Survey
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
HRC	Human Rights Committee (UN)
ICT	Information and Communication Technologies
ILO	International Labour Organisation
IMF	International Monetary Fund
KCUL	Kiribati Credit Union League
KPF	Kiribati Provident Fund
LDC	Least Developed Country
LMS	Labour Market Survey
MDG	Millenium Development Goals
METT	Ministry of Education, Training & Technology (Kiribati)
MFI	Microfinance institution
MIU	Microinsurance unit
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MOH	Ministry of Health
NAPDW	ILOs National Action Plans for Decent Work
NBV	National Bank of Vanuatu
NCC	National Council of Chiefs
NDEC	National Disaster Executive Committee
NDS	National Development Strategy
NERRDP	Solomon Islands National Economic Recovery, Reform and Development Plan 2003-2006.
NGO	Non-Governmental Organisation
NIB	National Insurance Board
NL	National Library
NM	National Museum
NSO	National Statistics Office
NVMS	Ni-Vanuatu Micro Finance Scheme
NZODA	New Zealand Official Development Assistance
PACER	Pacific Agreement on Closer Economic Relations
PANG	Pacific Network on Globalisation
PCIT	Pacific Island Countries and Territories
PCRC	Pacific Concerns Resource Centre
PIC	Pacific Island Country
PICTA	Pacific Island Countries Trade Agreement
PICTs	Pacific Island Countries and Territories
PPA	Pacific Platform for Action
PTI	Permanent Total Disablement
RAMSI	Regional Assistance Mission in Solomon Islands
RERF	Revenue Equalisation Reserve Fund
RETA	Regional Technical Assistance (ADB)
RBV	Reserve Bank of Vanuatu
SINPF	Solomon Islands National Provident Fund
SOE	State-Owned Enterprise
SNPF	Samoa National Provident Fund
SPC	Secretariat of the Pacific Community
SPREP	South Pacific Regional Environment Programme
SSIGO	State Social Insurance General Office
SSPIC	ILO project Social Security in Pacific Island Countries i.e. this project
STD	Sexually Transmitted Disease
UNCTAD	United Nations Conference for Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDESA	United Nations Department for Economic and Social Affairs
UNDP	United Nations Development Programme
UNDSPD	United Nations Division for Social Policy and Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UI	Unemployment Insurance
USP	University of the South Pacific
VANGO	Vanuatu Association of Non-Governmental Organization
VCC	Vanuatu Cultural Centre
VCHSS	Vanuatu Cultural & Historical Site Survey
VFSC	Vanuatu Financial Services Commission
VNPF	Vanuatu National Provident Fund
WB	World Bank
WDR	World Development Report (WB)
WHO	World Health Organisation

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.

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.

Contribution Payment of an agreed sum of money by a member to a social insurance scheme in return for a specified benefit in return.

Defined Benefit The amount, usually formula based, guaranteed to each person who meets defined entitlement conditions

Defined Contribution When the benefit is limited to what has been paid into the fund or contributed (plus interest)

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

Health Care Providers Doctors, nurses, hospitals, clinics, laboratories, imaging facilities, pharmacies etc and other deliverers of medical services.

I-Kiribati Is the name applied to the indigenous people in Kiribati, used both as a singular reference and plural

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)

Mode or Modal Statistical term used when identifying categories rather than individual items. It is the value in a distribution that has been observed with the greatest frequency or the most popular value.

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 applied to the indigenous people in Vanuatu, used both as a singular reference and plural

Premium Is an amount paid to an insurance carrier for providing insurance coverage under terms of a contract.

Primary Health Care The first level of contact by individuals, families and communities with the health system

Reserves Funds held either for a possible unknown event (contingency funds) or because of regulation.

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

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

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.

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.

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).

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.

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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	963.975
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 Country Overview and Social Security Review

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

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

Chapter 7 ILO Convention 169 for Indigenous and Tribal Peoples

Chapter 8 Gender Issues and Social Security in Kiribati

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 are not available, such as health care, sickness, maternity (except under industrial legislation for formal sector workers) and unemployment benefits. 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 (MDG). 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 Kiribati, 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 Kiribati Provident Fund (KPF) seeks more technical assistance to review its financial viability and operational capacity. The government has also requested direct assistance from the ILO to reform the existing workers' compensation scheme which is also dated and based on employer liability using voluntary private insurance. Moreover, the following observations have been made.

1.5 Poverty reduction

Four out of the five countries covered by the ILO project *Subregional Initiative on Social Security in Pacific Island Countrie*s – 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. This ILO project *Subregional Initiative on Social Security in 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

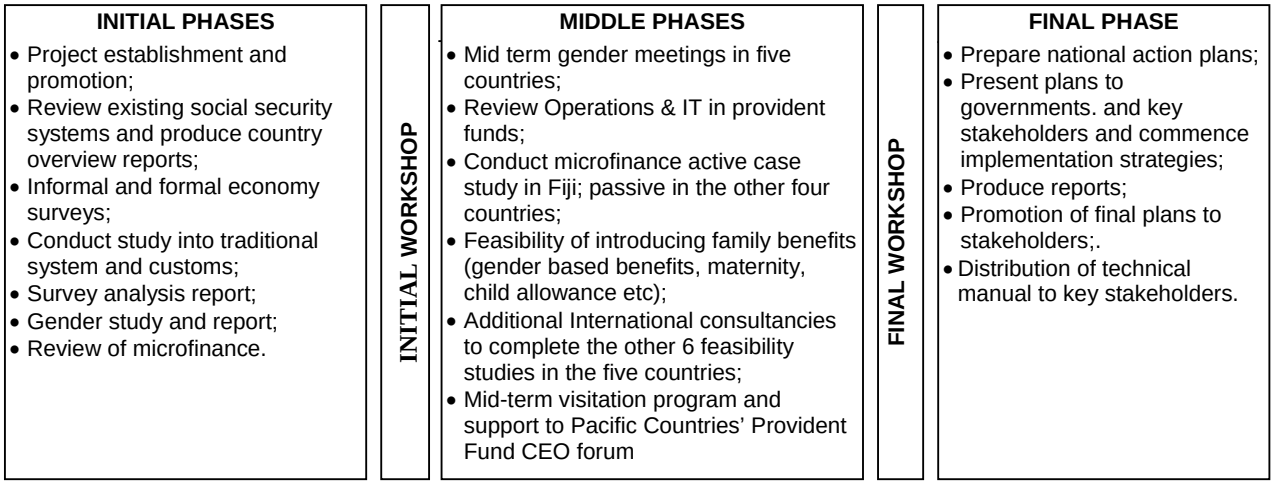
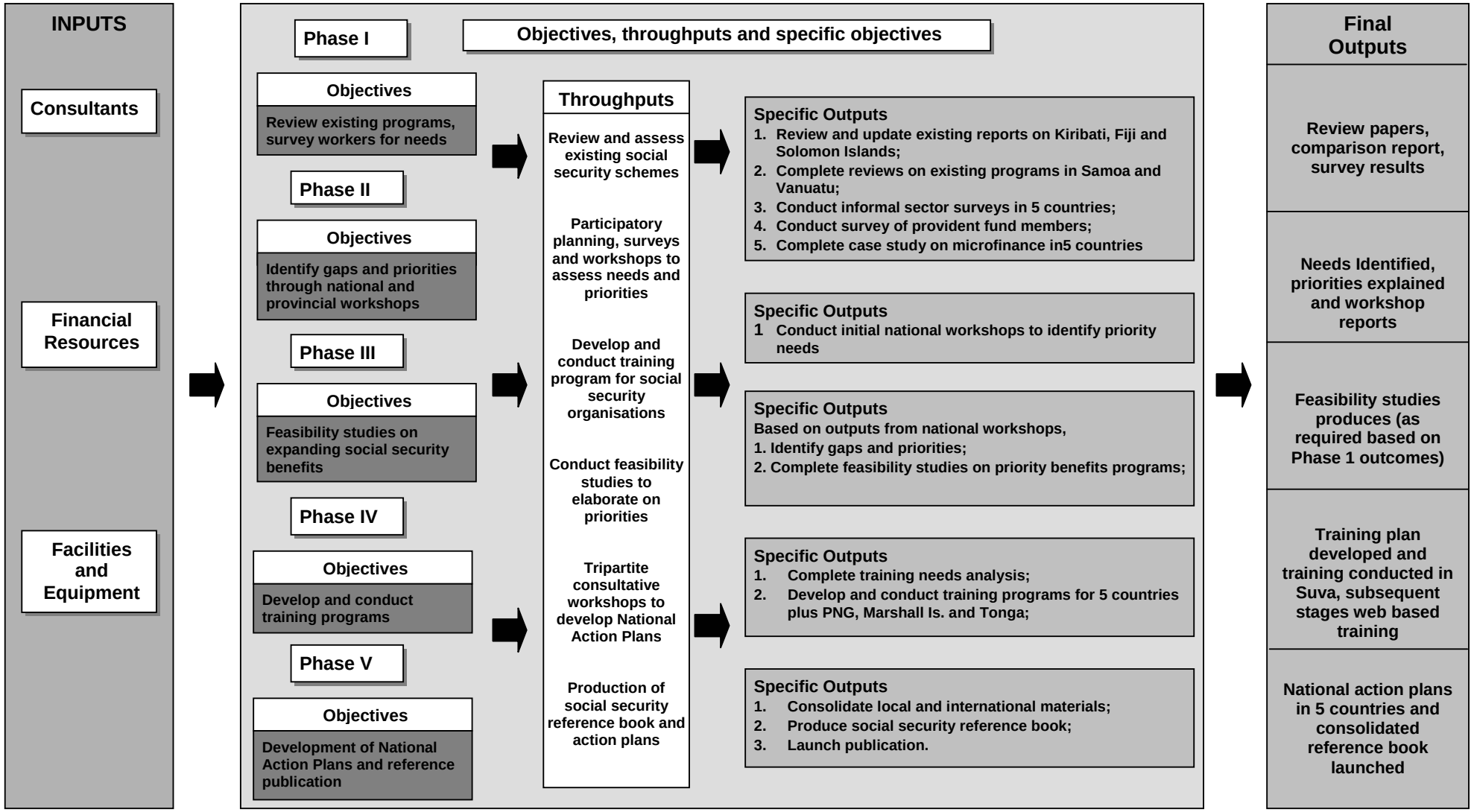


Figure 1.2 Conceptual framework for project social security in Pacific Island countries



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's 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 insurance[1]. The World Bank[2] and other international organizations use this term in a more

[1] ILO, World Labour Report 2000: Income security and social protection in a changing world.
[2] Holzmann R. and Jorgensen S, "Social Risk Management : A new conceptual framework for Social Protection and beyond", Social Protection Discussion Paper, 2000

generalized sense. The World Bank 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*. According to the Asian Development Bank (ADB, Social Protection Strategy, 2003), *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*.

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	

Advantages	Disadvantages
managed by the government or by private enterprise. Typically funds are managed in trust for the contributors (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 prefunded (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 *defined contribution*. 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 *defined benefit*	
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.[3] 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 or sectoral assistance such as school fee rebates for children of poor families.

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

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 *dis*saving) if they think that any savings they have will simply be deducted from the benefit that they would otherwise receive. Similarly, it may act as a disincentive

from 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 conclusions[4] which call for highest priority to 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 2002[5] 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

[4] Resolution and conclusions concerning social security, International Labour Conference, 89th Session, 2001.

[5] 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.

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.

3.2 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 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.

Table 3.1 Table of comparison between formal and informal economy

FORMAL ECONOMY	INFORMAL ECONOMY
Description • 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** • 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 • Self-employed professionals in medicine, law, accounting **Advantages** • Generally have access to unions and staff associations • Less susceptible to corruption and stand-over 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	**Description** • 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** • 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 **Advantages** • 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 **Disadvantages** • 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

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.

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.

3.3 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 Kiribati.

3.4 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 Kiribati are contained in chapter 5.

3.5 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.

3.6 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.

3.7 Relevant trials and experiences in microinsurance 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.

3.8 Extending coverage of formal sector workers

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/employer 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.

3.9 Informal economy studies

The purpose of the study relating to the informal economy as part of this 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 this project, is one of many studies aimed at improving the understanding of what is a highly complex series of interrelationships where individual entrepreneurships 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 statistics[6] 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,[7] 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.

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

[7] 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 four parts; (i) personal details, (ii) education, (iii) employment, income details, (iv) social security needs, priorities and desire to contribute. A summary of the key findings are presented below and the complete survey is provided as chapter 5.

3.10 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.

3.11 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 programs[8] in each of the five countries in this project, including Kiribati.

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 theses 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.

[8] 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

A summary of likely extension proposals could see priority placed on compulsory schemes (formal sector, self employed etc.), capacity building in the institutions, encouragement of an informal economy scheme through self-help, and voluntary schemes supported by the government.

3.12 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.

3.13 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.

3.13.1 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 Kiribati there are only two (Bairiki on South Tarawa and on Kiritimati).

3.13.2 Process and administrative considerations

The following considerations on administration and technology are initial observations made by the project in the initial visitations 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 SINPF contained in Chapter 19:

- 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;
- 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, with immigration activities and in a range of economic and trade areas, the opportunities for social security cooperation 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.

3.14 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 should be 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.

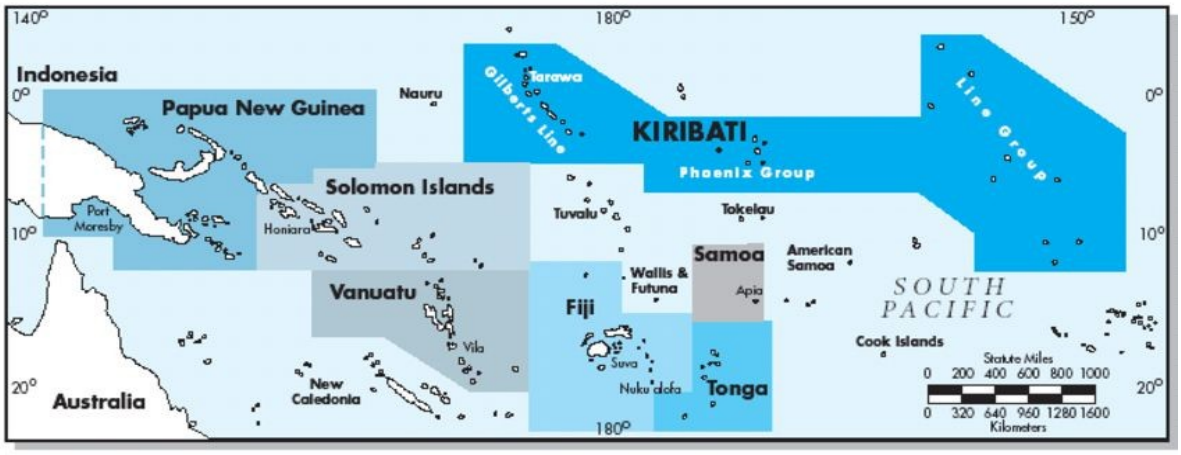
Chapter 4 Country Overview and Social Security Review

4.1 Background

4.1.1 Demographic summary of Kiribati

Kiribati comprises 33 atolls in Micronesia distributed across almost 4,000 kilometres of Pacific Ocean from East to West and about 2,000 kilometres from North to South. The three main island groups are the Gilbert and Ellice, Phoenix and Line Islands (see map in Figure 4.1). The capital of Kiribati is Tarawa which is located in the most densely populated part of the country on South Tarawa Island in the largest island group, the Gilbert Islands. Kiribati is one of the most distributed and isolated countries in the pacific with direct access to nearest neighbours and trading partners in the order of 3 to 4 hours by air. The large distances between the islands is a major communication and logistics challenge – from the Banaba Islands in the West to Kiritimati Island in the East is a distance of 3,870 kilometres; and from the Washington Island in the North to the Island of Flint in the South, a distance of 2,050 kilometres. External air services are only available four times per week.

Figure 4.1 Kiribati location



4.1.2 Population

The population is concentrated in the Gilbert Islands Group, which includes Tarawa, the capital. One-third of the population live in the South Tarawa urban centre, with 2,324 persons per km^2 while the Phoenix Group is virtually uninhabited. Tables 4.1 and 4.2 illustrate the population in summary and in detail by island.

Table 4.1 Population density

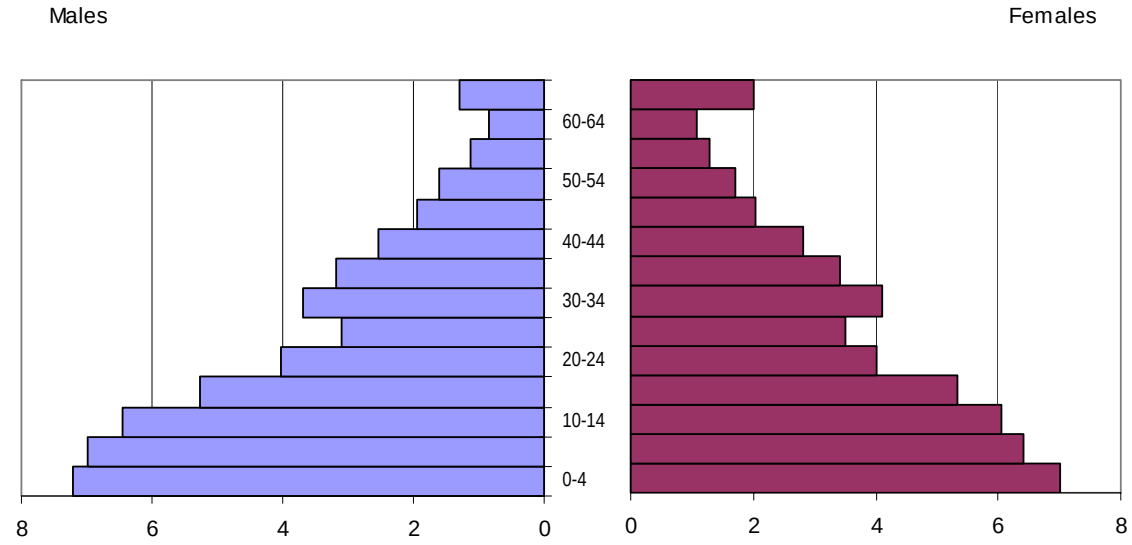
Characteristic	Size
Total land mass	810 km^2
Extended Economic Zone	3.55 million km^2
Population density	116 km^{-2}
Densest – S. Tarawa	2,324 km^{-2}
Least dense – Phoenix group	12 km^{-2}

Table 4.2 Population size, growth, distribution and density by island (1995 and 2000)

Island (Order of Island groupings)	Population		Average Annual Growth Rate		Land area	Population Density
	1995	2000	1990-95	1995-00	(km^2)	(km^{-2})
South Tarawa	28,350	36,717	2.2	5.2	15.8	2,324
North Tarawa	4,004	4,477	1.9	2.2	15.3	312
TARAWA Sub-total	32,354	41,194	2.2	5	31.1	1,334
Abaiang (Northern)	6,020	5,794	2.8	-0.8	17.5	331
Butaritari (Northern)	3,909	3,464	0.7	-2.4	13.5	257
Makin (Northern)	1,830	1691	0.8	-1.6	7.9	216
Marakei (Northern)	2,724	2,544	-1	-1.4	14.1	180
Banaba (Central)	339	276	3.5	-4.1	6.3	44
Nonouti (Central)	3,042	3,176	1.6	0.9	19.9	159
Maiana (Central)	2,184	2,048	0	-1.3	16.7	123
Abemama (Central)	3,442	3,142	1.3	-1.8	27.4	114
Aranuka (Central)	1,015	966	0.3	-1	11.6	83
Kuria (Central)	971	961	-0.4	-0.2	15.5	62
Tamana (Southern)	1,181	962	-3.2	-4.1	4.7	200
Beru (Southern)	2,784	2,732	-0.9	-0.4	17.7	155
N.Tabiteua (Southern)	3,383	3,365	1.1	-0.1	25.8	130
Arorae (Southern)	1,248	1,225	-2.9	-0.4	9.5	129
Onotoa (Southern)	1,918	1,668	-1.8	-2.8	15.6	107
S.Tabiteua (Southern)	1,404	1,217	1.1	-2.9	11.9	102
Nikunau (Southern)	2,009	1,733	0.1	-3	19.1	91
GILBERT GROUP	**71,757**	**78,158**	**1.2**	**1.7**	**285.5**	**275**
Teeraina (Phoenix)	978	1,087	0.9	2.1	9.6	113
Tabuaeran (Phoenix)	1,615	1,757	4.2	1.7	33.7	57
Kanton (Phoenix)	83	61	12.2	-6.2	9.2	7
Kiritimati (Line)	3,225	3,431	4.8	1.2	388.4	9
Uninhabited	0	0	0	0	84.2	
PHOENIX & LINE	**5,901**	**6,336**	**4**	**1.4**	**525**	**12**
KIRIBATI TOTAL	**77,658**	**84,494**	**1.4**	**1.7**	**810.5**	**105**

Source: Report on the 2000 Census of Population (Vol 1); Tarawa; Nov. 2001.

Figure 4.2 Kiribati population pyramid 2000

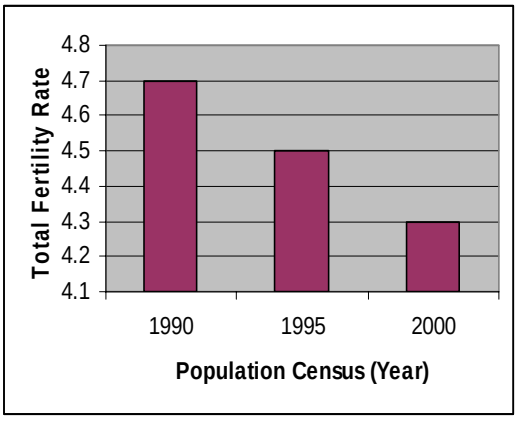


Source: Report on the 2000 Census of Population (Vol 1); Tarawa; Nov. 2001

4.1.3 Fertility

The total fertility rate (TFR)[9] indicated by the past three population census show that there is a slow decline in the TFR over the past ten years, however the actual rate is still high given the current environmental and social stresses faced by the country. Further investigation of the statistics shows that the decline is most noticeable in the 30-34 and more so in the 35 – 39 age groups. These fertility patterns suggest that factors such as education, family planning practices and more women in the force may be responsible for the decline.

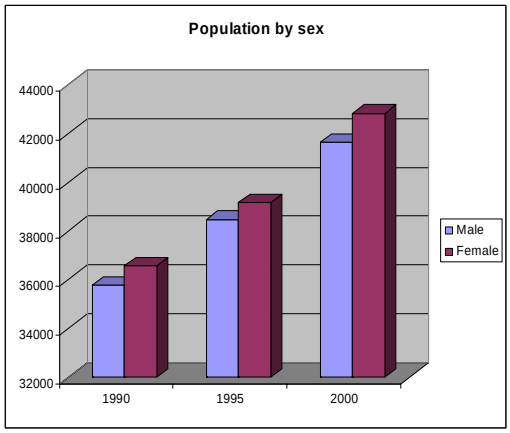
Figure 4.3 Total fertility rates (Census 2000)



If present trends continue, population will double within 20 years presenting even greater challenges to overcome environmental and health problems, particularly on Tarawa. The demographic profile is skewed to the young, placing significant strain on the government to provide basic health, education and employment services. The current high fertility rates suggest this trend is likely to continue.

More females reside in rural areas yet are not confined there. Their movement to and from urban centres, whilst small, is significant. This internal and return movement and migration is influenced by their traditional socialized roles as women, mothers, aunts and sisters `designed' to accompany spouse, children and extended family members to urban centres, namely South Tarawa to access social services such as education and health.

Figure 4.4 Population by sex



Source: Population Census, Kiribati

Those women operating in the informal sector and engaged in communal artisan and handicraft enterprises would need to relocate their business, or take a break hence lose income and a market. Absence and relocation to the urban centre means competition is greater and a greater reliance on urban based family members to sustain their stay. Remittances form a large part of the essential. Costs of goods and services are higher in South Tarawa and people are less engaged in traditional methods of livelihood. Apart from the occasional fishing, purchasing of other foods is the norm, with rice as a staple diet. The access to restaurants is influencing dietary and traditional food security issues.

The opportunities to re-train in urban centres are limited, pressure on existing infrastructure and resources is exacerbated further reducing women's economic power whilst their socio-cultural status through traditional lenses is deemed to be enhanced. Public sector employment is limited and the prospect of developing enterprises is minimal with the unavailability of a diverse market.

The difficult living conditions and lack of opportunities in the outer islands have resulted in a steady rate of urban population drift. In 1985 about 33 per cent of the population lived on South Tarawa, this proportion increased to 36.5 per cent in 1995 and to 43.5 per cent in 2000. Since 1978 the population of South Tarawa has increased at an annual average rate of 3.3 per cent compared to

[9] TFR is Kiribati is defined as the number of children an I-Kiribati woman will give birth to

a national growth rate of 1.9 per cent per annum. In the most recent inter-censal period 1995 – 2000 the population growth rate on S Tarawa was 5.2 percent per annum.

4.1.4 Migration

In the past migration has been used to limit the effects of population growth in Kiribati and in the latter stages of colonisation, I-Kiribati emigrants were sent to Solomon Islands where considerable numbers now live, mostly in the Western Provinces. Given the restrictive and selective immigration practices of many countries it may be difficult for Kiribati to export people in future, especially if they are unskilled.

The government has successfully employed internal migration to relieve population pressure, through its resettlement program in the Line Islands in the 1980s. Individual migration to Tabuaeran and Kiritimati is continuing at rates that would place around half of the projected national population increment of 15,000 over the next 10 years in Kiritimati. Crucial questions of governance, land allocation, and economic management are already arising there, and will become increasingly urgent in the next two or three years. Even as substantial internal migration occurs, an overall land shortage and limited domestic economic opportunities mean that some skilled and qualified I-Kiribati will want to move to other countries in search of employment and eventually to settle. Some have taken this path, mostly in New Zealand, as part of a family strategy to increase present income and gain access to future employment opportunities. This trend is likely to increase, albeit at a statistically insignificant level, even without any official encouragement.

Other Pacific island countries that have universal basic education and produce more skilled and qualified people than their economies can absorb have adopted emigration as a deliberate part of national economic strategy. Samoa, Tonga, and Cook Islands have contained their population growth through emigration, used remittance income to support domestic living standards, and now benefit from the capital, skills, and business acumen brought back by nationals who have lived overseas for many years.

An opportunity may exist for Kiribati to exploit the international skilled labour needs in addition to the existing supply of merchant seamen and fishermen. A recent report (Radio Australia, Pacific Islands broadcast 12 Nov 2004), estimated that over the next 10 years the approximate demand for nurses in the USA, UK, Australia & New Zealand could be as high as 1 million, 40,000 and 16,000 respectively. The higher skill, higher pay and opportunity for higher remittances may present an opportunity for young I-Kiribati workers to gain temporary or permanent immigration to these countries. Returning skilled migrants should also assist the depleted health system and improve the levels of nursing skills in Tarawa and the outer islands.

4.2 Government and institutions

The traditional system of government in Kiribati is based upon island and clan groupings. Traditionally island affairs were controlled by a council of elders (*Unimane,)* or in a few cases, hereditary chiefs,. Since Independence in 1979 the government has been headed by an elected President (*Beretitenti)* who is both Head of Government and Head of State. The Constitution is based on the British Westminster system, with a separate Legislature, Judiciary and an Administration. Members of the unicameral Parliament (the House of Assembly) or *Maneaba Ni Maungatabu* comprising 42 seats are elected for four-year terms by universal adult suffrage (aged 18 and older). Only 39 members are elected and one ex-officio member, the attorney general and two appointed members serve four years terms. The government cabinet comprises 12 members of the House of Parliament appointed by the president.

Each inhabited island has at least one Island Council, which is responsible for local government matters. The government has been described as "a mix of Westminster principles and customary values within a structure which still gives considerable influence to the elder male (*unimanae*) of the traditional realm. Women have a limited role in policy formulation although substantial influence in village society."[10]

The country is administered in three main administrative divisions of Gilbert Islands, Line Islands and Phoenix Islands. There are 6 districts: Banaba, Central Gilberts, Line Islands, Northern Gilberts, Southern Gilberts and Tarawa, and 21 Island councils, one for each of the inhabited

[10] Source is *Stakeholder Participation in Development: Kiribati* (World Bank, 1998)

islands: Abaiang, Abemana, Aranuka, Arorae, Banba, Beru, Butaritari, Kanton, Kiritimati, Kuria, Maiana, Makin, Nikunau, Nonouti, Onotoa, Tabiteuea, Tamana, Tarawa and Teraina.

Democratic values are strong with government answerable to the people. For example, legislation is handled by Westminster convention but is referred to the *uimane* for their consideration before becoming law: it is hard to enact legislation which the rural communities, or at least the rural elite, oppose. Members of Parliament can be recalled, forcing a by-election, if a petition is signed by 50 per cent of the constituency's registered voters. There has been no creation of an entrenched political elite; to the contrary there has been a consistently high turnover of elected members.

The UNDP common Country Assessment had found that the quality of Kiribati's public administration has improved as better-educated young I-Kiribati have joined the public service in recent years but a number of weaknesses have been identified by the government itself for attention during the current planning period:

- The budgeting and budget control system is weak, including data collection and assessment;
- Sectoral planning is not sufficiently strategic, institutionalised, ongoing or monitored; and
- There is a lack of focus by ministries on their real core functions.

These weaknesses may be difficult to overcome and consultations are sometimes more apparent than real: *The Public Service … explores and administers aid policy initiatives from above (ministers) and outside (aid donors) rather than developing alternatives from within. It operates hierarchically among departments, divisions and sections rather than laterally. … [Also] the importance of the traditional domain is seen in cultural expectations which make it difficult for one individual to ask another to do something more than once, to check if an instruction has been carried out or to criticise* .[11] Thus: [12]

- *The expectations about inter-ministry collaboration have been disappointing;*
- *Government has so far failed to deal with the basic issues of cash incomes on, and government services to, outer-islands to the satisfaction of those who live on them;*
- *The structure of I-Kiribati politics and weaknesses in public sector management and administration limit the capacity of the government to formulate policy, maintain policy stability and implement projects; and*
- *Bureaucratic requirements of donors, which may well exceed the capacity of the Kiribati government, also represent a major delaying factor in implementation.*

A list of the ministries and their Operating and statutory expenditure is shown in Annex 2 titled *Budget estimates – statement of operating and statutory expenditure.*

[11] *Stakeholder Participation in Development*, WB, 1998)

[12] The first example is from *Kiribati Country Cooperation Framework 1997-2001: Country Assessment Report* (UNDP, July 2000); the others are from Stakeholder Participation in Development: Kiribati (WB, 1998).

Table 4.3 Some basic development indicators for Kiribati

Indicator	*Overall*	*Males*	*Females*	*Comments*
Population (census of Nov. 2000) [1]	84,494	41,646	42,848	
Population growth (1995-2000; %/yr) [1]	1.69%	1.58%	1.79%	Urban (S Tarawa) = 5.17%; rural = – 0.63%.
Life expectancy (1995;years)[2]	60.2	58.5	64.7	WB [6] est. overall 61.4 (1999) and 59.4 ('95); up from 48 (m) & 50 (f) in 1975[12] * weighted aver.; not in Ref 1
(2000; years) [1]	62.8 *	58.2	67.3	
Infant mortality rate (1995)[2]	62	67.5	56.3	Other pre-census data indicate overall of 53 [7] to 57 [6]
(2000) [1]	43	–	–	
Child mortality, under 5; excl infants (1995) [2]	24	27.8	20.8	Estimated 72[6] to 88[13] for infant + under 5 yrs mortality
Maternal mortality rate (1995-2000) [13]	–	–	56	Five year average for the period
GDP per capita Aus $ (2000; prelim) [3]	AUD804	–	–	GNP (2000) = AUD1473; GDP (1999) = AUD860
Aid per capita (US$; 1997-98) [10]	US$ 194	–	–	This is 62% of 1991-92 level of US$311
Access to safe drinking water (1995) [4]	47%	–	–	Urban (S Tarawa) 82%; rural 25%
Access to sanitation (1995) [2]	46%	–	–	Urban 45%; rural 53% (1990) ; overall 63% in 1980
Access to health services (1995)[2]	95%	–	–	22 of 23 doctors are reportedly in S Tarawa [11]
(2000) [15]	100%	–	–	There are 84 health 'service delivery points' [15]
Adult literacy (1998) [5]	93%	94%	91%	More-or-less unchanged since early 1980s ?
Human Development Index (1998) [5]	0.515	0.493	0.517	Higher is better (Kiribati is 11th of 14 PICs ranked)
Human Poverty Index (1998) [5]	12.7	13.7	11.8	Higher is worse (Kiribati is 10th of 15 PICs ranked)
HIV / AIDS (cases; late 2001) [6]	49	?	?	Up from 2 in 1994 and 39 in early 2001
Members of House of Assembly (2001) [9]	41	39	2	37th of 49 Commonwealth members for women MPs (but best of 7 Commonwealth PICs)
Administrators and Managers (%;1990s)[11]	100	96	4	Also 10 of 280 police were women in 1998 [14]
Legislators and senior officials (%, 2000) [1]	100	73	27	

Sources: [1] Kiribati Govt, Report on the 2000 Census Population (Nov. 2001); [2] Kiribati Dept. Statistics & WHO (1995); [3] ADB, Key Indicators (2001); [4] Kiribati at a Glance (WB, 2001); [5] UNDP Pacific HDR (1999); [6] Kiribati Data Profile, (WB, 2000) [7] Pacific Island Country Profile UNICEF, 2001); [8] World Health Report (WHO, 2001); [9] Pacific News Bulletin (PCRC, October 2001); [10] Comsec/WB, 2000; [11] Poverty Discussion Papers: Kiribati (ADB, 2001); [12] Kiribati National Development Strategy (NDS, 2000-2003; [13] UNFPA Kiribati Country Brief, 2001; [14] Annual Review (NZODA; 1998); [15] Ministry of Health Report (Kiribati, 2001).

Note that women outscore men in HDI because of longer life expectancy and in HPI because of greater survival to age 40.

4.3 History and cultural issues[13]

Most of Kiribati had been a British protectorate since 1892 and ultimately annexed by Britain in 1915 together with the Ellice islands (Tuvalu) and the Line and Phoenix islands, then known as the Gilbert and Ellice island colony. Following the transfer of Tokelau to NZ in 1925 and the independence of Tuvalu in 1976, the remainder on the colony became the independent Republic of Kiribati in 1976.

Prior to European involvement the I-Kiribati people had a highly developed social order that is still characterised by a strong sense of family independence and self-sufficiency, a highly valued local culture and resilience against its change, a tight prescription of social roles by age and sex, and an emphasis on conformity. Age and sex define the roles and responsibilities at different life-stages, as well as the authority and privileges that go with each stage. The main social groupings for males are *unimane* (male elders), *rorobuaka* (adult men), *roronga* (youth) and *ataei-ni-mane* (boys). The main groupings for females are *unaine* (senior married women), *aine* (married women), *nikiranroro* (non-virgin unmarried women), *ataei-n-aine* (virgin unmarried women and girls). Old people have higher status than the young and adult males have higher status than adult females.

In Kiribati there is usually a stronger sense of village identity but even this is usually weak, particularly compared to the stratified Polynesian village system in Tuvalu. A traditional Gilbertese settlement consisted of several *kainga* (independent clan hamlets) that were sufficiently adjacent to share a *maneaba (meeting place).* The male elders of each hamlet sat in the *maneaba*, and as all male elders had equal status, so too did each hamlet (*kainga)*. The only stratification of authority existed within the hamlet (in the person of the male elder), not across the whole community. The *maneaba* community ('village') was therefore a loosely knit group. There was minimal cooperation between hamlets in daily social and economic affairs. Even within hamlets, the *mwenga* (co-habiting group or 'household') was the primary economic group. Each *mwenga*

[13] Cultural description sourced from Margaret Chung and UNDP CCA

was self-sufficient in resources needed for their daily existence and independently looked after its own affairs[14].

Other than the male elders, the village contains other important age/sex groupings. For example, development of a community facility, such as a common well, is more in the hands of the adult married men. While the male elders may suggest such an idea, the adult married men are more likely to decide and act upon it. The adult women are also expected to work together on many occasions. In particular, the women are responsible for implementing the decisions of the *maneaba* regarding the *bukinibwai* (shares from each household). As households that fail to deliver are heavily penalised, these communal responsibilities weigh considerably on women's time and resources.

While this traditional settlement pattern has been somewhat modified by the influence of colonial government and the churches, important characteristics survive. The 'village' remains a loose collective of independent households. The non-stratification of settlement pattern expresses the still valued ideals of conformity and humility. Authority over the community is held by the male elders, but they have little capacity to intervene in the affairs of individual households. The male elders (*unimane)* are mainly concerned with community events such as arrangements for visitors or *maneaba* maintenance.

Traditional I-Kiribati society rewarded conformity to these social norms and did not accept deviation from them. People who behaved in self-centred or competitive ways or became more affluent than their fellow islanders were ostracized, shamed, or otherwise excluded from the community. The tradition of bubuti (lit. *borrowing*) also required people to share wealth.

While this emphasis on economic equity continues today, wealth differences have widened. The 'wealthy' now are often the families that early had a cash income (usually through employment in government or on Nauru), were able to educate their children and enable them to get good jobs, and so have accumulated more assets. Although the material aspirations of most islanders are often very modest, there is considerable desire for economic change, particularly for new opportunities to earn cash. There is considerable frustration at the slow pace of development.

A study conducted for the local government for potential outer island development found that the I-Kiribati people on the outer islands usually strongly identify themselves as belonging to a certain island. But there was little common purpose on each island in relation to development activities. During this study it was found that villagers wished to act independently of each other and even within villages, extended families live somewhat independently of one another.

Most islands are divided by church group, usually Protestant or Catholic, each of which works quite separately from each other. The legal authority on the island and representative of central government is the Island Council. Particularly in the Northern Gilberts, the community often poorly identifies with the island council and sees it as an institution quite apart from them. The councils are made up of elected representatives from each ward. Often each councillor's main concern is his (very rarely her) own ward, not the good of the whole island. This is also true of the Chief Councillor who is elected from among the councillors, not separately as an island leader. Traditional authority lies with the male elders and the *maneaba*. The *Unimane* Council is an island-wide body but operates quite separately of the island council. At an island level, the male elders sometimes organise projects and fund-raising. While the community supports these activities, as they must, they do not necessarily consider them to be their own or expect to see any direct returns from them.

Women's and youth groups are active on most islands but their interests get little attention from the main powerbrokers. Other than projects run by the councils, central government or aid donors, there have been very few island-level activities in the past. On a few islands, the male elder's council had organised island fund-raising for a project. On the islands of Marakei, Betio and Kiritimati for example the male elder's council built the *maneaba* to be hired out for functions; on the island of Onotoa the male elders bought an inter-island ferry.

The impact of the Unimane system on any potential social security of micro schemes at local level will need to be carefully considered in order to ensure that the traditional system is strengthened by such proposals and that input

[14] (Hockings, 1989; Bwenawa Io, pers. comm).

form the male elders is sought at an early stage. It may be appropriate to ensure that at some level council members are involved as stakeholders in all stages of the project.

4.3.1 Women in society

Kiribati women face a psychological challenge in improving their representation and participation at different levels of decision making. The psychological challenge presents itself in the *maneaba* (traditional meeting house on which culture is centred) system which dictates that a women's place is behind/after men, never in front/before. Hence I-Kiribati women are expected to follow or walk behind men rather than ahead or lead. Against this value, women have and are continuing to make in-roads and improvements to their participation and representation especially in parliament, island councils, government statutory bodies, public service and churches (PACFAW: Status of Women Report, 2003). However this psychological mindset over-shadows women's advancement and men's partnership towards elevating them.

4.4 Economic overview

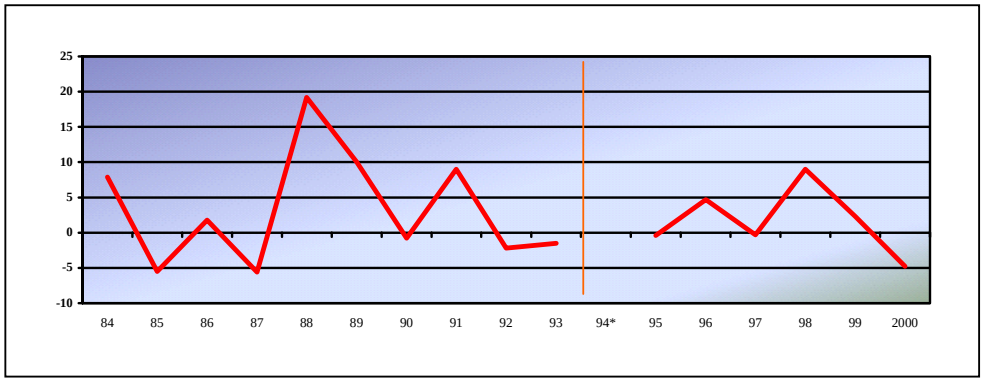
4.4.1 Recent socio-economic trends

The Kiribati economy has been expanding moderately during the past two decades. Gross domestic product (GDP) expanded by 6.7 percent in the 1990s, an improvement over the 1.3 percent growth from 1984-1989 (Figure 4.5) Calculations based on Asian Development Bank,

Growth and Change in Asia and the Pacific: Key Indicators 2001, pp. 190-191. Similar to other Pacific Island economies, the pattern of Kiribati's economic growth has been erratic despite the improvement in the 90s due to its dependence on a few agricultural products for export that are easily affected by fluctuations in world prices as well as its vulnerability to natural disasters. The major determinants of Kiribati's economic performance are the inflow of workers' remittances especially from seamen working in foreign-owned or foreign-registered ships, fishing licence income and by investment income from its sizeable trust funds. The economy also does not have a vibrant private sector to put in investment for infrastructure development in the country.

The structure of the Kiribati economy has changed little during the past two decades. Services continue to drive the economy, accounting for three quarters of the total GDP in 2000 (from 61.5 percent in 1980), followed by agriculture (18.2 percent in 2000 from 33.4 percent in 1980) and industry, which contributes less than 7 percent to domestic output. Fishing and handicrafts are the major industries in Kiribati. Its major trade partners are Australia, Japan, Fiji, New Zealand, and the USA. For 2000, the GDP of Kiribati declined by 4.0 percent as the industry sector suffered a 34.5 percent drop in production at the same time that the agriculture and services sectors similarly weakened but by a smaller magnitude (Table 4.4).

Figure 4.5 Real GDP growth, 1984-2000[15]



[15] There was a change in base year in 1994. The period prior to 1994 maybe therefore not be comparable with the year after 1994

Table 4.4 Key macroeconomic indicators for Kiribati for 1995-2003

Item	1999	2000	2001	2002	2003
A. Income And Growth					
1. GDP per Capita (US$, current)	645	572	220	611	760
2. GDP Growth (%, in constant prices)	9.5	1.6	1.8	1.0	2.5
a. Agriculture	21.2	(7.5)	0.0	(4.1)	-
b. Industry	8.0	1.9	25.5	(10.1)	-
c. Services	4.3	5.4	(0.7)	3.0	-
B. Saving and Investment(Current market prices)		(% of GDP)			
1. Gross Domestic Investment	-	-	-	-	-
2. Gross Domestic Saving	-	-	-	-	-
C. Money and Inflation		(annual % change)			
1. Retail Price Index (Tarawa)	1.8	0.4	6.0	3.2	2.0
2. Total Liquidity (M2)	4.0	20.0	(3.9)	29.0	-
D. Government Finance		(% of GDP)			
1. Total Revenue and Grants	130.2	129.0	147.1	157.4	136.5
2. Total Expenditure on Lending	111.4	102.6	139.5	136.0	149.9
3. Overall Fiscal Surplus (Deficit)	18.9	26.4	7.6	21.4	(13.4)
E. Balance of Payments					
1. Merchandise Trade Balance (% of GDP)	(58.4)	(74.3)	(84.3)	(88.5)	(87.2)
2. Current Account Balances (% of GDP)	12.4	13.2	3.2	7.9	(18.7)
3. Merchandise Export (US$) growth (CIF, annual % change)	54.2	(60.4)	25.0	15.6	11.5
1. Merchandise Import (US$) growth (CIF, annual % Change)	24.2	(2.7)	12.1	18.3	23.1
F. External Payments Indications					
1. Official External Assets ($million, end of period)	405.9	399.8	340.7	344.7	351.1
-In years of Imports	6.0	6.8	5.6	4.7	4.0
2. External Debt Service (%of exports or goods & services)	1.5	6.6	3.9	2.0	1.9
3. External Debt (% of GDP)	15.6	15.7	20.3	17.8	23.3
G. Memorandum Items					
1. GDP (current prices, million local currency)	83.5	83.1	91.2	98.0	103.20
2. Exchange Rate (As per US Dollar, annual average)	1.5	1.7	1.9	1.8	1.5
3. Population (million)	0.084	0.084	0.086	0.087	0.069

Source: ADB Country Strategy and Programme Update 2004 – 2007, September 2004

GDP per capita reached AUD 804 in 2000, lower than the peak level of AUD 860 in 1998. The growth of per capita income since 1996 has been weak, at less that 1 percent due to the somewhat stop and go pattern of Kiribati's economic growth.

Economic growth in 2003 picked up slightly after a period of political uncertainty, but tight fiscal control as well as economic and structural reforms to promote broader-based domestic private sector activity are needed to maintain the growth momentum.

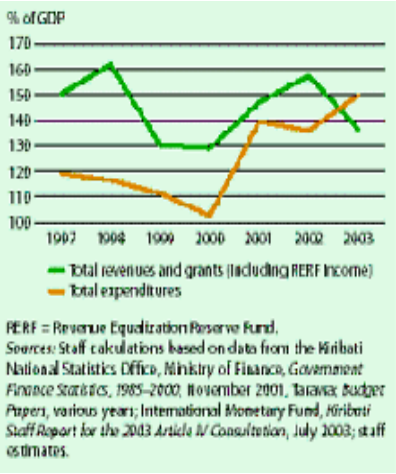
4.4.2 Economic assessment[16]

GDP is estimated to have grown by 2.5 per cent in 2003, improving somewhat from the previous 2 years. This improvement was achieved through higher consumer spending-triggered by a rise in government expenditures in the run-up to two national elections (in late 2002 and mid-2003) and employment in large construction projects. Significant development projects included the construction of secondary schools, a new power generating plant, and improved water and sanitation infrastructure, all on South Tarawa. Although higher than in previous years, GDP

[16] Sourced from ADB Country economic assessment

growth in 2003 was held back in part by poor performance in agriculture, especially a decline in copra and seaweed production.

Figure 4.6 Kiribati GDP



RERF = Revenue Equalization Reserve Fund.
Sources: Staff calculations based on data from the Kiribati National Statistics Office, Ministry of Finance, *Government Finance Statistics, 1985–2000*, November 2001, Tarawa; *Budget Papers*, various years; International Monetary Fund, *Kiribati Staff Report for the 2003 Article IV Consultation*, July 2003; staff estimates.

Despite the narrow production base, Kiribati's financial situation is underpinned by large external earnings. GNP is approximately 70 per cent higher than GDP due to high external factor income from fishing license revenues, investment income, and seafarer remittances. In 2003, GNP is estimated to have fallen by 4.8 per cent from AUD 168 million in 2002 mainly due to a further drop in fishing license revenues of about 22 per cent (they were down 10.5 per cent from 2001 to 2002) and a decline in passport sales to foreigners. As a result, the fiscal position tightened markedly in 2003 with central government current revenues, including Revenue Equalization Reserve Fund (RERF) income, decreasing from AUD 101.9 million in 2002 to AUD 82.3 million in 2003. Growth in remittances from overseas workers kept pace with inflation while income from overseas investments of the RERF began to recover some of the value lost during the weak global financial markets in 2001-2002. There was also a fall in tax and other non-tax revenues, suggesting either a reduction in domestic economic activity, weaker compliance, or a combination of the two.

Expansionary expenditure decisions in the lead-up to the 2003 elections with an increase in both public sector wages and workforce numbers, higher subsidies to government-owned businesses and the copra industry, and large contributions to development projects affected the fiscal position in 2003. The government also leased an ATR-72, a medium-range aircraft for the national airline, but this arrived in mid-2003 and only started commercial operations in December, causing a net drain on resources for lease payments and operating costs. However, central government current expenditures are estimated to have subsided from AUD 71 million in 2002 to AUD 65 million in 2003. This reduction is attributable partly to election date delays and to expenditure cuts made in anticipation of lower revenues. Combined with a 19.2 percent reduction in current revenues in 2003 and a 48 percent rise in development expenditures, the overall impact was a budget deficit of AUD 14 million or about 13 percent of GDP (Figure 4.6). Drawing down RERF surplus funds accumulated in previous years, other government funds, and external loans financed the deficit. The tightening fiscal position did not directly affect disposable incomes on South Tarawa, which were supported by aid-financed capital projects in education and infrastructure. Incoming foreign investment was minimal.

Inflation in 2003 was modest at about 2 percent, partly reflecting Kiribati's use of the Australian dollar as its domestic currency. Price indexes in the food, beverage, and transport sub sectors were unchanged in 2003, reflecting both the low rates of inflation in countries where most of the imports originate (primarily Australia and New Zealand) and the degree of price control exercised over petroleum products and other "basic" commodities.

The balance of payments remains vulnerable and is expected to have been in deficit by an estimated AUD 3.2 million, or about 3 percent of GDP, in 2003. The strong appreciation of the Australian dollar against the US currency in 2002-2003 and the consequent fall in the domestic currency value of most of Kiribati's foreign income over this period were areas of major concern. Despite a trade deficit of some USD 58.7 million, official external assets remained substantial at the equivalent of 4 years' imports of goods and services. The RERF was valued at AUD 576 million as of end-2002 and AUD 593 million 12 months later. Public external debt was relatively low at about 23 percent of GDP in 2003 and had been provided on highly concessional terms. Domestic public debt is virtually nonexistent.

Policy Developments

On taking office, the new government expressed its priority as *enhancing and ensuring the*

equitable distribution of development benefits to the people of Kiribati. It promised to pursue these aims in accordance with the principles of good governance. The key policy areas were stated as:

- Economic growth through a partnership of public and private investment in infrastructure and production;
- Equitable distribution of services and economic opportunity, particularly on the outer islands;
- Public sector performance through improved efficiency in resource use by ministries and public enterprises;
- Equipping people to manage social and economic change through policies in education, health, culture, and governance;
- Sustainable use of physical resources, including adaptation to climate change; and
- Protecting and using financial reserves while making use of them to finance development, particularly through the village banks and strengthening the governance of the RERF.

The government also developed the third statement of the National Development Strategy (NDS) covering the years 2004-2007. The NDS introduces new measures for performance reporting, not only in terms of statutory reporting, but also of ensuring effective monitoring and review of planning efforts. Penalties for failing to comply with reporting requirements include holding back some of the funds allocated to ministries and withholding subsidies to public enterprises. The NDS is closely aligned with the budget through the financial management information system and will be reviewed annually at midyear to shape the following year's budget. The annual budget is to be set in a 7-year multiyear budget framework. Increased confidence in fiscal sustainability is to be achieved by effectively implemented budgets, maximizing the sustainable collection of revenues from existing sources, and preparing for the introduction of a VAT-style consumption tax.

Consultations with representatives of civil society, as well as public acceptance of a population policy and climate change adaptation policy, will help address sustainability issues. Land use planning is to be fostered through public consultation in heavily populated areas. Infrastructure, small enterprise development, and rural production (which has been declining) are to be reemphasized. Private partners for government-owned hotels are to be sought. Public sector performance is to be encouraged by a new award system and the revision of the national conditions of service. Service agreements are to be introduced for all public enterprises on the understanding that some may be unsustainable. public tenders are to be introduced for subsidized services.

In 2003, the government introduced several financial sector reforms. A draft law on licensing supervision and regulation of financial institutions and on combating money laundering was introduced, as was a reduced guaranteed rate of return for Kiribati Provident Fund assets. Contributions to this fund were also increased. However, concerns remain over poor standards of project evaluation, increased levels of government guarantees for Bank of Kiribati loans to public enterprises, the setting up of a proposed Guarantee Corporation, and the rise in the Non Productive Loans (NPL) ratio at the Development Bank of Kiribati.

4.4.3 Outlook for 2004-2005

GDP is projected to grow by 1.8 percent in 2004 and by 1.5 percent in 2005, roughly equivalent to the rate of population growth. This will mean continuing low levels of job creation, and an increase in the number of unemployed young people, particularly on South Tarawa. Growth in GNP is expected to track that of GDP, thereby keeping real income per head at about 2003 levels.

Short-term prospects for economic activity and employment are determined by current and planned externally funded public sector projects. The 2004-2005 budgets will also be influenced by the better outlook for RERF earnings, which are expected to continue improving alongside a general recovery in global financial markets. Fishing license revenues are expected to remain at around 2003 levels in 2004-2005 with the help of a new licensing agreement with the EU, then return to 2001-2002 levels by 2007. In 2004, official external assets are projected to remain at the equivalent of about 5 years of imports, and public external debt at about 30 per cent of GDP (with no domestic debt).

Although the fiscal situation remains a source of concern, the 2004 budget deficit is projected to decline to AUD 6 million, largely due to expenditure compression. Total expenditures are projected to decline by 11.6 per cent. In

particular, the recent decision to cancel the lease of the ATR-72 removes one of the greatest threats to uncontrolled expenditure.

Critical challenges include the increasing levels of unemployment, especially among the young; the deteriorating urban environment on South Tarawa; and the apparent declining educational standards, particularly among young men.

The NDS recognizes the importance both of these issues and of a comprehensive population policy, which includes family planning and emigration, for reducing poverty and sustaining living standards in the country. The challenge is for the Government to deliver a consistent and strong national message, implement modernization measures, and bring about real structural change in the economy.

Kiribati's potential for long-term growth is constrained by the physical limitations of its many small islands; widespread geographic distribution; and fragile, low-lying, and poor land resources. These factors, as well as the small size of the domestic market, make it difficult to exploit locally the marine resources of the country's extensive exclusive economic zone. Notwithstanding these constraints, it is essential that Kiribati both broaden and deepen the private sector component of the domestic economy. New employment and new investment opportunities are clearly needed.

4.5 Social protection in Kiribati

4.5.1 Disadvantaged groups in Kiribati

The assessment of disadvantage groups is a subjective view of the relative deprivation of these groups within Kiribati society and it is also closely linked to vulnerability to poverty caused by loss of income. The nature of the environment in Kiribati in a series of dispersed tropical atolls with their inherent risks from drought, inundation, cyclones and poor soils contributes to a high co-variate risk (or group risk) for most communities. Disadvantaged groups include:

- ***Formal economy*** - The weakness in compliance as regards formal sector workers increases vulnerability against poverty in the event of accident, death, illness or unemployment. If the group of self employed and overseas 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.

- ***Workers in the informal economy –*** Social security provisions are not available to these workers yet they represent most of workers and their families in Kiribati 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 S. Tarawa.

- ***People living on outer islands.*** They are disadvantaged through their 'general lack of everything,' namely their isolation and lack of resources, and because, despite efforts to promote outer island development, most resources are invested in South Tarawa.

- ***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 Kiribati that included:

    - Unemployment. Each year, around one thousand 15-16 year olds join the labour force out of a total new entrants of about 1,700, but few of them find productive work, let alone any cash income. Unemployment is the most pressing problem facing young people in Kiribati today.[17] 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 as seafarers or fishermen. Most cash jobs are on South Tarawa. The large semi-subsistence village economy disguises a high level of unemployment in the country. It is estimated that only about 450 – 500 new jobs are created in the formal economy each year.

[17] Ministry of Environment and Social Development, 2001.

- Changing I-Kiribati culture. Young people are particularly affected by the fast change in cultural practices and the narrowing range of economic opportunities in Kiribati. Although cultural identity and pride in being I-Kiribati 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.[18]

- 'At risk' sexual behaviour[19] Traditional I-Kiribati culture puts 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. Whilst about 5 per cent of births in 1998 were to teenage women; just less than 1 per cent were to girls under 15 years. Not all of these births would be unwanted; some teenagers are married or in stable relationships. The teenage pregnancy rate, therefore, is not high, but the issue is of concern in this culture where premarital chastity is still highly valued by older people.

- ***Large families*** that cannot meet their own needs, either through high fertility or their need to absorb relatives from outer islands. Poor households often suffer poor nutrition, poor housing and sanitation, higher mortality and ill-health and their children may attend school less.

- ***Disabled people***. Education facilities for disabled children are poor and under-resourced. There is 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 head is family support, which often is inadequate in the long-term.

- ***Households that have no land.*** Many households on South Tarawa are squatters and lack proper access to water or sanitation. There is limited availability of land for non-Tarawan people. 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. Households that have moved onto land above the water lens on South Tarawa, for lack of another place to live, are polluting the water reserves of the whole island.

  Landlessness may be becoming an issue throughout Kiribati. Despite legislation to curb land sales, it is widespread. Landlessness defines poverty in local terms.[20] Traditionally, landless people could often cut copra on the chief's land or get access to land or sea resources through social traditions such as adopting of an old or sick person with land (*te kuakua*) or offering a gift (*tinaba*). 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 traditional systems seem to care for these groups. However with the continued urban – rural migration (to S. Tarawa), 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.

[18] Based on study conducted by British Overseas Volunteers VSO, 1999.

[19] Government of Kiribati, 2000, National Development Strategy 2000-2003 (p.40)

[20] Watters et al, 1984:43-4.

Table 4.5 Kiribati social indicators

	Item	1990	1995	Latest Year	
1.	**Demographic Indicators**				
	Total Population (000)	72.3	77.7	88.6	2003
	Annual Population Growth Rate (% change)	2.7	1.5	1.6	
	Dependency Ratio (% of dependents to working Age)	69.0 (1991)	80.5	68.0	(2002)
	Total Fertility Rate (Births per woman)	3.8	4.5	4.1	(2002)
	Average Household Size	6.5	6.5	5.7	(2002)
2.	**Health**				
	Life Expectancy at birth (years)	-	60.2	62.8	(2000)
	Male	57.7	58.5	58.2	(2000)
	Female	62.8	64.7	67.3	(2000)
	Population with Access to Health Services (%)	-	95.0	100.0	(1999)
	Population per Doctor	-	*7.681*	*3,700*	(2000)
	Government Expenditure on Health				
	As % of Total Government Spending	14.7 (1991)	14.9	13.7	(2001)
	As % of GDP	8.5 (1991)	11.2	12.7	(2001)
3.	**Education**				
	Adult Literacy Rate (%)	-	92.0	100.0	(2001)
	Male	-	94.0	-	
	Female	-	91.0	-	
	Combined Gross School Enrolment Ratio (1% of Aged 5-19 years)	69.8 (1985)	74.5	121.3	(2000)
	Male	69.5 (1985)	72.5	115.9	(2000)
	Female	70.2 (1985)	75.5	127.1	(2000)
	Gross Primary Enrolment (% of aged 5-14 years)	92.5 (1985)	84.4	124.2	(2000)
	Male	91.7 (1985)	83.5	121.1	(2000)
	Female	93.3 (1985)	85.4	127.4	(2000)
	Gross Secondary Enrolment (% of aged 15-19 years)	26.5 (1985)	47.5	114.0	(2000)
	Male	26.2 (100%)	42.7	101.7	(2000)
	Female	27.1 (1985)	52.5	125.20	(2000)
	Student – Teacher Ratio (no. of students per teacher)				
	Primary	28.0	27.0	22.0	(2002)
	Secondary	16.0	14.0	18.0	(2002)
	Government Expenditure on Education				
	As % of Total Government Spending)	17.4 (100%)	19.4	20.0	(2001)
	As % of GDP	10.1	14.7	20.5	(2001)

Source: ADB Country Strategy and Programme Update 2004 – 2007, September 2004

4.6 Kiribati and the ILO

On 3 February 2000, Kiribati became a member of the ILO and following confirmation of its membership, Kiribati committed itself to ratification of all ILO fundamental Conventions. The then Minister for Labour, Teiraoi Tetabea, re-iterated this commitment in his address to the International Labour Conference in 2001:

Although Kiribati has not formally ratified any Conventions yet, Conventions such as the Forced Labour Convention, 1930 (No. 29), the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No.87), the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), and the Abolition of Forced Labour Convention, 1957 (No. 105), are reflected to a certain extent in the labour laws of the country.

The abovementioned Conventions were actually ratified by the Government of the United Kingdom during its colonial rule over Kiribati, when we

were known as the Gilbert Islands, prior to our independence in 1979.

In regard to the other core Conventions. . . positive steps have been taken to ensure that Kiribati is well placed to ratify these Conventions. In the first tripartite meeting of the ILO constituents following Kiribati's accession to the ILO, agreement was reached on a plan of action for progressing this matter. This plan includes, among other things, measures to ratify all fundamental Conventions. (Tetabea, 2001).

The decision was taken to initially concentrate on ratification[21] of those 4 conventions previously accepted on behalf of the Gilbert Islands by Britain.

In the mid 1990's ILO continued its commitment to Kiribati through ILO Support for Pacific Labour departments (PACLAB) with an objective to enhance the productivity and morale of human resources in Kiribati. Its main area of focus was the development of labour legislation. PACLAB produced an initial draft of a Safety, Health and Welfare act and this was followed by numerous revisions, studies, cost of implementation, and extensive consultation with employers and unions. This has culminated in 2000 with the Bill titled *An Act to Promote and Improve Standards for Occupational Health, Safety and Welfare* and to Amend the Employment Ordinance (CAP 30).

The proposed legislation applies modern occupational health and safety principles by focusing on the importance of prevention of accidents and illness before they occur. This is to be achieved by:

- Setting down general duties which outline the obligations of people who have an influence over health and safety conditions in the workplace;
- Encouraging workplace consultation and communication over health and safety issues so that people are informed of the hazards at work and can share in the solutions in dealing with the hazards;
- Enforcement of standards by health and safety inspectors;
- Detailed regulations setting out specific health and safety standards for workplaces, such as minimum noise levels and diving safety procedures; and
- Codes of practice providing mandatory advice about controlling health and safety hazards.

The proposed legislation is considered to be compatible with ILO convention 155.

There has been a significant delay in presenting this legislation to the parliament and it would seem that there is concern in the government about the cost implications of the new law (especially to business) and the perception that the law is overly detailed and not suited to conditions in Kiribati However the legislation is expected to be presented to parliament in the final sitting of 2004 which commences in the last week of November 2004.

4.7 Labour market situation

It should be noted that employment data in Kiribati is limited and the major available sources are:

- The household income and expenditure survey 1996, and
- Population census 2000, although this was not fully completed on some outer islands due to funding constraints.

A labour market survey has never been completed in Kiribati and is one of the urgent statistical tasks identified by the statistics department; however this is unlikely to be conducted within current budgetary constraints and other priorities. A population census is scheduled to be conducted in November 2005 and this may be the only opportunity to collect employment data in adequate detail to assist in labour market analysis.

The formal employment sector represents only 18.63 percent of the working aged population (aged 15-64). The formally employed persons numbered 9,447 in the latest available data (population census 2000) of which 6,590 (76.7 percent) were working for the government while 2,002 were with the private sector. Of the public sector employees, 4,050 were with the central government and the rest with the public corporations Other large employers are the South Pacific Marine Services (SPMS), which currently has 1,050 merchant seamen on board German

[21] The term "ratification" is used when referring to the acceptance by Kiribati of ILO Conventions previously applied to it during colonial rule. Strictly speaking, Conventions 29, 87, 98 and 105 were not ratified by Kiribati, as Kiribati advised the Director-General of the ILO that it continues to be bound by obligations formerly entered into on its behalf by the United Kingdom.

merchant ships, the Kiribati Fishermen's Service (KFS), which has 325 fishermen on board Japanese Tuna Company fishing boats, however, the merchant seamen and fishermen are not included in the domestic private sector employment figure and the churches, which now employ more than 700 people.

The data show that of the 9,447 workers in the formal sector, 5,968 were males (63 percent) and 3,479 were females (27 percent) out of the total of 50,722 in the working age population.

Table 4.6 Kiribati employment summary

Census Year		Gender	Number of persons employed	Number of persons unemployed	Unemployment rate	Unemployment rate, 15 - 24 year olds	Labour Force Participation Rate[1]		No. persons employed (cash)
2000		Male	20,312	311	1.5	2.0	86.1		5,810
	Total	Female	19,600	333	1.7	2.3	76.1	Total	3,390
		Male	8,719	220	2.5		85.4		3,650
	Urban	Female	9,688	337	3.4		84.3	Urban	2,239
		Male	11,593	91	0.8		86.6		2,160
	Rural	Female	9,912	162	1.6		82.9	Rural	1,151
1995		Total	38,178	66	0.2				
		Male							
		Female							
1990		Total	31,467	899	2.8	0.0			
		Male	16,772	531	3.1	5.3			
		Female	14,695	368	2.4	3.4			
1985		Total	26,090	625	2.3				
		Male							
		Female							

Source: Kiribati Statistics Office Census of Population and Housing
Definition of employed includes both cash work (self employed and employees) and village work (unpaid, predominantly in the rural areas).
Definition of unemployed is a person who did no work in the week before the Census but spent some time looking for cash employment.
1 Excludes those who did not state their main activity, labour force includes those doing village work

Table 4.7 Formal sector employment by sex and occupational category

Occupation	Total	Male	Female	Male (%)
Legislator & senior official	622	457	165	73
Professional	2080	1013	1067	49
Technician / assoc. prof.	1413	929	484	66
Clerks	1143	371	772	32
Service workers	1718	1138	580	66
Agricultural & fisheries	201	181	20	90
Trade workers	812	601	211	74
Machine / plant operators	548	531	17	97
Labourers / elementary	663	589	74	89
Total	*9200*[22]	*5810*	*3390*	*63*
Source: *Report on the 2000 Census of Population*, volume 1 (Nov. 2001)				

[22] It should be noted that this table has a discrepancy of 247 when compared to other tables in the census reports identifying 9447 workers in the formal employment sector

Table 4.8 Economic activity of indigenous population by sex & island (Aged 15+)

Island	Male				Female			
	Cash employ-ment	Village work	Home duties	Un-employ-ed	Cash employ ment	Village work	Home duties	Un-employ-ed
Gilbert Grp	*5,329*	*13,306*	*177*	*280*	*3,210*	*15,268*	*2,088*	*287*
Banaba	57	22	0	0	23	16	35	0
Makin	65	345	2	0	32	347	32	0
Butaritari	134	631	5	16	73	448	277	33
Marakei	76	502	1	28	41	466	98	45
Abaian	208	1,115	0	3	114	1,243	11	3
N. Tarawa	245	775	57	0	134	658	305	2
S. Tarawa	3,650	5,069	58	220	2,239	7,449	337	171
Maiana	57	521	0	0	40	533	23	0
Abemama	115	542	25	0	73	430	282	0
Kuria	53	184	0	8	30	226	0	29
Aranuka	46	198	0	0	27	230	1	0
Nonouti	128	587	12	2	75	711	31	1
N. Tabiteuea	115	685	4	0	65	657	94	3
S. Tabiteuea	71	243	2	1	45	276	12	0
Beru	126	511	11	1	59	81	514	0
Nikunau	69	419	0	0	37	425	0	0
Onotoa	48	401	0	0	43	442	2	0
Tamana	36	236	0	0	23	289	17	0
Arorae	30	320	0	1	37	341	17	0
Line & Phoenix	*481*	*1,196*	*35*	*31*	*180*	*942*	*349*	*46*
Teeraina	74	235	-	4	11	177	60	15
Tabuaeran	51	379	2	0	25	180	162	1
Kiritimati	350	573	26	27	142	578	124	30
Kanton	6	9	0	0	2	7	3	0
Kiribati Total	5,810	14,502	212	311	3,390	16,210	2,437	333

Source: Kiribati Statistics office, Population census 2000

Table 4.9 Cash employment by age group, sex and industry 2000

Industry	Male					Female					Total
	15-24	25-34	35-49	50+	Total	15-24	25-34	35-49	50+	Total	
Agriculture & Fishing	31	78	94	14	217	10	14	11	2	37	254
Mining	0	0	0	0	0	0	0	0	0	0	0
Manufacturing	16	33	39	6	94	9	16	25	6	56	150
Electricity & Water	10	41	98	11	160	9	4	14	0	27	187
Construction	53	122	114	36	325	4	6	10	1	21	346
Distributive Trade	95	206	301	95	697	113	179	169	23	484	1,181
Transport & Communication	108	250	287	73	718	65	94	62	5	226	944
Financial Services	31	46	72	20	169	47	64	33	4	148	317
Public Administration	329	1,022	1,564	515	3,430	452	963	836	140	2,391	5,821
Total	673	1,798	2,569	770	5,810	709	1,340	1,160	181	3,390	9,200

Source: Kiribati Statistics Office Census of Population and Housing 2000

Table 4.10 below provides more details for the top decision-making category. Males are a majority in all classifications except primary school head teachers. Although not shown in the table, there is little improvement among those aged 34 and under (69 percent male).

Table 4.10 Legislators and senior officials (2000)

Occupational classification	Male (total)	Female (total)	% Male (total)
Government minister	6	0	100
Member of parliament	29	1	97
Permanent secretary	11	2	77
Asst. secretary (govt)	21	17	55
Senior govt. official	60	55	52
Island council clerk	11	5	69
Director / CEO	22	18	55
Principal (sec school)	9	3	75
Head teacher (primary)	8	15	35
Total (includes other categories)	457	165	73

Source: *Report on the 2000 Census of Population* (November 2001)

4.7.1 Women in the public service

There is one woman in parliament, but according to the 2000 census 44 percent of administrators and managers and 51 percent of professionals were females, mainly teachers and nurses. In 2001, 56 percent of overseas scholarship students were women. Thus, gender equity appears to be improving and demonstrates the impact of education on raising the status of females in society. Overall women comprise 51.5 percent of the workforce and 37 percent of those in paid employment. There are however important areas where females are still in a significant minority e.g. males comprise 77 percent of Permanent Secretaries, 95 percent of secondary school principals and 73 percent of all legislators and senior officials.

4.7.2 Women in decision making level

Decision making was culturally a male only domain while women were expected to implement, rather than initiate or decide on village or community affairs. Slight progress is being made in Kiribati where women are making a stand in some political matters outside the home. The *maneaba* system dictates that a woman's place is behind/after a man, never in front/before. Culturally, this is respectfully the woman's place. The husband is regarded as the head of the family, but the wife is the most important figure in the family because she is responsible for their daily concerns (Tentoa et al, 1995).

The traditional system is being challenged where in the recent general elections and the entry of more women into other decision making bodies have improved in recent years with more educated women joining the workforce at formal level and women entering the polls. Also, the contribution of women in the informal sector is being recognized and acknowledged. There is no actual affirmative action to guide gender mainstreaming at all levels but the current government is very supportive in promoting women's representation at high level decision making. Two women stood and won as candidates of the March and July elections 2004.

4.7.3 Employment trends

Between the 1995 and 2000 censuses, total reported employment in the formal sector grew by 17 percent or about 3.2 percent per year, close to the estimated rate of growth of real GDP and equivalent to 250–300 new jobs a year. In the same period, the number of persons 15–49 years old grew by about 11 percent. The result is that there were slightly more jobs available per person in the job-seeking age group in 2000 than in 1995, but there were still jobs for only a fraction of those looking for them.

Most of the growth in employment is in Tarawa and Kiritimati. People in Tarawa have the best chance of obtaining government employment because of the need to apply in person for government jobs through the National Employment Register office in Tarawa. Future public service opportunities are likely to grow more slowly than in recent years as fiscal expansion levels off—the public service has increased by about 3 per cent per year in the last five years.

Table 4.11 Changes in employment

Industry	1995	2000	Change	% change
Agriculture and Fisheries	487	254	-233	-47.8
Manufacturing	104	150	46	44.2
Electricity	182	187	5	2.7
Construction	215	346	131	60.9
Wholesale	222	323	101	45.5
Retail	627	672	45	7.2
Hotels	177	186	9	5.1
Land/Air Transport	710	944	234	33.0
Financial Services	349	317	-32	-9.2
Public Administration	4,775	4,989	214	4.5
Total	7,848	8,368*	520	6.6

* There is an unexplained discrepancy in the 2000 census table from which these data are taken. The total of this column is 832 less than the figure of 9,200 given elsewhere in the census report for total employment. The difference is significant when considering employment growth rates. The higher figure is used in the following discussion.

Sources: Kiribati Statistics Office 1997, and Republic of Kiribati 2001b.

4.7.4 Employment in fisheries[23]

One of the key industries and occupations in Kiribati is the fishing industry most of which is local in nature and apart from providing a substantial part of the local diet it also provides for cash income, particularly in S. Tarawa.

Because very few fishermen are registered with the Kiribati Provident Fund, there is little employment information on the fisheries sector (D. Abbott, pers. com.). Most of the indicative information is from the national census held in 1990 and in 1995. The 1995 census (Statistics Office 1997) shows that:

- Of the 7,848 people who had *cash work*, 349 people (4.4 percent) had fisheries-related jobs—seaweed grower, coastal fisherman, deep-sea fisherman, or other fisheries worker.
- Of the 11,920 households in Kiribati, 64 percent practiced fishing in the ocean flat, 64 percent in the lagoon flat, 49 percent in the ocean, and 59 percent in the lagoon.
- The main source of cash income for 29 percent of the 11,920 households in Kiribati was fishing.
- The main source of cash income for 9 percent of the 11,920 households in Kiribati was seaweed cultivation.

Other employment information related to fisheries includes:

- ADB (1998a) states that almost all rural households and about 65 percent of urban households are engaged in fishing for subsistence purposes. About 1,100 household were engaged in seaweed production in 1996.
- Mees (1987) states that 40–55 percent of the weekly South Tarawa fish landings of 128 tons are made by full-time commercial fishermen.
- Tebano, T. and G. Paulay (1995) states that, in South Tarawa, 500 subsistence gatherers and 35 commercial divers collect 1,400 metric tonnes of the shellfish *Anadara*.
- Preston (2000) estimates fisheries employment in Kiribati in 1996 was 1,131 people employed in commercial harvesting and 20,000 people employed in subsistence fishing.
- Fisheries Division (1998) indicates 12 percent of the households in Kiribati do not fish. Of those that do fish, 17 percent do so commercially full time, 22 percent fish commercially part time, and 61 per cent fish only for subsistence.
- Tinga (2000) states that artisanal fishing is carried out in South Tarawa by 200–300 motorized skiffs.
- Savins (2001) states that:
  - there are over 200 boats presently active on Tarawa which employ 300 fishermen full time and 300 fishermen part time, and
  - people engaged in domestic troll fishing make up 31 percent of private sector employment in Kiribati.
- B. Onorio (pers. com., August 2001) stated that there are presently no commercially operating pole-and-line or longline vessels based in Kiribati. Although purse seiner *Kao* is registered in Tarawa and has Kiribati crew, it fishes mainly in PNG waters.

(i) Merchant seamen and tuna fishing

Kiribati has a long and successful history of providing seafarers of international standard. This success can be attributed to the people's close relationship with the sea, the skills and knowledge they acquire to complement their natural abilities, their natural upper body strength and their command of English. Both the Marine Training Centre (MTC) and the Fisheries Training Centre (FTC) have close and well-developed relationships with overseas marine companies, which have been in place for almost 30 years. The standard of training delivered by MTC and FTC is high and internationally respected.

[23] Extract taken from Internet publication *The Contribution of Fisheries to the Economies of Pacific Island Countries*

The overseas employment of Kiribati merchant seamen and fishermen (currently about 1,050 and 350, respectively, away at any time) could continue to expand gradually, by 200–300 in each case. While there is pressure to increase the supply of merchant seamen, it is important to maintain the standards of training, which both the South Pacific Marine Services and Kiribati Fishermen's Service expect. It is essential, therefore, that qualified and competent staff and well-equipped training facilities be available before training can be increased. The Kiribati Seamen's Union is very aware of the need to continue to provide seafarers of good quality and to maintain their access to the job market, and plays an active role in support of seafarers and their wives.

Merchant seamen lead a hard life with most of their time spent away from home. Tuna fishermen usually spend 5 to 10 years on the tuna boats before retiring from their life at sea, while merchant seamen can work into their 50's. This separation from family results in inevitable pressures on relationships and sometimes, family break-up. Merchant seamen have also been involved in the transmission of the HIV/AIDS virus and now all must be tested for HIV/AIDS before signing on for each new 12-month contract. These social and health outcomes are addressed through the Ministry of Environment and Social Development and the Ministry of Health. The remittances of around AUD 10,000 per year that merchant seamen send home are an important source of income to many households in Kiribati.

Kiribati is currently on the *white list* of countries accredited to deliver the Standard Training Certificate of Watch Keeping, which enables merchant seamen to be employed on internationally registered ships. There is a risk that Kiribati could lose its white list accreditation unless the domestic shipping standards, which are part of the white list accreditation process, are improved. The implications for government and private shipping companies are that their standards of safety and service must be upgraded and maintained if Kiribati is to retain its accreditation to deliver this training. Effective Occupational Safety and Health legislations and compulsory workers' compensation are steps that can be taken to improve part of these accreditation standards.

Up to and after independence, the completion of 8 or 10 years of formal education meant a very good chance of landing a government job or a scholarship for further training, after which employment was virtually guaranteed. Attitudes to education are still coloured by the memories of those days, but the reality is now quite different. Around 1,700 students—soon to reach 2,000 and growing—leave school every year, and 450–500 jobs become available in the formal economy. Even the most optimistic (or unsustainable) economic growth scenarios would yield only an additional 200– 300 jobs annually in addition to the present number. It is critically important to the future well-being of Kiribati that the solution is found to this conundrum: how can the same public education system equip young people both for the practical realities of the lifestyle that most will lead and the intellectual demands that a much smaller number must confront. Education systems in developing countries everywhere are facing a similar problem.

4.8 Education[24]

Kiribati is laying a sound foundation for the continued development of a literate population. Successive governments' commitment to providing more and better education has been reflected in the consistent allocation to Ministry of Education, Training and Technology (METT) of around 20 percent of government recurrent expenditure. This is one of the highest proportions of public funds spent on education in Pacific island countries.

The basic strategy in recent years has been to assume government responsibility for compulsory education to 12 years of age and free education for all students to 14 years of age. The result is that in 2000 around 80 percent of children aged 6–14 were enrolled in schools, where they received education in the Kiribati language to grade 3 and in English from grade 4 up. Table 12 reflects the rise in all school enrolments from 1982 to 2000. In recent years, the gender balance has been slightly in favour of females. Numbers of girls and boys in primary and junior secondary were usually equal, but there were 25 percent more girls than boys enrolled at the secondary level in 2000. This may in part reflect the departure of males to apply for training places at MTC or the FTC, but the difference of over 600

[24] Based on *Kiribati: Monetization in an Atoll Society*

students suggests that girls are more motivated to make use of secondary opportunities than boys

This public investment in education, particularly at the primary level, should pay dividends in maintaining high literacy rates and providing a base for the development of a skilled work force with potential for productive participation in economic activity.

Table 4.12 School enrolments

	1982[a]			1992[a]			2000[b]		
	M	F	T	M	F	T	M	F	T
Primary			7,014	6,822	8,115	16,020	8,160	7,936	16,096[c]
Community/JSS				106	98	204	1,857	1,808	3,665
Secondary	792	869	1,661	1,468	1,601	3,069	2,550	3,193	5,743
Total	7,806	7,691	15,497	9,479	9,814	19,293	12,567	1,2937	25,505
% by Sex	50	50		49	51		49	51	

F = female; JSS = junior secondary school; M = male; T = total.
[a] Digest of Education Statistics, METT.
[b] Republic of Kiribati 2002.
[c] Includes 403 students enrolled in primary classes 7–9.
[d] Includes Forms 1–7.

4.9 Existing formal social security programs

There is no formal social security system in Kiribati apart from the Kiribati Provident Fund and the Old Aged Allowance (since May 2005). However, traditional Kiribati society is based on principles of community-based caring and sharing so that those with surplus food (eg fish catches) will share with those without food. Reciprocation will generally ensure that over time everyone has contributed and received in roughly equal measure. There are strong family and community bonds which provide safety nets for those who might be disadvantaged. Where there are those with special disadvantages, e.g. the old and disabled, society generally collectively provides for them on a non-reciprocal basis.

This traditional cultural-based social safety net means that there is little obvious poverty in the narrow sense. There is, nevertheless, increasing hardship and poverty of opportunity being experienced throughout society, both on South Tarawa and in the Outer Islands. Traditional social systems and structures are coming under increasing pressure as external influences change attitudes and as education broaden horizons. The steady monetization of the economy also introduces strains into traditional customs and practices (ADB, 2002).

The remittances from seamen and others working overseas are an important source of cash income providing a safety net for many families. About 24 per cent of all Kiribati households get receipts from abroad, 20 per cent of outer island households and 30 per cent of those on South Tarawa.

Outer Island households often receive additional remittances from, or have school fees etc paid by, employed relatives on South Tarawa. In return outer island families will send produce to relatives on Tarawa who have no access to land. This exchange is important within the overall social framework and extends the social safety net across all parts of the country.

4.9.1 The Kiribati Provident Fund

The Kiribati Provident Fund (KPF) was established prior to independence in 1977 through the Gilbert Islands Provident Fund Ordinance (CAP 78A). With the establishment of the KPF the pension and gratuity scheme that was previously operated by the Government was replaced with the current system.

Coverage is compulsory for all formal employees of both public and private sectors, and voluntary coverage is possible for those who have left employment. Recent amendments to the legislation have expanded the voluntary provisions to include merchant seamen, together with the farmers and fishermen. Government employees, who comprise more than three quarters of the formally employed, were immediately covered under the scheme at the same time as those working in the private sector. Persons who are below 14 years old or earn less than AUD10 per month, domestic helpers and those recruited from abroad are exempted from the scheme.

Contributions were set initially at 10 per cent of the gross wage and the contribution was shared equally between the employer and employee although the employer had the option of contributing more than the employee. The total contribution rate has been increased to 15 percent with effect from 1 July 2001. The sharing arrangement between employer and employee has been maintained.

In the past, payment of contributions was only possible at the main office in Tarawa however payments are now able to be made through the

banking system and contributions for employees in remote areas are usually made by central transfers from the employer's accounts. Table 4.14 shows a summary of the membership and contribution in KPF.

Table 4.13 Account balances by age group

Age Group (Years)	Male (No)	Female (No)	Total (No)	Female Balance (AUD)	Male Balance (AUD)	Total Balance (AUD)
0 – 19	80	49	129	4,797.06	17,251.17	22,048.23
20 – 24	600	505	1,105	287,022.29	294,216.59	581,238.88
25 – 29	5,614	2,817	8,431	1,886,995.01	2,609,954.56	4,496,949.57
30 – 34	1,612	1,008	2,620	2,842,480.52	3,522,907.87	6,365,388.39
35 – 39	1,679	973	2,652	4,650,459.61	6,121,534.55	10,771,994.16
40 – 44	1,539	877	2,416	6,401,222.59	8,339,051.90	14,740,274.49
45 – 49	1,327	606	1,933	5,598,564.06	10,404,167.55	16,002,731.61
50 – 54	1,024	360	1,384	1,922,709.19	4,255,222.46	6,177,931.65
55 – 59	670	196	866	804,114.27	1,183,165.62	1,987,279.89
60 – 64	9,473	3,519	12,992	4,247,355.96	8,488,815.54	12,736,171.50
65 – 69	280	43	323	35,396.30	260,577.20	295,973.50
70 +	340	42	382	22,096.85	137,872.19	159,969.04
TOTAL	24,238	10,995	35,233	28,703,213.71	45,634,737.20	74,337,950.91

Data as at 31 December 2003, Source KPF 12 Aug 2004

Table 4.14 KPF - contributions and membership

Contributions and Balances	Amount
Number of Active Employers	743
Number of Members with a balance > 0	33,243[1]
Total Balance of these records	AUD 72,915,611
Average Balance per Member	AUD 2,193
Members with no contribution in 2 years	15,679
Number of members whose last contribution was between 12 August 2002 and 12 August 2003	3,594
Number of members whose last contribution was between 12 Aug 2003 & 12 Feb 2004	3,373
Number of members who contributed in the last 6 months (active contributors)	8,890

Note1.These are balances > 0 and do not include the carryover negative balances - - 2. Source: KPF August 2004

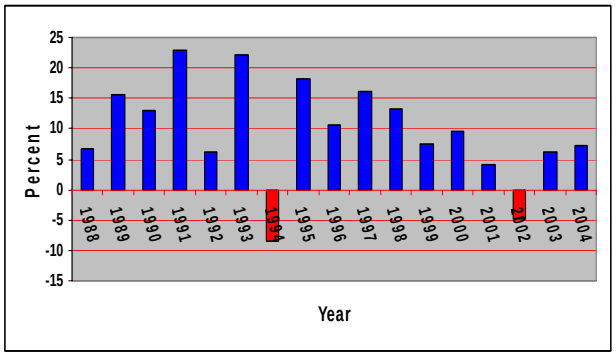
As with most provident funds in developing countries, there is a large pool of inactive members and in KPF whilst there are 33,243 records with a positive balance, only 8,890 have been regular contributors over the 6 month period prior to August 2004. There were 743 employers actively contributing to the fund.

Total investments placed with BT Financial Group in Australia amounted to AUD76.059 million as of August 2004. An additional foreign investment of AUD 2,825,209 has recently been placed with the ESANDA (part of ANZ banking group). Up to ninety percent of the investments may be placed abroad; a provision that was in the ordinance at is inception. The Board formulates the investment guidelines, including the benchmarks to be followed by its fund manager. The previous funds manager was Westpac. About 50 percent of investments are in the form of Australian and international equity shares, 10 percent in properties, and the rest in fixed income investments.

About 10 percent of the investments of KPF are retained in the country in the form of shares of stock, commercial building office space that is for rent, and in term deposits with the Bank of Kiribati.

The member's fund is guaranteed under the law with a minimum investment return of 4 percent. However, KPF has succeeded in declaring higher dividends to members and a summary of the investment earnings is shown below.

Figure 4.7 KPF investment returns



Source: KPF Finance Report 2004

However, because of current developments abroad, KPF anticipates that earnings may be variable in the future and the shocks experienced in the share market in recent years have given way to significant gains for most of 2003 and 2004. KPF is looking presently for more opportunities to invest domestically and to acquire more buildings for office rental in South Tarawa and in Kiritimati and this could be facilitated by developing a site in Bairiki that contains a concentration of government offices.

(i) Benefits.

The benefit payable to a member on settlement is the final balance of the contributions from the employee and the employer and the accrued interest. Benefits may be paid for migration, upon death, disability, or reaching the age if 45 if the member has retired permanently. The member may withdraw at age 50 part of the benefits and continue contributing, but can no longer contribute after age 55 even if employed. Unclaimed benefits continue to earn income until such time as they are withdrawn.

A special death benefit of AUD 1,000, previously funded from a deduction of AUD 5 from regular contributions has now been discontinued and table 4.15 shows the current full range of benefits provided by the fund.

Annual statements of provident fund balances are provided to the members annually through sealed envelopes distributed to the employers. Presently, KPF releases all benefit payments on Thursdays only.

The KPF, like most provident funds, is focused on employers and not on the members. Whilst it is accepted that most interaction occurs with employers by virtue of the group contributions process; direct contact with members is mostly not possible because the database contains very little personal information about the member. The most conspicuously absent data element is the residential address of the member. The only reasonable contact that can be made with the member is through the employer. In the event that the employer ceases operation and the member remains unemployed then unless direct contact is made from the member, no further information about the membership can be provided.

Table 4.15 KPF member withdrawals

Type of Withdrawal	1999	2000	2001	2002	2003
Number of Withdrawals					
Attaining 50	493	684	752	637	586
Death	78	109	136	151	172
Incapacity	72	156	60	13	10
Migration	0	3	26	36	39
Retirement after age 40 (45)	213	169	220	190	201
Total No.	856	1121	1194	1027	1008
Amounts Withdrawn (AUD)					
Attaining 50	2,217,675	2,546,908	2,559,360	3,359,310	3,503,871
Death	312,488	447,743	477,113	547,667	610,984
Incapacity	398,172	658,512	213,296	90,145	35,774
Migration	-	5,134	87,057	249,262	255,019
Retirement after age 40 (45)	1,161,451	1,294,570	1,306,962	1,026,476	1,309,087
Total Amounts	4,089,787	4,952,869	4,643,789	5,272,862	5,714,737

Source: KPF August 2004

(ii) Guarantees.

The Kiribati government guarantees any shortfall in the payment of obligations of the provident fund.

(iii) Conversion to pension.

The option to receive an annuity instead of lump sum was also originally anticipated. The Minister of Finance, in consultation with the Board may order the payment in full or part of the benefits as an annuity. The board wishes to explore the options of a pension program and as part of the SSPIC project, it is anticipated that a feasibility study on pensions will be produced for Kiribati. This study will outline the details of pensions programs in general together with funding options, administrative constraints and other considerations and conclude with a feasibility analysis and options that may be possible for KPF members.

(iv) Management.

The KPF is controlled by a tripartite board, which comprises 6 members representing the government, employers and employees. The Minister of Finance and National Planning appoints the members of the board and has chosen the Ministry's Permanent Secretary as Chairman. The KPF has a staff of 30 employees, headed by a General Manager who is also Secretary to the Board. The staff are organised into five sections,

Administration (4), Accounting and Finance (15), Inspection and Compliance (5), and Personnel and General Services (6) and 3 staff in the Kritimati sub-office. The staff at Kritimati carry out a slightly restricted range of functions in that they only perform contribution collection, compliance and accept claims for forwarding to S. Tarawa for processing and payment. The day-to-day operations of the KPF follow the National Conditions of Service, which may be varied by the Board.

(v) Amendments

The most significant positive amendment that has been made to the original program was the increase of the contribution rate, from 10 to 15 per cent of the total.

The original program prevented the sequestration of the member's benefits by any party except the government, which required a court order. The benefits were only able to be withdrawn because of permanent departure from the country, death or disability, and attainment of age 45. The Board has approved the use 70 percent of the member's balance as a pledge against a housing loan, however, these pledges can only be honoured when the member becomes eligible for benefit in accordance with the prescribed categories shown above. The pledges may be honoured in the event that the member can no longer make housing loan repayments due to ill health, unemployment etc and if approved part of the members withdrawal is deposited with the holder of the pledge and the remainder is paid as a lump sum to the member. Withdrawals have also been approved for medical reasons in special circumstances.

Table 4.16 KPF member balances on 31 December 2003

Balances (AUD)	Male	Female	Members	Balances (AUD)	Male	Female	Members
0-999	18,291	7,599	25,890	26,000–26,999	33	24	57
1,000-1,999	1,841	978	2,819	27,000–27,999	29	22	51
2,000-2,999	819	420	1,239	28,000–28,999	25	16	41
3,000-3,999	509	282	791	29,000–29,999	28	23	51
4,000-4,999	357	221	578	30,000–30,999	21	27	48
5,000-5,999	242	161	403	31,000–31,999	27	28	55
6,000-6,999	222	119	341	32,000–32,999	16	22	38
7,000-7,999	163	124	287	33,000–33,999	18	14	32
8,000-8,999	146	87	233	34,000–34,999	14	13	27
9,000-9,999	92	56	148	35,000–35,999	18	6	24
10,000–10,999	108	68	176	36,000–36,999	16	14	30
11,000-11,999	67	45	112	37,000–37,999	13	9	22
12,000–12,999	57	46	103	38,000–38,999	18	7	25
13,000–13,999	58	34	92	39,000–39,999	6	1	7
14,000–14,999	63	38	101	40,000–40,999	6	1	7
15,000–15,999	53	25	78	41,000–41,999	9	4	13
16,000–16,999	39	39	78	42,000–42,999	4	4	8
17,000–17,999	40	34	74	43,000–43,999	9	2	11
18,000–18,999	40	33	73	44,000–44,999	13	4	17
19,000–19,999	38	31	69	45,000–45,999	9	4	13
20,000–20,999	39	24	63	46,000–46,999	3	3	6
21,000–21,999	46	38	84	47,000–47,999	7	2	9
22,000–22,999	32	32	64	48,000–48,999	3	3	6
23,000–23,999	35	26	61	49,000–49,999	5	-	5
24,000–24,999	41	36	77	50,000+	52	13	65
25,000–25,999	30	30	60				
26,000–26,999	33	24	57	TOTAL	23,870	10,892	34,762

Note: 1. The total above has excluded the 471 (male 368, Female 103) negative values (debts), most of which were carried over from initial automation data collection and may be written off. 2. Balances do not include interest credits for 2003
Source: KPF 12 August 2004

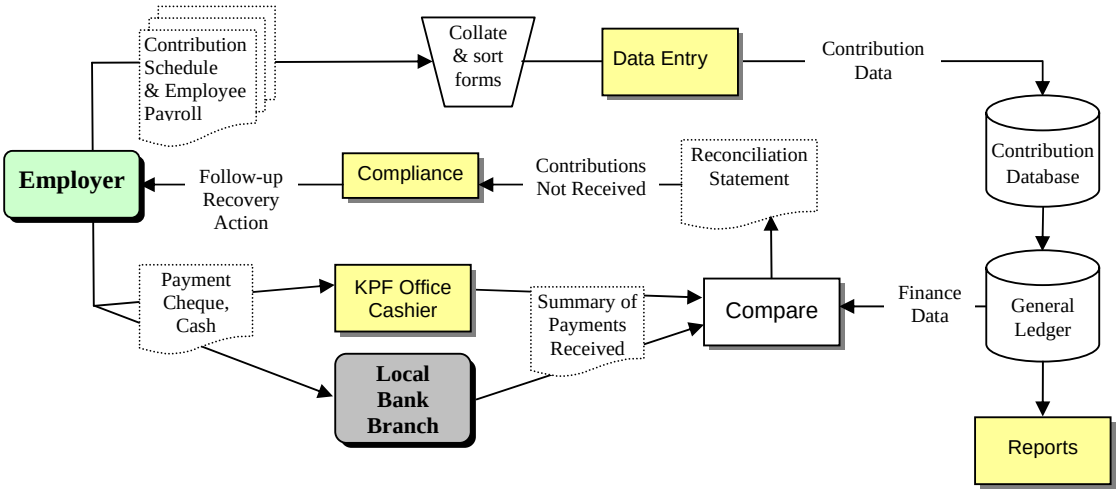
(vi) Compliance

Table 4.14 shows that there are about 8,890 active members and the latest labour market data (2000 Census) identified 9,200 employees. Given the probable loss of some formal sector jobs since 2000 and the addition of some voluntary contributors, there is a fairly close correlation between formal employees and the active membership in the fund. This implies that compliance of contributors is probably good although given that about three quarters of members are public employees the compliance could be expected to be relatively high.

(vii) Operations and IT

The figure below provides and overview of the KPF processing contributions processing. This function is the most intensive of staff inputs and covers most of the sub-sections in the organisation.

Figure 4.8 KPF contributions collection overview



The other major activity in KPF is the claim process. This is a relatively straight forward process which is simplified by the withdrawal options available to members which has been maintained at four options since the inception of the scheme. The figures shown below show the KPF claim process and the context diagram for contributions and the key links between the key stakeholders and operators in the KPF system and the major functions or tasks that are performed between each operator

Figure 4.9 KPF claim process

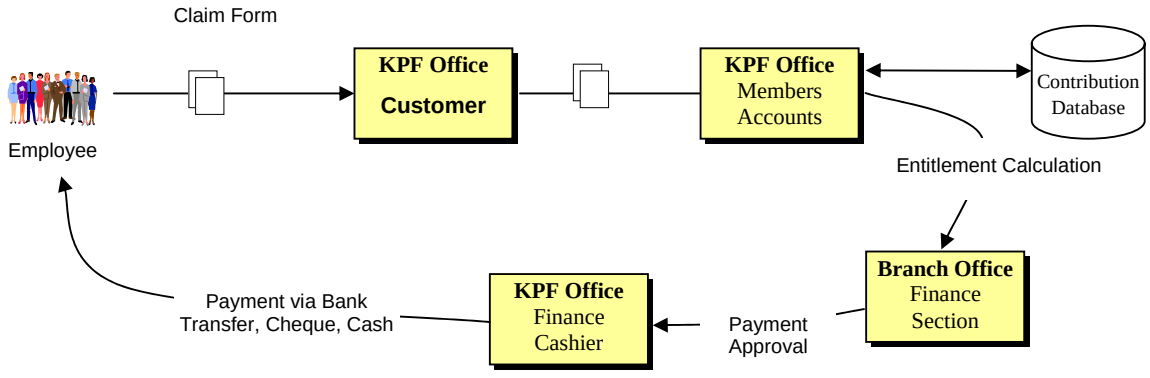
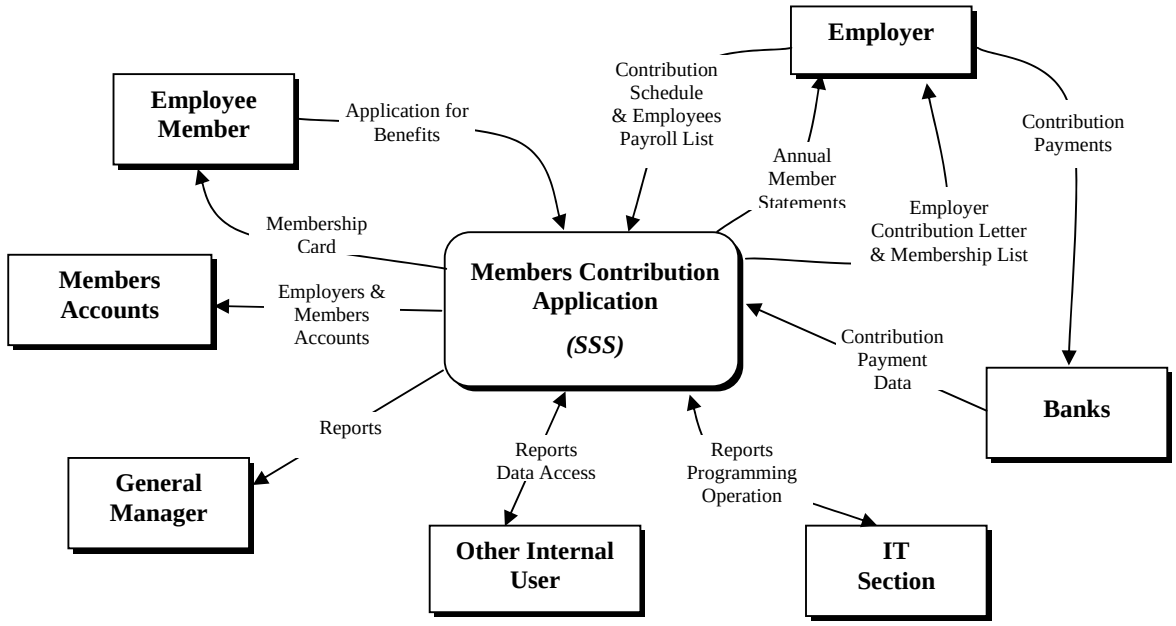


Figure 4.10 Members contribution system – context overview

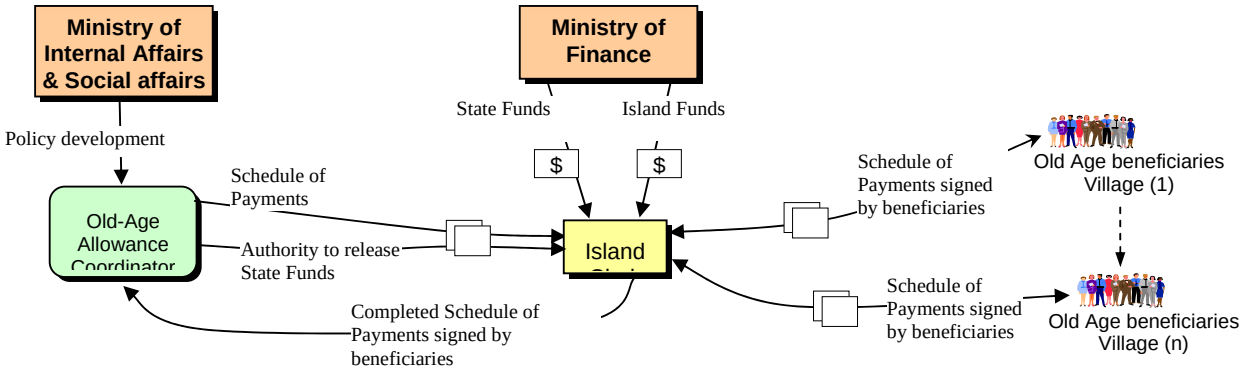


(viii) Old age allowance

In 2003 the government approved the establishment of a universal (means test free) allowance of AUD 40 per month to people aged 70 years and over. This payment was designed to supplement the extended family support provided to older people in traditional I-Kiribati society. In the outer islands older citizens spend much of their time in the Maneaba and provide counsel and advice to members of the community. The allowance is paid in recognition of the services provided by the older citizens and as a token to assist in their special needs.

Payments are due on the first day of each month and the inaugural payment of AUD 40 was made on 1 May 2004. Distribution of payments in made through the island council clerk, a paid government official who is the controller of the state funds and island funds on each island. The Old-age Allowance coordinator in Tarawa compiles the monthly lists for all 21 islands and despatches the lists and authority to release state funds for the total amount of the allowance on each island. The island clerk then delivers the cash payment to the beneficiaries and confirms payment with a signature on the schedule form which is returned to the Old-age allowance coordinator in Tarawa. In cases where the beneficiary is absent from the village, the returned payment is credited to the following months entitlement. An overview of the process is shown in figure 4.11.

Figure 4.11 Old-age allowance payment cycle



The issue of identity and proof of age has been resolved by the Ministry by establishing a late registration court that hears the evidence provided by the prospective beneficiary to support the claim that they have reached 70 years of age. The court can corroborate and verify various information sources and other in-depth and personal questioning techniques to determine the genuine claimants. The decision of the court is final.

The administrative costs are low as there is only one administrator in Tarawa (the coordinator) that is a new position and all other stakeholders are existing government officials. The funds transfers occur through the existing state and island funds processes that are continually replenished through the government finance cycle. The allocation for 2004 was AUD 1,200,000. On 1 May 2004 there were 1,500 beneficiaries and on 1 October the number of current beneficiaries had increased to 1,974.

4.9.2 Kiribati workers' compensation

The legislation that determines workers' compensation in Kiribati is the *Laws of the Gilbert Islands Revised Edition 1977 Chapter 102, Workers' compensation*[25]. Amendments were made to the act in 1986, 1994 and 1998 and the major changes related to upgrading injury scales and minimum and maximum lump sum payments.

(i) Overview of legislation[26]

The Workers' compensation Ordinance (originally dating back to 1949), although amended from time to time, embodies the principles and practices in respect of workers' compensation of that era. These include the following:

- The concept of *employer liability* for personal injuries sustained by accidents arising out of and in the course of the employment by "workmen" defined as persons performing manual labour or other employees provided their earnings do not exceed AUD 10,000 per year;
- *Lump sum benefits* for death and disability related to earnings and subject to financial limits;
- No *provision for medical care* on the assumption that a full range of treatment including surgical operations will be provided free by public health services; and
- No requirement for *compulsory insurance* of the liability.

The Ordinance has 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. However the Ordinance seems to preclude travel in private vehicles as the driver presumably would be covered by motor vehicle accident policies. 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.

The most recent amendments were in 1994 and 1998. The former changed the maximum for death compensation to AUD 25,000 from AUD 12 500. The benefits are as follows:

- **Temporary incapacity** is payable after 3 waiting days at the rate of 100 per cent if the earnings are AUD 40 a month or less, 75 per cent for monthly earnings of over $A 40 but not exceeding AUD 60, and 66 $^2/_3$ per cent for earnings higher than AUD 60 per month
- **Permanent total incapacity** is payable as a lump sum of 48 months earnings or AUD 25,000 ,whichever is less, and where a requirement for constant attendance is certified, another 25 per cent is added for this purpose
- **Permanent partial incapacity** benefits are proportionate to the benefits for permanent total incapacity so that for example assessments of 50 per cent attract benefit of 50 per cent of the maximum of 48 months earnings or AUD 25,000 whichever is the lesser, and
- **Eligible dependants** receive death benefits of a lump sum of 48 months earnings or AUD 25,000, whichever is less,

[25] The term Workmen's is outdated, reflecting the origins of the legislation, however the more correct and modern term of workers' compensation which includes both sexes will generally be used in this section except where direct reference is made to the legislation.

[26] Some comments in this section were sourced from the ILO Review of Social Security in Kiribati, 2002 by Mr. K. Thompson

A Schedule is attached to the Ordinance listing the percentage of incapacity for each type of injury. There is no comparable schedule of occupational diseases. The Ordinance empowers the Minister to declare diseases as within the operation of the Ordinance but none have been so declared. It is assumed that the nature of the economy leads to few risks in this sphere but no enquiry has been undertaken into this question.

Although not explicit in the legislation government employees including agencies and government owned enterprises are covered for workplace injury and illness by the government through its general revenue. However, twelve government enterprises in high risk occupations currently hold premiums with KIC. Employers are not obliged to hold appropriate insurance policies that cover their workers although the Workers' compensation Legislation empowers the Minister of Labour to order any employer or class of employers to hold appropriate insurance cover. Also exempted from responsibility for workers' compensation are family members, share croppers and sub-contractors. Based on the 2000 population census, the number of workers employed in the private employment sector represents about 23.3 percent of the formal sector labour market (about 2,201 employees). Under the definitions in the legislation most informal economy workers would not be covered by this legislation. After exemptions, only a minority of the workforce have entitlements to workers' compensation. The only consolation for employees is that free medical care is provided for all residents including evacuation to neighbouring countries where this is deemed essential.
According to the 2000 Census:

- Only 21 percent of the workforce was in the formal cash economy,
- 46.3 percent was located in South Tarawa,
- 18.3 percent of the working age population was in formal employment,
- 55.1 percent of formal employment was in the civil service,
- 21.6 percent in public sector enterprises, and
- 23.3 percent in the private sector.

The breakdown by sex and age group is given below:

Table 4.17 Employees in the formal economy 2000

Item	Totals	15-24	25-34	35-49	50+
Male	5,968	688	1,841	2,633	806
Female	3,479	723	1,367	1,186	203
Totals	**9,447**	**1,411**	**3,208**	**3,819**	**1,009**

Source: Population Census 2000.

The logic for exemption of the public sector employees needs to be explained as they represent the largest component of the formal sector workforce representing about 7,246 workers or 76.7 percent of the formal workforce. Although internal workers' compensation provisions cover most of the public sector employees, the total cost of this should be compared with the cost of equivalent policies provided by the insurer. Exempting the public sector from the insured pool serves to reduce the size of the insured pool, increase the risk and tend towards adverse selection of the blue-collar occupations where traditionally claims are higher due to the higher risk and nature of the work. Including public sector workers in a compulsory workers' compensation scheme could spread the risk and group policies from the Kiribati Insurance Corporation could provide attractive premiums for government workers. The cost of providing current services including the cost to the health system, administration and the effect on workers' compensation premiums in general needs to be factored into the equation.

The benefits to the government of implementing compulsory workers' compensation may be considerable, especially as the cost of medical care is usually borne by the workers' compensation fund and not the government medical system. The effect of this would be to shift some of the cost away from the public health system to allow more funds for improvements to critical health services. Whilst the reasons for injuries are recorded at source of treatment i.e. at medical clinics or the hospital, these data are not encapsulated in the Ministry of Health statistical records. Including the reason for injuries in the health returns and segregating the data by formal or informal employment would identify the scale of workplace injury and its impact on the health system.

There is only one insurer in Kiribati and that is the government owned Kiribati Insurance Corporation that currently provides workers'

compensation premiums for about 25 employers, covering about 500 – 600 employees.

The Ministry of Finance is responsible for financial regulation of the insurer in terms of reserves, risk, investment guidelines etc and the compliance and workplace safety elements of the scheme are the responsibility of the Ministry of Labour and Human Resource Development (ML& HRD). In its high level assessment of the workers' compensation scheme for the Ministry of Labour in 2002 the ILO made the following observations:

The workers' compensation scheme imposes legal liabilities on employers to compensate injured workers or their families which has improved the protection of workers through the principle that accidents should be compensable on a no-fault basis. However, the majority of developing countries have replaced the *employer liability principle* with the pooling of risks in *social insurance funds* in order to provide higher standards of medical and income protection (examples in Asia include, India, Indonesia, Malaysia, Myanmar, Pakistan, Philippines and Vietnam). The main objective has been to:

- Provide pension benefits throughout the contingency for death and permanent disability cases, since these cannot be provided by individual employers, and
- To ensure that a full range of medical care is available without charge to injured workers, and
- Furthermore, the inhibitions of workers who have to claim from their employers are removed when the social insurance fund is responsible for the benefits.

These changes are in accordance with the relevant ILO standards.[27]

In contrast, the current scheme in Kiribati pays lump-sum benefits which are usually quickly spent leaving the beneficiaries in need of family and government support; an outcome that underlines the necessity of change. Moreover, the Workers' Compensation Ordinance has no mandate to support the prevention of occupational risks or the rehabilitation of disabled workers. However draft Occupational Health and Safety legislation has been prepared to minimize the occupational risks and overcome one of the key weaknesses in the current Ordinance. This underlines the fundamental difference between this Ordinance and the social insurance approach which has the potential to adopt a positive stance towards a role extending beyond compensation.

Insurance of the liability is voluntary which may well mean, judging from experiences in similar countries, that some accidents go unreported in enterprises with insufficient resources to pay high amounts of compensation, and undisclosed settlements are made that can only be below legal requirements. In a voluntary scheme these occurrences often hide the true nature of workplace injury.

A further defect of this type of Ordinance is that amendments to update compensation in relation to the decline in value through inflation are infrequent because necessary changes wait years for enactment. Consequently, the amendment in 1994 doubled the maximum sums for death and total disablement resulting in excessive disparities in compensation between cases occurring just before and just after the date of change. This is likely to recur when the Ordinance is again amended for this purpose in view of the lapse of time since 1994.

It is evident that under the current system of workers' compensation there are insufficient controls and data to guarantee that all workers in Kiribati receive adequate compensation for workplace injuries. It is also evident that the contribution to national workers' compensation is not evenly applied to all employers and those that do insure their workers may be placed at comparative disadvantage to those employers who attempt to cover the risk out of their own resources.

It would also be desirable to consider the options and the business cases for maintaining the current system with additional controls described above and a single government controlled Workers' Compensation Agency. The comparative advantages and disadvantages and the ramifications would assist in making the best long term decision for Kiribati.

4.9.3 Overview of the current workers' compensation scheme

The ML & HRD receives claims, calculates the compensation due and notifies the employer of

[27] The main relevant ILO Convention is the Social Security (Minimum Standards) Convention, No. 102 of 1952.

the compensation due to the worker. No database is maintained as yet to produce statistics from the claim forms nor is any liaison established with the inspectors responsible for occupational safety[28]. A rough estimate by ML & HRD in 2002 suggested that about 100 claims per year were reported, however a full count of the reports for 2003 produced a total of only 14 accident/injury reports for the year. Due to the absence of OHS legislation (draft completed), there is limited scope for action by ML & HRD.

The Kiribati Insurance Corporation (KIC) had 25 WORKERS' COMPENSATION policies currently in force in 2003 and their recent claims experience is as follows:

Table 4.18 Workers' compensation insurance 1998- 2003

Item	1998	1999	2000	2001	2002	2003
Number of employer policies	41	40	41	30	29	25
Total premiums (AUD)	31, 250	54,282	67,882	87,272	76,820	67,283
Total claims paid (AUD)	3,000	3,667	772	nil	nil	nil
Outstanding Claims (AUD)	nil	nil	nil	25,000	nil	nil
Net re-insurance premium (AUD)					23,909	20,348

Source: Kiribati Insurance Corporation, Nov 2004

From these figures it appears that the accident incidence is very low (none in 2002 or 2003) and that KIC had a large profit margin. Over the 6 years to 2003, KIC received a total of AUD 384,791 in premiums and paid out only AUD 32,440.36 or 8.43 per cent in compensation. However, after allowances are made for reinsurance (which is about 31 percent of gross premiums) and the allocations for future liabilities, the payout against premiums increases to about 39.43 per cent. Administrative overheads would reduce this excess slightly, however, this still may be seen as excessive for this sector; in fact, KIC has previously stated that some of the profits may be paid to the Workers' compensation Scheme although no provision exists for operating such a Fund.

KIC workers' compensation premiums vary from 0.1 percent of salary for low risk occupations such as office workers to 3 percent for the high-risk cases. A special rate has been struck for merchant seaman that is 6 per cent of salary.

[28] ILO technical support and supply of a computer for MLEC statistics is expected to improve the situation.

The ML & HRD maintains a manual register of all claims that are reported under the terms of the Workers' compensation legislation i.e. where the illness or injury caused incapacity for work for more than 3 days. The following table shows the reportable cases for 2003.

Table 4.19 Reported workers' compensation injury claims 2003

Claims	Male	Female	Total
Government	8	0	8
Private	3	3	6
Total claims reported	11	3	14

Source: Ministry of Labour & Human Resource Development, Nov 2004

The workplace accident and illness claims appear to be unusually low given the nature of much of the work in Kiribati, particularly among the manual workers and tradesmen. What is also surprising is the fact that most people in Kiribati do not use substantial footwear and most go barefooted. That there are few reported injuries in the workplace, a total of 14 reported injuries in 2003 needs to be explained. This is even more surprising given that injuries and poisoning are among the five highest causes of morbidity in Kiribati with an incidence of 2,392 cases per 100,000 of the population (Ministry of Health Statistics Unit 2002). This represents at least 2,000 cases per annum, some of which are likely to be caused by workplace accidents. Additional data from the *Kiribati Statistical Yearbook 2002* identified in its latest data (1999) that there were 18,474 wounds and sores and 261 motor vehicle accidents. That only about 14 of these in 2003 were work related seems surprising.

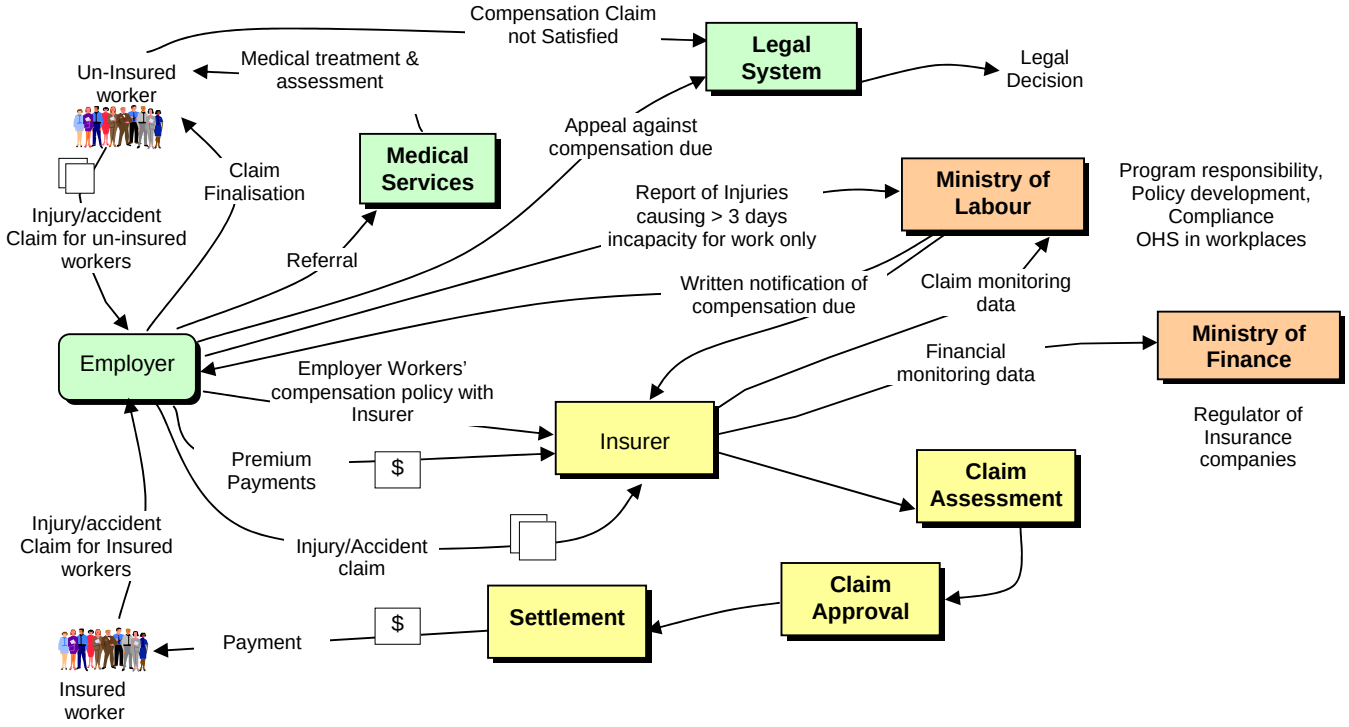
It is possible that the low injury rate is correct and workplaces are relatively safe, however given that there is no active OSH program and low rates of workplace inspection then this is not considered to be a likely explanation. Another possibility is that as a result of the voluntary insurance provision in the legislation, employers and employees come to some private settlement and thus bypass the minimum benefits requirements in the workers' compensation legislation.

A more likely explanation is in the cultural traditions of I-Kiribati where confrontation is not common, particularly between employers and employees and the traditional method of restitution includes a personal apology and some

offer of recompense to the person deemed to have been wronged. It is not normally acceptable to rebuke this offer and it is likely workplace injury compensation falls under these traditional customs. The other likely reason for the low rate of claims lodgement is the lack of understanding of the provisions of the legislation by small employers in particular, and by the bulk of employees.

In the absence of an effective and high profile OSHS program and marketing of the existing Workers' compensation provisions, it is unlikely that the traditional systems will change. These systems tend to disadvantage workers by under-compensating them in what is now a high-cash based society in Tarawa where partially of fully disabled workers may not be able to rely on extended families for complete income support and rehabilitation. This will certainly be the case in the immediate future as the society rapidly changes.

Figure 4.12 The current workers' compensation system



The existing system has a number of weaknesses and the responsible authority for workers occupational health and safety and the workers' compensation program (ML & HRD) is unable to carry out its responsibilities due to lack of suitable management information. As a result of this the Ministry is currently unable to advise the government on issues such as:

- The number of workers with reliable workers' compensation cover,
- The number of workers without cover,
- The identity of employers who are in breach of the workers' compensation legislation either by non compliance with the minimum compensation tables, or collusion with employees to absolve them of their full responsibilities,
- The premiums being charged to employers by the insurance company,
- The benefits being paid for the range of injuries by the insurance company,
- Enterprises with high rates of claims for injuries or high injury rates that go unreported,
- Workers who have died or been permanently disabled in the workplace,
- A breakdown of the claims patterns and types of workplace injuries,
- The income, expenditure, cost of administration and profits made from the workers' compensation fund insurance company.,

- A national compliance plan to specifically target those employers in breach of the legislation, and
- A comprehensive safety improvement program based on those workplaces with high workplace injury and illness rates.

Under these conditions the Ministry would be forced to conduct 100 per cent compliance and safety reviews to all workplaces in Kiribati, this is clearly inefficient and intrusive on employers with good safety records. As a random process, it may not initiate intervention programs on some critical employers until later in the review cycle which is likely to take an extended period to complete. This type of review program has been shown to be ineffective and costly.
The Ministry of Labour must be able to:

- Ensure that injured workers receive their correct entitlements to compensation. Under the current voluntary model this is not possible unless workers complain about their treatment. The inhibiting pressures on employees not to take action or to accept the employer offer may explain the low rate of injury notifications to ML&HRD,
- Be advised by the insurer and employer *immediately* of all claims resulting from serious injury or death to enable immediate investigation and to promote remedial safety actions in that workplace and in some cases initiate prosecution action, and
- Monitor the pattern of workplace injuries through timely and regular information based on claims and injury reports.

If this information in not obtained from the claims processing sources then the Ministry would have to introduce a separate reporting process by employers so that copies of all claims emanating form major injuries would be sent to the department at the same time as to the insurer. This duplication would be expensive and unnecessary and from experience in other countries is a task that lapses fairly soon after implementation and is ultimately ineffectual.

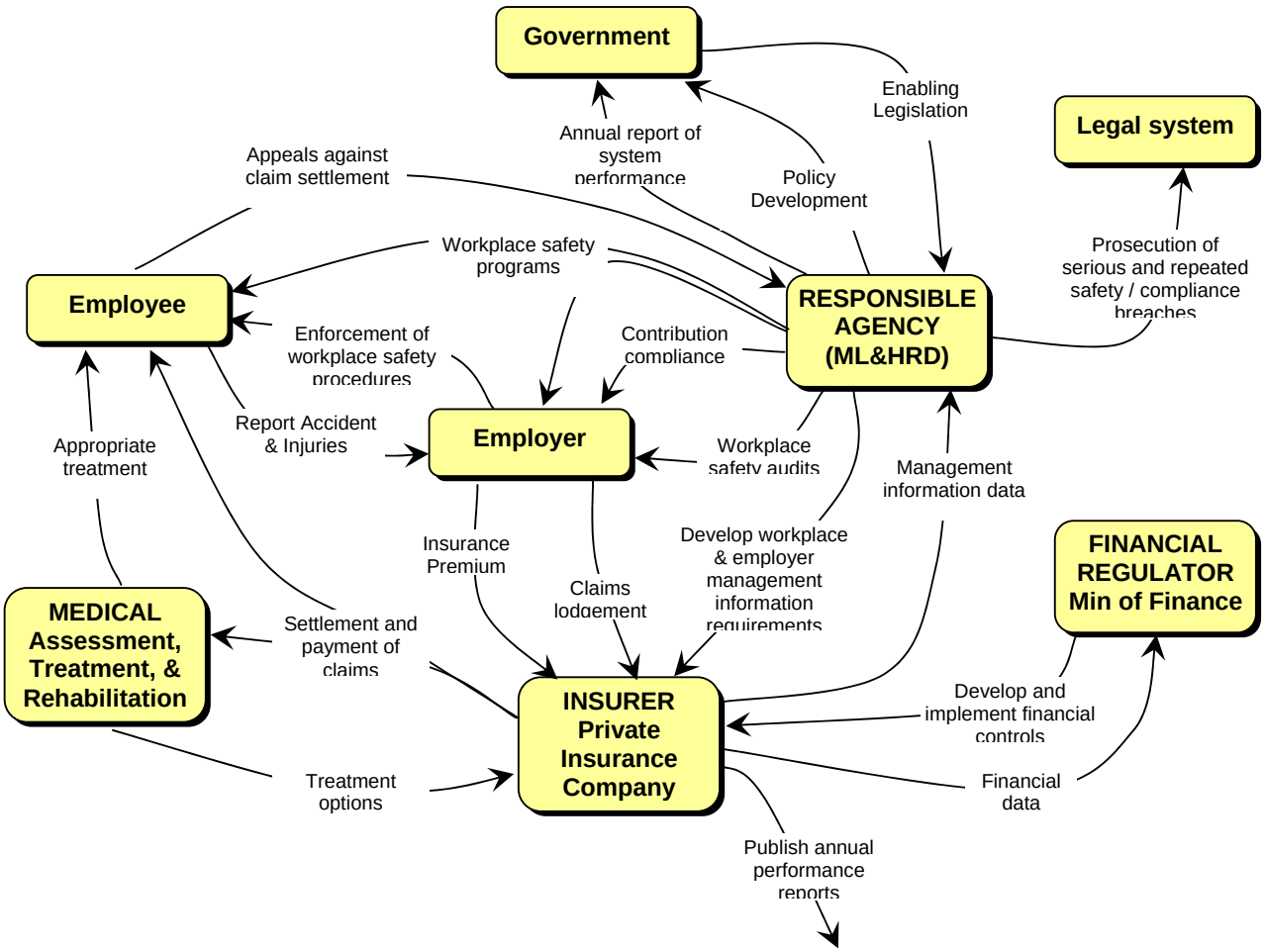
These situations do not arise in typical integrated workers' compensation systems where one agency (usually the government) has a substantial role in the processing of claims as well as developing policy and legislation. However because of the special nature of the existing process in Kiribati where four key stakeholders are involved, an agreed automated management information transfer system needs to be introduced and for it to be effective it should be legislated so that the roles of administrators are clearly defined and enforceable.

The workers' compensations context diagram shown in the figure below is an overview of how the interrelationships between key stakeholders may be structured in order to produce an integrated solution by using the distributed agencies that currently exist in Kiribati. Whilst this is a simplified overview it shows the context of the overall system and some of the key functions that need to be carried out and the feedback loops that are essential in an effective workers' compensation system. Improvements in workplace safety can only come from the bootstrapping effect that provides positive re-enforcement and rewards for good workplace safety and penalties for poor workplace safety practices. The responsible agency as a government department, which has quasi police powers of entry, search and prosecution, is the only logical agency to carry out the overall improvement and system management functions.

A fragmented system such as the current system in Kiribati also presents some financial problems for the responsible agency when it has no control over the income of the funds. As a result, the entire cost of work-safe promotions, compliance and other related functions are funded from the agency budget (i.e. government). In an integrated system some of these costs would be funded out of the program contributions, however, in Kiribati the insurer or the employer who covers the risk for the employees retains all of the financial contributions. As the insurer (or employers) are responsible for only one part of the program (claims management), the government is now required to fund the OSH improvement programs. A review of the entire program may address this issue. Without effective workplace inspection and marketing of the programs it is unlikely that the traditional compensation customs will change.

The figure below shows the context of a generic compulsory, comprehensive insurance based scheme and the relationships between the key stakeholders.

Figure 4.13 Kiribati workers' compensation – a generic context overview



During this review, issues such as medical assessments, medical boards and associated issues were not examined in detail partly because much of this is controlled by the insurance company and the agreement between the employer and the employee. Detailed information about these individual agreements was difficult to ascertain in the short period of this review. These issues will need to be addressed formally in any subsequent review that has clearly defined terms of reference approved by the government.

(i) Recommendations

The ILO review in 2002 made the following recommendations.

The workers' compensation scheme is an example of an outdated measure that operates without information on the effectiveness of benefits or compliance, and on an assumption that employers can be left to decide whether or not to insure risks. In 2003 only 25 employers (12 public and 13 private) have taken out insurance policies with KIC compared with 673 contributing to KPF and no information is available on accidents that have gone unreported and not subject to directions by the Ministry of Labour. In some countries converting such schemes into social insurance schemes results in higher numbers of claims since employers have fewer incentives to obstruct claims by injured workers.

In view of the widespread practice of modernizing workers' compensation schemes by adoption of the social insurance system, and the fact that certain types of commuting accidents are covered, Kiribati may wish to consider at an early stage steps such as:

- Assessment of the needs for the introduction of compulsory insurance by employers other than the government, or
- Including the government in the insurance pool to maximize coverage, minimize risk and standardize the workers' compensation

process and benefits for all workers in Kiribati,

- Assessing the cost and benefits to the government and the offsets to the health system of a workers' compensation scheme that pays the full cost of medical treatment and rehabilitation for injured workers,
- Conversion of this scheme into an employment injury insurance scheme similar to those in force in other developing countries by either retaining the Kiribati Insurance Company as the preferred insurer or empowering the KPF to administer a separate workers' compensation scheme and fund,
- With a social insurance proposal, premiums could be varied in accordance with risk for each industry type with discounted premiums for employers practicing good safety records and premium penalties for those with poor safety records, and
- Funding some of the occupational health and safety programs from the enlarged workers' compensation fund.

It is further recommended that:

- A review of the system should be undertaken by an appropriate workers' compensation specialist,
- Survey of workplaces and individual workers may be required to obtain a more qualitative and quantitative understanding of the extent of workplace injury and the informal and traditional compensation practices currently applied,
- The review should determine from all key stakeholders their needs, and to ensure that each stakeholder can be focused on maximising the benefits to employers and workers by improving workplace safety, minimising premiums and maximising benefits, and
- Development of options for improving the existing voluntary insurance based system including the necessary legislation and compare it with a compulsory integrated government based social insurance scheme.

(ii) Conclusions

The cost of insuring (premiums) for only 2,201 workers in a comprehensive scheme may be high but certainly not a high as with only 25 employers currently in the insured pool representing only about 500 – 600 workers. Extending compulsory workers' compensation to all of the private sector employers could reduce premiums, improve benefits and services to injured workers and create some savings offsets against the medical system. Including the public sector in the compulsory program could significantly increase these benefits by maximising the pool and sharing the risks over a greater number of premiums.

The review of workers' compensation in Kiribati could be included as one of the feasibility studies to be undertaken as part of the project *Subregional initiative on social security in Pacific countries.* The outcome would be a policy proposal for a compulsory workers' compensation scheme. The subsequent stages of developing legislation and implementation of the scheme would appear in the national action plan for social security which is the final output for the project.

4.9.3 Health care

The Mission statement of the Ministry of Health and Medical Services states *will provide optimal level of health to the people of Kiribati using Primary Health Care approach that promotes both prevention and curative services to improve outcomes through accessible, affordable, integrated, and quality services at every levels of the health delivery system*.

(i) Health trends

With an estimated life expectancy at birth of 59 years for males and 70 years for females in 2003, the I-Kiribati has a shorter life span than most other Pacific islanders. This is partly due to high child mortality from respiratory and diarrhoeal diseases. Nevertheless, continuous improvements in standard of health care delivery over the last 10 years have led to a slow but steady improvement in health indicators (e.g. the morbidity rate of diarrhoeal diseases declined by 8.6 percent annually and lower respiratory infections by 7.7 percent annually during the period 1992-2000). However lifestyle-related diseases such as diabetes and hypertension have led to rapid increases in adult mortality compare with child mortality in the last ten years. If current trends continue, adult mortality may reach 50 percent of total mortality by 2008.

Table 4.20 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)	
Acute respiratory infections	79,483	Symptoms, signs & ill defined conditions	133.76
Diarrhoeal diseases	46,305	Disease of the circulatory system	80.03
Eye diseases	17,582	Diseases of the digestive system	67.45
Skin diseases	4,609	Infectious and parasitic systems	65.16
Injury and poisoning	2,392	Certain perinatal conditions	61.73

Source: Ministry of Health Statistics Unit

(ii) Health services

Basic medical care is provided free by the government for all I-Kiribati citizens and includes hospital confinement, professional services, laboratory examinations, x-rays, and drugs and medicine. Transportation is also given for emergency cases, and evacuation to Australia, Hawaii and New Zealand is possible if approved by a panel of doctors of the Ministry of Health. The main requirement is for the medical condition to be *treatable*.

One tertiary hospital, which is located in Tarawa, provides surgical services. In most islands, people go to clinics that may be manned only by a trained nurse. Women still depend at childbirth on traditional birth attendants. Major hospital services such as heart operations and dialysis are not available anywhere in the country. Because of lack of trained I-Kiribati surgeons, a few foreign doctors are hired by the Government to augment hospital capability. Drugs and medicines are all imported from abroad, and are purchased by the Ministry of Health only. There are no private hospitals, practicing physicians and pharmacies in Kiribati. The I-Kiribati have no option at the moment but to use the government's hospital system or seek medication abroad.

Government spending on health is about AUD 13 million (7.8 percent) of the government budget of AUD 167 million. Per capita total expenditure on health in 2003 was AUD 147. Ten new clinics were developed in outer islands in Gilbert Islands. The nurse to population ratio decreased from 1:450 to 1:375. The government has approved a Traditional Medicine Research Centre. A Tobacco Control Bill has been drafted. Following growing concerns about HIV/AIDS, legislation is being prepared.

The recurrent budget allocation for 2004 is AUD 13,467,780 designated for running 15 of the Ministry outputs namely policy development, support services, public health, reproductive health, maternal and child health, immunisation, environmental health, nutrition & community development, non communicable disease, curative, para-medicals, physiotherapy services, pharmacy & procurements, radiology and the laboratory services, communicable diseases, nursing care and medical training.

The Ministry has a list of forty six project developments. Of these projects 37 have been approved with total cost of AUD 5,321,014 and nine more are in the pipeline with total cost AUD 644,214.

(iii) Staffing

There are 611 established posts of which 525 are filled and 86 vacant. The vacancies are almost equally distributed among the various professions 46 per cent of the 525 are for health personnel and the remaining for the administration and support services. Of those in post there are 145 men (27 percent) and 380 women (73 percent). There are twelve (12) staff who are due to retire by 2004, eleven (11) by 2005 and five (5) by 2006. A number of staff hold acting positions, ninety of whom are on contract for one year. All of these contract appointments have been held for more than three years.

There is genuine need to increase the number of doctors for the whole country. In relation to the total of 24 posts for doctors in the ER that are all filled, 33 extra new posts are required for efficient delivery of good quality and specialist health services. The categories and levels of specialization of all these proposed new post are detailed in the MHMS human resource plan. The resource plan takes into considerations increasing population, Betio Hospital, Kiritimati Island Hospital and the Hospital for the Southern Gilbert. If all these extra posts are approved there would be a total of 57 posts altogether i.e. Total ER (24) + Total Proposed (33) = 57.

The Kiribati School of Nursing at TCH carries out nurse training to basic level. The school has places for more than 100 students with an anticipated output of about 30 trained nurses per year. Midwifery and public health training is carried out by respective schools (Midwifery and

Public Health Schools) with an average intake of six students per year. A Medical Assistant training program is also in existence with an output of 6-12 graduates. Every year, a number of graduates from these three post-basic schools are sent to FSM or other institutions for higher education in health sciences programs.

(iv) National health priorities

In the new National Health Plan for 2004-2007, twelve priority areas are identified:

- Reproductive health, including sexual health, adolescent health and women's health,
- Population and family planning,
- Maternal and child health (safe motherhood),
- Health education, health promotion and community development in the context of Healthy Islands,
- Immunization and childhood preventable diseases,
- Control of acute respiratory infections and diarrhoeal diseases,
- Control of communicable diseases, including HIV/AIDS, tuberculosis, leprosy, lymphatic filariasis and emerging health problems, including severe acute respiratory syndrome (SARS);
- Control of non-communicable diseases, including hypertension, heart diseases, diabetes, cancers and tobacco and alcohol,
- Environmental health, including food safety, water and sanitation,
- Nutrition, including vitamin A deficiency and breastfeeding,
- Traditional medicine, and
- Information technology and evidence-based public health policies, and
- Legislation, including the Environment Act.

In order to support these 12 priority areas, it is proposed that the *village welfare groups* (VWG) will be strengthened as part of community development in outer islands during the period 2004-2007.

4.9.5 Social health insurance

There is no social health insurance program in Kiribati and all residents are covered by universal health care provisions funded by the government. In the past the government has indicated that it wishes to control the rate of increase of health expenditure by imposing some cost recovery for services, although this has not yet occurred. Social health insurance has not been considered in detail and advice from the Ministry of Health spokesperson suggested that the concept is not well understood in Kiribati. Whilst social health insurance has not been raised as a critical issue at this stage, the Ministry of Health would be very receptive to participating in a study of the options and feasibility of introducing social health insurance in Kiribati.

4.9.6 Kiribati Insurance Corporation

The Kiribati Insurance Corporation (KIC) is a government owned insurance company, supervised by the Ministry of Finance and is the only insurer in Kiribati. Table 4.21 summarises the activities of KIC including the classes of business, premiums written, claims and recovery. Full details of KIC activities in workers' compensation insurance are discussed in the section of the report on workers' compensation.

Table 4.21 KIC premiums and claims

Class of Business	Gross Premiums		Actual Claims Paid
	2003	2002	2002
Aviation	303,434	444,947	0
Fire and Allied perils	78,861	137,798	400
General accidents & liability	96,877	103,507	5,235
Marine & aviation			
Marine cargo	47,652	100,821	2,346
Marine hull	267,935	101,189	34,951
Motor vehicle	456,388	511,828	239,085
Workers' compensation	67,283	76,820	0
TOTAL	1,318,433	1,476,912	282,019

Source: KIC November 2004.

Current estimates for the insurance operation for 2005 are provided in Table 4.22 below. In many classes of insurance the growth in premiums is negative and workers' compensation premiums have each year with only 25 companies insured in 2004 (including government enterprises).

The returns to KIC seem to be substantial until the re-insurance factor is taken into account. The small insured pool in Kiribati in all classes of insurance requires that they must be re-insured and the table provides an estimate of the likely premiums.

Table 4.22 Estimates for 2005

Class of Business	Estimated Premiums	KIC Retention	Quota Share	Surplus treaty	Facult-ative	Estimated Re-insurance	Comm	Tax	Recoveries	Net Reinsurance Premium
Aviation	160,000	0			160,000	160,000	24,000	6,800		129,200
Fire and Allied perils	150,000	50,000	20,000	30,000	50,000	100,000	20,000	4,000	1,500	74,500
General accidents & liability	110,000	45,000	20,000	15,000	30,000	65,000	13,125	2,593	1,500	47,781
Marine & aviation		0								
Marine cargo	50,000	30,000	15,000	5,000		20,000	5,000	750	7,500	6,750
Marine hull	60,000	60,000	0			0				0
Motor vehicle	450,000	310,000	130,000	10,000		140,000	36,000	5,200	78,000	20,800
Workers' compensation	65,000	40,000	20,000	5,000		25,000	6,000	950	1,500	16,550
TOTAL	1,045,000	535,000	205,000	65,000	240,000	510,000	104,125	20,293	90,000	295,581

Source: KIC November 2004.

KIC employs about 14 employees, inclusive of supporting staff. It has identified staffing as a key development issue given the expertise needed to operate an insurance company. It receives regular technical advice from an Australian AESOP[3] volunteer, an actuary, who visits regularly under an arrangement that started in 2001. Data organization has also been identified as a top first priority and is restricted due to the unavailability of local IT expertise.

4.10 Informal social security programs

4.10.1 Village Welfare Groups (VWG)

The aim of the VWG is to improve general conditions in each village and the program is coordinated by the Ministry of Internal Affairs. VWGs play a key role in providing health education and health data collection at the household level under the supervision of a public health nurse. The core activity of the VWG is the monthly meeting when the planning and monthly priority issues are reviewed, particularly the agricultural issues like planting food crops, coconut planting and harvesting (copra).
The VWG also has an important role in the health monitoring of the village by identifying individuals with symptoms of disease and ailments and these referrals are escalated to the island nurse who can initiate reactive treatments if necessary. The statistical health returns are provided to the Ministry of Health. On most of the outer islands a high proportion of the treatment is traditional due to its effectiveness and the unreliability of supply of modern drugs to the villages.

In conjunction with the Ministry of Education, villages receive Early Childhood Development training (for a small fee) by trained teachers as part of the comprehensive primary schooling program which is free in Kiribati.

4.10.2 Outer island development

The government of Kiribati wishes to improve the conditions on outer island and has supported the general development strategy. This is evidenced by the roll out of the solar powered satellite telecommunications system that will eventually see communications to the government outposts on all 21 outer islands. By mid November 2004 two islands were fully operational Butaritari and Abemama. This process will eventually lead to the extension of television to the islands.

Responses from individuals on two outer islands suggested that most villagers want to see progress on their islands and they are particularly concerned about the education and employment prospects for their children. In some instances people expressed their offers to contribute to the further education of their children. However in many cases the income generating potential is limited and in most of the islands there is no central electricity supply and access to freezers for fish is available on very few islands. Electricity is available from small personal generators or solar lighting units which can be leased for AUD 50 deposit and AUD 9 per month, however the output is limited to small appliances. Most males go fishing on a daily basis and surplus fish is dried for personal use.

The main cash crop is copra which currently fetches AUD 30 per bag. However land tenure is an issue for copra production and with increasing populations on small tenements the income for families can be small. Diminishing lot sizes and land areas of less than one hectare generally restrict the amount of income from copra to subsistence levels. Despite increased plantings of

[3] Australian Executive Service Overseas Program

coconut palms, recent yields of copra have been low due to increased temperatures and low rainfall over much of Kiribati. The trials to improve village gardens was not altogether successful in some villages due to increased water demands placed on the groundwater supplies which in some instances turned salty.

As a result of the importance of access to adequate plot sizes, land disputes are the major causes of dispute on most islands.

Whilst most families maintain self sufficiency in food the improvement in incomes is slow, if at all and this has placed considerable pressures on younger people to emigrate to South Tarawa in search of jobs.

Island governance is also of concern where many civil servants are unable to take advantage of postings or transfers because of lack of funds in the island administrations. Whilst there are some improvements like communications, many still lack basic services like lighting in the island hospital in one instance.

Limited incomes and access to services have implications for voluntary social insurance schemes but with improved island development programs social insurance could become part of the income savings strategies that are likely to be promoted.

4.10.3 Microfinance in Kiribati

There are three major lending institutions:

- Bank of Kiribati (BOK),
- Kiribati Provident fund (KPF), and
- Development Bank of Kiribati (DBK),

These institutions are supported by a "village" banking system, which provides micro-credit on some islands. In the 1999 & 2000 budgets, a total of AUD 0.835 million was allocated to support the village banking system. In addition, island cooperatives and informal moneylenders offer short-term credit. The lack of entrepreneurial opportunity appears to be the major constraint to credit demand, especially for most outer islanders.

Although opportunities for private sector development are very limited, there has nevertheless, been a proliferation of micro-scale enterprises on South Tarawa[29] (mainly small, unregulated business activities, including shops, food stalls, and transport related services). These micro-enterprises are often financed by loans, from DBK and BOK, using a family member's public sector salary as collateral.

(i) Village bank

Following successful trials on 3 islands in 1992 the Kiribati village bank scheme was implemented on all 21 outer islands in 1995. The scheme was designed to improve quality of life in villages in outer islands and for them to improve living standards realised from the increased income, although some loans are for the purchase of amenity items and essentials such as education fees etc. The Kiribati government and the UNDP provided the initial funding of AUD 1,000,000 and AUD 90,000 respectively. The scheme operates at village level through a village committee that endorses loan approvals, collects repayments and conducts monthly meetings to facilitate the administration.
The loans are allocated to the island but the village committees set the amount that can be borrowed. On the island visited by the team the maximum loan available is AUD 200 repayable over one year at an annual interest rate of 10 per cent. The only administration fee is an AUD 5.00 lodgement fee. All other costs are borne by the operators of the scheme, the island council and the voluntary members of the village bank committees. However, on other islands the range of loans varies from AUD 300 – 500.

The scheme appears to have been successful in about 4 of the 21 outer islands but not so in the remaining 17 islands. Some of the reasons suggested by villagers and officials for the poor performances were:

- Program insufficiently resourced,
- Village committees not pro-active enough and failing to collect repayments regularly and on time,
- Control is at village level only and island councils have little or no role to play,
- Most borrowers had no business plan on which to base the income improvement strategy or output targets,

[29] Apart from Kiritimati island, where the tourism sector is growing rapidly, the private sector is extremely limited on the outer islands.

- The maximum loan was insufficient to fund any decent business proposal. At AUD 200 very few labour saving devices could be purchased although fishing nets could be replaced for around AUD 20.

From a National perspective the feedback about the scheme has been positive and the government intends to retain the program indefinitely. The initial government fund was AUD 1,000,000 and the first share (75 percent) and the second share (25 percent) have been disbursed leaving a balance at June 2003 of AUD 284,415.68. Of the original AUD 90,000 UNDP grant, AUD 58,293.73 has been paid leaving a balance at June 2003 of AUD 31,699.02.

Loan performance has been typical for micro-finance schemes with a default rate on loans of about 11 percent although this figure was only an approximation provided by the village bank coordinator.

(ii) Access to credit

Access to credit shows some improvement in recent years possibly due to more young people becoming employed and serving guarantor roles to their parents, widowed mothers and relatives. On outer islands women obtain access to loans through the services of the financial institutions making rural visits and the Village Banks introduced in the mid 1990s. Issues of repayment by innovatively creating diverse types of rural income generating activities and encouraging better market infrastructure and outlets remains a challenge for both councils and the present government. Diversity is an issue in an environment that lacks a market and infrastructure.

Access to credit at the Development Bank of Kiribati (DBK) by women for the 2000 to 2002 period showed that women obtain 18 percent fewer loans than men. The amount of loan borrowed by males for all years except 2001 was also higher than for females. The trend of greater lending to males remains the same for the periods 1992 to 1997 but there was an increase in the number of female borrowers for the period 2000 to 2002 when compared to the previous six-year period. The increase in the number of females is in indication that more women have higher awareness of the credit facilities. Female borrowers range from the low educated to the well-educated women in urban and rural areas.

In recent years, the Bank of Kiribati and the Development Bank of Kiribati have begun an outer island visit to advertise their loan schemes. This activity has enabled public servants on the outer islands who are mostly females holding teaching and nursing jobs access to loans. In this way outer island people are able to purchase large items such as household generators, motorboats, solar panels, refrigerator, rainwater tanks, corrugated iron roofing and cement for concrete flooring. Continued rural lending schemes may enable more community members begin some micro-enterprises that may help in generating means of earning income.

Table 4.23 Development Bank of Kiribati loans

Year	Male		Female		Group		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
1998	317	980,823	181	678,919	56	375,686	554	2,035,428
1999	392	1,674,833	333	1,206,971	57	479,343	782	3,361,147
2000	306	1,173,134	210	755,873	21	136,103	537	2,065,110
2001	223	792,040	131	793,232	27	305,530	381	1,890,802
2002	268	1,198,487	203	947,896	22	539,011	493	2,685,394

Source: Development Bank of Kiribati 2003

(iii) Other credit schemes (Te Karekare)

Another credit scheme known locally as *te karekare* is widely practiced on the islands by different communities. Credit schemes help to empower the rural communities and the low income earners in South Tarawa who have low daily earning capacity, cannot afford expensive cash items such as school fees and are unable to access the financial institutions due to lack of a guarantor or other security means.

In South Tarawa, the women selling products in the market organized a lottery type credit scheme where a roster was produced that provides for AUD 5.00 at the end of the day's marketing. In a similar scheme, women pass on to their group members' embroidered women's tops at the end of every week. The recipient is able to on sell and earn higher amounts, which enables them to purchase higher cost consumer items.

On other islands, items such as strings, thatches and other locally produced goods are used in the credit scheme which makes work easier, more enjoyable and produces higher yields without additional cash requirements and reduces the need to seek loans.

4.11 Gender issues

In general, the social and economic status of women is low, although it is improving as female access to education increases. On the outer islands, the role of women is generally still confined to domestic duties. Land tenure and local politics are reserved for men. But women take on additional duties (i.e., additional home roles as providers and caretakers) as men leave home to work as seamen. Socio-cultural attitudes are a constraint to the further improvement of the status of women. Until such issues are addressed, barriers to access to better education, healthcare and employment opportunities are likely to remain.

Government efforts to improve the welfare of women are coordinated through the Ministry of Environment and Social Development. The Women's Development Officer in the Social Welfare Division is specifically tasked for the advancement of women's economic and social outcomes. The specific budget outline for the Department of Women is not provided, however the development budget and expenditure for the Ministry of Internal and Social Affairs, include provision for women's conference participation, attachment of young women in regional education and Training Centres, upgrade and development of island based development, community and women's centres as well as CEDAW training and information workshops. Legal rights' training has also been part of Government budgeting in collaboration with the Regional Rights and Resource Centre, an initiative of the UNDP.

The Ministry of Internal and Social Affairs makes no mention of the Department of Women or the output targets, yet there is an overall goal to enhance and develop local government through development assistance of national partners. There is no evidence of gender costing and budgeting within and throughout the development of national budgets and this was highlighted in the recent Regional Women's Meeting as a priority to ensure equality of provision of goods and services for people.

4.11.1 National machinery for Women's Affairs

The Women's Affairs Unit was established in 1995 following a recommendation for the Government to play a more direct role in women's affairs. The Unit was established within the Ministry of Environment and Social Development in its Social Welfare Division. The Unit is staffed by 2 officers, Women Development Officer and Assistant Women Development Officer. Other project staff includes a National Gender Officer, Liaison and Services Officer, Communication Officer and Legal Rights Training Officer.

At the end of 2002, the 2 posts were upgraded to Senior Women's Development Officer and Women Development Officer. The posts received an increase in remuneration with little consideration to qualifications that will help strengthen the capacity of the Women's Unit.

Table 4.24 Budget for Social Welfare Unit 2000-2001

Budget for Social Welfare Unit 2000-2001 ($AU)				
Year	Total Budget	Social Welfare	Other 5 Units	% Allocation
2000	831,899	145,268	686,631	17
2001	1,029,345	218,238	218,238	21

Source: Budget Ministry of Finance and Economic Planning

4.11.2 AMAK

Aia Mwaea Ainen Kiribati (AMAK) was established in 1982 as a non-government organization delegated with responsibilities for addressing women's affairs. AMAK signifying a strong binding of women with rope services as the National Umbrella Body for all women organizations. It is located within the Women's Unit and is funded by Government. AMAK has a President, Vice President included in the 13 members Executive Committee.

Specific services offered by AMAK include:

- Reduction of domestic violence,
- Teaching leadership skills,
- Improving the economic status of women, and
- Improving communication and database information.

AMAK has conducted numerous training workshops targeting women in the above mentioned areas, legal literacy and human rights. Other on-going activities include: production of a quarterly newsletter, conduct of a radio programme disseminating women's issues, collection of relevant data on men and women in Kiribati, and the gender advocacy programme

highlighting gender issues of importance towards sustainable development of Kiribati.

Along with gender education and a vernacular understanding of the principles of the Convention on Discrimination of all Forms of Discrimination Against Women (CEDAW), priority is to develop a system that ensures gender principles permeates to all levels, including traditional, household, and decision making. Developing and looking through gender lenses will help accomplish this. Gender sensitive and mainstreaming would be the result of this. But this is bearing in mind that gender is not a foreign concept, everything that revolves in the traditional governance of island policies and households embraces the principles of gender. However with advances and the shift towards modernization and from a subsistence economy to a market oriented one, the issue of equity has become pivotal.

The government's efforts to address the concerns, issues and needs of its female population are not evident, convincing or substantial. For example, women are reported to invest into the education of children of broken families, yet are denied from being recipients of loans because of the absence of a male guarantor. These women are either single or widowed.

4.12 Summary of social protection programs in Kiribati

Table 4.28 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 of the table generally refers to those widely available and where there is only very small isolated instances then the response has been *no* although these cases are 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 4.25 Social protection programs in Kiribati

Sector and Programs	Currently Available		Remarks
Labour Market			
Vocational training		**No**	
Income generation programs		**No**	Not part of labour but part of microfinance
Labour standards	**Yes**		
Apprenticeship training		**No**	
Gender equity programs		**No**	Mostly fragmented but not in labour
Collective bargaining	**Yes**		
Structural adjustment assistance		**No**	
Micro enterprise development	**Yes**		But only as part of informal microfinance schemes
Anti-exploitative programs		**No**	
Affirmative action programs		**No**	
Occupational health & safety		**No**	However legislation has been prepared – to be presented to parlt.
Social funds		**No**	
Job seeker program		**No**	
Labour exchanges		**No**	
Social Insurance			
Old age pensions	**Yes**		Provident fund is lump sum, Universal pension to people > 70 years
Disability benefits	**Yes**		Part of KPF, formal sector only
Survivor benefits	**Yes**		Part of KPF, formal sector only
Work injury insurance	**Yes**		Insurance voluntary, employer liability, compliance questionable
Private pensions		**No**	Minor mostly expatriate superannuation
Maternity benefits	**Yes**		Part of public sector employment conditions, formal sector only
Unemployment insurance		**No**	
Sickness insurance		**No**	
Social health insurance		**No**	
Social Assistance			
Cash transfers for aged, widows & disabled		**No**	
Food for work transfers		**No**	
Food security programs		**No**	
In-kind education incentives		**No**	
School feeding programs		**No**	
Conflict compensation		**No**	
Utility subsidies		**No**	
Programs for disabled	**Yes**		Only trade union, private and family schemes
Homeless person assistance		**No**	
Medical rehabilitation	**Yes**		Limited to critical cases evacuated to S. Tarawa or overseas
Assistance to disaster victims	**Yes**		Ad-hoc, only ministry to develop local plans is MOH
Subsidised medical treatment	**Yes**		Part of national health care policy

Sector and Programs	Currently Available		Remarks
Micro schemes			
Micro loans	**Yes**		Village Bank Scheme, minor loans, all islands
Micro insurance		**No**	Trade union schemes and NGO's only
Agricultural insurance		**No**	
Welfare funds		**No**	No central policy or development plans, sectoral only
Assistance for disadvantaged minorities		**No**	
Child Protection			
Child maintenance		**No**	
Family allowance		**No**	
Human rights	**Yes**		
Scholarships for disadvantaged		**No**	
Vaccination programs	**Yes**		
Nutrition programs		**No**	
Rehabilitation programs		**No**	
Assistance for homeless youth		**No**	
Anti child labour/trafficking programs		**No**	

The Central government accounts up 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.

Table 4.26 Central Government accounts

Item	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue (current) FY	41,438	63,456	69,163	58,747	61,295	98,515
Expenditure (current) FY	44,896	45,751	50,463	54,283	53,876	76,749
Expenditure by function						
General public services	9,918	7,946	9,712	8,040	6,959	8,665
Public order & safety	3,522	3,309	4,604	4,651	4,706	5,805
Health	7,628	8,368	7,108	9,239	8,830	10,356
Education	10,013	9,440	10,993	11,679	12,806	16,131
Welfare & environment	0	1,086	1,079	985	1,071	1,364
Community & culture	2,817	3,006	3,386	1,458	1,524	1,872
Agriculture & fishing	2,495	2,348	2,345	2,406	2,325	2,524
Construction affairs	2,274	2,367	2,314	2,383	1,946	2,273
Communications	2,784	7,748	6,803	1,819	1,687	2,136
Commerce	603	811	807	759	711	816
Labour affairs		1,710	1,592	1,627	1,739	1,982
Other	7,598	2,797	4,851	24,287	19,985	37,894
Total expenditure	**49,652**	**50,936**	**55,594**	**69,333**	**64,289**	**91,818**
Balance Current Revenue & Expenditure	-3,458	17,705	18,700	4,464	7,419	21,766

Source: *Central Government Accounts*

4.13 Initial observations of social security programs

The ***social security gaps*** in Kiribati are substantial with the formal economy workers protected against some loss of income due to age, death and disability through the provisions of the KPF and the universal old-age allowance. Basic health cover is provided by the government with a moderate charge levied on hospital care and whilst workers' compensation is compulsory, the degree of compliance is poor due to the

fragmentation and lack of coordinated management information available about the system. Motor vehicle third party insurance is also compulsory being part of the vehicle licence fee. Apart from micro schemes through the village bank 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 survivors 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 only 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 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.

4.13.1 Immediate technical assistance needs

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

- The Ministry of Health and WHO have conducted preliminary studies on alternative means of increasing health funding including some form of partial payment for services however, Social Health Insurance does not appear to have been considered. The reasons for this appear to be lack of information about SHI in the MOH. As SHI is a common concern for most of the countries participating in this project, a feasibility study on health insurance options should be expedited. It has been agreed that the ILO and WHO offices in Manila will look at top down coordination and presentation of a common strategy for the government on Social Health Insurance.
- The workers' compensation programme in Kiribati is fragmented and lacks central control and monitoring, the details of which are discussed earlier in this report. A review of the existing hybrid system and the previous recommendation for a government controlled system should be conducted to provide the government with viable options for a comprehensive workable system.
- If the government wishes to achieve its social development goals 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.

4.14 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. Phase 2 of the project will culminate in joint stakeholder workshops that will use 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 will be translated into feasibility studies of the major benefit types that will form part of the inputs to the final phase which is preparing the national action plans for social security extension.

Chapter 5 Survey of workers in the informal economy and formal employment sector

5.1 Kiribati 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.

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 Kiribati, like most other Pacific countries 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.

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. In many Pacific countries fishing is also part of traditional activities.

2. Fishing[30], 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.

5.1.2 Survey 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.

(i) Sample Selection

In Kiribati in 2000 there were 50,722 in the working age population (15 – 64 years). Not all of these people would be active members of the workforce. In the absence of a detailed labour market survey it is difficult to determine a labour force participation rate. The labour force participation rate is an estimate of the numbers of people in the working age population who are active participants in the work force, being employed or seeking work. The labour force participation rate is expressed as a percentage of the total number in working age population. This makes allowance for the numbers of people in the

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

working age population who are not in the workforce i.e. students, people not seeking employment, home duties and those unable to work. A labour force participation rate of 76 per cent would be a fairly generous estimate for Pacific island countries where subsistence agriculture is the dominant form of labour. In Kiribati this assumption would produce an estimated economically active labour force of about 38,549.

Of these, 9,447[31] were identified in the 2000 population census as wage and salary earners and that implies there may be about 29,100 economically active members in the informal economy.

By using a rounded total of 30,000 for the informal economy a 0.5 percent sample for survey would be 150. However to compensate for the distribution of the population on 21 islands and the limited budget for the survey a sample of about 0.7 percent was used to improve the reliability of the results.

The 2000 population census, in a table titled *Economic Activity of Indigenous population by Sex and Island (Aged 15+)* suggested that there were only 34,005 people in the economically active categories cash work, village work, home work and unemployed. This would translate into a labour force participation rate of 48.90 percent and an informal economy of 24,805 (after the 9200 formal cash workers were deducted form the total). Discussion with the statistics officials suggest that the reliability of the labour force statistics in the census was not complete as the census was curtailed in some outer islands due to lack of funds. This could have affected the result. For the purposes of this survey it was decided to make a generous estimation and complete a sample of 200 workers in the informal economy. This could represent a sample of somewhere between 0.66 and 0.8 percent of the estimated informal workforce.

The 2000 Census found that 54.43 percent of the workforce is employed in rural areas (45.57 percent in urban areas) which are fairly evenly distributed outside the South Tarawa Urban Area and across the other 20 inhabited islands. A best estimate from the 2000 census suggests that about 50.9 percent of the workforce is males and 49.1 percent females and that the two exclusively rural occupations for non wage earners shown above are mostly males. Table 3 shows the major agricultural activities performed by households in 2000.

Table 5.1 Household agricultural activities

Household agriculture	Urban	Rural	Total
Food trees and vegetables			
Breadfruit	1,754	5,834	7,588
Babai	86	6,361	6,447
Banana	361	1,982	2,343
Pawpaw	1,826	3,474	5,300
Kumala	164	327	491
Other vegetables	1,241	1,830	3,071
Toddy	2,115	6,725	8,840
Fishing activity			
Ocean flat	2,267	5,379	7,646
Lagoon flat	2,672	4,998	7,670
Ocean fishing	1,457	4,454	5,911
Lagoon fishing	1,888	4,818	6,706
Households with pigs	4,060	8,433	12,493
Households with chickens	588	5,712	6,300
Households with ducks	150	729	879

Source: Statistics Office, Census of Population and Housing 2000

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 any more detailed information about distribution of occupations in the informal economy, the following distribution of the sample was made:

Table 5.2 Distribution estimates of workers in the informal economy

Informal Occupation	Proportional Estimates		Sample Ratio	Sample S=200
	Rural	Urban		
Farm and Farm Related Activities	19%		19%	38
Fishing	38.5%	5%	43.5%	87
Home workers	7.5%	7.5%	15%	30
Self Employed	7.5%	7.5%	15%	30
Transport Industry		7.5%	7.5%	15
TOTAL	72.5%	27.5%	100	200

[31] There is a discrepancy in the reports as 9200 is mostly quoted as the size of the formal workforce

The population distribution throughout the provinces as per the 2000 census was:

- **Gilbert group**, (see table 2), population 78,158, (92.5 percent)
- **Phoenix and line group**, (see table 2), population 6,336, (7.5 percent)
- **Kiribati**, population 84,494.

Table 5.3 Survey sample targets by location

Informal Occupation	Location			
	Butaritari	Abemama	S. Tarawa	Total
Farm and Farm Related Activities	5	6	27	38
Fishing	5	12	70	87
Home workers	2	3	25	30
Self Employed	3	3	24	30
Transport Industry	0	0	15	15
TOTAL	15	18	167	200

The guide to distribution of surveys by locality was flexible depending upon the availability of the occupation types but endeavoured to maintain random selection in the vicinity of major service centres.

5.2 Informal economy survey findings

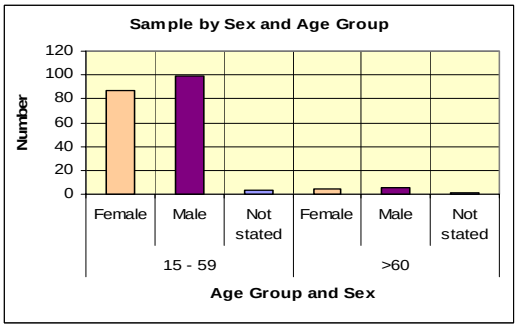
5.2.1 Aims and methodology

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 in Indonesia, 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 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.

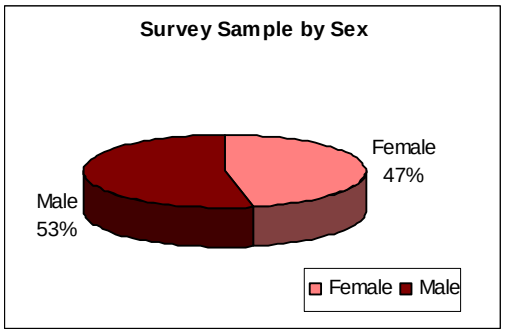
5.2.2 Key survey results

The questionnaires of the survey (shown in Annex 6) consist of five parts; (i) personal details, (ii) education, (iii) employment, (iv) income, and, (v) social security needs, priorities and desire to contribute. A summary of the key findings are presented below.

(i) Personal details



The balance between sexes in the survey was only slightly biased towards males because of the type of industries chosen. Many of the traditional farmers, fishermen and transport workers were males. The predominant work areas for females in unpaid family care, market sales, family business and home workers were accessible to the surveyors as most of the sample was taken in South Tarawa in accordance with its proportion of the population and the informal economy workers. The sample correlates reasonably closely to the 2000 household Income and Expenditure Survey which identified 50.9 per cent of the workforce as males and 49.1 percent females.



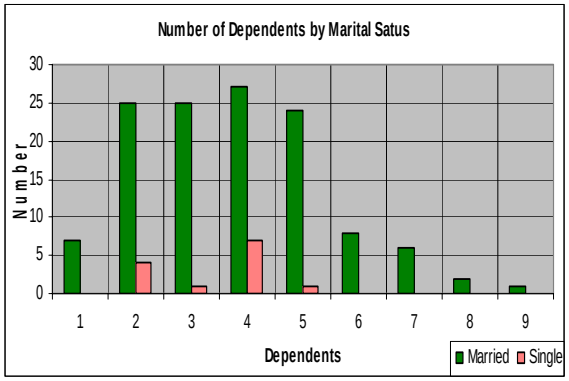
(ii) Age groupings

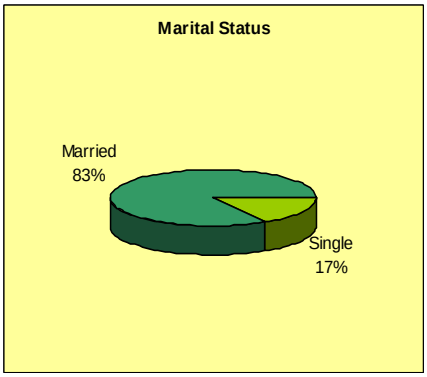
Age Group	Gender	Total
15 - 59	Female	87
	Male	99
	Not stated	3
>60	Female	4
	Male	5
	Not stated	1
	TOTAL:	199

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 in both age groups with the gender proportion almost equal.

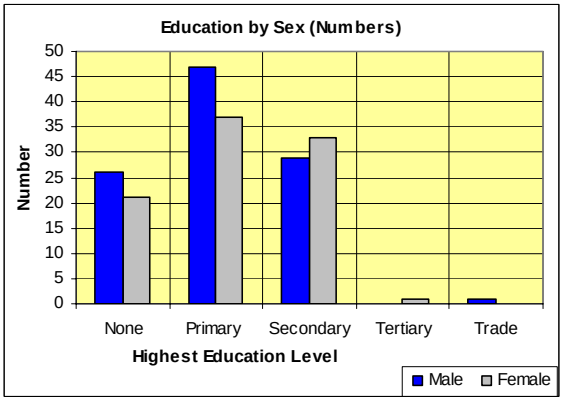
(iii) Dependents

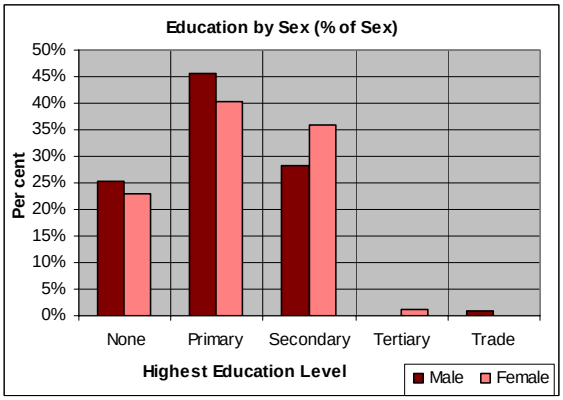
The number of dependents as shown in the following diagram follows a natural distribution curve with the mode around four dependents per family although the weighted average would be closer to 4.5 dependents per family. This does not compare favourably with the last census (2000) where the average household size was 6.7. The number of single parents in the sample of 300 was 13 which represent about 6.5 per cent of the sample. Given the approximate gender balance of the sample this is likely to represent the true situation of single parent families however there is no national data on which to compare this finding. In the sample married respondents represented 83 per cent of the sample.





(iv) Education



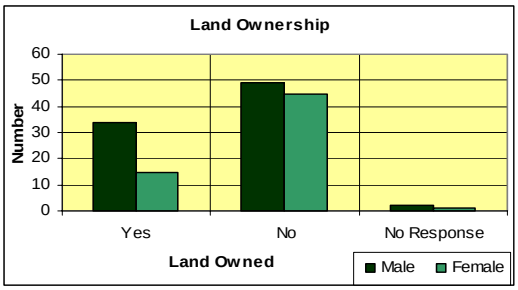


The highest education attainment of the workers in the sample is shown in the above charts. In terms of absolute numbers in the sample males represent the highest numbers in the lower categories of education but females had higher rates of secondary and tertiary education. However when considered as a percentage of each sex in the second chart it can be seen that a lower percentage of females have only achieved primary education but they also have more representation in secondary achievement. These findings reflect the situation in Kiribati where there is a noticeable reduction in the number of students continuing on to secondary education. The number of respondents who indicated that they had no education is of concern and this is corroborated by the findings in the 2000 HIES where in 2000 around 80 percent of children aged 6–14 were enrolled in schools. In some Pacific countries primary school enrolment rates have reached 100 per cent. Successive governments have demonstrated their commitment to providing more and better education which has been reflected in the consistent allocation to Ministry of Education, Training and Technology (METT) of around 20 percent of government recurrent

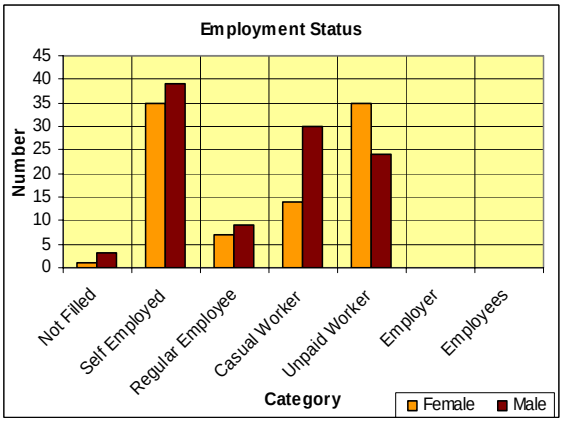
expenditure. This is one of the highest proportions of public funds spent on education in Pacific island countries.

(v) Land Ownership

Land ownership posed some problems for surveyors and respondents alike and given that some of the sampling occurred in traditional villages but most occurred in South Tarawa in proportion to the population. In S. Tarawa ownership of land is not always clear and many squatters live on leased land. One of the benefits of local traditions is access and rights to land as part of an extended family group. It is generally accepted that providing support is maintained to the extended family the ownership link or use of the land is maintained. However many people in the sample were part of the urban migration to South Tarawa and would have no land rights in the city. This would explain the high "No" response. The "yes" response demonstrates that land ownership is traditionally identified with males.

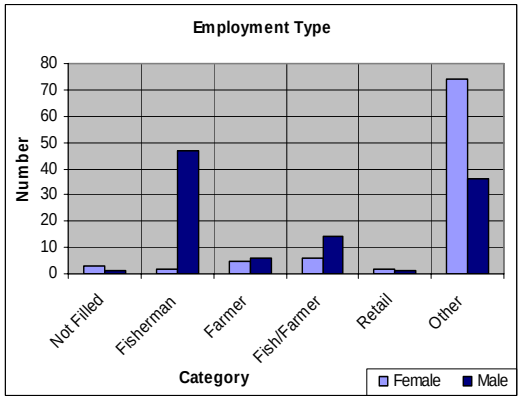


(vi) Employment

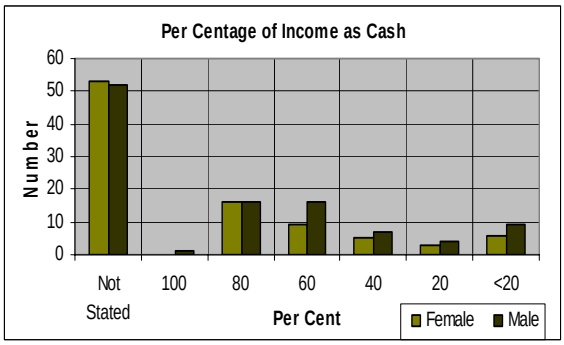


The employment status of the sample is dominated by self employment and unpaid workers. This reflects the traditional rural nature of the sample where families share the workload. The last two columns represent employers and the number of employees and it is clear that people didn't equate their status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

The employment types of the respondents in the sample reflect the nature of the rural areas in Kiribati where fishing is the major occupation for traditional people. By comparison farming is relatively small and apart from copra there are few other major cash crops. The "other" category is a significant proportion of the sample reflects the home workers and casual sales nature of work in Kiribati and is dominated by females.



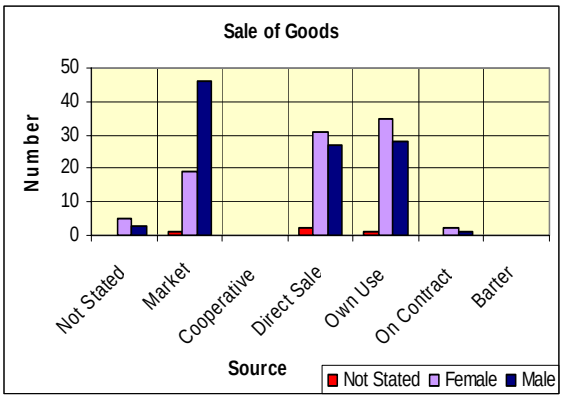
(vii) Income Patterns



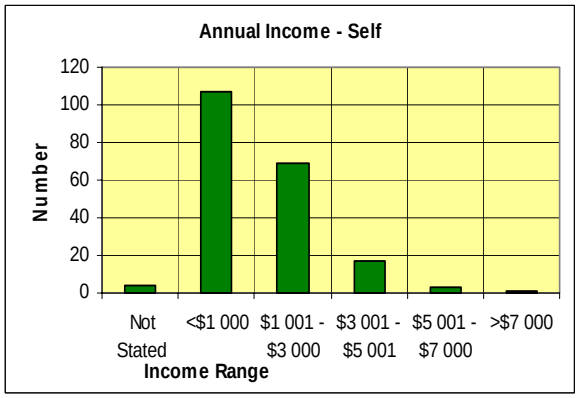
This question asked respondents to estimate the percentage of their income that is cash and was expected to be very difficult for informal rural workers, however only half of the sample were able to respond. The results show that about one third of the sample received over half of their income as cash. This would tend to magnify the impact of contributions that might be made as part of a savings or insurance program as contributions would be a significant proportion of cash income.

The main source of income for informal workers in the informal economy in Kiribati is based on

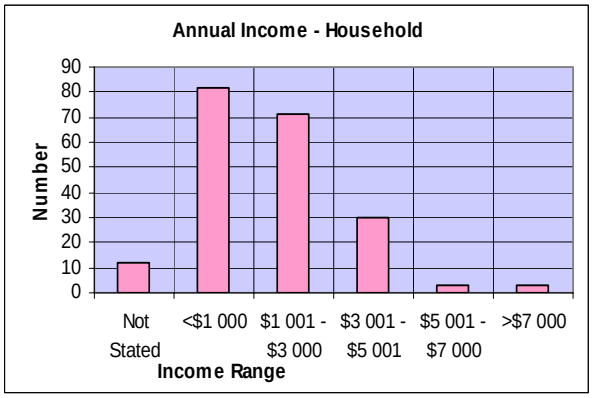
the sale of produce, typically copra, fish, handicrafts and some vegetables from newly developing home gardens. The results of this survey suggest that much of the produce is sold in markets or by direct sale with almost no sale through cooperatives. The high proportion of direct sale and own use also reflects the situation in Kiribati where roadside fish sellers are prominent, especially in South Tarawa. 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 has proven to be an intensive and costly exercise.



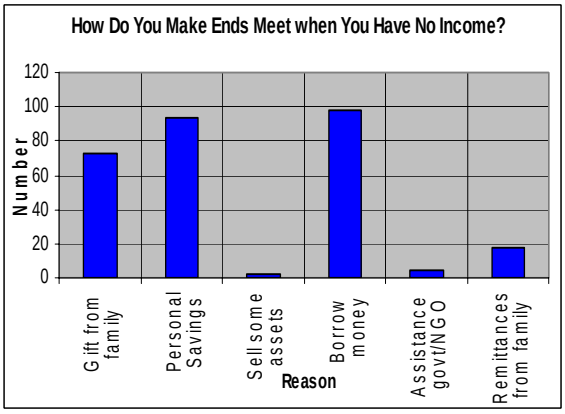
(viii) Individual and Household Income



The majority of individual respondents earn less than AUD 3,000 per year; however the mean income moves up the scale for households and the majority of respondents received between AUD 1,000 and AUD 5,000 per year. The salary and income levels are not able to be compared to the formal employment sector incomes because of inability of IT system in KPF to provide the data on salaries. The last population census in 2000 did not estimate the average household income. However it produced details of additional sources of secondary income per household and rent represented 16.65 per cent, pension 1.78 per cent, seamen 15.13 per cent, overseas remittances 5.42 per cent and other sources 9.66 per cent.

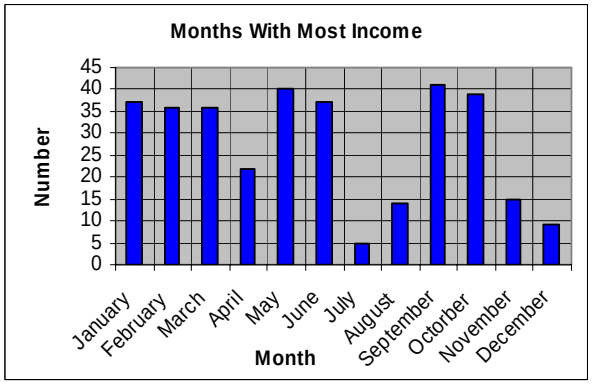


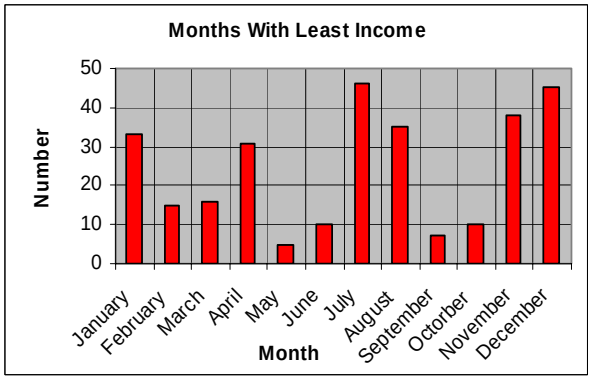
Respondents were also asked how they made ends meet when they had little or no income and the majority identified that they used personal savings or borrow money. This is a marked contrast to other Pacific countries where remittance was the dominant response. The survey response supports the importance the extended family in Kiribati as a source of informal safety net. The low response to assistance from government and NGO's reflects the low level of social assistance provided in Kiribati to the working aged population. This response may have been higher had the over 60 years population been included and the impact of the universal aged persons allowance may have been reflected in the responses.



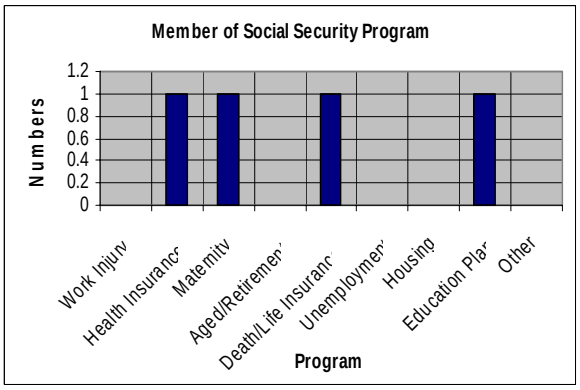
The earnings patterns of respondents were considered to identify the degree of fluctuation which may have a bearing on any potential voluntary schemes. Erratic income or large fluctuations would place considerable pressures on regular contribution collection. However this may be moderated by the methods of receipt of

income and the seasonal earnings may be paid in lump sums although this could not be determined in this indicative survey. The survey found that there were two significant periods where respondents received low income July/August and November/December and these months are consistent on both charts shown above.

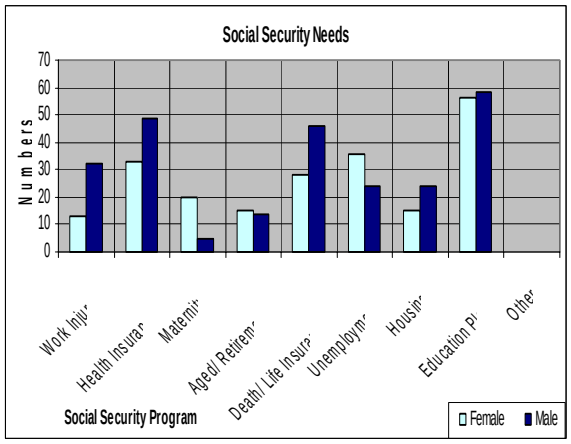




(ix) Social Security Needs and Priorities

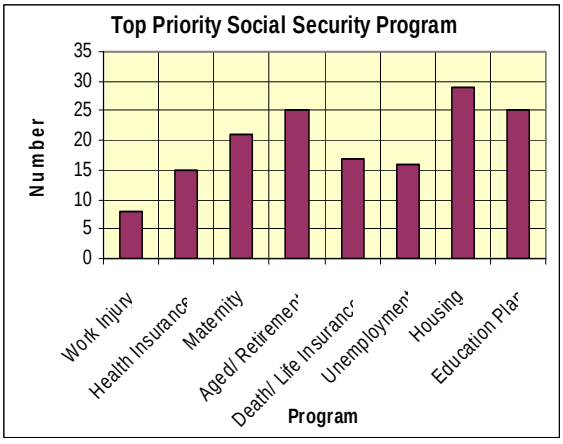


In this series of questions respondents were asked about existing membership in social security programs. It must be stressed that the questions were phrased in colloquial language and in simple terms that described the program by its effects and not by title. The common social security program title on the charts is the translation. The result (4 individual responses out of a sample of 200) confirms the absence of any formal social security programs in the informal economy. While these 4 responses have not been validated it is likely they



may represent voluntary membership in the provident fund.

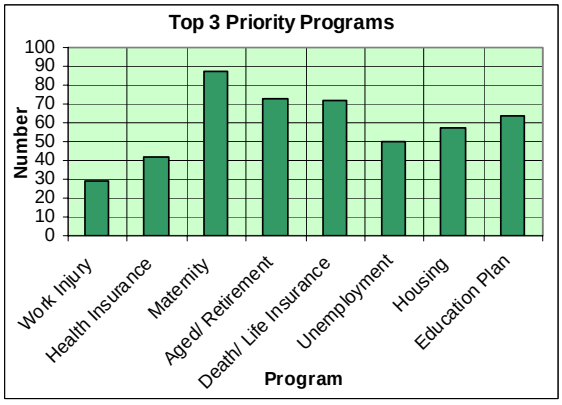
Respondents were asked to identify their social security needs in the same colloquial language for previous social security questions. In this case multiple needs were accepted and from a sample of 200 people 471 needs were identified. It is interesting to note that Education plans was easily the most common need by males and females and males also identified Health insurance and life insurance as their second and third needs. Females identified unemployment programs and health insurance needs highly.



Respondents were then asked to nominate these needs in priority order and the following charts show the highest priority needs. This chart shows that a housing program was the most popular with retirement and education programs also rated

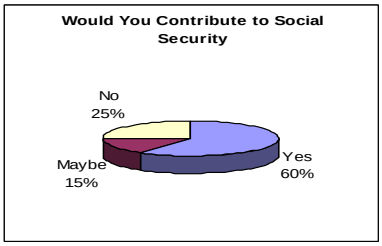
highly. The low response to work injury programs probably reflects the poor knowledge of social security programs and work injury in particular. The cultural issues of redressing complaints against others and private settlement of claims is also a factor. The relatively high response to retirement programs is most likely due to the short period of operation of the universal senior citizens benefit program and some respondents may not be aware of its existence or potential.

By grouping the top 3 priority needs identified by the respondents the priorities are somewhat moderated but retirement and life insurance programs remained high priorities. The exceptional rating of maternity programs may well be related to health insurance where maternal health is an issue in Kiribati. The survey sample comprised 47 percent females and the maternity program response was about the same percentage of the sample. Work Injury Insurance maintained its low priority in the survey.



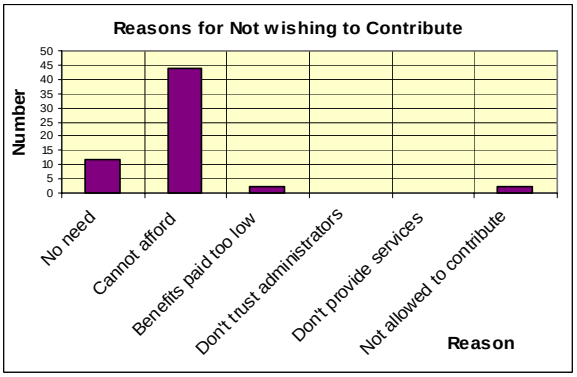
(x) Social Security Contribution

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.

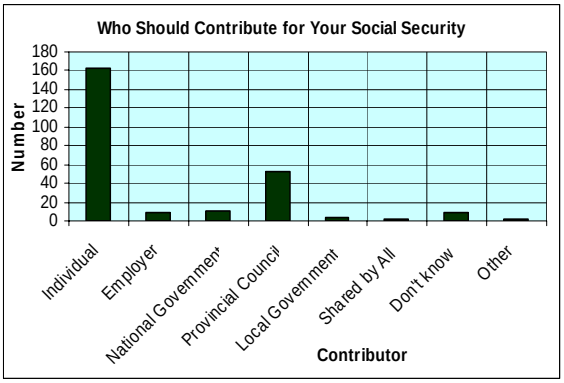


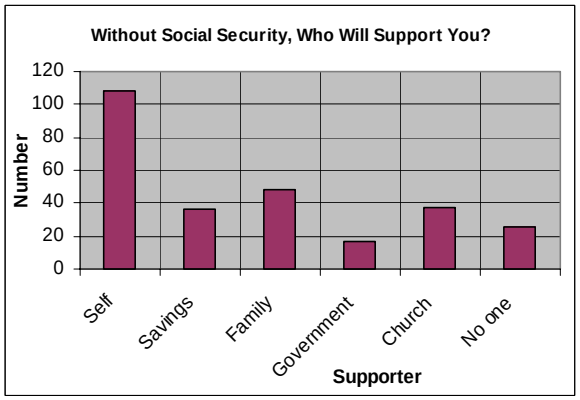
Only about one third of those surveyed responded to this question and those who did claimed that they were unable to afford contributions. The reasons for not wishing to contribute "no need" may represent the strength of the family support in Kiribati. It is obvious from the income levels that many people 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.

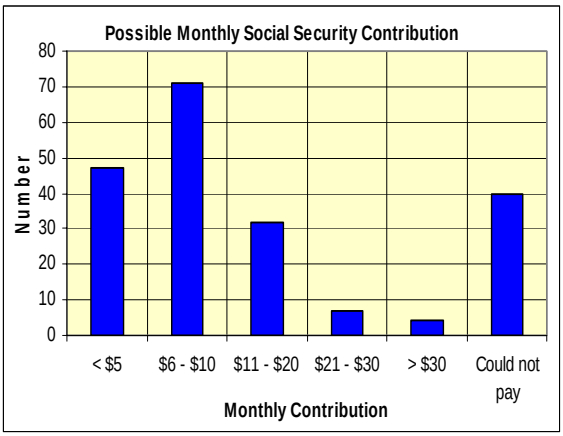


In response to who should contribute to your social security "the Individual" was the most common response by over half of the respondents. This concurs with the willingness to contribute of about 60 per cent of those who participated in the survey. The various government levels drew only 20 per cent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





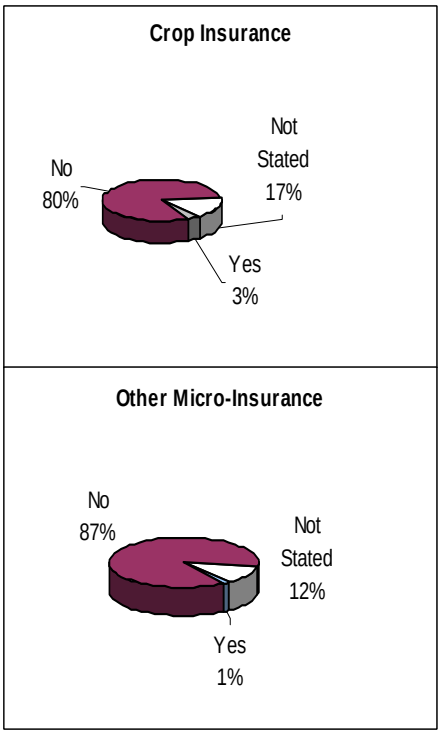
The level of contribution will ultimately determine the quality of benefits provided in any voluntary scheme. The amount volunteered by those surveyed is fairly modest and on their own would not provide for substantial benefits. Only about 25 per cent of those surveyed could contribute more than AUD 10.00 per month and about 59 per cent could only contribute less than AUD 10 per month.



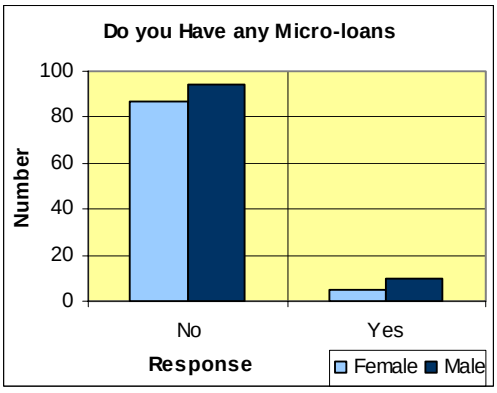
The responses as to how people will be supported without social security is somewhat inconclusive in that people see the need to be self supporting. This is probably a statement of reality and what happens now. The situation with regard to the extended family is reflected in the next highest responses of family and savings. It is interesting to note the confidence in Church programs.

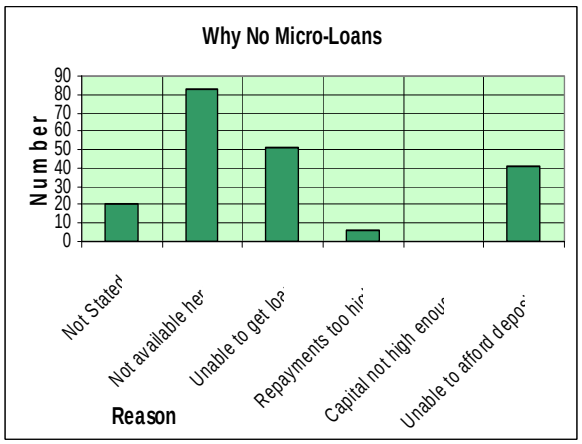
(xii) Insurance and Micro Schemes

The two forms of insurance represented in these charts reflects the general low acceptance of insurance in Kiribati, 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.

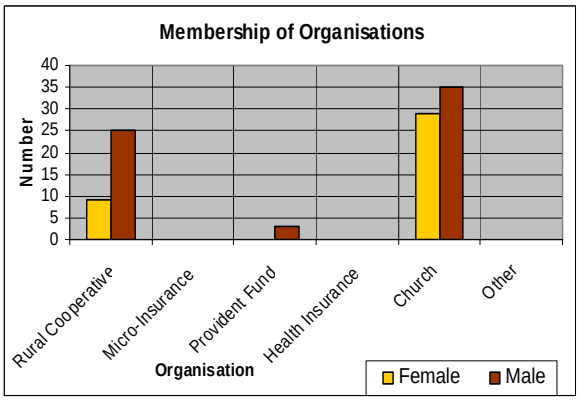


In relation to micro-loans the survey found that more than 90 per cent of respondents had no micro loans and the main reason for this was that micro loans were not available in their location. The findings of the survey suggest that micro-loans are not significant in Kiribati despite the operation of the Village Bank.





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. About 55 per cent of the sample identified as members of organisations. In the 2000 population census about three quarters of households identified as members of religious groups and about half as members of women's groups. Membership in rural cooperatives represents almost 20 per cent of the sample but this is much less than membership in church groups. The extent of church social security schemes has not been fully explored nor has their capacity to become agents for a micro-insurance/loan scheme.



5.2.3 Identification of priority needs and contributory capacity in the informal economy

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 with 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 need for age/retirement programs was relatively low compared to other countries and this is probably due to the Senior Citizens Benefit Scheme introduced in 2004. It is likely that this demand will reduce once the benefits of the SCBS becomes entrenched in the society.

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 Kiribati survey, the initial findings are unable to compare the capacity of rural and urban informal economy workers to afford the modal provident fund contributions that are contributed by individual workers due to the incapacity of the KPF IT system to identify the modal contributions by salary range. The best estimates can be obtained by reviewing the Statistical Yearbook 2000 where the annual contribution by the government to KPF was AUD 1,303,000 for 5,821 employees in public administration. This equates to about AUD 18.61 per month per employee or a total of AUD 37.22 for the combined contribution based on contributions of 5 + 5 per cent of Salary. The Contribution rate has since been increased to 7.5 + 7.5 per cent of salary or an adjusted contribution of AUD 55.83 per month. It would be difficult for workers in the informal economy without an employee-employer relationship to contribute the average contribution without any form of cost sharing or subsidy as this contribution would

represent between 22 and 66 per cent of most informal annual incomes. Obviously a contribution of about 7.5 per cent would be very small and may not be sufficient to fund a reasonable program without subsidies. This is demonstrated in the survey where about 20 percent of respondents indicated they could not make any contributions, 45.7 percent could pay up to AUD 5 per month and about 35 percent could pay between AUD 6 and 10 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 there needs. This combination offers promise for micro schemes.

5.3 Kiribati Formal Employment Sector Survey

5.3.1 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

The formal employment sector represents only 18.63 percent of the working aged population (aged 15-64). The formally employed persons numbered 9,447 in the latest available data (population census 2000) of which 6,590 (76.7 percent) were working for the government while 2,002 were with the private sector. Of the public sector employees, 4,050 were with the central government and the rest with the public corporations Other large employers are the South Pacific Marine Services (SPMS), which currently has 1,050 merchant seamen on board German merchant ships, the Kiribati Fishermen's Service (KFS), which has 325 fishermen on board Japanese Tuna Company fishing boats[32], and the churches, which now employ more than 700 people.

The data show that of the 9,447 workers in the formal employment sector, 5,968 were males (63 percent) and 3,479 were females (27 percent) out of the total of 50,722 in the working age population and 55.1 per cent of formal employment sector workers were in the civil service, 21.6 per cent in public sector enterprises and 23.3 per cent in the private sector. In 2004 KPF identified 8,890 active members so the 2000 figure is probably accurate enough to use for this survey.

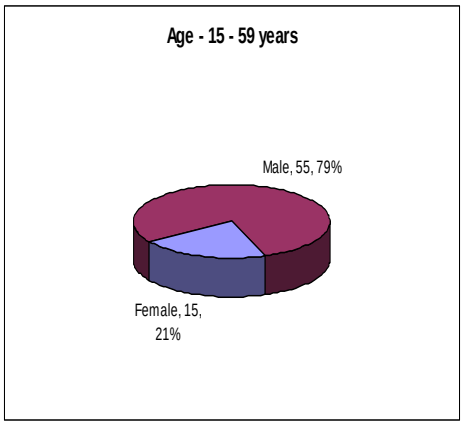
The survey was conducted by delivering the Survey form shown in Annex 7 to a random sample of employers based on the government/private ratios of the formal employment sector. A total of 75 forms were completed.

5.3.2 Key survey results

The questionnaires of the survey consist of four parts; personal details, employment, income, and, social security needs, priorities and desire to contribute. A summary of the key findings are presented below.

(i) Personal details

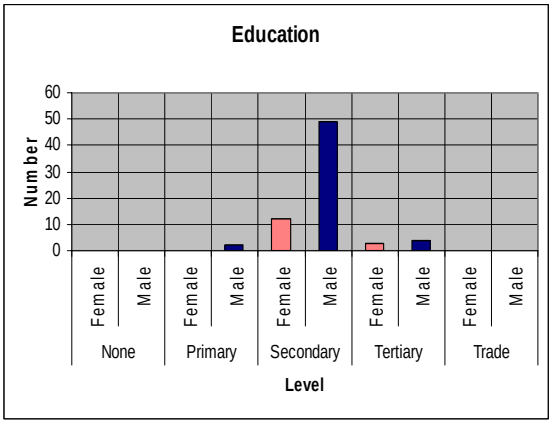
The survey sample was slightly biased towards males with 79 percent of the sample as compared to the 2000 population census where 63 percent of the formal employment sector workers were males. The age range of all members of the sample was between 15 and 59 years.



[32] The merchant seamen and fishermen are not included in the domestic private sector employment figure

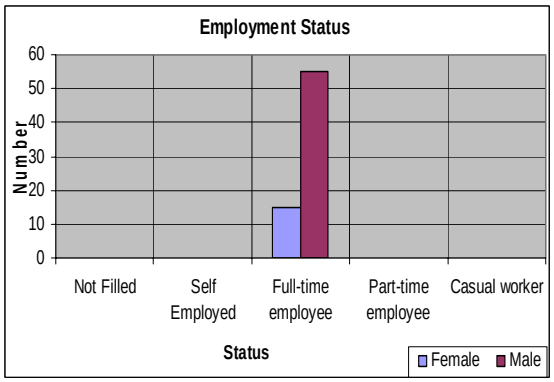
(ii) Education

The highest education level represented by the sample was secondary level followed by tertiary 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 Kiribati and the education levels reflects the public service entrance minimum standards.



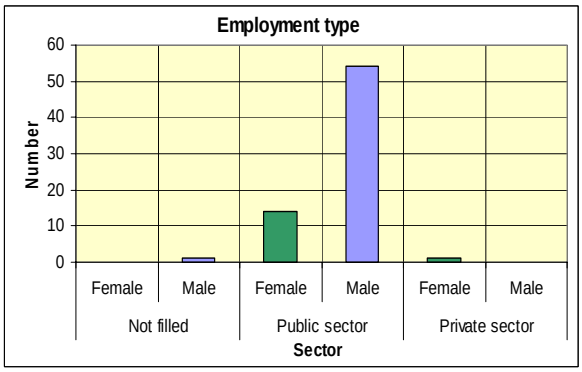
(iii) Employment status

The employment status of the sample indicates that all of the employees were full time workers. This is probably generally true of formal employment sector workers in Kiribati where part time and casual work are not common. This contrasts with the informal survey where a large proportion of workers were self employed.

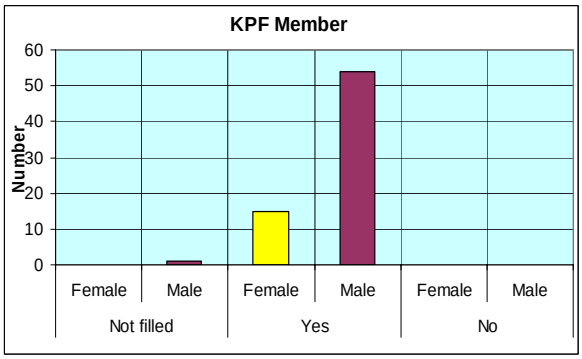


(iv) Employment type

The employment status of the sample was biased towards public sector workers and whilst they represented 76.7 per cent of the workers in the 2000 population census they made up more than 90 per cent of the sample. This may be explained by the survey location, exclusively on Tarawa, the capital and centre of government.



(iv) Membership of Kiribati

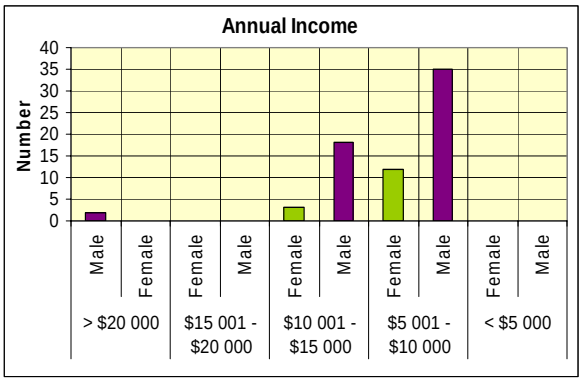


(i) Provident Fund

The sample shows a high level of membership in the KPF and this is to be expected given the high proportion of the sample in public sector employment. However KPF data supports a high rate of compliance with membership levels of 8900 in 2005 and a formal employment sector workforce of 9447 in the 2000 census.

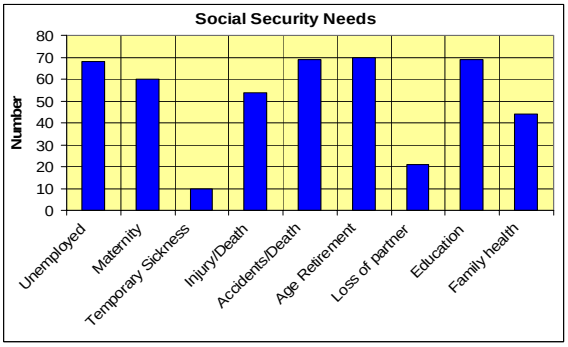
(v) Annual income range

The modal annual income range for formal employment sector workers based on this sample is AUD 5,000 – 10,000. This represents 68 per cent of the sample. It is also interesting to note that the proportion of females in each of the two main salary groups is about in the same proportion as in the sample suggesting that there is little bias against females in the salary ranges. However both of the respondents in the sample earning over AUD 20,000 were males.

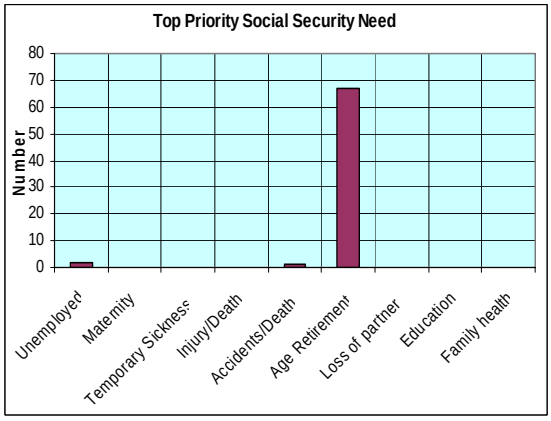


(vi) Social security needs

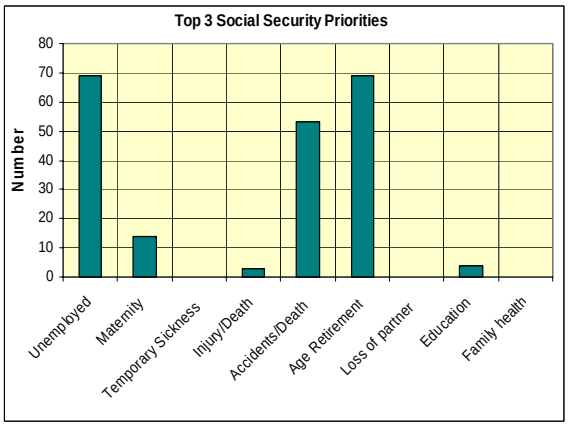
The respondents were offered the range of lifecycle contingencies to indicate their needs. A total of 465 needs were identified by the 70 respondents. Unemployment, Accident/Death, Age and Education were almost equally rated by the respondents.



(vii) Priority social security needs

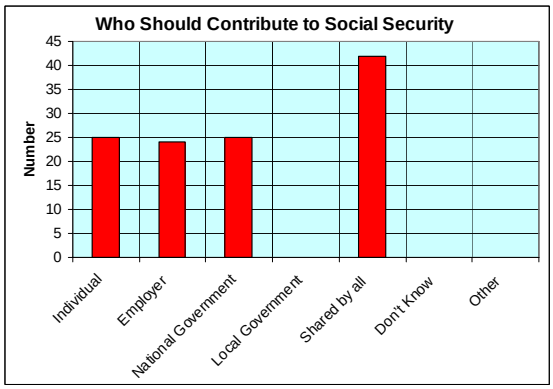


The respondents were asked to prioritise the range of social security needs from highest to lowest. The chart on the left above shows that the overwhelming top priority was Age Retirement. However when the top 3 priorities were aggregated Unemployment protection and age retirement were the highest priority needs followed by Accident and death protection. It comes as no surprise that formal employment sector workers would rate unemployment protection highly as loss of job would in most cases result in them being forced into the informal economy or possibly into subsistence employment.



(viii) Social security contribution

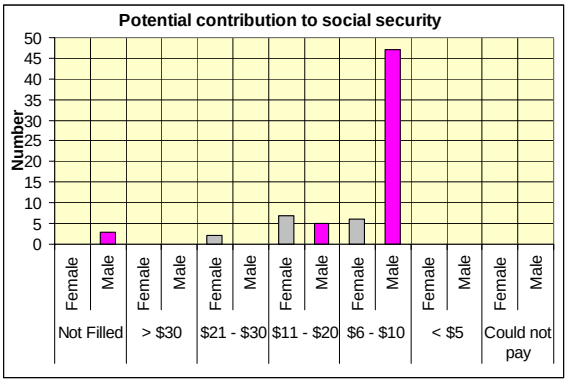
Respondents were asked to indicate who should contribute to their social security and the responses generally reflected the status quo. Contributions by the individual, employers (the government being the major employer could be regarded as the same as the employer response) and shared by all. This is essentially what happens now.



(ix) Additional contributions

Respondents were asked it they were prepared to make additional contributions to cover for extension of social security coverage and to indicate within a range of monthly potential contributions. Most male workers were only prepared to commit to a small contribution of AUD 6 – 10 per month and there was a higher proportion of females prepared to commit to the

higher monthly contribution rate of AUD 11- 20. It should be noted that this was an indicative survey only and that without a firm proposal on what respondents would be committing to the responses may have been a little guarded and non committal. The situation may change when a range of firm benefit and allowances options could be presented for comment.



5.3.3 Identification of priority needs and contributory capacity in the formal employment sector

It is evident from the initial results of the surveys of the formal employment sector workers that there is a high need for some form of extended social protection. The results confirm that health insurance is one 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 need to be increased to provide for meaningful retirement pensions for most workers. The need for age/retirement programs was still relatively high but this may change over time when the impact of the Universal Age Pension scheme introduced in 2005 takes effect. The need for retirement programs also may reflect the common practice of taking lump sum payouts which are mostly quickly used leaving an income gap in old age. The most indicative survey of the disposal of lump sum payouts from Provident funds was conducted in Tonga in 2003. The small scale survey found that 13 percent had invested their fund successfully, 17 per cent had saved some of the funds and the remainder (70 per cent) had spent their retirement lump sum

5.4 Comparison of formal and Informal survey findings

The social security needs of those in the formal employment sector differ from those in the informal economy and employment protection, retirement and health are the key priority needs.

In trying to develop appropriate mechanisms to cover the risks borne by workers in the formal employment sector, 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 formal employment sector 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 Kiribati survey, the initial findings are unable to compare the capacity of rural and urban informal economy workers to afford the modal provident fund contributions that are contributed by individual workers due to the incapacity of the KPF IT system to identify the modal contributions by salary range. The best estimates can be obtained by reviewing the Statistical yearbook 2000 where the annual contribution by the government to KPF was AUD 1,303,000 for 5,821 employees in public administration. This equates to about AUD 18.61 per month per employee or a total of AUD 37.22 for the combined contribution based on contributions of 5 + 5 per cent of Salary. The Contribution rate has since been increased to 7.5 + 7.5 per cent of salary or an adjusted contribution of AUD 55.83 per month. Extension of social security programs to the formal employment sector workers would require additional contributions to be made for the programs (e.g. Unemployment Insurance). However, as demonstrated in the survey where most of respondents indicated they could only pay between AUD 6 and 10 per month a smaller percentage could pay between AUD 11 and 20 per month.

However given the cost of living in the Kiribati, it may be possible to develop suitable insurance schemes that can cover the additional programs to cover unemployment and additional health care. 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 there needs. This combination offers promise for extension of social security schemes.

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 5.4 Comparison between informal and formal surveys

Survey Elements	Formal Employment Sector (%)		Informal Economy (%)
Sample Size	70		200
Males	79%		53%
Female	21%		47%
Education			
None	-		25%
Primary	3%		43%
Secondary	87%		32%
Tertiary	10%		1%
Employment Status			
Full time	100%		8%
Self Employed	-		37%
Unpaid worker	-		22%
Casual worker	-		30%
Employment type			
Public Sector	98%		-
Private Sector	2%		100%
Annual Income			
0 – 5,000	-		98%
5,001 – 10,000	67%		2%
10,001 – 15,000	30%		-
15,001 – 20,000	-		-
Over 20,000	3%		-
Top 3 Priority Social Security Needs			
Unemployment	33%		11%
Maternity	7%		18%
Workplace Injury/Dearth	1%		6%
Death/Life Insurance	26%		15%
Age Retirement	33%		15%
Education	2%		14%
Family Health Insurance	-		9%
Housing	-		12%
Who should contribute to Social Security			
Individual	22%		35%
Employer	21%		12%
National Government	22%		16%
Local government	-		18%
Shared by All	36%		8%
Don't Know	-		12%
Potential Monthly Contributions			
Could not pay	4%		20%
Less than $5	-		23%
$6 - $10	76%		35%
$11 – $20	17%		16%
$21 - $30	-		3%
More than $30	3%		2%

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 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 Kiribati 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 Indonesia. 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 be 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 the Pacific – culture, customs and safety nets

6.1 Executive summary

The chapter examines the traditional systems and customs in the Pacific; in particular it focuses on the existing local social support systems and the characteristics that impinge on success and sustainability of potential micro schemes in Kiribati. This is to assist the local stakeholders, and governments 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 the national action plans. In addition to the specific country findings and recommendations, there were a number of broad patterns identified across the countries studied and also some broad recommendations which need consideration.

6.2 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, 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.

6.3 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

- Families (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.

6.4 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 are 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 hierarchal 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 form 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 syncretic 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: Kiribati

6.5.1 Brief history

With a population of about 90,000 and stretching 5,000 km across the central Pacific, Kiribati consists of 33 atolls and reef islands with sandy soil, limited vegetation, low rainfall with the highest point no more than five meters. Rainfall which is captured in the catchment provides fresh water. Daily diet consist of coconuts, pandanus, *babai* (*taro*-like *cyutosperma chamissionis*), fish and shellfish. The sizes of the atolls differ considerably. For instance Tabiteuea has an area of 38 square kilometres, Butaritari 13.5 square kilometres, Abemama 27.5 square kilometres, and the much smaller atolls of Tamana and Arorae with 5 and 9.5 square kilometres respectively.

The Kiribati atolls were settled as part of Austronesian migration into the Pacific some 8,000 years ago. The first settlers of the islands probably reached their current location between 4-5,000 years ago. Over the years the atoll communities evolved their particular cultural systems in response to the demands of the small and fragile atoll eco-system. The Samoans invaded the southern islands around the 14th century and changed certain aspects of Kiribati culture especially the imposition of the hierarchical system and the division of most islands into districts. These districts were in a state of rivalry for sometime until the 17th century when after a series of violent confrontations the notion of *manaeba* (decision making for the elders) was born. This system had a transformational effect on the islands in the north.

The Gilbert Island's existence had been known to Europeans since the 16th century but it wasn't until the 18th century, as a result of whaling, that more contact with Europeans took place. New European goods were introduced as a result of the ensuing trade and this significantly changed people's expectations and demands. In the 1850s during the Pacific labour trade a number of *I-Kiribati* were recruited to work in plantations in various parts of the Pacific.

The missionaries first came to Kiribati in 1857 in the form of the American Board of Commissioners for Foreign Missions but later withdrew after facing difficulties. The London Missionary Society on the other hand made a lot of inroads into the local communities and fundamentally changed some of the traditional institutions and practices. The Catholic Church established itself in 1888. In 1892 Kiribati, together with Tuvalu (then called Ellice Islands) became British protectorates but were formally annexed in 1916, especially after the discovery of phosphate on Banaba (Ocean Island) in 1900. The islands were occupied by the Japanese during the World War II and were later liberated by the Americans after the Battle of Tarawa. The capital was shifted back to Tarawa after the war.

The decolonization process began after the establishment of the Advisory Council in 1960 to facilitate the institutional and political evolution towards eventual independence in 1979. After independence a new national identity, *I-Kiribati*, was forged and attempts were made to expand modernization but at the same time retain traditional systems and norms which sustain the new collective identity.

6.5.2 Traditional socio-political structure

It is assumed that the ancient Kiribati society was organized around clans and land tenure had emphasis on individual rights and responsibilities. Dramatic changes took place as a result of Samoan invasion around the 14th century. Kiribati society is part of the greater Micronesian cultural area but has close links with Polynesian societies such as Tuvalu and Samoa. It has relatively egalitarian structures compared to other Micronesian societies.

Traditionally communities in the southern islands were strongly egalitarian and political leadership operated under the *manaeba* which consisted of community elders (*unimane*) who ruled by consensus. But in the northern and central islands (especially Makin, Butaritari, Abemana, Aranuka and Kuria) a more hierarchical system of chiefs (*uea*) was in existence and land was less evenly distributed. The *manaeba* was the central decision making arena where each clan had its own sitting place (*boti*) which was represented by a designated male spokesperson. The role of the *manaeba* was wide-ranging and included dispute resolution over such things as land boundaries etc, looking after community assets, providing hospitality for visitors and acted as a social centre and community court. It was the centre of social gravity for *I-Kiribati* social life. Beyond the mundane functions, the *manaeba* also embodied the collective identity of the community and was the encapsulated the link between the social and the *I-Kiribati* cosmological world.

Today the political structure and process in Kiribati strongly reflects the ethos of the *unimane* although in an increasingly transformed manner. For instance a political leader of repute must be able to show that he or she still adheres to the spirit and ways of the *te katei Kiribati* (the Kiribati Way). The leader must show that he/she cares for the community and does not have individualistic ambition.

The political elites are getting more educated and getting younger and to be accepted one must continue to respect the ways of the *unimane*. In the local councils the *unimanes* still more or less dominate the decision making process.

6.5.3 Gender roles and status

Traditionally women are subordinate to men, initially to the fathers and then to male elders and their husbands. This colonial state was reinforced by the missionaries. This gender inequality is reproduced in various aspects of social life, including decision making, education (where girls' education is not as highly valued as that of boys) and employment. Increasingly this is changing as a result of advocacy groups such as the Kiribati Women's Federation (known as AMAK, the acronym for the *I-Kiribati* name) established by the Ministry of Health and Community Affairs in 1976 and later on under President Teburoro Tito, a separate Ministry for Women's Affairs was set up to oversee women's affairs.

Women are generally involved in domestic duties and are expected to obey their husband's decision at home. The changing socio-cultural climate,

especially with increasing education of women and the demand for income generation has seen greater social mobility for women over the years. Women are now active in income generating micro schemes such as the Kiribati Village Bank, co-operatives and credit unions. In fact almost 60 per cent of members of the credit unions are women. Despite this, projects for the empowerment of women are not given high priority.

6.5.4 Land tenure

Land is the most important resource and it formed the basis on which social links are forged and maintained. It has multiple roles as a physical means of sustenance as well as having important social, political and legal aspects. Land represents one's status and wealth and is transferable through new social relationships such as marriage.

The *kainga* is the original landowning unit and this extends to other properties such as the *buakonikai* or areas of bush for gathering coconuts and other fruits, *bwabwai* pits (*rua),* fishing traps (ma) and fishing areas on the ocean reef (*maran*) and lagoon mud flat (*nama*). *Kainga* land is usually divided up into small portions amongst the member families (*utu*). Within the *utu,* rights to land such as the *bwabwai* pits were often held by individuals or jointly with siblings.

Land rights can be inherited from both parents and the best land is usually given to the eldest son. Land rights are also transferable to those outside the *kainga* as a token of appreciation for service or kindness as in the case of a land conveyance called *te aba ni kuakua*, which literally means "land for caring". Land rights can also be transferred as a result of "special favours" involving sexual relationships between a woman and her husband's uncles and brothers or a man and her wife's aunties and sisters. Any transfer of land rights needs the consent of the whole *kainga* or *utu*.

The use of land as compensation for various forms of transgression is also common. For instance it can be used as compensation for injury inflicted (*Te nenebo*) or as compensation for adultery with a woman (*Te bwai n aine*). While most of these traditional practices are still strongly observed in outer islands, there is gradual change taking place in Tarawa as a result of population pressure and social change.

6.5.5 Conflict resolution

Dispute resolution within the *utu* is carried out by the members themselves but bigger disputes which cannot be handled by the family are handled by the *manaeba*. The *manaeba* has a multi-purpose role as centre of social relations, as arena for decision making and also as an institution for conflict resolution. The consensual approach in deciding on solutions to disputes and its association with ancestral *mana* makes the *manaeba's* decision readily accepted and unquestioned by people.

6.5.6 Traditional forms of social protection

For small atoll-based societies such as Kiribati kinship-based social protection systems are important to pull their resources together to sustain their daily lives as well as maintain social cohesion. There are systems of social support which exist both within and outside the *utu*. The *utu* represents the centre for social identity, common obligation, social support and holds communal relationship together in a dynamic way. Outside the *utu* are other systems of social support which takes care of needs for goods and services which the *utu* may not be able to satisfy.

(i) Manaeba

The *manaeba* brings people together through common social and political bond. Although the *manaeba* itself is a rectangular meeting house in the middle of a village, its socio-cultural significance pervades the social and the spiritual in an integrated way. The word *manea* literally means to bring together or embrace and the word *aba* means land, the people and the cosmology. The *manaeba* brings together different *utus* into a single collective entity.

As centre for social life the *manaeba* has a number of functions including looking after community welfare, making decisions, place for traditional ceremonies, feasts and dancing, dispute resolution, support institution for the aged, common sanctuary (*te bange*) for people who need physical protection and a place for forging alliances and common bond. It is associated with certain taboos violation of which can lead to misfortune.

(ii) The Utu

The *utu* is the kinship circle of extended family through which land rights, exchange, distribution and production take place. It is seen as the most fundamental institution for social protection by the people as well as by the government. The Government's Sixth National Development 1987-92 stated:

> *Because we still have a strong family and community ties through out much of our country, we do not yet have the need for an extensive social welfare system such as is required in many developed countries. The extended family (utu) and associated social obligations ensures that all of an individual's basic needs are met*.[33]

Attempts to legislate the protection of *utu* has been opposed on the grounds that it is a strong, living and thriving cultural system and there is no need for government intervention in case it becomes too institutionalized and politicized.

However, there is a tendency to overestimate the importance of *utu* given that evidence suggest an increase in the number of cases of maintenance, child custody and aged maintenance which *utu* is supposed to take care of. The tendency to give *utu* a high cultural profile and its effectiveness in addressing social problems continue to be part of the ongoing debate.

(iii) Karekare

Karekare (to take turns) is a non-kin economic grouping outside the *utu* which provides a network of support for people from different *mwenga* to help make work easier. There are basically two types of *karekare*. The first is the *te airiri*, consisting of groups of women pooling their human resources for production of items or services for each other such as thatching houses etc. The second is the *te aiai* (sharing fire) where people agree to supply toddy to each other to produce *kamwaiwai* (toddy syrup, drink and traditional sweetener). Individually it is difficult to produce *kamwaiwai* so the effort of others is required.

(iv) Moronron

Moronron (which means circle, round shape) is meant to circulate money amongst the members through income generating work. While *karekare* is fundamentally subsistence in nature *moronron* is geared towards generating cash income. Individuals from neighbouring *mwenga* would join together to start business.

(v) Te Bo and Te Katabetabe

Te bo (coming together) or *Te katabetabe* (burden) deal with the notion of sharing burden by members of the *utu*. Relatives are expected to contribute to the kinship obligation (such as feasting during the funeral) to ensure that the occasion is successfully carried out to avoid losing reputation. Contribution is usually recorded with the view to reciprocating in the future.

(vi) Toamau

This refers to the relative ease with which the household (*mwenga*) is able to get labour to carry out work important for the family. This requires that there should be a balance adults and children as well as male and females to efficiently allocate family division of labour.

(vii) Te Kabeabea

If no *toamau* is available within the *utu* then request for casual assistance (*kabeabea*) is made. This involves asking other *mwenga* to provide things like skills in house building or boat-building.

(viii) Bubuti

The practice of *bubuti* (comes from the word *butia* which means to request) has the same connotation as *kerekere* in Fijian. It involves requesting things from other *mwenga* who are related by blood or adoption. This usually takes place within the *utu*. It is usually socially irresponsible to turn down a *bubuti*.

(ix) Te Kaonono

This practice involves sharing of surplus food with people from outside the *utu*. This is a way of expanding networks outside the *utu* and strengthening the circle of social solidarity.

[33] Kiribati Ministry of Finance. 1988. *Kiribati Sixth National Development 1987-1992*: 285.

The major driving force for these traditional forms of social protection is strengthening social support systems for each other's welfare. There is also the motive to avoid shame, especially being labelled *banaomata* (lacking love and compassion). Many of these systems are still being practiced although various forms of changes have re-shaped the manner and contexts in which they are being applied.

6.6 Changes in the Kiribati society

It is difficult to find an *I-Kiribati* who still lives in a purely traditional lifestyle. Modification of culture has been going on for a long time since the introduction of Christianity and various external forces have shaped the trajectory of change within the Kiribati society in a dramatic way. There are degrees of changes depending on where one is.

The British colonial rule relocated houses to build roads and make it easier for patrolling and in the process *kainga's* were broken up and scattered all around the island. This weakened the social bond and relationship in a significant way and as a result the *utu* has now become the major focus of social cohesion. The missionaries also introduced changes in the belief systems and norms.

The influence of the cash economy, migration and increased unemployment has led to changes in people's lifestyles. On one hand there is a desire to modernize, yet on the other hand there is a strong cultural pull to retain aspects of culture which keep communities together or which people can fall back on when the pressures of modern life becomes unbearable. In many cases, people have modified both traditional and modern systems in order to serve their socio-economic interests. Pure subsistence and traditional living no longer exists in Kiribati but instead there are various degrees of change. Some communities are more or less "modernized" or "traditional" than others. There are differential degrees of both existing side by side.

6.7 Government policy on culture

Kiribati has a coherent national cultural policy on the role of culture in the spiritual, social, political and economic life of the country. This is embodied in the Natural Cultural Policy draft document produced in 2003.

The national cultural policy recognizes the importance of culture in relation to:

- Ensuring a healthy environment for cultural creativity towards distinctively Kiribati culture;
- Monitoring Kiribati cultural diversity;
- Importance of cultural values to environment and to tourism;
- Importance of culture in relation to identity;
- Ensuring a healthy cultural heritage for the current and future generations; and
- Guarding against cultural abuse and exploitation.

The Cultural Division of the Ministry of Internal and Social Welfare looks after these activities.
The above aims are carried out through a national performing arts group to develop and promote culture through theatre and other forms of arts, formulation of Kiribati studies in schools, setting up of a national film institute create more awareness of Kiribati culture and identity.

The National Cultural Policy makes a distinction between *traditional* and contemporary Kiribati culture. There is an appreciation of the relationship between these two modes where on one hand is the realization that the contemporary culture, based on the a mixture of *new* and *old* systems, is vital for adaptation to the modern world and the desire to maintain some form of traditional *I-Kiribati* (Kiribati person) identity.

6.8 Micro-projects and tradition

6.8.1 Kiribati Village Bank Program

The village bank program in Kiribati, which started in 1995, is a unique one in the Pacific because it is located within the community and has shown resilience and success despite *competition* with commercial banks. For a country with a low resource base, poor infrastructure and insufficiently developed economy, the village bank has expanded into a significant part of the development process.

The Rural Development Unit of the Ministry of Home Affairs and Rural Development (MHARD) has official responsibility over 182 village banks distributed around 22 islands in Kiribati. Despite the fact that a number of pilot micro lending schemes were established, the village bank

scheme is the only one which has been successful.

The targeted beneficiaries are those without regular income and are thus outside the ambit of formal lending institutions such as the Bank of Kiribati and the Development Bank of Kiribati. They are also unable to access loans from credit unions because of the regular income requirement.

The success of the village bank has been due to a number of reasons:

- The banks are located within the *kainga* and are part of the extended family and village network. The village bank is not located in a separate building of its own but is located within people's houses. This is important in terms of providing a sense of community integration and ownership. A review done in 2000 showed that the village banks which were relatively under-performing were located in communities with weaker *kainga* links. An example was Betio where people from different parts of Kiribati resided. Those island communities which had strong social ties were high performers.

- The village banks operated through the participatory approach. Decisions are based on *manaeba*-type consensus by the community with minimal bureaucracy and decision-making structure.

- Because it is *kainga* and village based, there is awareness by borrowers that any default on their part will lead to loss of face and social disruption. The social risks are high and that in itself acts as a form of security.

6.8.2 Village Welfare Groups (VWG)

This programme is coordinated by the Ministry of Internal Affairs with the aim of improving the general conditions in each village. This includes provision of health education and health data collection at the household level under the supervision of a public health nurse. Every month the VWG meets to review planning and priority issues, especially in relation to agricultural issues such as planting food crops, coconut planting and copra production..

Health monitoring of the villages is also an important role of the VWG, especially in relation to identifying individuals with symptoms of disease and ailments and who are referred to island nurses for treatment. The statistical health returns are provided to the Ministry of Health. Most of the treatments in the outer islands are based on traditional medicine due to the fact that they have been proven to be effective. On the other hand the unreliable supply of modern drugs makes it ineffective.

The popularity of traditional medicine in the outer villages in some ways represents their confidence in culturally induced healing methods. Knowledge of traditional medicines, especially from plants, is passed down from generation to generation and usually some individuals become the special repository for this vital knowledge. Traditional healing involves not only physical cure also psychological and spiritual therapy. In this regard it is an important part of social protection.

6.8.3 Te karekare

This is a widely practiced network of individuals beyond the *utu* who engage in small business enterprises. Those involved are usually those with low or who have no regular source of income and cannot afford basic services such as school fees and do not have access to the financial institutions due to lack of a security.

As an example, women in South Tarawa who sell in the market would organized a lottery type credit scheme where they draw up a revolving roster where AUD 5 is made available at the end of the day's marketing. In the same way, at the end of every week, women would pass on to their group members' products such as embroidered ladies tops. This is then sold at a higher price by the recipient thus making extra money.

A similar credit scheme also takes place in other islands where items such as strings, thatches and other locally produced goods are used. This co-operative endeavour minimizes on labour cost effort and maximizes benefits to the participants. Although it extends beyond the *utu* and *mwenga* circles, the *te karekare* embodies the collective and co-operative spirit of the *te katei Kiribati* socio-cultural system of group support. Individual interests are deemed subordinate to collective interests.

6.9 Kinship as collateral

The three major lending institutions in Kiribati are Bank of Kiribati (BOK), Kiribati Provident fund (KPF), and Development Bank of Kiribati (DBK). Access to these, especially the BOK and DBK, are based on ability to provide collateral. Because many individuals on their own do not have steady income, they would fall back on their working relatives to use their salaries as collateral.

This system allows for the use of *utu* and *mwenga* networks as acceptable cultural assets in the commercial sphere. In a way this encourages income generation while at the same it strengthens traditional family and kinship ties.

6.10 Recommendations for micro scheme and tradition

The dynamics of social change in Kiribati necessitates a careful look at some of the ways in which traditional and modern institutions and practices interact. It is really that area of interaction which is important to focus on because it is where most of the changes are taking place. Changes towards modernity in the Kiribati communities are not total nor are there communities still in a state of unchanging *pure* tradition. There are different degrees of transformation shaped by internal agencies such as individuals seeking to improve their own lives do better for themselves or by government policies and global economic imperatives.

The important thing to remember is that certain traditional institutions, practices and particular forms of social engagements are as relevant today as they were since the period of first contact with Europeans, although the degree of significance may have changed over the years. Because traditional social protection philosophies and mechanisms in Kiribati are family and community based their rate of change needs to be seen in the context of the changing patterns of family and community needs. Change in Kiribati is not strictly unilineal but involved a continuing process of embracing new systems and a conscious attempt to hold on to old norms, a desire to modernize yet a concurrent desire to maintain traditional identity.

Some forms of traditional social protection practices which have survived and continue to be functional in the modern context include the *manaeba, utu, karekare, Moronron, te bo or katebetabe, toumau, te kabeabea, bubuti* and *te kaonono.* These are mixtures of processes, institutions and norms which cannot be ignored because of the way they are intrinsically linked to *I-Kiribati* social life. Many of the inherent values have been incorporated successfully into micro schemes and could be valuable lessons for the future. However, one has to be careful that these traditional elements are not manipulated or exploited to serve personal ends because this has the potential to invoke conflict and create instability.

Some recommendations for the use of traditional systems of social protection:

- There should be an ongoing assessment and monitoring by government, civil society organizations and community groups of how micro schemes and traditional forms of social protection reinforce or negate each other over time. This would enable them to gauge some of the productive and positive aspects which could be encouraged, nurtured and replicated within the country. Likewise there are some negative aspects such as manipulation of kinship links by certain members of the *utu* which tend to undermine entrepreneurial principles thus leading to the collapse of some micro schemes.

- The extended family (*utu*) should be the focus of the micro schemes because of the existing social networks which would make it adaptable. This should be encouraged by the government, especially in the context of scarce resources and limited skills in Kiribati.

- People must be empowered to feel that the projects are for the benefit of the *utu* and innovative ways such as collective entrepreneurship must be used to ensure the success of the projects.

- While a comprehensive policy relating to preservation of traditional culture at the broad level has been put in place in Kiribati, there should also be a conscious effort to try and specifically revive some of the traditional means of social protection deemed appropriate in the modern era.

- Aid donors should be conscious of the significance of traditional forms of social security and try to facilitate them in any social security programs they intend to fund.

6.11 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. This study has identified a number of significant aspects of tradition and social protection from the five countries studied which deserve attention.

6.12 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 economies, 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 institutionalized 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 female 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.

6.13 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 (which 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.

- Families (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.

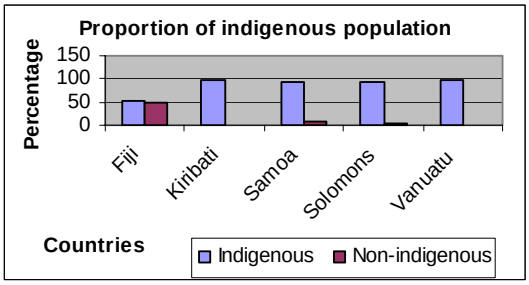
Article 1of the ILO Convention is based on the assumption that indigenous and tribal peoples in independent countries who may also be minorities who have been marginalized economically and politically by dominant institutions and cultures introduced from outside. It is assumed that these groups still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

Country	Categories	% of pop'n	Status
Fiji	Fijian	52	Slight majority
Kiribati	I-Kiribati	98	Big majority
Samoa	Samoan	93	Big majority
Solomon Islands	Melanesian Solomon Is.	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	% 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 indigenousness 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 Figure 7.1.

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

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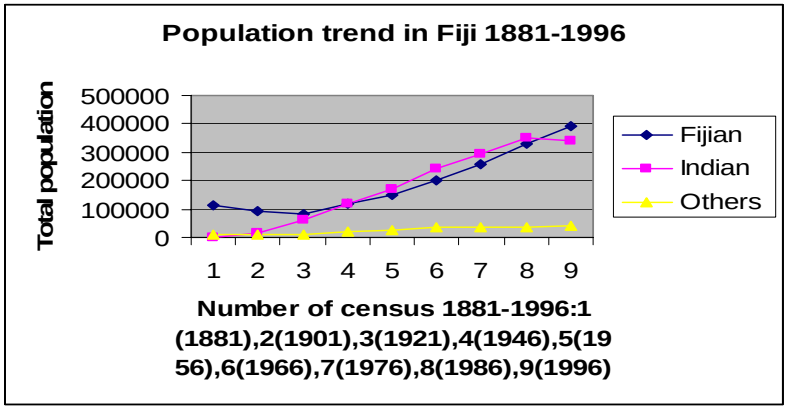

Ethnicity	1881	1901	1921	1946	1956	1966	1976	1986	1996
Fijian	114,748	94,397	84,475	118,070	148,134	202,176	259,932	329,305	393,575
Indian	588	17,105	60,634	120,414	169,403	240,960	292,896	348,702	338,818
Others	12,150	8,622	12,157	21,157	28,200	33,591	35,240	37,366	42,684

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 Table 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

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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 Table 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 & 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 Table 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	Lawyers	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).

As Table 7.6 shows, the disparity in the managerial positions in 1986 was 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 (23 %)	1,292 (22 %)	1,603 (76 %)	4,548 (78 %)
Professional % 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 Table 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. Table 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 Table 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. Table 7.10 shows the number of appointments made in the civil service from 1991 to 1994 and Table 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	Per cent	Indian / Others	per cent	Total
1991	594	58.6	417	41.4	1011
1992	1182	58.0	857	42	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	per cent	Indian Others	per cent	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 indigenous people the 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 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 Indo-Fijians but for about half the Indo-Fijian households the number 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.*[34]

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 Table 7.12

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

[34] 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.

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, who provide them with land. Lack of land security contributes to their socio-economic marginality and vulnerability[35].

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 20th 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)

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 that 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 13 shows consists of minority groups such as Tuvaluans - 0.4 per cent; European - 0.l2 per cent; part-Kiribati-Tuvaluan- 0.9 per cent; part-Kiribati with others - 0.6 per 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.

[35] See Ratuva, S. 2005. *Ethnicity, National Identity and Church Unity: The Case of Fiji*. Suva: World Council of Churches.

Table 7.13 Population distribution in Kiribati in terms of ethnicity, 1995

Ethnic group	Number	Percentage
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 7.14.

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 includes various minorities - such as Tongans, Fijians, Tuvaluans, Solomon Islanders, Chinese and Niuens - 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 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 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.

Table 7.16 Vanuatu population distribution by ethnicity, 1999

Ethnicity	Number	Percentage
Ni-Vanuatu	183,919	98.4
Part Ni-Vanuatu	410	0.22
Other Melanesians	202	0.11
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

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.

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 an 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 *indigenousness* continues to be a cause for ideological contestation. In Fiji the attempt to define who is an indigenous Fijian has became a big political and legal

issue in the late 1980s and 90s. 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 that 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 Kiribati

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 have happened 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 parties, 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 priorities, the social security needs within each country. The chapter provides an overview of the current status of women in the workplaces 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 do not necessarily reflect the views of ILO or the Netherlands Government.

8.1 Introduction

Social protection and social security provide an agenda primarily for reducing the 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. The project *Subregional Initiative on Social Security in Pacific Island countries* 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 setups today in many countries. These have also been influenced by rural to urban drifts and migration. 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 project *Subregional Initiative on Social Security in Pacific Island countries* (Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu) is working along these lines.

This chapter acknowledges and underlines, based on existing and other studies that women are greatly disadvantaged both in the formal and informal economy. As a result they are more likely to be excluded in greater numbers as compared to men from social protection. These situations are the product of limited economic growth and the broader social, political and economic environment.

The first part of the report 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 security schemes. These schemes provide 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 usually 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 meets 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 folk*. 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.

8.3.1 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 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 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 commutating), 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 so 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 AMAK[36] 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

[36] AMAK refers to the Aia Mwaea Ainen Kiribati the national women's NGOs

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.* The 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. In Fiji, annually only one-half of the 17,000 school leavers are absorbed into the labour market, with the residue 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 2005[37] 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, 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.

[37] CSW meeting to review the Beijing Platform for Action was held in March 2005.

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)[38] 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 legislation, 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 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)[39] 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 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*[40] 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

[38] 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.

[39] Beijing Platform for Action was endorsed by the five project countries in 1995

[40] 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.

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.[41] 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 the 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 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;

[41] 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.

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 ILOs contribution to the 1st World Conference for Women in Mexico held in the same year. The 1985 Resolution was ILOs 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 data base 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. This 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 contributory social security 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 the 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.[42]

It is not the intention here to discuss in any depth the linkages between the legal and social status of women, 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 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

[42] The duration of employment by the current gender specialist did not permit this broad analysis to be carried out.

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).[43] 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 Census[44] 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 Fiji.[45] 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 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

[43] Labouring under the Law: A Feminist critique of employment legislation affecting women in Fiji by Atu Emberson-Bain and Claire Slatter, September 1993.
[44] 2000 Kiribati Census, Bureau of Statistics
[45] 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

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

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 females and males in secondary education there is however sex disparity in tertiary education with fewer female graduates as compared to males for all countries. The gap is largest in Solomon Islands, followed closely by Vanuatu, Fiji and Samoa. The ethnic conflict within the Solomon Islands is likely to 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 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 Samoa,[46] are predominantly patrilineal societies and gender sensitivity training[47] 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, legislation and programmes in support of gender equality[48]

A brief discussion on the current status of the institutional mechanisms, policies, legislation 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.

[46] The Samoa traditional system is based on the Mataí 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.

[47] The Pacific Women's Bureau undertakes as part of its programme gender sensitivity training and training of trainers around the region.

[48] 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

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 provision of gender disaggregated statistical data and information for planning and evaluation. The 2000 MDGs 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 plan for action 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.

Although Fiji has made significant legislative strides in comparison to other Pacific countries in the areas of criminal, evidence and family law 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, 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's 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 it 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 research[49] 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 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 for such specific issues as sexual harassment and inequalities in the work place, e.g. the outdated Labour and Employment Act of 1972.*[50] It is unlikely that the Ministry is able to tackle this on its own due to the lack of in-house technical expertise. 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)).

[49] Ministry of Women. 2002. Directory of Women of Samoa.
[50] 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

The constitutions of both countries, and the various commitments made at the international, regional and national levels provide the platforms for promoting and achieving gender equality. However, there are still wide gaps experienced between the stated polices and implementation of these polices. This situation applies to all of project countries. 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 contests, 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 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 show 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 periods of maternity leave. These periods of *unemployment* are taken either with reduced or without remuneration, with the overall impact of reduced lump sum payments which is the case under the provident fund individual savings 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. 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 the 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 I-Kiribati

and Ni-Vanuatu[51] 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 5 social security project's 5 PICs

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.[52] 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 of the heart, kidneys and diabetes. The priority given to health care insurance in the various country surveys is reflective 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 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 and local specialists.

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 sector[53]

The project aims to improve the coverage and efficiency of the social security system in 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.

[51] Ni-Vanuatu is the name for indigenous people.
[52] Pacific Human Development Report, UNDP 1999

[53] 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.

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.

8.11.1 The formal economy

The formal employment 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, 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 ratified 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.

8.11.2 Kiribati formal employment survey

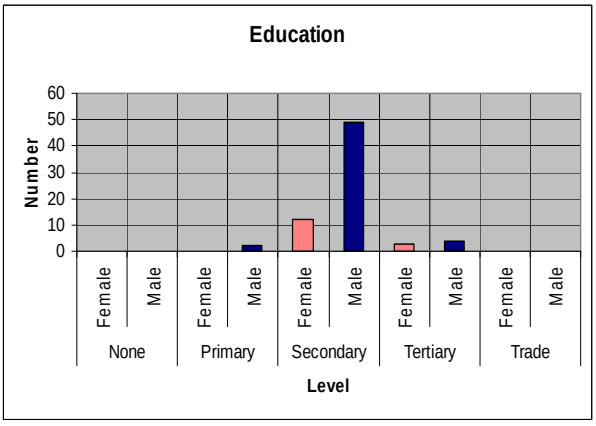
The formal employment sector represents only 18.63 percent of the working aged population (aged 15-64). The formally employed persons numbered 9,447 in the latest available data (population census 2000) of which 6,590 (76.7 percent) were working for the government while 2,002 were with the private sector. Of the public

sector employees, 4,050 were with the central government and the rest with the public corporations Other large employers are the South Pacific Marine Services (SPMS), which currently has 1,050 merchant seamen on board German merchant ships, the Kiribati Fishermen's Service (KFS), which has 325 fishermen on board Japanese Tuna Company fishing boats[54], and the churches, which now employ more than 700 people.

The data show that of the 9,447 workers in the formal employment sector, 5,968 were males (63 percent) and 3,479 were females (37 percent) out of the total of 50,722 in the working age population 55.1 per cent of formal employment sector workers were in the civil service, 21.6 per cent in public sector enterprises and 23.3 per cent in the private sector. In 2004 KPF identified 8,890 active members so the 2000 figure is probably accurate enough to use for this survey.

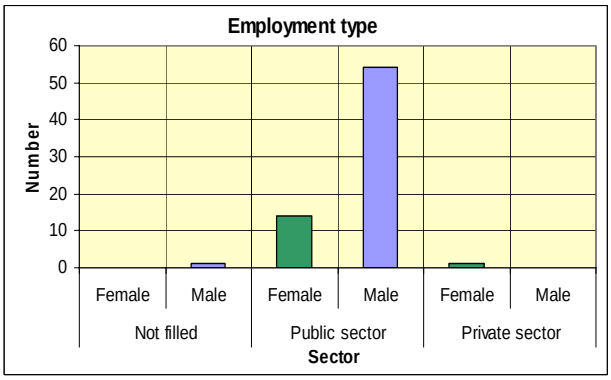
The survey sample was slightly biased towards males with 79 percent of the sample as compared to the 2000 population census where 63 percent of the formal employment sector workers were males. The age range of all members of the sample was between 15 and 59 years.

(i) Education



The highest education level represented by the sample was secondary level followed by tertiary 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 Kiribati and the education levels reflect the public service entrance minimum standards. Males represent a disproportionately higher number as compared to females due to the biased sample surveyed of 79 per cent males compared to 21 per cent females. Other studies show however, that for a less biased sample the males would still represent a higher primary and tertiary completion rate for males as compared to women[55]. This has consequential effect on their access to employment and restricts the types of employment that is available to them and their prevalence at the lower echelons of formal employment.

(ii) Employment

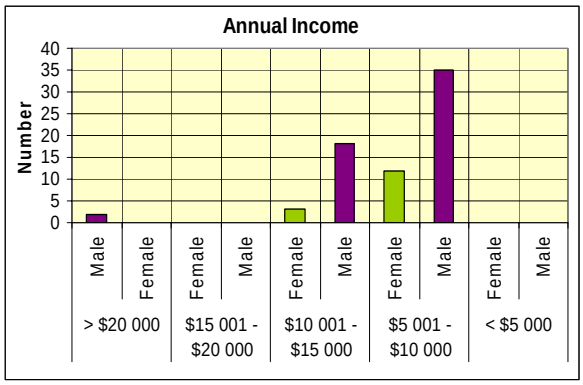


The employment status of the sample was biased towards public sector workers and whilst they represented 76.7 per cent of the workers in the 2000 population census they made up more than 90 per cent of the sample. This may be explained by the survey location, exclusively on Tarawa, the capital and centre of government. Though males show a more than higher proportion employed in the public sector as the consequence of the sample surveyed it is also reflective of the real situation where there fewer women employed in the formal sector as compared to men.

[54] The merchant seamen and fishermen are not included in the domestic private sector employment figure

[55] Refer to SPC Pacific Youth Database 2003.

(iii) Annual income range



The modal annual income range for formal employment sector workers based on this sample is AUD 5,000 – 10,000. This represents 68 per cent of the sample. It is also interesting to note that the proportion of females in each of the two main salary groups is about in the same proportion as in the sample suggesting that there is little bias against females in the salary ranges. However both of the respondents in the sample earning over AUD 20,000 were males.

(iv) Social security

Of the sample taken a high proportion are employed in the public sector with government as the major employer and are all members of the Provident Fund.

Responses received during the survey identified the three top social security needs as unemployment protection, age/retirement and accident and death were rated highest. It must be noted that the sample was biased towards males given the higher number of males (63 per cent) as compared to females (37 per cent) engaged in the formal sector the identification of unemployment protection and accident/death identified as priority social security needs is not surprising. In response to the question as to who should contribute employers and individual employees were identified. Respondents when were asked if they were prepared to make additional contributions to cover for extension of social security coverage most males were only willing to contribute small contribution (AUD 6 – 10) as compared to women who were willing to make a higher additional contribution (AUD 11 – 20).

(v) Analysis

Kiribati is a classic case where 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 employment sector. 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 as shown in the graphs.

The willingness of women to contribute more is reflective of common trend in that whilst women's ability to pay contributions is often limited due to their employment situation or history, they are usually motivated to contribute to social security, because they are responsible for looking after dependent family members. That is why in many parts of the world women have organized themselves into groups and set up saving schemes or other mechanisms to cover contingencies such as child birth and care, sickness and death. In many countries this often represents an important means of guaranteeing of social and economic security in the informal sector.

8.12 The informal economy

The Project undertook specific sample survey of workers of 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 1970's 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 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.

8.12.3 Kiribati informal economy[56]

Based on an initial research undertaken by the project a summary of the social insurance and social assistance programmes in place are as follows:

(i) Social Insurance

- Old age pensions – available through the provident fund but is paid in lump sum, Universal pension is payable to people over 70 years old.
- Disability benefits & Survivors benefits - this is partly met through the Provident fund and is only available to the formal sector only.
- Work injury insurance – Insurance is voluntary and based on employer liability compliance is questionable.
- Maternity benefits – Part of the public sector employment conditions and are available to the formal sector only.

(ii) Social Assistance

- Programmes for disabled – Available to those who are members of the trade union as well as private and family schemes.
- Medical rehabilitation – Limited to critical cases evacuated to South Tarawa or overseas.
- Assistance to disaster victims – available on an ad hoc basis.
- Subsidised medical treatment – part of the national health care policy.

The balance between sexes in the survey was only slightly biased towards males (53 per cent males as compared to 47 per cent females) because of the type of industries chosen. Many of the traditional farmers, fishermen and transport workers were males. The predominant work areas for females in unpaid family care, market sales, family business and home workers were accessible to the surveyors as most of the sample was taken in South Tarawa in accordance with its proportion of the population and the informal economy workers. The sample correlates reasonably closely to the 2000 household Income and Expenditure Survey which identified 50.9 per cent of the workforce as males and 49.1 percent females.

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. This does not compare favourably with the last census (2000) where the average household size was 6.7. The number of single parents in the sample of 300 was 13 which represents about 6.5 per cent of the sample.

The highest education attainment of the workers in the sample in terms of absolute numbers were males and males represent the highest numbers in the lower categories of education but females had higher rates of secondary and tertiary education. However, when considered as a percentage of each sex it can be seen that a lower percentage of females have only achieved primary education but they also have more representation in secondary achievement. Notable is the trade area where men dominate as compared to women who are almost invisible. This can be attributed to the lack of tertiary institutions in Kiribati with only the training school for fishermen available in country.

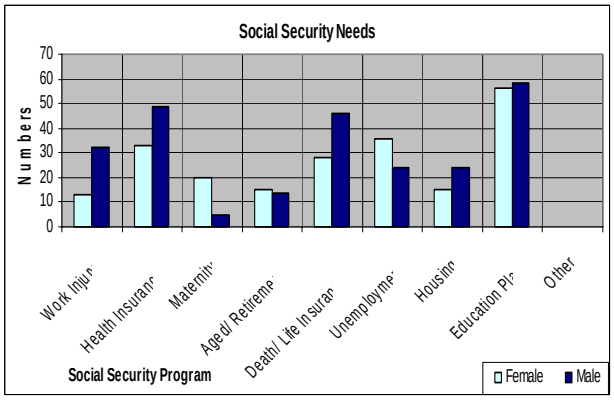
The employment status of the sample is dominated by self employment and unpaid workers. The sample survey shows that males dominate the self employment categories as compared to females, whilst females dominate the unpaid workers categories. This is typical and is reflective of the trend world over. The employment types of the respondents in the sample reflect the nature of the rural areas in Kiribati where fishing is the major occupation for traditional people. The "other" category is a significant proportion of the sample reflects the home workers and casual sales nature of work in Kiribati and is dominated by females.

(iii) Social security needs and priorities

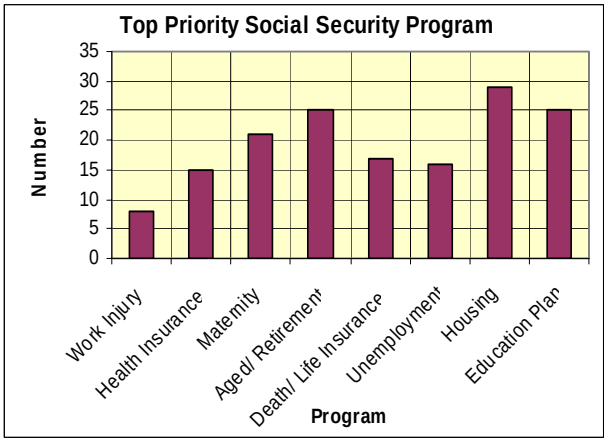
Respondents were asked to identify their social security needs. Education plans was the most common need by males and females and males also identified health insurance and life insurance as their second and third needs. Females

[56] For further details refer to the Kiribati – Informal Economy & Formal Employment Sector Survey Report, ILO Social Security in Fiji, Samoa, Kiribati, Solomon Island and Vanuatu, July 2005

identified unemployment programs and health insurance needs highly.

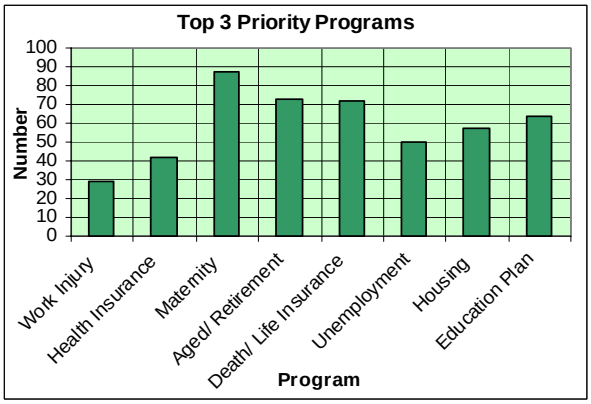


Respondents were then asked to nominate these needs in priority order and the following charts show the highest priority needs. This chart shows that a housing program was the most popular with retirement and education programs also rated highly. The low response to work injury programs probably reflects the poor knowledge of social security programs and work injury in particular. The cultural issues of redressing complaints against others and private settlement of claims is also a factor.



The relatively high response to retirement programs is most likely due to the short period of operation of the universal senior citizens benefit program and some respondents may not be aware of its existence or potential.

By grouping the top 3 priority needs identified by the respondents the priorities are somewhat moderated but retirement and life insurance programs remained high priorities. The exceptional rating of maternity programs may well be related to health insurance where maternal health is an issue in Kiribati. The survey sample comprised 47 percent females and the maternity program response was about the same percentage of the sample. Work Injury Insurance maintained its low priority in the survey.



(iv) Analysis

Many of the traditional farmers, fishermen and transport workers were males. Similar to Fiji and Samoa there is a need to look further at the job categories particularly fishermen as most of the activities undertaken by women are overlooked and not considered by planners and enumerators so women become the 'invisible' fisher folks. The predominant work areas for females in unpaid family care, market sales, family business and home workers. This does not correlate to the highest level of education attained by women in the sample survey of the informal sector. In absolute numbers, females highest education attainment of the workers in the sample in terms of absolute numbers in the sample males represent the highest numbers in the lower categories of education but females had higher rates of secondary and tertiary education. However when considered as a percentage of each sex it can be seen that a lower percentage of females have only achieved primary education but they also have more representation in secondary achievement. This does not correlate to the status and type of employment that they as women predominate in such as home workers and unpaid workers. This can be attributed to the lack of resources that are available to women or more specifically to their lack of participation in decision-making on how these resources are used.

The high rating given to maternity programmes is not surprising given that Kiribati (similar to the Solomon Islands) has 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 further researched. As noted in the surveys in the majority of cases the sample was biased towards males and there is need for further surveys to identify other specific needs of women.

For such informal sectors as in the case of Kiribati there is a need to further explore non-conventional methods of social security schemes. A number of self-help schemes have been set up by women which in a lot of cases have helped to meet contingencies such as education costs, funerals and birth costs incurred by the families. There is a need for Pacific island governments and policy makers to examine ways and means of supporting such initiatives through the creation of the enabling environment such as policies and legislations.

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 numbers 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 social security schemes. 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 the elderly and children. This requires external intervention to either support or replace these informal mechanisms. Specific research is required to assess the magnitude of such remittances and who is largely responsible for such remittances. The research also must disaggregate data by sex and determine the impact that remittances have 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 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;

- **Work injury insurance** - available through employers and private insurance schemes. Currently this is on the basis of employer's liability and compliance, and private insurance compliance is questionable.
- **Maternity benefits** - 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, and Kiribati for people over 70 years old. In the case of Fiji a voluntary pension option is available from the provident fund balance but is utilised only by those with large retirement balances. In 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. Social insurance includes social solidarity where there are transfers of contributions across income bands, and transfer of benefits in the case of health insurance where the fit and young effectively support the sick and aged. 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 most 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 little social insurance in place. The provident funds operate as a *de-facto* social security system but fall far short of the objectives of a comprehensive social insurance 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 explored[57].

The survey confirmed 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 security 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 the Pacific Island countries such as VANWOODS in Vanuatu and WOSED 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 set up of simple insurance programmes 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 case of medical rehabilitation these are limited to critical situations only from rural to the urban centres, but not inclusive of overseas treatment.

[57] Refer Maternity and Health Insurance studies – Social Security in the Pacific Island Countries.

Family assistance and assistance to the disabled are, wherever they are present, are often less generous than those based on paid employment, dues 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 families exist including unequal access to 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 report on the 2005 Household and Income Expenditure Surveys (HIES) prepared by the Fiji National Statistics Office. This survey report is included in the publication on Fiji.

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 Office for the South Pacific in Suva 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 work places amongst the major stakeholders if gender equality in the workplace is to be achieved.

Although outside the scope of this chapter and the project *Subregional initiative on social security in Pacific Island countries*, it is however highly recommended that the ILO Office for the South Pacific in Suva 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	**Social Health Insurance: Principles**
Chapter 10	**Social Security Pensions: Principles**
Chapter 11	**Unemployment Protection: Principles**
Chapter 12	**Unemployment Protection in Kiribati**
Chapter 13	**Social Assistance: Principles**
Chapter 14	**Social Assistance in Kiribati**
Chapter 15	**Employment Injury Schemes: Principles**
Chapter 16	**workers' compensation in Kiribati**
Chapter 17	**Maternity Protection: Principles**
Chapter 18	**Operations and Information Technology for the Kiribati Provident Fund**

Chapter 9 Social 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 Kiribati.

The aim of this chapter is to assist the government of Kiribati and key stakeholders to understand the issues relating to social assistance schemes and to develop specific proposals relative to Kiribati. 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*[58] 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.[59] 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 converted

[58] World Health Organization March 2005 ISBN 92 9022 239 5.

[59] "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 author.

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 care* 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.
- The five project 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 Vanuatu 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.

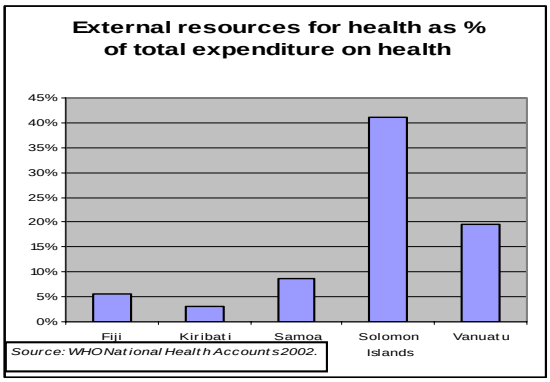
- All of the five project countries have traditional and community based forms of social protection. Mobilising a voluntary fund pooling arrangement for a community member at time of serious illness is common. This is mainly through faith based organizations, especially if the charitable contribution 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 of 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 the Solomon Islands and Vanuatu, 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.

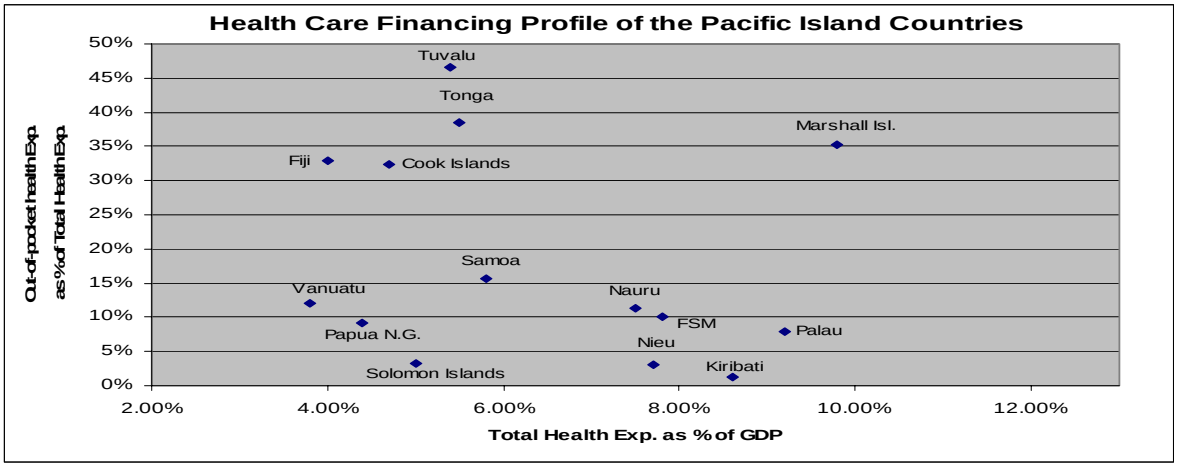
9.4 Demand for financial protection for health

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 priority 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 that 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 larger amounts for health. This unfortunately, is not the case in all five of the countries. 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 methods 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 care as evidenced from the share of out-of-pocket funded health care at around 33 per cent.[60]

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.

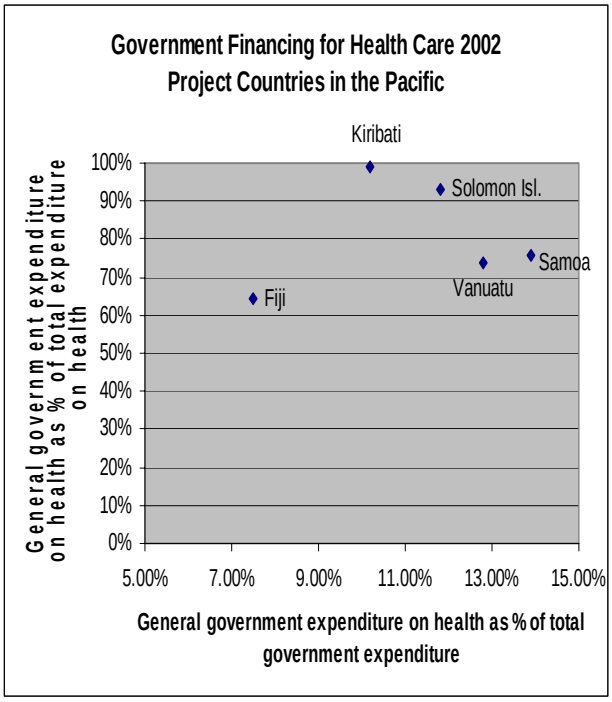
A policy challenge for the introduction of a pre-paid or contributory type health care financing system requires public support. If the health scheme is merely considered to be an additional source of income for the government, without accompanying benefits, such as improvement in service quality, then most members of the public

[60] 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.

will show reluctance to contribute to a prepayment or a tax specifically for health. This 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 and in Samoa it account 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 funding is explained by virtually no military spending in Samoa, 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 cause 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 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, NPF induced insurance schemes are specifically designed to expand coverage to the formal sector in 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 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 a 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 on 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 the institutional presence of an NPF in each of the five countries, it is feasible to entrust

new responsibilities to NPF for administering health insurance.

Currently NPF performs three primary functions:

- Collecting retirement savings from their members (a payroll deduction),
- Managing and investing the funds, and
- 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 (VNPF), 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 Solomon Islands 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.[61] 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 the Vietnam 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 NPF 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 NPFs are chosen as the agency-responsible for health insurance, amendments to the NPF 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 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.

[61] 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.

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 1per 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 NPF 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. NPF 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 pools, 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 taxation, and who will benefit from these different sources of revenue.

During the design of health insurance schemes, most policy makers become 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.

Box 9.1 below 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.

Box 9.1 Alternative benefit package design for Pacific Island countries by

- General Tax funded benefits (from Public Providers only)
  - Primary Care:
    - Rural health
    - General Practitioner Consultations
    - Basic immunizations
    - Maternal care
    - Primary Dental and School Dental
  - Essential drugs
  - Chronic Care
    - 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

source

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.

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 advantage 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 results in 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 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 (*Table 9.1*) from WHOs 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 desirable 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	• Maximise number of medical procedures	1) Limited prevention 2) High Technology 3) Supplier induced demand generation 4) Rate discrimination 5) Inequalities
Salary	Time worked	• Minimize work effort	1) Importance of salary raises and promotion 2) Growth planning 3) Circumstantial cooperation and competition among physicians
Capitation	Payment per registered person, based on membership or affiliation, and estimated cost of care	• Maximize number affiliation • Minimize costs	1) Prevention 2) Referrals 3) Risk selection 4) Under-servicing
Per diem	Payment to a hospital per night stayed per patient	• Maximise number of stays • Minimise average cost of stays	1) Increased average length of stay 2) Reduced cost of stays 3) Unnecessary hospital admissions 4) Reduced outpatient and day surgery
Per case	Payment to a hospital per admitted patient regardless of length of stay	• Maximize number of admissions • Minimize average cost of each admission	1) Increased admissions 2) Reduced average length of stay 3) Readmissions 4) Unnecessary hospitalizations
Budgets	Payment to a provider for an undefined activity within a period of time	• Minimize costs • Cap total spending	1) Expensive implementation 2) Compatible with planning 3) 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 have 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, it may be considered to collect affordable co-payments from some services in order to circumvent excessive consumption or moral hazard[62] for non-essential services.

[62] Moral hazard in insurance parlance refers to abuse of insurance benefit by insured people which yields to an increase in health expenditure.

(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 agent) 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 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 is 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 time.

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 for 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 Trustees 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 the Police Association in 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 with 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 Solomon Islands 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.[63] The policy context is based on written information made as well as through communication with various stakeholders.

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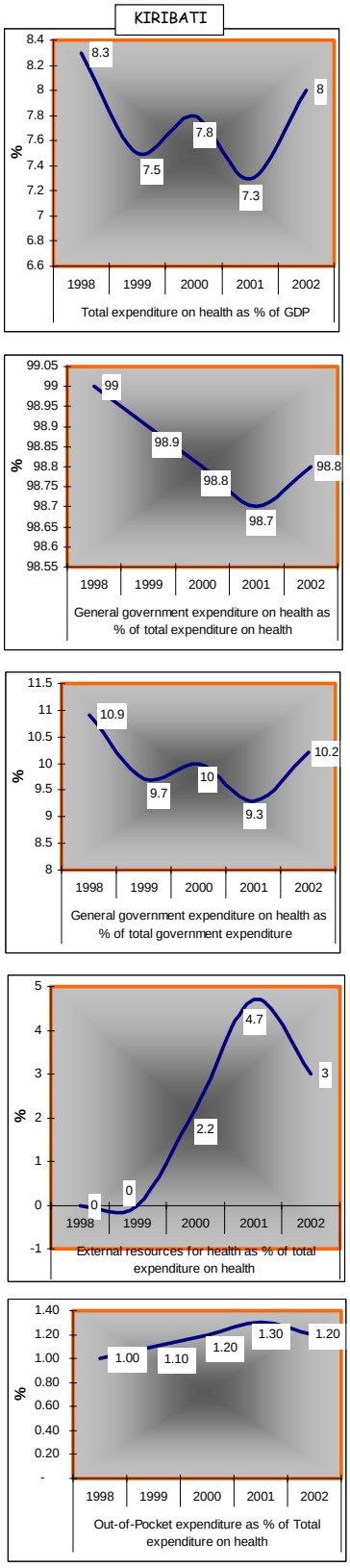
[63] See www.who.int/nha/en for English language web site of country profiles and NHA data between 1997-2002. There has been a restatement of Vanuatu NHA data series from 1997 since they appeared in the Statistical Annex of World Health Report of 2003. We use the latest available information which covers 1998 to 2002.

9.10 Kiribati Health Scheme Overview

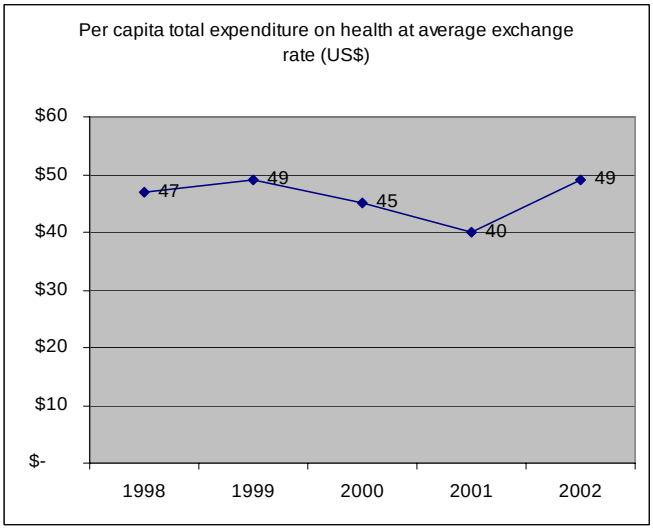
Figure 9.4 Shares of health funding in Kiribati: 1998-2002



Basic profile

Kiribati is a high spender on health in terms of share of national income spent on health (see Figure 9.4, graph 1) yet a low level spender in per capita terms (see Figure 9.5). Share of health spending has remained within 7.5-8.5 percent GDP in the decade or so which is on par with most OECD countries. Government accounts for virtually all of health spending (98-99 per cent). Health accounts about one tenth of total government spending, which given the young age structure of the country as in most other parts of the Pacific, is expected to increase in the coming decades. All things being equal, decreasing educational budgets can be used to accommodate rises in health costs although the two portfolios will not be on par in terms of substitutability.

Figure 9.5 Per capita funding for health care in Kiribati: 1998-2002



While external sources account less than 3 percent of total spending, this is believed to be in cash terms only. The in-kind support of other countries for sending trained health personnel on payroll of the donor is expectedly not included in external funding data.

Out-of-pocket funding for health care is negligibly small. Per capita health spending is about USD 50. As Kiribati uses Australian dollar (AUD) as the medium of exchange and government accounts for most of health spending, per capita health funding by the government and the measures of the two figures in purchasing power parity terms are almost on par with per capita total expenditure on health at average exchange rate.

9.10.1 Policy context

(i) Government financing

Kiribati government's continued role in financing health care out of government revenue and the remoteness of the islander communities from the rest of the world renders the country a low probability candidate to introduce social health insurance. However, there are emerging issues which need to be taken into consideration as the current system may fail if health care costs increase in excess of government's revenue capacity.

While the role of government in financing health care is important, Kiribati is a low-tax country

and earnings of the islander communities are low and diversity of economic activity is fairly limited due to geographical isolation from the rest of the world. The government budget is heavily dependent on fishing licence fees collected from foreign fishing companies and the price of fish exports. As commodity prices show cyclical volatility government revenue is affected by cyclic economic downturns. The government's specific- purpose equalisation fund is used to smooth out large fluctuations and through the equalisation process there has been a fairly consistent pattern for health budget allocation. However the MOH expects the current year's health budget to be slightly lower than last year.

(ii) Service provision and supply side bottlenecks

The main referral hospital in the capital Tarawa has 150 public and 12 private beds. Private beds were set up to tap on revenue from user fees from those that have capacity to pay. Apart from charges for private beds for in-patient care, all primary health care, out-patient consultations and acute in-patient care in public wards are provided free of charge.

Charge for a private bed is around AUD 40-50 per night. Both public and private patients are entitled to the same level of medical care; private beds offering some fringe comforts like air-conditioned rooms and better meals. No revenue retention is allowed for the hospital to allocate user fee income for operational activities. This also includes the impracticality of making bonus or incentive payments to health staff which is all salaried. All proceeds from private beds are remitted to the state treasury and incorporated into the provider budget in the next fiscal year. It is well established that the government budget and hence the health budget is far stretched.

The Tarawa hospital operates almost at full occupancy with average length of stay around five days comparable to Australia or the developed world. Most patients are taken to *common houses* located nearby the hospital for recovery after acute care period is over. Patients stay here until they can return to their home including those that come from outer islands. As the hospital resources are stretched, there is a need to expand wards and add new beds.

(iii) Private health care and overseas referrals

Private health care is almost non existent. Drugs and medical supplies are all purchased by the MOH often with open tender. Like private health care, no private pharmacies exist in Kiribati. All drugs throughout the scattered islands are dispensed through publicly owned drug dispensing units.

The majority of overseas referrals are made to Fiji, predominantly to the private hospital in Suva. Roughly 40-50 referrals take place a year but the number could be as low as 10 at times. Overseas referrals considerably stretch the government budget. There is no renal dialysis unit anywhere in the country. As renal failure is almost synonymous with death, one known case has been referred to Australia through migration on humanitarian grounds.

(iv) Public Perceptions

MOH notes that the general public has very little exposure to the outside world to be informed about how health systems elsewhere operate. People in general are not prepared to pay for health care as they are accustomed to getting it free. The demand side pressures while being moderately low is changing gradually. More people now prefer to be treated in New Zealand than in Kiribati based on referrals and recommendations from other persons who have been treated outside.

The change in perceptions is also noticeable from everyday observance of changes that are taking place. Kiribati population has good access to education so overall it has a literate and well primary-level educated community. The young generation is also more affluent in utilising new technologies which is noticeable from increased use of computers. Information exposure through Internet is changing the ways young people perceive their comparative social status and expectancy levels. These are likely to put more pressure on the government to improve health service quality in the future.

(v) Policy stance of Kiribati NPF

KNPF notes that there is no immediate pressure from the members to have better access to health care by adding a health contingency to their range of benefits. Getting public acceptance for a

prepayment based scheme is therefore expected to be difficult.

As it currently stands, a supplementary type health insurance scheme for formal sector and high cash-income earners may be used for covering patients who elect to be admitted to private beds. Such a scheme would most likely be voluntary and may include access to overseas treatment in the benefit package in order to attract participation.

(vi) Availability of data, evidence and studies

Neither KPF nor Ministry of Labour has undertaken a feasibility study on prepayment schemes or social health insurance. A National Health Accounts (NHA) study has not yet been undertaken apart from some basic estimates produced by the WHO as shown in the graphs of display 8 and 9. One staff member from MOH has attended a course on NHA in Auckland organized by the WHO and World Bank.

(vii) Role of donors and community based social protection mechanisms

The country depends more on in-kind donor support than cash. Australia has an ongoing five-year project to regularly send medical teams to perform operations including specialties like ophthalmology and dental. The Tarawa hospital had one general surgeon from Estonia whose post was funded by the Taiwan government. The surgeon has recently completed his term and after his departure there is one orthopaedic surgeon specialist until a new surgeon is recruited. This describes supply side issues which are likely to get more problematic in the years ahead unless locally trained doctors are in the pipeline.

Although churches elsewhere in the Pacific have been active in provision of medical care little of this type of care exists in Kiribati. Occasionally, faith based organizations bring volunteer medical teams for dental and other screening purposes.

9.10.2 Recommendations

1. The concept of pre-payment needs to be advocated to increase awareness among policy makers on the role of health insurance.
2. The MOH should work with other arms of the government to mobilise more resources for health including more coordinated donor support to fill the vacant surgical specialist posts.
3. MOH and KPF may undertake a feasibility study on designing a voluntary health insurance scheme for supplementary benefits such as private in-patient care and overseas treatment, including the option of making it compulsory for provident fund members (formal sector).

9.11 Implementation plan for expanding cover

In this section, we present a tentative implementation plan for Pacific Island countries under this review to introduce social health insurance and/or to expand social security benefits to include health.

Firstly, 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)
- 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 to as depth of coverage).

The two approaches are not mutually exclusive. It may well be considered desirable to expand health insurance to the formal sector first with a narrow benefit package of acute hospital in-patient care only, assuming that the relatively high cost nature of these events would allow sufficient financial protection to the covered persons.

Secondly, policies can be engineered in a coherent way by sequencing of the key interventions; this would ultimately impact on the perceptions of the general public about 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 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 free is no longer 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 has originated from the core principles of community based health insurance is now a full-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 to some services. This should not be posited with an 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 that have no retirement income would be eligible to the government funded social safety net developed during the second phase.

At the end of the third stag, the remaining population without health insurance cover 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, 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 group.
The group from the informal sector, which is different from subsistence farming and fishing communities is the hardest population segment to expand 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 often is the case, then the only possible way to encourage insurance participation is through voluntary means. However, the level of voluntary participation will 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. The 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 *Integration Phase* which is expected to be some five to ten years away from the implementation of first phase. Integration involves gradually moving the three separate schemes; the formal sector health insurance, 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 Social Security Pensions: Principles

10.1 Introduction

This chapter is provided in the context of the ILO project *Subregional Initiative on Social Security in Pacific Island Countries*. It 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.

10.2 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.

10.3 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 publication[64] 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?

10.4 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.

10.5 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

[64] Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth, World Bank, 1994, Oxford University Press.

withdraw part of their lump sums before 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.

10.6 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.[65] 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;
- Provident funds generally have low retirement ages which result in small annuities.

In any event, voluntary social security arrangements are notoriously unsuccessful.[66]

10.7 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

[65] 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.

[66] 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%.

incomes include workers in the informal economy[67] and in self-employment and subsistence agriculture. These workers have no employers, and their capacity to contribute (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).[68]

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.

10.9 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 worker's 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 worker's 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 worker's 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 worker's 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.[69]

[67] 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.

[68] *Age and security* published by HelpAge International has an excellent explanation of social pensions.

[69] 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 re-valued annually in accordance with

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,[70]

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.

10.10 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 10.1 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.

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.

[70] These pillars are based on a World Bank definition.

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 10.1, in South Pacific Island 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 10.1 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.

10.11 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 10.1). 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 10.2 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 10.2 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 he 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.[71] 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.

[71] The public systems in Canada, Japan and the USA are partially funded.

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 10.1), 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.

10.13 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.[72]

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.

10.14 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

[72] 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.

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.

10.15 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.

10.16 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.[73] 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 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.

10.17 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

[73] 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.

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.

10.18 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.

10.19 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.

10.21 Pensions in Kiribati

10.21.1 Kiribati National Provident Fund (VNPF)

(established 1977)

(i) Coverage:

Compulsory: public and private sector employees between ages 15 and 55.

Voluntary: persons who have left employment, merchant seamen, farmers, fishermen.

Exempted: employees earning less that AUD 10 per month, domestic employees, foreign employees.

(ii) Contributions:

15 per cent of gross wages (normally) shared equally between the employer and employee (prior to 1 July 2001 the contribution rate was 10 per cent of gross wages)

(iii) Benefits[74]

Amount: employee and employer accumulated contributions with accrued interest. (Provision exists for the Minister of Finance, in consultation with the Board, to order the payment in full or part of the benefits as an annuity.)

Payable in the event of a member's:

- attaining age 50 (members working under contract can continue to contribute)
- premature retirement at age 45 or later
- death
- disability
- migration

The Kiribati government guarantees any shortfall in the payment of obligations of the Provident Fund.

(iv) Governance:

Tripartite Board of six persons appointed by the Minister of Finance and National Planning. Chairperson is the Permanent Secretary of the Ministry.

(v) Loans/Non-refundable advances:

There is no provision for loans or non-refundable advances. Seventy percent of a member's balance may be used as a pledge (security) for a housing loan, however the amount is available only when a member becomes eligible for a benefit. A pledge may be honoured in the event a member can no longer make housing loan repayments due to ill health, unemployment, etc, and part of the member's withdrawal may be paid to the holder of the pledge with the remainder paid as a lump sum to the member. Withdrawals have also been approved for medical reasons in special circumstances.

10.22 Observations on the Kiribati National Provident Fund

10.22.1 Coverage/compliance

According to the Kiribati Statistics Office 2000 Census of Population and Housing the total population of Kiribati is 84,494. The labour force of Kiribati is about 40,000 persons of whom 9200 are employed persons (5821 in public administration). According to the KPF, in the six months ending in August 2004, 8890 members contributed to the Fund. The compliance record of the KPF thus appears to be good, helped no doubt by the large number of public employees it covers.

The KPF was designed to protect employed persons. Thus around 75 per cent of the labour force of Kiribati which is not in wage and salaried employment remains uncovered. The KPF is seeking to expand its coverage beyond employed persons by encouraging other workers to opt for voluntary coverage and to commit to regular periodic contributions of specific amounts. It was reported that around 1000 persons on two islands which had been canvassed had voluntarily signed up. It remains to be seen whether they honour their contribution commitments. (Voluntary participation in public social security schemes has not generally been a great success.)

The Old Age Allowance provides some retirement protection to persons not covered by the KPF.

10.22.2 Interest credited to members' accounts

The legislation requires that the balances in members' accounts be credited with a minimum investment return of 4 per cent. Returns on the KPFs 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 K1. Members have consistently benefited from positive real rates of return.

Table 10.3 KNPF rates of return (%)

Year	Return on Portfolio	Credited to members	Inflation rate	Real return to members
1995	18	13.5	3.6	9.9
1996	10	13.5	-0.1	13.6
1997	16	13.5	1.2	12.3
1998	13	11	3.6	7.4
1999	7	11	1.7	9.3
2000	9	11	0.4	10.6
2001	4	7	6.0	1.0
2002	5	7	3.2	3.8
2003	6	7	1.8	5.2
2004	15	v	na	-

Source: KPF data; ILO LABORSTA table 7A (calendar year average rates of inflation)

[74] A special death benefit of AUD 1000 financed by an annual deduction of AUD 5 from each member's account operated until 2001.

10.22.3 Investments

At the end of 2003, the invested assets of the KPF were in the order of AUD 65 million. Ninety percent of these funds are invested abroad (as is permitted by the legislation). There is one principal investment manager located abroad who invests in accordance with guidelines established by the KPF Board. The Board may find it useful to retain more than one investment manager so as it give it the opportunity to compare results between competing managers as well as against established benchmarks. An independent investment analyst could be retained to assess investment managers' relative performance.

Capital invested abroad may provide good returns to provident fund members, but unless it is balanced by foreign direct investment, it does little to develop the national economy (e.g. through infrastructure investments in telecommunications, transportation, medical facilities and education). It is these infrastructure investments which will generate greater national output, employment and raise the national standard of living in the future. As is the case in most developing countries, the KPF finds it difficult to locate domestic investment opportunities which are suitable for social security funds. At the present time, projects involving the constructing and leasing of commercial office space seem to be the most suitable domestic investments for the KPF. Tourism projects could generate employment. Financing projects requires management of the projects which diverts senior officials from their primary task – running the provident fund.

10.22.4 Withdrawals

According to KPF data from August 2004, table K2 shows the number and amounts of withdrawals at age 50 in the five years to 2003.

Table 10.4 Withdrawals from the KPF

Year	1999	2000	2001	2002	2003
Number of withdrawals at age 50	493	684	752	637	586
Total withdrawn (AUD 000s)	2,218	2,547	2,559	3,359	3,504
Average withdrawal (AUD)	4,498	3,723	3,403	5,274	5,979

The average amount of withdrawal has increased, and will continue to increase as members have more years of contributions when they reach age 50, interest will have been earned for longer periods, salaries on which contributions are paid increase and since the contribution rate was raised to 15 per cent in 2001. One could seek to convert the lump-sum withdrawal benefit into a pension by applying an annuity factor. An AUD 10,000 withdrawal would produce an annual pension of around AUD 1000 per year from age 55. The pension would not be attractive, nor would it be adjusted in the future to take into account inflation.

10.22.5 Pensions

The KPF is considering the provision of periodic retirement benefits. In the future demographic ageing[75] will strain the system whereby aged members of society are supported. 'Support ratios' – the number of persons aged 15 to 59 available to support persons age 60 and over decreases significantly over the next 25 years.

Table 10.5 Support ratios

Year	2000	2025
Support ratio[76]	8.0	5.5

In other words, while in 2000 there are eight persons of working age who are available to support persons age 60 or over, in 2025 there will only be five and one-half persons of working age per person age 60 or over. In the future, 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 Old Age Allowance. A social insurance pension scheme can provide these resources for wage and salary earners presently covered by the provident fund.

A social insurance pension can provide much better retirement protection than a lump sum provident fund benefit which is often rapidly dissipated.[77] The pension is related to an

[75] Demographic ageing is the result of declining fertility rates and increasing life expectancies (especially at the higher ages).

[76] From *World Population Ageing 1950-2050*, Population Division, United Nations Department of Economic and Social Affairs (ST/ESA/Ser.A/207), New York. Ratios are for Micronesia which includes Kiribati, Guam, Nauru and successor states to the Trust Territory of the Pacific Islands.

[77] All the provident funds in the island states in the Caribbean have been 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

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. The 15 per cent contribution rate would permit a modest pension and lump sum scheme to be set up.[78]

The KPF retirement age is 50, and the provident fund simply pays a member's accrued balance at that time. But age 50 is too low an age to start paying a meaningful pension for the balance of retired persons' lifetimes and survivors' pensions to their dependants. While according to the 2000 census, the life expectancy at birth in Kiribati is 58.2 for males and 67.3 for females, what is important is the life expectancy of persons at the upper ages – 55 and 60. The United Nations estimates the current joint (male and female) life expectancy at age 60 for Micronesians to be 18.6 years and that joint life expectancy will increase to 22.4 years by 2050.[79] In other words, on average, Micronesians now aged 60 live almost to age 79. 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. The retirement age would have to be raised gradually to age 55 and then to age 60.

It would be possible to integrate a pension from the KPF with the Old Age Allowance of AUD 40 payable from age 70. This would mean that for KPF members the KPF would pay a higher pension until age 70 and thereafter a lower pension which together with the Old Age Allowance would result in a level pension throughout. Alternatively, the KPF pension could be reduced at age 70 by the amount of the Old Age Allowance. Justification for this measure would be that KPF pensioners have benefited from the taxes which the Government has not collected on their contributions to the KPF or on the interest on their KPF balances. Other recipients of the Old Age Allowance (who were not members of the KPF) have not had this significant benefit from the Government.

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,
- 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 KPF),
- 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 KPF into a social insurance pension scheme could proceed in two stages:

1. 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 KPF, the active support of the concerned ministries, KPF 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.

2a. 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

schemes. In Africa the conversion has usually included a pension and a lump sum payment.

[78] 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.

[79] From *World Population Ageing 1950-2050*, Population Division, United Nations Department of Economic and Social Affairs (ST/ESA/Ser.A/207), New York.

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.

2b. 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.

Chapter 11 Unemployment Protection: Principles

11.1 Introduction

This Chapter 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 a 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*.[80]

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.*

[80] 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"

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
- Development of unemployment protection.

In addition summary information on selected unemployment insurance schemes in Asia is given in section Appendix 11A 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 11B.

11.2 Relevant concepts, principles and standards

11.2.1 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.

11.2.2 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

11.2.3 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.

11.2.5 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 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 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.

11.2.7 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.

11.2.8 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 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.

11.2.9 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.

11.2.10 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.

11.2.11 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 excluding those for family benefit and employment injury benefit.

11.3 Unemployment protection in practice

11.3.1 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 lead 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 jobs [81];
- 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.

11.3.2 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.[82] 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 protection and more limited employment protection.
In Central and Eastern Europe, new schemes were introduced near the end of the 1980s which

[81] "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

[82] The main sources for this section are "Social Security A new consensus" ILO Genera 2001and the International Workshop on the Role of Employment/Unemployment Insurance under the New Economic Environment, Seoul, Korea September 2001.

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 1930s. 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.

11.3.3 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 systems.[83] As the study indicates, the main factors that determine such costs in a national scheme are:

- The unemployment rate,
- Access to the programme as reflected by the ratio of beneficiaries to the unemployed, and
- The level of income support as indicated by the replacement rate which is measured by

[83] " International evidence on unemployment compensation prevalence and costs" Wayne Vroman, Economist, Urban Institute USA.

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.

11.3.4 Recent reforms

In general, over recent decades as countries have implemented employment polices 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.[84]

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,

[84] " 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.

[84] " 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 1997[85] 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, results 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.[86]

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.

[86] 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

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, the 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 countries 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 stabilisation 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.[87]

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

[87] Unemployment Protection System in China: Reforms, Progress and Challenges" Vivian Chen, World Bank, presented at the ISSA General Assembly, Beijing ,September 2004

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 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 an allowance for older workers, 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 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.

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.

11.4 Development of unemployment protection

11.4.1 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.*[88]

(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

[88] 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 12.3 (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.

11.4.2 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 indictors 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.[89] The latter refers particularly to trends that occurred in Eastern Europe when unemployment insurance schemes were

[89] International evidence on unemployment compensation prevalence and costs" Wayne Vroman, Economist, Urban Institute USA.

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 polices 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 11 – International Experience

Appendix 11A Unemployment Insurance Schemes in Selected Asian Countries

Table 11.1 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 for10 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 20m) and domestic	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		
employees. 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 11B – Unemployment insurance in Thailand

11B.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.

11B.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.

11B.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

11B.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 12.2 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.

11B.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 12.2.

Table 11.2 Claims Data July 2004 to June2005

(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.

11B.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 a 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.

11B.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.

11B.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 11C Barbados unemployment benefits scheme

11C.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 11.3 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

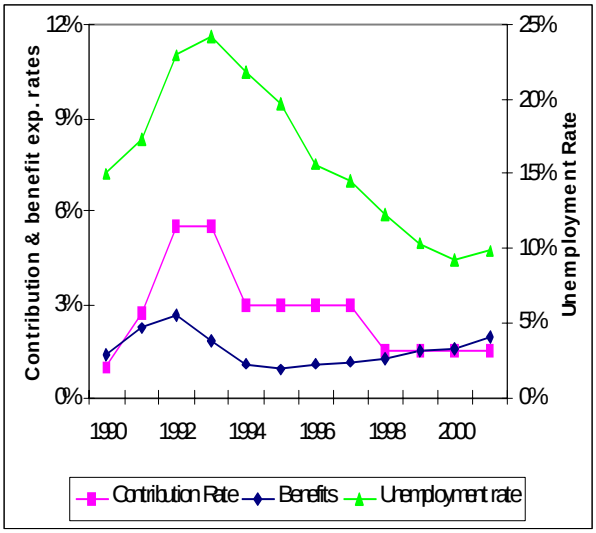
AWIE – Average Weekly Insurable Earnings

Table 11.4 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 11.1 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.
- 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 11.5 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

11C.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.

11C.3 Unemployment insurance in the Republic of South Korea

11C.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.

11C.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

11C.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.

11C.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 worker's 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 11.6 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.

11C.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 12 Unemployment Protection in Kiribati

12.1 Introduction

A tripartite stakeholder workshop was conducted in Tarawa from 13-19 May 2005 to respond to a request made by the government for ILO technical assistance in the field of workers' compensation insurance and unemployment insurance which had been rated as the top priority social security needs in the formal employment sector survey conducted earlier by the project.

The principal objective of this study was to assist the government and key stakeholders to understand the issues relating to unemployment insurance schemes and to assess the feasibility of introducing a scheme in Kiribati.

12.2 Initial observations on social protection in Kiribati

The *social security gaps* in Kiribati are substantial with the formal economy workers protected against some loss of income due to age, death and disability through the provisions of the KPF and the universal old-age allowance. Basic health cover is provided by the government with a moderate charge levied on hospital care and whilst workers' compensation is compulsory, the degree of compliance is poor due to the fragmentation and lack of coordinated management information available about the system. Apart from micro schemes through the village bank 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 survivors 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 only 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.

12.3 Provision of information on unemployment insurance

When the National Steering Committee (NSC) for the project and other key stakeholders have received the full range of advice, assistance and information on all social security branches and the principal issues arising, including cross-cutting gender issues, the process of formulating and implementing National Action Plans can be finalised . In respect to unemployment protection an overview and principles paper was produced and distributed to each of the participating countries as the main source of information on this subject. On the occasion of the workshop in Kiribati, the stakeholders had recently participated in a project national workshop on the development of social security in Kiribati and were aware of the interest shown in some form of unemployment coverage as expressed through surveys. The Ministry of Labour and Human Resources Development had requested information on unemployment insurance and this subject was included in a short session at the national workshop that is described below.

The presentation was made on a Discussion Paper entitled *Unemployment Insurance-Concepts, Some Design Considerations and Experiences of Selected Countries* which is included in chapters 11 and 12 of this sourcebook. The paper focussed mainly on the relatively low-cost short-term UI schemes of interest to developing countries rather than the more complex and comprehensive schemes established in industrialised countries. The structure of the presentation followed the sequence of the paper

12.1.1 Agenda and proceedings

The workshop agenda was as follows:

1. Overview of workers' compensation Insurance,
2. Strengthening of workers' compensation Insurance in the Kiribati, and
3. Unemployment protection.

12.2.2 Unemployment protection

The structure of the presentation followed the sequence section 12.4 of this Chapter entitled *Main Concepts and Principles of unemployment insurance*. The sequence of the discussion was:

1. Main concepts and structural features,
2. Objectives of unemployment insurance schemes,
3 Designing a scheme,
4 Organisation and administration,
3. Experiences of Barbados,
4. Experiences of South Korea, and
5. Conclusions.

The discussion in this chapter focuses mainly on the relatively low-cost short-term unemployment insurance schemes of interest to developing countries rather than the more complex and comprehensive schemes established in industrialised countries. The main objective of such unemployment insurance schemes is to provide financial support to insured workers who have become involuntarily unemployed, register for work and are available for, capable of and actually seeking work so that they can take time to find decent work, if necessary with the help of the employment services and training schemes. This means that the scope does not include new entrants into the labour market, the voluntarily unemployed, the persons laid off who wish to take a break or stay at home for family reasons, and persons who are sick or going on maternity leave and are therefore not capable of work.

The main groups covered are private and public sector employees who are already contributing to the social security system. In principle, the coverage in the Kiribati and other Pacific Island countries would be the same as the NPF apart from any self-employed and voluntary members. However, not all of the types of workers who have insecure employment may be covered and this is an issue in many countries aiming to expand coverage as widely as possible.

Few developing countries have established the institutional framework of employment services with networks of offices equipped with labour market information and qualified staff and a system of vocational training programmes which would facilitate the introduction of unemployment insurance. This has the smallest number of schemes worldwide of any branch (68), and some developing countries had adopted the strategy of targeting the poorer categories of unemployed and under-employed workers through public works and similar projects for infrastructural development often scheduled for the off-season in rural areas.

Where the economy suffers a downturn leading to extensive lay-offs, unemployment insurance schemes may help to smooth consumption through the payment of unemployment benefits which strengthen the economy by maintaining adequate levels of consumer demand during periods of economic difficulties. This temporary maintenance of spending power may help in delaying, minimising or preventing a downward spiral of further economic decline with the inevitable further result of additional unemployment and consequential reductions in consumer demand.

As regards unemployment insurance the essential points were that:

- The prescribed rate in the social security (Minimum Standards) Convention No.102 is 45 per cent of previous earnings and 50 per cent in the Employment Promotion and Protection Against Unemployment Convention, 1988 No. 168) and some of the newer schemes in developing countries paid these or similar amounts for periods of from 13 to 26 weeks in a period of one year or so and were financed by means of joint employer-employee contributions, usually in the range of from 1.5 to 3 per cent of insurable earnings,

- Unemployment insurance schemes may require only a recent number of paid contributions such as 6 months out of the last 12 months or both this type of condition and an overall requirement that the insured person has paid a minimum of 12 monthly contributions together with his/her employer,
- Administration of unemployment insurance is a demanding task because of the need to apply both insurance and labour market conditions requiring close coordination between the social security and employment offices,
- Whilst the social security organisation is responsible for the scheme and its finances, the employment service offices have the task of organising job search activities and certifying at regular intervals that claimants meet the conditions of being available for, capable of and actually seeking work in order for benefit payments to be made, and
- In general, the job search requirements had been intensified in a number of countries as a condition for entitlement to cash benefits.

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There were therefore important pre-requisites in establishing the unemployment insurance system, and where unemployment insurance schemes are introduced prematurely, such as prior to economic expansion, progress with employment policies, and the development of properly functioning networks of employment service offices, and vocational training programmes, they function more as unemployment assistance schemes and the issue is whether the resources would be more effectively used in public works and similar projects

The paper summarises the experiences of Barbados and the Republic of South Korea as examples of unemployment insurance E schemes illustrating different approaches. Barbados with a population of 267,000 introduced unemployment insurance in 1981 and it was noteworthy that the scheme had gradually increased benefit entitlements from the initial 40 per cent payable for up to 13 weeks to 60 per cent for a maximum of 26 weeks in any continuous period of unemployment or for an aggregate of 26 weeks in the 52 weeks preceding. In other words, the merits of starting cautiously and building-up on the basis of experience had been recognised. The volatile nature of this branch of social security is borne out by the fact the contribution rate had been revised 5 times between 1981 and 1998 in relation to changing demands for benefits. The scheme had adjusted and currently charged a total of 1.5 per cent of earnings which was shared equally by employers and workers.

Another example is provided by the Republic of South Korea which had launched a more elaborate and ambitious Employment Insurance Scheme (EIS) in 1995.The structure includes an employment stabilising programme and a job skill development programme in addition to the system of cash benefits. The EIS scheme aims to promote employment through subsides and active labour market policies maintain living standards of job-seekers through cash benefits and provide skills training where needed to increase prospects of ere-employment. Employees pay 0.5 per cent of insurable earnings and employers from 0.9 to 1.5 per cent according to their contributions for vocational training. The benefit rate is 50 per cent of insurable earnings and duration is related to factors considered as indicating the likelihood of re-employment. The maximum benefit periods in months are as follows:

Table 12.1 Republic of Korea unemployment insurance scheme – maximum benefits period

	Length of insurance (years)			
	1 - 3	3 - 5	5 - 10	Over 10
Insured under age 30 years	3 months	4 months	5 months	6 months
Aged 30 to 50 years	4 months	5 months	6 months	7 months
Over 50 years & persons with disabilities	5 months	6 months	7 months	8 months

The Korean scheme has been rapidly expanded but even so it is also coordinated with assistance schemes and public works projects to ensure that all types of unemployed persons are protected.

12.2.3 Discussion of Issues.

The participants discussed the following issues in group sessions.

1. What priority should a short-term unemployment insurance scheme have compared with other needs for social security development, such as workers' compensation and health insurance ?

2. Pooling risks in a social insurance fund is a new concept in the Solomon Islands since workers are used to individual accounts. Would it be acceptable if some persons

drew heavily from the unemployment insurance Fund and others never claimed? In other words, is there a strong sense of solidarity amongst insured employees?

3. In the Solomon Islands, what main preparatory steps would be needed for the introduction of unemployment insurance?

4. Would it be possible for an unemployment insurance scheme to detect claimants who have undeclared earnings whilst drawing benefit?

5. On benefit entitlement,
   (a) Should the rate remain the same throughout the period of the claim or decrease after 3 months for example, 50 per cent for months 1 to 3 and 40 per cent for the next 3 months?

   (b) Should claimants be encouraged to find jobs quickly? For example, if he/she is re-employed after 2 months or less, the fund could pay half month's benefit or a fixed amount as a bonus. Is this a good idea or not?

The response of the groups to the new topic was encouraging as they again engaged in extensive discussions and were ready to question and debate points made by other groups. This accelerated the learning process in this new field.

There were some comments in favour of introducing unemployment insurance as long overdue and urgently needed, especially by workers in insecure employment, when foreign companies set up enterprises that closed down whenever business conditions changed for the worse. Solidarity was recognized as essential for the working of this type of social security protection. As regards the problem of detecting persons abusing the scheme, some participants stated that local knowledge of each individual's activities and careful checking of reports of new enrolments by employers could be quite effective controls. Some groups referred to a wide range of preparations that would be needed including research into types and duration of unemployment in various sectors and that some public inputs through seminars would contribute to the planning of an appropriate scheme.

Discussion on these questions helped to increase the understanding of the concepts and of the emphasis on re-employment with cash benefits needed to support the process for a limited period only. It was evident that the workshop served the purpose of providing initial information and documentation on a subject that will call for further study in future.

12.2.4 Concluding remarks on unemployment protection

(i) Policies and strategies on employment generation

Kiribati faces considerable challenges to generate sufficient new jobs for the annual influx of new labour market entrants and this remains the major problem with the extent of youth unemployment a particular concern.

Against this exceptionally difficult background, the NAPDW addresses the decent work challenges that confront the country in the key area of employment. Lack of data is one of the consequences of the disruption affecting public administration in respect of employment surveys which were suspended several years ago. The available data pinpoints the extent of youth unemployment and underemployment throughout the informal subsistence economy.

The main objective of such unemployment insurance schemes is to provide financial support to insured workers who have become involuntarily unemployed, register for work and are available for, capable of and actually seeking work so that they can take time to find decent work ,if necessary with the help of the employment services and training schemes. Few developing countries had introduced unemployment insurance, which had the smallest number of schemes worldwide of any branch (68), and some had adopted the strategy of targeting the poorer categories of unemployed and under-employed workers through public works and similar projects for infrastructural development often scheduled for the off-season in rural areas.

The essential points were that:

- The prescribed rate in the Social Security (Minimum Standards) Convention No.102 is 45 per cent of previous earnings and 50 per cent in the Employment Promotion and Protection Against Unemployment Convention, 1988 No.168) and the newer schemes in

developing countries paid these or similar amounts for periods of from 13 to 26 weeks in a period of one year or so and were financed by means of joint employer-employee contributions usually in the range of from 1.5 to 3 per cent of insurable earnings

- administration of unemployment insurance is a demanding task because of the need to apply both insurance and labour market conditions requiring close coordination between the social security and employment offices, and
- there were therefore important pre-requisites in establishing the unemployment insurance system and where unemployment insurance schemes are introduced prematurely, such as prior to economic expansion and progress with employment policies and the development of properly functioning networks of employment service offices and vocational training programmes, they function more as unemployment assistance schemes and the issue is whether the resources would be more effectively used in public works and similar projects

The experiences of Barbados underlined the volatile nature of this branch of social security as the contribution rate had been revised 5 times between 1981 and 1998 in relation to changing demands for benefits. The scheme had adjusted and currently charged a total of 1.5 per cent of earnings, it was noteworthy that the scheme had gradually increased benefit entitlements from the initial 40 per cent payable for up to 13 weeks to 60 per cent for a maximum of 26 weeks in any continuous period of unemployment or for an aggregate of 26 weeks in the 52 weeks preceding.

Although it was difficult to establish a common view on this concept precisely because of lack of experience of it amongst the participants, one pointed out that the Special Death Benefit under KPF had been discontinued because of the unwillingness of some members to pool contributions for this contingency. Since in numerous countries UI was introduced only after other branches, such as social health insurance, this issue could be resolved prior to the future date when a sound basis exists for the introduction of this scheme.

1. In Kiribati, what main preparatory steps would be needed for the introduction of unemployment insurance?
2. It was clear that comprehensive preparations would be needed in such respects as the establishment of well-organised employment service offices and vocational training programmes which call for significant investment of public funds.

3. Would it be possible for a unemployment insurance scheme to detect claimants who have undeclared earnings whilst drawing benefit?

The general view was that this could not be prevented where unemployed persons had ready access to informal sector earning opportunities.

5. On benefit entitlement,

(a) Should the rate remain the same throughout the period of the claim or decrease after 3 months- for example, 50 per cent for months 1 to 3 and 40 per cent for the next 3 months?

(b) Should claimants be encouraged to find jobs quickly? For example, if he/she is re-employed after 2 months or less the Fund could pay half a month's benefit or a fixed amount as a bonus. Is this a good idea or not?

Discussion on these questions was confined to (a); some persons favoured the principle of reducing benefit as a means of encouraging claimants to find work quickly.

It was felt that the workshop served the purpose of providing initial information and documentation on a subject that will call for further study in future.

(ii) Conditions for the introduction of limited unemployment insurance protection

The strong focus on developing the economy and creating employment is consistent with the approach advocated in the Resolution and Conclusions concerning social security which were adopted at the International Labour Conference in 2001; *For persons of working age, the best way to provide a secure income is through decent work. 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.

In other words, unemployment protection can be provided in different ways. One of the main reasons for the relatively low number of unemployment insurance schemes is 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 that can be targeted at lower-income groups in urban and rural areas.

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. For the introduction of a modest unemployment insurance scheme, essential conditions that when met increase the feasibility of a scheme, if this becomes a future priority in coordinated planning of social security development, include:

1 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,
2 Wide support for the investment of public funds in organizing the network of employment centres and training schemes and establishing 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,
3 A well-functioning national network of employment service centres operating with access to suitable vocational training courses, and a system of active labour market policies that can be brought into force when necessary; and
4 An efficient social security administration with consistently low contribution arrears and the capacities to collaborate with employment centres in the implementation of unemployment insurance, the most difficult to administer efficiently of all social insurance schemes.

12.4 Main concepts and principles of unemployment insurance

12.4.1 Concepts and structural features

The purpose of this section is to elucidate the main concepts and principles of unemployment insurance from the point of view of Pacific Island developing countries.

There are approximately 68 social security schemes of various types for the contingency of unemployment amongst 175 countries with one or more social security programmes. This is the lowest number of schemes per social insurance branch and contrasts with over 170 countries with old-age protection schemes and about 175 operating employment injury or workers' compensation schemes. This underlines the fact that the unemployment insurance schemes are predominantly in industrialised countries and some transition economies and are only slowly being introduced in middle-income developing countries.

One of the main means of combating unemployment and under-employment in developing countries is through the organisation of public works projects for infrastructural development such as feeder roads and irrigation systems in rural areas. Such strategies have helped to alleviate poverty and hardship amongst low-skilled workers especially on a seasonal basis in rural areas. The introduction of unemployment insurance schemes would target different categories of workers in the formal sector who are able to build up sufficient contribution records to qualify for cash benefits and should have no impact on continuation of the public works projects.

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). The nature of unemployment insurance schemes is underlined by these conditions and the requirement that sufficient numbers of

contributions have been paid to qualify for benefits.

Clearly, the target group consists of persons:

- Recently in insurable employment and who have paid sufficient contributions to qualify for unemployment insurance,
- Who have been retrenched,
- Are ready and able to return to work, and
- Are actually seeking work.

The scope does not include new entrants into the labour market, the voluntarily unemployed, persons laid off who wish to take a break or stay at home for family reasons, and persons who are sick or going on maternity leave and are therefore not capable of work.

A fully-fledged scheme is part of a proactive system for returning laid-off workers to employment through job matching, training schemes and forms of assistance to workers to become self-sufficient by means of self-employment or other means. Active labour market measures may be employed in the well-established schemes found in industrialised countries, such as, for example:

- 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 a specific number of 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.

Unemployment insurance is widely considered to be the most difficult to administer of all social insurance schemes because both insurance and labour market conditions have to be applied against the background that informal sectors of employment provide scope for some claimants to obtain earnings without declaring them when drawing unemployment benefits.
The income protection afforded in the form of unemployment benefit to qualified workers allows them some time to search for similar jobs, and, if necessary, to upgrade skills through training courses, in order to maintain their incomes and membership of social insurance schemes, instead of opting for the first job available in the informal sector. However, a careful balance has to be struck between providing adequate subsistence levels of benefit and avoiding reductions in incentives to return to work as soon as suitable jobs are available. The rate stipulated in Convention No.102 is 45 per cent of average earnings for a man with a wife and 2 children, whilst Convention No.168 prescribes 50 per cent for the beneficiary alone.

Until recent years few developing countries were interested in unemployment insurance, which was largely due to misunderstandings about its role and the possibility of establishing limited low cost schemes. However, the Asian regional financial crisis on 1997 brought about a general realisation amongst countries in the region that unemployment insurance schemes could have been functioning in a few of the affected countries. Clearly, participation in labour markets exposes all types of workers to the risk of unemployment; the more so with the impacts of globalisation, and in many countries the existing mechanisms for absorbing retrenched workers and the social protection mechanisms, such as severance pay, are inadequate.

In South and East Asia, excluding the fully industrialised countries, only the People's Republic of China, Mongolia, the Republic of South Korea and Thailand have introduced unemployment insurance schemes. In the English-speaking Caribbean, where countries have similar population levels to Pacific Island countries, Barbados introduced an unemployment insurance scheme in 1981 which has been adapted to changing economic conditions in that country.

12.4.2 Objectives of unemployment insurance schemes

While almost all industrialised countries have some form of unemployment insurance that provides vocational guidance, access to job vacancies, skills training and cash benefits on a short or long-term basis, schemes in developing

countries tend to provide partial income replacement to eligible covered workers for short periods following involuntary unemployment. Like other contributory social security benefits, unemployment benefits are paid as a matter of right with no demonstration of need required. There are also several secondary benefits to the general economy of having an unemployment benefits scheme in place.

Unemployment insurance schemes have several objectives. The primary objectives involve assisting individual workers during periods of involuntary unemployment while the secondary objectives stress the promotion of economic efficiency and stability.

Specific objectives of unemployment insurance schemes are:

- Provide cash payments during involuntary unemployment to qualified persons,
- Maintain to a substantial degree the unemployed worker's standard of living,
- Provide time to find employment consistent with the workers' skills and experience, and
- Provide extensive employment services to assist unemployed workers find suitable jobs.

Other objectives are:

- Smoothing consumption through unemployment benefits strengthens the economy by maintaining adequate levels of consumer demand during periods of economic difficulties,
- Promote better utilisation of labour by encouraging unemployed workers to find appropriate jobs and, where necessary, helping them to improve their job skills, and
- Help employers maintain a skilled work force as skilled workers are not forced to seek other jobs, and thus are free to return when they are called back.

The introduction of an unemployment insurance scheme may have an effect on aggregate disposable income, consumption and savings. The payment of benefits in areas of high unemployment could help to stabilise consumer demand, and prevent or limit further economic decline. That was the view when the Asian financial crisis occurred, causing widespread unemployment, as the effects were worsened by the lack of schemes, and the inability of bankrupt enterprises to meet obligations for severance pay. 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. But given a rather short duration and limited level of benefits, the effect on the overall cost of the scheme and to the economy as a whole should be negligible. There are only marginal effects to be expected on average labour cost 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, based on the fear that some may lose their jobs,
- Unwillingness of the workforce to cooperate in the introduction of new technology, for similar reasons,
- 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).

Relatively high levels of unemployment should not necessarily prevent the introduction of a carefully-designed unemployment insurance scheme where the administration is confident it can organise and operate an effective scheme and prevent abuse. An unemployment insurance scheme with wide coverage has clear economic advantages in stabilizing the economy on a short-term basis during periods of recession and in promoting a better utilization of labour. It is possible to design unemployment insurance schemes, at least initially, to provide limited income support and minimise the level of expenditures with the intention of moving towards more generous provisions as the experience develops and the capacities of the administration improve.

12.5 Some main design considerations

As a short-term benefit the following guidelines may apply to the scheme design.

12.5.1 Coverage

It can be expected that policy decisions to introduce unemployment insurance follow the successful operation of a social insurance scheme for other branches such as old-age, employment injury or social health insurance since these have had a higher priority in many countries. When planning unemployment insurance therefore the process would be facilitated by the fact that coverage of employees would be identical and the scheme could utilise the same contribution collection, recording and enforcement systems with the minimum costs. However, any self-employed and voluntary contributors would be ineligible since the contingency of involuntary unemployment does not apply to these groups. The main groups covered are private sector and public corporation employees who are already contributing to the social security system. The civil service usually has its own social security system. In principle, the coverage in Pacific Island countries would be the same as the NPF apart from the self-employed and voluntary members.

12.5.2 Contribution conditions

As a short-term benefit, unemployment insurance requires a period of recent contributions to prove entitlement as an employed person. Schemes may require only a recent number of paid contributions such as 6 months out of the last 12 months or both this type of condition and an overall requirement that the insured person has paid a minimum of 12 monthly contributions together with his/her employer. This is the means by which unemployment Insurance is targeted at regular workers who are subject to frictional unemployment.

12.5.3 Benefit level

The decision of the percentage of average earnings to be paid constitutes a compromise between providing an adequate level for the maintenance of the insured persons and their dependants and ensuring that there are sufficient incentives for beneficiaries to return to paid employment rather than remain drawing benefits. This is the rationale for the rates of 45 per cent for a man and his wife and 2 children and 50 per cent for the beneficiary alone prescribed in the ILO Conventions No.102 and 168 respectively. The rate of 50 per cent has been adopted in a number of schemes as an appropriate balance between the two requirements outlined above.
Two other issues should be considered:

- Should benefit remain at the same percentage throughout the duration or should it be lowered after an initial period to encourage claimants to return to work as soon as possible? If this is adopted the effects should be evaluated in order to assess whether average benefit duration is reduced and whether any claimants suffered financial hardship as a result of the reduced benefit level.
- With a 50 per cent rate low wage earners are likely to experience coping difficulties and a minimum benefit rate should be considered; this should be linked to average earnings of social security contributors so that is can be increased from time to time. This feature would be adopted where the scheme wished to apply a 50 per cent rate generally but recognised that the lower paid may need a reasonable period of time to find "decent work" and possibly obtain a better paying job. However, this has to be worked out very carefully as another objective is to avoid the *welfare trap* where the unemployed workers are better off receiving benefits than they would be taking low-paid jobs when non-payment of contributions and the reduction in expenses for going to work are taken into account.

In accordance with the concept of limited support the duration of benefit may be in the range from 3 to 6 months in a period of one year. A period of up to 7 waiting days can be included before benefit is paid on the grounds that hardship should not be caused by a few days without income, but schemes may decide to pay such days later if the period of benefit exceeds 14 days or so. This means that a worker could be re-employed in a day or two and that such short duration claims can be avoided on the grounds that there is no hardship involved. On the other hand if the unemployed person remained on the register for 20 days he/she would be paid for the full period. Where periods of benefit are separated by gaps exceeding 13 weeks that may be counted as separate, otherwise they count as one period of benefit for the application of the waiting days rules.

However, issues arise regarding severance pay as employers may contend that there is duplication with unemployment insurance and the two benefits should be coordinated. This may be resisted on the grounds that they are different in the sense that severance pay is a reward or payment for long service and that retirees and employees may leave receive severance pay when leaving a company without necessarily claiming unemployment insurance and that this benefit should continue unabated when unemployment insurance is introduced.

As regards relevant ILO standards, Convention No.168 of 1988 on Employment Promotion and Protection against Unemployment 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, and
- 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 or published on the adjustments made, if any, in some countries in the entitlements under these two schemes. It appears that frequently severance pay and unemployment insurance are provided as separate benefits. However, in the Republic of South Korea an adjustment is made to the unemployment benefit in respect of large severance payments. Entitlement of KRW 100 million or more results in the postponement of unemployment benefits for 3 months. If a country decides to reduce severance pay entitlements of unemployment insurance claimants this change should not affect acquired rights or rights is the course of acquisition and therefore would only gradually have any financial effects.

12.5.4 Financing

The costing of an unemployment insurance scheme depends on many variables some of which are relatively stable such as labour supply whilst others are more volatile and cyclical in nature, and some may be affected by government actions or policy fluctuations in the economic field. Analysis of unemployment insurance expenditures in various countries demonstrates the more volatile nature of this branch than other short-term benefits such as maternity or sickness benefits. Barbados has adjusted the unemployment insurance contribution rates at various times in relation to higher and lower demand and evidently financing this branch requires the maintenance of adequate contingency reserves and careful monitoring of expenditures in order to adjust as necessary in order maintain the solvency of the unemployment insurance fund. In general, this type of unemployment insurance scheme may require contributions of between 1 and 3 per cent of insurable earnings (however, Thailand introduced its unemployment insurance scheme in January 2004 with a contribution rate of 1.25 per cent).

Whilst ILO Conventions do not stipulate the extent to which social insurance contributions are shared between employers and employees, it is provided that the cost of benefits and administration is to be borne collectively, in such a way that hardship to persons of small means is avoided and that employees' contributions should not exceed 50 per cent of the total after the exclusion of family benefit and, normally, employment injury benefit. There is no uniform pattern as there are examples of equal sharing of the unemployment insurance contributions and of employers paying a larger share.

12.6 Organisation and administration of unemployment insurance schemes

Administration of unemployment insurance is described as challenging to administer, in view of the need to prevent the simultaneous receipt of unemployment benefit and earnings from clandestine work, and also to coordinate the social security and employment service functions. Countries considering unemployment insurance pay close attention to their capacities to organise and administer schemes that require close working arrangements between the social insurance institution and a comprehensive network of employment offices with information systems on job vacancies throughout the country.
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Benefit claims must be carefully checked and efforts of jobseekers to find employment closely monitored, necessitating a well staffed and well organised professional employment service. The main administrative tasks involved in running an unemployment insurance scheme are:

- Registering workers and employers,
- Collecting contributions,
- Recording contributions and insured earnings,
- Registering benefit claimants as unemployed and receiving their benefit claims,
- Checking that claimants are involuntarily unemployed, available for work and actually seeking employment; monitoring that this continues to be the case as long as benefit is payable; offering suitable jobs and training and applying sanctions if necessary where claimants refuse suitable jobs or training opportunities, and
- Processing benefit claims, checking fulfilment of contribution conditions, calculating and paying benefit.

The first three tasks are unlikely to involve much additional work for a social security institution which is already administering other branches of social insurance, provided that the coverage of the unemployment insurance scheme and the definition of insurable earnings are identical to that of the existing schemes, as there are already efficient contribution collections and claims processing systems. The introduction of unemployment insurance will lead to an increase in the rates of contribution, but will not mean any change in the number of contribution payments. Revenue destined for the unemployment insurance scheme has to be accounted for separately, but this is a straightforward matter of allocating the relevant percentages of total contribution revenue to the accounts for the various schemes.

The social security institution is also in the position to check if the claimant for unemployment benefits is also claiming sickness or maternity benefits for the same periods. The verification of unemployment and continued eligibility to a benefit, however, calls for combined efforts of the social security institution and the separate independent employment services. A key decision is where claims are to be lodged at the social security office or the employment office? Where possible registration for work should be combined with making a claim as the emphasis is on job-seeking and a one-stop system is helpful to the unemployed persons.

While social security inspectors may play a limited role, a separate employment service should be responsible for verifying the eligibility requirements related to the capacity and availability for work, as well as assist in the search for suitable re-employment. These include checking that unemployment was in fact involuntary, and that unemployment continues with the claimant being available for work and seeking employment, as well as willing to accept what the employment service considers is a suitable job. Together with the typical social security functions, these make the administration of an unemployment benefit more complex and difficult than the other regular tasks performed for other social security benefits.

Registering benefit claimants as unemployed involves extra work. In all countries, it is found that unemployed workers who are not able to obtain cash benefits often do not take the trouble to register as unemployed. Non-registration tends to be highest in countries where the employment service is not thought to provide very effective assistance to jobseekers in finding new employment, and where employment service offices are not easily accessible.

Receiving benefit claims will also involve extra work, especially as most unemployed workers will be claiming benefits for the first time. Even with well-designed claim forms, many claimants are likely to require some staff assistance in completing them.

Checking that claimants are involuntarily unemployed, available for work and actually seeking employment is undoubtedly the most complex and demanding aspect of administering an unemployment insurance scheme. A certain number of workers may deliberately set out to defraud the scheme by claiming benefits and at the same time receiving earnings from work. Some others may, without any dishonest intent, simply fail to make much effort to find employment. Even if these form a small percentage of cases, they are not easily monitored so long as they are receiving benefits. When interviewing claimants, staff will inquire how they lost their job, try to find other suitable jobs for them, and inquire about the steps the workers themselves have taken and are taking to find other employment. Another closely related task has to be performed by social security inspectors, whose duties must include surprise visits to workplaces to check that all workers are duly insured and that none is claiming unemployment benefit at the same time as working.

The concept of short-term unemployment leading to speedy re-employment has been strengthened in many countries in recent years. Some of the main characteristics of this approach are:

- Use of the term job search or similar phrases,
- Conclusion of formal agreements between the claimants and the employment service on how the job search will be conducted,
- Appointment of personal advisors to each claimant with whom the job search is organised and assessed at regular intervals,
- Use of incentives such as training vouchers and training courses when applicable, and
- Use of sanctions in the form of benefit suspensions against claimants who refuse suitable jobs or decline suitable training courses.

Suitable employment is defined in Convention No. 168 to take into account age of the worker, length of service in last occupation, length of unemployment, the labour market situation, personal and family situation and whether a new job is vacant due to an on-going labour dispute. The concept of suitable work and suitable training is central to this aspect of the administration of unemployment insurance and needs to be backed up by labour courts or similar bodies as a number of disputes arise between claimants and the employment service and should be resolves by independent bodies.

Processing benefit claims will require ready access to the individual contribution records of the workers concerned and information exchanges between the social security institution and the employment services. Information technology allows this work to be performed quickly and efficiently, which is both in the interests of the unemployed worker and of the social security institution. However, this presupposes that the database containing the individual records includes all the information required to check that the qualifying period has been completed and to calculate the benefit that is due:

- Information may be required for unemployment benefit that was not previously required for administering other benefits provided by the social security scheme, so any such missing data would have to be collected and entered for all insured workers, and
- Checking the fulfilment of contribution conditions and calculating benefits require data on recent earnings and unemployment insurance contributions paid. In view of the time lags before contributions reach the social security office, the contribution and average earnings test periods should end at least 2 months before the month in which unemployment commenced.

12.6.1 Co-ordination between the social security institution and the employment services

Since some tasks are clearly the responsibility of the social security institution, and others can be performed only by the employment service, there is an obvious need for close co-ordination between these two agencies. Ideally, before the employment service embarks on the time-consuming task of checking that claimants are involuntarily unemployed, available for work and actually seeking employment, it is advisable to check whether or not the claimant in fact fulfils the contribution conditions for receiving unemployment benefit. This would be feasible only if individual staff members in the employment service could consult the social security institution's database or the social security body gives a decision in principle on

whether or not the insurance conditions are satisfied.

12.6.2 Other functions

A most important additional role for the agency certifying that claimants are eligible to an unemployment benefit is the matching of vacant positions with suitably skilled workers. This service could assist employers in finding the persons with the right skills and in reducing the time for which employees with special skills may be without work. While the principal focus of an unemployment benefits scheme is to pay benefits, the scheme may also be used as part of an overall policy directed at promoting employment or facilitating training or retraining. Close coordination between the employment services, the authority responsible for skills development training and the social security institution will be required to ensure that arrangements for training and re-training work effectively.

12.6.3 Summary general remarks.

The number of unemployment insurance schemes is gradually expanding world-wide as more countries recognise the constructive role unemployment insurance schemes can play in support of employment policies if well-designed, adapted to labour market requirements, and effectively implemented. However, there are different types of schemes varying in their scope and objectives. The type of unemployment insurance scheme likely to interest Pacific Island countries that are considering the needs of the unemployed in the process of establishing priorities for future action, is designed for frictional unemployment and a limited role of providing short-term financial support whilst, with the aid of the employment services, the unemployed seek decent work. The costs mainly depend on the benefit structure and may be in the range of 1.5 to 3 per cent of insurable earnings with some sharing between employers and employees, as agreed through social dialogue. The benefit rates are set at rates considered as adequate for the short-term whilst providing incentives for resumption of employment. In practice, benefit is usually around 50 per cent of recent average earnings which is payable for up to 6 months or so in a period of 12 months. This approach could establish the scheme and allow consideration at later stages according to experience of enhancement of the benefits and or their duration and expansion of coverage. However, because of the volatile nature of unemployment and the difficulty of predicting demands for benefits, it is advisable to have adequate financial reserves and legislation allowing changes by regulations in key provisions on contribution and benefit rates and duration of entitlement as a minimum.

Unemployment insurance schemes rely on the efficiency of the employment services, as the main objective is to provide time for the unemployed person to seek suitable work rather than be forced to take the first opening in the informal sector. The existence of unemployment insurance schemes requiring claimants to register for employment provides both an opportunity and challenge to the employment services provided that sufficient resources can be provided for upgrading of their capacities. In addition, the system requires an appropriate range of training courses that are geared to labour market requirements and adapted as these change so that they may be provided to increase the chances of re-employment. The unemployment insurance fund would pay for each claimant sent on such courses but would have no responsibility for the financing of such training schemes. In some countries training levies are paid by enterprises for this purpose.

It is well understood that social protection policies must be complementarily developed with labour and employment polices and that this applies with particular force to the contingency of unemployment. The point to stress strongly is that unemployment insurance should be part of a system geared up to returning the unemployed persons to suitable employment as soon as possible. It is also clear that unemployment insurance alone cannot meet the needs of all of the unemployed and that complementary social protection programmes should be in force and coordinated with an unemployment insurance scheme. The unemployment insurance scheme provides earnings-related benefits, and usually continued entitlement to health insurance, where a social health insurance scheme is in force, for limited periods during which job search, vocational guidance and, if necessary, re-training is organised by employment service centres. Therefore, unemployment insurance should be introduced only when essential conditions are met, including:

- A sound or reasonably sound economic situation facilitating labour absorption and affordability, as indicated by improved per

capita incomes amongst the insured population,

- Wide support for the investment of public funds in organizing the network of employment centres and training schemes and establishing 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 policies that can be brought into force when necessary; and
- An efficient social insurance administration with consistently low contribution arrears and the capacities to collaborate with employment centres in the implementation of unemployment insurance.

Countries considering suitable strategies to assist the unemployed may take note of the following statement contained in the conclusions concerning social security adopted at the International Labour Conference in 2001:

For persons of working age, the best way to provide a secure income is through decent work. The provision of cash benefits to the unemployed should therefore be closely coordinated with training and re-training and other assistance they may require in order to find employment. Unemployment benefits should be designed so that they do not create dependency or barriers to employment. Measures to make work more financially attractive than being in receipt of social security have been found effective. 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

It will be evident that where unemployment insurance is introduced prematurely, before the essential pre-conditions are met, the scheme will function more as an unemployment assistance scheme, providing cash benefits with little or no prospects of re-employment, but through the elaborate structure of a contributory social insurance scheme. Possibly a similar or greater impact could be achieved through other measures appropriate to the basic social protection tier, such as targeted social assistance and public works projects. An advantage of these types of programmes over unemployment insurance, which takes time to build-up benefit rights, is that they can be targeted and organised relatively quickly, provided resources are available and some preliminary planning has been conducted.

12.7 General summary on an unemployment insurance benefit scheme for Kiribati?

Kiribati has an incipient unemployment problem which is likely to grow worse as the large oncoming cohorts of school leavers join the labour force over the next few years. A key development issue is the extent to which this problem could be eased by an unemployment benefit scheme. Two unemployment benefit options are theoretically possible, unemployment assistance or unemployment insurance.

12.7.1 Unemployment assistance

An unemployment assistance scheme open to all and paid for by taxes along the lines of the Australian and New Zealand schemes is not a realistic option at the current stage of economic development in Kiribati.

- The majority of the workforce is currently employed in the informal economy. Potentially a high proportion of these could claim to be formally unemployed in the sense that they do not have a formal sector job. The cost of funding benefits for such large numbers is beyond the fiscal capacity of Kiribati.
- The normal benefit entitlement requirement that unemployment beneficiaries not be engaged in full time work would discourage economic activity in the informal sector. This conflicts with Kiribati development policies of reviving and stimulating informal economy production in agriculture and other areas
- Having very large numbers of people inactive long term with no realistic formal sector job prospects would be undesirable socially

Accordingly, the unemployment assistance benefit option can be rejected at this stage of Kiribati economic development.

12.7.2 Short term unemployment insurance for formal sector workers

Somewhat more possible is short-term unemployment insurance for the minority of the workforce employed in the formal sector of the economy. These are the people currently covered by mandatory membership of the Kiribati Provident Fund. By short term is meant benefits paid for 3 or perhaps 6 months after job loss.

Calculations made for other Pacific Island countries indicate that such a scheme could be funded by a levy of between one and three per cent of payrolls, the exact figure depending on benefit rates paid, duration of unemployment benefit cover and job loss rates for those in the formal sector. Levies could be collected by the Provident Fund and paid into an Unemployment Insurance Fund. Arrangements to pay benefits for a period to those who lose jobs would then need to be made. Benefits would be payable to those who had been employed in the formal sector and paid contributions for specified qualifying periods.

Details of how unemployment insurance schemes operate in some other countries are included in section 12.8. A potential model in more detail is also given in the Fiji report.

However, given the very high proportion of public sector employees in the formal sector of Kiribati, and the small size of private sector employment, the unemployment insurance scheme would probably need to cover public sector employees as well as those in the private sector for the scheme to be of viable size. It is currently unclear if either the government or public sector employees would be willing to join such a scheme.
It is also unclear about the relative priority of such a scheme, since unemployment and underemployment is likely to be greater amongst those who would not qualify for unemployment insurance benefits, since they would not have had formal sector jobs and a contribution record in the first place.

Hence, this option seems to be one for longer term consideration rather than current active development

12.7.3 Other options –special employment

The main options for Kiribati in dealing with the employment needs of its population include economic development and employment-linked training, including training for working on foreign fishing vessels and merchant marine. For a substantial period ahead also employment in the informal economy will have to be the mainstay of most of the population of Kiribati.

An option for those individuals and households facing severe economic problems is a special employment scheme, focussing on developing infrastructure (e.g. roads, water and sewerage schemes) and some needed social services.

Special employment schemes are paid for by government revenues or external aid.
Characteristically they pay only minimum wages, which are set below the levels of actual wages paid elsewhere in the economy. Hence, people employed on such schemes have an incentive to exit the schemes if regular or seasonal job prospects emerge.

Well designed and administered special employment schemes thus tend to be "self regulating" since only the very poor will take up very low paid jobs, and will exit them again if better options emerge in the formal sector or the informal economy.

Key features of successful special employment schemes include:

- Good project selection, so that the special employment schemes produce infrastructure and services of use to the community.
- Effective supervision to ensure that the work is done properly
- Fiscal affordability
- Skill development amongst participants which enhances their future employability

It is important to include jobs which can traditionally be done by women as well as men in special employment schemes. A key mechanism to help achieve this is equal representation of women and men on the teams designing and administering the special employment schemes.

Chapter 13 Social Assistance: Principles

13.1 Introduction

This chapter provides an overview on Social assistance patterns and options as part of the wider ILO technical co-operation project *Subregional Initiative on social Security in Pacific island Countries.* 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 13.1 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 13.2 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 situation in the five countries is 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.

13.2 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 sets out and describers 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 W*antok* (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.

13.3 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 member's 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.
- 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.

13.4 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.

13.5 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 included in the assessment of options.

13.6 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.

13.6.1 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.

13.6.2 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.

13.6.3 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.

13.6.4 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.

13.6.5 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.

13.6.6 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.

13.6.7 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 measures need to extend to regular checks on systems and staff, and on payment agents, as well as on claimants.

13.7 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.

13.8 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.

13.8.1 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.

13.8.2 Health

Where people seeking heath 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.

13.8.3 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.

13.8.4 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 *HLM*s, 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.

13.8.5 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.

13.8.6 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.

13.8.7 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.

13.9 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.

13.10 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 include the following:

13.10.1 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.

- 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.

13.11 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 other wise 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 cash contributions 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.

13.12 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.

13.13 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.
- 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.

13.14 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.

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13.15 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.

13.16 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 Kiribati are discussed in the next chapter.

Chapter 14 Social Assistance in Kiribati

14.1 Summary

This report looks at needs and options for Social Assistance in Kiribati.

Formal Social Assistance is assistance in cash or kind targeted towards the needy and disadvantaged. Characteristically it is funded by public revenues rather than the insurance contributions of employers and employees.

To date Social Assistance approaches have had a very limited role in social protection policies in Kiribati. Basic Health and Education and Old Age Pension services have been delivered mainly through a universal provision approach funded from government revenues. Other formal provision for the minority of the population involved in the formal economy has taken the form of a contributory Provident Fund and Employer Provision schemes. However, for the majority of the population involved in the informal economy, social protection has meant reliance on extended family and community relationships.

Kiribati is one of the least developed economies in the Pacific, with one of the most difficult geographic configurations. Its 90 thousand plus population occupies only 810.5 square kilometres of land area scattered between 22 inhabited atolls plus a number of other currently uninhabited atolls dispersed across several million square kilometres of ocean. Kiribati is a small Pacific Island state with a population of just over 90,00 people located in the central pacific well to the north of Fiji and Samoa. The total land area is only 810.5 square kilometres, and this is distributed between 33 atolls, of which 22 are currently inhabited. However, these atolls are scattered across several million square kilometres of ocean area. The economic zone that this ocean area provides to Kiribati is its major economic resource. The bulk of its population outside the Tarawa Atoll is still involved in a semi-subsistence lifestyle. Administrative mechanisms in the outer atolls where more than half of the people live are of limited scale. These factors constrain many of the options which could be considered for providing assistance targeted to need in Kiribati.

However, there are a number of presenting issues in Kiribati which may best be addressed by a Social Assistance approach. These are discussed in the text of this report.

14.2 Introduction

Kiribati has one of the lowest incomes per head in the pacific island region. Most of its economically active population is involved in the informal economy, with formal sector employment concentrated mainly in urbanised South Tarawa. Outside of South Tarawa the informal economy is largely of a semi-subsistence nature, with fishing, farming and handicrafts being oriented mainly towards the personal consumption of the household, and cash income being rather limited. In South Tarawa however, the informal economy is heavily focussed on self employment in cash generating activities.

South Tarawa which contains the capital of Kiribati is the main locus of both the formal and informal cash economy, though Kiritimati Atoll (Christmas Island) is also a smaller commercial focus. South Tarawa is now completely urbanised, its population having grown from only 1,671 in 1947 to 36,717 in the year 2000. It now holds over 43 per cent of the population. Whereas population density in all Kiribati in 2000 averaged 104 to the square kilometre, in South Tarawa in 2000 it was 2,330 persons per square kilometre.

The influx into South Tarawa from the outer islands has been so large in the past decade that despite high natural increase rates, many of the outer islands have had falling populations.

Formal Social Security mechanisms in Kiribati cover only part of the ILO programme range, and only part of the population. Most people still rely on the extended family and community system for assistance with the bulk of contingencies.

14.3 Population

The 2000 population of Kiribati was 84,494, comprising 41,646 male and 42,848 female. The mid 2004 estimate was 90,351.

Population growth in Kiribati has been rapid, with total numbers rising 8.8 per cent between 1995 and 2000 despite some emigration.

About 99 per cent of the 84,994 population enumerated at the 2000 census were indigenous I-Kiribati, who are mainly Micronesians. The majority are adherents of a number of different Christian denominations.

The population is a very young one, with a median age of 20 years. Fertility is high. The average number of children per woman based on a total fertility rate measure was 4.3 in the year 2000, down from the 4.7 estimated in 1990. However, between 1990/95 and 1995/2000 the average crude birth rate dropped from 32.2 to 26.4 per thousand.

Household size is also large, the year 2000 average being 6.7 persons. The largest average households were on urbanised South Tarawa, where the household average is 8.1 persons. This size differential appears to be the result of the numbers of migrants into South Tarawa who stay with relatives, since differential fertility does not explain the household size differences. One consequence of the continuing in-migration from the outer islands is that the population of South Tarawa is now composed mainly of people whose family origins lie in the other islands.

Life expectancy has risen in the recent period, reaching 64.2 years in 2000. The separate gender figures were 61.2 years for men, and 67.1 years for women. These estimates have been revised since somewhat lower estimates were produced at the time of the census. A large factor in the improvement of more than 2 years in life expectancy since the 1995 census was the fall in infant and child mortality. Despite the fall, both infant and child mortality rates per thousand are still high. The following figures illustrate these trends.

Table 14.1 Child mortality

Child Mortality	*1990*	*1995*	*2000*
Infant mortality under 1 year			
Boys	*68.3*	*67.5*	*45.0*
Girls	*66.5*	*56.3*	*43.0*
Child Mortality years 1-4			
Boys	*28.3*	*27.8*	*14.0*
Girls	*26.8*	*20.8*	*13.0*

14.4 Economy

In 2004 Kiribati had an estimated GDP of AUD 96.626 million, or AUD 1,069 per capita (about USD 843). The GDP estimate includes AUD 6,450 thousand in estimated subsistence production in the fishing sector.

Despite the traditional Kiribati focus on subsistence fishing and farming, and some sales of rural products, these activities together with production of copra for sale are now only the minor part of the economy. In 2004 the combined total output of agriculture, fishing, and seaweed gathering, including both commercial and subsistence production, was under AUD 14 million, or about 14.4 per cent of the economy. Manufacturing was only 0.7 per cent of the economy, and building and construction 6.8 per cent. Most of the economy was made up of services. Government services alone at AUD 37,836 million were 39.2 per cent of GDP, with most of the balance being made up by private services, notably wholesale and retail trade, finance, and transport and communication.

This unusual pattern for a low income developing economy was made possible by the fees accruing to government from licensing foreign companies to fish in the Kiribati Exclusive Economic Zone, and high receipts from investments in the Kiribati Revenue Equalisation Reserve Fund (RERF). The domestic recycling of these fees and income via government spending sustains a substantial part of what is now a largely services economy, at least in terms of cash measures of output. However, much actual economic activity measured in terms of hours of human input is still concentrated in low value production in semi-subsistence village activities, with only part of the production involved entering the cash economy via sales of produce and handicraft products. In this sense Kiribati has a dual economy.

The nature of the semi-subsistence informal economy is examined in more detail in chapter 5 and in the separate 2005 ILO report *Informal Economy and Formal Employment Sector Survey Report – Kiribati*.

14.4.1 Balance of payments

Official estimates of the Balance of Payments are only available for the year 2000. In that year Kiribati exported AUD 10.694 million worth of products, but imported AUD 67.924 million

worth of imports. This ratio of imports being more than 6 times exports was sustained by offsetting flows from fishing licences, income from Government and Provident Fund investments, and the earnings of Kiribati workers employed on foreign ships and fishing vessels.

Exports included copra and phosphates. Imports cover a much wider rang of items. Food at AUD 19,452 thousand in the year 2000 was the largest item, with machinery and transport equipment, mineral fuels, and manufactured goods being the main other import categories.

This import pattern reflects the shift away from traditional subsistence based production. Kiribati households, especially on South Tarawa, are now large consumers of imported rice, flour, sugar, meat, tea, and a range of canned and processed foods. Less and less reliance is placed on the traditional food sources of local fish, coconuts, vegetables and fruits. Imported manufactured items have tended to replace local handicrafts. Also transport is now heavily dependent on imported motor vehicles, motor vessels, and air service, and on the fuel needed to run these machines and to power electricity generation.

14.4.2 Household Incomes

The last household income and expenditure survey was done in 1996, and covered only several of the atolls comprising Kiribati. However, what stood out at the time was the extreme differences between South Tarawa and the outer islands surveyed. For example, the survey on Onotoa island revealed an average household cash income of less than AUD 10 per fortnight, compared with AUD 268 on South Tarawa. The extreme differences in cash earnings opportunities appear to lie behind much of the migration to South Tarawa.

Households had diverse sources of cash income at the time of the 2000 census. While less than 25 per cent of economically active individuals had regular cash employment, nearly 43 per cent of households recorded employment as a source of cash income. This reflects the fact that most households had two or more economically active members, plus the contribution from overseas employment. In South Tarawa about 65 per cent of households had at least one member in regular cash employment. In the outer islands cash income came mainly from other sources, except on the islands of Kiritimati and Banaba. In total 15 per cent of households declared some earnings from the income of seamen, with the ratio being over 20 per cent in South Tarawa.

The census results for sources of income 2000 were as follows. While the printed report table H30a table was headed “Main Source of Cash Income” the actual census question asked if there were any members of the household receiving income from these sources. Hence, the replies add to more than 100 per cent, and are more accurately described in the plural as *Main Sources of Cash Income*, since many households had multiple income sources, including some secondary ones listed in separate census tabulation.

Table 14.2 Main Sources of Household Cash Income

Income Source	No.
Employment	5,391
Own Business	601
Copra	4,827
Fishing	3,163
Seaweed	517
Agriculture	688
Sour Toddy	631
Handicrafts	1,782
Other	2,596
Total Households	**12,609**

14.4.2 Employment

The 2000 Census (Table 14.5) indicated that 9,200 people were involved in regular cash employment, and 30,712 in what was described as *village work* or various forms of subsistence and semi-subsistence production, with some products like fish, copra and seaweed being for sale. This gave a total employed labour force of 39,912. In addition 644 persons described themselves as unemployed.

Table 14.3 Unemployed by gender

	Cash	Village Work	Total
Males	5,810	14,502	20,312
Females	3,390	16,210	19,600
Total	9,200	30,712	39,912

Source:2000 population census

The figures may slightly understate female participation in the informal economy as 2,437 females but only 212 males were described as involved in Household Duties. Many of the women concerned would also have been involved

in making handicrafts for sale or household use, and other forms of informal economic activity.

The census figure of cash employment included 308 people described as *seamen –overseas* who were resident at the time of the census but who would not have been employed in the domestic economy. This suggests that regular domestic cash employment was only around 8,900 out of a total economically active domestic labour force of around 40,000. Hence, it would seem that in the year 2000 less than 25 per cent of the economically active population were employed in the domestic formal economy and over 75 per cent in the informal economy.

Ministry of Labour estimates for the more recent period were that there were still around 40,000 economically active people in the domestic economy, including about 9,000 in the formal sector. The later figure was drawn from Provident Fund numbers of active contributors. In addition there were thought to be about 1,200 I-Kiribati employed on foreign shipping vessels (mainly German), and about 200 employed on foreign fishing boats.

14.4.3 Central Government finances

Fully tabulated accounts for the Central Government as produced in the 2002 Kiribati Statistical Yearbook are only available up to the year 2,000, with incomplete figures available for the periods after this. In the year 2,000 the main sources of Government current and capital revenue of USD 107.788 million were as follows:

Table 14.4 Government revenue

Item	AUD (000)
Personal Income Tax	4,130
Corporate Tax	4,744
Import Duty	13,907
Import Levy	1,370
REFR Interest/Dividends	23,867
Fishing Licence	31,159
Fees and Incidental Sales	7,303
Other Items	2.324
Total Revenue	88,804
Development Aid	18,984
Total Receipts	**107,778**

Source: Kiribati Statistical Yearbook 2002

As total current and capital expenditures in 2,000 were listed as AUD 89.972 million, the Government budget in that year had an apparent surplus of AUD 16.395 million.

Table 14.5 Main expenditure Items 2000

Expenditure Item	AUD (000)
Wages and Salaries	26,065
Contributions to Provident Fund	1,303
Purchases of Goods and Services	44,044
Subsidies	3,622
Transfers to Households	3,811
Capital Expenditure	11,660
Other Expenditure	655
Statistical Discrepancy	-1,188
Total Expenditure	**89,972**

Source: Kiribati Statistical Yearbook 2002

For the period since then the situation is less clear in the data available to the Statistics service. Identified Central Government receipt items for 2003 were as follows.

Table 14.6 Government receipts

Government Receipts	AUD (000)
Personal Income Tax	6,003
Corporate Tax	3,448
Import Duties	17,767
Fishing Licences	30,118
Fees and Incidentals	2,986
Other	113
Sub Total	**60,435**

Source: Kiribati Statistical Office 2005

No data was available in the central government accounts on RERF receipts into the Central Government budget, or Development Aid to the main budget. The separate RERF listing indicates that the drawdown may have been AUD 5.5 million.

However, Government Expenditure for 2003 was listed as AUD 83.013 million. By major items this was as follows:

Table 14.7 Major Items of Government expenditure

Government Expenditure	AUD (000)
Wages and Salaries	32,032
Provident Fund Contributions	2,400
Purchase of Goods and Services	40,275
Subsidies	3,542
Transfers to Households	2,118
Other	2,646
Total Expenditure	**83,013**

Source: Kiribati Statistical Office 2005

These figures do not seem to include Development Fund spending. This was listed separately as involving AUD 40.562 million in project funds, of which AUD 13.860 million came from the Kiribati Government, and AUD 26.882 million from donors. At this stage it is unclear whether the overall Central Government accounts were still in surplus in 2003, of if there was a deficit.

Data on the separate RERF Account indicates that the assessed value of the fund rose almost continuously between 1985 and 2001, reaching a total of AUD 668.6 million in the latter year. By 20003 however the indicated value of the Fund was down to AUD 600.5 million. It is not clear whether these changes represent asset revaluations or the impact of draw-downs from the Fund in the intervening period, as the detailed items listed in the RERF summary account are incomplete and do not reconcile with the totals listed.

Clarifying the issue of the actual combined government position is important in terms of identifying the resources available to fund Social Assistance.

14.4.4 Local government

In addition to central government spending the island council local governments spend some money raised from their own revenues and central government transfers. However, this spending amounted to only AUD 2.449 million in 2003.

14.4.5 Government expenditure by functions

The biggest government expenditures in Kiribati were on Education and Health, which together comprise around 40 per cent of Central government spending. Totals for 2003 were as follows: The *other*s item appears to include AUD 6.683 million transferred to the Development Fund. The source of the balance of the Kiribati contribution to the Development Fund is currently unclear.

Table 14.8 Government spending

2003 Spending	*AUD (000)*
Executive and Legislation	*5,747*
Finance	*2,262*
External Affairs	*1,115*
Police	*6,198*
Law	*577*
Education	*19,891*
Health	*13,160*
Welfare and Environment	*2,410*
Community and Culture	*1,670*
Agriculture and Fishing	*1,845*
Construction Affairs	*2,680*
Communications	*3,120*
Commerce	*1,000*
Labour affairs	*1,980*
Others	*19,358*
Totals	***83,013***

Source: Kiribati Statistical Office 2005

14.5 Social security and social protection in Kiribati

Kiribati has only some of the ILO social security programmes, and for the contributory programmes only part of population is covered. This is because less than a quarter of the economically active population are employed in the formal sector of the domestic economy. Otherwise I-Kiribati rely mainly on the extended family and community as a source of support for coping with difficulties involving loss of livelihood.

The informal assistance mechanisms are described in more detail in the separate 2005 ILO report *Traditional Social Protection Systems in the Pacific – culture, customs and safety nets* (ILO Suva 2005). These include the role of the Utu (extended family), Karekare (turn taking with non kin), Kabeabea (casual assistance), and a range of other contributions based to a high degree on reciprocity.

Formal Social Security includes the following.

14.5.1 The Provident Fund

The Kiribati Provident Fund has about 33,000 account holders. However, only about 9,000 of them are currently active contributors, and this figure now includes some overseas seamen who make voluntary contributions. Otherwise, membership of the fund is compulsory for employed persons aged 14 years or more earning AUD 10 or more per month. About two thirds of members appear to be employees of the broadly defined public sector, and most of these are

located on South Tarawa. Contribution rates are 15 per cent of wage or salary. Of this 7.5 per cent is paid by the employee, and 7.5 per cent by the employer.

The main benefit of the Provident Fund is a lump sum retirement benefit, which can be taken from age 45 if retired from employment. Other grounds include incapacitation and permanent migration.

The contribution money and accumulated earnings is *locked in* and currently no small loans program exists for members. However, the banks will take Provident Fund balances as collateral for lending for Housing and Education fee purposes of amounts up to 70 per cent of the balance value.

Death Benefits of up to AUD 1,500 per member are available, but the cost of these is deducted from the member account balance. Other people can also obtain a death benefit type insurance cover from the Fund in return for the payment of an annual fee.

Transactions with members in the outer islands are handled by the island councils, who remit funds collected and act as payment agents.

14.5.2 Senior citizens pension

Government pays a universal pension at age 70 to all resident I-Kiribati. The amount of the pension is AUD 40 per month. On South Tarawa the pensions are collected in person from a central office, but in the outer islands the island councils act as payment agents.

The funds transfers occur through the existing state and island funds processes that are continually replenished through the government finance cycle. The allocation for 2004 was AUD 1,200,000. On 1 May 2004 there were 1,500 pensioners and on 1 October 2004 the number of current pensioners had increased to 1,974. The 2000 census showed that there were 1,638 persons aged 70 or more in age.

14.5.3 Work injury

An employer liability scheme exists for workers earning AUD 4,000 or more per year who are affected by work injury. Benefits paid include short term cover for loss of wages, and lump sums for permanent disability. Employers are encouraged to insure, but this is not actually mandatory in the present legislation. This is under review. In the case of disputes the employee must take the employer to court to obtain payment.

14.5.4 Sick pay

Government workers get up to 5 days Sick Pay per year on a case by case basis. Compassionate leave may also be granted. This is not compulsory in the private sector, but some private employers also grant Sick Pay.

14.5.5 Maternity leave

Women employees in the public sector also receive paid maternity leave of up to 12 weeks, 6 before and 6 after confinement.

14.5.6 Health care

Health Care is provided free in public facilities. However, the range of treatments is limited to primary care on most islands, with secondary care in the main hospital on South Tarawa. More serious cases require medical evacuation to Australia, New Zealand or Fiji. Government pays for some cases of medical evacuation on the basis of strict criteria.

14.5.7 School fees

Tuition is free in government schools up to year 9, though some charges may apply in church schools. Beyond year 9 fees are payable for secondary schooling.

In the case of orphans living with relatives, or children whose parents are incapacitated the government may pay the school fees concerned. The Social Welfare Division of the Ministry of Internal and Social Affairs assesses these on a case by case basis.

14.5.8 Other provisions

There is a small disaster relief fund which provides assistance for rebuilding or reconstitution of land following storms or other natural disasters. This is a small fund, with a current allocation understood to be about AUD 100,000 only.

As the main populated islands of Kiribati are near the equator, they lie outside the northern and southern cyclone belts. However, other storms do damage from time to time, and assistance may be granted to those affected.

The Social Welfare Division also deals with a variety of cases of domestic abuse, family split and child problems. Its approach is to seek appropriate reconciliations, the institution of maintenance payments, or child placement with extended families. No cash benefits are paid other than the school fees referred to above.

Disaster relief plus school fee assistance to orphans are probably the only Kiribati programs which can currently be classified as social assistance.

14.6 Sector issues of social assistance

The needs gaps which social assistance measures might fill are summarised on a sector by sector basis.

14.6.1 Education

The last published education data is for the year 2001, at which date Kiribati had 29,083 students at all levels of education. Of these 24,676 were in government educational institutions. Data by levels of education were:

Table 14.9 Enrolments by education level

Education Level	No.
Primary	16,096
Junior Secondary	5,743
Secondary	5,743
Teachers College	198
Tarawa Technical Institute	1,303
Total	**29,083**

In addition there were 129 students studying overseas.
Social assistance issues relate to the fact that a significant minority of children still do not attend school or drop out early. The census figures for the year 2000 (Table 14.12) showed the following pattern.

Table 14.10 School attendance

Age Group	% at school
5-9	92.1
10-14	92.7
15-19	57.4

Even where tuition is free, around 7 or 8 per cent of children are not enrolled at school. The biggest drop out rate of those previously enrolled occurs at the stage secondary school fees become payable.

If Kiribati is unable to afford free universal secondary schooling, then an option is to use Social Assistance measures to target education subsidies in the form of fees remissions to children from low income families. This could involve an expansion of the activities of the Social Welfare Division.

A second issue is the fact that tertiary education is only available on South Tarawa. It is not clear how much of a problem this is since most families now have some relatives on South Tarawa, and young adults may move in with them to attend tertiary classes.

Education issues ranked fourth in the *Top 3 Priorities* for social security in the ILO Informal Economy and Formal Employment Sector Survey. Hence it ranks about mid level in terms of priority focus.

14.6.2 Health

Kiribati is still at the stage of development where infectious diseases and accidents dominate the health statistics, though this is beginning to change. Anaemia and Vitamin A deficiency also figure amongst the significant health statistics. Only limited numbers of non-communicable diseases such as hypertension or diabetes are currently being recorded, though the numbers are beginning to grow.

While life expectancy is rising, the impact of past mortality situations is still very visible in the demographic statistics. For example in the 2000 census the 26,223 women aged 15 and above recorded having a total of 8,075 dead children between them, as against 64,338 living children.

In terms of health services the existence of free health treatment largely rules out the need for social assistance with available primary health care. The real problem is the lack of facilities for secondary care and in some cases primary care on most of the islands, since the main hospital is on South Tarawa. Also, tertiary or specialist health care for all I-Kiribati can only be obtained by medical evacuation or visiting specialists.

There is no easy answer to these problems. The small size of most of the atoll populations rules out local availability of much more than basic health services.

It is not clear if social assistance or universal provisions are the best options for providing for inter island health treatment transfer and/or overseas medical evacuation for the low income majority of the population. On South Tarawa medical insurance may be a viable option for the employed population. However, in the informal economy survey Health Insurance ranked second to bottom in the listing of the top three priorities. This may be because of the absence of user charges for the public health services currently available.

Malnutrition amongst part of the population is also an issue which needs to be addressed. Some type of selective food assistance to very poor households where malnutrition is diagnosed could be considered. This would need a joint medical and financial assessment, since malnutrition is sometimes the result of poor eating habits rather than inadequate income.

14.6.3 Death/Life insurance

Access to a death benefit ranked third amongst the top three priorities in the informal economy survey. This may be because of the visibility of the death benefit currently available to provident fund members to help pay for funeral and other costs.

Despite this high ranking it is not suggested that this is an appropriate priority for social assistance funded by government.

Rather, this could be a selling point for getting people in the informal economy with significant cash income to join the provident fund. It is also an option for insurance companies to expand their business.

14.6.4 Unemployment

The desire for some form of unemployment benefit was a lower middle priority for those in the informal economy survey.

Unemployment has an uncertain meaning in most of the Kiribati atolls since those concerned have the option of involving themselves in informal production activities by accessing the existing land and sea resources. However, it has a more real meaning on crowded South Tarawa where access to natural resources is now more limited, and more cash income is needed to get by.

With over three quarters of those economically active involved in the informal economy, it is difficult to see how the desire for an unemployment benefit for those in the informal economy could be met. It would be possible to add a short term contributory unemployment insurance benefit to the provident fund functions by increasing the contribution rates. However, this would only benefit insured people working in the formal economy, and not those in the informal economy.

There may be some scope for social assistance in the form of food and education aid for the poorest families, who are likely to include those whose economically active members are unable to obtain employment.

14.6.5 Maternity

A maternity program, presumably in the form of paid maternity leave was the top priority in the informal economy survey. This may be because of the visibility of paid maternity leave in the public sector.

This seems to be a case for insurance cover or employer provision for employees in the private sector. It would be possible to add this as a program to the provident fund programs at the cost of an extra contribution, and to market the program also to women in the cash earning part of the informal economy.

It is not clear how this approach would work with women in the subsistence and semi-subsistence parts of the informal economy, since cash earnings and loss of cash earnings are harder to evaluate, and there may be little capacity to pay contributions. It might be possible to roll this need into any general social assistance measures to the very poor.

14.6.6 Housing

Housing standards in Kiribati are fairly basic, and the cost of obtaining land and constructing a house is a particular problem for those moving to South Tarawa. In the outer islands most people have traditional land and more access to local building materials, and Kiribati communal traditions provide for assistance with house building on a reciprocal basis

The actual composition of the housing stock by type of construction at the 2000 Census was listed

as follows. Local materials of wood and thatch predominated.

Table 14.11 Housing construction

Construction type	Number
Permanent Materials	2,770
Local Materials	7,907
Combination	1,932
Totals	12,609

Lightly constructed traditional housing is viable in Kiribati because of the warm climate. However, it needs to be rebuilt more frequently because of the impermanence of the materials. Possibly more important from a welfare point of view for the majority of the population was the household access to clean water and toilet facilities. For the 12,609 households surveyed the toilet situation was as follows. Some households evidently had two or more options

Table 14.12 Toilet types

Type of Toilet Used	Number
Flush Toilet	2,929
Sealed Latrine	3,758
Attolette	366
Lagoon Beach	5,616
Ocean Beach	5,363
Other	3,440

In terms of water sources, the following situation prevailed. Again, some households have multiple water sources.

The combination of water supply and toileting options partly explains why infectious diseases are still common in Kiribati.

Table 14.13 Household water sources

Main Water Source	Number
Rain Water	1,880
Pipe Water	5,347
Open Well	6,898
Protected Well	3,137

The housing problem contains two separate problems:

- How to fund housing provision for migrants on South Tarawa; and
- How to upgrade water and toileting facilities more generally.

For the first problem it may be desirable to contemplate some type of Government funded concessional housing lending program. This might need to extend to North Tarawa which is connected by bridge to South Tarawa, since South Tarawa is now nearly built out. It is recognised that there is a counter argument that people should be discouraged from migrating to South Tarawa if they are unable to support themselves there.

For improving the water supply and toileting systems it will require a balance between addressing the issue in terms of community water supply and sewerage systems, and upgrading the facilities of many individual households. At the household level a concessional loan or grant scheme might be needed to accelerate the upgrading of water supply and toileting provision.

14.6.7 Work injury

Work Injury cover was the lowest ranked of all the social security needs mentioned in the informal economy survey. This may be partly because medical care is now provided free by public facilities.

Income loss in the informal economy is difficult to measure. However, there may be a case for marketing work injury insurance to self employed cash earners in the informal economy. This could be an option either for the Provident Fund or the Insurance companies. Otherwise, the issue merges into the wider issue of whether households without viable earners need some form of social assistance.

It should also be noted that the work injury provisions in the existing law for formal sector employees need to be strengthened.

14.6.8 Aged/Retirement

Old Age/Retirement Provision ranked amongst the top three priorities in the informal economy survey. This is slightly puzzling since Kiribati already has a universal senior citizens pension, which goes to all in the informal sector as well as the formal sector. It also has a strong extended family system which traditionally looks after the elderly. Possible explanations for the priority listing include the attraction of the lump sums in the Provident Fund scheme, and the difficulty of living on the AUD 40 per month if household needs have to be met by cash spending. Cash

Earners could be encouraged into self provision through joining the Provident Fund.

For the majority in the informal economy with low cash earnings it may become necessary in the long run to pay some type of social assistance benefit to very poor older people on top of the existing low universal pension.

14.7 Summary

Kiribati has only some of the formal social security programmes included in the ILO range, and only part of the population are covered by these existing programs, since the majority of economically active I-Kiribati are involved in the informal economy rather than formal employment.

Many of the areas covered by formal social security in developed countries are met in Kiribati by informal social protection operating through the extended family and community. This is likely to be the case for some time into the future. However, unmet needs in some areas are evident, and the extended family itself is under some pressure as the Kiribati population urbanises and adjusts to a predominantly cash economy.

Extending the range of formal social protection and social security to meet unmet needs involves some choices. Options for the government of Kiribati include:

- Expanding the range of mandatory contributory programs for the formal sector,
- Promoting more contributory programmes to cash earners in the informal economy,
- Opting for more universal public provision funded from public revenues, and
- Using a selective Social Assistance approach for meeting some needs on a targeted basis.

The choice of best options is a complex one, more so because of the majority informal economy situation of most of the people of Kiribati, and the fluid boundaries of extended families. Also, the actual fiscal capacity of the Government of Kiribati needs some clarification. However, areas where a targeted Social Assistance approach may be desirable include:

- School fee assistance to poor families whose children cannot afford to attend school,
- Food supplement assistance to poor households where malnutrition is diagnosed,
- Concessional loans or grants to low income households to help upgrade water supply and toilet provision, and
- Some supplementary cash assistance to households without viable income earners.

Chapter 15 Employment Injury Schemes: Principles

15.1 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 *workers' 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.[90] 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

[90] Report V (1) Recording and notification of occupational accidents and diseases and ILO list of occupational diseases. International Labour Conference, 90th Session 2002

15.2 Concepts, principles and standards of workers' compensation protection

15.2.1 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.[91] 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.

15.2.2 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 workers' 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

[91] Social Security Systems throughout the World 2003, Social Security Administration, USA and ILO sources.

contingencies found in the relevant ILO conventions,[92]

- 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 15.5 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.[93] 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.

15.2.3 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.

15.2.4 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 for work injury 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).

15.2.5 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

[92] 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).
[93] Social Security Programs throughout the World-the Americas 2003" (USA Social Security Administration)

this extended cover from September 2003 and began to collect a contribution from insured workers of 1 per cent of insurable earnings to finance it. The initial results in terms of claims for non-work-related accidents indicates the potential importance of this change in Samoa, as explained in detail in Appendix 15B

15.2.6 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.

15.3 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 *Workers' 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 15.1 ILO Conventions concerning employment Injury

Convention No.12	Workers' compensation in Agriculture, 1921 (revised by Convention No.121)
Convention No.17	Workers' compensation for Accidents, 1925 (revised by Convention No.121)
Convention No.18	Workers' compensation for Occupational Diseases, 1925
Convention No.19	Equality of Treatment for National and Foreign Workers as regards Workers' compensation for Accidents, 1925
Convention No.42	Workers' 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 and 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 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, 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 15.10.

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 15.2.

Table 15.2 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 9 on accident prevention and rehabilitation.

15.4 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. The following table shows the prescribed rates for employment injury and for equivalent contingencies on the basis of standard beneficiaries

Table 15.3 Rates of periodical cash benefits (percentages)

Contingency	Standard Beneficiary	Minimum Standard	Higher Standards	
			Convention	Recommendation
Employment Injury • 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 $6^2/_3$ 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.

15.5 Structure of workers' compensation schemes

15.5.1 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.

15.6 Coverage

15.6.1 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 15.5, 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 15.6). The prospect is of further extensions of coverage in those countries which have yet to include the smaller enterprises in their schemes.

(ii) 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 persons' 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 15.9) 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.

15.7 Definitions of employment injury

15.7.1 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.

15.7.2 National examples

Table 15.7 contains some national examples of the main definitions in use in 7 European countries and two 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 Workers’ 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 have 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.

15.7.3 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 employer''
s 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 the 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 excludes 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

15.7.4 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."

15.7.5 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).

15.8 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.

15.8.1 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, sanitoria 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, constitute 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 15.8 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 15.9, 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.

15.8.2 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 require 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 Conventions[94] 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 15.8 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 15.9, 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 disabilities 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

[94] The Social Security (Minimum Standards) Convention, (No. 102 of 1952) and the Employment Injury Benefits Convention (No.121 of 1964).

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 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 to100 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 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 15.9; 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 15.8 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 15.5 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.

15.9 Financing of the scheme

15.9.1 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 original design stage and at regular intervals in order to assess the actual experience and adjust projections for the future.

15.9.2 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 15.5 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 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 15.1 An experience-based premium system in the workers' compensation insurance of 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 rage 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.

15.10 Accident prevention and rehabilitation

15.10.1 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 15.4 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 facilitator[95]. Thailand also allows the workers' compensation scheme to support prevention. The Workers' 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 ISSA[96] 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.[97] 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

[95] "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.

[96] ISSA International Social Security Association

[97] 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.

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.

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.

As explained in Appendix 15B, 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.

15.10.2 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 operates 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.

15.11 Reform and development of workers' compensation schemes

15.11.1 Planning of reforms

This Part addresses the issues of the reform and development of worker's 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 affect the desired types of change.[98]

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. 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.

15.11.2 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.

15.11.3 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

[98] *Conditions for implementation of reform of a work injury scheme*, Joachim Breuer, ISSA Conference Towards sustainable social security systems, Limassol, Cyprus, November 2003.

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 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.

15.11.4 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.

15.11.5 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 15.5 Coverage and contribution rates for workers' compensation schemes in selected countries

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)(SI)	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 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 15.6 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 15.7 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 15.8 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 1st 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 15.8 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 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 for15 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 15.9 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 AUD25,000, 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 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 Appendix 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.

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(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 NPF 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 125 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 percent 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 disability 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 of the Act with the Minister of Labour designated as chairman and 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 and solicitor, one a doctor, one a public accountant and two other persons who are acquainted with the customs and traditions of Samoa as members. The ACC organisation chart is at Figure 16B.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 while 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 which was as a result of 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 15.10 below.

Table 15.10 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 is payable or pensions to survivors. The ACC has progressively extended pensions protection linked with lump-sums in the case of serious permanent disability 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 15.2.

Box 15.2 Tito's repair and brick businesses-survival strategies after permanent total disability

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 he had a legal duty to support in whole or part at the time when the dependency has 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.

The compensation for minors is paid into trust accounts with the guardian and ACC Manager as co-trustees of the accounts. 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 15.3

Box 15.3 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.

(iv) Accident prevention

Accident prevention is a primary aim of the ACC and it works closely with the responsible government bodies which is the Department of Labour in the field of workplace safety, and for specified conveyance accidents, members of the National Road Safety Committee. 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 15.1 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 as 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 SINPF 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 15.11 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 15.11 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 enable 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 days 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 15.13 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 future.

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 considerations 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 15.13 also 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 15.12 Total formal sector employment

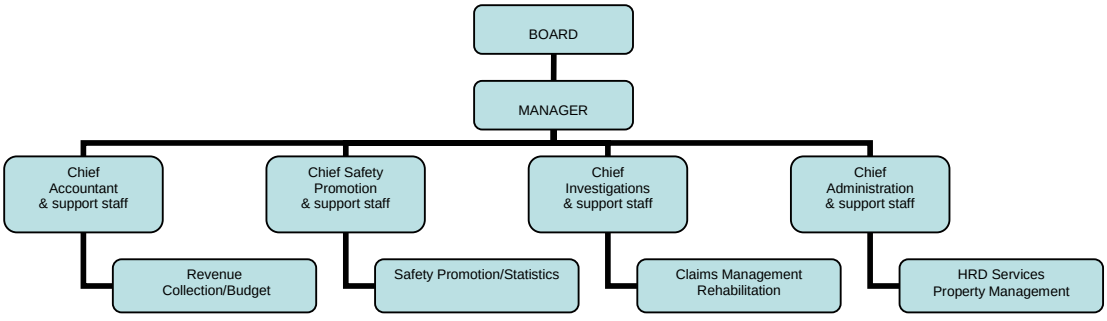
Sector	Male	Female	Total
Private sector employees	7,132	5,036	12,163
Public service employees (permanent)	2,119	1,618	3,737
Public service employees (casual/ temporary) (male/female are estimates only)	750	509	1,259
Total	**10,001**	**7,163**	**17,164**

Table 15.13 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

Figure 15.1 ACC organisation chart



Chapter 16 Workers' compensation in Kiribati

16.1 Introduction

A tripartite stakeholder workshop was conducted in Tarawa from 13-19 May 2005 to respond to a request made by the government for ILO technical assistance in the field of workers' compensation insurance and unemployment insurance which had been rated as the top priority social security needs in the formal employment sector survey conducted earlier by the project.

The principal objective of this study was to assist the government and key stakeholders to understand the issues relating to workers' compensation schemes and to assess the feasibility of improving the existing employer liability scheme in Kiribati.

16.2 Kiribati workers' compensation

16.2.1 Overview of the legislation

The legislation that determines workers' compensation in Kiribati is the Laws of the Gilbert Islands Revised Edition 1977 Chapter 102, Workers' compensation[99]. Amendments were made to the act in 1986, 1994 and 1998 and the major changes related to upgrading injury scales and minimum and maximum lump sum payments. The Workers' compensation Ordinance (dating back to 1949), despite being amended from time to time, embodies the principles and practices in respect of Workers' compensation of that era. These include the following:

- The Ordinance 1949 covers "workman" defined as persons working under contracts of service or apprenticeship with employers whether in respect of manual labour or clerical work and whether or not the contracts are expressed or implied ,written or oral but with the following main exclusions:
  - Any person employed otherwise than by way of manual labour whose earnings exceed a prescribed annual sum, currently AUD 10,000 per year,
  - Casual workers employed otherwise than for the purposes of the employer's trade or business,
  - Outworkers and Tributers, and
  - Members of the employer family dwelling in his house.
- The concept of *employer liability* for personal injuries sustained by accidents arising out of and in the course of the employment,
- *Lump sum benefits* for death and disability related to earnings and subject to financial limits,
- No *provision for medical care* on the assumption that a full range of treatment including surgical operations will be provided free by public health services, and
- No requirement for *compulsory insurance* of the liability.

The Ordinance does have 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. However the Ordinance seems to preclude travel in private vehicles as the driver presumably would be covered by motor vehicle accident policies. 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.

The most recent amendments were in 1994 and 1998. The former changed the maximum for death compensation to AUD 25 000 from $A 12 500. The benefits are as follows:

- Temporary incapacity benefit is payable after 3 waiting days at the rate of 100 per cent if the earnings are AUD 40 a month or less, 75 per cent for monthly earnings of over AUD 40 but not exceeding AUD 60, and 66 $^{2}/_{3}$ per cent for earnings higher than AUD 60 per month subject to a maximum of AUD 330 per month, where incapacity lasts for more than 3 days TDB is payable for the whole period
- Permanent total incapacity is payable as a lump sum of 48 months earnings or AUD

[99] The term Workmen's is outdated, reflecting the origins of the legislation, however the more correct and modern term of workers' compensation which includes both sexes will generally be used in this section except where direct reference is made to the legislation.

25 000 ,whichever is less, and where a requirement for constant attendance is certified, another 25 per cent is added for this purpose

- Permanent partial incapacity benefits are proportionate to the benefits for permanent total incapacity so that for example assessments of 50 per cent attract benefit of 50 per cent of the maximum of 48 months earnings or AUD 25,000 whichever is the lesser, and
- Eligible dependants who are defined as members of the family dependant upon the deceased receive death benefits of a lump sum of 48 months earnings or AUD 25,000, whichever is less, at the discretion of the Court which is empowered to distribute the compensation

A Schedule is attached to the Ordinance listing the percentage of incapacity for each type of injury. There is no comparable schedule of occupational diseases. The Ordinance empowers the Minister to declare diseases as within the operation of the Ordinance but none have been so declared. It is assumed that the nature of the economy leads to few risks in this sphere but no enquiry has been undertaken into this question.

Although not explicit in the legislation government employees including agencies and government owned enterprises are covered for workplace injury and illness by the government through its general revenue. However, a number of government enterprises insure staff in high risk occupations under KIC policies. Employers are not obliged to hold appropriate insurance policies that cover their workers although the workers' compensation Act empowers the Minister of Labour to order any employer or class of employers to hold appropriate insurance cover. Also exempted from responsibility for workers' compensation are family members, share croppers and sub-contractors. Based on the 2000 population census, the number of workers employed in the private employment sector represents about 23.3 percent of the formal sector labour market (about 2,201 employees). Under the definitions in the legislation most informal economy workers would not be covered by this legislation. The only consolation for employees is that free medical care is provided for all residents including evacuation to neighbouring countries where this is deemed essential.

The logic for exemption of the public sector employees needs to be explained as they represent the largest component of the formal sector workforce representing about 7,246 workers or 76.7 percent of the formal workforce. Although internal workers' compensation provisions cover most of the public sector employees, the total cost of this should be compared with the cost of equivalent policies provided by the insurer. Exempting the public sector from the insured pool serves to reduce the size of the insured pool, increase the risk and tend towards adverse selection of the blue-collar occupations where traditionally claims are higher due to the higher risk and nature of the work. Including public sector workers in a compulsory workers' compensation scheme could spread the risk and group policies from the Kiribati Insurance Corporation could provide attractive premiums for government workers. The cost of providing current services including the cost to the health system, administration and the effect on workers' compensation premiums in general needs to be factored into the equation.

16.2.2 Kiribati Insurance Corporation

The government owned Kiribati Insurance Corporation has a monopoly on insurance in the country and currently provides workers' compensation premiums for about 25 employers, covering about 500 – 600 employees. The Ministry of Finance is in charge of the financial regulation of the insurer in terms of reserves, risk and investment guidelines and ML&HRD is responsible for the compliance and workplace safety elements of the scheme. The table below summarises the scope of Kiribati Insurance Corporation classes of business, premiums written, claims and recovery. Full details of Kiribati Insurance Corporation activities in workers' compensation insurance are also discussed in section 4.9.2 and 4.9.3.

Table 16.1 Kiribati Insurance Corporation premiums and claims 2002/03

Class of Business	Gross Premiums		Actual Claims Paid
	2003	2002	2002
Aviation	303,434	444,947	0
Fire and Allied perils	78,861	137,798	400
General accidents & liability	96,877	103,507	5,235
Marine & aviation			
Marine cargo	47,652	100,821	2,346
Marine hull	267,935	101,189	34,951
Motor vehicle	456,388	511,828	239,085
Workers' compensation	67,283	76,820	0
TOTAL	**1,318,433**	**1,476,912**	**282,019**

Source: Kiribati Insurance Corporation November 2004.

Current estimates for the insurance operation for 2005 are provided in Table 4 below. In many classes of insurance the growth in premiums is negative and workers' compensation premiums have declined each year. The returns to Kiribati Insurance Corporation appear to be substantial until the re-insurance factor is taken into account. The small insured pool in Kiribati in all classes of insurance requires that they must be re-insured and the table provides estimates of the premiums

.

Table 16.2 Estimates for 2005

Class of Business	Estimated Premiums	KIC Retention	Quota Share	Surplus treaty	Facult-ative	Estimated Re-insurance	Comm	Tax	Recov-eries	Net Reinsur-ance Premium
Aviation	160,000	0			160,000	160,000	24,000	6,800		129,200
Fire and Allied perils	150,000	50,000	20,000	30,000	50,000	100,000	20,000	4,000	1,500	74,500
General accidents & liability	110,000	45,000	20,000	15,000	30,000	65,000	13,125	2,593	1,500	47,781
Marine & aviation		0								
Marine cargo	50,000	30,000	15,000	5,000		20,000	5,000	750	7,500	6,750
Marine hull	60,000	60,000	0			0				0
Motor vehicle	450,000	310,000	130,000	10,000		140,000	36,000	5,200	78,000	20,800
Workers' compensation	65,000	40,000	20,000	5,000		25,000	6,000	950	1,500	16,550
TOTAL	1,045,000	535,000	205,000	65,000	240,000	510,000	104,125	20,293	90,000	295,581

Source: KIC November 2004.

Kiribati Insurance Corporation has about 14 employees, inclusive of supporting staff. It has identified staffing as a key development issue given the expertise needed to operate an insurance company. It receives regular technical advice from an Australian AESOP[3] volunteer on actuarial matters. Data organization has also been identified as a top first priority and is restricted due to the unavailability of local IT expertise.

The benefits to the government of implementing compulsory workers' compensation may be considerable, especially as the cost of medical care is usually borne by the workers' compensation fund and not the government medical system. The effect of this would be to shift some of the cost away from the public health system to allow more funds for improvements to critical health services. Whilst the reasons for injuries are recorded at source of treatment i.e. at medical clinics or the hospital, these data are not encapsulated in the Ministry of Health statistical records. Including the reason for injuries in the health returns and segregating the data by formal or informal employment would identify the scale of workplace injury and its impact on the health system.

16.2.3 Workers' compensation scheme in practice

The ML & HRD receives claims, calculates the compensation due and notifies the employer of the compensation due to the worker. No database is maintained as yet to produce statistics from the claim forms. A rough estimate by ML & HRD in 2002 suggested that about 100 claims per year were reported, however a full count of the reports

[3] Australian Executive Service Overseas Program

for 2000-2004 during this mission produced a total of only 53 accident/injury reports for this period of which only one concerned a female worker.(see Table 5 below). Due to the absence of Occupation Safety and Health (OSH) legislation (the draft Bill is expected to have a First reading in December 2005) there is limited scope for action by ML & HRD.

Kiribati Insurance Corporation workers' compensation premiums vary from 0.1 percent of salary for low risk occupations such as office workers to 9 percent for the higher-risk cases. A special rate of 6 per cent has been struck for merchant seaman.

The recent claims experience is as follows:.

Table 16.3 Workers' compensation insurance 1998- 2003

Item	1998	1999	2000	2001	2002	2003
Number of employer policies	41	40	41	30	29	25
Total premiums	$31, 250	$54,282	$67,882	$87,272	$76,820	$67,283
Total claims paid	$3,000	$3,667	$772	nil	nil	nil
Outstanding Claims	nil	nil	nil	$25,000	nil	nil
Net re-insurance premium					$23,909	$20,348

Source: Kiribati Insurance Corporation, Nov 2004

From these figures it appears that the accident incidence is very low (none in 2002 or 2003) and that Kiribati Insurance Corporation had a large profit margin. Over the 6 years to 2003, Kiribati Insurance Corporation received a total of AUD 384,791 in premiums and paid out only AUD 32,440.36 or 8.43 percent in compensation. However, after allowances are made for reinsurance (which is about 31 percent of gross premiums) and the allocations for future liabilities, the payout against premiums increases to about 39.43 percent. Administrative overheads would reduce this excess slightly, however, this still may be seen as excessive for this sector; in fact, Kiribati Insurance Corporation has previously stated that some of the profits may be paid to the Workers' compensation Scheme although no provision exists for operating such a Fund.

The ML & HRD maintains a manual register of all claims that are reported under the terms of the workers' compensation legislation i.e. where the illness or injury caused incapacity for work for more than 3 days. The following table shows the reportable cases for 2000-2004.

Table 16.4 Reported workers' compensation injury claims 2000-2004

Claims	Male	Female	Total
Government	25	0	25
Private	17	1	18
Others/unknown	10	0	10
Total claims reported	**52**	**1**	**53**

Source: Ministry of Labour & Human Resource Development, May 2005

The workplace accident and illness claims appear to be unusually low given the nature of much of the work in Kiribati, particularly among the manual workers and tradesmen and the fact that most people in Kiribati do not use substantial footwear and most go barefooted. That there are so few reported injuries in the workplace needs to be explained , especially given that injuries and poisoning are among the five highest causes of morbidity in Kiribati with an incidence of 2,392 cases per 100,000 of the population[100]. This represents at least 2,000 cases per annum, some of which are likely to be caused by workplace accidents. Additional data from the *Kiribati Statistical Yearbook 2002* identified in its latest data (1999) that there were 18,474 wounds and sores and 261 motor vehicle accidents. That so few of these were work related seems surprising.

It is possible that the low injury rate is correct and workplaces are relatively safe, but there is no active OSH program and low rates of workplace inspection so this is unlikely. One of the factors is that significant numbers of workers may not have the status of contracted employees which would qualify them for protection under the Act. Another possibility is that as a result of the voluntary insurance provision in the legislation, employers and employees come to some private settlement and thus bypass the minimum benefits requirements in the worker's compensation legislation. The cultural traditions of I-Kiribati where confrontation is not common, particularly between employers and employees, may also affect the statistics as the traditional method of restitution includes a personal apology and some offer of recompense to the person deemed to have been wronged. It is not normally acceptable to rebuke this offer and it is likely workplace

[100] Ministry of Health Statistics Unit 2002

injury compensation falls under these traditional customs. Another reason for the low rate of claims is the lack of understanding of the provisions of the legislation by small employers in particular, and by the bulk of employees.

In the absence of an effective and high profile OSH program and publicity on the existing Workers' compensation provisions, it is unlikely that the traditional systems will change. These systems tend to disadvantage workers by under-compensating them in what is now a high-cash based society in Tarawa where partially of fully disabled workers may not be able to rely on extended families for complete income support and rehabilitation. This will certainly be the case in the immediate future as the society rapidly changes.

16.2.4 Relevant ILO standards

To provide the perspective for assessment of the scheme, this section outlines the relevant ILO standards

The earliest ILO Conventions on this branch of social security referred to "workers' compensation" but this term was replaced by "Employment Injury" reflecting the extension of protection from the original focus on manual workers in factories and mines to cover all types of workers and the expansion of female employment. A gradual evolution took place when the social security instruments were modernised in 1952 and 1964 with the adoption of the Convention No.102 Minimum Standards of Social Security, 1952 and Convention No.121, Benefits in the Case of Employment Injury, 1964 which 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 disablement 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.

The present workers' compensation Scheme falls significantly short of such standards notably in the deficiencies in the medical and cash benefits.

Cash benefits paid in the form of lump-sums do not meet the requirement that they are paid throughout the contingency in the form of pensions that should be provided to permanently disabled persons with more than a minor degree of loss of earnings capacity (such as 20 per cent or more) and to surviving family members of employees who die from an accident, and maintained in value thereafter. Lump-sums are particularly ineffective for widows and children compared with the guaranteed payment of pensions to surviving spouses and children that may ensure that children can remain in school instead of leaving to engage in income-earning activities. In addition, gender issues may arise in the system of distribution of compensation in the event of death of workers.

Medical care should be provided for the purpose of *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 suffering from an occupational disease.

(i) Accident prevention and rehabilitation

Provisions of Convention No.121 (Article 26) require actions on accident prevention and rehabilitation of accident victims. 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 and are not found in employer liability systems of this type.

16.2.5 Assessment of the Scheme

The current scheme in Kiribati relies on the over-stretched public health services for medical care and pays lump-sum benefits which are usually quickly spent leaving the beneficiaries in need of family and government support which is an outcome that underlines the necessity of change. Moreover, the workers' compensation Ordinance has no mandate to support the prevention of occupational risks or the rehabilitation of disabled workers. However draft Occupational Health and Safety legislation has been prepared to minimize the occupational risks and overcome one of the key weaknesses in the current Ordinance. This underlines the fundamental difference between this Ordinance and the social insurance approach which has the potential to adopt a positive stance towards a role extending beyond compensation.

Insurance of the liability is voluntary which may well mean, judging from experiences in similar countries, that some accidents go unreported in enterprises with insufficient resources to pay high amounts of compensation, and undisclosed settlements are made that can only be below legal requirements. In a voluntary scheme these occurrences often hide the true nature of workplace injury. In addition a significant percentage of the premium income is lost to the system through reinsurance and profits whereas a social insurance fund would conserve all income for the purposes of the Act. Under the financing system adequate reserves should be maintained and furthermore the legislation should contain a government guarantee against a temporary shortfall due to exceptional circumstances that would allow the scheme time to meet all obligations and to collect higher contributions if needed. The main objective has been to:

- Provide pension benefits throughout the contingency for death and permanent disability cases, since these cannot be provided by individual employers;
- To ensure that a full range of medical care, including rehabilitation, is available without charge to injured workers; and
- To provide support for accident prevention and OSH activities.

Furthermore, the inhibitions of workers who have to claim from their employers are removed when the social insurance fund is responsible for the benefits and usually there is a rise in claims on a regular basis, indicating the extent to which the actual levels of workplace accidents have been concealed under the Employer Liability systems.

A further defect of this type of Ordinance is that amendments to update compensation in relation to the decline in value through inflation are infrequent because necessary changes wait years for enactment. Consequently, the amendment in 1994 doubled the maximum sums for death and

total disablement resulting in excessive disparities in compensation between cases occurring just before and just after the date of change. This is likely to recur when the Ordinance is again amended for this purpose in view of the lapse of time since 1994.

It is evident that under the current system of workers' compensation there are insufficient controls and data to guarantee that all workers in Kiribati receive adequate compensation for workplace injuries. It is also evident that the contribution to national workers' compensation is not evenly applied to all employers and those that do insure their workers may be placed at comparative disadvantage to those employers who attempt to cover the risk out of their own resources.

The existing system has a number of weaknesses and the responsible authority for workers occupational health and safety and the workers' compensation program (ML & HRD) is unable to carry out its responsibilities due to lack of suitable management information. As a result of this the Ministry is currently unable to advise the government on issues such as:

- The number of workers with reliable workers' compensation cover;
- The number of workers without cover;
- The identity of employers who are in breach of the workers' compensation legislation either by non compliance with the minimum compensation tables, collusion with employees to absolve them of their full responsibilities;
- The premiums being charged to employers by the insurance company;
- The benefits being paid for the range of injuries by the insurance company;
- Enterprises with high rates of claims for injuries or high injury rates that go unreported;
- Workers who have died or been permanently disabled in the workplace;
- A breakdown of the claims patterns and types of workplace injuries;
- The income, expenditure, cost of administration and profits made from the workers' compensation fund insurance company;
- A national compliance plan to specifically target those employers in breach of the legislation; and
- A comprehensive safety improvement program based on those workplaces with high workplace injury and illness rates.

Under these conditions the Ministry would be forced to conduct 100 per cent compliance and safety reviews to all workplaces in Kiribati, this is clearly inefficient and intrusive on employers with good safety records. As a random process, it may not initiate intervention programs on some critical employers until later in the review cycle which is likely to take an extended period to complete. This type of review program has been shown to be ineffective and costly.

The Ministry of Labour and Human Resource Development must be able to:

- Ensure that injured workers receive their correct entitlements to compensation. Under the current voluntary model this is not possible unless workers complain about their treatment. The inhibiting pressures on employees not to take action or to accept the employer offer may explain the low rate of injury notifications to ML&HRD,
- Be advised by the insurer and employer ***immediately*** of all claims resulting from serious injury or death to enable immediate investigation and to promote remedial safety actions in that workplace and in some cases initiate prosecution action, and
- Monitor the pattern of workplace injuries through timely and regular information based on claims and injury reports.

If this information in not obtained from the claims processing sources then the Ministry would have to introduce a separate reporting process by employers so that copies of all claims emanating form major injuries would be sent to the department at the same time as to the insurer. This duplication would be expensive and unnecessary and from experience in other countries is a task that lapses fairly soon after implementation and is ultimately ineffectual.
These situations do not arise in typical integrated workers' compensation systems where the government agency has a substantial role in the processing of claims as well as developing policy and legislation. However because of the special nature of the existing process in Kiribati where four key stakeholders are involved, an agreed automated management information transfer system needs to be introduced and for it to be effective it should be legislated so that the roles

of administrators are clearly defined and enforceable. Improvements in workplace safety can only come from the introduction of modern legislation that is positively enforced and rewards good workplace safety and penalises poor safety practices. The responsible agency as a government department, which has quasi police powers of entry, search and prosecution, is the only logical agency to carry out the overall improvement and system management functions.

A fragmented system such as the current system in Kiribati also presents some financial problems for the responsible agency when it has no control over the income of the funds. As a result, the entire cost of work-safe promotions, compliance and other related functions are funded from the government budget. In an integrated system some of these costs would be funded out of the workers' compensation Fund, however, in Kiribati the insurer or the employer who covers the risk for the employees retains all of the financial contributions. As the insurer (or employers) are responsible for only one part of the program (claims management), the government is now required to fund the OSH improvement programs. Reform of the system is called for. Without effective workplace inspection and marketing of the programs it is unlikely that the traditional compensation customs will change.

16.2.6 Conversion into a social insurance scheme

In most countries, an Employer Liability scheme of this type was usually the first stage of worker's compensation insurance as its implementation was relatively straightforward with the government department in an oversight role and the responsibility falling on each employer to provide compensation. 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). However, Employer Liability schemes are essentially limited as they impose liabilities on an individual basis and consequently are framed so as not to exceed the financial capacities of the employers within the scope of the legislation. Compulsory insurance ensures that liabilities are met but does not alter the essential principle of the scheme. This means that a balance has to be struck in workers' compensation Schemes between, on the one hand, the needs of injured workers for comprehensive medical care, including rehabilitation in certain cases, and adequate cash benefits throughout the contingency, and, on the other hand, the financial capacity of the average employer subject to the legislation; this is equally the case where fatal accidents occur and families need long-term financial support.

Consequently, countries wishing to improve standards of health and income protection and to strengthen accident prevention have found it necessary to change from individual employer liability to pooling of risks in a social insurance fund. This trend has developed in all types of countries both large and small developed and developing. As mentioned in section 4.4, during the preceding mission on social security issues in September 2002 stakeholders were briefed on the widespread adoption of social insurance in the English-speaking Caribbean countries with many similarities to Kiribati as regards size of formal sectors and levels of economic development. The workers' compensation schemes in these and many similar countries are able to conform closely to the relevant ILO standards outlined above and to provide affordable and adequate protection for victims of work-connected accidents since all contributions are retained in an autonomous fund for the purposes of the scheme. This more effective use of resources enables the scheme to provide improved benefits including comprehensive medical care and pensions for long-term contingencies such as permanent disablement and death of the breadwinner; this better ensures the protection of family members such as widows and children compared with the present system of lump-sums which are usually consumed in the short-term.

In the South Pacific Samoa has taken this step and has administered an accident compensation scheme for over 25 years which not only provides compensation for work injuries but plays a positive role in accident prevention in that country.

16.2.7 National tripartite workshop on worker's compensation

A National Tripartite Workshop on workers' compensation was held for stakeholders on 18 May 2005. This was attended by 12 participants from the ML&HRD, Kiribati Trade Union Congress, Kiribati Insurance Corporation, Kiribati Provident Fund, Chamber of Commerce and Social Welfare Division

The meeting was opened by Mr Ngutu Awira, Director of Labour who spoke on the background and purpose of the meeting. The agenda was as follows:

1 Overview of workers' compensation Insurance.
2 Strengthening of workers' compensation insurance in Kiribati.

A presentation was made on the study into workers' compensation insurance that was completed under the project and recently distributed to participating countries. The presentation covered.

- Description of workers' compensation Insurance.
  - Main concepts and principles, and
  - Structure of Schemes.
- Reform and Development of workers' compensation Schemes.
- Issues for Discussion.

Considering the fact that, although the workers' compensation legislation dates from 1949 it is little known and there is evidence of significant under-claiming, this session fulfilled a need for comprehensive information on the nature and structure of schemes world-wide, and the main trends and issues. Furthermore, the information on world-wide trends on conversion into social insurance schemes had an added dimension for the participants for whom the concepts of risk-pooling are still new due to the dominance of the defined contribution approach under Kiribati Provident Fund.[101]

In view of the general need for more information, the consultant explained the development of "no-fault" employer liability schemes, their advantages and disadvantages and the basis for the general practice of converting into social insurance schemes in order to attain higher standards of health and income protection. The key principle of risk-pooling was given some emphasis in view of the lack of experience of this key technique in Kiribati. The ability of the fund to pay pensions throughout the contingency and to maintain their value by regular increases was explained with examples of permanent total disablement pensions (PTD) and of survivor pensions. Another theme was the trends for increasing support for accident prevention and occupational safety and health which was of special interest in view of the delays in finalising the occupational safety and health legislation.

In the section on financing the pros and cons of using uniform contribution rates or risk-rating were brought out as this is a key issue in reforming the old-style employer liability workers' compensation schemes. Examples of the New Zealand Accident Compensation Scheme's rates were given to illustrate the principles of the risk-rating system. Following the section on Reform of workers' compensation scheme the meeting had a general discussion on the following issues:

- The main advantages and disadvantages of:
  - employer liability / workers' compensation schemes, and
  - Social insurance/ workers' compensation schemes.
- What are the main gender issues in workers' compensation insurance? How can these best be resolved?
- Although employer liability schemes have a long history in the Pacific, few countries have given priority to reforming and improving them. What are the consequences of this for workers and the effective development of OSH?
- Are pensions a better form of income protection than large lump-sums?
- For example if a worker is totally disabled which of the following is better for him and his family?
  - A monthly pension of 70 per cent of his average earnings to be followed by survivor pensions on his death, or
  - A lump-sum of 5 years earnings (subject to a financial limit)?

- What are the best methods of expediting reform of Employer Liability schemes? Who are the main stakeholders and should anyone else be involved? How to achieve transparency?

This was intended as a first discussion establishing a basis for considering a similar range of issues in the second session. One of the main points emerging was the recognition of the advantages of pensions over lump-sums and that this would be a gender-sensitive step. The meeting also took note of the support for accident

[101] At the end of the mission, copies of the Study into workers' compensation were due to be supplied by the project for distribution to stakeholders.

prevention that could be obtained from the setting-up of a workers' compensation Fund.
Item 2 Strengthening of workers' compensation Insurance in Kiribati

In the second session the presentation consisted of the following topics:

1. Review of the existing scheme.
2. Proposals for reform and development.
3. Issues for discussion.

Under item 1 a summary of the scheme's provisions was given, bringing out essential features, such as:

- That coverage was based on the existence of employment contracts and was limited in regard to non-manual workers who are protected only if earning less than AUD 10,000 per year
- The reasonably wide scope of protection although commuting accidents are not covered, as is typical of employer liability schemes, and
- The system of cash benefits which is long overdue for updating, if not reform, since the last changes were made in 1998.

Voluntary insurance is in force through the Kiribati Insurance Corporation which uses an occupational rating structure. Some policy holders are government department some of which tend to insure only workers at high risk. The premium structure reflects the adverse selection problem of voluntary insurance. Another factor built-in to the premium structure is the need to re-insure. Over the period from 1998 - 2003 only 8.43 per cent of premiums were paid as compensation; over 30 per cent was for re-insurance and the profit margin was 60.57 per cent, constituting a serious loss to the system of worker's compensation.

Another concern is the comprehensive lack of management information available to the Ministry to meet its responsibilities for effective monitoring and oversight and enforcement of workplace safety procedures.

On the subject of reform, the main objectives of developing countries have been to raise the standards of health and income protection which they have accomplished by conversion of employer liability schemes into social insurance schemes. The main aim has been to devise more cost-effective and effective schemes that improve gender equity, support OSH and conform closely to ILO standards through the following:

- Extension of coverage as widely as possible, including to commuting accidents,
- Providing a full range of medical care, including rehabilitation is available at the cost of the scheme and without charge to injured workers,
- Paying pension benefits throughout the contingency for death and permanent disability cases, except that lump-sums are paid for lower assessments of permanent disablement,
- Ensuring that surviving spouses may be entitled to pensions for life unless they remarry or cohabit with another person as a spouse and children up to age 18 or until age 21 if at college or university- however, the eligible dependants are usually defined as surviving spouses, including de facto spouses, children ,parents and siblings only, and
- Strengthening of governance by placing the scheme under the supervision of a tripartite board.

The presentation outlined the steps required to establish a social insurance scheme and identified certain issues for consideration by the workshop.

1. In Kiribati is there support for pensions in place of lump-sums?
Workers suffering permanent disablement below 20 per cent or so would receive lump-sums and higher assessments receive pensions for life, whilst pensions are paid to survivors.
The meeting accepted the advantages of pensions that are maintained in value over a single lump-sum payment.

2. Is it preferable for benefits after death of the worker to be legal entitlements of the dependants as specified in the legislation (such as surviving spouses, children, parents and siblings) rather than come under the direction of the Court? Would this enhance gender equity?

The discussions showed an awareness of the advantages to be gained but it was evident that this change from the present extensive list of dependants to a more limited group is one that at the design stage will require careful consideration in Kiribati with its close-knit family structures.

3. Should the risk and experience contribution system, which is more difficult to administer, is used to support accident prevention or are uniform rates for all employers preferable? Another point is that uniform rates such as 1 per cent are easier to collect with Kiribati Provident Fund contributions than rates varying from employer to employer.

There was no clear preference stated at this point and it is clear that this issue will need further study when the technical requirements for devising a risk and experience contribution system are worked out.

4. How best to organize the scheme so as to ensure:

- Efficiency gains from use of Kiribati Provident Fund databases and the contribution collection and enforcement systems of the Kiribati Provident Fund,
- Utilisation of the insurance expertise of Kiribati Insurance Corporation, and
- Effective coordination with OSH ?

The workshop took note of these aims in planning the organisational structures and administrative systems as important guidelines calling for in-depth studies and involvement of the main parties when the new systems are worked out.

16.2.8 Recommendation on reform

The recommendation of ILO review in 2002 on adopting the social insurance principle of pooling risks in a social insurance fund in order to achieve higher standards of health and income protection is again endorsed in view of the manifest deficiencies of the legislation and the ways in which it operates in practice. This was given impetus by the national workshop and is also identified as a priority in the Decent Work Agenda [102]

As a basis for formulating suitable policies and strategies for reform of workers' compensation stakeholders may need to determine the appropriate and feasible objectives for the restructuring of the present scheme. To assist this process the following section describes the main features of a social insurance scheme for work-related accidents and diseases that could be adopted as a basis for design of a new scheme for Kiribati.

16.3 Strengthening of worker's compensation protection

16.3.1 Main features of a social insurance scheme for worker's compensation

(i) Overview

The key principle is the pooling of risks and finances in an autonomous fund for the purposes of providing various types of defined benefits to victims of work-connected accidents and their families. This is fundamentally different to an employer liability scheme, which operates without a fund, and the system of individual accounts in the Kiribati Provident Fund. The fund assumes responsibility for the provision of benefits and is able to marshal the income so as to upgrade benefits and services to the covered workforce.

Another important point is that in comparison with an employer liability scheme for workers' compensation a social insurance scheme may adopt broader objectives, including:

- Strengthening of governance by bringing the scheme under the supervision and control of a tripartite board,
- Commitment to cover all employees with no distinction between manual and non-manual workers or on the basis of earnings,
- The provision of comprehensive medical care extending to all necessary forms of rehabilitation, and cash benefits designed for short and long-term financial support, including pensions for serious permanent disability and survivors of persons who die from work-related accidents and diseases, and
- Support by various means for occupational safety and health policies and programmes.

The legislation would specify the objectives of the scheme, the structure of the Board, its method of appointment, the details of benefits, system of financing and the administration of the scheme. The following sections provide more information on the key features of benefits, financing and administration and on support for accident prevention

[102] Decent Work Agenda, Draft Plan of Action Initial findings and recommendations 2004-2007

(ii) Benefits

In order to illustrate the benefit system details of 6 schemes in Asia and the Pacific (Laos, Myanmar, Pakistan, Philippines, Samoa, and Thailand) are provided in Table 16.5. Information on 9 schemes in the Caribbean is given in Tables 16.6 and 16.7.

(iii) Medical care

As regards the principle that injured workers should be entitled to all necessary medical treatment, 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.

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. Samoa allows overseas medical treatment where this is considered to be medically necessary 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. In the Caribbean countries injured workers have access to the full range of medical treatment at the expense of the scheme and only Trinidad imposes a monetary limit

The social insurance schemes carry out accreditation programmes and patients are treated at the approved institutions or by medical or rehabilitation practitioners. In most cases, they are paid directly by the social insurance scheme, except in cases of emergency or other situations where reimbursement may be allowed by regulations. In any case, non-accredited providers are paid only for emergency services.

(iv) Temporary disability benefits (TDB)

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.

Although there is no standard pattern, it is evident from the examples in Tables 15.8 and 16.5 that a number of countries provide quite high rates of TDB (for example, 100 per cent of recent earnings in Laos, 90 per cent in the Philippines and 70 per cent in Samoa). 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. Similar high rates ranging from 65 per cent to 90 per cent are paid in the Caribbean schemes.

(v) Permanent disability benefits (PDB)

Rating and duration of the PDB awards. Assessments of permanent disability by medical boards are guided by the schedule of disabilities specifying the degrees of loss of earnings capacity attached to the legislation. The decision also states whether the condition is accepted as permanent or should be reviewed after a certain period, such as 2 years. 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 to100 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 25 per cent of the PTD rate.

Benefits for a long-term contingency should be 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. Pensions are payable in the Caribbean schemes and in Laos, Myanmar, Pakistan, Philippines, and Thailand (but in the latter case these pensions are not payable for life), whilst Samoa provides pensions only for 80 per cent or more disability and lump-sums otherwise. Countries providing pensions undertake to maintain their value through periodical increases.

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.

(vi) Benefits in respect of deaths from an employment injury

In the case of death from an employment injury, the first benefit is a funeral grant and survivors are provided with pensions. 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. For example if 70 per cent of recent earnings is payable for 100 per cent disability (PTD) this sum would be the maximum amount payable for all survivor pensions in the vent of a worker's death from a work-related accident.

Issues arise on the eligibility of dependant relatives and schemes necessarily design such benefits in accordance with family structures. Whilst widows are accepted as priority beneficiaries some schemes restrict widowers rights by imposing additional conditions such as that he is disabled and unable to work (this is the position in the Trinidad scheme summarised in Table 16.9. In the legislation for a social insurance scheme it is possible to ensure gender equality and to include de facto spouses in the definition of survivors, if this is considered to be appropriate when the scheme is designed. The basic point is that benefits are payable by the scheme, according to entitlement as prescribed under the social insurance legislation and is not left to the discretion of the courts.

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 Annex 2 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. Provision of pensions 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.

16.3.2 Financing of the scheme

Once a scheme is designed provisionally an actuarial valuation should be carried out to determine the costs and establish 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 survivors 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 projected 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.

The importance of investment policies should be stressed as the financial system assumes adequate returns on investment of reserves.

(i) Contribution systems

Since employers are liable for compensation they are required to finance workers' compensation schemes in almost all countries but the question arising is whether these employer premiums should be uniform for all enterprises, as in other branches, or risk-rated as in private insurance. Most developing countries use uniform rates between 0.75 and 1.25 per cent. 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. Schemes 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. 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.

The system uses industry codes to determine the basic contribution for each enterprise according to the industrial sector it belongs to. For example, Japan has 36 grades covering 53 industrial categories with the lowest rates 0.6 per cent (commerce) and the highest 14.9 per cent (for the construction of hydro-electric dams and tunnels). Commuting accidents are a uniform 0.1 per cent for all enterprises; 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 reflecting the costs of claims over a 3 year period and applied in year 4 and may result in a reduction, increase or no change in the contributions assessment.

Amongst schemes in Asia and the Pacific examples of those using uniform rates are India, Malaysia, Philippines, Samoa and Vietnam, which also applies in all of the Caribbean schemes, whilst risk and experience rating is preferred by Indonesia, Japan, New Zealand, South Korea and Thailand. In China and Mongolia the risk categories have been simplified into 3 for which the contribution rates are 0.5 per cent.1.0 per cent and 2.0 per cent in China and 1, 2 and 3 per cent respectively in Mongolia. 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.

16.3.3 Administration

The operation of the scheme requires the registration of employers and their employees, establishing databases, collecting and recording contributions, inspections of employers' records and actions against defaulters, processing of claims, organisation of medical providers and provision of medical and cash benefits. Employers are required to pay contributions to the new scheme and it is the latter which assumes the liability to provide benefits. This strengthens the position of workers who suffer accidents as they are no longer claiming against their employers and the employer's insurance company. The scheme is ready in principle to approve claims meeting legal requirements and not to delay or contest liability in the courts. Disability assessment, now a root cause of delays, is entrusted to medical boards organised and financed by the scheme which consist of independent doctors and specialists. Decisions on claims and other issues are subject to a right of appeal by claimants which are determined by independent appeal boards organised and financed by the scheme. These consist of a legally qualified chairpersons assisted by two assessors nominated by organisations representing employers and workers respectively and deal with appeals in an informal a manner as possible and without imposing any charges on appellants. This applies also to appeals against the assessments by medical boards which are adjudicated by medical appeal boards.

The main functions are common to contributory schemes and call for an organisational and administrative framework and a network of offices throughout the country similar to that of KPF. Taking into account the needs for economy and efficiency KPF would be the first option for

implementing this type of scheme as a separate branch with its own autonomous fund, whilst another option would be for the new scheme to be established separately but for KPF to collect contributions on behalf of the scheme. The issues on the adoption of either uniform or risk–rated contributions need to be resolved as a basis for a decision on how to collect from employers.

In other countries there is no set pattern. For example, the scheme in Samoa was established by the Accident Compensation Board (ACB) under the Ministry of Labour rather than within the framework of the Samoa NPF under the Ministry of Finance. Initially, the NPF collected contributions at the rate of 1 per cent by employers on behalf of the ACB, but later the board took control of this function and contributions are now collected separately. In Thailand the workers' compensation scheme introduced in 1974 pre-dated the comprehensive social insurance scheme mandated by the 1990 Social Security Act. The new Social Security Office (SSO) established to implement the Act has absorbed workers' compensation as a division within the overall organisation, but it operates separately in such matters as contribution collection as it continues to collect risk-rated contributions on an annual basis whilst SSO operates the usual monthly cycle for the other branches of social security.

16.3.4 Accident prevention

Many schemes providing medical care and income protection after work-related accidents occur may wish to support accident prevention for such reasons as:

- Preventing accidents and diseases, or minimising them, is a much better service to workers than compensating them or their families after the event,
- Fewer accidents and work absences contribute to higher productivity, and
- Benefit costs are reduced.

However, accident prevention normally is funded from general revenues or special levies and employers may object to use of their social insurance contributions for this purpose; furthermore, the scope for action by schemes is limited where another government institution , such as the Labour Division or factory inspectorate, has the legal responsibility for OSH. In these circumstances, the schemes have the role of reporting accidents and supplying statistics to the OSH authority so that the latter can obtain a clear picture of the incidence and nature of occupational risks for the purpose of targeting its programmes. In addition, the scheme may hold seminars and similar events to promote safety activities in sectors producing significant numbers of claims or otherwise appear to be most effective for the purposes of the scheme.

16.4 Development of reform proposals

16.4.1 Introduction

The project noted the keen interest of main stakeholders in introducing social insurance techniques for the further development of social protection in view of the fact that these are the principal means by which the great majority of countries worldwide have achieved considerable progress in expanding and strengthening social protection for the benefit of their populations. These developments have taken place in all types of countries, whether industrialised, developing, or economies in transition. It was to create a better understanding of social insurance and its relevance to the Solomon Islands that in the 2002 mission the progress made in the English-speaking countries of the Caribbean was explained to stakeholders in view of the many similarities in the size of the population and formal sectors of employment. Furthermore, these countries initially introduced national provident funds but responded to ILO advice on the conversion of these into social insurance pension schemes. Some have also progressively expanded to incorporate other contingencies such as workers' compensation, sickness and maternity. Consequently, the majority of the Caribbean countries are operating reasonably comprehensive schemes for a combined employer and employee contribution little different to that charged by SINPF.

These points can be assessed by reference to Table 16.6. This lists 10 countries, 6 of which have populations below 100,000. The schemes feature old-age pensions, sickness and maternity and workers' compensation, except for 2 which still run employer liability schemes for work injuries. As explained in the table, the pension schemes are not fully funded and will raise contributions in the future At present none of theses schemes collects in excess of the 15 per cent payable to KPF and of these, one country is also providing unemployment insurance and the

other collects a total of 7 per cent for a medical benefits scheme.

16.4.2. Planning of reforms

There is no reason to doubt that the progress achieved in similar countries is attainable in the Solomon Islands provided that it is recognised that employer liability schemes are essentially outdated and are not capable of being adapted to achieve any significant improvements or to conform to relevant ILO standards in regard to workers' compensation. However, it was apparent during both the 2002 and this mission that the lack of experience of social insurance concepts and principles in the country is an obstacle to moving rapidly forward to plan and design new and improved schemes. For this reason, the recommendation in the 2002 report that a tripartite national seminar should be held to elucidate the main new concepts, address the key issues and to establish a basis for planning reforms in depth is again endorsed.

If a seminar can be approved the question is whether it focuses solely on reform of workers' compensation or deals also with the major issues concerning old-age protection and limited coverage that are identified in NAPDW. On the assumption that a seminar would cover the whole range of major issues in social protection, the core topics could be:

- Principles and practices of social security, with emphasis on social insurance,
- Financing of social security schemes,
- Experiences of selected countries in reforming and developing social protection-examples of conversion of workers' compensation schemes and national provident funds, and
- Extension of coverage.

National experts should have a leading role in presenting the experiences of current schemes and results of any surveys or enquiries into the circumstances of beneficiaries. It is hoped that this seminar will adopt a series of conclusions and recommendations and formulate a plan of action as well as to establish a working group or similar body to oversee the implementation of the action plan. Close coordination with related activities under NAPDW would be essential.

The workers' compensation proposals are contained in the national action plan and road map contained in Chapter 19.

16.5 Conclusions and recommendations

The mission has confirmed the continuing validity of the conclusions and recommendations of the mission in September 2002 on the urgency of converting the employer liability scheme for worker's compensation into a social insurance scheme in order to rectify serious deficiencies across the spectrum of coverage, scope of protection, standards of medical and cash benefits, gender-specific needs, service to accident victims and their families and cost-effectiveness. Such a conversion would utilise the same or similar levels of resources as now to raise standards significantly across the board, strengthen governance and provide some support for occupational safety and health programmes. Consequently, there is much to gain from effecting this change and it is recommended that as it is greatly overdue it should be accorded a high priority.

It is hoped that collaboration between the Government of the Republic of Kiribati and the ILO can provide clear perspectives for and commitments to the transformation of worker's compensation into a much more effective scheme with a wider scope of protection and higher benefit standards conforming more closely to relevant ILO standards. This would make a significant contribution to rectifying decent work deficits and to any national programme for the progressive enhancement of social protection for a larger proportion of the population of the country.

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Table 16.5 Information on workers' compensation insurance benefits in selected countries

Country	Medical	TDB	PDB	Survivors
Laos	*Full range of medical care and rehabilitation provided under social health insurance scheme.*	*100 % of earnings for first 6 months and 60 % for next 12 months.*	*Rate is 67.5% of earnings multiplied by percentage loss of earnings capacity.*	*Spouse or parents receive 50% of average earnings and each child 15% up to maximum PTD rate.*
Myanmar	*Social Security Board clinics and hospitals provide out and in-patient and out-patient services and drugs.*	*66 2/3 of earnings payable from day one for maximum of 52 weeks.*	*66 2/3 of earnings for total disability and a percentage for partial disability according to percentage loss of earnings capacity. Below 20 % lump-sum payable equal to 5 years pension.*	*Surviving spouse pension about 27 per cent of earnings of deceased and orphans about 20 per cent Maximum for all pensions 662/3 of earnings.*
Pakistan	*Social security clinics and hospitals provide general medical care, specialists, hospitalisation 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 200 pesos per day.*	*115% of the sum of PHP 300 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 PHP 2000, 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 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 Overseas treatment up to maximum sum WST 15,000.*	*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 for15 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 16.6 Overview of social insurance schemes in selected English-speaking Caribbean countries

1 Country and population	2 OAP	3 SB/MB	4 Worker's Compensation	5 Unemployment Ins.	6 Totals
	Er/Ee	Er/Ee	Er/Ee	Er/Ee	Er/Ee
Antigua-67,000	5.0/3.0	OAP rate	EL		8.50/6.50=15.0%*
Barbados-267,000	5.25/5.25	0.82/0.82	0.75/nil	0.75/0.75	7.576.82=14.39%
BVI-21,000	3.25/3.25	0.75/0.75	0.50/nil		4.50/4.00=8.50%
Dominica-69,000	7.0/3.0	OAP rate	EL		7.00/3.00=10.00%
Grenada-89,000	5.0/4.0	OAP rate	OAP rate		5.00/4.00=9.00%
Guyana-76,000	7.2/4.8	OAP rate	OAP rate		7.20/4.80=12.00%
St. Kitts-38,000	5.0/5.0	OAP rate	1.0/nil		6.00/5.00=11.00%
St. Lucia-147,000	5.0/5.0	OAP rate	OAP rate		5.00/5.00=10.00%
St. Vincent-116,000	3.5/2.5	OAP rate	0.05/nil		3.55/2.50=6.05%
Trinidad-1.2 million	5.6/2.8	OAP rate	OAP rate		5.60/2.80=8.40%

Source: Social Security Programs Throughout the World 2003.
*Includes 3.5 per cent each by employers and workers for a Medical Benefits Scheme.

Notes on Columns

1. Country – BVI means British Virgin Islands
2. OAP means Pension Branch covering old –age, invalidity and survivorship. Er/Ee means employer/employee. Contribution rates are percentages of insurable earnings subject to a contribution ceiling. These schemes are not fully funded and contribution rates are expected to increase in the future. Usually the self-employed are covered by payment of the combined contribution of employers and employees.
3. SB/MB means sickness cash benefits and maternity cash and some medical benefits. Where the contributions are not separated branch by branch (Barbados) the entry "OAP rate" indicates that the contributions in column 2 also finance the SB/MB branch.
4. Most of the above countries have converted the workers' compensation Schemes relying on employer liability into social insurance schemes for which employers pay their contributions into the workers' compensation Insurance Fund of the social insurance organisation. This transfers liabilities for benefits to the Fund.
5. Unemployment insurance is the branch of social security for insured workers who are made redundant and are available for and capable of further employment.
6. The total contributions are collected by the social insurance organisation and allocated to separate accounts or funds for each branch of social insurance. The costs of benefits and administration are drawn from the respective branch funds. The integrated schemes are managed by tripartite Boards

Table 16.7 Summary of employment injury insurance schemes

1 Country	2 TDB	3 PTD	4 Medical Care	5 Survivorship
Barbados	90%	90%	Reimbursement of expenses	Dependent spouse 50%; Child 16.66-33%
BVI	75%	75%	Full range of treatment	Spouse 37.5% and 37.5% for children & other survivors
Dominica	60%	60%	Schedule for payments	Spouse 50% of insured's pension payable at age 50. Child 25% (331/3 if full orphan) to age 16 or age 8 if student. Maximum 100% of insured pension
Grenada	70%	75%	All expenses	Spouse-75% of PTD Child-25% of PTD Others 25%
Guyana	70%	70%	Full range	Spouse or parent 35% of earnings Each dependant 11.66% Max. 70%
St. Kitts	75 %	75 %	Reimbursement	Spouse- 50% PTD rate Child-& others 1/6th
St. Lucia	65%	65%	All expenses	Details not given
St. Vincent	70%	70%	Full range of treatment	Spouse 35 % of earnings; Child 11.6%
Trinidad	67%	67%	Expenses up to monetary limit	Widow 60% Widower 60% if disabled.& unable to work Child & parent 30%

Notes on Columns

2&3 TDB means temporary disability benefit PTD means permanent total disability benefit

2. No qualifying conditions apply if accident certified as work-connected. Percentage is of insurable earnings. Usually payable until recovery or time limit reached or permanent disability determined.

3. Rate is for pensions in respect of 100 per cent disability and for lower assessments pension rates are proportionate 50 per cent disability means 50 per cent of the full rate. For low assessments, such as below 20 or 30 per cent a grant is payable instead of a pension.

5. Survivors pensions are usually based on PTD rate (but some schemes use average earnings) subject to a limit of such as 100 per cent of base (exceptions are stated where information is available). A funeral grant is payable in addition to survivors pensions.

Chapter 17 Maternity Protection: Principles

17.1 Introduction

This chapter looks at issues related to the possible extension of maternity protection in Solomon Islands.

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 Solomon Islands, 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 Solomon Islands, 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 17.14 sets out the costing methodology using a calculation model to estimate indicative costs of paid maternity leave and Box 17.1 sets out a standard model of paid maternity leave for possible use in each of the five countries.

17.2 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 paper 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.

17.3 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.

17.4 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.

17.5 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 coved 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

17.6 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.

- 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 counties, including Argentina, Greece, the Philippines and Venezuela,
- Members of the employer's 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, and
- 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.

17.7 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 to that they can be satisfied by a large majority of the women to who the convention applies.

17.8 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.

17.9 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 counties, 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.

17.10 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, 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.

17.11 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 Box 17.1.

17.12 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.

17.13 Issues for the five Pacific Island countries

17.13.1 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, 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 project, including Solomon Islands.

- 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.

17.13.2 Who would administer paid maternity Leave?

For each of the 5 Pacific Island countries in the project 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 a health insurance scheme. 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.

17.13.3 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 prive 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.

17.13.4 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.

17.13.5 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 17.1 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.

17.13.6 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 follow. The main criteria used 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 section 17.14.

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, which is planned in Solomon Islands.

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 insurance 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 Vanuatu 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

17.13.8 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 chose 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.

17.13.9 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.

17.13.10 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.

17.13.11 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 the **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.

17.13.12 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 chapter.

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.

17.13.13 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 health 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, 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.

17.14 Cost estimates for individual countries - Kiribati

In the text which follows, indicative calculations have been made for the cost of paid maternity leave in each of the five Pacific Island countries. The costs are expressed as a percentage of the total payroll (men and women combined) in the formal economy. This has been assumed to re represented by contributors to the provident fund.

The levy rates required have been estimated in terms of the model in the Box 17.1.

In the case of Kiribati NPF statistics indicate that:

- Women are 36.8 per cent of the member workforce,

- No details of relative pay are available, but in line with trends elsewhere in the Pacific. Women's earnings on average are assumed to be 90 per cent of those of men and women combined.

- Employment duration for the whole workforce is assumed to average 30 years.

- The Total Fertility Rate was 4.7 in 1990 and 4.3 in 2000. The World Factsheet website estimates 4.1 for 2005. This seems plausible. Half of this rate (2.05 children per woman) is used as the average number of qualifying births per woman employee.
- Paid Maternity Leave is assumed to be for 14 weeks (alternative 12 weeks) at two thirds of the woman's normal pay.

On this basis the estimates are as follows:

On this basis the estimate for the levy cost of 14 weeks leave is calculated as:

$$\text{Cost Estimate} = \text{Administrative Cost} + \left[\text{Proportion of women in L} \times \text{Period of Payment} \times \text{Percent of Wage} \times \text{Eligible Births} \times \text{Ratio of Women's to total wages} \times \frac{1}{\text{Average Paid working life}} \right] \times 100$$

Cost Estimate = 0.269 x 0.6667 x 0.368 x 2.05 x 0.90 x 10/30
= 0.406

Adding 10 per cent for administration raised the cost to **0.447**, rounded to **0.45** per cent for 14 weeks Paid Maternity Leave.

For 12 weeks leave the cost would be a levy of **0.39** per cent, rounded to **0.4** per cent.

The following table summarises indicative estimates by country.

Table 17.2 Indicative estimates by country

Country	Levy Needed to pay for Maternity Leave at 2/3rds 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 17.1 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 **x** T **x** B **x** E **x** W **x** (1**/** D) **x** 100 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 **x** T **x** B **x** E **x** W **x** (1**/** D) **x** 100 percent

C = 0 + 0.4 x 0.25 x 0.7 x 1.2 x 0.9 x 1/30 x 100 = 0.252 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 **x** T **x** B **x** E **x** W **x** (1**/** D) **x** 100 percent

C = 0 + 0.45 x 0.269 x 0.667 x 2.0 x 0.85 x 1/20 x 100 = 0.686 percent

Hence, a levy equal to 0.686 per cent of wages would be required to cover cost excluding administrative costs.

17.15 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 counties 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 their 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 were based on earnings in the previous 12 months, and a woman gave birth 10 months after returning to work, the payment rate would be $1/6^{th}$ 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, 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.

17.16 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	14 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.

Chapter 18 Operations and Information Technology for KPF

18.1 Background

The KPF has been in operation since 1977. It is managed by a General Manager reporting to a Board of Directors, who in turn is responsible to the Minister of Finance. The Board consists of 6 members – 2 representing the government, 2 representing the employers (no official employer organization exists) and 2 trade union officials representing the employees. The Chairman of the Board is the member from the Ministry of Finance.

There are around 9000 active members contributing to the fund, belonging to around 700 employers. The great bulk of the members, about 70 per cent, belong to the public sector. Kiribati administers 21 remote islands, 17 of which have employers and members belonging to the fund.

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.

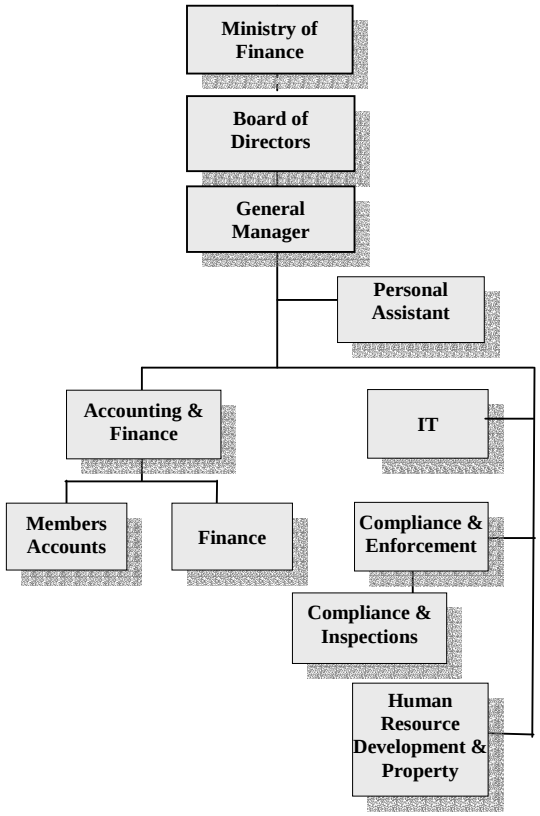
The rate of contribution has been set at a total of 15 per cent of employees' wages, 7.5 per cent payable by employers and 7.5 per cent payable by employees. Employers may pay at a higher rate than 7.5 per cent on behalf of their employees if they wish to do so.

The KPF has 33 staff in total – 30 staff in the headquarters office, and 3 staff in the sub-office on Christmas Island, allocated as follows:

- General Manager and assistant (2)
- Information Technology (2)
- Accounting & Finance (6)
- Members Accounts (9)
- Compliance & Enforcement (5)
- Human Resource Development (5)
- Branch Office (Kiritimati) (4)
  (Branch Manager position is currently vacant)

The organizational structure of KPF is as follows:

Figure 18.1 KPF Organizational Structure



The main functions of the KPF are:

- The registration of employers and employees,
- The acceptance, posting and financial management of contributions,
- The processing and payment of applications for withdrawal of contributions,
- Financial management and investments,
- The application of financial penalty to employers whose payments are overdue,
- The operations and management of the computer systems,
- The enforcement of contributions payment and inspection of employer record,
- Personnel management and administration, and
- Property management.

18.2 Administration

18.2.1 Accounting and Finance Department

(i) Members Accounts Division

The Members Accounts Division has responsibility for the updating and maintenance of the account balance of each individual members account.

This involves the posting of the monthly contributions paid to the fund by the employer on behalf of the employee, as well as the posting of withdrawals from individual accounts. (Interest payments are calculated automatically by the computer system on an annual basis, or at withdrawal time).

This enables the KPF to answer enquiries from members about their account balance at any time, and to provide account statements either as requested or annually.

It also enables financial reconciliation of accounts by the Finance section.

(ii) Finance Division

The Finance Division has a staff complement of 6 and is responsible for the overall monitoring of all income and expenditure of the KPF, and for the daily reconciliation of all financial accounts. On a daily basis its main reconciliation includes the cashier's receipts against the amounts shown in the bank deposit book and the amounts recorded in the employer contributions records for that day, as well as the amounts recorded against member contributions records. It also reconciles bank deposit statements against the above amounts.

The other main daily responsibility is the reconciliation of amounts shown in the member withdrawal register against the member records and the cheque book records. These amounts are also checked against the bank statements.

The Finance Division also manually calculates the interest amounts due for withdrawals, which are checked against the computer calculations.

The Finance Division also manages all other payments made to the KPF, eg payment of surcharges, arrears of contributions, income from investments etc. It also has responsibility for checking and reconciling all other payments made by KPF, including staff salaries, and miscellaneous accounts (electricity, water, purchase of office and IT equipment, etc)

This Division also prepares the required monthly and annual reports, and the annual budget, monitoring expenditure against allocation.

18.2.2 Compliance and Enforcement Division

The Compliance and Enforcement Department has 5 staff with a wide range of responsibilities, the principal functions including the:

- Registration of employers
- Registration of members
- Processing of nominee forms
- checking of monthly contribution schedules
- Updating of employer records
- Application and follow up of surcharges for late payment of contributions
- Following up of non-payment of contributions
- Carrying out of regular inspections of the salary records of all registered employers
- Investigation of employers who are not registered with the KPF
- Investigation of complaints of employees regarding employer contributions
- Gathering of evidence to support employer prosecution.18.2.3 Human Resources and General Services Division

The Human Resources and General Services Division has a staff of 3, which includes a driver and a cleaner. The Manage is responsible for personnel management, including such issues as the maintenance of the personnel records of all KPF staff, including attendance, leave, higher duties, performance reports etc. This officer also has responsibility for staff recruitment, training, and staff development.

He is also responsible for storage of paper files, vehicle maintenance, and the management, cleaning and maintenance of all properties owned by the KPF.

18.3 Operations

18.3.1 Registration

Registration of new employers and new employees is undertaken by the Compliance Section.

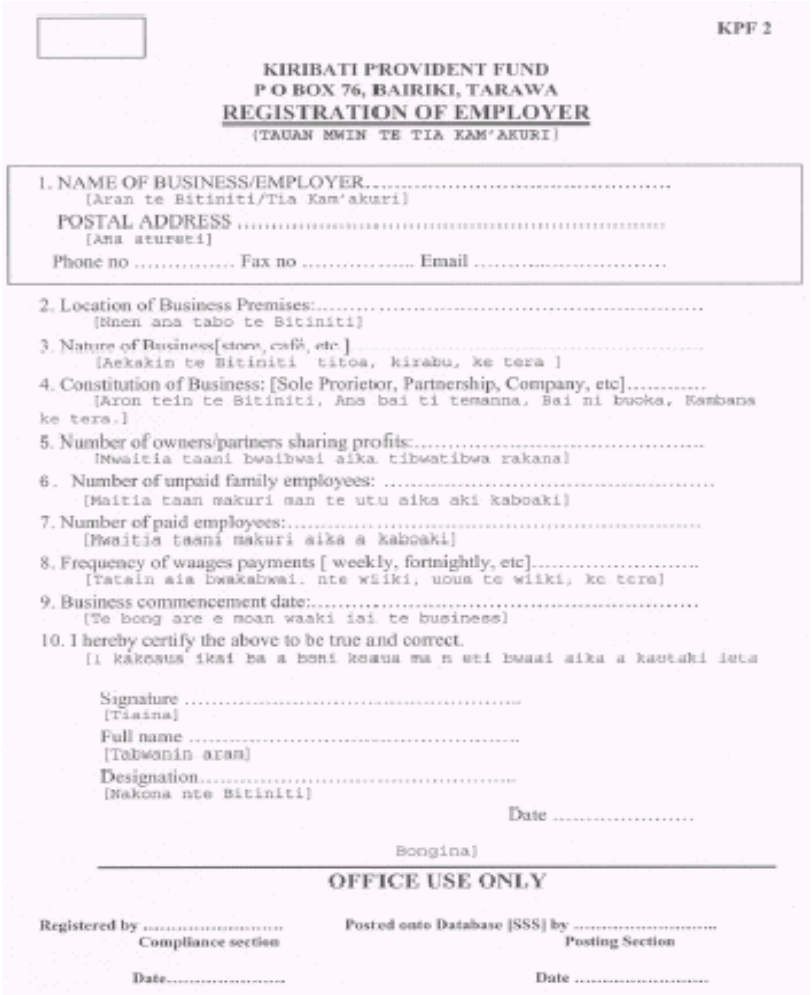
(i) Employers

New employers apply at the KPF office for an Employer Registration Form, which contains:

- Business\employer name,
- Postal address, phone\fax number, e-mail address,
- Location of business,
- Type of business,
- Constitution of business (sole proprietor, partnership, company etc),
- Number of owners\partners,
- Number of unpaid family employees,
- Number of paid employees,
- Frequency of salary payments (weekly, fortnightly etc), and
- Date business commenced.

The form is certified by the employer or representative.

Figure 18.2 Employer registration form



KPF 2

KIRIBATI PROVIDENT FUND
P O BOX 76, BAIRIKI, TARAWA

REGISTRATION OF EMPLOYER
(TAUAN MWIN TE TIA KAM'AKURI)

1. NAME OF BUSINESS/EMPLOYER.....
[Aran te Bitiniti/Tia Kam'akuri]
POSTAL ADDRESS .....
[Ana aturaei]
Phone no ..... Fax no ..... Email .....

2. Location of Business Premises:.....
[Mnen ana tabo te Bitiniti]
3. Nature of Business[store, café, etc]
[Aekakin te Bitiniti titoa, kirabu, ke tera]
4. Constitution of Business: [Sole Prorietor, Partnership, Company, etc].....
[Aron tein te Bitiniti, Ana bai ti temanna, Bai ni bucka, Kambana ke tera.]
5. Number of owners/partners sharing profits:.....
[Nwaitia taani bwaibwai aika tibwatibwa rakana]
6. Number of unpaid family employees: .....
[Maitia taan nakuri nan te utu aika aki kaboaki]
7. Number of paid employees:.....
[Nwaitia taani nakuri aika a kaboaki]
8. Frequency of waages payments [weekly, fortnightly, etc].....
[Tataln aia bwakaibwai. nte wiiki, ucua te wiiki, kc tcra]
9. Business commencement date:.....
[Te boog are e moan waaki iai te business]
10. I hereby certify the above to be true and correct.
[i kakeaua ikai ba a boni keaua ma n uti bwaai aika a kautaki ieta

Signature .....
[Tiaina]
Full name .....
[Tabwanin aran]
Designation.....
[Nakona nte Bitiniti]
Date .....
Bongina]

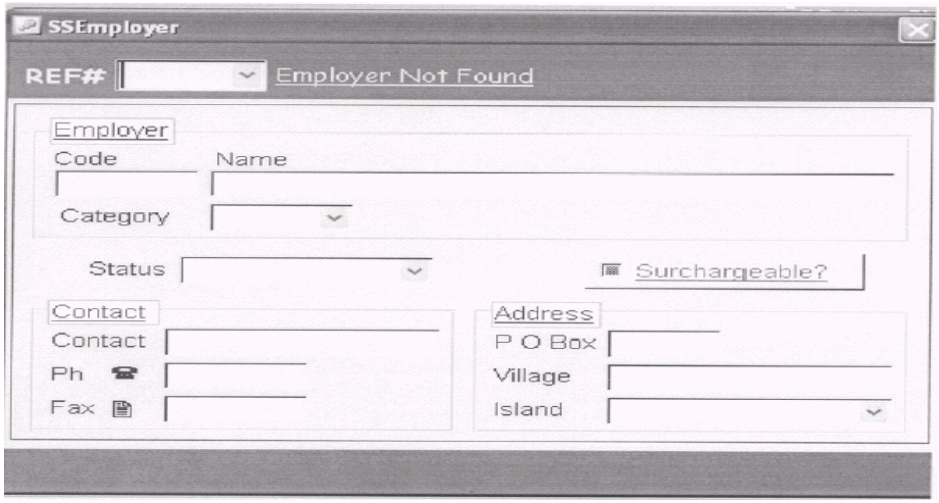
OFFICE USE ONLY

Registered by ..... Compliance section
Date.....

Posted onto Database [SSS] by ..... Posting Section
Date .....

The application is checked by the Compliance Section, a *New Employer* record is called to the screen and an employer record is created, and an employer number allocated.

Figure 18.3 New employer record screen



The number is written on the application form, and a photocopy of the application form is given to the employer.

Compliance Section also gives the employer new employee registration forms to be completed for each of his employees. The employer documents are filed away by Compliance Section

(ii) Employees

The employee registration form contains the following information:

Part 1

- Full name of employee,
- Date of birth,
- If previously employed, names of employers and dates of employment, and
- If previously registered, the name of the registering employer and date registered.

Part 2

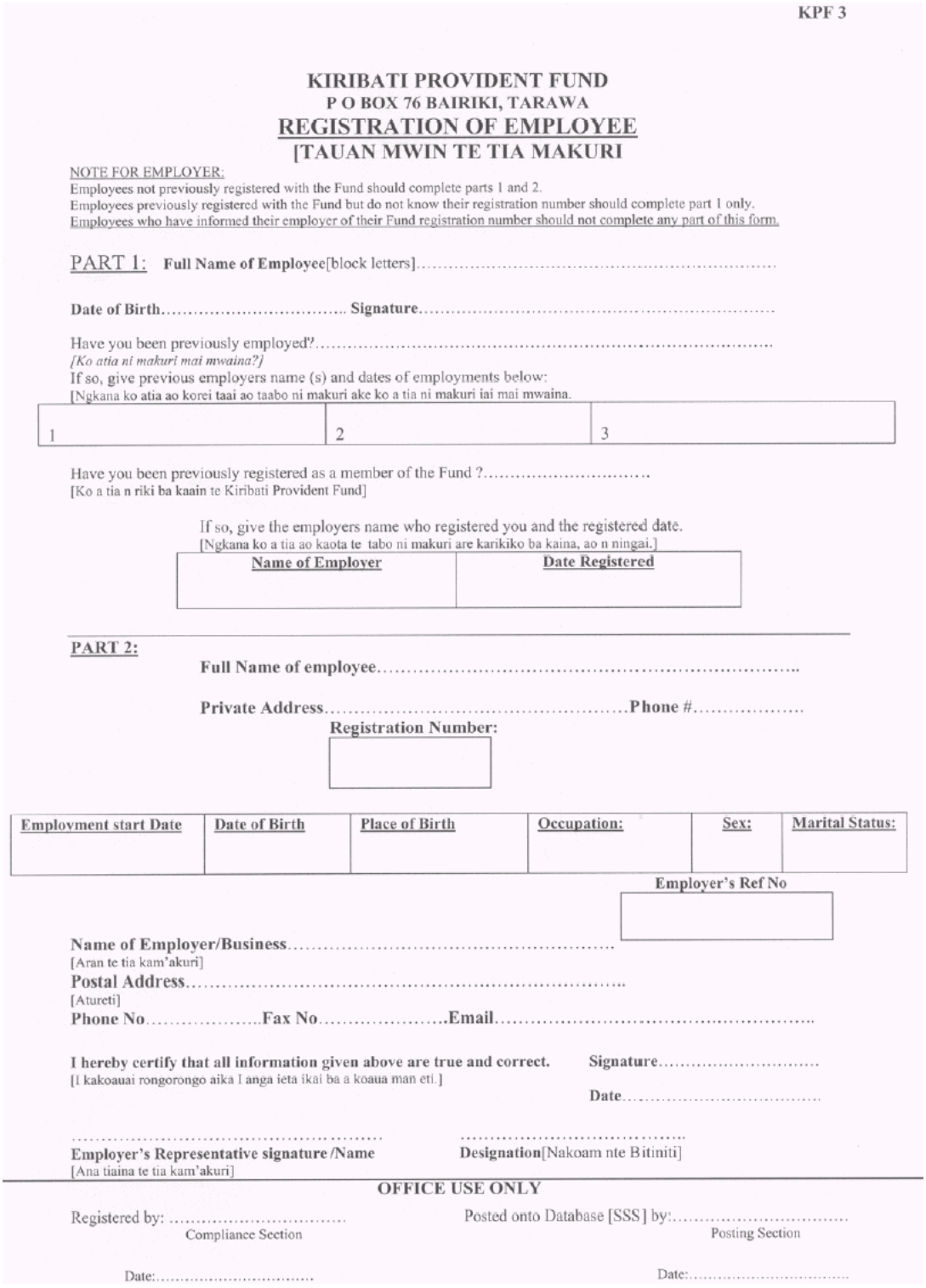
- Full name of employee,
- Address,
- Telephone number,
- Date of birth,
- Place of birth,
- Sex,
- Marital status,
- Employment start date,
- Occupation, and
- Employer details:
  - KPF number,
  - Name,
  - Address,
  - Telephone/fax no, and
  - E-mail address.

The form is signed by the employee and the employer/representative.

The same form (Part 1 only) is used for employees who have been previously registered but have forgotten their membership number.

When completed, the registration forms are taken to the KPF office by the employer and handed to the customer service officers. The forms are passed to the Compliance Section ensure that each form is correctly completed.

Figure 18.4 Employee registration form



KPF 3

KIRIBATI PROVIDENT FUND
P O BOX 76 BAIRIKI, TARAWA
REGISTRATION OF EMPLOYEE
[TAUAN MWIN TE TIA MAKURI

NOTE FOR EMPLOYER:
Employees not previously registered with the Fund should complete parts 1 and 2.
Employees previously registered with the Fund but do not know their registration number should complete part 1 only.
Employees who have informed their employer of their Fund registration number should not complete any part of this form.

PART 1: **Full Name of Employee**[block letters].....

Date of Birth..... **Signature**.....

Have you been previously employed?.....
[Ko atia ni makuri mai mwaina?]
If so, give previous employers name (s) and dates of employments below:
[Ngkana ko atia ao korei taai ao taabo ni makuri ake ko a tia ni makuri iai mai mwaina.

1	2	3

Have you been previously registered as a member of the Fund ?.....
[Ko a tia n riki ba kaain te Kiribati Provident Fund]

If so, give the employers name who registered you and the registered date.
[Ngkana ko a tia ao kaota te tabo ni makuri are karikiko ba kaina, ao n ningai.]

Name of Employer	Date Registered

PART 2:

Full Name of employee.....

Private Address.....**Phone #**.....

Registration Number:

Employment start Date	Date of Birth	Place of Birth	Occupation:	Sex:	Marital Status:

Employer's Ref No

Name of Employer/Business.....
[Aran te tia kam'akuri]
Postal Address.....
[Atureti]
Phone No.....**Fax No**.....**Email**.....

I hereby certify that all information given above are true and correct. **Signature**.....
[I kakoauai rongorongo aika I anga ieta ikai ba a koaua man eti.]
Date.....

....
Employer's Representative signature /Name **Designation**[Nakoam nte Bitiniti]
[Ana tiaina te tia kam'akuri]

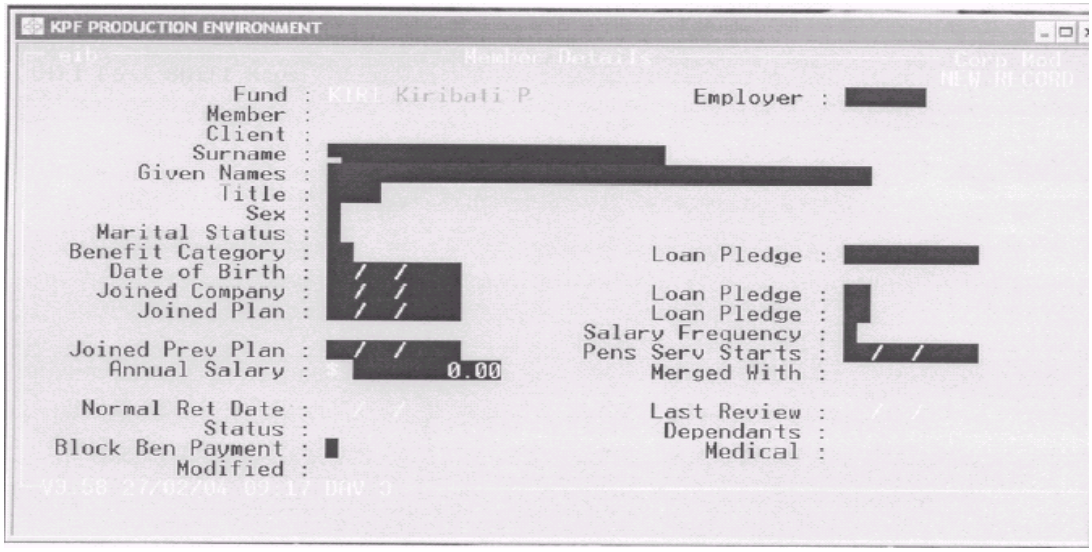
OFFICE USE ONLY

Registered by: ..... Posted onto Database [SSS] by:.....
Compliance Section Posting Section

Date:..... Date:.....

The "new member" record is called up to the screen and a registration record is created for each employee; a membership ID number is allocated to each employee record, and written on the form.

Figure 18.5 New member screen



A membership ID card is then produced for each employee, and the membership cards together with a covering list are given to the employer for issue to the employees.

At the same time nominee forms for each employee are given to the employer for completion by the employee.

The registration forms are then filed away by the Compliance Section.

(iii) Nominee Forms

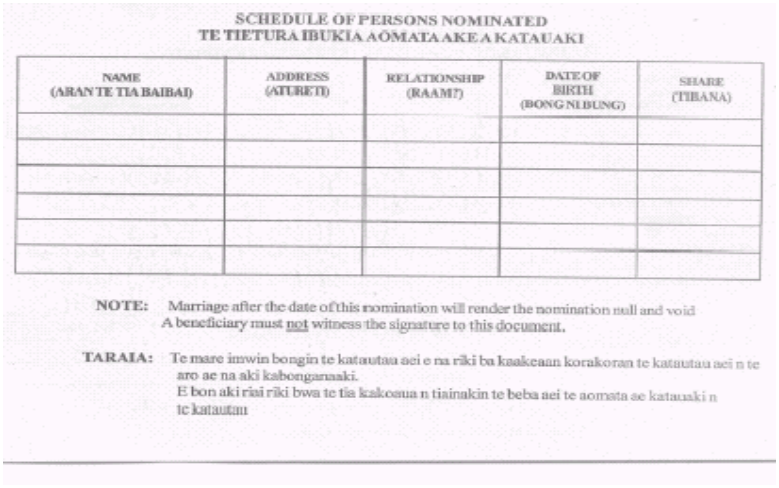
When registering as a member of the fund the member must nominate the person(s) who will be entitled to the balance of his/her account in case of death of the member, and the share each nominated person will receive. The member must complete a nominee form, which contains for each nominee:

- Name,
- Address,
- Relationship (to the member),
- Date of birth, and
- Share of the balance of the account.

The nomination(s) are nullified by marriage at any time after the date of the form, and a new form must be submitted. A member can change his nominees at any time by submitting a new completed form.

The forms are distributed to employees by the employer, and returned to the KPF when completed.

Figure 18.6 Nominee form



SCHEDULE OF PERSONS NOMINATED
TE TIETURA IBUKIA AOMATA AKE A KATAUAKI

NAME (ARAN TE TIA BAIBAI)	ADDRESS (ATURETI)	RELATIONSHIP (RAAM?)	DATE OF BIRTH (BONG NI BUNG)	SHARE (TIBANA)

NOTE: Marriage after the date of this nomination will render the nomination null and void
A beneficiary must not witness the signature to this document.

TARAIA: Te mare imwin bongin te katautau aei e na riki ba kaakeaan korakoran te katautau aei n te aro ae na aki kabonganaaki.
E bon aki riai riki bwa te tia kakoaua n tiainakin te beba aei te aomata ae katauaki n te katautau

The Compliance Section checks the form, and updates each employee record with the nominee details.

The nominee forms are filed away by the Compliance Section.

(iv) Membership cards

Membership cards showing each member's name and Membership ID number are produced by KPF for each member of the fund. These are produced when new employee registrations are processed, and given to the employer for distribution to employees.

From January 2005, a new system where a photo ID is included on the card has been introduced. The Compliance Section staff visit each workplace and take the photos of the registered employees.

The photos are downloaded onto the computer system, and cards containing the photograph are produced and sent back to the employer for distribution to the employees. The photograph is retained in the system and can be called to the screen by customer service officers for visual identification by customer service staff.

In the first quarter of 2005 approximately 3000 cards containing photo ID have been issued.

Members can also apply for replacement cards in the case of lost, stolen or damaged cards by completing a KPF Card Application Form, which contains:

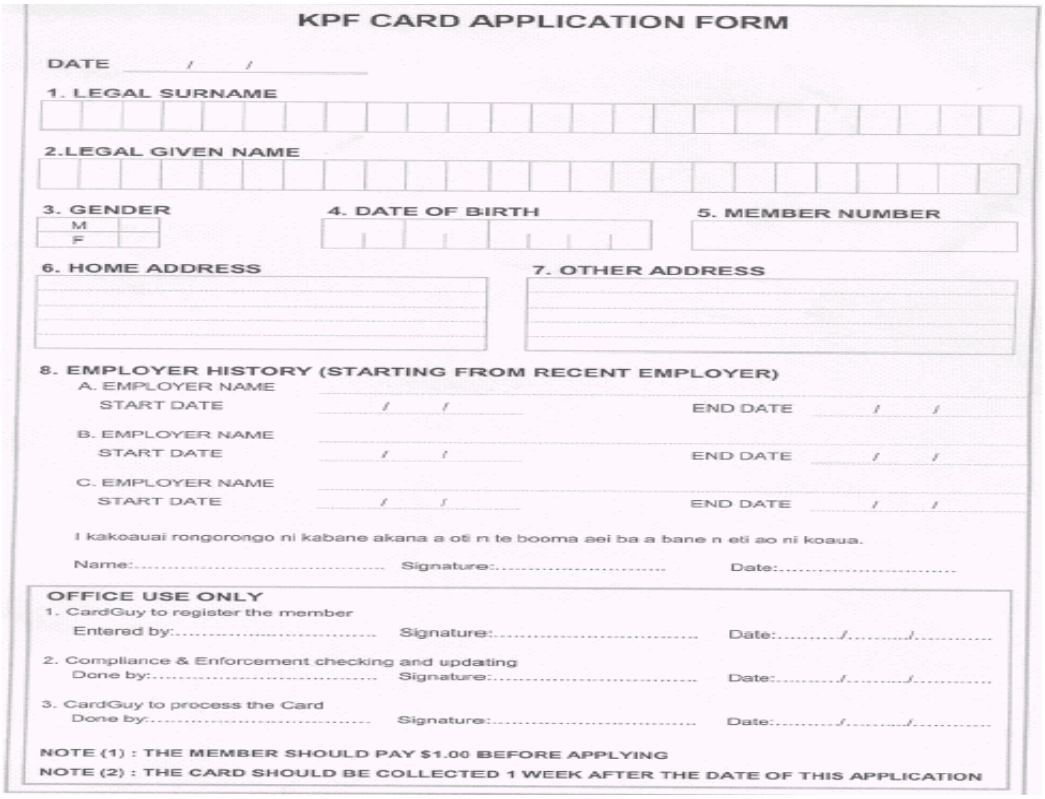
- Date of application
- Names of member
- Gender
- Date of birth
- KPF membership number
- Home address
- Other address
- Employment history
  - Employer name
  - Start date
  - End date

The member applies at the KPF and completes the KPF card application form, and a photograph of the member is taken at the counter. The photograph is downloaded to the computer for addition to the new card, and the card application form is passed to the Compliance Section for checking and certification.

The member is advised that the card will be ready for collection at the Customer Service counter one week from the lodgement of the application. A charge of $1 is applied for replacement cards.

Figure 18.7 Membership ID card

Figure 18.8 Card application form



KPF CARD APPLICATION FORM

DATE / /

1. LEGAL SURNAME

2.LEGAL GIVEN NAME

3. GENDER
M
F

4. DATE OF BIRTH

5. MEMBER NUMBER

6. HOME ADDRESS

7. OTHER ADDRESS

8. EMPLOYER HISTORY (STARTING FROM RECENT EMPLOYER)

A. EMPLOYER NAME
START DATE / / END DATE / /

B. EMPLOYER NAME
START DATE / / END DATE / /

C. EMPLOYER NAME
START DATE / / END DATE / /

I kakoauai rongorongo ni kabane akana a oti n te booma aei ba a bane n eti ao ni koaua.

Name:..... Signature:..... Date:.....

OFFICE USE ONLY

1. CardGuy to register the member
Entered by:..... Signature:..... Date:...../...../.....

2. Compliance & Enforcement checking and updating
Done by:..... Signature:..... Date:...../...../.....

3. CardGuy to process the Card
Done by:..... Signature:..... Date:...../...../.....

NOTE (1) : THE MEMBER SHOULD PAY $1.00 BEFORE APPLYING
NOTE (2) : THE CARD SHOULD BE COLLECTED 1 WEEK AFTER THE DATE OF THIS APPLICATION

18.3.2 Contributions

Payment of contributions is compulsory for all employees of both public and private sectors who are regarded as having formal employment. The contribution rate is currently set at a total of 15 per cent of employees' wages, 7.5 per cent payable by employers and 7.5 per cent payable by employees. Employers may pay at a higher rate than 7.5 per cent on behalf of their employees if they wish to do so.

Contributions are payable monthly by the employer, at the end of the month following the month during which salaries have been paid. If the contributions have not been paid by the due date, a penalty payment (surcharge) of 5 per cent of the amount due is applicable.
Contributions can be paid directly at the KPF Headquarters, by bank transfer, or through the post office.

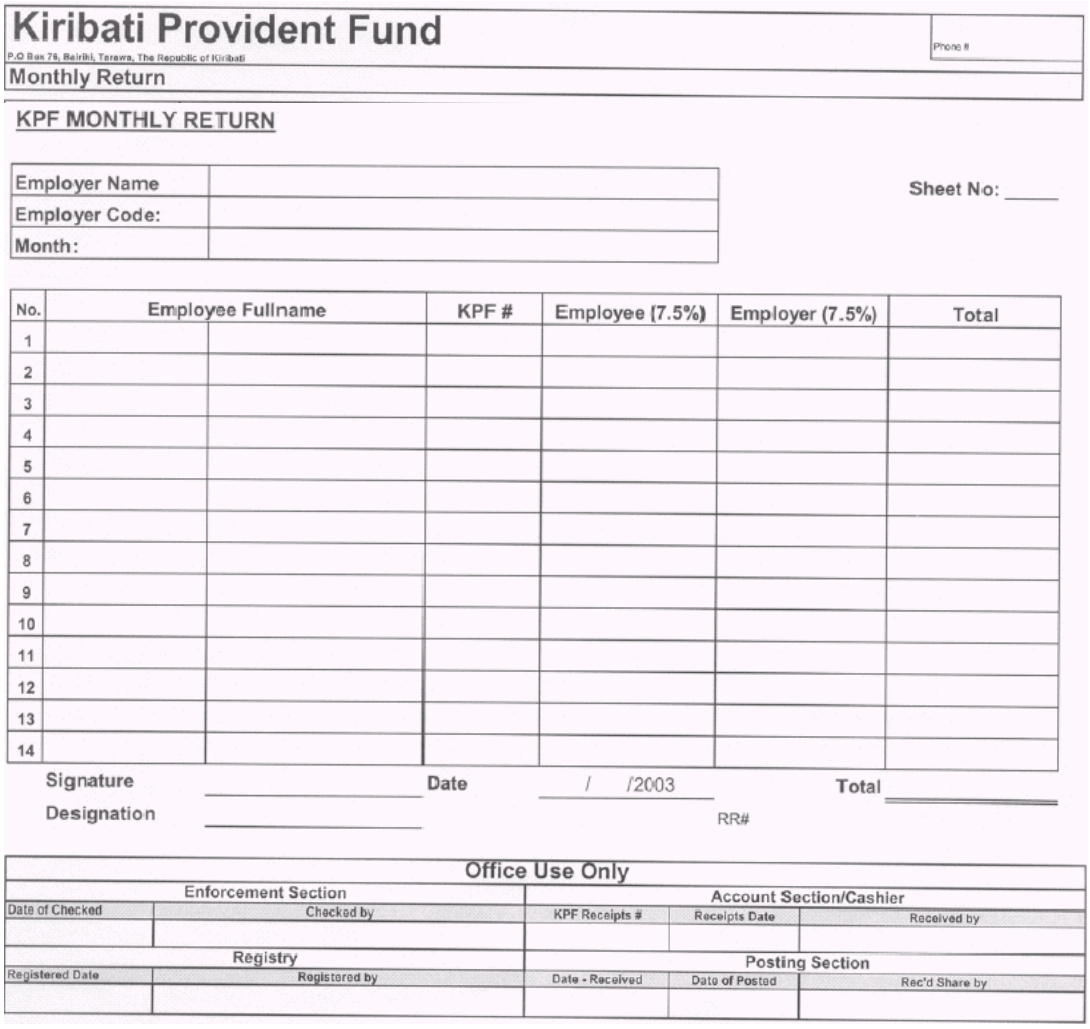
The contributions payment is accompanied by a monthly contributions schedule, which contains:

- employer name
- employer code
- contribution month
- the name and surname of each employee
- the employee KPF membership number
- the employee contribution amount
- the employer contribution amount the total amount of contribution paid on behalf of each employee
- the total amount payable
- the date of payment
- the signature and designation of the person paying the contribution.

(i) Contributions process

Customer service section
Prior to or on the due date the employer comes to the Customer Service Area of the KPF office, and presents the monthly contribution schedule and the cheque. These are accepted by the customer service officers and passed to the Compliance Section.

Figure 18.9 Monthly contributions schedule



Kiribati Provident Fund

P.O Box 75, Bairiki, Tarawa, The Republic of Kiribati

Phone #

Monthly Return

KPF MONTHLY RETURN

Employer Name	
Employer Code:	
Month:	

Sheet No: _____

No.	Employee Fullname		KPF #	Employee (7.5%)	Employer (7.5%)	Total
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						

Signature _____ Date / /2003 Total _____

Designation _____ RR#

Office Use Only

Enforcement Section		Account Section/Cashier		
Date of Checked	Checked by	KPF Receipts #	Receipts Date	Received by
Registry		**Posting Section**		
Registered Date	Registered by	Date - Received	Date of Posted	Rec'd Share by

Compliance section

Compliance staff check that:

- The schedule has been correctly filled out,
- The total amount payable on the schedule equals the amount on the cheque, and
- Any other obvious errors (e.g. membership numbers and contribution amounts have been supplied for each employee etc).

The Compliance Section enters the employer number and calls up the employer record on the computer. They check the employer details, and update the employer record with the contribution amount for that month. They check for any outstanding accounts (e.g. surcharges or unpaid contributions), and advise the employer accordingly.

The schedule and cheque are then passed to the cashier.

Cashier

The cashier checks the cheque amount against the total contribution amount on the schedule, and then enters the employer number into the computer system, calls up a contributions payment record on the computer, enters the payment details for the employer, and prints out a receipt. The receipt shows:

- The employer name,
- Employer number,
- The contributions period,
- The payment type, the cheque number,
- The date of payment, and
- The amount paid.

The receipt is handed to the employer, and the cashier generates a payment record for banking purposes, and holds the cheque for banking.

The schedule is then passed to the Administrative Assistant who also registers the receipt of the contributions schedule before passing it on to the Members Accounts Section for posting of the individual member contributions.

Members accounts section

The Posting Supervisor receives the schedule and passes it to the Posting Officer responsible for that employer. The Posting Officer then enters the employer number and calls up the employer record, checks the details against the contributions schedule, and then calls up the member contributions records. The member names and ID numbers are checked, and if correct the members' individual contribution records are updated.

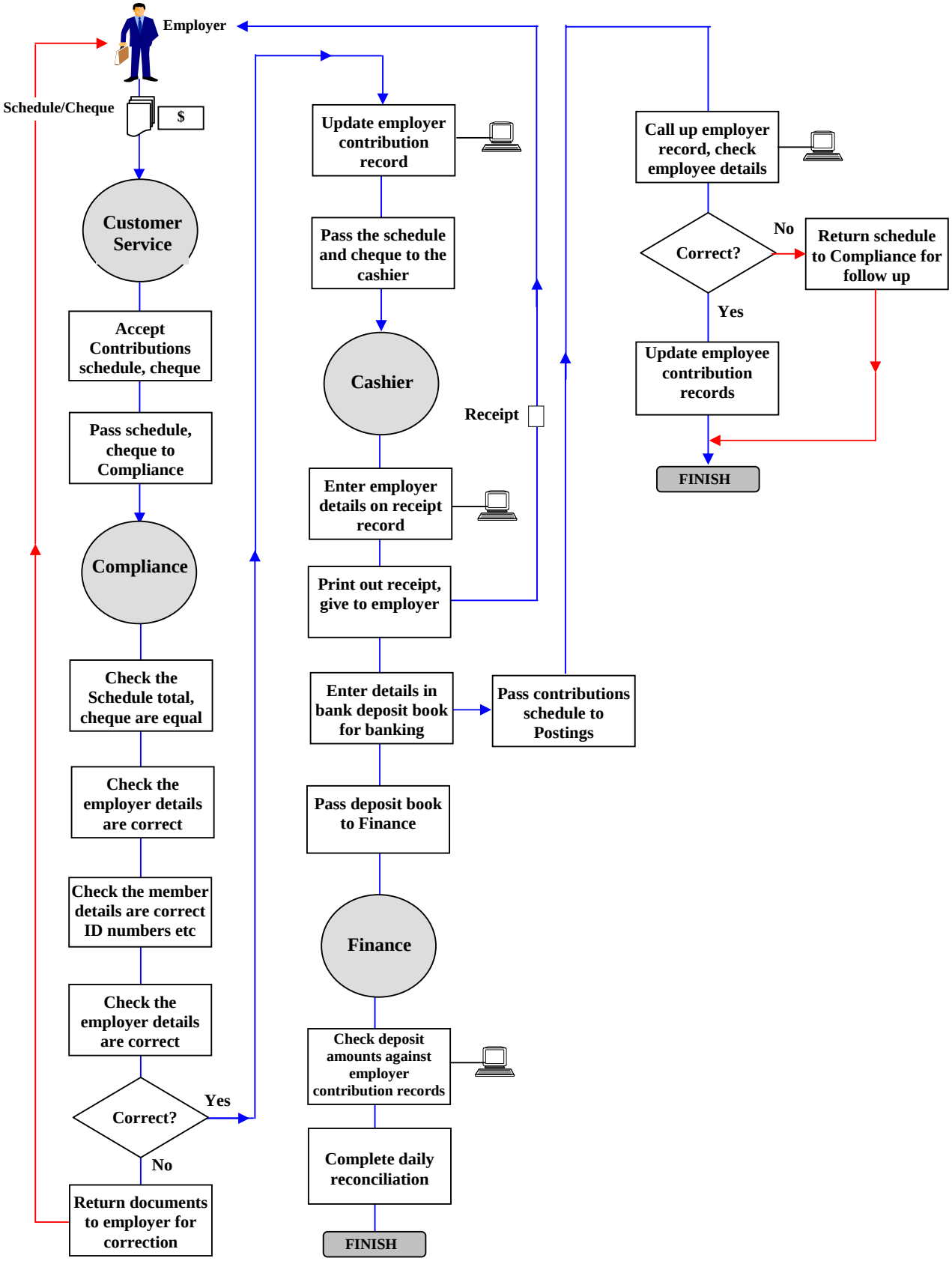
Where there are discrepancies (e.g. incorrect or missing ID numbers), the Posting Officer will check the computer records or contact the employer to resolve the problem.

If the new employee has already been registered, his record will be updated to reflect the new employer code.

If there is a new unregistered employee or unresolved problems, the schedule is not posted but returned to the Compliance Section for corrective action.

When the updating of the members records has been completed, the schedules are filed away by the Postings Officer.

Figure 18.10 Contributions process

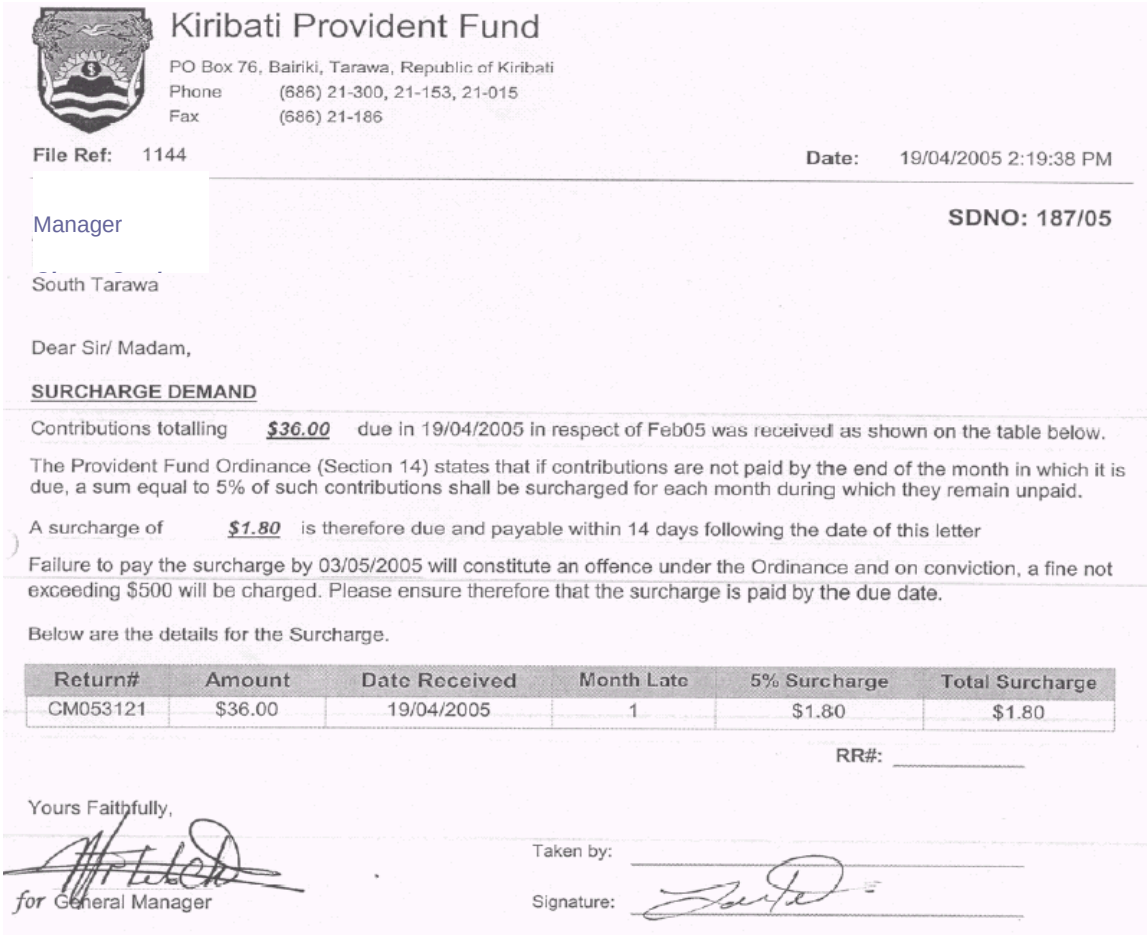


(ii) Late payments

Where payment of contributions has not been made by the due date, a surcharge of 5 per cent of the total amount of contributions payable is applicable.

A large number of employers are late with the payment of contributions. Penalty notices are automatically generated by the computer system and handed to employers when they come in to the office with the next contributions payments. These notices specify the amount of the penalty imposed and the date by which the penalty must be paid

Figure 18.11 Penalty notice



Kiribati Provident Fund

PO Box 76, Bairiki, Tarawa, Republic of Kiribati
Phone (686) 21-300, 21-153, 21-015
Fax (686) 21-186

File Ref: 1144 Date: 19/04/2005 2:19:38 PM

Manager

SDNO: 187/05

South Tarawa

Dear Sir/ Madam,

SURCHARGE DEMAND

Contributions totalling ***$36.00*** due in 19/04/2005 in respect of Feb05 was received as shown on the table below.

The Provident Fund Ordinance (Section 14) states that if contributions are not paid by the end of the month in which it is due, a sum equal to 5% of such contributions shall be surcharged for each month during which they remain unpaid.

A surcharge of ***$1.80*** is therefore due and payable within 14 days following the date of this letter

Failure to pay the surcharge by 03/05/2005 will constitute an offence under the Ordinance and on conviction, a fine not exceeding $500 will be charged. Please ensure therefore that the surcharge is paid by the due date.

Below are the details for the Surcharge.

Return#	Amount	Date Received	Month Late	5% Surcharge	Total Surcharge
CM053121	$36.00	19/04/2005	1	$1.80	$1.80

RR#: _____

Yours Faithfully,

for General Manager

Taken by: _____

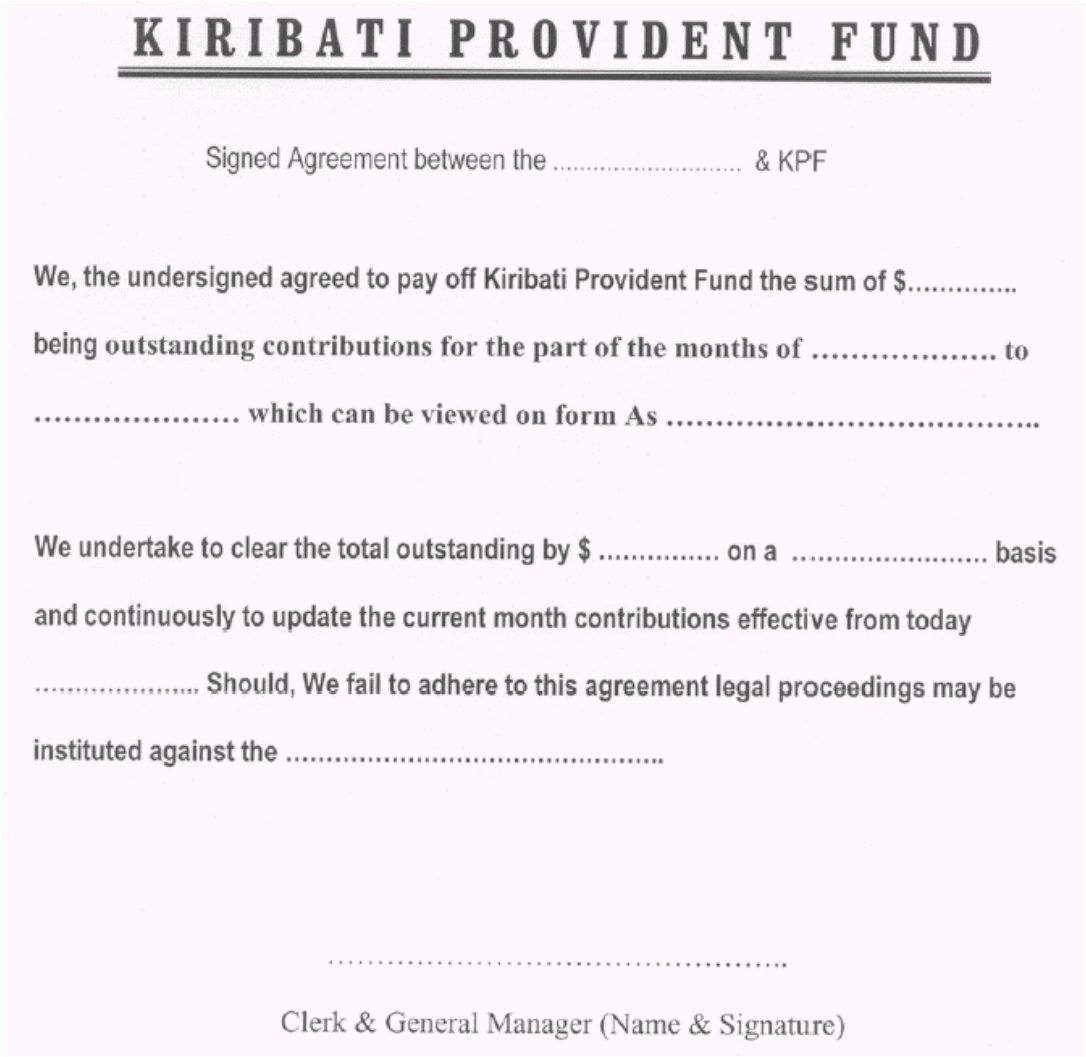
Signature: _____

After a further two weeks the compliance staff call up the outstanding list on the computer from which they can identify those who still have not paid. Another final notice is prepared and given to the employer. Another check is carried out after a further two weeks and if the employer has not paid then court action is taken.

Where the contributions amount remains unpaid, the employer is visited by an inspector to investigate the reason for non-payment. Where the employer is unable to make an immediate payment in full, an agreement may be reached whereby the employer agrees to pay the full amount over a fixed period of time.

The formal agreement is signed by the Compliance Officer and the employer.

Figure 18.12 Contribution arrears agreement



KIRIBATI PROVIDENT FUND

Signed Agreement between the ..... & KPF

We, the undersigned agreed to pay off Kiribati Provident Fund the sum of $.....

being outstanding contributions for the part of the months of ..... to

..... which can be viewed on form As .....

We undertake to clear the total outstanding by $ ..... on a ..... basis

and continuously to update the current month contributions effective from today

..... Should, We fail to adhere to this agreement legal proceedings may be

instituted against the .....

.....

Clerk & General Manager (Name & Signature)

Where such an agreement is not reached and the employer continues to default, or where the agreement has been breached, prosecution will be considered.

(iii) Inspections

Inspections are carried out by the Compliance unit. The Compliance unit divides the companies up between the 6 staff, and each company is inspected at least once per year. During the inspection they check the salary records of the company, comparing the number of employees and the salaries of employees against KPF contribution records.

A large number of inspections also result from complaints from employees about discrepancies in the contributions amounts paid by the employers, causing a shortfall in the members' accounts. There are 21 inhabited islands in Kiribati, and of these 17 have registered employers. Inspections of these companies is also undertaken once per year.

(iv) Prosecutions

Prosecutions are carried out with the services of a private lawyer. It is the responsibility of the compliance staff to gather evidence to support the case for prosecution.

18.3.3 Withdrawals

To apply for a withdrawal the member must complete a withdrawal form (Attachment X). Each withdrawal form contains form contains:

- The member's name
- Membership number

- Name of nominee
- Amount of withdrawal required
- Type of withdrawal (partial or full)
- A checklist of documentation required.

Figure 18.13 Member withdrawal form

Kiribati Provident Fund

Withdrawal Form

General Manager
Kiribati Provident Fund
Bairiki, Tarawa

Date: Monday, September 15, 2003

Dear Sir,

In accordance with the requirements under Section 20 of the Kiribati Provident Fund Ordinance Cap 78.A 1 wish to withdraw the amount stated below standing to my credit with the Fund under the ground .

Documents Provided	Age 45	Age 50	Illness	Death	Migration
a) Employers Letter					
b) Birth Certificate					
c) Witness Form					
d) Two Medical Report					
e) Death Certificate					
f) Foreign Pass Port					
g) Evidence of Permanent Residence					
h) Tax Clearance Letter					
i) Others					

Members Full Name		
Members KPF Account No		
Full Name of Nominee		
Member's or Nominee Sgd		
Amount Required	$	**Full or Part:**____/3

Authority attached
Finger Print Hereunder

For Official Use Only	Current Year ____	Previous Year ___
Opening Balance: ___/___/200__		
Interest earned for ___/365 days * ___%		
Current Contribution		
Current Withdrawal Interest		
PV No _____	( )	( )
Net Amount to be withdrawn		

Served by: _____

Date: _____/_____/200__

(I) Partial withdrawals

Members are permitted only one partial withdrawal from their account. If a check reveals a previous withdrawal and the member is not permanently retired, the application is refused.

The member does not need to provide a reason for partial withdrawal – the application form is all that is required.

(ii) Full withdrawals

Members must be permanently retired before becoming eligible to make a full withdrawal from their account. Full withdrawal from members' accounts are permitted in five circumstances:

- Permanent incapacity,
- Death,
- Migration,
- Reaching age 45 and retired, and
- Reaching age 50 and retired.

Permanent incapacity

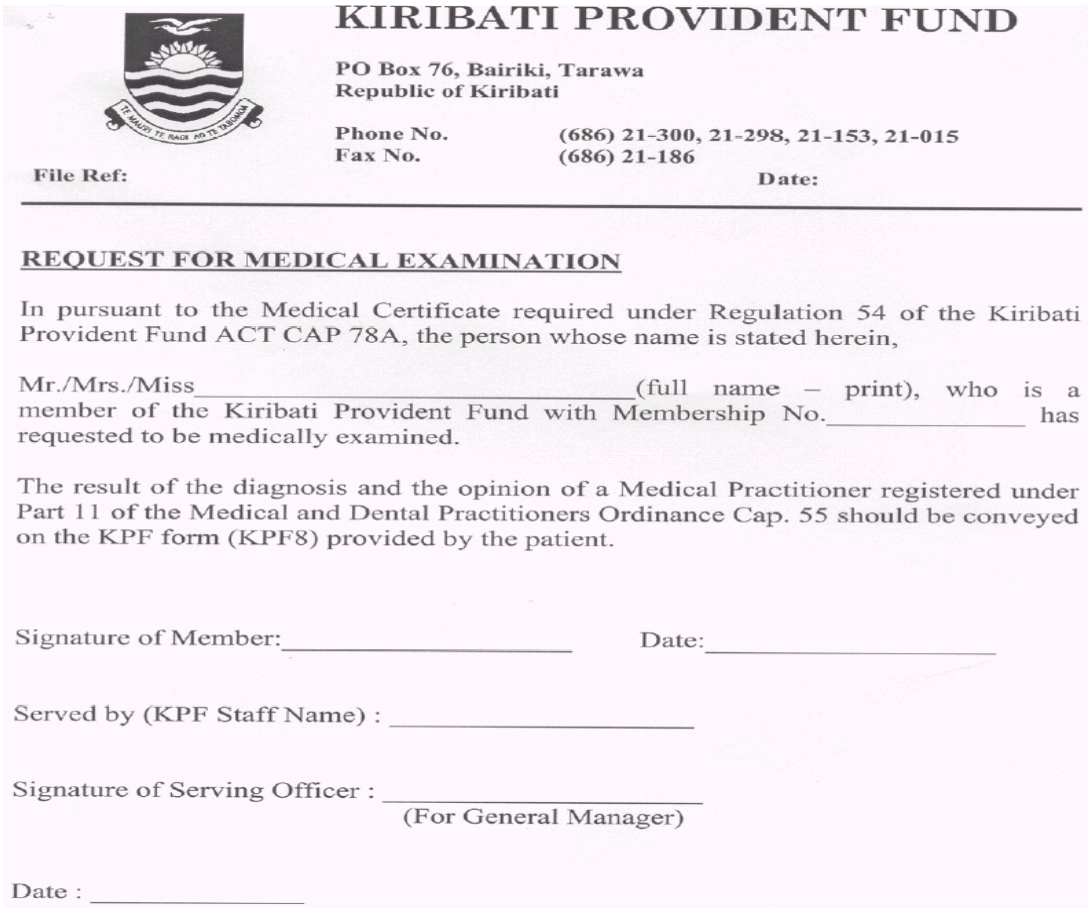
When applying for partial or full withdrawal on medical grounds the KPF provides forms to request medical examinations of the applicant by two medical practitioners, together with the blank

medical certificates. If applicable, the practitioners will complete the medical certificates stating that the member, on a permanent basis, is sufficiently physically or mentally incapacitated as to prevent him re-joining the workforce.

The applicant (or representative) must provide:

- Membership ID card,
- The completed withdrawal claim form,
- The 2 completed medical certificates, and
- A tax clearance letter.

Figure 18.14 Request for medical examination



KIRIBATI PROVIDENT FUND

PO Box 76, Bairiki, Tarawa
Republic of Kiribati

Phone No. (686) 21-300, 21-298, 21-153, 21-015
Fax No. (686) 21-186

File Ref: Date:

REQUEST FOR MEDICAL EXAMINATION

In pursuant to the Medical Certificate required under Regulation 54 of the Kiribati Provident Fund ACT CAP 78A, the person whose name is stated herein,

Mr./Mrs./Miss_____(full name – print), who is a member of the Kiribati Provident Fund with Membership No._____ has requested to be medically examined.

The result of the diagnosis and the opinion of a Medical Practitioner registered under Part 11 of the Medical and Dental Practitioners Ordinance Cap. 55 should be conveyed on the KPF form (KPF8) provided by the patient.

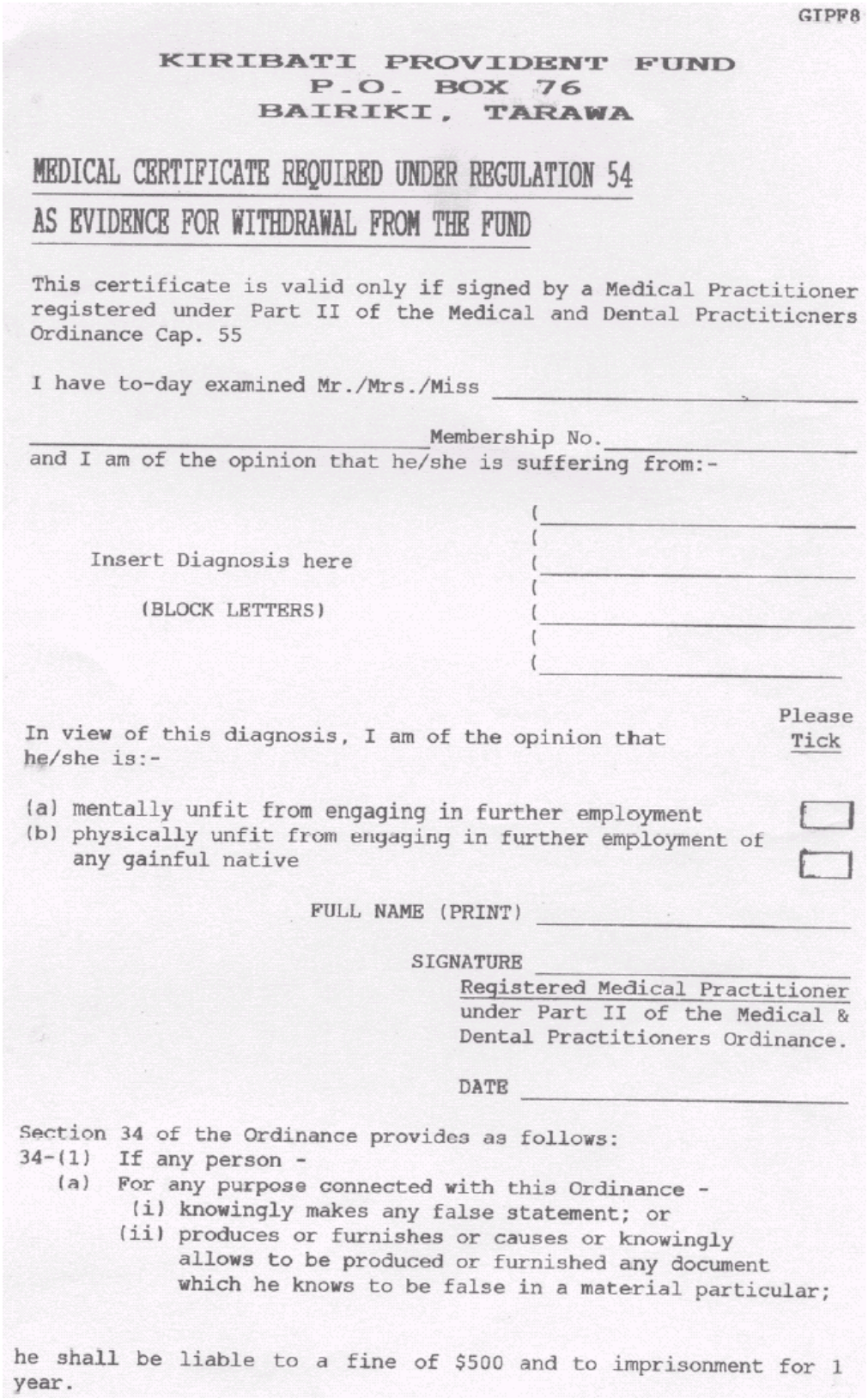
Signature of Member:_____ Date:_____

Served by (KPF Staff Name) : _____

Signature of Serving Officer : _____
(For General Manager)

Date : _____

Figure 18.15 Medical certificate



GIPF8

KIRIBATI PROVIDENT FUND
P.O. BOX 76
BAIRIKI, TARAWA

MEDICAL CERTIFICATE REQUIRED UNDER REGULATION 54

AS EVIDENCE FOR WITHDRAWAL FROM THE FUND

This certificate is valid only if signed by a Medical Practitioner registered under Part II of the Medical and Dental Practiticners Ordinance Cap. 55

I have to-day examined Mr./Mrs./Miss _____

_____ Membership No. _____

and I am of the opinion that he/she is suffering from:-

Insert Diagnosis here

(BLOCK LETTERS)

(_____
(
(_____
(
(_____
(
(_____

In view of this diagnosis, I am of the opinion that he/she is:-

Please Tick

(a) mentally unfit from engaging in further employment ☐
(b) physically unfit from engaging in further employment of any gainful native ☐

FULL NAME (PRINT) _____

SIGNATURE _____
Registered Medical Practitioner
under Part II of the Medical &
Dental Practitioners Ordinance.

DATE _____

Section 34 of the Ordinance provides as follows:
34-(1) If any person -
(a) For any purpose connected with this Ordinance -
(i) knowingly makes any false statement; or
(ii) produces or furnishes or causes or knowingly allows to be produced or furnished any document which he knows to be false in a material particular;

he shall be liable to a fine of $500 and to imprisonment for 1 year.

Migration

A member who is migrating permanently to another country may claim a full or partial withdrawal from the fund. The applicant must provide:

- The foreign passport,
- Evidence of permanent residence in the new country,
- A letter form his employer evidencing termination of employment,
- A tax clearance letter,
- Membership ID card, and
- The completed withdrawal claim form.

Death

On the death of a member the nominated survivor(s) lodge an application for withdrawal of the balance of the deceased member's account. The applicant must provide:

- The death certificate of the member,
- A letter from the deceased member's former employer,
- A tax clearance letter,
- The membership ID card, and
- The completed withdrawal claim form.

Retirement

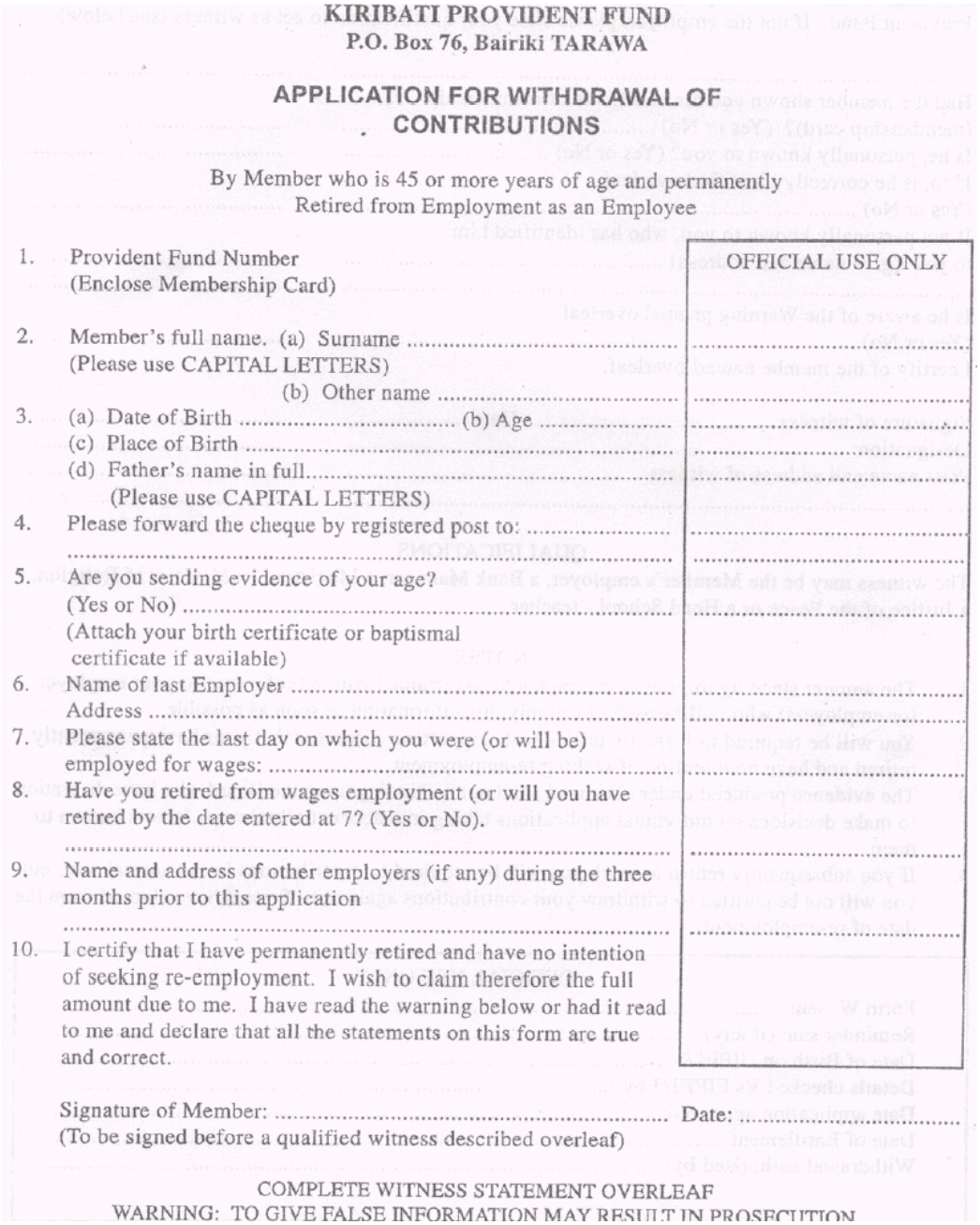
Age 50 - If aged 50 or more and retiring permanently a member may apply for a partial or full withdrawal of funds. Documentation required to be submitted with the application includes:

- The member's birth certificate,
- The members ID card,
- Letter from the employer evidencing the member's intention to permanently retire, showing the retirement date, and
- A tax clearance letter.

Age 45 - In the case of early retirement (between 45 and 50) members must complete a second Application For Withdrawal Form, which contains:

- The member's membership number,
- Name, date and place of birth, age,
- Father's full name,
- Postal address (for the cheque),
- Name and address of last employer,
- Date of retirement,
- Name and address of any other employers for whom the member has worked during the previous 3 months, and
- A certification of permanent retirement, and the amount required. The applicant's fingerprint is also imprinted on the claim form.

Figure 18.16 Withdrawal form



KIRIBATI PROVIDENT FUND
P.O. Box 76, Bairiki TARAWA

APPLICATION FOR WITHDRAWAL OF CONTRIBUTIONS

By Member who is 45 or more years of age and permanently Retired from Employment as an Employee

OFFICIAL USE ONLY

1. Provident Fund Number (Enclose Membership Card)
2. Member's full name. (a) Surname ..... (Please use CAPITAL LETTERS) (b) Other name .....
3. (a) Date of Birth ..... (b) Age ..... (c) Place of Birth ..... (d) Father's name in full..... (Please use CAPITAL LETTERS)
4. Please forward the cheque by registered post to: .....
5. Are you sending evidence of your age? (Yes or No) ..... (Attach your birth certificate or baptismal certificate if available)
6. Name of last Employer ..... Address .....
7. Please state the last day on which you were (or will be) employed for wages: .....
8. Have you retired from wages employment (or will you have retired by the date entered at 7? (Yes or No). .....
9. Name and address of other employers (if any) during the three months prior to this application .....
10. I certify that I have permanently retired and have no intention of seeking re-employment. I wish to claim therefore the full amount due to me. I have read the warning below or had it read to me and declare that all the statements on this form are true and correct.

Signature of Member: ..... Date: .....
(To be signed before a qualified witness described overleaf)

COMPLETE WITNESS STATEMENT OVERLEAF
WARNING: TO GIVE FALSE INFORMATION MAY RESULT IN PROSECUTION

Where the applicant is aged between 45 and 50 years, in addition to the above, it is required that a witness must complete the witness declaration on the back of the form confirming the applicant's identity and also confirming that the applicant is aware of the warning on the form about the provision of false information. The witness should be the applicant's previous employer, a bank manager, a magistrate, a minister of religion, a Justice of the Peace, or a school headmaster/mistress.

Figure 18.16 Withdrawal form (cont)

WITNESS

If you are the member's employer, please state your employer's registration number with the Kiribati Provident Fund. If not the employer, please state your qualification to act as witness (see below)

.....

Had the member shown you his certificate of membership (membership card)? (Yes or No) .....

Is he, personally known to you? (Yes or No) .....

If so, is he correctly identified overleaf (Yes or No) .....

If not personally known to you, who has identified him to you (give name and address) .....

.....

Is he aware of the Warning printed overleaf (Yes or No) .....

I certify of the membe named overleaf.

Signature of witness ..... Date.....

Designation: .....

Print name and address of witness .....

.....

QUALIFICATIONS

The witness may be the Member's employer, a Bank Manager, a Magistrate, a Minister of Religion, a Justice of the Peace or a Head School - teacher

NOTES

1. The amount standing to your credit cannot be ascertained without reference to your employer (or employers) who will be asked to supply this information as soon as possible
2. You will be required to formally testify with supporting witnesses that your have permanently retired and have no intention of seeking re-employment.
3. The evidence produced under (2) above shall not be binding upon the Board who have discretion to make decisions on individual applications taking into account all relevant factors known to them.
4. If you subsequently return to work you will be required to contributions in the normal way, but you will not be entitled to withdraw your contributions again until 5 years have elapsed form the date of re-employment.

OFFICIAL USE ONLY

Form W sent: .....

Reminder sent (if any) .....

Date of Birth on GIPF1/3: .....

Details checked Vs FIPF1/3 by: .....

Date application approved: .....

Date of Entitlement: .....

Withdrawal authorised by: .....

(iii) Withdrawal process

Customer Service Section

The member attends the Customer Service Area of the KPF and requests an application form for a withdrawal. The customer service staff explain the eligibility rules and procedures relating to withdrawals, and call up the member's computer record to check the membership details and the status of the account, and whether the record shows a previous withdrawal.

They explain the one withdrawal policy, and do not proceed with the application if no entitlement for withdrawal exists. Where entitlement exists, they print out the application form, and the documents for the request for medical examination where applicable, and give them to the member.

When the member returns the completed application form, the customer service officer accepts and undertakes a thorough check of the claim and related documents. The checking process includes:

- a match of the applicant with the photo ID on the membership card (if applicable)
- a match of the member's signature on the withdrawal form against that on the membership card
- checking that the required documents are attached
- the inclusion of the applicant's thumbprint on the application form.

The application form and documents are then passed to the Finance Section.

Finance Section

The Finance Section then also undertakes a detailed check of the application and documents, including:

- a check of the claim details against the member's computer record
- a check of the signature and the personal details on the claim form against the signature and details on the original employee registration form
- a detailed check of the documents against the application form, e.g.
  - passport details, residence visa for those applying in the case of migration
  - medical certificates for those applying on permanent incapacity grounds
  - the death certificate and latest nominee form where the withdrawal has resulted from the death of the member
  - the employers letter in the case of retirement
  - the witness declaration in the case of early retirement
  - the tax clearance letter.
- if the claim is for a partial withdrawal, the member's computer contributions record is checked to see if there has been a previous withdrawal; in addition the ledger cards are checked for previous withdrawal (the ledger cards contain data that has not been entered into the computer system).

If there is any discrepancy the Finance Section will contact the member to seek clarification/rectification. The amount payable is calculated by the Finance Section who:

- obtain the "opening balance" (i.e. the balance as at 31December in the previous year after the interest for that year has been allocated) from the member's account record and writes it onto the withdrawal form
- calculate the interest due for the contributions paid for the current year up to the date of the withdrawal and including this amount on the withdrawal form
- transfer the total amount of contributions paid this year to the withdrawal form
- adds up the opening balance, the interest due and the contributions paid for the current year to obtain an overall balance of account
- if the application is for a full withdrawal this total amount is written as the withdrawal amount on the claim form
- if the application is for a partial withdrawal the partial amount is calculated as a portion of the total amount written as the withdrawal amount on the claim form.

The claim is then signed by the examiner and entered into the claims register, and passed to the supervisor of the Members Accounts Section for the checking and updating of the member's computer record.

Members Accounts

The supervisor allocates the claim to a postings officer, who:

- calls up the customer record
- checks the member details
- updates the record with the claim details.

The system then calculates the payment amount automatically and prints out:

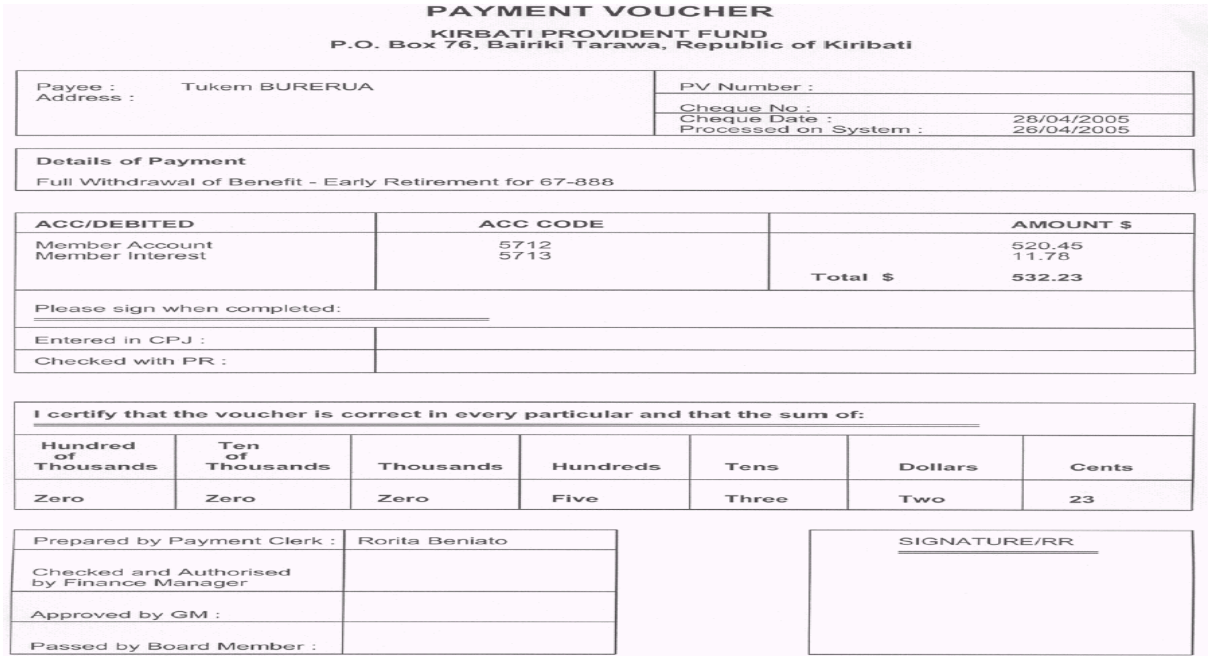
- the Payment Voucher Record (PVR)
- the worksheet (Details Report), and
- the member's contributions list.

which are all attached to the claim.

The claim is signed and the claim and attachments are then passed to the supervisor to check whether the member's account has been pledged as security for a housing loan. If so the member is contacted and asked to obtain a clearance from the lending authority. The claim is held by the supervisor until the release has been obtained.

If there is no pledge or the clearance has been obtained, the claim and attachments are returned to the Finance Section.

Figure 18.17 Payment voucher



PAYMENT VOUCHER

KIRBATI PROVIDENT FUND
P.O. Box 76, Bairiki Tarawa, Republic of Kiribati

Payee : Tukem BURERUA Address :	PV Number : Cheque No : Cheque Date : 28/04/2005 Processed on System : 26/04/2005

Details of Payment
Full Withdrawal of Benefit – Early Retirement for 67-888

ACC/DEBITED	ACC CODE	AMOUNT $
Member Account Member Interest	5712 5713	520.45 11.78
	Total $	532.23

Please sign when completed:

Entered in CPJ :	
Checked with PR :	

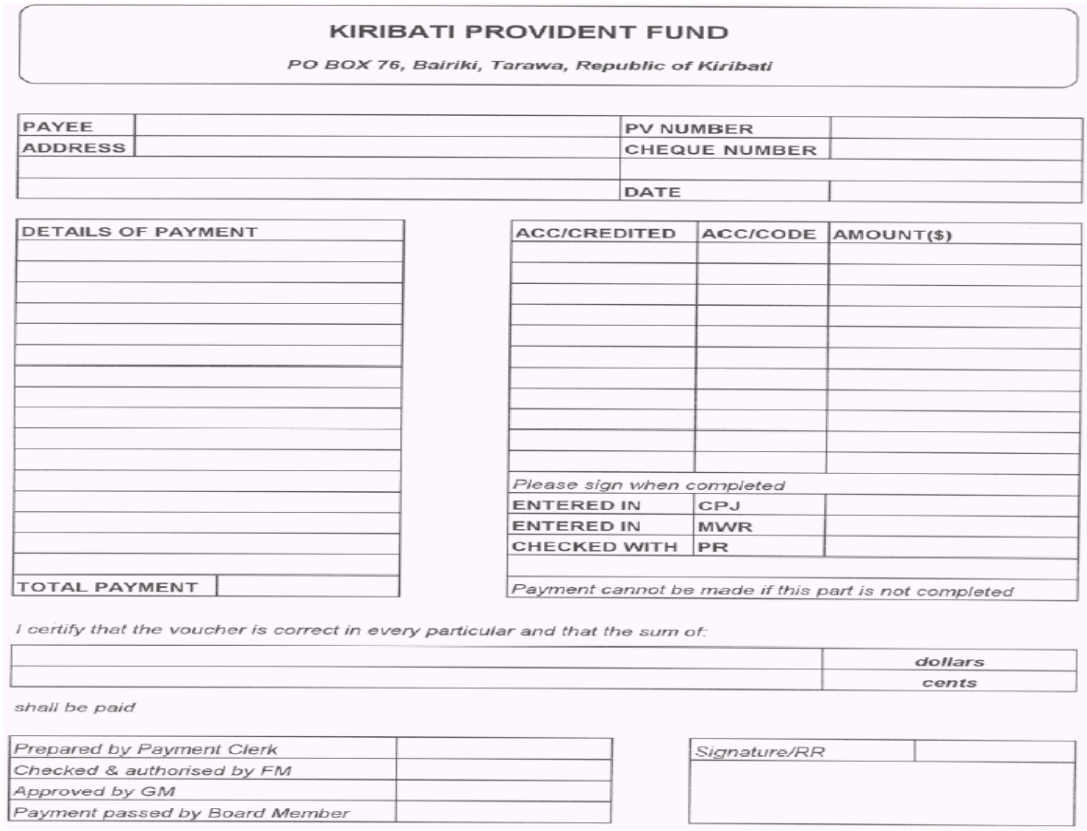
I certify that the voucher is correct in every particular and that the sum of:

Hundred of Thousands	Ten of Thousands	Thousands	Hundreds	Tens	Dollars	Cents
Zero	Zero	Zero	Five	Three	Two	23

Prepared by Payment Clerk :	Rorita Beniato
Checked and Authorised by Finance Manager	
Approved by GM :	
Passed by Board Member :	

SIGNATURE/RR

Figure 18.18 Payment record



KIRIBATI PROVIDENT FUND

PO BOX 76, Bairiki, Tarawa, Republic of Kiribati

PAYEE		PV NUMBER	
ADDRESS		CHEQUE NUMBER	
		DATE	

DETAILS OF PAYMENT
TOTAL PAYMENT

ACC/CREDITED	ACC/CODE	AMOUNT($)

Please sign when completed

ENTERED IN	CPJ	
ENTERED IN	MWR	
CHECKED WITH	PR	

Payment cannot be made if this part is not completed

I certify that the voucher is correct in every particular and that the sum of:

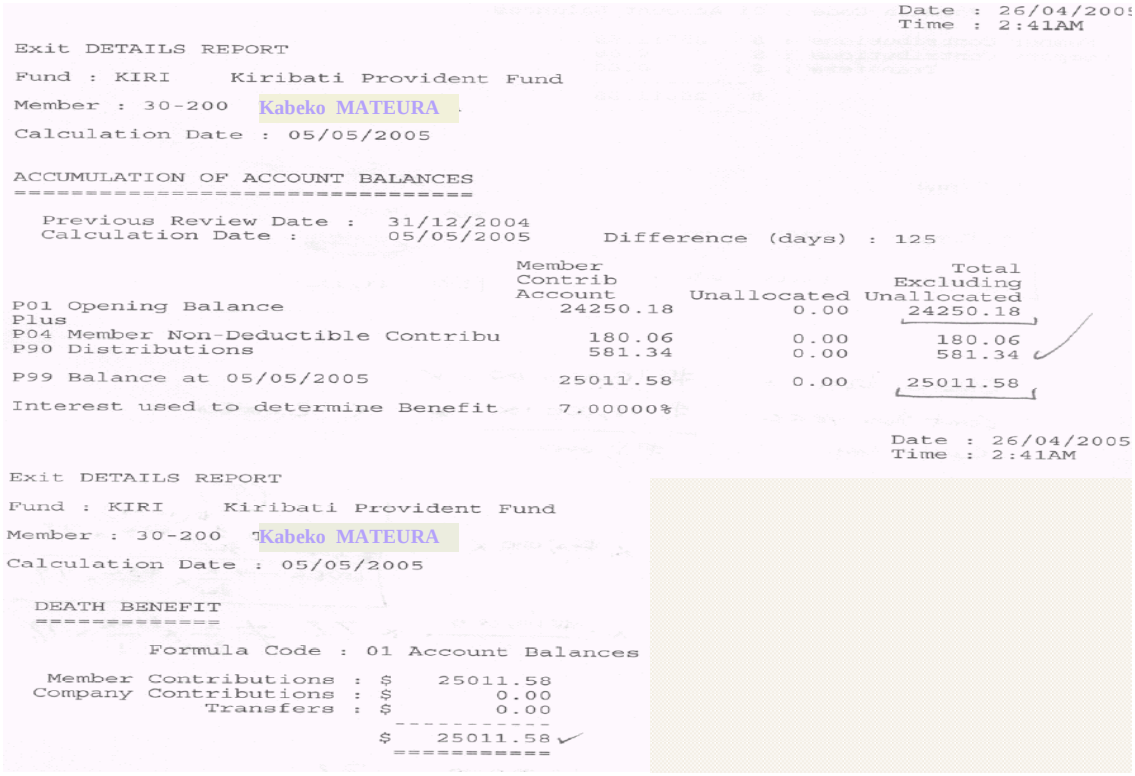
	dollars
	cents

shall be paid

Prepared by Payment Clerk	
Checked & authorised by FM	
Approved by GM	
Payment passed by Board Member	

Signature/RR	

Figure 18.19 Details report



Date : 26/04/2005
Time : 2:41AM

Exit DETAILS REPORT

Fund : KIRI Kiribati Provident Fund

Member : 30-200 Kabeko MATEURA

Calculation Date : 05/05/2005

ACCUMULATION OF ACCOUNT BALANCES

Previous Review Date : 31/12/2004
Calculation Date : 05/05/2005 Difference (days) : 125

	Member Contrib Account	Unallocated	Total Excluding Unallocated
P01 Opening Balance	24250.18	0.00	24250.18
Plus			
P04 Member Non-Deductible Contribu	180.06	0.00	180.06
P90 Distributions	581.34	0.00	581.34
P99 Balance at 05/05/2005	25011.58	0.00	25011.58

Interest used to determine Benefit 7.00000%

Date : 26/04/2005
Time : 2:41AM

Exit DETAILS REPORT

Fund : KIRI Kiribati Provident Fund

Member : 30-200 Kabeko MATEURA

Calculation Date : 05/05/2005

DEATH BENEFIT

Formula Code : 01 Account Balances

Member Contributions	: $	25011.58
Company Contributions	: $	0.00
Transfers	: $	0.00
	$	25011.58

Finance section

The Finance Section clerk then:

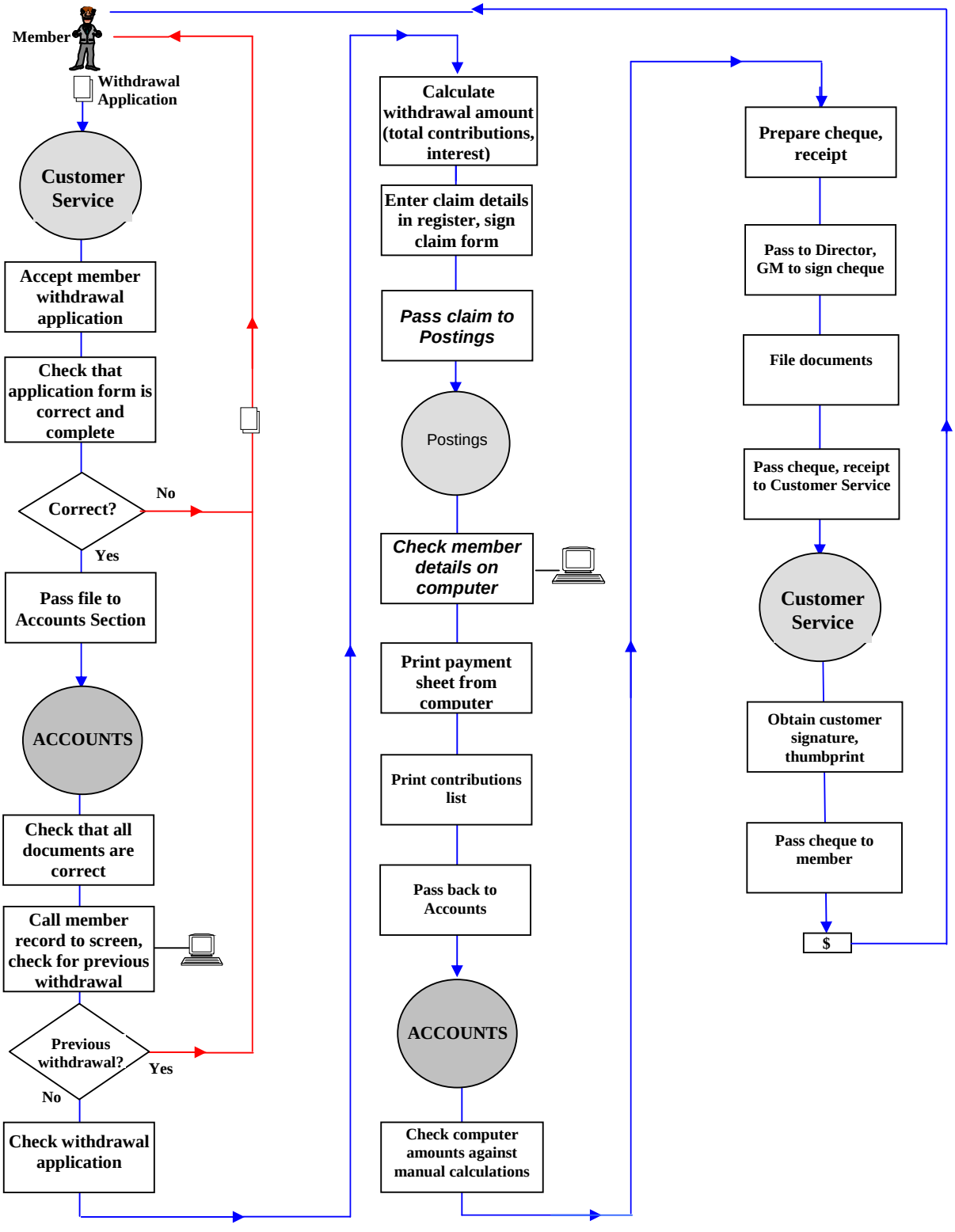
- checks the computer printouts against the manual calculations on the claim form
- prepares the withdrawal cheque
- update the claims register
- passes the claim and cheque to the Finance Manager for checking
- obtains the signatures of the General Manager for and one Board member
- either:
  1) sends the cheque to the member by post (remote islands only)
  2) includes the cheque on the bank schedule for direct deposit to the member's account (Christmas Island only)
  3) passes the cheque and receipt to the customer services officers for collection by the member
  4) files away the claim.

Withdrawal cheques are made available to members on Thursday of each week at the Customer Service counter of the KPF office. The member presents his membership card, and signs and imprints his thumbprint on the payment voucher. The customer service officer checks his ID card, his signature, signs the payment voucher and passes the cheque to the customer.

The claim and receipt are passed back to Finance to be included in the payment sheet for reconciliation.

The claim and attachments are then filed.

Figure 18.20 Member withdrawal process



18.4 Information & communications technology

18.4.1 Background

The KPF board and management introduced computerization at the early stages of its business operation.

Computerization was introduced to Kiribati Provident Fund (KPF) during the early 1990s. Computers and printers were mainly used for word processing to produce letters and report writing. Subsequently, spreadsheet functions were used for accounting purposes and storage of information.

A local area network (LAN) was developed during mid 1990s to enable the sharing of ICT resources such as printers, files and databases.

From 1999, computers were used for record maintenance and data processing for member contribution processing functions.

The KPF acquired a multi-user system called Super Synergy System supplied by Financial Synergy of Australia for the purpose of member contribution maintenance as a back office processing function.

Other systems such internet web browsing and electronic mail were introduced for use by the staff of KPF. In-house ICT staff developed a few subsidiary systems such as cashier receipting, human resources and compliance systems.

During 2004, KPF created a customer service section to provide face-to-face and interactive customer service by providing on-line information using the computer system and business applications.

All KPF staff have access to a computer terminal with personalized email facilities.

During 2004, KPF also introduced a new membership card to its customers to improve the identification and proof of membership process. This new membership card is also used as identification by many other government and private organizations. The new membership ID card contains a photograph of the member, with a magnetic stripe and a signature panel.

The KPF has continually trained the processing staff to use the computer systems, increased the number of computer terminals and phased out many paper based record processes.

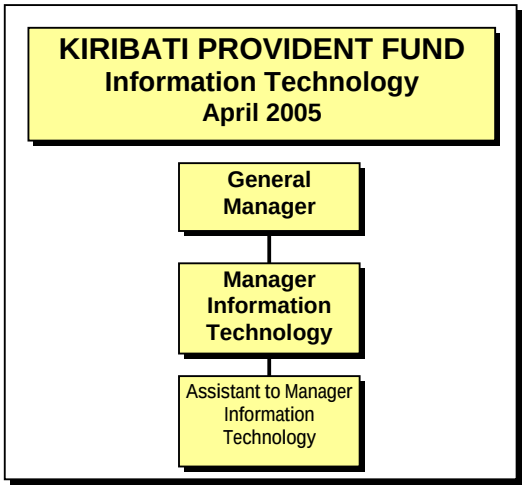
The KPF has come a long way in developing its' ICT capabilities. To remain productive and continually strive to improve its business operations, there is a need to look ahead by developing strategic development plans to prepare to meet the future demands of its valued FPF members.

18.4.2 Current Information and Communication Technology

(i) ICT organizational structure

The ICT section consists of two staff namely one Information Technology Manager and assistant to the IT Manager. The Information Technology manager reports to the general manager.

Figure 18.21 Information Technology organization



The current ICT staff are multi-skilled in database administration, system administration, network maintenance, hardware maintenance, software development and maintenance. Due to the limited ICT training in Kiribati, much of the knowledge of the ICT staff is self-taught.

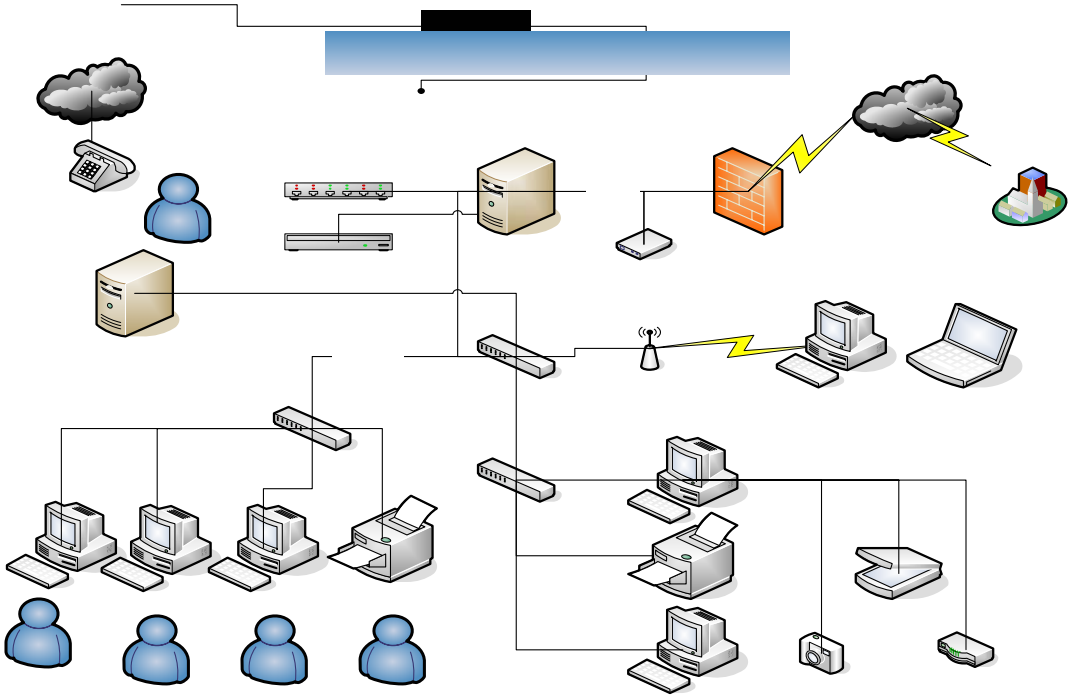
The two ICT staff are technically proficient in many areas of ICT and work confidently to provide a high level of ICT service at KPF. The ICT and total staff ratio is about 6 per cent, which is within the normal range of 5-10 per cent depending on level of ICT.

(ii) Current ICT services

The current Information Technology Department provides the following services:

- develop and maintain the IT infrastructure
- liaise with software and the service provider to maintain 3rd party systems
- develop software for subsidiary systems
- provide user technical support for all IT clients and users
- perform data processing and scheduling functions
- undertake hardware repairs and software upgrades
- procure consumables for IT equipment
- perform system analysis and troubleshoot for technical and data issues
- assist in identifying and implementing business solutions using IT
- provide the management team and the board with updates of the information technology operation
- provide management and the board with proposals to improve the business operation using information technology.

Figure 18.22 Current ICT network diagram



The current ICT network at KPF is an industry standard network that uses industry strength network equipment and protocols.

The ICT network also comprises brand name equipment such as DELL (server, notebooks and personal computers), Netgear (switches), D-Link (wireless access points), HP (printers) and Toshiba (notebooks).

The KPF local area network (LAN) is based on the TCP/IP protocol which is an industry standard.
KPF uses CAT5 UTP cables which is also an industry standard.

It is expected that this local area network will continue to grow in size over time. The LAN configuration is flexible and will support future growth of the organisation.

(iv) Process and system documentation

It is observed that many of the processes need documenting to describe the workflow. The KPF office is on one floor of the Tarawa building where the activities and processes of each section are visible and known to all. This reduces the need for much of the formality and documentation of process.

However, it is good discipline to document the processes and procedures for the benefit of the Christmas Island branch office staff, training for new staff, process reviews and minimise misunderstandings.

The KPF is in an excellent position and of organizational size to take advantage of mature and affordable technology to enhance business operational efficiency and quality customer service to its members and beneficiaries.

(v) System maintenance and contract agreements

It is not common at KPF to have formal support and maintenance contracts with suppliers of ICT equipment to store spare parts in Kiribati. This means that there could be delays up to a week and more to source spare parts from overseas suppliers when required. As a result, the core KPF system could experience 'outage' for a week at a time, disrupt customer service, and work flow. It is recommended to review the risks and consider the storage of spare parts on-site to minimize the 'outage' period and disruption to customer service and back-end processing.

Therefore it is also encouraged to consider having formal systems maintenance contract agreements or service level agreements with suppliers to receive predictable system maintenance service levels.

(vi) KPF membership cards

The KPF Membership Card is an excellent marketing tool. The KPF staff takes photos of member's onsite at employer locations, and to date have completed photo id of around 3,000 members out of a total of 10,000.

(vii) Telephone system

The review team was advised that there were some complaints from customers that the KPF telephone is occasionally 'engaged' and they were unable to reach the KPF Tarawa office. The limited number of telephone lines to the Tarawa office was identified as one of the probable cause of this problem.

It is suggested to request the telecommunication service provider to conduct telephone traffic analysis and 'dropped calls' reports to confirm this. Based on these reports, KPF could consider increasing the number of lines.

(viii) User defined transactions

The review team was advised that the SSS system provided authorized users to create user defined transactions to adjust member accounts for many reasons. As a matter of procedure, the necessary approval on paper and documentation is required to create user defined transactions to adjust member accounts.

This is identified as a probable source and contributor to the reconciliation differences between the SSS member account reconciliation and the paper and MS-Excel based financial accounts.

It is suggested to reconcile the user defined transactions in the SSS system against the transactions considered in the MS-excel based and paper based accounting system.

(ix) ICT operation problems

Printing issues

Users are having difficulties in printing when sharing a printer that is directly connected to a PC via a USB or parallel port. The shared printer conflicts with the DNS service that is used for internet email and domain controller functions.

When the DNS service is shutdown, the printers will work access to the internet is denied with ISP (the network printer is working).

Email usage technical support

The email system was recently introduced to the general staff. The ICT team is currently experiencing many technical support calls to assist users with the use of the email system.

It is recommended that basic user training in the use of email be conducted for staff who are constantly requesting technical assistance.

New report requests

It was reported that the ICT team receive many requests from users for new reports that are available in the current system.

To solve this problem, the following solutions are suggested:

- print a sample copy of all the reports on paper as a reference for those who usually

need reports. This will enable users to refer to this file to search for the necessary reports before they approach ICT to develop new reports.

- conduct training sessions to provide an overview of all existing reports in the system and data stored in the systems. This will enable users to understand the reports that exist in the system and the information that is stored in the database.

Slow system response

Occasionally, the system response deteriorates and this reduces the response to customers, slows down the work flow and lowers productivity. Some of the probable causes are the older personal computers with insufficient resources, and intensive interrogation of the database to generate large reports.

The older PC could be upgraded or replaced with a new PC that meets the specification of the software systems. Alternatively, this could be reported to the software supplier for more efficient database access and resource utilisation.

Slow Web Browsing

Many internet users find that the web browsing response time is so slow that it causes timeouts resulting in attempts to download information being unsuccessful.

The most probable cause is the internet connection type, low connection speeds, narrow bandwidth and the high cost of internet charges.

(x) Server Disk Redundancy

The DELL SC2600 server stores only a single copy of the data in the computer hard disk. In the event that a hard disk is faulty and becomes inoperable, the computer server will become inaccessible. As a result, KPF could lose the latest copy of data that is stored on the inoperable hard disk.

Fortunately, the current DELL SC2600 server has the ability to accommodate additional hard disks and a RAID controller that will take over the functions of the inoperable hard disk whilst the inoperable hard disk is replaced without any loss of data or computer downtime.

Therefore, it is recommended to enable and configure the RAID controller or redundancy features that are available on the DELL SC2600 server to minimize the loss of data and computer downtime. This project will require the procurement of hard disk and basic training to configure the redundancy capabilities of the DELL server.

(xi) Identification of member claims

KPF is concerned that some members deny having received member benefit payments, and is keen to verify member benefit claims more effectively and retain proof that the member had received member benefit payments. Some options to consider are as follows:

- Make all payments via the banking system when this facility becomes available or via another appropriate organization where there is another level of verification of the member's identity. (e.g. banks, financing agency, schools, government agencies, local authority)

- Use other forms of ID in addition to the KPF membership card where in doubt.

- Take a photograph of all claimants at the time of receiving the cheque. However the practicality and cost needs to be assessed against the benefits.

(xii) Voluntary contribution for seamen

Kiribati has lot of Kiribati nationals who work overseas as seafarers. It is also understood that one major source of revenue for Kiribati is the remittances by the Kiribati nationals. It is suggested that KPF arrange with the banks and members to automatically and periodically deduct KPF voluntary contribution from the member's bank account. This arrangement will provide an easy way of paying member voluntary contribution and encourage savings for retirement. However, this process requires the members consent by registering and establishing correct details.

(xiii) Risk Management

Mitigation of Water Risks

It is obvious from recent Boxing Day tsunami crisis much of the low-lying Pacific islands are prone to water damage. Due to the location of the

KPF building, location of the database server machine, backup magnetic tape media used and the location of the storage of backup tapes on the island of Tarawa there is a high risk of water damage. The following suggestions are recommended to mitigate the risk of water damage:

- In addition to the traditional magnetic tapes that are easily damaged by water, consider periodic backup of data to DVD using affordable and readily available DVD rewritable technology where practical.

- Relocate monthly or periodic backups a safe offsite storage area such as a custodian service that is out outside the Kiribati islands.

Mitigation of Fire Risks

The KPF office does not have a smoke detection and fire suppressant system in the computer room. This means that in the event of a fire, KPF could lose the database server containing the data, software applications and the backup tapes. The following are recommended to mitigate the risk of water damage:

- Relocate the storage of the daily data backups to a site that is further away from the main computer centre to reduce the chance of losing the daily backup data and the database server in the same event

- Consider the use of a fireproof storage facility for backup media for daily backup, original software and system information needed to recover a system after a disaster

- Develop a detailed ICT disaster recovery plan based on the business continuity plans of the organization.

(xiv) Separation of mail server from database server

The DELL 2600 server is currently used for the following ICT services:

- Database server,
- Application server,
- Mail server, and
- Printer server.

The KPF has introduced the new customer service counter that provides face-to-face customer service to KPF members. This business initiative is a great strategic and operational achievement. To support this new initiative and service, the challenge for the ICT team is to also achieve a higher standard of ICT uptime and service reliability.

Based on this business intent to provide higher quality customer service, it is recommended to carry out the following activities:

- Separate the mail server from the database server to minimize the high threat of viruses introduced by electronic mail and the internet (which is a major source of computer viruses)

- Prepare a backup database and application server to perform the functions of the main server and develop procedures to transfer the data from the damaged system to the backup server

- Storage of spare parts on-site

- Arrange training for the ICT staff to perform basic engineering services to replace basic devices

- Provide a greater level of system redundancy where practical.

(xv) Data integrity

Reconciliation of SSS and MS-Excel based financial accounts.

At the end of financial year 2003, there was a substantial difference in aggregate values between the SSS and MS-Excel based accounting system. Due to limited time of the review exercise, the review team was unable to establish the exact cause. However, several probable causes were identified for further investigation by KPF.

Negative member account balances

Some member account balances in the SSS system were of a negative value. The negative member account balance values may be caused by programming errors and/or data transcription errors.

This could be a probable source and contributor to the reconciliation differences between the SSS member account reconciliation and the paper and MS-Excel based financial accounts. It is advisable

to reconcile these member accounts to reflect the true member account balances.

To reflect the true financial position of the members' accounts, it may also be advisable to zerorise those member accounts having a negative balance within the SSS system if they have been previously 'written off' on paper in previous year accounts.

(xvi) ICT training and development

Due to the small size of the ICT section and the non-availability of a large ICT pool of skilled persons in Kiribati, it is essential that the ICT staff are multi-skilled, well trained and retained.

The ICT setup is critical to the operation of the KPF; ICT resources are scarce and few ICT service providers are available. This means that the ICT team must be independent and self sufficient in maintaining the existing ICT setup.

(xvii) Human capital development - training

ICT is fast becoming one of the important corporate services to perform daily functions efficiently and effectively for many organizations. Much of the organizational activity is dependant on the proper working and availability of the ICT systems. This means that the ICT staff needs to be adequately updated and continually trained to deliver ICT services.

It is recommended that a training needs analysis be conducted to develop a training plan that will support the corporate plan, work improvements, growth of the organization and proposed projects.

18.5 Conclusions and recommendation

18.5.1 Operations

Given the size of the organisation, the KPF runs a very tight operation making the optimum use of its staff and using its office setup to advantage. It's focus is on providing good customer service, with the public contact area well set up and staffed to adequately meet customer expectations.
The allowing of an unrestricted number of withdrawals for eligible members leads to more operational activity than other funds with restrictions on withdrawals; however the KPF is able to handle this activity, and the decision to make withdrawal payments on each Thursday leads to a more orderly process for both staff and customers.

The new membership ID card with photo ID and magnetic strip is certainly a progressive idea; each time a member approaches the customer service staff the computer record is checked for the presence of photo ID. If there is none, then the photograph is taken on the spot and downloaded to the computer, and a new card subsequently issued.

The checking of the contributions schedules and payment by Compliance staff while the employer is at the customer service counter is another progressive process; any errors or omissions detected on the schedule can be discussed with the employer immediately before the receipt is issued by the cashier, thus minimising follow up work and delays in posting of the contributions.

There is a problem with the computer system causing extra manual workloads for the Finance Department in the processing of withdrawal applications. The problem lies with the calculation of interest due, where the computer calculation is not always correct. This results in every interest calculation being done manually by the Finance staff, and checked against the computer calculation; where the amounts differ, the manual calculation is accepted as the accurate calculation.

This is a problem that needs to be investigated and corrected within the computer system. The need to manually record each withdrawal claim in a register also implies a lack of confidence in the computer system.

Compliance activities appear to be well organised, with the salary records of each employer being inspected at least once per year, including employers on the remote islands administered by Kiribati.

18.5.2 Strategic planning

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 (eg 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.

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.
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.

Whatever the approach, the KPF needs to develop a strategic plan covering its intended method of operations over the next 3-5 years.

18.5.3 Information & communications technology

(i) Change management

It is observed that the change management process that is used to request, approve and monitor changes to the system is based on verbal requests.

It is recommended to use a formal change management process such as a 'System Amendment Request Form' to ensure that the requested change or enhancement in documented and approved by the superior.

This will also enable proper management of user and system change requests such as testing, implementation dates, user acceptance, work generated and project management.

(ii) System access request

It is observed that user access to the business applications such as SSS and other applications are based on verbal requests the staff and discretion of the ICT staff.

To minimize unauthorized access and control processing in the computer system, it is recommended to use a formal change management process such as a 'User Access' Request Form' to ensure that the requests for access to the business applications are documented and approved by the appropriate authority. This will also enable proper management of user access in relation to the user's specific authority and role in the organization.

(iii) System and data backup

Corporate data is one of the most important assets of any organization. The KPF system and data backup are performed on a daily basis after each working day by ICT staff. This is a good industry practice to secure the corporate asset.

It was observed that the system backup cycle was based on a weekly cycle only. This means that KPF is able to recover data that is one week old only, at best. It is recommended to further enhance the backup cycle from weekly to monthly, and annually. This means that the KPF is able to recover data up to a year old.

It is also suggested to relocate the storage of the data back to a location that is further way from the ICT room to minimize the risk of losing the database server and the backup data in a single disastrous event. One of the possible data security strategies is shown as follows:

Table 18.1 Backup overview

Process	Description
Daily backup	onsite but in a location further away from the ICT room
Weekly backup	offsite (close by for quick access and recovery)
Monthly backup	offsite (away from the office region)
Yearly backup	offsite (in a country not in the same region
Pre/post processing	onsite but in a location further away from the ICT room (example – data backups before and after the annual interest processing)

It is also recommended to secure the data backup media from fire and water damage where affordable and practical to mitigate the risk of fire and water damage.

(iv) Computerised cheque printing

The Super Synergy System and the MYOB systems are used for information and processing of member benefits. Much of the data used for manually writing the cheque payable to the member is extracted from the databases of the two systems (e.g. payment voucher).

Considering the good ICT infrastructure available (laser printers, database and software applications) at KPF, it is an opportunity to consider computer generated/printed cheques to minimize transcription errors, act an internal control to ensure account update and improve productivity.

(v) Wide area network to link Kiritimati Island office

KPF has two offices, located on the islands of Tarawa and Christmas Island. ICT facilities and members' contribution data are available at the Tarawa office only. The Christmas Island operation serves several thousand members and relies on information that is at least several months old for limited KPF services. To effectively provide member service to members on Christmas Island branch office, much of the ICT services need to be available.

This means that the KPF may consider the option of developing a wide area network (WAN) to extend ICT services to the Christmas Island branch or explore other means of synchronizing data more frequently with the Christmas Island system.

It is recommended that technical training be provided to ICT staff to understand the technical options, design the WAN and recommend the best option to the KPF management and board. However, this development must be considered in view of the costs and benefits.

(vi) KPF web site - www.kpf.org.ki

The number of people who have access to internet and internet café on Tarawa is on the increase. International trends suggest that the number of internet users double every five years.

Therefore, it is encouraging that KPF has started development of a prototype version of a corporate web site www.kpf.org.ki that will provide KPF a presence in cyber space. This strategic and technological initiative will enable Kiribati workers (locals and overseas) to view and download KPF information from the World Wide Web (www).

In the medium to long term, KPF has the opportunity to enhance the functions on the web site to enable members and employers to transact KPF business on this web site.

(vii) Telephone information centre

The number of persons per telephone (land line and mobile) in Kiribati is steadily decreasing. This means that more telephones are available and accessible in Kiribati. This trend is expected to continue.

As telephones become more available in Kiribati, customers will be inclined and encouraged to use the telephone to contact KPF for information, answers to their queries and services without having to visit the office.

It is cost effective for KPF to encourage customers to save time and the cost of travel using the telephone system and only visit the KPF office when necessary. To provide such a telephone information service for better customer service in the future and a medium to long term strategy, the following is necessary.

- on-line and updated information provided by the computer system
- a telephone system that supports more telephone lines
- a dedicated team of trained staff that can answer frequently asked questions.

(viii) Debtor or contributions payable

It was identified that usually that it is difficult to manage the difference in the amounts specified in the contribution schedule and the payment amount. Primarily, it is best to solve the root cause of the problem by creating awareness, providing a checklist for the submission of payments and educating the employers to fill the forms correctly, and with the matching payment.

However, one possible ICT solution is to implement a debtor or contributions payable system that records automatically, generate notices (e.g. letters to employers) of the difference, and monitors the differences (by way of reports) in the payment of contributions. This monitoring information will automate the monitoring process, direct workflow and utilise the inspection resources more effectively.

(ix) Cash flow reporting and accounts payable

It is the intention of all organizations to manage cash flow to remain liquid and maximize investment potential. It was highlighted on one occasion that KPF was unable to pay member benefit claims on time due to cash flow caused by investing all available cash.

It is recommended to develop a small and simple monitoring and forecasting system that will generate reports of the trends and current total size of member benefit claims in progress. This will enable management and the board to make better decisions and manage the cash flow based on trends (historic and forecast) and actual information.

(x) Document scanning and retrieval

KPF intends to use technology to reduce the cost of operations, improve process efficiency, prevent loss of valuable data and improve response times by using scanning and imaging technology.

KPF identified the need to digitize important paper documents such as the old member account ledger cards (paper), member registration cards and member nomination forms located in the training room and compliance staff area. The digitized documents could be accessible to authorized staff in the KPF local area network. This will enable KPF to store the important source documents in a secure off-site and lower cost location.

Currently there is single copy of the member account ledger cards, member registration cards and member nomination forms that are fire hazards and take up valuable office space in prime real estate.

With the significant drop in the cost and availability of scan technology, this is an achievable medium term strategic initiative.

(xi) Computer room enhancements

Based on observation of the ICT setup at the Tarawa office the following suggestions are future improvements to the computer room:

- separation of the computer equipment room from the ICT staff rooms. The advantage if this setup would be to limit people access and dust from entering the computer room and hardware systems. It would also lower the cost of air conditioning at the ICT section and minimize the risks of the loss of equipment

- to minimize the risk and damage caused by an unfortunate event of a fire, is suggested to remove all unnecessary combustible items from the computer room and equip the computer room with appropriate fire extinguishers and other fire suppressant systems such as a carbon-dioxide discharging system

- maintain a clean and neat computer room by restricting the storage of unnecessary equipment and consumables in the computer room.

(xii) Management Information System (MIS)

The management information system is vital to measure the performance of the business operation to provide information for better decision making and to determine if the operational and strategic goals are achieved.

It is recommended to further develop the management information reporting system by:

- identifying and providing basic generic reporting of the core business
- developing reports for KPF that measure the progress of the organization, divisions and teams
- providing a flexible report tool for the timely extraction of information. Seagate Crystal Report Writer is a generic and popular reporting tool.

(xiii) Annual Interest Processing and Statement Printing

At the end of the KPF financial year (31st December) KPF usually waits for the December contribution that is payable during January and credited to member accounts during February of the next year.

The 2004 annual interest processing and statement printing process was not completed until late April 2005. The 2004 processing is an improvement compared to previous financial years where the member account statements were issued 6 to 12 months later.

Despite the improvement, the 4-month time-lag still attracted complaints from members. It is recommended that KPF work towards a quicker close to the financial year processing.

(xiv) Disaster recovery plan

It is prudent to recommend that KPF conduct a risk assessment to identify the risks, levels of risk and customer sensitivities (e.g. maximum outage time and levels of service) to develop a business continuity plan and ICT disaster recovery plan.

The ICT disaster recovery plan could consider the risk to identify and implement any solutions that would mitigate the risks, commencing with the higher risks.

Some common ICT DRP options are as follows

- develop policies and procedures to strengthen data backups to mitigate the risks of data loss
- use equipment with redundant components
- consider the re-location of ICT databases
- introduce off-site data backups
- introduce a disaster recovery site and distributed systems where applicable and practical.

(xv) Current ICT strategic developments & implementation plan

ICT is usually considered an enabler of the business. Therefore, it is important to develop a 3-year strategic plan that is aligned with the corporate strategy.

(xvi) Pension and health insurance systems

The Kiribati Provident Fund is currently considering the introduction of a pension and health insurance scheme. Potentially in the future, KPF may administer these schemes which have high transaction and maintenance accounts.

Therefore it is advisable that all new systems introduced at KPF should have the ability to support, integrate or interface with such systems and the level of transaction volume and response times.

PART III

NATIONAL SOCIAL SECURITY ACTION PLAN

Chapter 19 National Social Security Action Plans

Chapter 19 National Social Security Action Plans

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 Kiribati.

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 Kiribati 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 feedback 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 NSSAP

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 Kiribati. 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 Kiribati. It is recognised that implementation of more than one program will be difficult, but the NSSAP and the supporting documents can be used as the basis for future consideration of social security development in Kiribati. Some programs will have a much greater lead time and particularly where substantial changes are required such as pensions reform.

The NSSAP 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 Kiribati. 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. 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 Kiribati. It should be noted that 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 Kiribati.

It is recommended that **social health insurance** and **workers' compensation** programmes 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.

KIRIBATI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Social Health Insurance

The Situation
Kiribati 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 8.5% of GDP on health care and less than 1% of health care costs are out-of-pocket expenses.

The Needs
Surveys conducted of both formal employment sector workers and workers in the informal economy rated health insurance for members and their families in the lower half of needs with a very low priority.

The Gaps and Coverage
The coverage of a compulsory Social Health Insurance scheme for formal employment sector workers would be about 9,447 workers, based on 2004 KPF membership. With around 6.7 dependents per household (census 2000), a maximum possible 63,000 people or 70 per cent of the population could be covered by the scheme. However, family duplication in the workforce, and lower family sizes in the formal employment sector makes a figure around 50 per cent more realistic

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.

The Policy
The government has not placed any great emphasis on reforming the health care system in Kiribati but with relatively high GDP expenditure on health future increases in costs may place a burden on the government budget which provides almost 100% of the health care funding.
The initial stage of a social health insurance scheme would target formal sector workers (KPF 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 Institution
The KPF 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 in Kiribati. Other options can be explored.

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 Kiribati.

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 in improvement of a range of services, retention of trained Kiribati medical professionals and reduction in overseas treatments.

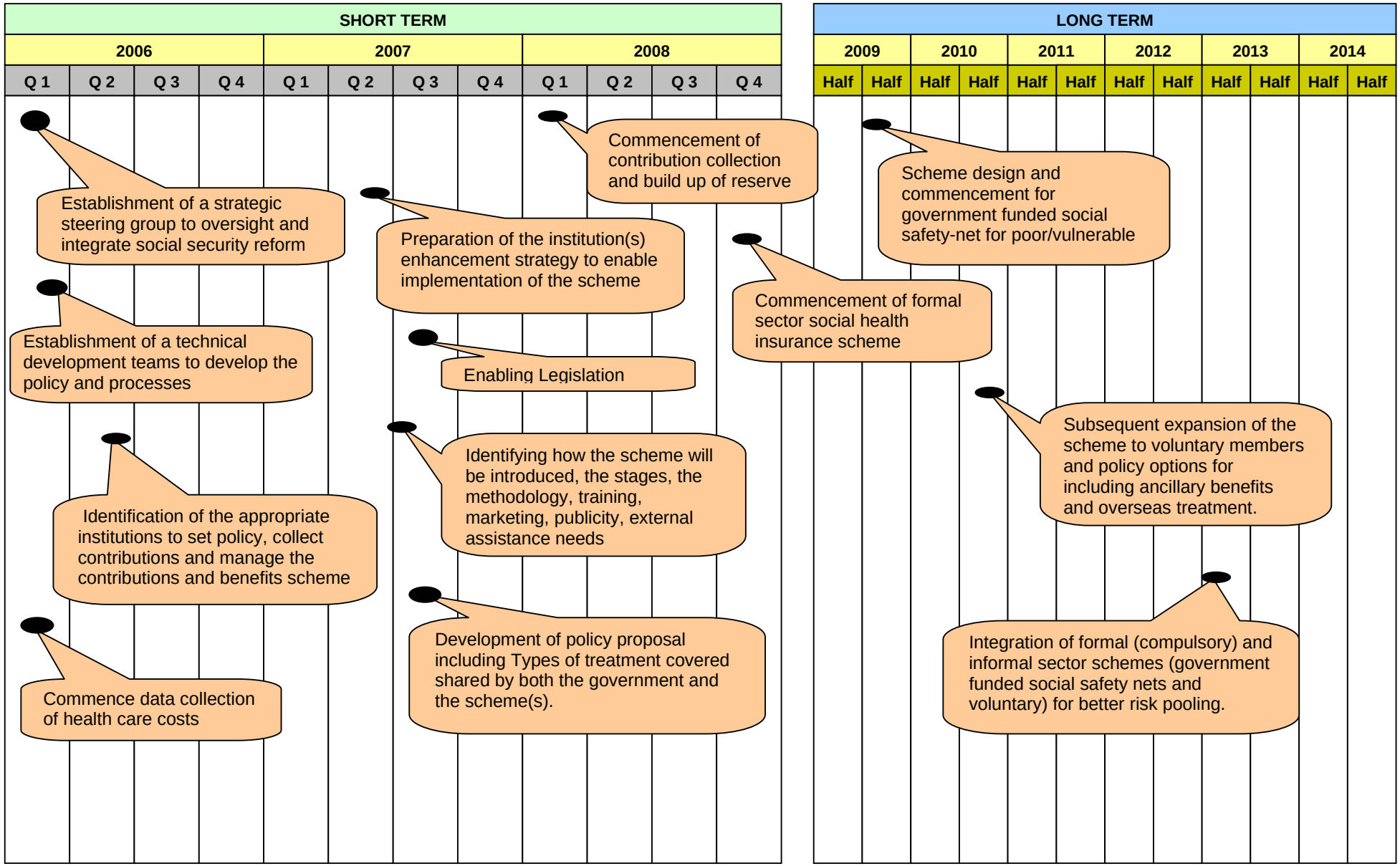
Resources
The program will require a range of resources in the stages of development and initial set up of the scheme. Technical Assistance is required to improve medical data collection and analysis, to assist in policy development of the insurance scheme and in the transition of hospital management from government to quasi autonomous agencies managed by boards.
Other resources will include the establishment needs and 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	Policy Development	Health Care Delivery Issues	Institutional Reform	Implementation Strategy
A strategic group comprising the key tripartite stakeholders needs to be established to oversight the reform process and provide direction to the development teams.	Technical teams need to be established to develop the options for a scheme that identifies the benefits, costs premiums, laws, regulations coverage, administration etc	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.	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.	This will need to identify how the scheme will be introduced, the stages, the methodology, training, marketing, publicity, external assistance needs etc.

National Social Security Action Plans

KIRIBATI - SOCIAL HEALTH INSURANCE ROAD MAP



KIRIBATI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Social Insurance Pensions

The Situation
The Kiribati National provident fund provides the major retirement income for workers but only in the formal employment sector. Currently compulsory contributions of 15% (7.5% + 7.5%) 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.

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.

The Gaps and Coverage
The compulsory retirement contribution through the provident fund covers formal employment sector workers only totaling around 9447 workers. Around 81% of workers have no retirement income coverage and rely on traditional means in old age or the newly established universal aged benefit scheme when they reach 70 years of age.

The Gender Issues
In Kiribati around 65% of the formal sector workforce is male 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 with little or no retirement income due to their additional longevity over men.

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 I-Kiribati people, an appropriate retirement age must be set. Practical administrative arrangements for making periodic pension payments and serving workers and pensioners throughout Kiribati must be designed. Once the pension scheme for Provident Fund members is in place, the universal pension scheme can be further extended over time to progressively cover those under 70 years of age.

The Institution
The KPF is a logical institution to collect contributions and also to manage the 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 Kiribati.

The Target Groups
The initial target groups would be the formal employment sector workers and their dependents and would be the same groups as the current provident fund members. The informal economy will need universal pension scheme to be continued and to be enhanced with economic conditions to possibly lower age groups as the need arises.

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 in old age.

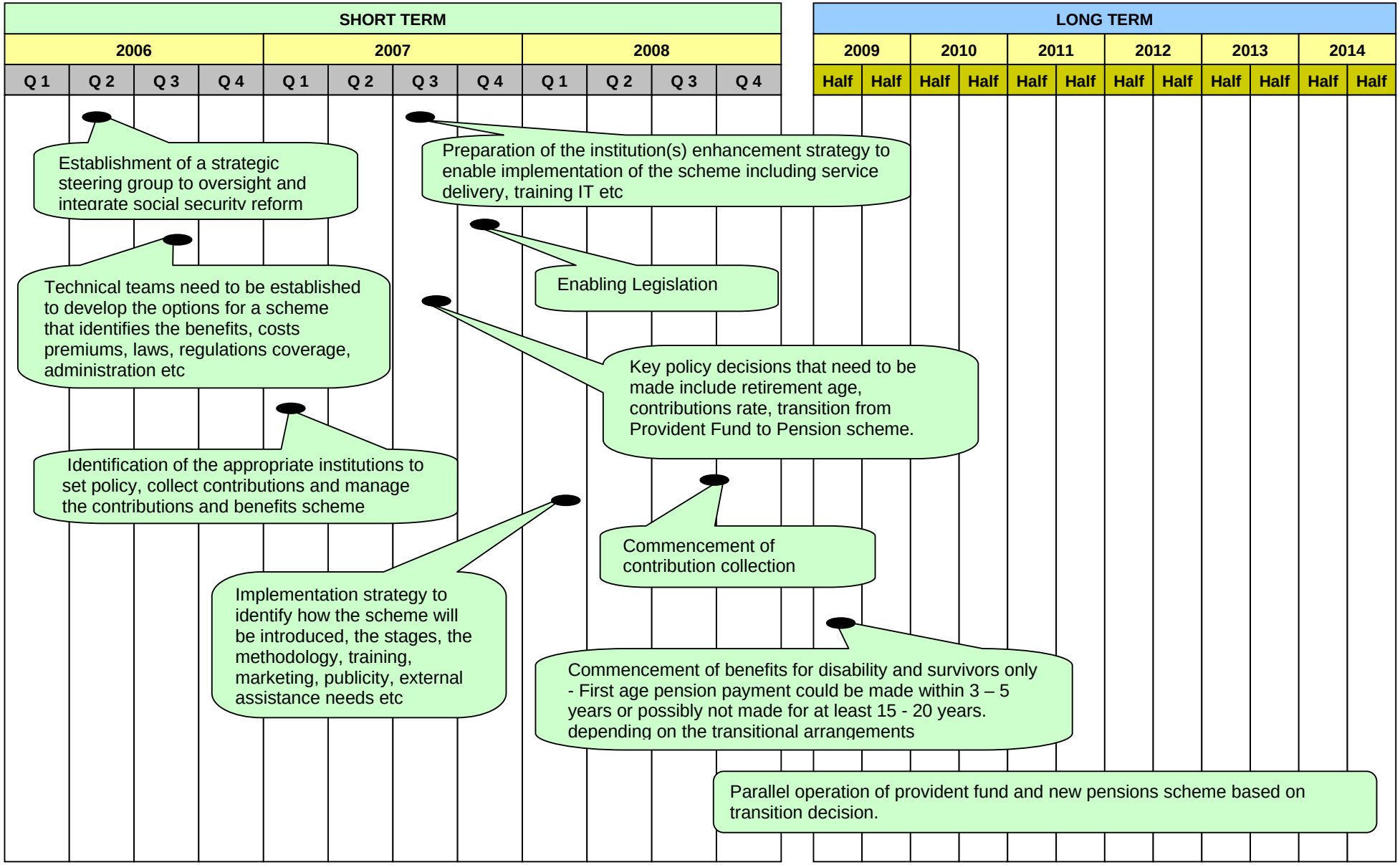
Benefits of the Program
The program will reduce dependence of aged people on their families and the government and their spending from the pensions from the fund can sustain local economies particularly in town and villages in remote islandsd. Replacing the Provident Fund lump sum with a lifelong pension will provide income security in old age where this is almost non existent now.

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 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. 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.

Implementation

Reform Task Force	Policy Development	Pension Delivery Issues	Institutional Reform	Implementation Strategy
A strategic group comprising the key tripartite stakeholders needs to be established to oversight the reform process and provide direction to the development teams.	Technical teams need to be established to develop the *options* for a scheme that identifies the benefits, costs premiums, laws, regulations coverage, administration etc	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.	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.	This will need to identify how the scheme will be introduced, the stages, the methodology, training, marketing, publicity, external assistance needs etc.

KIRIBATI- SOCIAL SECURITY PENSIONS SCHEME ROAD MAP



KIRIBATI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Unemployment Insurance

The Situation
There is currently no form of Unemployment Insurance available in Kiribati. The existing labour legislation provides provisions for redundancy and severance pay for laid off and dismissed workers.

The Needs
Surveys conducted of both formal Employment Sector workers and workers in the informal economy rated Unemployment insurance as the priority social security need for themselves and their families. In the formal employment sector it rated second behind health insurance

The Gaps and Coverage
The coverage of a compulsory Unemployment Insurance scheme for formal employment sector workers (9,447, based on 2004 KPF membership). With around 6.7 dependents per household (census 2000), a maximum possible 63,000 people or 70% of the population could be covered by the scheme. However, family duplication in the workforce, and lower family sizes in the formal employment sector makes a figure around 50% more realistic. figure

The Gender Issues
Women often take the brunt of reduction in household income and their special role on the nurturing of families is affected in times of unemployment by the partner. For single parent families unemployment usually means descent into poverty or reliance on family for survival.

The Policy
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 Institution
The KPF is a logical institution to collect contributions and also possibly to manage the benefits components of the scheme offering potentially the lowest cost and shortest development time. This is based on the current state of development of other government and para-statal agencies in Kiribati. The Ministry of Labour is the logical institution for the active labour market programs

The Target Groups
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.

Long Term Indicators
Long term indicators could see a reduction of skilled workers migrating into the informal economy and disadvantaging lesser skilled and capable workers. It could also see a lessening of the economic downward spiral resulting from economic downturns, workplace closures and short term changes in the composition of the labour force.

Benefits of the Program
The program would initially provide direct income replacement for laid off and dismissed workers and would maintain some local spending power through payments of benefits. The active programs would see improvements in the vocational training offered in Kiribati and better matching of employer needs against the job seekers.

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 the institutional capacity of the benefits agency and to modify IT programs to include the contribution collection and regular benefits payment functions
Other resources will include the institutional development of the ministry of Labour to expand the vacancy notification for employers, the job seeker information and access and to enhance the vocational training centres and to focus them on the skills needs of employers. The funding issues for the Ministry of Labour will greatly influence the outcomes of the re-employment component of the program.

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.

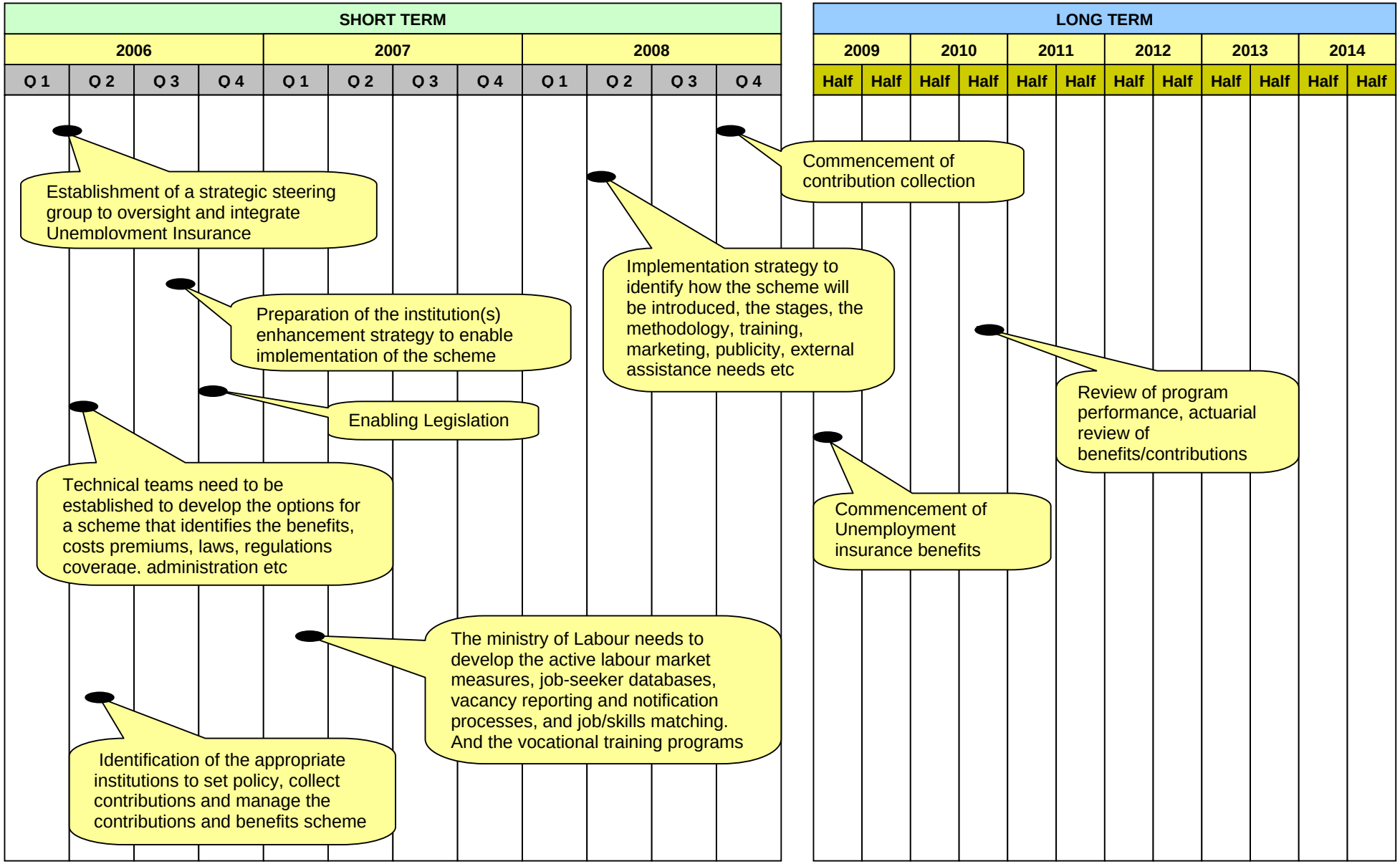
Benefits Policy
Technical teams need to be established to develop the *options* for a scheme that identifies the benefits, costs premiums, laws, regulations coverage, administration etc

Active Labour Market Measures
The Ministry of Labour needs to develop the active labour market measures, job-seeker databases, vacancy reporting and notification processes, and job/skills matching, and the vocational training programs.

Institutional Reform
The selection of the appropriate institutions to manage the components of 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.

KIRIBATI - UNEMPLOYMENT INSURANCE ROAD MAP



KIRIBATI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Social Assistance

The Situation
Kiribati 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 or from donors. The government does provide basic health care and for primary education but out-of-pocket expenses for education are high.

The Needs and Coverage
Some of the key priority needs identified in the social assistance feasibility study included: School fee assistance, Food supplement where malnutrition is diagnosed, concessional grants or loans to upgrade water and toilet facilities and supplementary cash assistance to households without viable income earners. 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.

The Gender Issues
Despite equality under the law, in practice I-Kiribati women are less likely to be in paid employment. In the traditional economy they 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 for most of these issues.

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 *Needs and Coverage* section shows the feasibility study recommendations.

The Institution
Given the almost total government funding of Social assistance a government Ministry is usually established to determine policy and deliver benefits. This organization will need to develop service delivery mechanisms, registration processes, fraud control and be strongly accountable for service provided.

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. and improved sanitary and water supply services

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.

Benefits of the Program
The Social assistance program will support the disadvantaged and poor members of I-Kiribati society where the traditional *te tekei Kiribati* (the Kiribati way) 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.

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 processing of 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.

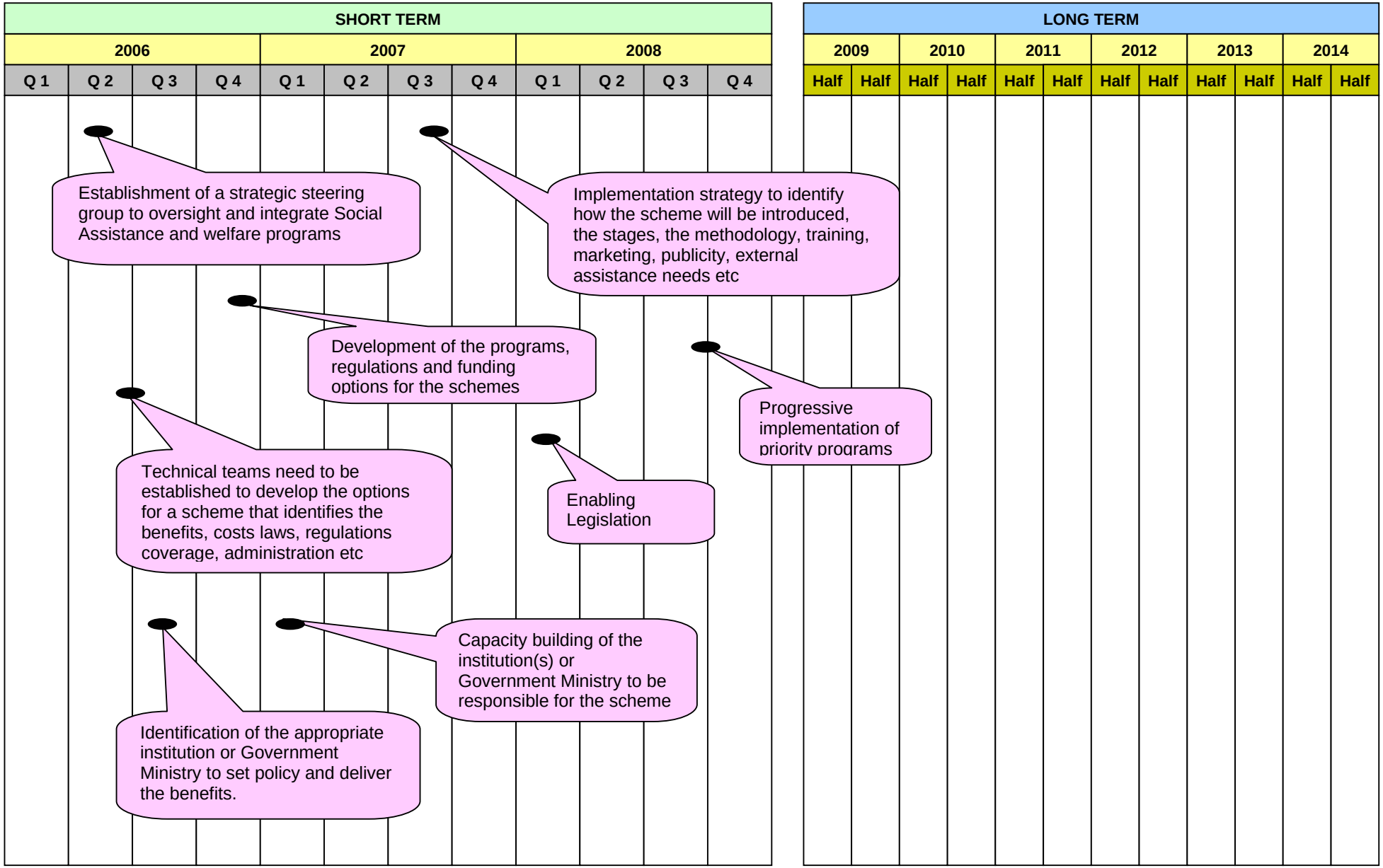
Policy Development
Technical teams need to be established to develop the *options* for a scheme that identifies the benefits, costs premiums, laws, regulations coverage, administration etc

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.

KIRIBATI - SOCIAL ASSISTANCE ROAD MAP



KIRIBATI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Workers' compensation

The Situation
Kiribati currently has an older style Employer liability scheme for workers' compensation based on compulsory insurance for employers to cover their workers in private insurance companies. There is only one major insurer for workers' compensation and who is able to provide cover through re-insurance.

The Needs
Surveys conducted of both formal Employment Sector workers and workers in the informal economy rated workers' compensation at around the middle level of their priority social security need for themselves and their families.

The Gaps and Coverage
The existing coverage of the compulsory worker compensation Insurance scheme for formal employment sector workers is not totally clear and despite assurances from the regulator that information is available, the Ministry of Labour is unable to determine the extent of coverage/non-coverage of the workforce

The Gender Issues
Whilst women represent only 27% of the formal workforce and therefore covered by workers' compensation legislation they constitute an equal representation in the family makeup that is subject to the benefits of workers' compensation. In the absence of a workers' compensation social insurance scheme the survivors have limited coverage by lump sum.

The Policy
The concept of Employer liability is somewhat dated and most countries now provide for a social insurance based workers' compensation scheme administered by a para-statal body governed by a tripartite board.
Contributions are made solely by employers and placed in a fund. The contributions can be risk rated or traditionally by a fixed percentage of payroll for all workers.
Benefit coverage should include income replacement for the period of the contingency and provide for full cost recovery for medical costs. Permanent incapacity should be covered by regular pensions throughout the period of contingency. This should be accompanied by a rehabilitation program to assist disabled workers to return to some form of constructive work. The scheme should be accompanied by an accident reducing strategy of OHS and active targeted campaigns to minimize injury

The Institution
The KPF 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 KPF. Other options need to be explored including KIC.

The Target Groups
The initial target groups would be the formal employment sector workers and their dependents. With improvements in active OSH measures and safety campaign. Some of the benefits may also flow onto workplaces not covered e.g. in the informal economy.

Long Term Indicators
Long term indicators could see a reduction in workplace accidents, minimization of the trauma associated with serious accidents and death and reduction in the associated health care and rehabilitation costs. A centralized scheme has better capacity to divert contributions into the worksafe and rehabilitation programs than the existing voluntary insurer based scheme

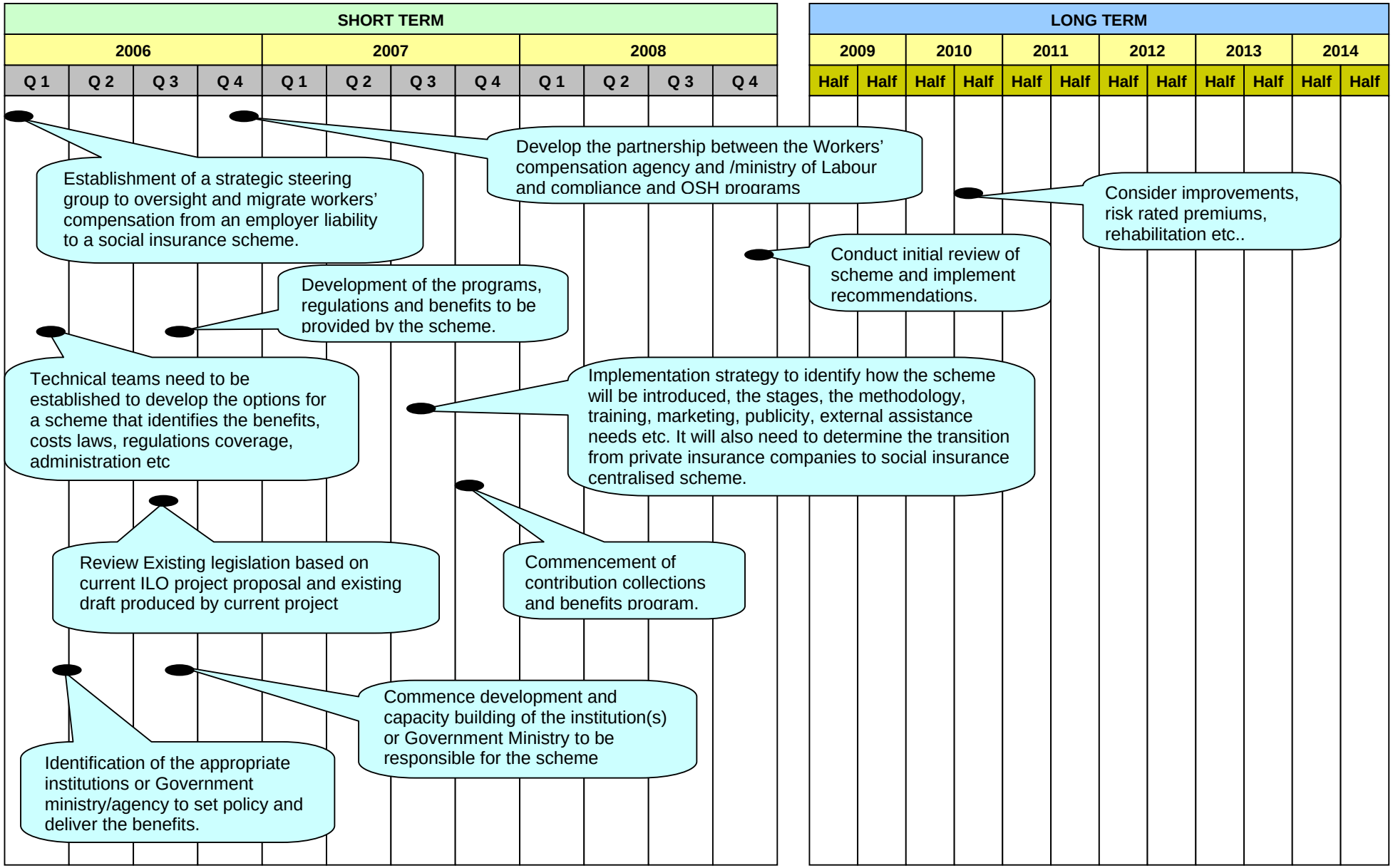
Benefits of the Program
Apart from the health and rehabilitation aspects the social insurance based workers' compensation program will better provide for disabled workers and offers the benefit of social solidarity. Insurance based schemes also eliminate the conflict that can arise between employers/employees and insurers and not for profit benefits can flow on to the beneficiaries.

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 and in the transition of from private insurance to a regulated quasi autonomous tripartite board.
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 reporting mechanisms through management information will improve the current system and needs to be core element in the program. The link to OSH and funding are also essential resource considerations.

Implementation

Reform Task Force	Policy Development	Compensation Benefits	Institutional Reform	Implementation Strategy
A strategic group comprising the key tripartite stakeholders needs to be established to oversight the reform process and provide direction to the development teams.	Technical teams need to be established to develop the *options* for a scheme that identifies the benefits, costs premiums, laws, regulations coverage, administration etc	Health care professionals and administrators need to develop the policy and the costs on which future premiums, benefits and rehabilitation components of the scheme will be based.	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.	This will need to identify how the scheme will be introduced, the stages, the methodology, training, marketing, publicity, external assistance needs etc.

KIRIBATI – WORKERS' COMPENSATION ROAD MAP



KIRIBATI

SOCIAL SECURITY ACTION PLAN - OVERVIEW

Maternity Protection

The Situation
Kiribati 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.

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

The Gaps and Coverage
The existing gaps in maternity protection are large at around 90% 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 76.7% of the formal workforce.

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 Policy
Maternity protection programmes have a range of objectives, including:

- 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 Institution
The KPF 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 KPF. Other options need to be explored.

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.

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 reduction in the high rates of maternal and infant mortality in Kiribati.

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 pre pays for maternity protection enabling the employer to cover the costs of employing temporary staff during the period of maternity leave.

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 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 Kiribati a contribution rate of around 0.40% of salary could provide 12 weeks paid maternity leave for workers in the formal employment sector. Increasing this to 0.45 % could cover 14 weeks paid leave in accordance with the minimum provisions of ILO convention No. 183, Maternity Protection.

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.

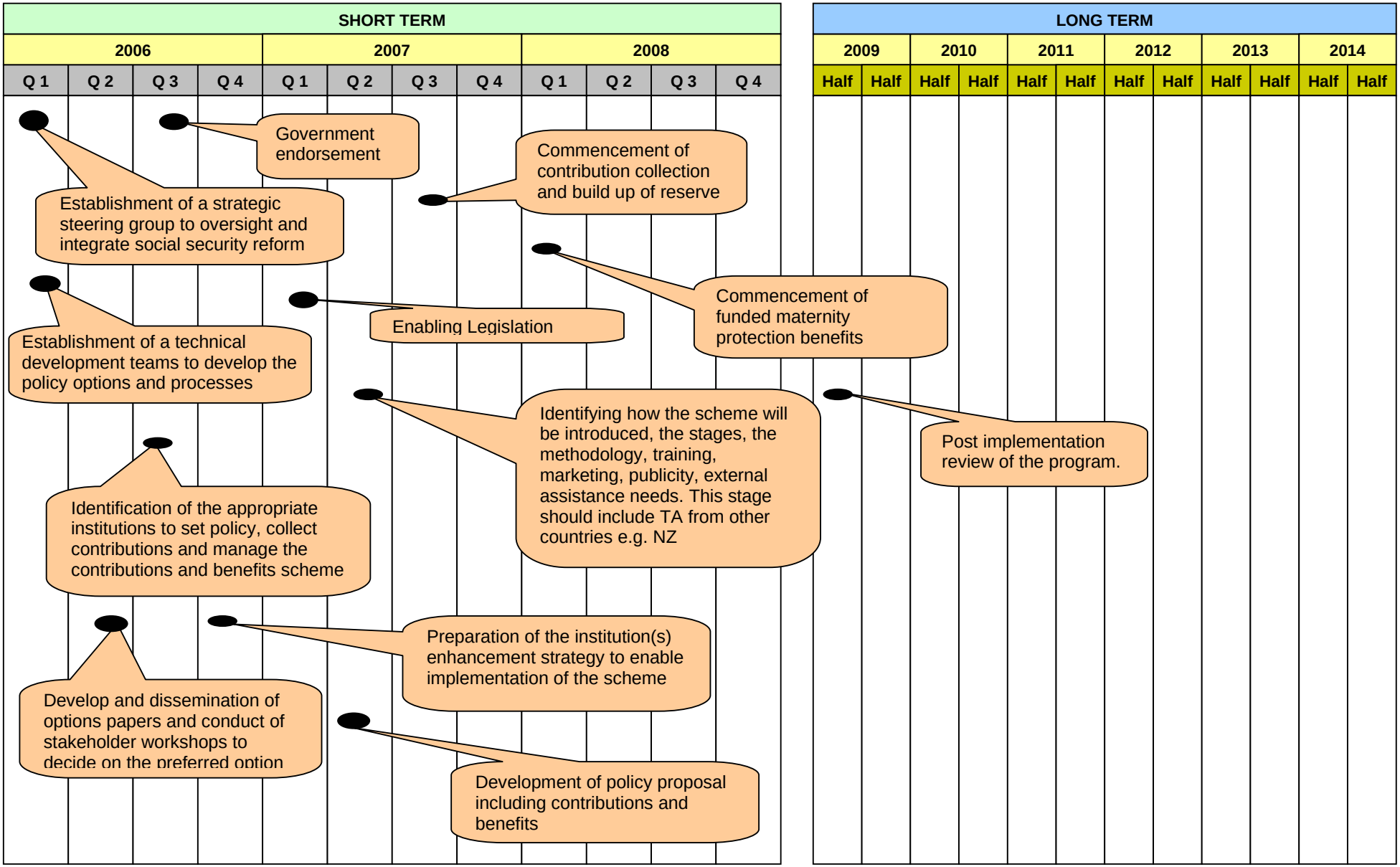
Policy Development
Technical teams need to be established to develop the *options* for a scheme that identifies the benefits, costs premiums, laws, regulations coverage, administration etc

Maternity Benefits
Health care professionals and administrators need to develop the policy and the costs on which future premiums, benefits components of the scheme will be 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, the methodology, training, marketing, publicity, external assistance needs etc.

KIRIBATI – MATERNITY PROTECTION ROAD MAP



PART IV

ANNEXES

Annex 1	**Selected international experience in the extension of social security**
Annex 2	**Kiribati 2004 budget estimates**
Annex 3	**KPF income statement 1998 - 2003**
Annex 4	**KPF balance sheet summary 1998 - 2004**
Annex 5	**KPF detailed listing of accounts 1998 - 2004**
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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.	• Health insurance • Health care • Loans insurance • Life/disability Ins. • Labour market collective • Child care via co-ops	• Premiums ($^1/_3$) • State subsidies and Insurance companies ($^1/_3$) • Other subsidies from GTZ ($^1/_3$)	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**	• Credit fund • Savings scheme • Health insurance • Composite social security, death, disability and property damage (in conjunction with an insurance company)	• 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 Columbian social security system	• Provides primary, • Secondary and tertiary health care services	• 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.	• Health insurance • Loans protection Ins. • Life/disability Ins. • Pensions • Coop officers protection	• 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	• Health insurance • Health care	• State and municipal subsidies to fund health cover for the poor	The program intends to integrate all existing health insurance schemes for inform 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.	• Capital loans to small business • Loan re-insurance • Life/disability. • Basic medical services • Pensions	• 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.	• Health insurance • Loans insurance • Life/disability Insurance	• 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.	• Basic health care	• 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	• Periodical pension payment	• 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.	• Primary health care, • Secondary and tertiary care at government centres	• 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 2004 budget estimates – statement of operating and statutory expenditure

Ministry	Operating expenditure to 31 December 2004	Net Provision under the head covered by the appropriation act	Statutory expenditure
Office of the Berentitenti	1,227,564	1,097,510	130,036
Public Service Office	1,048,689	1,028,607	20,082
Judiciary	1,322,145	1,159,070	163,075
Police and Prisons	6,313,630	6,086,917	226,713
Public Service Commission	136,080	118,490	17,590
Ministry of Foreign Affairs and Immigration	1,060,927	1,011,775	49,152
Ministry of Internal Affairs and Social Affairs	2,553,187	2,439,635	113,552
Ministry of Environment, Lands & Agricultural Development	2,586,197	2,480,220	105,977
Maneaba ni Maungatabu	1,683,896	1,259,802	424,094
Ministry of Commerce, Industry & Cooperatives	1,270,301	1,213,030	57,271
Kiribati National Audit Office	628,486	585,465	43,021
Office of the Attorney General	646,662	613,849	32,813
Ministry of Marine Resource & Development	1,902,978	1,822,388	80,590
Ministry of Health & Medical Resources	13,467,780	13,146,915	320,865
Ministry of Education, Youth & Sport	19,922,874	19,180,563	742,311
Ministry of Communication, Transport & Tourism Development	3,118,853	3,027,947	90,906
Ministry of Finance & Economic Development	2,523,032	2,412,814	110,218
Ministry of Public Works & Utilities	2,662,784	2,560,885	101,899
Ministry of Labour & Human Resource Development	2,124,310	2,055,508	68,802
Ministry of Line & Phoenix Islands Development	3,029,498	2,936,373	93,125
Debt Servicing	281,000		281,000
Other Expenses	14,331,376	14,331,376	
Sub-total	83,842,231	80,569,139	3,273,092
Add transfers and Financing			
Contributions to Development	2,916,000	2,916,000	
Contributions to the RERF			
TOTAL	**86,758,231**	**83,485,139**	**3,273,092**

Source: Republic of Kiribati 2004 Budget

Annex 3 KPF income statements 1998 - 2003

KPF Income Statements

	Notes	2003	2002	2001	2000	1999	1998
Overseas Income							
Income on Investments	A-1	4,183,446.45	2,590,746.28	3,594,455.14	4,420,114.03	4,452,176.14	4,933,016.42
Gain/(Loss) on Sale of Investments	-2	687,245.03	369,932.26	904,371.71	1,216,252.11	1,379,045.05	1,264,858.23
Gain/(Loss) on Investments Revaluation	-3	-456,958.70	-5,383,389.93	-2,231,343.21	-606,838.33	83,933.80	-350,854.29
		4,413,732.78	***-2,422,711.39***	***2,267,483.64***	***5,029,527.81***	***5,915,154.99***	***5,847,020.36***
BOK Interest		35,036.42	31,518.19	21,223.18	31,252.39	59,726.42	55,888.99
Staff Loan Interest		5,551.30	18,978.25	475.80	1,158.57	2,764.33	934.95
Staff Quarters Rent		986.70	986.70	994.20	1,397.50	1,397.50	1,451.25
Comm. Building Rent		140,100.00	132,398.64	132,398.64	132,398.52	132,398.56	132,398.64
ATL Dividends		0.00	0.00	0.00	0.00	0.00	11,520.00
Electricity from Tenants		63,168.47	58,738.72	45,407.67	34,227.39	30,473.66	34,550.21
Surcharges		0.00	0.00	0.00	0.00	94,928.95	136,467.52
Sundries		9,994.90	860.62	108.62	2,739.26	10,354.06	8,007.13
		254,837.79	***243,481.12***	***200,608.11***	***203,173.63***	***332,043.48***	***381,218.69***
Total Income		**4,668,570.57**	**-2,179,230.27**	**2,468,091.75**	**5,232,701.44**	**6,247,198.47**	**6,228,239.05**
Less Operating Expenses	B						
Staff Payroll	1	247,542.02	229,938.74	202,551.40	162,577.31	160,316.64	150,477.70
Office Expenses	2	94,517.60	95,452.12	108,143.22	101,204.77	90,535.61	84,181.15
Travelling - Local & Overseas	3	69,098.41	176,331.31	102,931.87	110,463.04	102,251.03	110,260.22
Fees & Other Charges	4	317,627.80	339,184.78	352,711.30	339,461.41	308,260.20	279,585.36
Repairs & Maintenance	5	58,537.84	72,537.38	30,298.13	15,996.31	18,399.07	14,803.32
Miscellaneous	6	59,754.06	41,446.31	73,948.79	61,256.48	43,235.31	40,690.90
Financial	7	96,786.89	86,911.02	82,794.33	74,330.89	57,632.88	50,372.59
Total Expenditure		***943,864.62***	***1,041,801.66***	***953,379.04***	***865,290.21***	***780,630.74***	***730,371.24***
Operating Profit/(Loss) before Members Expenditure		**3,724,705.95**	**-3,221,031.93**	**1,514,712.71**	**4,367,411.23**	**5,466,567.73**	**5,497,867.81**

KPF Income Statements

	Notes	2003	2002	2001	2000	1999	1998
Less Members Expenditure							
Interest adjustment		0.00	0.00	0.00	0.00	172,188.99	0.00
Interests on Withdrawals		0.00	0.00	0.00	151,125.83	214,359.86	207,751.45
Interests on Members Accounts (7%)		0.00	4,609,555.81	4,303,124.87	5,716,257.78	5,076,649.58	4,745,614.06
SDB Payment		0.00	0.00	0.00	1,000.00	400.00	0.00
Total Members Expenditure		**0.00**	**4,609,555.81**	**4,303,124.87**	**5,868,383.61**	**5,463,598.43**	**4,953,365.51**
Profit/(Loss) after Members Expenditure		**3,724,705.95**	**-7,830,587.74**	**-2,788,412.16**	**-1,500,972.38**	**2,969.30**	**544,502.30**
Non operating items							
Prior Period Items	B-8	30,380.87	325.40	**3,211.54**	4,173.30	-116,229.57	-14,742.17
Gain on sale of asset		0.00	3,750.00		0.00	0.00	0.00
Net Surplus/(Loss)		**3,694,325.08**	**-7,827,163.14**	-2,791,623.70	**-1,505,145.68**	**119,198.87**	**559,244.47**
Accumulated Surplus/(Deficit) at start of year		**-13,145,400.34**	**-5,318,237.20**	-2,526,613.50	**-1,021,467.82**	**-1,140,666.69**	**-1,699,911.16**
Accumulated Surplus/(Deficit) at end of year		**-9,451,075.26**	**-13,145,400.34**	-5,318,237.20	**-2,526,613.50**	**-1,021,467.82**	**-1,140,666.69**

Annex 4 KPF balance sheet summary 1998 - 2003

KPF Balance Sheet Summary

Account Name	Note	2003	2002	2001	2000	1999	1998
Current Assets	C-1	6,396,103.23	5,072,878.42	1,717,665.75	1,458,575.24	1615316.41	2422287.7
Current Liabilities	D-1	842,583.47	806,675.63	78,985.42	152,350.41	89,448.67	133,567.42
Working Capital		**5,553,519.76**	**4,266,202.79**	**1,638,680.33**	**1,306,224.83**	**1,525,867.74**	**2,288,720.28**
Long Term Assets	C-2	1,479,453.98	1,488,055.32	1,472,795.89	1,493,105.03	1,487,003.16	1,441,404.80
Investments	C-3	63,394,137.60	59,500,811.68	64,069,002.65	62,067,537.05	57,651,626.08	51,887,644.55
		64,873,591.58	**60,988,867.00**	**65,541,798.54**	**63,560,642.08**	**59,138,629.24**	**53,329,049.35**
Net Worth		**70,427,111.34**	**65,255,069.79**	**67,180,478.87**	**64,866,866.91**	**60,664,496.98**	**55,617,769.63**
Represented By							
Members Contributions	E-1	74,425,757.84	72,948,041.37	67,424,236.81	62,319,001.15	56,611,485.54	51,683,957.06
Reserves	E-2	-3,998,646.50	-7,692,971.58	-243,757.94	2,547,865.76	4,053,011.44	3,933,812.57
Total		**70,427,111.34**	**65,255,069.79**	**67,180,478.87**	**64,866,866.91**	**60,664,496.98**	**55,617,769.63**
		0.00	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Annex 5 KPF detailed listing of accounts 1998 - 2003

KPF Detailed Listing of Accounts

Notes	Item	2003	2002	2001	2000	1999	1998
A-1	**Income on Overseas Investments**	$	$	$	$	$	$
	Dividends - Australian Shares	838,129.54	325,058.65	573,865.39	545,946.48	468,466.48	469,459.26
	Dividends - Overseas Shares	197,114.48	217,034.58	372,060.11	1,675,239.76	2,574,864.23	2,575,687.70
	Distribution - Real Estate	589,831.41	387,030.89	571,122.65	561,070.48	437,081.74	283,415.85
	Distribution - Australian Bond	1,433,628.39	1,074,558.03	1,419,287.30	971,993.52	619,775.00	944,200.29
	Distribution - Overseas Bond	999,457.95	555,970.23	558,284.19	550,020.14	244,771.66	359,448.95
	Australian Cash	125,284.68	31,093.90	99,835.50	115,843.65	107,217.03	300,804.37
	Total	**4,183,446.45**	**2,590,746.28**	**3,594,455.14**	**4,420,114.03**	**4,452,176.14**	**4,933,016.42**
A-2	**Gain/(Loss) on Sale of Investments**						
	Australian Fixed Interest Securities	-	-	-	-	133,938.49	75,357.73
	Overseas Fixed Interest Securities	-	-	-	-	-	-
	Real Estate	-	-	-	33,890.19	61,634.80	214,219.97
	Australian Shares	-	-	-	1,182,361.92	699,757.49	690,099.29
	International Shares	-	-	-	-	483,714.27	271,984.40
	Total	**-**	**-**	**-**	**1,216,252.11**	**1,379,045.05**	**1,251,661.39**
A-3	**Gain/(Loss) on Investment Revaluation**						
	Investment			**LCM**	**LCM**	**LCM**	**LCM**
	Australian Fixed Interest		0.00	(849,624.08)	-	(296,188.06)	
	International Fixed Interest		0.00	(120,065.92)	(93,860.04)	(95,892.63)	
	Australian Equities		0.00	-	(667,504.28)	(404,101.52)	(1,032,870.41)
	Overseas Equities		0.00	(2,848,392.20)	(844,043.25)		
	Real Estate		0.00	(18,668.58)	-	(202,387.03)	(49,632.63)
			-	**(3,836,750.78)**	**(1,605,407.57)**	**(998,569.24)**	**(1,082,503.04)**
			0.00	(1,605,407.57)	(998,569.24)	(1,082,503.04)	(731,648.75)
	Less Investment Revaluation 1/1/97-99	**-**	**-**	**(2,231,343.21)**	**(606,838.33)**	**83,933.80**	**(350,854.29)**
B-1	**Staff Payroll**						
	Salaries - Established Staff	196,589.83	192,326.16	173,375.05	138,649.44	123,840.09	100,937.00
	Salaries - Temporary Staff	12,692.07	7,203.43	463.22	1,686.88	4,745.20	21,253.85
	Overtime	14,369.19	11,734.90	13,237.70	11,015.74	19,115.82	19,421.05

KPF Detailed Listing of Accounts

Notes	Item	2003	2002	2001	2000	1999	1998
	Allowances	8,193.73	3,705.24	3,678.43	2,818.60	4,058.35	1,522.85
	KPF Contributions	15,697.20	14,969.01	11,797.00	8,406.65	7,805.46	7,342.95
	Total	**247,542.02**	**229,938.74**	**202,551.40**	**162,577.31**	**159,564.92**	**150,477.70**
B-2	**Office Expenses**						
	Electricity	49,169.10	47,712.10	61,772.05	59,800.80	46,451.00	50,942.78
	Insurance Fire	11,960.06	12,051.80	8,017.25	8,077.85	7,885.28	6,298.15
	Office Supplies	4,422.40	7,121.19	7,613.75	6,386.66	13,886.73	9,521.59
	Telecom	28,119.44	27,235.38	29,535.92	25,810.36	21,010.55	15,579.48
	Postage	365.65	356.05	330.00	370.60	274.20	207.70
	Printing	13.20	172.90	550.00	530.50	291.30	925.60
	Entertainment	467.75	802.70	324.25	228.00	736.55	705.85
	Total	**94,517.60**	**95,452.12**	**108,143.22**	**101,204.77**	**90,535.61**	**84,181.15**
B-3	**Travelling - Local & Overseas**						
	Annual Leave	14,228.23	22,442.47	15,248.72	12,105.80	24,416.35	8,081.85
	Transport	7,948.80	8,108.55	6,482.16	8,973.75	6,529.85	7,226.24
	Permanent Hire	1,885.50	2,514.00	10,056.00	10,056.00	10,056.00	10,056.00
	Conference/ Workshop	13,666.17	50,850.62	52,557.03	36,696.22	46,755.03	50,895.50
	Compliance	10,031.76	76,576.41	1,172.75	37,360.15	12,836.40	33,770.63
	Training	21,337.95	15,839.26	17,415.21	5,271.12	970.00	230.00
	Total	**69,098.41**	**176,331.31**	**102,931.87**	**110,463.04**	**101,563.63**	**110,260.22**
B-4	**Fees & Other Charges**						
	Westpac Fees	305,563.00	324,592.00	342,480.00	328,373.23	297,822.00	275,648.00
	International Social Security Association	6,500.00	6,062.06				
	Financial synergy fee		6,260.00	5,987.40	4,970.97	5,290.23	-
	Audit Fees	3,000.00	-	1,325.00	3,000.00	3,000.00	3,000.00
	Bank Charges	2,164.80	2,270.72	2,518.90	2,717.21	1,710.97	937.36
	Council Service Charges	400.00	-	400.00	400.00	400.00	-
	Total	**317,627.80**	**339,184.78**	**352,711.30**	**339,461.41**	**308,223.20**	**279,585.36**

KPF Detailed Listing of Accounts

Notes	Item	2003	2002	2001	2000	1999	1998
B-5	**Repairs & Maintenance**						
	Commercial Building	18,287.38	13,870.40	11,766.43	10,815.91	11,640.97	10,056.83
	Staff House	1,696.25	3,028.80	4,859.65	1,718.65	1,849.25	599.79
	KPF Office	1,997.00	1,147.50	1,270.39	-	606.70	1,738.15
	Xmas Office Branch	-	1,452.70	-	-	397.60	-
	Watchman's House	-	-	-	-	-	-
	Vehicle - Pickup	1,446.85	258.55	1,244.00	1,842.25	1,482.15	1,877.10
	Vehicle - Motorbike	1,513.10	-	2,754.80	94.50	307.80	531.45
	Vehicle - Saloon Corona	-	-	-	-	-	-
	Vehicle Garage	25,589.87	16,576.28	7,583.11	447.00	-	
	Computers	8,007.39	36,203.15	819.75	1,078.00	2,114.60	
	Total	**58,537.84**	**72,537.38**	**30,298.13**	**15,996.31**	**18,399.07**	**14,803.32**
B-6	**Miscellaneous**						
	Advertisement	730.45	841.80	1,489.05	579.45	164.20	309.80
	Board of Directors	7,782.23	9,415.50	9,553.14	8,088.98	7,404.37	9,465.35
	Rental Lease	498.48	498.48	498.48	498.48	397.20	397.20
	KPF Office Rent	20,016.00	25,356.12	24,969.72	24,969.72	24,969.72	24,969.72
	Computerisation	-	-	33,457.75	-	-	2,363.97
	Staff Uniform	900.00	1,000.00	330.00	1,707.50	1,997.75	-
	Donation	2,130.00	1,750.00	3,300.00	11,144.15	4,510.60	3,137.90
	Sundry Expenses	16.50	2,584.41	350.65	14,268.20	3,771.87	46.96
	Actuarial study	26,750.00					
	Work experience	930.40					
	Total	**59,754.06**	**41,446.31**	**73,948.79**	**61,256.48**	**43,215.71**	**40,690.90**
B-7	**Financial**						
	Depreciation	91,949.49	**81,888.62**	76,115.93	67,247.39	52,940.18	47,509.50
	Bad Debts	-	-	-	-	-	-
	Subsidised House Rent	4,837.40	5,022.40	6,678.40	7,083.50	4,692.70	2,863.09
	Total	**96,786.89**	**86,911.02**	**82,794.33**	**74,330.89**	**57,632.88**	**50,372.59**

KPF Detailed Listing of Accounts

Notes	Item	2003	2002	2001	2000	1999	1998
B-8	**Prior Period Items**						
	Repair Pick Up	-	-	-	-	-	-
	Repair Commercial Building	-	-	-	-	-	-
	Telecom Charges	-	-	-	-	-	1,358.01
	Court Fees	-	-	-	-	-	-
	Accounts Receivable - Surcharges	-	-	-	-	-	-
	PVU Casual Labour	-	-	-	-	-	126.08
	Permanent Hire	-	-	-	-	-	-
	Unpresented Cheques	-	-	-	-	-	-
	Returned Cheques	-	-	-	-	-	3,676.78
	Civil Claim	-	-	-	-	-	8,125.00
	BPA Printing Charges	-	-	-	-	-	58.00
	Repair Staff Quarters	-	-	-	-	-	65.00
	PSC Contribution to Civil Claim	-	-	-	-	-	(6,000.00)
	Provision for Doubtful Debts written off	-	-	-	-	-	(24,852.46)
	Adjustment Fixed Asset	-	-	-	-	-	-
	Audit Fees - 1997	-	-	-	-	-	3,000.00
	Difference accounts & listing - Staff Imprest	-		-	-	-	(60.50)
	Debtors Adjustment	-		-	-	-	(238.08)
	Office Supplies					173.75	
	Audit fees prior 1997					2,435.00	
	Difference in Members' accounts					-137040.37	
	Adjustment on Investment Revaluation					13,196.84	
	Staff Imprest adjustment					4,868.17	-
	Adjustment figure					238.06	-
	Refer to Cash Book for full details	30,380.87	325.40	3,211.54	4,173.30		
		-	-	-	-	-	-
	Total	**30,380.87**	**325.40**	**3,211.54**	**4,173.30**	**(116,128.55)**	**(14,742.17)**
C-1	**Current Assets**						
	Cash at Bank	995,729.85	368,141.11	134,508.04	56,795.28	51,252.44	116,311.37
	Petty Cash	-	337.25	337.25	80.40	19.60	-

KPF Detailed Listing of Accounts

Notes	Item	2003	2002	2001	2000	1999	1998
	Interest Bearing Deposits (IBD)	1,837,574.36	1,353,310.42	943,599.33	633,714.93	1,164,934.44	1,770,643.99
	Contributions Receivable	-	-	-	-	-	-
	Provision for Doubtful Debts	-	-	-	-	-	-
	Accounts Receivable - Surcharges	9,842.27	38,785.46	42,352.37	52,722.64	64,317.40	36,505.93
	Accounts Receivable - Others	10,099.86	10,099.86	10,099.86	10,099.86	10,099.86	-
	Accounts Receivable - Overseas	-	-	-	-	-	47,165.00
	Debtors	-	-	-	-	-	-
	Rent Receivable - Commercial Building	(476.32)	2,245.02	1,586.38	8,320.79	7,358.08	8,983.61
	Electricity Receivable - Commercial Building	23,497.23	6,582.06	3,331.09	4,476.49	2,274.03	3,976.39
	Accrued Income - Overseas	2,643,658.89	2,556,266.20	454,910.87	575,905.87	228,194.59	245,593.54
	Accrued Income - Local	-	-	-	-	-	-
	Returned Cheques	12,070.15	6,532.32	5,304.72	2,301.74	2,089.20	2,174.43
	Staff Imprest	38,255.00	36,760.00	32,760.00	26,260.00	-	4,868.17
	Staff Loan	223,527.82	216,597.77	64,811.12	49,712.19	41,552.44	25,908.29
	Unsettled Sales of Investment	578,259.40	453,156.23	-	14,120.33	8,229.63	135,642.64
	Employer's Receivable Account	-	-	-	-	-	-
	Debtor - PVU	24,064.72	24,064.72	24,064.72	24,064.72	24,064.72	24,064.72
	Loan Adjustment-Staff Loan	-	-	-	-	-	449.62
	Prepayment	-	-	-	-	1,109.70	
	Total	**6,396,103.23**	**5,072,878.42**	**1,717,665.75**	**1,458,575.24**	**1,605,496.13**	**2,422,287.70**
C-2	**Long Term Assets**						
	Land	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00
	Buildings	1,259,301.27	1,278,130.23	1,273,635.32	1,293,152.48	1,316,512.76	1,331,117.69
	Furniture & Fittings	16,080.65	18,864.83	23,209.68	14,005.10	15,754.15	16,597.74
	Motor Vehicles	55,827.65	38,152.37	2,567.37	3,428.75	4,892.16	8,137.16
	Office Machineries	147,911.05	152,574.53	160,280.18	159,720.51	118,257.72	44,285.96
	Generator	(8,666.64)	(8,666.64)	4,103.34	13,798.19	22,586.37	32,266.25
	Total	**1,479,453.98**	**1,488,055.32**	**1,472,795.89**	**1,493,105.03**	**1,487,003.16**	**1,441,404.80**
C-3	**Investments**						
	Australian Fixed Interest Securities	19,866,549.00	18,225,575.84	18,225,575.84	17,583,955.05	15,895,000.25	12,911,158.64

KPF Detailed Listing of Accounts

Notes	Item	2003	2002	2001	2000	1999	1998
	Overseas Fixed Interest Securities	7,122,385.37	6,821,391.41	6,821,391.41	6,620,751.79	6,070,635.79	7,115,697.11
	Real Estate	7,095,180.29	6,626,677.62	6,542,123.99	7,099,412.65	6,059,642.15	4,155,130.86
	Australian Equities	14,267,400.06	14,118,208.98	13,478,404.12	13,257,063.49	11,958,238.28	12,512,233.52
	Overseas Equities	21,337,760.02	20,490,548.18	20,490,548.18	16,828,676.50	15,153,436.74	13,563,689.64
	Pool Investment	3,070,000.00	2,170,000.00	2,160,000.00	2,120,000.00	3,400,000.00	2,521,000.00
	Special Deposit Account	257,462.27	214,050.36	133,209.89	108,585.14	58,742.11	123,540.98
		73,016,737.01	68,666,452.39	**67,851,253.43**	**63,618,444.62**	**58,595,695.32**	**52,902,450.75**
	Investment Revaluation	(9,677,099.41)	(9,220,140.71)	**(3,836,750.78)**	(1,605,407.57)	(998,569.24)	(1,069,306.20)
	Abamakoro Shares	54,500.00	**54,500.00**	54,500.00	54,500.00	54,500.00	54,500.00
	Total	**63,394,137.60**	**59,500,811.68**	**64,069,002.65**	**62,067,537.05**	**57,651,626.08**	**51,887,644.55**
D-1	**Current Liabilities**						
	PAYE Taxes	4,221.32	(429.04)	(810.91)	1,167.95	(312.37)	1150.10
	Withholding Taxes	1,439.96	1,398.83	1,398.83	997.39	96.56	51.15
	Life Insurance Payable	192.00	(180.00)	(180.00)	270.00	(30.00)	530.00
	KHC House Rent Payable	(99.20)	(94.90)	(107.70)	(107.70)	(284.30)	(29.10)
	Linnix House Rent Payable	73.40	(35.10)	(35.10)	17.55	-	52.65
	BKL House Rent Payable	5.12	12.62	12.62	35.12	72.62	46.42
	DBK Loan Repayment	1,463.60	1,463.60	1,463.60	1,818.60	1,663.60	1663.60
	KHC Loan Repayment	80.00	80.00	80.00	80.00	80.00	80.00
	Account Payable DNE Kokori. T	1,307.77	1,307.77	1,307.77	1,307.77	1,307.77	1307.77
	Wages Payable	(4,480.88)	(4,452.88)	(4,425.38)	(1,765.04)	(891.86)	85.30
	Service Fees Payable	(75.90)	48.00	48.00	82.85	54.15	54.15
	Westpac Fees Payable	331,621.00	333,969.00	86,271.00	84,397.00	76,566.00	71404.00
	Unsettled Purchase of Investment	485,925.98	485,925.98	-	60,527.37	-	37293.58
	Error in Suspense	-	-	-	-	-	0.00
	Contribution Suspense	-	-	-	-	-	0.00
	Audit Fees Payable	14,100.00	12,000.00	12,000.00	12,000.00	9,000.00	10525.00
	Council Service fee payable	400.00					
	Accrued Expenses	-	(24,782.35)	(18,632.31)	(8,752.55)	-	8641.30
	KPF Contribution Payable	-	-	-	-	-	0.00
	KPF Social Fund	(90.70)	444.10	595.00	274.10	729.00	711.50

KPF Detailed Listing of Accounts

Notes	Item	2003	2002	2001	2000	1999	1998
	IISSA fees payable	6,500.00					
	Total	**842,583.47**	**806,675.63**	**78,985.42**	**152,350.41**	**88,051.17**	**133,567.42**
E-1	**Member's Contribution Account**						
	Opening Balance 1/1/98 : 1/1/97	72,948,041.37	67,046,287.31	62,078,852.06	56,380,161.39	51,656,788.12	46,741,582.38
	Opening balance adjustment					-96,949.80	0.00
		72,948,041.37	67,046,287.31	**62,078,852.06**	**56,380,161.39**	**51,559,838.32**	**46,741,582.38**
	Receipts	7,682,327.79	6,729,960.58	5,337,421.60	4,835,355.89	3,511,172.54	3,676,769.53
	Interest on Withdrawals	0.00	-	0.00	151,125.83	214,359.86	207,751.45
	Interest on Members Accounts		4,609,555.81	4,303,124.87	5,716,257.78	5,248,838.57	4,745,614.06
	Withdrawals	-6,204,611.32	(5,437,762.33)	-4,673,111.22	-5,004,048.83	-4,154,047.90	-3,714,929.30
		74,425,757.84	72,948,041.37	67,046,287.31	62,078,852.06	56,380,161.39	51,656,788.12
	Unallocated Members account	0.00	-	**377,949.50**	240,149.09	231,324.15	27,168.94
		74,425,757.84	**72,948,041.37**	**67,424,236.81**	**62,319,001.15**	**56,611,485.54**	**51,683,957.06**
E-2	**Reserves**						
	Equalisation Reserve	795,804.90	795,804.90	417,855.40	417,855.40	417,855.40	417,855.40
	Interest Stabilisation	717,103.25	717,103.25	717,103.25	717,103.25	717,103.25	717,103.25
	Special Death Benefit	246,667.00	246,667.00	246,667.00	246,667.00	246,667.00	246,667.00
	Accumulated Surplus/(Deficits)	(9,451,075.26)	13,145,400.34)	5,318,237.20)	2,526,613.50)	1,029,841.98)	(1,140,666.69)
	General Reserve	3,692,853.61	3,692,853.61	3,692,853.61	3,692,853.61	3,692,853.61	3,692,853.61
	Total	**(3,998,646.50)**	**(7,692,971.58)**	**(243,757.94)**	**2,547,865.76**	**4,044,637.28**	**3,933,812.57**

Annex 6 Kiribati informal economy survey form

Version 3 November 2004

Administration notes for Data Collectors

The purpose of this survey is to provide initial mapping on the social security situation for 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 Taatoa Kaiteie	Telephone:	(686) 21 153
	Address:	Kiribati Provident Fund PO Box 76, Baikiri, Tarawa	Fax:	(686) 21 186

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 rural 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 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 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,
- **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 Kiribati National Provident Fund but a social security scheme can provide a wider range of benefits than the KNPF 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

Age ☐
Married ☐
Single ☐
# of Dependents ☐
Sex M ☐ F ☐

2. Education

None ☐
Primary ☐
Secondary ☐
Tertiary ☐
Trade ☐

3. Land Tenure

Do you own your land/boat? Yes / No
Status of land ownership
Freehold ☐ Traditional ☐
Leased ☐ Squatter ☐
How much lease do you pay? $ pm

4. Crops Grown

Ignore for fishermen ☐
☐
Copra ☐
Mixed Crops ☐
Vegetables ☐

5. Employment Status

Self Employed ☐
Regular Employee ☐
Casual worker ☐
Unpaid worker ☐ ☐
Employer ☐ Employees

6. Occupation

Fisherman ☐
Farmer ☐
Fish/Farmer ☐
Retail ☐
Other ☐

7. Do you have insurance on crops/boats?

Yes ☐
No ☐

8. Do you have other micro insurance?

Yes ☐
No ☐

9. Why no Insurance cover or micro insurance?

Not available here ☐
Unable to get cover (risk) ☐
Benefits not high enough ☐
Unable to afford premium ☐

10. Income Pattern

How do you sell produce?
Market ☐ Own Use ☐
Cooperative ☐ Contract ☐
Direct sale ☐ Barter ☐
% of Income is cash (rest goods & food)?
100 ☐ 80 ☐ 60 ☐ 40 ☐ 20 ☐ <20 ☐

11. Which months do you earn most income?

January	☐	July	☐
February	☐	August	☐
March	☐	September	☐
April	☐	October	☐
May	☐	November	☐
June	☐	December	☐

12. Which months do you earn least income?

January	☐	July	☐
February	☐	August	☐
March	☐	September	☐
April	☐	October	☐
May	☐	November	☐
June	☐	December	☐

13. Do you receive regular income?

Yes / No

14. Any months with no income?

15. How do you pay costs then?

Gift from Family ☐
Personal savings ☐
Sell some assets ☐
Borrow money ☐
Assistance govt/NGO ☐
Accumulate Debt ☐

16. Annual Income – Self

> $7,000 ☐
$5,001 – $7,000 ☐
$3,001 – $5,000 ☐
$1,001 – $3,000 ☐
< $1,000 ☐

17. Annual Income – Family

> $7,000 ☐
$5,001 – $7,000 ☐
$3,001 – $5,000 ☐
$1,001 – $3,000 ☐
< $5,000 ☐

18. Are you a member of a Social Security program?

Work Injury ☐
Health Insurance ☐
Maternity ☐
Aged/Retirement ☐
Death/Life Insurance ☐
Unemployment ☐
Housing ☐
Education Plan ☐

19. What Social Security programs would do you need?

Work Injury ☐
Health Insurance ☐
Maternity ☐
Aged/Retirement ☐
Death/Life Insurance ☐
Unemployment ☐
Housing ☐
Education Plan ☐

20. What is your priority order Social Security program?

Work Injury ☐
Health Insurance ☐
Maternity ☐
Aged/Retirement ☐
Death/Life Insurance ☐
Unemployment ☐
Housing ☐
Education Plan ☐

Mark as a number 1 to 8. # 1 top priority

21. Would you contribute to Social Insurance?

Yes ☐ Maybe ☐ No ☐

23. Who should contribute for your Social Security?

Individual (self)	☐	Local Government	☐
Employer	☐	Shared by all (i.e. self+employer+govt)	☐
National Government	☐	Don't know	☐
Provincial Council	☐	Other	☐

22. 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	☐

24. Without social security, who will look after you when you are unemployed, injured, sick, aged, etc?

Self	☐
Savings	☐
Family	☐
Government	☐
No one	☐

25. How much (*per month*) could you pay for Social Security?

> $30	☐
$21 – $30	☐
$11 – $20	☐
$6 – $10	☐
< $5	☐
Could not pay	☐

26. Do you have other micro loans?

Yes ☐
No ☐

27. Why no Micro loans?

Not available here	☐
Unable to get loan (collateral)	☐
Repayments too high	☐
Capital not high enough	☐
Unable to afford deposit	☐

28. Membership of Organizations

Rural cooperative	☐
Micro Insurance	☐
Provident Fund	☐
Health Insurance	☐
Church Groups	☐
Other	☐

This question to be completed by Data collector

29. Demographic Information

Name of town/village/location ☐

Predominant enterprise in the area

Fishing	☐	Subsistence farming	☐
Services	☐	Plantation	☐
Mixed farming	☐	Retail, market centre	☐

Remote location Yes ☐ No ☐

Built-up area Yes ☐ No ☐

Approx size of local community (people) ☐

Approx distance to nearest large town ☐ Kms ☐ Hours

Interviewer ☐

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 someway 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, per cent 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 per cent 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. Which asks if there are any months with no income. There is a distinction between Q12 here in that this is no income whereas Q12 asked for least income.

15. 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.

16. 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.

17. 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.

18. 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.

19. The discussion in Q18 also applies to this question.

20. 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.

21. 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.

22. This question is only relevant for those who indicated in Q21 that they would not be prepared to contribute to a social insurance scheme.

23. 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 fund the schemes that will provide their social security benefits.

24. 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

25. 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.

26. 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.

27. 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.

28. 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.

29. 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 7 Kiribati formal employment sector survey form

Version - 15 February 2005

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 KPF 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 Kiribati National Provident Fund but a social security scheme can provide a wider range of benefits than the KPF 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. Tatoa Kaiteie Telephone: (686) 21 153

1. Your personal information

Age ……..... ☐

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?

More than $15,000 ☐

$10,001 – $15,000 ☐

$5,001 – $10,000 ☐

$3,001 – $5,000 ☐

Less than $3,000 ☐

The KPF 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 KPF?

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. Who provides for your health insurance?

Employer provided scheme…….. ☐

Private health insurance …….. ☐

Workers group scheme …….. ☐

Credit union or union based scheme ……. ☐

No one (public health cover only). …….. ☐

Other (please specify) …….. ☐

10. 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.. ☐

11. 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 .. ☐

12. 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 …….. ☐

13. Who should contribute for your social insurance or social security?

- Individual (self) …… ☐
- Employer …….. ☐
- National Government ☐
- Local Government …. ☐
- Shared by all … ☐
- Don't know ….. ☐
- Other …… ☐ (please specify)

14. Would you contribute for additional social security coverage for all of some of your priority needs?

Yes ☐ No ☐ Maybe ☐

15. 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 ☐

16. If you had no other options but to contribute for additional social insurance, how much per <u>month</u> could you contribute?

- More than $30 ….. ☐
- $21 – $30 …… ☐
- $11 – $20 …… ☐
- $6 – $10 …….. ☐
- Less than $5 …….. ☐
- Could not pay …… ☐

Other comments you would like to make

Thank you for taking part in this survey / / 2005

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Institute of Development Studies (IDS, UK)	www.ids.ac.uk/eldis/eldis	Miscellaneous development information
International Labour Organisation	www.ilo.org;	Labour; employment data; Information technology indicators
Pacific Islands Forum Secretariat	www.forumsec.org.fj	Trade; economic, etc reports on FICs
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